



Podcast transcript

Part 1: The future of the global workforce post-COVID-19

Podcast with Marc Burrows, Head of Global Mobility Services, KPMG International, and Partner, KPMG in the UK, Michelle Berners-Price, EMA Head of Business Travel Services, KPMG in the UK, and Ray Rackham, Global Head of Immigration, HSBC*.

Musical intro

Announcer:

Hello and welcome to the KPMG podcast series for tax, legal and mobility leaders.

We're focusing this podcast series on the ongoing global impacts of the novel coronavirus (COVID-19), by looking at the tax, legal and mobility considerations and top-of-mind business issues that have resulted from this global outbreak. In today's episode, Part 1 of 'The future of the global workforce post-COVID-19,' we look at employee and mobility issues in light of the current pandemic and what the future of business travel and immigration may look like in a post-COVID-19 world.

International travel was brought to a halt due to COVID-19, with most countries in the world imposing partial or complete border closures. And while lockdowns are starting to ease in some countries, international travel restrictions will likely last much longer given today's uncertain environment.

In this episode, we spoke with Marc Burrows, Head of Global Mobility Services, KPMG International, and Partner, KPMG in the UK, Michelle Berners-Price, EMA Head of Business Travel Services, KPMG in the UK, and Ray Rackham, Global Head of Immigration, HSBC.

During our discussions on the phone Marc, Michelle and Ray shared their insights on how the current situation has impacted the movement of people globally, and what this means for the future of immigration policy, businesses travel, and the global workforce.

Marc, Michelle and Ray – thank you for taking the time to join me on the phone today.

Marc, Michelle and Ray:

Hi, hello.

Announcer:

Marc, I'd like to start by asking you to set the scene for us. Can you give us a sense of the impact COVID-19 has had and is having on the mobility of employees globally?

Marc:

So as a people issue, as a health issue, initially one of the biggest challenges that we needed to face was where are my employees, what are they doing and are they safe? And then once we found them and sort of in lockdown, we let the dust settle a bit, we checked to make sure that where our employees were and what they were doing was okay.

And we got some initial comfort from local authorities, from the OECD and from others, that there'd be some flexibility in this early stage. So then we started to think about what are the mental and the cultural differences or cultural considerations that are important for our employees as we're in this stage of trying to hang on; this sort of resilience stage for businesses as we just wanted to see through this very uncertain period of time.

We're now looking towards the return to work and this path into a new reality of global work, that I think is going to be very, very different for everyone, but in particular, for global mobility. And I think one of the things that will be different is a real change in the employer-employee power dynamic.

And by that, I mean that employees have all of a sudden risen to the point where they have quite a lot of choice. In the past, an employer would decide whether job had to be done from the office, whether a meeting had to be done in person in some part of the world, and we're now shifting so far as in some countries, the media is talking about people having a legal right to work at home if they decide to do so.

Now I'm not sure we'll see that power shift all the way to that legal right in many places, but what we will see is this real

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change – this real need to accommodate more flexibility in all HR policies going forward, less of a one size fits all, less of a worship of perfect consistency, which is very, very good for diversity and inclusion, but creates a world of complexity for those of us in immigration, in tax, in legal and compliance, to need to work out how we keep the company and employee safe in this new environment.

Announcer:

Thanks Marc, Michelle what are you seeing?

Michelle:

I think as a starting point, all businesses are focused on the well-being of their employees and their responsibilities for the communities that they operate in.

First and foremost, this is a health crisis, and the response of businesses has been a deep respect for that fact.

We've seen in the short term a sharp decrease in business travel as a result of advice from governments and the World Health Organization, as well as the significant number of border closures that you referenced, which, of course, make business travel much more complicated. And governments around the world are also trying to make things easier to people in the short term by extending, filing deadlines, and offering some relaxation to compliance rules. But, of course, the extent of those relaxations will be limited. And as governments look to reduce the deficits caused by this crisis, we expect enforcement on compliance obligations to increase quite rapidly again. And companies really have that in mind as they look to the next few months.

Announcer:

Ray, COVID-19 raises a host of immigration challenges for business as a result of ongoing travel restrictions that now limit mobility of international employees. Can you describe the types of activities the HSBC Global Immigration team are managing to keep talent moving?

