



Rise of the humans

The impact on mobile workers in the age of the smart machine

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As we showed in our first two reports on Rise of the Humans,¹ the world of work is changing faster and more drastically than at perhaps any other time in recent history. The World Economic Forum predicts that 35 percent of the skills necessary to thrive in a job today will be different five years from now.² What's new in our third report is the rising importance of geopolitics and the impact of global mobility on the shape of workforces in the age of artificial intelligence (AI).

While the appetite for businesses to expand internationally continues to grow, the potential withdrawal from trade agreements by some developed countries and the UK's decision to exit the EU show that nationalism is now on the rise. For CEOs, a more nationalistic approach to trade is worrying: a "return to territorialism" is their number one threat to growth.³

Now more than ever, just as CEOs need to develop their geopolitical skills, so do HR professionals as they seek to acquire and mobilize resources across their global business. Rising political uncertainty around the world must be factored into talent decisions. Increasingly, work arrangements have become more flexible and business travel the norm, no longer just for senior executives and salespeople. Employees in their professional and personal lives are behaving in a way that is less constrained by national borders. In this new world order, compliance, risk, and duty of care must be considered just as much as population demographics and the rise of automation.

Automation, in fact, casts less of a shadow across the business psyche as more organizations adopt some form of it. Despite the hair-raising headlines ("Robots will destroy our jobs — and we're not ready for it"⁴), 62 percent of CEOs expect AI to create more jobs than it destroys.⁵ They are optimistic about the

sweeping changes that digital transformation brings. The vast majority — 95 percent — see technological disruption as more of an opportunity than a threat.

To win the digital race, CEOs are embracing AI to reshape their businesses. In the process, they are turning traditional talent management on its head. A faster-moving model is coming into focus — what we have called workforce shaping in our past two reports — that is far more fluid than talent management.

Disruptive technologies like AI are not replacing whole jobs as much as pieces of jobs — specific tasks and activities within jobs — which will be automated and replaced. Because of this task-level impact, the prospect of productivity gains can only be achieved if work, processes, and organizations are reinvented to realize the potential of task-level impacts. Ironically, such a granular view of work allows HR professionals to take a holistic view, focusing more on restructuring work around groupings of tasks that require similar skills and capabilities and less on mapping individuals to roles.

That means multinational companies need to identify, acquire, engage, manage, and disengage talent in very different ways than in the past. New roles will emerge within the HR function, including the workforce shaper, who helps bring together business strategy, workforce analytics, innovation, and the people agenda to understand the long-term requirements for people and skills in the business.

At the same time, with the rise of hyperglobalization and short-term, even transient engagement of talent rather than long-term, role-based engagements, the increase in regulations on national employment, payroll, and tax, along with immigration restrictions, are adding extreme amounts of complexity and risk. Together these factors put the brakes on changes desired by the business and talent markets, both in terms of the speed of engagement and the global deployment of talent.

¹ KPMG, Rise of the humans 1: The integration of digital and human labor, 2016, and Rise of the humans 2: Practical advice for shaping a workforce of bots and their bosses, 2017.

² World Economic Forum, "The 10 skills you need to thrive in the Fourth Industrial Revolution," Jan. 19, 2016.

³ KPMG, Growing pains: 2018 Global CEO Outlook.

⁴ The Guardian, <https://www.theguardian.com/technology/2017/jan/11/robots-jobs-employees-artificial-intelligence>, Jan. 11, 2017.

⁵ KPMG, Growing pains: 2018 Global CEO Outlook.



