



# International Assignment Policies and Practices Survey 2016

**Swiss Headquartered Companies**

October 2016

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# Welcome



**Judith Mitchell**  
Partner, Global Mobility Services, Lausanne

World events have had a significant impact on global mobility over the last ten years. From the global financial crisis of 2008 to the unpegging of the Swiss franc against the euro in 2015, the challenges for mobility have been unprecedented. With an increased regulatory environment and tax transparency here to stay, meeting the mobility challenge remains as tough as ever, despite program advancements.

In this year's survey, we take a look back at some of the changes over the past decade as well as a look forward to what are the current trends and future developments in the field of global mobility for Swiss headquartered companies.

We examine the impact changes to Swiss tax and immigration rules have had on the movement of assignees into Switzerland, we delve into some of the finer details of assignment compensation packages, and we look at the ever increasing role of technology in global mobility processes.

Our survey participants are all Swiss headquartered companies and represent a broad cross-section from both the German and French-speaking parts of the country. They come from a range of different industries, with varying assignee population sizes.

Many of the participants have provided input into the survey questions and the type of topics they would like us to survey. In this way, we aim to make the survey as relevant and topical as possible and we hope that it will provide you with some insights and benchmarks around the current global mobility practice of Swiss-based multinationals.

Judith Mitchell

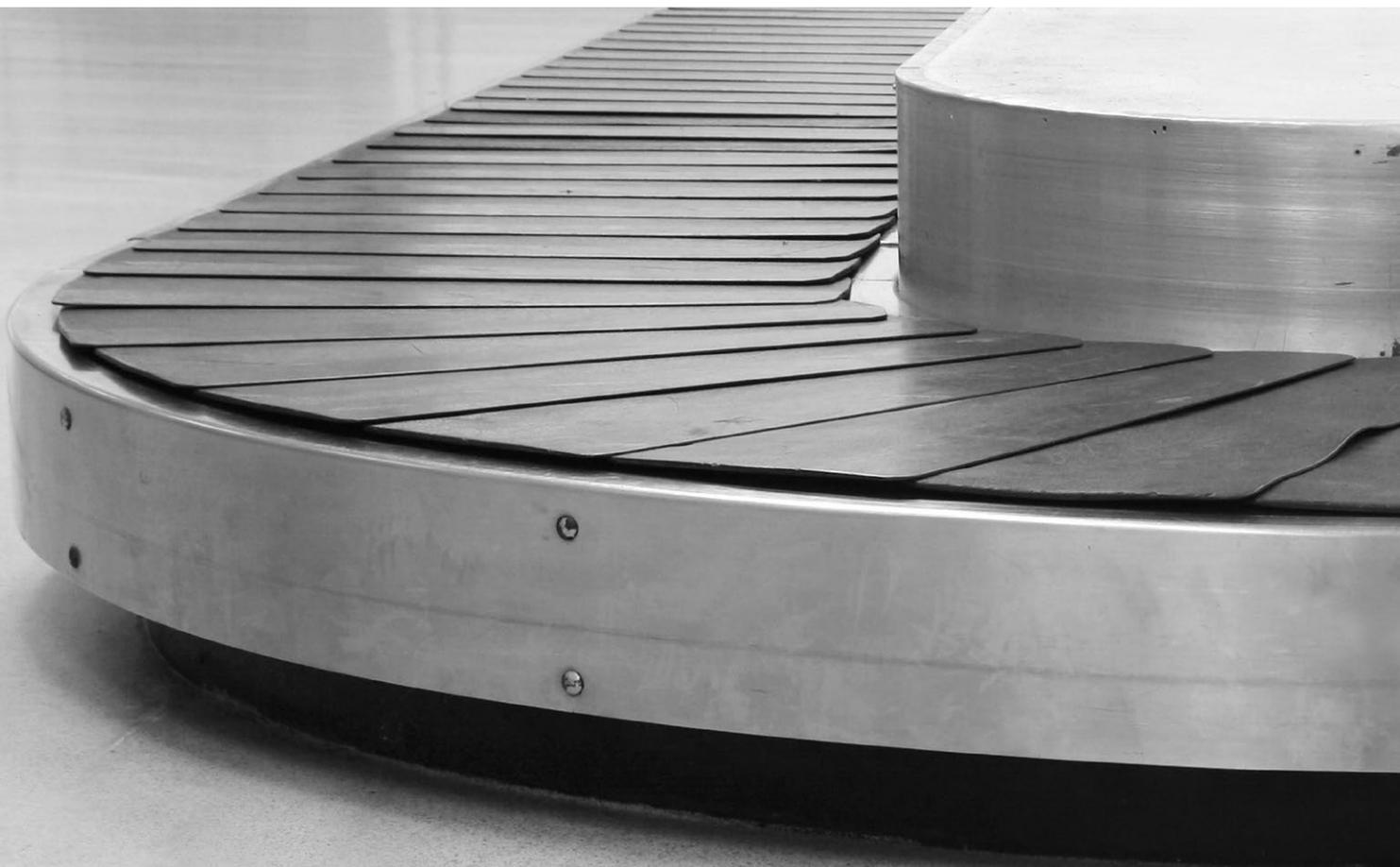


# Key survey findings in a nutshell

- Over the past ten years, many companies have introduced **new forms of mobility** to meet the changing needs of business and changing patterns of global mobility and business travel. Policies for commuters, business travels and local to local transfers are some of the most common new policy types and now the norm for moves within many organizations.
- In 2016, there is a much higher awareness of the compliance risks around **business travel** than there was in 2006. Awareness and time have not necessarily bred action however, as most companies have yet to

implement a standardised global solution to mitigate these risks.

- As businesses globalise and recruit talent from all parts of the world, diversity is growing and mobility policies being adapted to meet the needs of a more diverse workforce. Although many companies report increases in the number of female assignees over the past ten years, **gender diversity remains low** among international assignee populations.
- In terms of total moves, Swiss headquartered companies are now using local to local transfers as much as or more

