

THE EVOLUTION OF REMOTE WORK



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Introduction

As the COVID-19 pandemic rapidly gained ground around the world in late 2019 and early 2020, few could have foreseen just how much would change in terms of personal and professional circumstances. The pandemic upended the workplace, prompting companies to rethink their policies and operations to keep employees safe and healthy, while ensuring successful business continuity. The experience of operating during the pandemic, particularly with regard to working remotely, has influenced organizations' responses to much discussed "Great Resignation" and resulting talent shortage. In order to retain and acquire scarce talent, organizations have embraced the possibility of remote work in a number of ways, from the widespread adoption of flexible, yet office and location tied, working patterns, to the widespread rollout of short term, voluntary employee mobility programs.

For the purposes of this report, full-time office, hybrid and full-time remote work were defined as follows:



Full-time office: The employee spends all of their time in the office or on site, with rare exceptions.



Hybrid: The employee is tied to and located near a physical office, and spends part of their time working remotely or from home, and part of their time on site or in office. This also includes workers who would have been eligible for partial work from home arrangements.



Full-time remote: The employee is not tied to a physical office, and spends all of their time working remotely or from home.

To illuminate how the confluence of remote work and mobility continues to evolve, Worldwide ERC has built upon its groundbreaking 2021 research, “Remote Work: The Road To The Future,” with a new, in depth study that brings together the voices of over 500 CHROs and other senior HR leaders, as well nearly 100 corporate mobility leaders. Overall, we find that:

- 1 Remote work is driving employee mobility.
- 2 Global Mobility’s role is more critical than ever.
- 3 Remote work is hybrid work.
- 4 Mobility is now for the entire workforce
- 5 Core HR policies, including compensation and benefits, are staying the same

Within the following pages, we will explore each of these findings in more depth, examining the drivers and practical implications of this major shift in the human resources and mobility landscapes.

Remote Work is Driving Employee Mobility

A little reported on, and underappreciated, phenomenon is the extent to which the experience of widespread remote work operations have actually increased organizations' willingness to utilize travel and mobility for business purposes. Early in the pandemic period, many were predicting that the remote work experience and overnight adoption of teleconferencing technologies would permanently reduce travel and mobility as a business tool. While this seems intuitive as a cost saving measure, most leaders have realized that teleconferencing is no substitute for in person interaction, whether that is for internal collaboration or finalizing relationships with an important client. The logic then seems clear: meetings that are critical for the success of the organization need to be in person, but day to day communications within the organization can happen

remotely. The typical employee can spend more time on the road, meeting with colleagues and clients while keeping in close contact with their leadership and wider organizations. And in fact, more than half of senior HR leaders¹ (61%) are more likely to send employees to new locations, either for business travel or longer-term relocations and assignments. A preponderance of corporate mobility leaders (81%) reported that they were more likely or about as likely to utilize travel and mobility.



¹ of senior HR leaders are more likely to send employees to new locations.



of senior HR leaders have no changes regarding sending employees to new locations.



of senior HR leaders are less likely to send employees to new locations.



of Corporate Mobility leaders are more likely to send employees to new locations.



of Corporate Mobility leaders have no changes regarding sending employees to new locations.



of Corporate Mobility leaders are less likely to send employees to new locations.

Global Mobility's Role is More Critical Than Ever



Execution of varying policies—for full-time remote work, hybrid work, and full-time on-site work—incorporates the efforts of several HR specialist departments. Both senior HR leaders and corporate mobility leaders reported cross functional teams having a hand in the successful creation, direction and administration of remote work policies, with Global mobility, tax, payroll, finance, total rewards, compensation and benefits, immigration, and general human resources all contributing to the conversation. Study results indicated:



For creation of policies, **mobility and general HR** play the greatest roles.

For directing policies, responsibility is mainly split between:

mobility, tax, total rewards, compensation & benefits, payroll and general HR.



For administrative efforts, **senior HR leaders**

see all human resources functions taking a role, while

mobility leaders

see mobility, payroll and general HR administering policies.



Function reported as being involved with creation, direction or administration of remote work policies:

	<u>Senior HR</u>			<u>Corporate Mobility</u>		
	Create	Direct	Administer	Create	Direct	Administer
Global mobility	41%	42%	41%	33%	30%	30%
Tax	22%	47%	51%	18%	32%	9%
Payroll	24%	41%	63%	11%	17%	26%
Finance	27%	48%	52%	9%	23%	10%
Total rewards	33%	47%	47%	23%	27%	9%
Compensation and benefits	32%	45%	50%	27%	28%	8%
Human resources	37%	53%	54%	41%	39%	41%