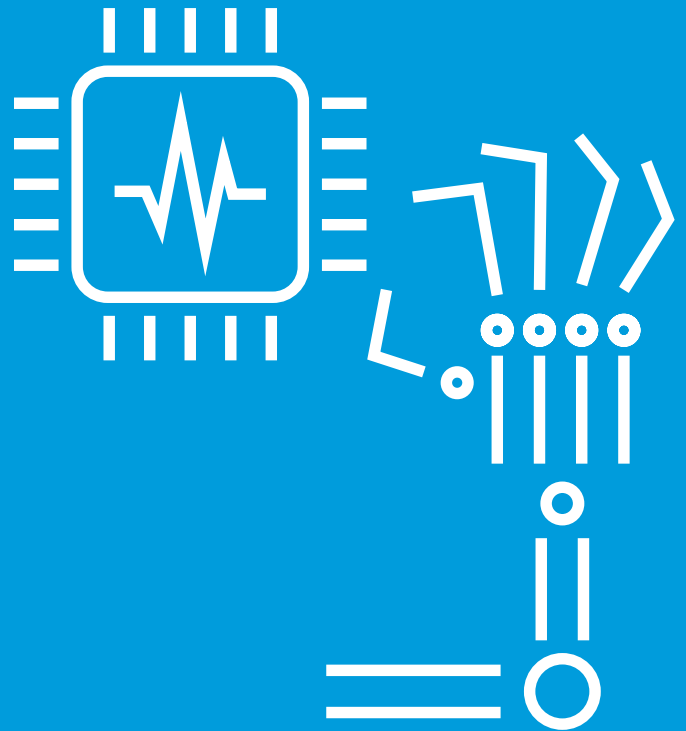
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AI in action: New healthcare tasks

In just about any industry you can think of, the use of AI will affect how humans in new roles will need to interact with each other. Take healthcare, for example. Healthcare systems are under intense strain around the world. They need the productivity gains arising from new technologies and AI to bridge the current productivity gap, let alone the growing demands that will be placed on them from older populations.

Healthcare systems will still need more people but people with different skills, in different roles, relating to each other differently, according to Mark Britnell, global chairman of healthcare, government, and infrastructure at KPMG. Under this scenario, pharmacists will operate wellness centers, treatment and consultation will move to virtual forms of interaction supported by AI, and care pathways will be completely redesigned with the use of cognitive AI augmentation. Tasks, interactions, and infrastructure traditionally in the patient's location will be fragmented across multiple countries with all the regulatory complexity that brings.



Worth considering

Increasingly employers are discussing how to infuse their culture and values, compliance requirements, and corporate ethics into their third-party vendors and contractors. As the significance of the gig economy and contingent workers expands, the infusion of corporate culture and compliance will also include these gig employees. Traditionally how

companies indoctrinated employees, would be to send employees to locations to be trained or conducting the training. We expect that as corporate social responsibility and compliance pressures increase, so will the need for employers to fold all employees full time or contingent into their ecosystem; thus requiring some form of mobility.

The increasing impact of the gig economy

There once was a time when talent was hired for full-time employment, but employers today can no longer rely on the traditional full-time hire. Changes in the way talent is engaged are expected to have a significant negative impact on national wage tax revenues and on many economies, putting even more pressure on governments and revenue authorities to protect national tax revenues and aggressively enforce compliance.

The gig economy offers a perfect example of the impact on workforce shaping and the global workforce. More and more skilled professionals are rejecting the 9 to 5 and choosing the gig economy as a long-term career and lifestyle choice. Some 54 percent of independent workers have embraced flexible working by choice to meet their personal needs and goals, according to research by Adecco and LinkedIn.⁶ Only 36 percent of respondents regard gig work as a stopgap between direct, permanent roles. Flexible working is becoming an attractive part of the status quo, rather than a stopgap solution.

Did you ever think your long-term talent management plan would compete with driving for Uber? That's where workforce shaping can make a difference. It begins with first asking the big, defining questions around possible business futures, how much of that future you want to achieve over what timeframe (e.g., one, three, or five-plus years), and what workforce you will need to realize this future. Each business future is based on a set of assumptions.

What makes workforce shaping different from strategic workforce planning is that it is probabilistic; as the future firms up, the probabilities will change and so too will the granular details of the workforce implications. The importance of stating assumptions and where they come from is also vital for believability. These "possible business futures" are the underpinning foundations for workforce shaping.

When considering your future workforce, you also need to consider the associated operating model, workforce composition, workplace practices, and partner ecosystem that will help you achieve this future. More and more, external factors such as compliance and risk need to be

considered as well, which bring together the teams that support the global workforce, including global mobility professionals, to set up a suitable strategy.

For example, gig employees may seem like a good solution to a short-term talent problem or project, but they're much harder to move compared to full-time employees. It can be difficult, if not impossible, to get work permits to move them to different countries, so it's important to pay attention to the location of your project when considering gig workers. Full-time employees, on the other hand, are sponsored by their employer and are much easier to move.