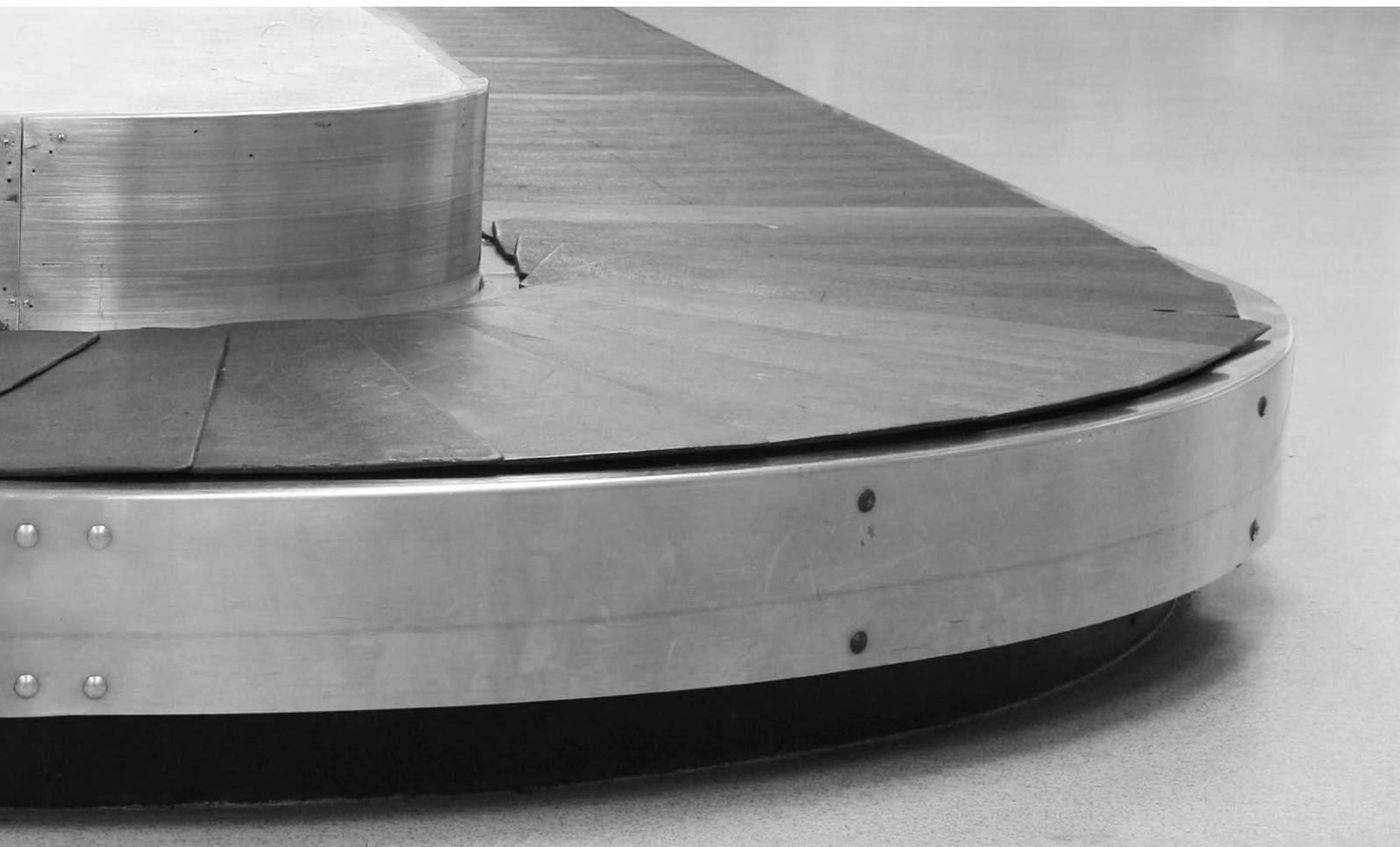


than long-term international assignments. Cost-cutting measures introduced after the 2008 global financial crisis started the trend away from the home-based approach – a trend which has continued ever since.

- **Switzerland has become even more costly as an assignment destination**, and bringing assignees to Switzerland has become more challenging in recent years. On the other hand, China, once one of the most difficult locations to send assignees, seems to present less of a challenge than it did in the past as companies have adjusted to the onerous compliance requirements and established

sound processes to accommodate a growing number of assignees in one of world's largest economies.

- **Advances in technology** allow for greater control over compliance obligations and greater data analytics possibilities. Most companies have seen a greater use of technology in their mobility programs and expect to see more over the coming years. Nevertheless, mining the data to be able to synchronise the talent management and mobility agendas remains more an ambition than reality.



# International Mobility – from 2006 to 2016

One of the most significant events shaping global mobility policy over the past 10 years was the global financial crisis of 2008. As companies suffered losses and were forced to slash costs in all areas of their business, international assignment contracts were terminated and quickly replaced by leaner, less costly models of global mobility. One of the biggest causalities of the crisis was the traditional balance sheet approach to assignments, and as of 2008, most of our survey participants reported that this approach was being used less and less frequently, with

many banks and financial institutions using it as an exception rather than the norm.

Subsequent volatility of exchange rates in the wake of the crisis led to many companies choosing to make much more frequent cost of living adjustments or to provide exceptional exchange rate adjustments or currency protection. Just last year, many Swiss companies were forced to act rapidly to adjust compensation levels following the steep and sudden rise of the Swiss franc



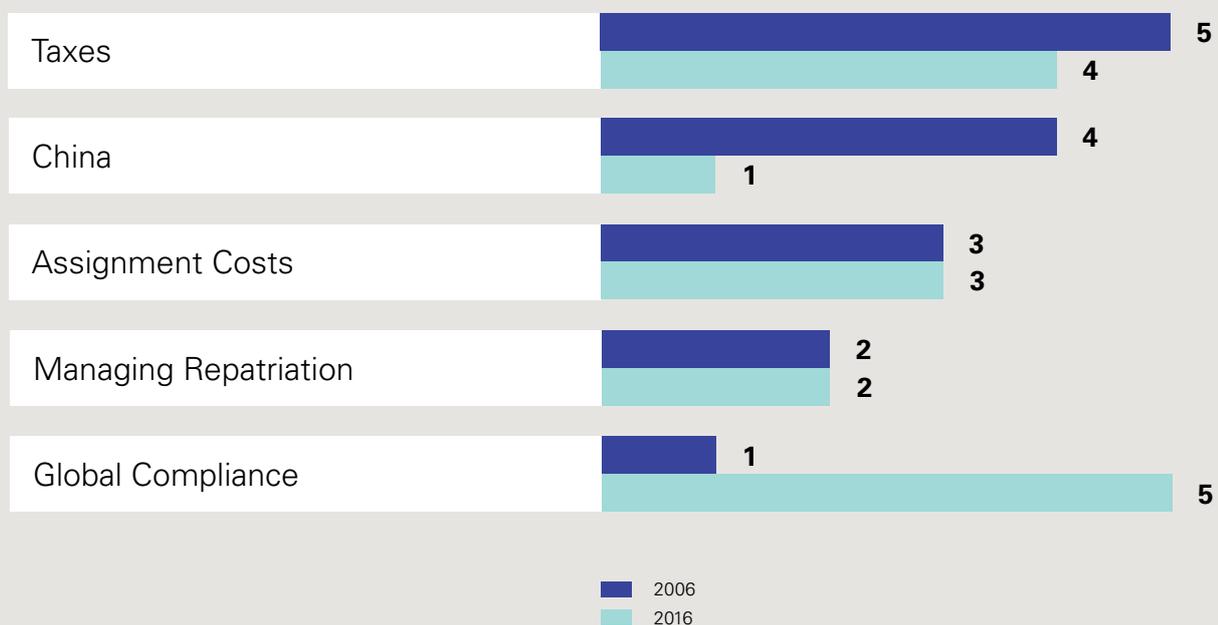
转乘国际航班  
International Transfers

against the euro. Throughout all of the economic turmoil, mobility teams have been challenged to shape policy and develop mobility frameworks for the future, whilst reacting and finding rapid solutions to cushion the impact of the crisis on assignees and mobility programs.