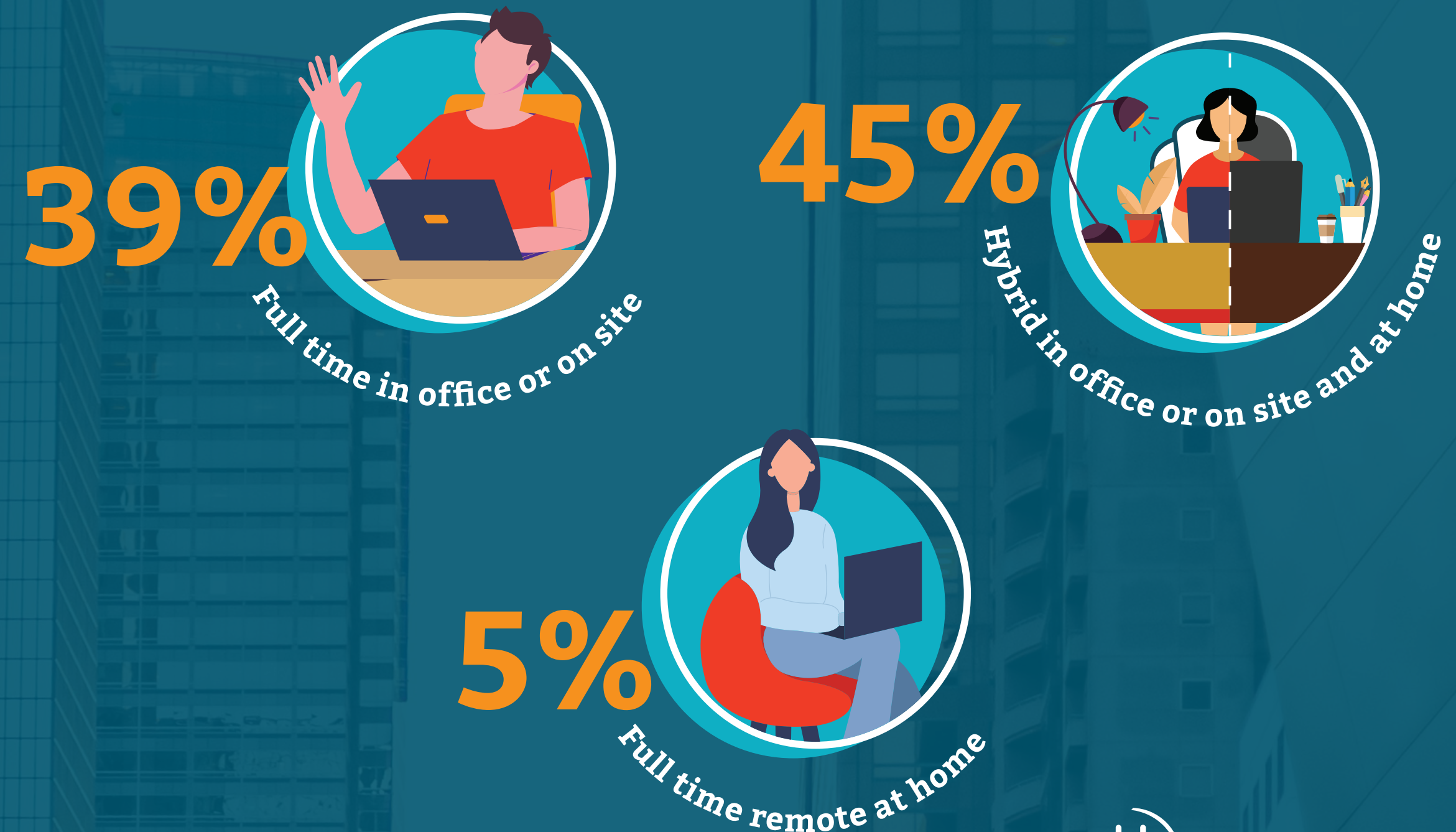
Remote Work is Hybrid Work

When COVID-19 appeared on the scene, remote work transitioned from an occasional option for a handful of individual employees to the new normal for many organizations. In recent months, however, the situation has once again evolved, with remote work becoming less common than employees working in a hybrid capacity. Senior HR leaders report a small minority of their workforce will be permanently, full-time remote in the future, with the average respondent saying 11% of their workforce will be remote.

Most surprisingly, the median respondent said that 0% of their workforce will be remote, with slightly over half of respondents indicating they will have no full-time remote employees. The vast majority of the workforce will be tied to a location and office, either as a full-time

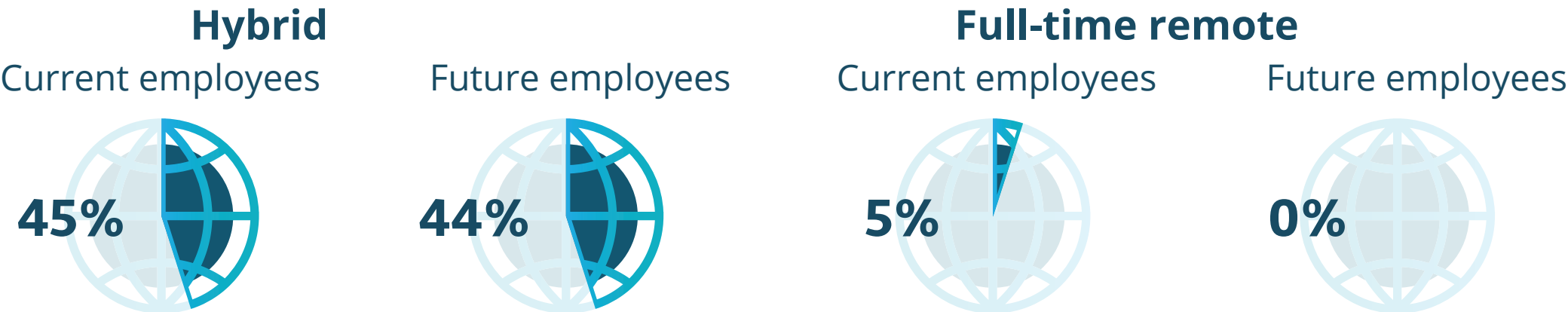
office or hybrid worker. This is a notable lowering of remote work expectations from just a year ago, when Worldwide ERC research of a similar audience (“Remote Work: The Road To The Future”) showed that senior HR leaders believed 96% of their workforce would be somewhat remote, down to ~50-54% today.

Currently, their workforce is:

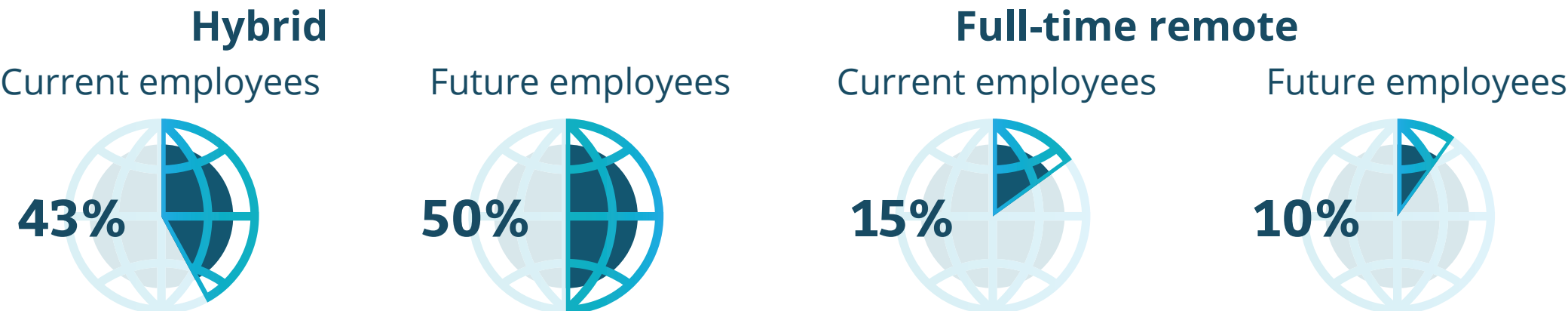
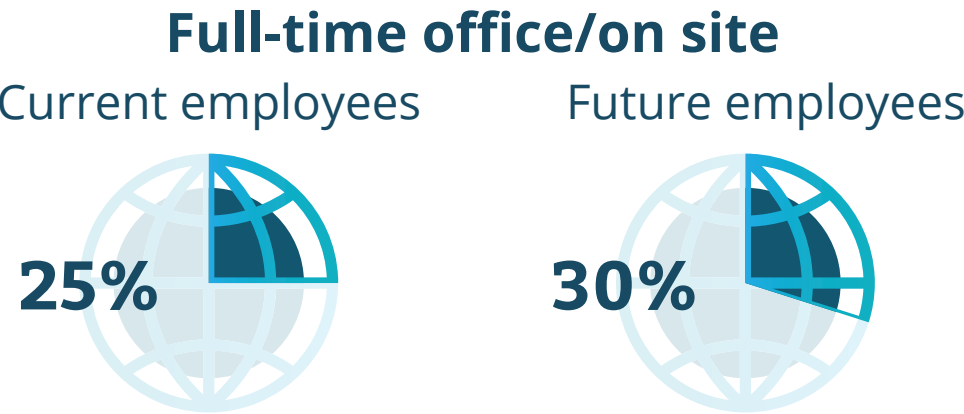


Median response

Senior HR

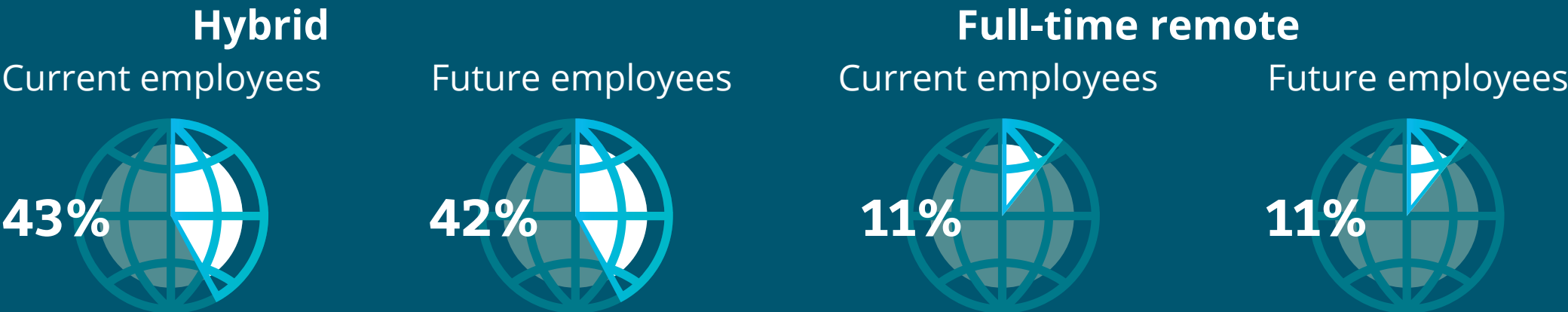
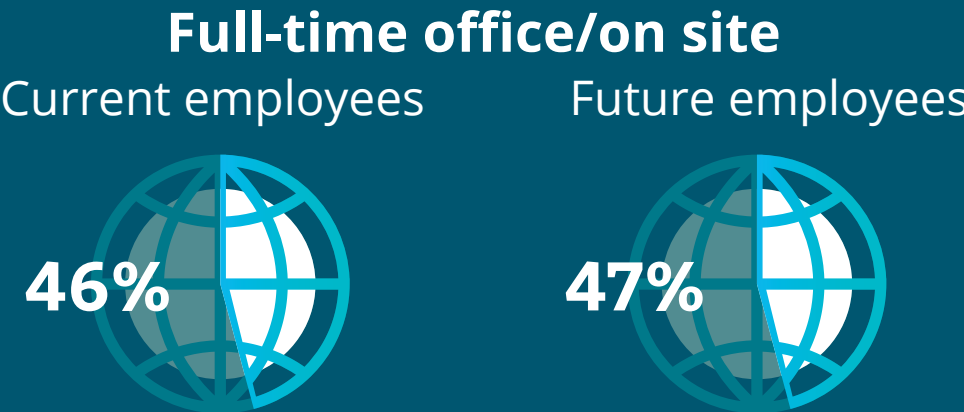