When faced with the increasing use of freelance and contract workers globally, experts weigh in with these considerations:

- **Long-term talent management:** How do you create a diverse workforce? Do workers' rights change?
- **Tax reporting** — Who is an employee today? Will the definition be the same tomorrow?
- **Social security** — Who will be responsible for contributing? What are the longer-term effects on society if people are going from system to system?
- **Immigration** — Can gig workers obtain clearance to work in the country? Are non-compete and non-disclosure agreements valid in other countries?
- **Duty of care** — Is it the same for gig workers as it is for other mobile employees?

54% of independent workers have embraced flexible working by choice to meet their personal needs and goals

⁶ Adecco Group and LinkedIn, "Flexible working: A career and life-style pathway," Nov. 14, 2017.



Shaping a full-time workforce

Focused as it is on probabilities, workforce shaping requires organizational data — and lots of it — to see how your workforce maps to your current and future value chain so you can better inform your workforce shaping scenarios and strategy. More than simply collecting and mapping data, however, you must also seek to understand what the data is telling you by analyzing it against the following questions:

- **What are the opportunities** for automation?
- **How does the organization need to change** in terms of culture and how teams connect?
- **How should the composition** of the workforce change?
- **What are the implications for our capabilities?** Where are our strengths? What new capabilities do we need? How many are changing?
- **How might we invest capabilities** across our value chain to drive growth?
- **How do we decide on the priorities** and actions we need to take?
- **Where should we locate our people** across the globe?
- **What obstacles do we need to navigate** to get them there?

It is these last questions that trigger the need for an expanded group of professionals with cross-border experience such as global mobility, corporate tax, and transfer pricing to sit at the workforce strategy table.

The changing parameters of global mobility

Over the past generation the typical “ex-pat” assignment has changed dramatically. It’s no longer disruptive; it doesn’t require moving an employee’s family — really, her entire life — across the globe. With social media and internet-based phone apps like WhatsApp, employees can remain in regular touch with families.

Yet alternative work arrangements trigger all types of compliance concerns. An employee who prefers to work from home in a different country than his or her employer could potentially trigger permanent establishment, for example, unknowingly creating tax liabilities for the entire company. A seemingly simple alternative work schedule for the summer could be costly for the organization if the employee’s summer home is in another country.

Despite the current focus on cost, however, global business travel continues to rise. Volume was up over six percent in 2017, according to the International Air Transport Association (IATA).⁷ Whether it’s the employee or employer who decides that business trips are more favorable than relocating, when these trips are international, they can not only produce additional immigration administration and costs but also withholding and reporting requirements all over the globe.

In these situations, human resources, talent, recruiting, and global mobility must be in sync and act as one community of people. Case in point: A role may come with a defined compensation package for a particular country, but will candidates be sourced from across the globe? If so, will you be able to move the candidate seamlessly into the role? Understanding the answers to these questions will make the downstream onboarding of a new employee a much better experience.

Whether your company is multinational or domestic with a few international employees who are locally hired, your workforce must be viewed through a global lens. It’s not just that immigration and tax laws can be tricky. The goalposts are constantly changing.

Today it’s possible to give employees an international experience in a variety of ways without uprooting their entire life. For one thing, they can commute. It’s not uncommon anymore to hear or know of someone who works for two weeks in India and then comes home for two weeks. Short-term assignments are another possibility that may or may not include visits home or from partners and spouses. The important thing is to have the HR and global mobility functions join forces early on to set expectations about the potential disruption to personal lives, the difference in work environments, and the complexity of being compliant with company policies, immigration, and tax laws.

The same point holds true when selecting tasks where AI may be considered. Reactions from jurisdictions gaining or losing jobs to AI could range from increased administrative and immigration requirements to higher taxes, all of which ultimately cost more time and money. In this context, the opportunity cost can be significant. “Automation can be fantastic but the amount of time, effort and money required to program certain tasks and outputs may not be worth it,” notes the head of global mobility management at a global German industrial conglomerate. “Human labor may still be more effective.”

Over
6% rise in business travel
volume in 2017

⁷ According to the International Air Transport Association (IATA), from June 2018, post-recession growth (2009-2017) was 6.4% CAGR. This represents 2.48 billion air travelers in 2009 to 4.1 billion air travelers in 2017.

Is it worth it?

It has often been assumed that it's not worth it to invest in sophisticated, complicated artificial intelligence applications for a mobile workforce that represents only one-half to one percent of a typical employee population. But today's mobile workforce can include virtually all of a company's senior executives, who are also the highest earners, which raises financial and reputational risk exponentially.