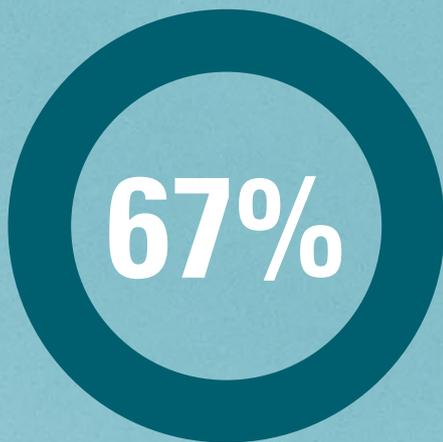
In 2006 we asked our survey participants to provide us with a list of their top 5 challenges and to rank them in order of importance, with level 5 being the most important. In 2006, sending assignees to China came a

close second on the priority list to global compliance. Today, China has become one of the top assignment destinations for many a Swiss-headquartered company. What was once a pioneering new assignment destination, in which companies struggled to comply with immigration and compliance requirements, has now become a well-established assignment destination.

## Top 5 mobility challenges in 2006 and 2016



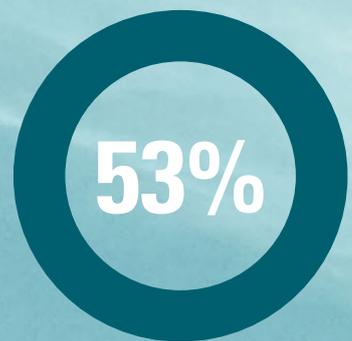
**In addition to these top 5 challenges, which of the following areas do you view as a key challenge to your business?**



**Implementing talent management strategies**



**Managing costs**



**Business travellers**



**Assignments to/from developing locations**



**Obtaining work permits for Switzerland**



**Cost of assignments to Switzerland**

**We also asked the survey participants to list their biggest challenge in global mobility today. Here is a selection of the responses.**

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“Business Travellers and employees living outside of their work country”

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“Attracting staff to Switzerland with its high cost of living and taxes”

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“Remaining compliant with changing employment law as we expand into new markets”

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“Calculating the return on investment of international assignments”

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“Getting data to the business for them to make informed decisions”

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“Balancing the need for speed from the business and the complexity and therefore lengthy process to be fully compliant and aware of cost impact”

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“New forms of mobility which are not tracked, but associated with high compliance issues (immigration, social, tax and labour law)”

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“Increasing complexity from all perspectives”

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# Business Travellers

Do you know where your employees are working, what activities they are performing and what are the company's compliance obligations in terms of immigration, tax and social security? Not many companies could answer yes to these questions, and while business travellers rarely fall under the responsibility of global mobility teams, it is these very teams who are often ringing the alarm bells to raise awareness of the associated compliance risks.

When asked the question about how business travellers were tracked the most common response was "we do not track this population". Those companies that do track business travellers rely mainly on travel agency records, with a few also using internal time management and tracking systems. Only 26% have a formal process in place for centralised tracking and recording of business travel. Despite the lack of tracking systems, the majority of our survey participants view business travellers as a significant risk to the company.

The key risk highlighted by most of our survey participants was that of immigration violations. For this reason, having visibility of employee travel before it happens, as well as

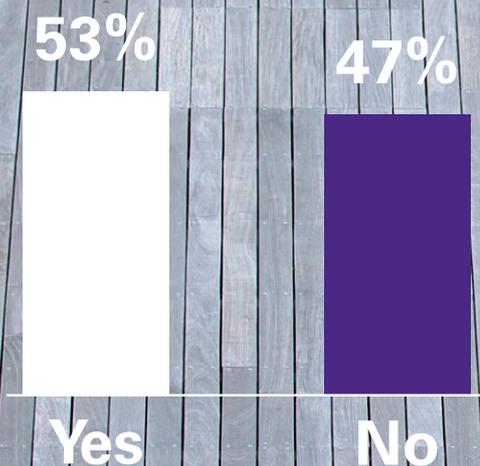
the ability to conduct a fast and efficient assessment before the trip have become not just nice to have, but essential.

For companies with employees for whom foreign travel and extended business trips are commonplace, a technology solution is the only feasible way of tracking these employees and assessing compliance risks. Of course, the employees themselves need to cooperate by ensuring that all travel is appropriately recorded. With the advent of mobile applications to track travel and work patterns, the process should no longer be onerous or time-consuming.

# 40%

of companies have formal guidelines or policies in place related to business travellers.

Do you believe that your business travellers pose a significant risk to the company?



# Diversity and Inclusion

One of the more noticeable additions to international assignment policy provisions since 2006 has been the introduction of measures to encourage cultural and gender diversity amongst the assignee population. Much of the focus has been specifically on gender diversity and on how to encourage greater mobility amongst female employees.

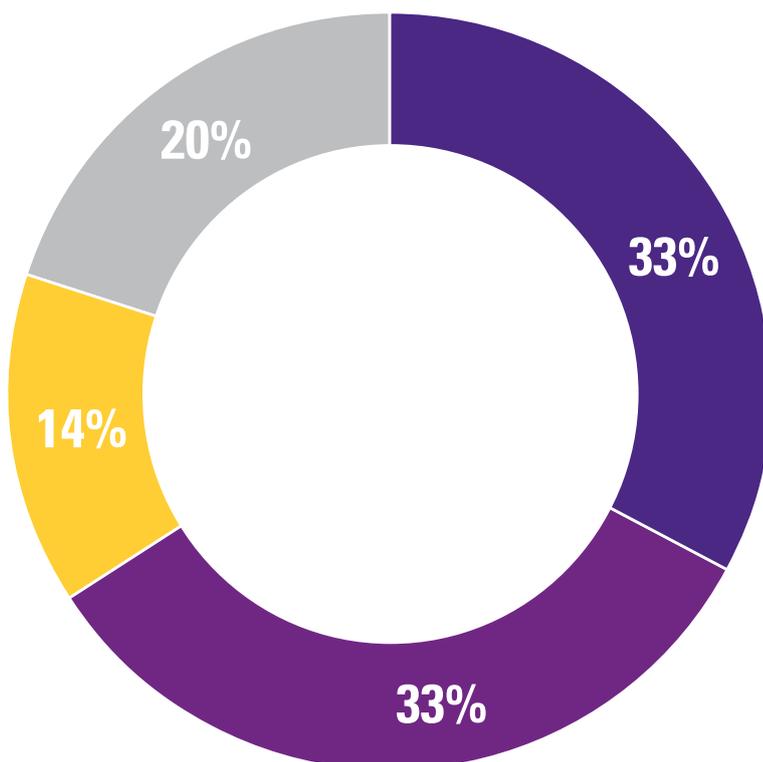
Recent studies show that women are as keen as men to go on international assignment, however female assignees are still in the minority. Worldwide surveys place the global average for female assignees at around 15%. Amongst Swiss headquartered companies, our survey results show a similar percentage.