Corporate Mobility

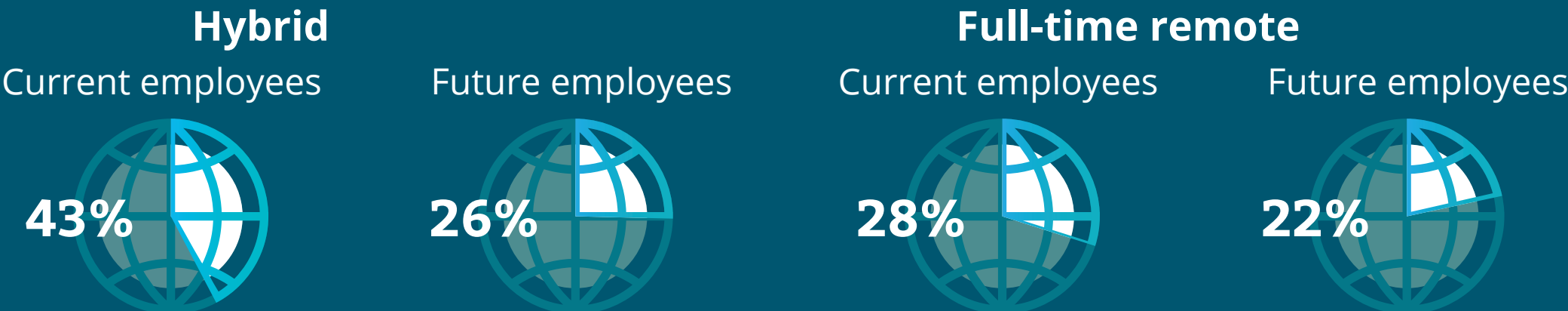
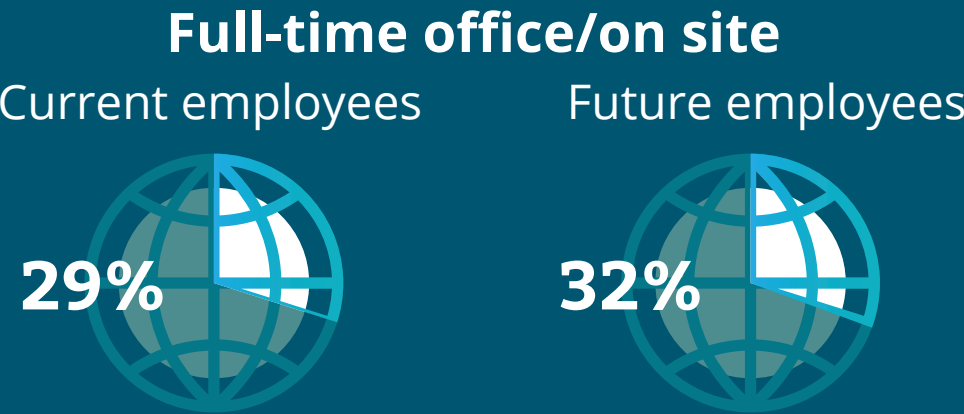


Average response

Senior HR



Corporate Mobility



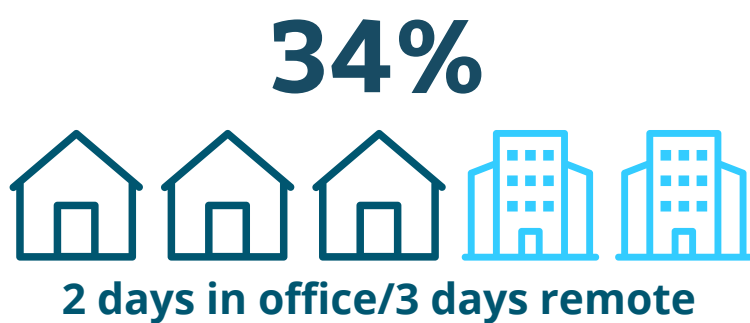
With hybrid options becoming popular, organizations have had to devise flexible schedules to meet employee and employer needs. For those employees who work on a hybrid scheme, the most common option was two days in the office and three in a remote worksite.

Traditionally, organizations implemented “work-at-home” policies when specific individuals indicated a need to work from home due to personal or family circumstances. The pandemic offered employers an abundant opportunity to rise to the unexpected

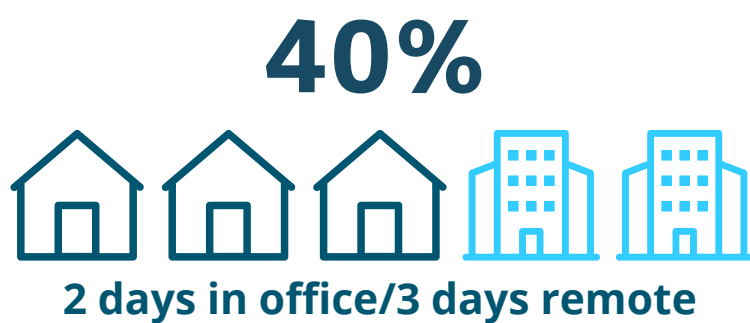
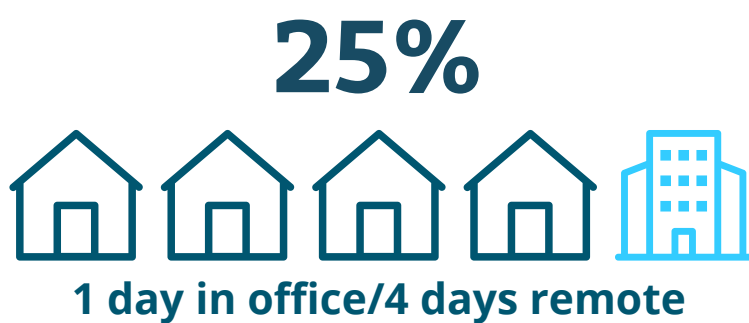
challenge of increased remote work to demonstrate agility, innovation, and quick-thinking. To support the reality of a distributed workforce, human resources had to develop or rewrite policies, programs, and approaches to ensure employee safety and tax compliance, determine appropriate individuals for remote work, and potentially adjust pay and benefits. While some of these considerations continue to exist, the move away from remote work requires another review, as indicated by participant responses.

Hybrid Schedule

Senior HR



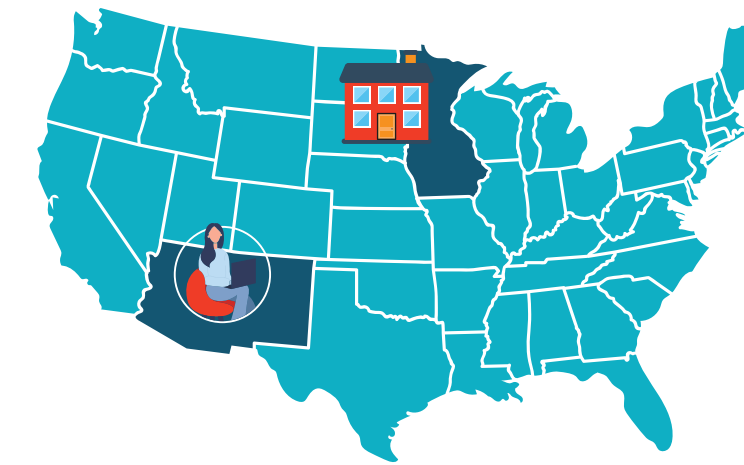
Corporate Mobility



The majority of senior HR leaders confirmed that they made a shift in corporate talent acquisition policies and practices (82%), as did 74% of corporate mobility leaders. Both senior HR leaders and corporate mobility leaders were consistent in agreeing on the priority of reasons for implementing any policy and practices changes. In order of priority, the rationale was:

- 1 Improve talent retention
- 2 Improve talent acquisition
- 3 Provide employee flexibility
- 4 Reward high-performing talent
- 5 Create a more globally aware and connected organization

The changes involved consideration of diverse hiring practices—most often, acquiring candidates from new locations where the company already has employees on site.