Suddenly it can make sense to adopt AI apps to support mobile workers so they're not stopped at the border with the wrong permits, for example, or they're not inadvertently failing to pay their taxes.

Depending on the composition of your mobile workforce, AI may be the perfect solution for connecting the macro vision to the micro reality.

Act local, think global

When a local energy company expanded overseas, it asked a key player to move to a new country to help set up operations, hire local employees and socialize the new branch with the corporate culture of headquarters. The employee and her family were relocated, and she was provided a compensation package plus relocation assistance. She also negotiated that the employer would pay both home and host taxes generated.

From a workforce shaping perspective, the assignment sounded straightforward. When the company decided to expand, it understood the shape it wanted to take: open the new facility in a new market.

However, when the employee was asked to return home and serve on the company's board, everything paid on her behalf, including the taxes, had to be reported in the annual report. Suddenly, her total compensation looked gigantic. The business had not accounted for this "sticker shock." Had the global mobility, executive compensation, and corporate tax functions been consulted before her transfer, together all the stakeholders negotiating the package would have understood the downstream impact on the employee, the corporation, and the shareholders.



It's 2030 and tax revenues are plummeting...

Imagine this scenario: It's 2030 and companies are engaging contingent workers on a project basis. With no wage withholding tax to withhold from the company, treasury revenues are in free-fall and revenue authorities have few ways to control where the tasks are being done. If you are the government revenue authority, what do you do to restore receipts?

Here's what tax professionals expect — and what some are seeing already:

- Lessen the dependence on personal income tax by introducing a value-added tax (VAT) on goods and services or by increasing the rates of VAT, sales tax, and payroll tax where they already exist.
- Move toward uber-BEPS (base erosion profit shifting) whereby all multinationals pay a minimum amount of tax on their global income.
- Reform Social Security. For the US, remove the cap on OASDI (old age, survivors and disability insurance). Allow higher earners to opt out if they pay into private plans but then they lose all government-funded benefits.
- Mandate withholding on all kinds of income (gig, dividends, interest, capital gains, rent and royalties, etc.) at the source.
- Apply a withholding tax on the payment of wages and invoices to overseas workers and service providers (including payments to contractors). India and Thailand already do this to a degree.
- Eliminate tax breaks to expatriates living in another country if residents of that country can perform the same job and an expat is not needed.
- Tax digital platforms by user, by user location, or by user origination, a proposal currently under consideration by the Organization for Economic Cooperation and Development.
- Increase user charges for roads and government services, as Singapore is already doing.
- Encourage movement toward a cashless society, perhaps through cryptocurrency, to begin eliminating the underground economy.

- Exchange data among tax authorities, social security institutions, labor inspectorates, and immigration agencies — nationally and internally — so that all jurisdictions know where contingent workers are located, how much they earn, and where the tax should be applied. This is already happening in the European Union with the implementation of EESSI (electronic exchange of social security information), the EU's biggest IT project. It will allow all European Economic Area countries and Switzerland to exchange information about pensions, health insurance and benefits, certificates of coverage, etc., beginning in the summer of 2019. If the exchange is proven successful, data will also be given to tax authorities, immigration, etc., so that most data will be available by 2030.



The perennial need for soft skills

There's no doubt that the human skills required for working *with* AI will be just as important as the skills for working *on* AI. Emotional intelligence, adaptability, and a willingness to learn will never go out of style, regardless of how many robots take over human jobs. But on that score, no one seems to know how many there will be. The *MIT Technology Review* compiled a list of all the predicted jobs that automation would create and destroy, eventually concluding that no one had any idea how many jobs will actually be lost to the march of technological progress.⁸

However, no one disputes the importance of improving customer and employee experience, for which greater emotional intelligence and social skills would be welcome. Indeed, these skills are crucial to differentiate the human workforce from a more automated one.

In terms of workforce shaping, soft skills like empathy and cooperation point the way to employee reinvention. An accountant who has prospered by building strong client relationships, for example, can apply that ability elsewhere. The key is to view employees as a bundle of skills and capabilities, not as a defined role or profession.