The survey results showed a clear increase in the numbers of female assignees, with over 70% of survey participants reporting a rise in numbers over the past ten years. Considering that international experience is so important in leadership roles, it is encouraging to see these numbers increasing. Some companies noted that there was a higher percentage of women on short-term assignments, typically filled by more junior employees, than on long-term assignments. This probably reflects the fact that younger

employees of both sexes are much more likely to take on an assignment before they have the responsibility of children and a spouse's career to consider.

When asked what is the main reason for the low number of female assignees, most participants agreed that it is the impact on the partner's career that prevented many women from accepting an assignment. This view is supported by the statistics from the assignee population overall. Indeed, female assignees are twice as likely to be unaccompanied on assignment as their male counterparts.

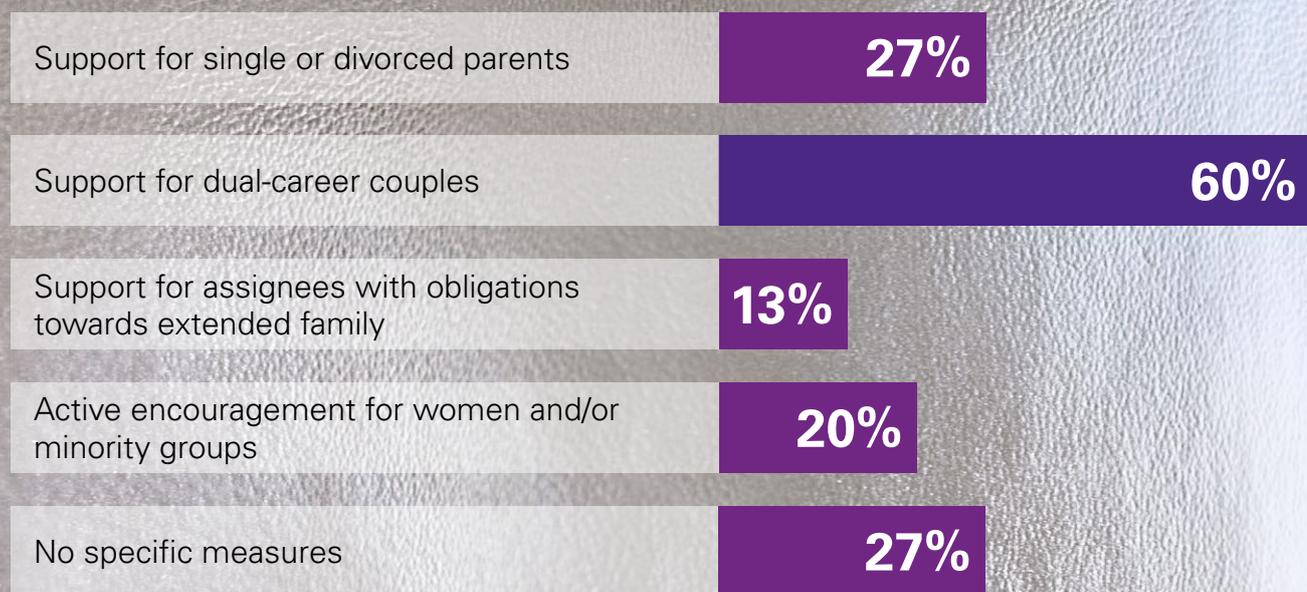
Whilst many companies have adopted measures to encourage diversity, one survey participant noted that the first issue to tackle is that of greater gender parity within leadership rather than in mobility. As their company's mobility policies are predominantly aimed at senior management positions, when there is a low female to male ratio amongst senior management, it follows that the number of female assignees is also low.



**Approximately what percentage of your international assignee population is female?**



## What measures has your company introduced into its international assignment policies to encourage greater gender and cultural diversity?





70% of companies reported a rise in the number of female assignees over the past 10 years.

# Policy Ranges

One of the clear trends we have seen since 2006 is an increase in the number of mobility policies which companies have in place. Almost 50% of survey participants indicated that they have more policies now than they did ten years ago.

Whilst not all companies have implemented new policies, some noted that they have made some quite significant changes to their current policies, in particular, to allow for greater flexibility and choice of benefits. Since the global financial crisis, we have seen companies using the traditional home based policy less and less frequently, and when asked which is their most-frequently used policy, our survey participants indicated that local to local transfers were used as frequently as home- based assignments.

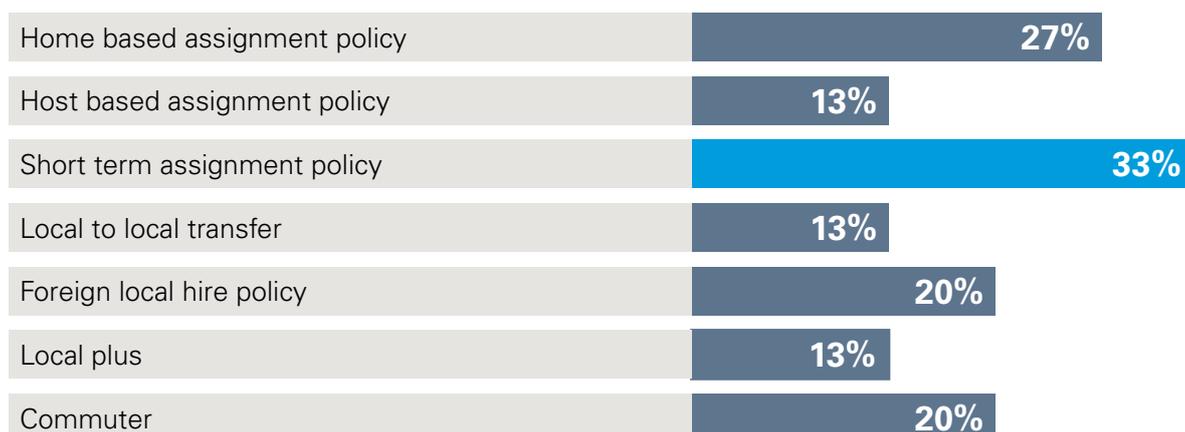
Just under half of our survey participants believe that having a greater range of policy types would help to better meet the needs of the business. In particular, business travel and commuter policies were deemed to be necessary, and some companies indicated that the addition of a local plus policy would provide greater flexibility and more incentive to use local transfers rather than home based assignments.