Hire from new locations within a country where employees already exist

79%

Senior HR

91%

Corporate Mobility



Hire from new countries

39%

Senior HR

29%

Corporate Mobility



Hire contractors or gig workers

55%

Senior HR

10%

Corporate Mobility

Along with alterations in talent acquisition approaches, leadership in most companies also reconsidered how they retain existing talent. As above, the majority of senior HR leaders replied affirmatively (78%), as well as 68% of corporate mobility leaders. The most popular change in methodology for both groups was to allow employees to have more flexibility and control over their individual work schedules.



Allow work from anywhere permanently

51%

Senior HR

38%

Corporate Mobility



Allow more flexibility and control over work schedule

73%

Senior HR

78%

Corporate Mobility



Allow work from anywhere for limited time

53%

Senior HR

51%

Corporate Mobility



Provide more allowances to support remote work and flexible schedules

52%

Senior HR

33%

Corporate Mobility

When determining remote work decisions, whether pure remote or a hybrid option, company culture is a driving force. As one participant explained: “Our company stance and culture is live where you work and 100% in the office.” Beyond that, leadership evaluates a number of factors, such as the importance of the employee’s specific job responsibility and the function itself, the level of required teamwork, client interaction, training, and the impact on the employee’s current and future development. Corporate mobility leaders offered a number of additional perspectives as to how they made individual decisions, such as proximity to sales territory and

The great resignation has added another layer to the war of talents; therefore, we must be mindful about how to address the needs from employees wanting to work remotely from home to retain and attract talent. In the last two years, remote work has proven that it is not a bad work arrangement post-Covid-19 pandemic, so long as we have agreement for hybrid workers to meet and greet to discuss work matters when it is absolutely necessary.

the information handled by the employee (for example, if security is needed, the employee is required to mainly work in the office).

As cited above, the numerous factors that combine to determine optimal use of work scenarios are complex, generally referring either to the individual, the job, or the location. Respondents reported that the employee’s job function is often the primary determinant, with tenure and location the least significant.

	Senior HR	Corporate Mobility
Employee function	70%	86%
Employee responsibility	68%	64%
Performance	55%	36%
Job level	54%	42%
Tenure	31%	6%
Country/region	27%	32%

Mobility is Now For The Entire Workforce

A full
81%
of senior HR leaders

have created or are considering
creating such programs, with

39% and **42%**
having created them considering them.

A strong majority of senior HR leaders reported a further major change in policy, in that they created, or were considering creating, major new mobility programs. Such programs would allow temporary voluntary mobility—whereby employees could request a move to another location for short-term professional and personal experience.

Corporate mobility leaders stated similar responses: 37% have implemented these programs, with 33% thinking about their options. Most respondents—senior HR leaders (83%) and corporate mobility leaders (70%)—would typically consider the application if an office or permanent establishment was present in the requested location. Although a step down from the commonly discussed “work from anywhere” policies of a year ago, this still implies a major embrace of employee mobility.

These programs commonly allow the employee to move to a new location where the organization has an office or other presence for between **30 and 45 days.**



The most exciting aspect is that by and large, these programs are open to the entire workforce that can perform their job from a different location, encompassing almost all professional positions.

Anecdotally, Worldwide ERC has heard from organizations that have received thousands of employee applications for such programs since their introduction. With up to 81% of organizations creating or considering creating such programs, this suggests a massive increase in the number of mobile employees across the world. While these programs are often bare bones in terms of traditional relocation benefits, there will still be risk and compliance factors, as well as administrative costs borne by the corporate mobility function.

Fundamentals of Remote Work

The complexities of tax compliance for a distributed workforce create specific challenges. To meet those challenges, expertise, whether in-house or external, is a necessity for grasping the ins and outs of the tax implications for both the employer and employee. Further, a temporarily remote employee can cause tax reporting and withholding complications in various locations, some of which require non-resident employers to register and withhold tax for an individual working in that area. And finally, a review of the tax presence or nexus of a company is necessary to ensure consistent and comprehensive tax compliance.

Common business activities that can trigger international Permanent Establishment or US Nexus for taxation:



A fixed place of business, address, bank account or other physical presence



Activity by employees in country that directly relates to revenue creation



A sufficient time frame to trigger PE under local law or a tax treaty

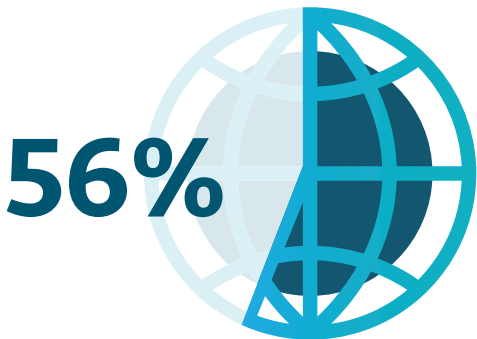


Actual control and direction of the employees' activity by the parent company in a location

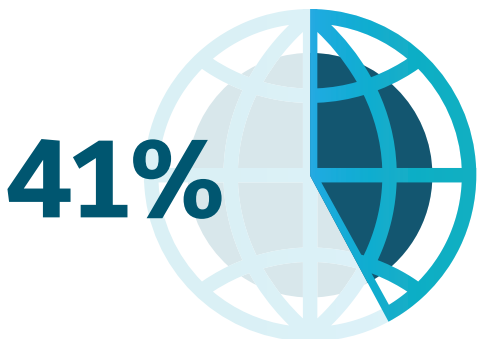
Some organizations allow employees to work in locations in which they do not have permanent establishment. In other words, they allow employees to work in places where the organization itself is not established for tax and legal purposes.