Ray:

Yes. I wonder if managing to keep talent moving is an accurate description of what we've been doing at present. As it's currently impossible to move talent anywhere near to the volume or for the reasons we used to, prior to the world going into various degrees of lockdown.

I suppose it's also important to recognize that those countries respond rapidly, it would invariably fall to immigration officers, at the ports of arrival, to execute and administer any new entry rules that have been introduced.

And I think here, this is where it's interesting, immigration can be hugely facilitative, in a post COVID-19 world, as organizations and employers start to rebuild new international models and cross-border activity begins to increase again. And I think that is squarely where HSBC immigration have been focusing our attention. How can immigration, and more importantly our understanding of immigration, in relation to our business

priorities, assist the business through the various phases of this pandemic?

The immediate answer is to be aware of the changing role of the immigration officer. And everything else, we hope, will then follow.

Announcer:

Thanks Ray. Marc coming back to you, while many of the new immigration policies in place may be temporary, they have the potential to have lasting impacts on the mobility of people between countries and affect businesses for the foreseeable future. What are some of the restrictions and new measures you're seeing? And which of these can we expect to see going into the future that may impact the global workforce?

Ray:

I think with this, it's less about the specific measures that we're seeing and more about the inconsistency of measures that we've seen across different jurisdictions. And I think that what happens next is going to be even less consistent and will stretch out over a much, much longer time.

And I think we'll find that borders are opened, closed, reopened again, and with a different set of conditions, with a different set requirements for people to move into those countries for long periods of time for work, or even for shorter periods of time for business trips, and other holidays, and other more transient purposes.

And navigating through this sort of opening, closing type of environment with new sets of rules that are, to a greater extent, I think they'll be somewhat of a trial and error type approach as governments try to work out what to do between now and some kind of immunity that we find ourselves in at some point in the future. I think that will be very difficult for businesses to navigate and will need to be very, very focused to be ahead of what happens next.

Announcer:

Ray, there is an incredible strain on public resources – how do you see that translating into the responsibility of large MNC (multinational corporation) employers in the immigration process in the future?

Ray:

I think it's entirely expected that all organizations, large and not so large, will have a part to play in rebuilding both the global and domestic economies. And the introduction, therefore, of unprecedented, country specific, economic stimulus strategies, so I think chiefly, and – well certainly over the course of the last 10 years – immigration fees in almost every country have raised exponentially as immigration compliance has become more of a revenue generator for national governments.

So the mechanics are already there to increase fees. For example, one would assume there certainly will be increases

across the application fee base. Immigration is likely to become more costly, alongside becoming more difficult, in some cases, and then slightly more easy in others, as countries start to use immigration flexibility as a means to support their individual labor markets.

Announcer:

And Ray we've seen an increase in government interaction in immigration and a move away from de-regularization. Do you think there will be continuity of the privatization of some elements of global immigration or a change in how governments handle it?

Ray:

Now, this I think is a very interesting area. There has, in line with an increase in fees over the course of the last decade, been an increase in the amount of not necessarily de-regularization, but certainly a move to an enablement of employers to regulate themselves in some areas, to police themselves in others, and to report on the activity of their workers.

This move has been witnessed almost the whole world over, there's been a move to using third-party providers, particularly around the visa acquisition phase of the immigration process, in some cases, also, in the checking and security phases.

Now, without wishing to gaze too much into the crystal ball, I do believe it's likely, at least in the short-term, that there will be a reversion of lots of this, with greater government and civil service interaction throughout that process. Almost all of our daily lives are going to change in one way or another, and immigration is no exception. Indeed, governments are likely to get more involved in the process through necessity in the early phases of rebuilding. As policy and the interpretation of that policy, as I said earlier, will sit with the immigration officers, and therefore, will need to be administered with agility. So as policy changes, those immigration officers are going to need to understand how to implement that quickly, and the best way to do that is to have direct contact and direction from governments in the civil service.

Announcer:

Michelle, what are your thoughts on the OECD's view on permanent establishment (PE) risk and their position that working from home during the COVID-19 situation due to travel restrictions is unlikely to create a permanent establishment determination and an individual tax treaty position?

Michelle:

So the OECD guidance was really helpful because it provided some clarity on their view on this topic, which was raising significant concern. As many employees initially ended up stranded where they were when border restrictions were imposed or had chosen to relocate to be near their families for the duration of lockdown. That left companies exposed to new compliance risks.