In addition to providing greater flexibility for business, other positive results of having a larger number of policies include a reduction in cost and a greater number of mobile employees. However, the increased number of policies was perceived as adding an additional layer of complexity for the mobility teams.

## 50%

of survey participants indicated that they have more policies now than they did ten years ago.

## Which formal policies do you have in place now which you didn't have ten years ago?



# What have been the effects of having an increased number of policies in place?

**7%**

Better talent management  
and career  
opportunities

**13%**

Increased  
costs

**27%**

Greater complexity  
for the mobility  
teams

**27%**

Greater number of  
mobile employees

**40%**

Reduced costs

**60%**

Greater flexibility for  
the business

# Global Nomads – International Pension Plans

Maintaining social security coverage for a population of highly mobile employees remains one of the biggest mobility challenges for some multinational companies. Approaches to social security vary. Most companies provide continued coverage to international assignees through the home country social security system, but what happens when this is not possible, or indeed, the assignee has no real “home country” and is paid through a global payroll? Some companies leave the responsibility of ensuring appropriate retirement funding to the employee, on the basis that they no longer have to bear the cost of mandatory home country social security contributions and the savings realised can be invested for retirement. In addition, more and more companies are providing an international pension plan (“IPP”) to which both employee and employer contribute. Others try to replicate the home country social security situation through a combination of private insurance and international pension plan.

Sometimes international pension plans may be used in conjunction with a local plan. If, for example, an internationally mobile employee is required to participate in a local plan, but the plan only provides a limited amount of benefits, the employer may choose to complement the retirement provisions with an IPP.

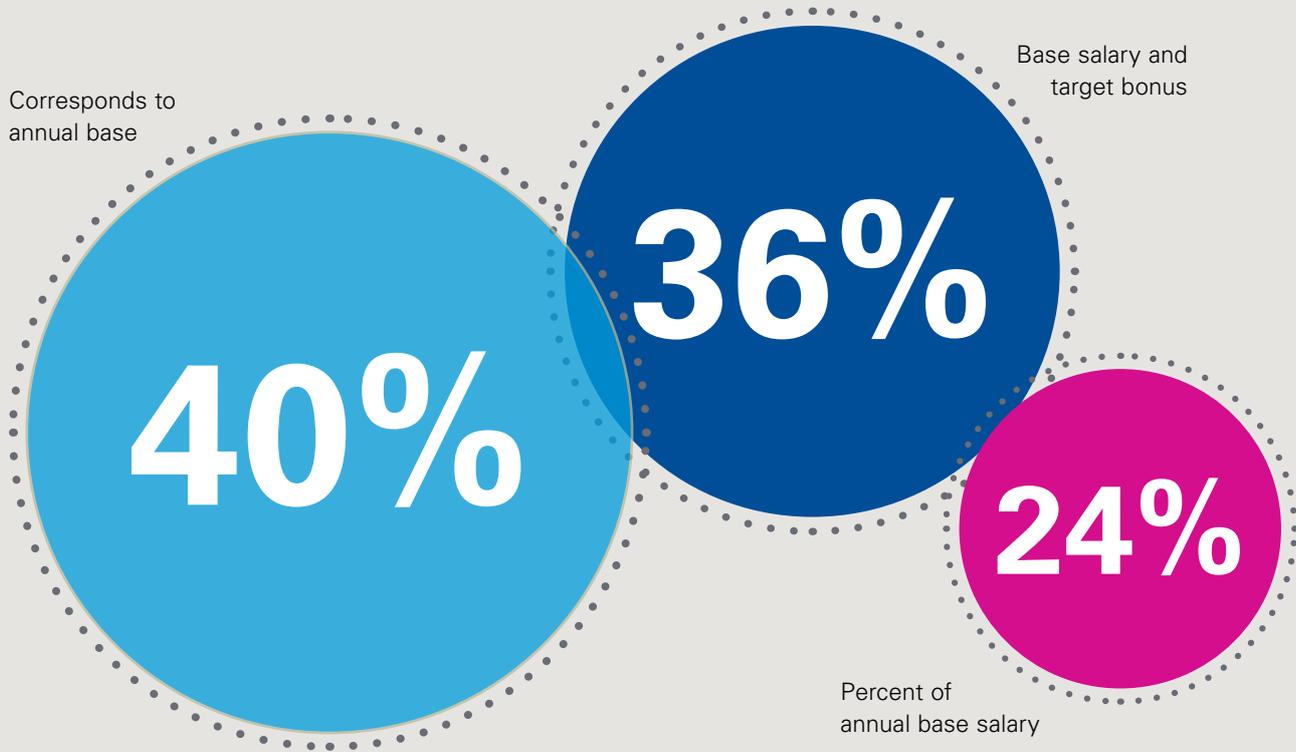
Although an IPP may be relatively straightforward to set up and administer, it is important to carefully consider the tax implications. As a voluntary plan, most countries are unlikely to grant any tax deduction for employee contributions to the plan, or provide any tax relief for contributions made by the employer. Some countries may seek to tax the annual increase in value of the fund, and the value of the fund may be subject to wealth tax. It is therefore important that the benefits of the plan are carefully considered and that there is a clear understanding of whether the employee or the employer will be responsible for any tax liability arising on contributions to the fund.

Employers should also be aware of the specific information reporting provisions which apply to US taxpayers. There may be restrictions on US taxpayers joining an IPP, with both the IPP and the employee having to comply with onerous reporting requirements of the US Internal Revenue Service.

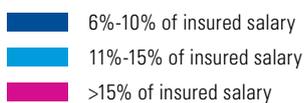
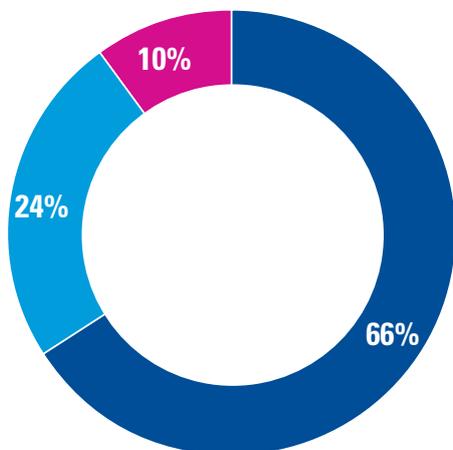
# 50%

of our survey participants  
reported having an  
international pension plan in  
place.