It is likely that corporate mobility leaders are more familiar with the intricacies and risks of such a move, while senior HR leaders are more aware of the potential benefits in helping their business partners with such flexibility.

Senior HR

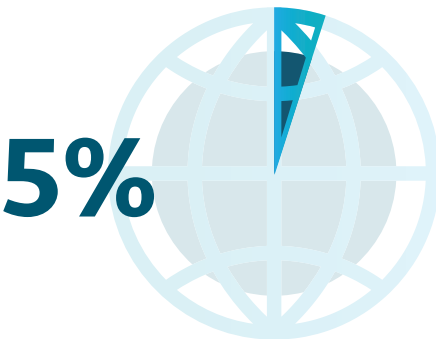


Yes, current employees

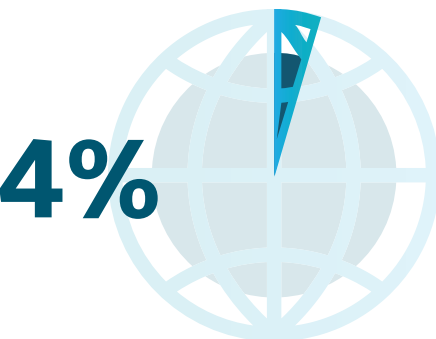


Yes, new employees

Corporate Mobility



Yes, current employees



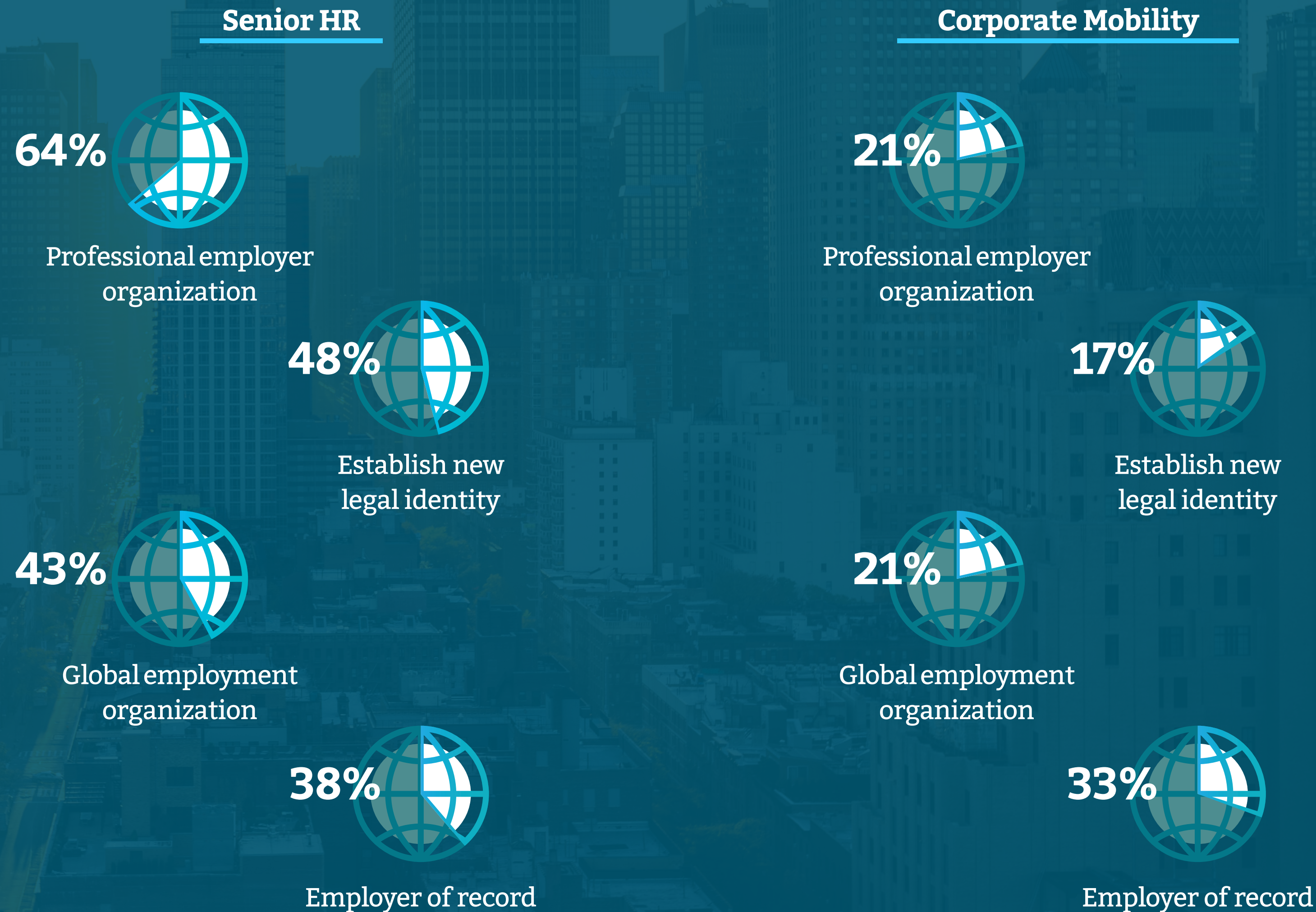
Yes, new employees

Corporate mobility leaders, well versed in cross jurisdiction compliance issues are much less likely to report allowing current employees to work where the organization does not have permanent establishment (5%) than their senior HR leaders (56%).