And the OECD guidance really was though just restating the existing position, which is in their view, providing the working arrangement for short term, as a result of government directive and the working arrangements don't become habitual over the norm over time, then there's not likely to be a risk of a PE being created.

What's interesting here, though, is that the guidance sets the expectation that any risks which were already an existence before were managed. And those individuals are people who are suddenly found in a new location. Not people who may have been working from home in that country on occasion anyway. And of course the OECD guidance covers broad treaty provisions only. It doesn't consider the scenario where there's no treaty protection at all or where the treaty has specific clauses which might result in a different outcome.

So while the OECD guidance is definitely helpful and reduces concern to some extent, companies that expect some form of cross-border home working to continue after travel restrictions are formally lifted should be spending some time understanding their risk in this area and now in deciding also how to manage it.

Announcer:

And Michelle, do these exceptions stop applying when borders start re-opening? What if employees choose not to travel or are asked to stay at home by their employer?

Michelle:

Yeah, exactly. And that's the key question that we're debating and thinking about right now. So as time passes and employees choose to remain working from home or their employees suggest that they do, their compliance position starts to become more of a grey area.

Once employees are able to attend to their country of work as border restrictions are lifted, it's likely that most rule relaxations both in terms of the OECD guidance and local provisions will fall away. And we must go back to the usual principle of review and compliance. This is likely to become more complicated as the expectations of employees have changed, and flexible working is likely to become expected for most large employers.

We're also seeing businesses consider enforcing more remote working in the future. For example, to reduce the need for spend on office space. And in this example, they'll be likely increasing their PE risk through not providing alternative office space for an employee. So certainly, there will be interesting times ahead as we see a change in the workforce really impacting the compliance division for businesses.

Announcer:

Thanks Michelle. Ray, can you tell us a little about what you're doing at HSBC to get ready for this new and rapidly changing environment?

Ray:

I think the important thing for us at HSBC and for pretty much every migration or mobility team is to recognize that we must find our place within a complex ecosystem that is actually developing around us. And that ecosystem is developing to handle, tackle, respond to the pandemic, and then importantly, to become part of the rebuild.

So now, it is important, probably more so than ever before, to have a complete and joined up approach with a variety of other parts of the business within HR and outside of HR, including travel providers, your travel teams, procurement, and tax and lots of other things, where previously from immigration lens only, we haven't had a huge amount of interaction.

Immigration now has to become part of the dialogue. It needs to inform and be informed by the wider organizational debates. So the important aspects of this for me is to always be on top of the developing trends as and when they appear.

So what are the individual country governments doing right now in response to what is happening now. And once you've got an idea of that, you might be able to predict what they are going to with what might come.

So a country for example that is strict in increasingly stringent entry and quarantine criteria in the now was very unlikely to do away with that on a whim. So therefore it gives you a sense of the mechanisms to plan.

Announcer:

Thanks Ray. And Michelle, what can businesses do to prepare and manage this risk?

Michelle:

One of the things that we're recommending is to prepare now and manage this risk is considering whether HR and travel policies are fit for purpose in the new environment. Most likely, those policies were created at a time when home working was the exception and not the norm. And potentially, they don't even consider cross border work arrangements. So a fresh look at these policies with a wide group of stakeholders across tax, mobility, HR, medical security and even legal will ensure that all of the factors are being considered.

Announcer:

Marc, Michelle and Ray – on behalf of our listeners, thank you for your time today. This has been another great discussion with interesting insights on the future impacts to business travel and the mobility of global employees, as we emerge from the COVID-19 pandemic. I look forward to continuing this conversation in Part 2 of 'The future of the global workforce post-COVID-19,' where we discuss some of the current global mobility challenges and what lies ahead for business travel and immigration in a post-COVID-19 world.

Marc, Michelle and Ray:

Thank you ever so much, thank you, thank you both, take care everyone, goodbye.

Announcer:

For more information and resources on COVID-19, visit home.kpmg.com/covid19taxandlegal

Join us again next time and please email us with any questions you have about today's episode at tax@kpmg.com and we'd also love to hear from you with any suggestions you have for future episodes

Thanks for listening.

Musical exit