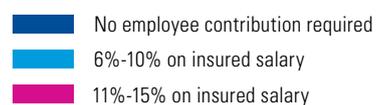
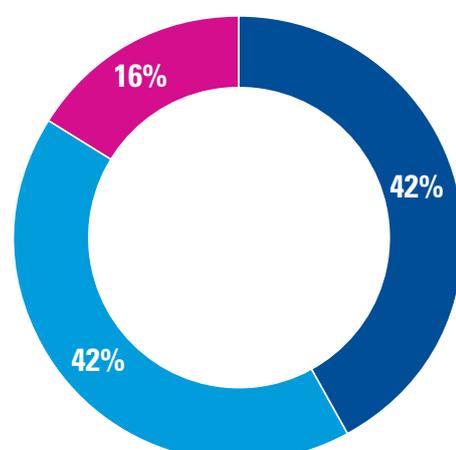
## How do you determine the salary insured under the IPP?



## How much is the company contribution to the IPP?



## Are employees also required to contribute to the IPP?



# Assignments to Switzerland

Recent changes to the expatriate (OEXPA) ordinance, tightening of work permit restrictions and the acceptance of the 2014 “Stop Mass Immigration” initiative have all had an impact on inbound assignments to Switzerland.

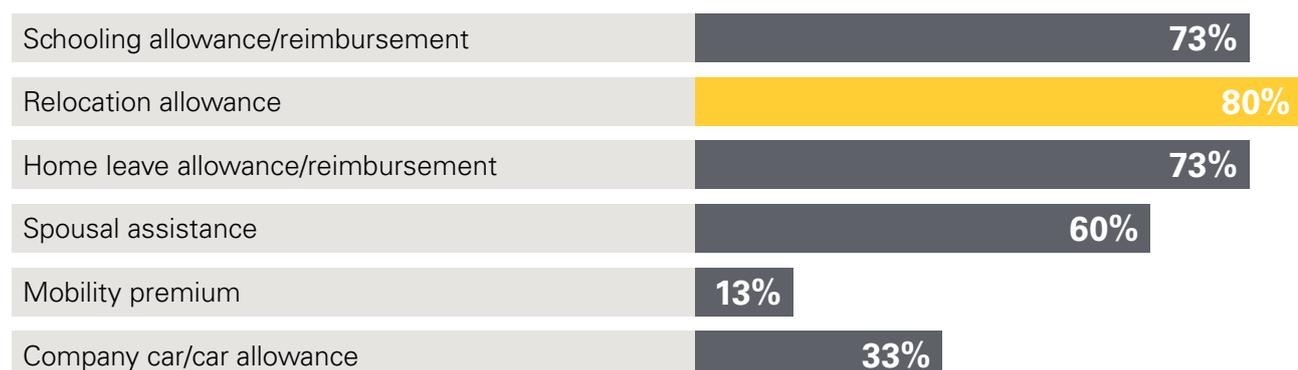
With regard to work permits, around 40% of participants indicated that the process for obtaining permits had become more complex, while a similar percentage indicated that they had not seen any noticeable effects. One third of participants have seen a reduction in the number of international assignees coming to Switzerland, and approximately 20% of participants noted that they were experiencing delays in obtaining work permits for both EU and non-EU citizens, leading to an increased administrative burden and a longer recruitment process.

One of the key factors limiting inbound assignments to Switzerland is the high additional cost when the home country salary is below the Swiss minimum requirement. For individuals wishing to come to Switzerland for training and development purposes, particularly from developing locations where salaries are far below Swiss levels, this cost can be prohibitive. Interestingly, almost 50% of survey participants noted that it is the company which pays the

Swiss taxes on the additional allowance paid to assignees to reach the Swiss minimum salary. Where the company is already required to pay a per diem and housing allowance, this would seem to be a rather generous approach.

Changes to the expatriate ordinance which came into effect on 1 January 2016 have also had an impact on companies bringing employees to Switzerland. As a result of these legislative changes the definition of an “expatriate” has been tightened. In order to be deemed an expatriate under the OEXPA provisions and therefore eligible for certain deductions, an employee (who must first meet the definition of either “executive” or “specialist”) must be temporarily assigned to Switzerland by a non-Swiss employer. Of particular relevance in the Romandie, is the requirement that the expatriate must retain a home available for personal use at all times. Prior to the changes to the ordinance a lump-sum deduction of CHF 1,500 per month was commonly claimed regardless of whether the expatriate had rented out his or her home. This change will increase costs for many employers in the Romandie. Over a third of our survey participants indicated that they expected to see increased tax costs in 2016 as a result of these changes.

## Whilst work permit regulations require that all companies provide housing and per diems to employees assigned to Switzerland, what are the other benefits provided by your company to international assignees to Switzerland?





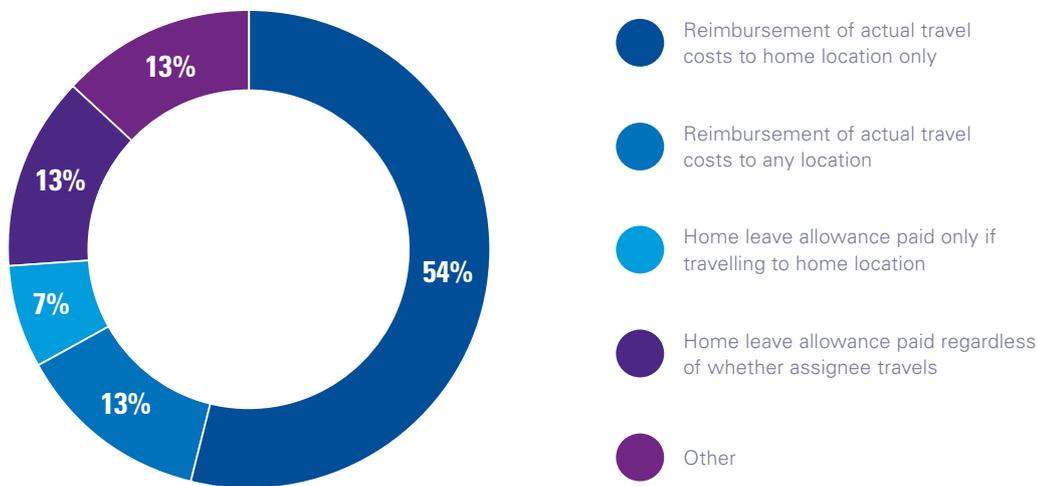
40% of  
companies  
find the work  
permit  
process  
more  
complex  
than before.