Legally administering employment when there is no permanent establishment creates its own set of difficulties. Many companies, therefore, seek ways to address the situation, including:

- A *professional employer organization* provides HR solutions to small and mid-size companies by directly employing staff and then leasing them back to the client organization.
- A *new legal identity* extends the entity's type of business to a new location: corporation, partnership, sole proprietorship, and so on.
- A *global employment organization* centralizes employment contracts in one jurisdiction and corporate owned entity.
- An *employer of record* is a third-party legal entity that acts as an intermediary in an existing employer-employee relationship.

The most common method for senior HR is to establish professional employer organizations, while corporate mobility leaders prefer using an employer of record.



When companies do implement any of these alternative entities, they use the resources of either in-house staff, external experts, or a combination of the two resources to address the complexities inherent in these options. Senior HR leaders generally prefer the use of in-house resources when it comes to establishing a new legal entity. Corporate mobility leaders often request assistance from both in-house resources and external experts as they may be more connected to partners in this area owing to their broader mobility responsibilities.

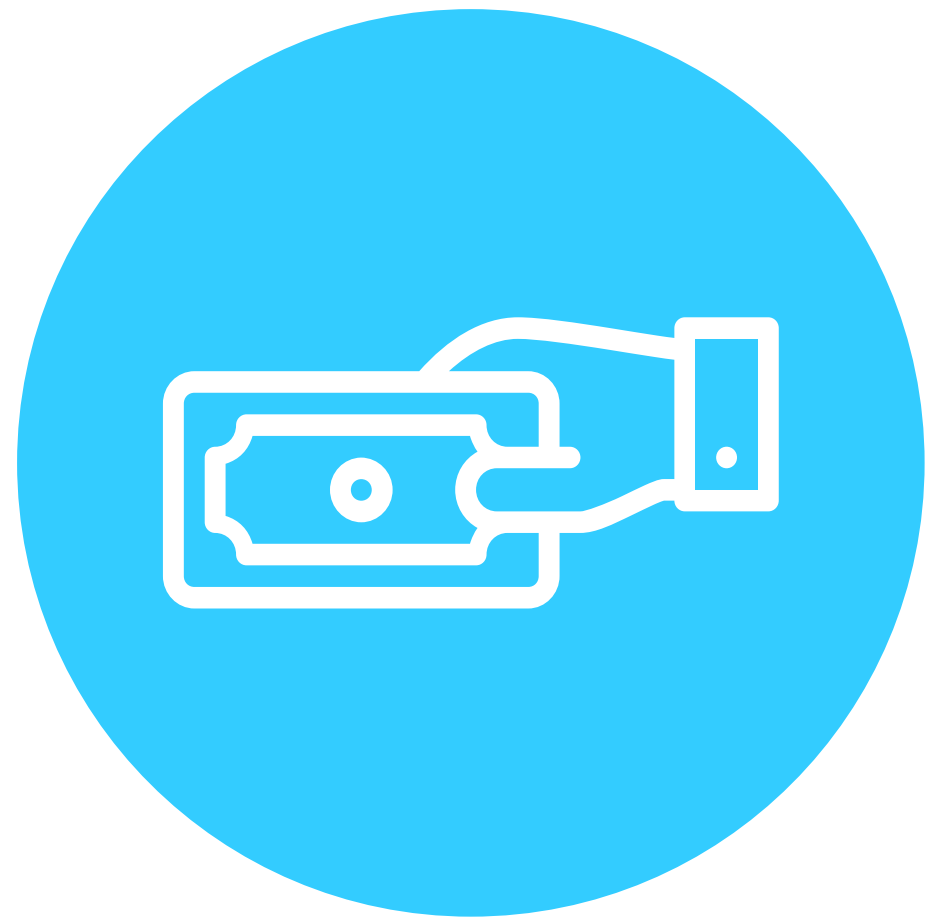
	Senior HR			Corporate Mobility		
	In-House	External	Combination	In-House	External	Combination
Establish new legal identity	61%	10%	29%	50%	0%	50%
Global employment organization	34%	27%	39%	40%	0%	60%
Professional employer organization	54%	30%	56%	20%	40%	40%
Employer of record	43%	14%	43%	0%	25%	75%

Managing and overseeing the employees in such locations—where no permanent establishment exists and companies have implemented alternative options—requires specific tools or technology. Most respondents utilize an internal system: Senior HR leaders (79%) vs. corporate mobility leaders (41%). Fewer respondents implement third-party tool/technology: Senior HR leaders (44%) vs. corporate mobility leaders (26%).

Core Human Resources Policies Continue



Earlier in the pandemic period, many organizations undertook substantial reviews of their total rewards frameworks and approaches, with a focus on: salary, variable compensation, and health and wellness benefits. If large portions of the workforce were going to be permanently remote and location no longer mattered, then a fundamental rethink of human resources policies was in order. With the emerging consensus that the vast majority of the workforce will continue to be location based, either full-time in office or hybrid, we observe that organizations are returning to previous practice. More specifically, both senior HR leaders and corporate mobility leaders reported core human resources policies, such as compensation and benefits approaches are not radically changing.



Compensation

Organizations' current compensation models.

The basis for pay structures can be:



GLOBAL/HQ



NATIONAL



REGIONAL



LOCAL

with participants reporting a national basis as the most common.

When an employer decides to implement a pay structure with a different basis, the majority do so as a **result of having employees working in different countries and regions.**

51%

for senior HR leaders

79%

for corporate mobility leaders



use the employee segment or level as the rationale.



57%

of senior HR leaders are considering changes to their compensation structure to meet the unique challenges and opportunities afforded by a remote & hybrid workforce.



25%

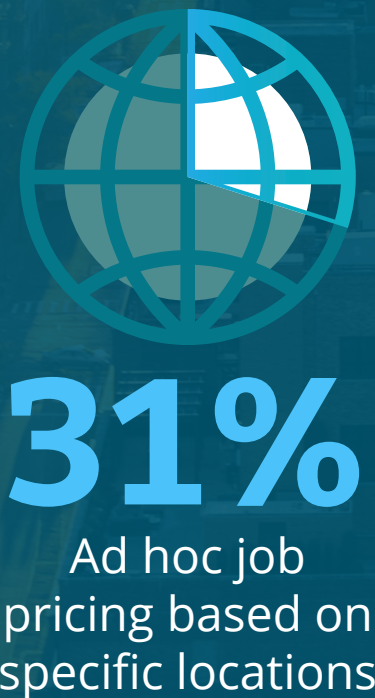
the same trend is evident for only 25% of corporate mobility leaders.

