

# Global Mobility Under Pressure – Turning Compliance Challenges into Opportunities

The current heated discussions around the implementation of the Enforcement Directive 2014/67/EU of the European Parliament related to the Posting of Workers Directive 96/71/EC have brought the topic of international compliance on the top of the agenda of many company leaders. According to the directive, any cross-border posting requires a notification to the authorities of the host country before starting the assignment. The posted worker must be able to present all required documentation – including the A1 Certificate (proof of social insurance in the home country) – at any time to the local authorities upon request. The A1 Certificate will be mandatory without any timely exception also to short-term business travelers as of 1st January 2019. In case of failure, companies run the risk of having severe penalties applied ranging from important fines to denial of access to the workplace. Not to forget the important reputational consequences that non-compliance is likely to bring along.

## THE RISK OF COMPLIANCE FALLING THROUGH THE CRACKS

Tracking short-term business travellers is a major challenge for organizations, and one which often falls between Finance, Corporate Tax, HR and Mobility. Employees usually organize their business trips independently, and no department has the full picture of cross-border business trips prior to departure. However, this is what is actually needed to ensure compliance with the A1 Certificate, even more as business units are not yet sufficiently aware of the compliance risks and related consequences. Therefore, urgent solutions and well-grounded advice is needed. Traditionally, the responsibilities of the Global Mobility (GM) function do not include cross-border business travelers. It usually only intervenes in longer term expat assignments starting from two weeks or even beyond three months. However, expectations are high that global mobility is taking care of all compliance topics related to international people transfer. The implications of not delivering can be far reaching.

## FACTORS THAT CONTRIBUTE TO THE GROWING NUMBER OF INTERNATIONAL COMPLIANCE RISKS

The example of the Posted Worker Directive illustrates very well the additional burden that increasing compliance requirements are posing on companies and the difficulties of companies to deal

with them effectively. There are several factors that are inevitably contributing to the enormous growth of international compliance risks in general.

- **Increasing number of cross-border movements.** Globalization has been a trend for many years, and multiple companies have spread more and more geographically their organizational structures and processes to maintain a competitive edge. This has led to often complex international matrix organizations that require multiple cross-border movements to an increasing number of different locations with different national regulatory frameworks. Evidently, these complex cross-border settings pose greater risk and compliance demands on the organization.
- **New and more flexible mobility assignments are becoming common practice.** Traditional long-term assignments of over two years have rather become the exception than the rule. They have been replaced in the meantime by a range of far shorter and more flexible cross-border assignments, such as frequent extended business trips, temporary project assignments, or cross-border home office arrangements, just to name a few. Each one of these has its own legal implications, and business units are often not aware of them.
- **Global connectivity among public authorities allow more effective monitoring and enforcement of compliance.** While multiple new regulations are implemented, new technologies offer new possibilities of collaboration and data exchange between and regulatory bodies of different nations. Nowadays, tax and social security authorities coordinate with immigration authorities to monitor and enforce cross-border data compliance and

to thoroughly track business travelers. Considering the enhanced cross-border collaboration among the different bodies, inspections are likely to become more frequent in the future.

All these elements raise the necessity for company leaders to lift the profile of the global mobility function, to empower it, and to enhance its capacities. At the same time, GM becomes under pressure to perform. To deal effectively with the growing number of international compliance risks, GM must be ready to deal with complex situations and willing to take over additional responsibilities. To do so, it must become more proactive, timely, efficient, and ultimately compliant.

### COMPLIANCE RISKS AS AN OPPORTUNITY TO RAISE THE PROFILE OF THE GM FUNCTION

Global mobility leaders have been demanding for years to have a seat at the table of the business leaders to be able to make strategic contributions to the business and people agenda. In fact, many organizations still do not involve the global mobility function in strategic decision taking related to cross-border movements. Nor is GM always structurally involved in advance in cross-border business operations. In this regard the growing international compliance challenges represent an enormous opportunity for global mobility if their leaders use the momentum and start putting in place the following preconditions that will allow them playing an effective role in international compliance risk management.

- **Creating the necessary interfaces between GM and the other HR departments by integrating GM into the global HR Systems.** Data analytics technologies provide enormous opportunities for enhanced compliance in global mobility, as a lot of data will need to be processed in short time. Many HR systems have, however, been designed without taking into consideration the specific needs of the global mobility function. Consequently, GM

teams generally struggle to access or share relevant data from multiple sources with other HR departments. This in turn often undermines the strategic impact of the function and how it is perceived. To allow timely and reliable compliance data transfer between all relevant departments, HR needs to integrate the specific global mobility needs and to create the necessary interfaces between GM and the different HR departments.

- **HR must align GM directly with the business and non-HR support functions,** such as finance or internal tax, to put GM in the position to play an effective coordination role and have a strategic impact.
- **Existing linkages with third-party providers about mobility compliance need to be enhanced** to bring in the necessary expertise in-house and to remain on the top of any regulatory changes at the international level.
- **Risk awareness and a sound understanding of the legal implications of cross-border activities.** While awareness of international compliance risks is fairly high within the GM function, GM in cooperation with HRD must build urgently awareness and capacities of the business units in global mobility issues and related compliance risks. A common understanding and joint effort of all stakeholders is needed to tackle the enormous compliance challenge.
- **Establishing a monitoring framework for international compliance risks.** Adding a framework and a sound methodology to manage compliance risks will help global mobility to achieve compliance control.

Indeed, times are challenging for global mobility, but they also offer an enormous opportunity. By improving interaction and integration, HR in general and global mobility in particular, can contribute enormous value to cross-border compliance risk management. If GM manages to demonstrate its expertise in international compliance, it might reach its ultimate goals and get its desired seat at the top table of the organization, which in return will facilitate its future work in many other aspects. •

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