# Assignment benefits

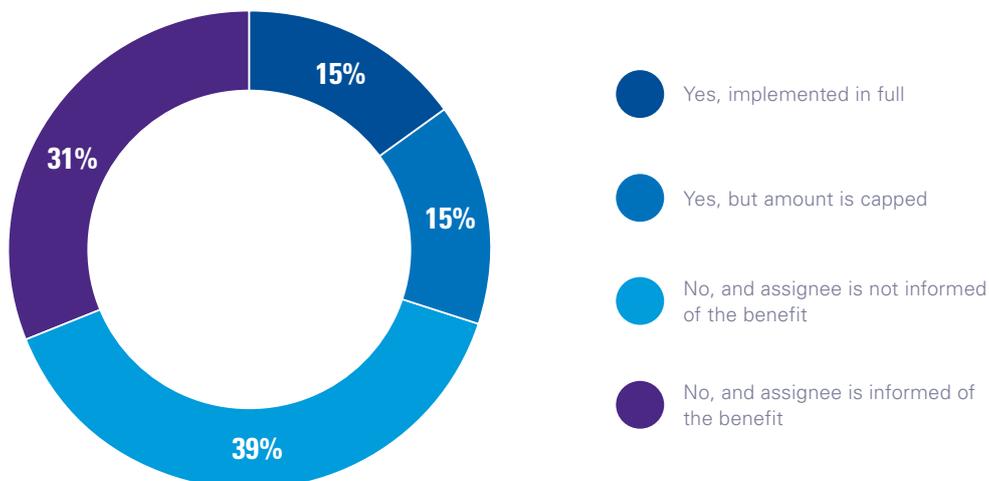
In this section we look at various policy provisions related to assignment allowances and benefits. Whilst most employers only reimburse actual home leave costs, others

have chosen to reduce their administrative burden by granting a cash allowance regardless of where the assignee travels to and even of whether he travels at all.

## How do you provide home leave to international assignees?



## Does your company implement a negative cost of living allowance?



Negative COLA has long been a controversial topic. With a strong Swiss Franc it could be expected that many assignees would have a negative COLA implemented in

their package, however currently it does not appear to be adopted by a majority of companies.

**What is your approach to currency protection for assignees receiving all or part of their salary in a currency which is not the same as that of their assignment package?**



**50%**

**No protection is provided**



**33%**

Assignee is protected against unfavourable movements but is not asked to reimburse any favourable movements



**17%**

Assignee is protected against unfavourable movements and asked to reimburse the company for movements in the assignee's favour

Implementing currency protection processes can be time-consuming and burdensome and can lead to lengthy discussions and explanations to assignees. It is probably for this reason that some companies chose to only protect assignees against adverse currency movements and not to request reimbursement for positive movements.

All but one of our survey participants do not put any limits on the amount of compensation subject to currency protection.



# The role of technology in Mobility Management

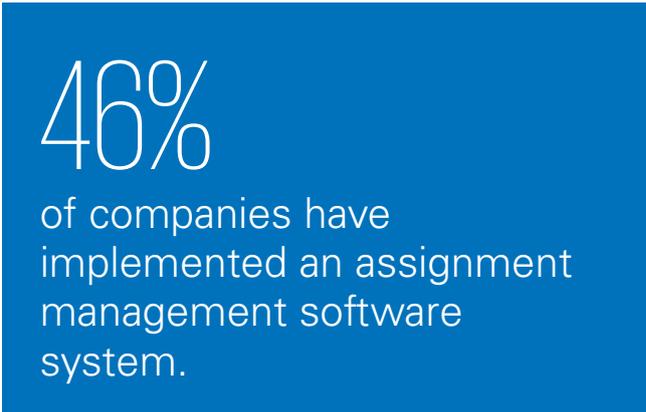
Over the past 10 years, we have seen significant advances in the use of technology in mobility management. In addition to assignment management software, more and more companies are implementing technology solutions to run their global compensation collection process, ensure worldwide compliance with equity compensation plans, generate balance sheets, and to assess risks related to business travellers.

46% of survey participants indicated that they have implemented an assignment management software system in the last 10 years, either for the first time or to replace an existing system.

Almost three quarters of the survey participants noted that they are likely to automate further processes in the near future. The only participants who did not expect to automate are those with mobile populations of less than 50 employees. Participants deemed further automation to be necessary in order to better track employee movements (including business travellers who are currently not tracked), and also to ensure greater compliance with equity compensation programs and bonus plans. One participant noted that one of the difficulties was to be able to prove the benefits of technology solutions, and to get the budget to implement a solution.

In HR in general, we have seen a significant shift to self-service over the past 10 years. Employee portals now enable them to update their personal details online, download salary certificates and pension data, and request contract changes without the direct intervention of HR