That said, the changes considered fall well within standard compensation frameworks and methods. We speculate that the disparity between senior HR leaders and corporate mobility leaders is that workforce wide compensation changes, particularly changes in strategy and approach, come at the highest levels of leadership, while corporate mobility more commonly has a hand in compensation and benefits for the smaller, mobile, portion of the workforce.

With regards to remote employees' compensation, organizations are considering several options—with most participants, as expected, tying remote pay structures to the current pay model in use for other employees. A minority of organizations are making more radical changes, such as more forcefully embracing location-based pay with the creation of new compensation bands.

Senior HR

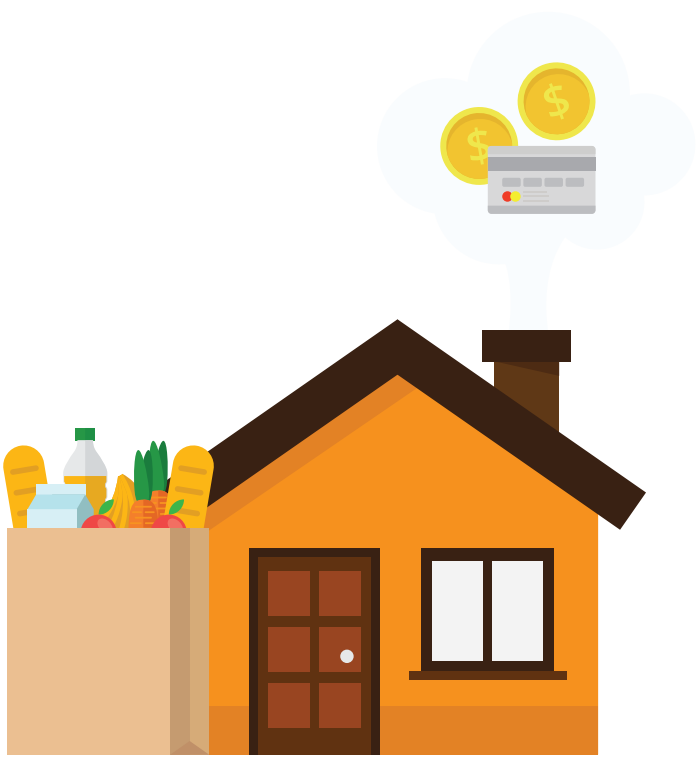
Note: Multiple selection.



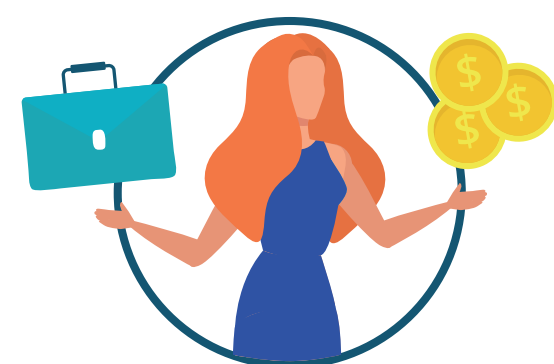
Compensation determinants:



Cost of labor: the “going rate” for a position based on experience, responsibilities and skills



Cost of living: the rate for a position that takes into consideration local costs of goods and services, housing and taxation



Cost of labor

	Senior HR	Corporate Mobility
Full-time in office	80%	82%
Hybrid	67%	77%
Full-time remote	64%	77%



Cost of living

	Senior HR	Corporate Mobility
Full-time in office	48%	38%
Hybrid	58%	38%
Full-time remote	53%	35%

When determining compensation levels and changes, human resources professionals generally turn towards two pieces of data: the cost of labor and the cost of living. Both pieces of data are commonly combined in a compensation determination, as it is relevant to know both what a job typically pays in a market, as well as if that “going rate” will actually cover the living costs that an employee will face. Without careful consideration of each metric, organizations can generate increased employee turnover and acquisition costs through underpaying, or excessive costs through overpayment. Cost of labor continues to be the most commonly used piece of data, with 64-80% of senior HR leaders using it to determine compensation levels for different workers. That said, cost of living is a close second, with 48-53% of senior HR leaders utilizing such data.



Benefits

Beyond compensation, benefits play a significant role in total rewards, representing a key part of what makes the employee experience a positive one. With the increase in remote and hybrid workers, companies had to consider adapting benefits packages to fit a new landscape of employee needs. Changing benefits based on the employees' locations is not, however, common: only 52% of senior HR leaders replied affirmatively, that they had changed benefits, compared to a mere 5% of corporate mobility leaders. The most common benefit that was delivered differently was professional development, as reported by 71% of senior HR leaders. For corporate mobility leaders, 67% made changes to wellness benefits and the same percentage did so for benefits related to an employee's home office setup/equipment.



Methodology and Demographics

Worldwide ERC® launched a survey to better understand and gain insight into how senior HR leaders and corporate mobility leaders have handled remote and hybrid work practices and policies. The following data comes from a global panel of 516 senior HR leaders (CHROs, directors, and managers) and 92 corporate mobility leaders. We strove to represent the diverse, global group of professionals who have a direct role in the implementation and oversight of their organizations' work programs.

While senior HR leaders were distributed roughly evenly over all regions—North America, Latin America, Europe, and Asia Pacific—the majority of corporate mobility leaders represented North America.

Along with their geographic diversity, many serve medium- to large-sized enterprises, bringing in as much revenue as \$1 billion. The majority of senior HR leaders work for companies that have a workforce of 1,000-5,000 employees. Most corporate mobility leaders represent companies with a workforce greater than 10,000 employees.

Not only do respondents hail from diverse regions across the globe and serve successful organizations, they represent a variety of industries. The top three industries represented by senior HR leaders were professional services, technology, and government enterprises. The highest percentage represented by corporate mobility leaders was technology.