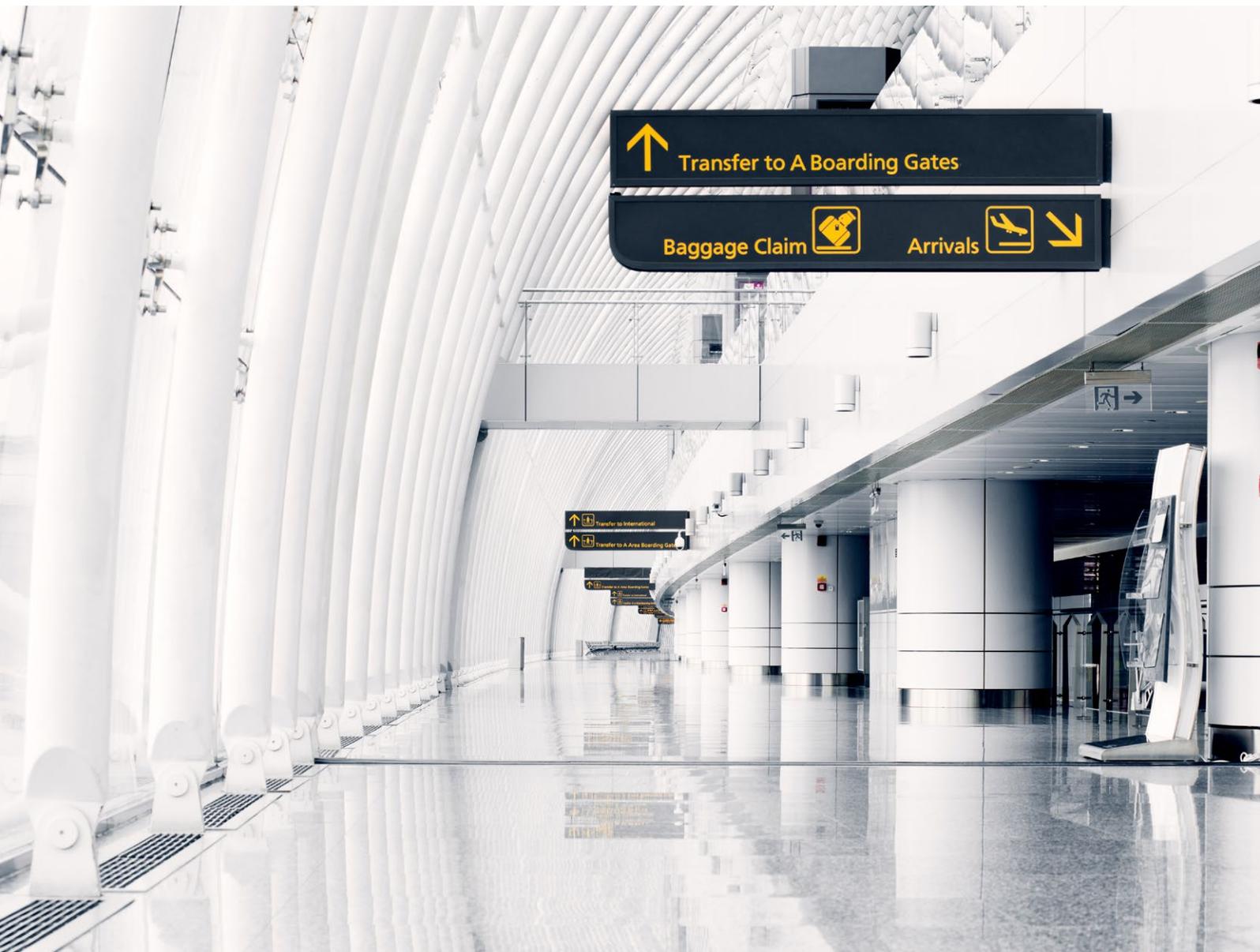
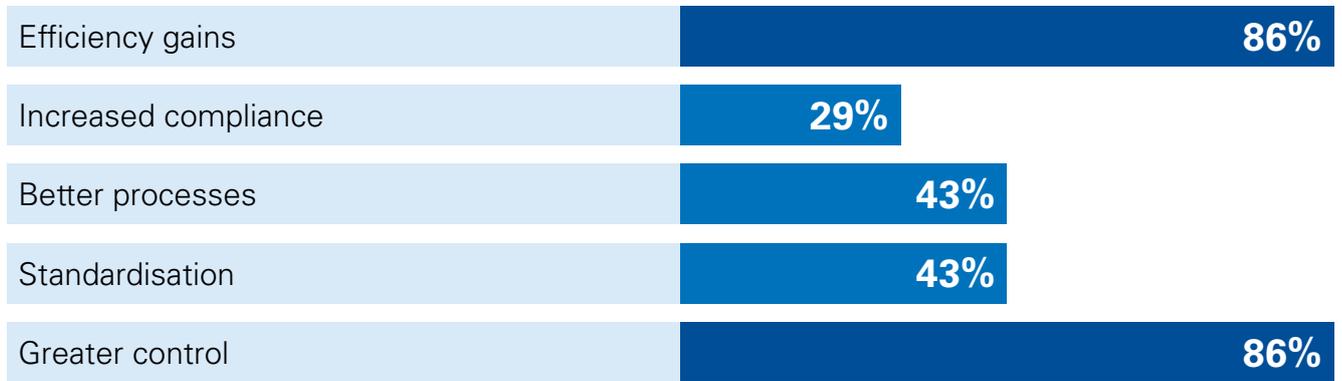
personnel. When we asked to what extent self-service has also been implemented for mobility-related matters over the same period, 45% of companies indicated that they had not implemented self-service at all in mobility, and a similar percentage noted that they had implemented self-service to some extent, but mobility specialists were still providing a personalised service to mobile employees.



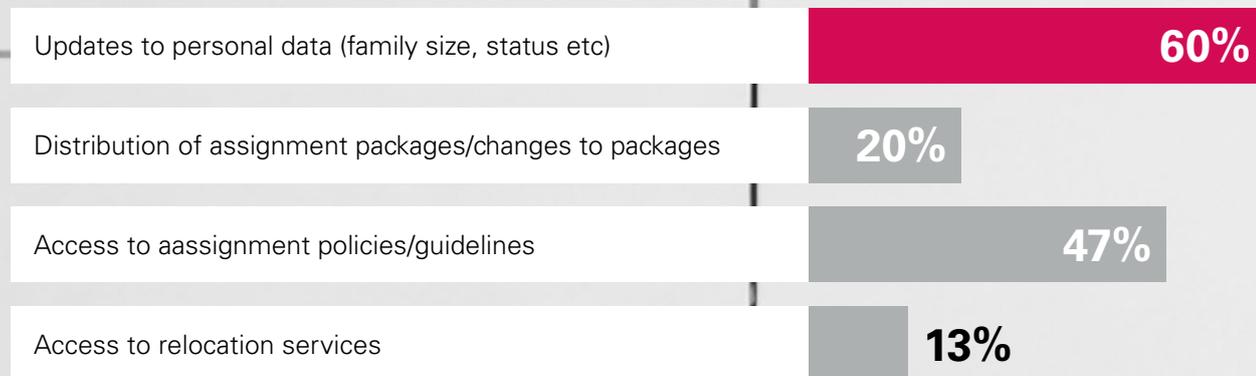
46%

of companies have  
implemented an assignment  
management software  
system.

## What have been the main benefits of the newly implemented system?



## If certain aspects of your global mobility model have moved to a self-service model, which aspects are these?



One of the benefits of technology which has yet to realise its full potential is data/people analytics capabilities. Imagine a future where mobility professionals could have at their fingertips the total cost of each assignee, retention rates, promotion rates, personal performance, business performance and all of the data to be able to measure return on investment of international assignments? Whilst most companies reported that they were able to run analysis of demographic data, less than one third indicated that they were able to report on total assignment costs and even fewer on assignee retention or other metrics to measure the success of an assignment.

When asked what is their current biggest challenge around technology, one of the common themes was that companies did not have access to one single system that covers all aspects of mobility i.e. the data has yet to be connected. Some companies had historically been using different tools from different providers and it was difficult to integrate the data from each of these systems. Other companies noted that before their technology tools could be properly used, they needed to have better policies and fewer exceptions. Tracking exceptions when using a standardised tool, clearly proves to be a challenge for some. Data quality still remains a constant issue.

In future, many companies are expecting technology to provide them with increased control over costs and much greater data analytics capabilities. Many view technology as the way to increase compliance and process efficiencies. Others believe that a global technology solution will help make their global talent pool more visible, and enable companies to map and track interest in global mobility. Perhaps it is a roadmap combining both that will prevail, with implementations to meet immediate compliance demands on a transactional level helping drive the strategic objectives on a talent level.

# 40%

of participants indicated that they are looking to provide greater self-service possibilities in the future.

# Contact us

## **Judith Mitchell**

Partner, Lausanne  
+41 58 249 46 34  
jmitchell1@kpmg.com

## **Brad Maxwell**

Partner, Zurich  
+41 58 249 29 41  
bradmaxwell@kpmg.com

## **Lennaert Galesloot**

Partner, Zurich  
+41 58 249 36 40  
lgalesloot@kpmg.com

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