Soft skills are also critical for global mobility. Leadership-oriented offshore assignments often require instilling corporate culture in a new country, which in turn requires human character traits like empathy, teamwork, and a positive attitude. People traveling often for their jobs — away from their families and possibly worried about losing their job one day — are increasingly affected by stress, anxiety, and depression, prompting the addition of mental health services to wellbeing packages. Ironically, too, the very self-service features that aim to make offshore living easier can also serve to isolate employees from contact with a global mobility person back home.

“People still want a live person answering their questions, despite how much information they can find online,” notes a US global mobility executive. “That’s why I didn’t move my tax team offshore at the time we were moving operations. I wanted front-facing tax people dealing with individuals.”

⁸ MIT Technology Review, “Every study we could find on what automation will do to jobs in one chart,” Jan. 25, 2018.





Lessons learned so far

By putting workforce shaping and mobility solutions into practice with clients, we've been able to identify some important lessons:

- 1 Link shaping to business strategy.** For workforce shaping to be effective, it must be integrated with the broader business strategy and include workforce planning, talent management, operations, analytics, mobility, and corporate tax. For example, if your leadership determines that labor costs too much in one location and decides to open an office elsewhere — without considering the associated workforce implications — you're essentially shaping your workforce on the fly.
- 2 A multidisciplinary approach is critical.** A team combining HR, talent, mobility, security, travel, and corporate tax departments — along with strategy, operations, and customer relations — will add the most value to workforce shaping and ensure that it supports business strategy.
- 3 Have lots of Plan B's.** Because workforce shaping depends on scenarios and probabilities, enumerate as many as possible. Your workforce is never in a steady state, so there's never one right answer. Agile scenarios with multiple probabilities and assumptions can help counter sudden external changes, like Brexit or H-1B visa restrictions in the US or a tax on digital platforms, which can curtail the movement of human labor or AI.
- 4 Tell a compelling story with data.** Since data underlies scenarios, it's important to present the data and insights effectively to evoke emotion and action from your audience. If you understand the story behind the data, you can tell the story better and know in what direction you're headed and how to get there. This skillset — what we call data artistry — will need to be embedded in the HR function of the future.





Managing and moving talent in the age of AI

As we introduced in last year's report, KPMG's 5C Framework can help guide the multidimensional analysis of people impacts in a digital era. We recommend that leaders examine their future talent strategy from five perspectives:

Cost — How much does the workforce cost to run?

Capacity — Are there sufficient resources in the right locations? Are they efficient and effective in how they work?

Capability — What skills and capabilities should the workforce have to succeed?

Connectivity — How do employees and teams connect with one another? Are they motivated?

Compliance — What are the regulatory and compliance implications of reshaping the workforce? Immigration and tax laws have employer and employee ramifications if not followed.

This year we looked at the framework through the lens of a globally mobile workforce and foresee these impacts:

01 Cost

How much does the workforce cost to run?

From	To
Relocating employees and their families to roles across borders is a regular part of sourcing global talent. Required cost projections, including immigration support (costs and application of work permits), are the normal cost of doing business. Number of moves is more finite and projectable. Organizations can comfortably predict costs.	Full family, longer-term relocations have decreased if they're not a necessary strategic move, leading to an increase in international business travel, commuting, and flexible working. Costs now span multiple tax and immigration jurisdictions for a more mobile population. Revenue authorities are now catching on to the potential revenue stream. Predicting costs and trailing liabilities are not as finite. Processes monitoring employee movements now require attention.

02 Capacity

Are there sufficient resources in the right locations? Are they efficient and effective in how they work?

From	To
Talent demands are based on FTE positions in organizational charts.	Business drivers and organizations' strategic goals determine talent needs. It could be that job locations are determined by whether high-skilled talent is managing more automated processes or whether task-based jobs don't have significant technology investment. However, a new layer must be reviewed to include employee and employer costs from a compliance perspective (e.g., employee/contractor registration, corporate and social tax).

03 Capability

What skills and capabilities should the workforce have to succeed?

From	To
A defined full-time employee role provides a career path in one location. Organizations provide longer-term benefits and packages. Employees are engaged when offered certain rewards, retirement plans, and educational assistance.	A global talent pool that better reflects a self-service economy requires attention to keep the business more flexible and employees engaged. Compensation and benefits packages are still part of the offerings but now can include flex time, alternative work schedules, and virtual employment. Work/life balance is even more important than in the past. Different skills and capabilities are required to manage this flexible workforce effectively and refresh the compensation packages and alternative work arrangements that are based on market drivers.



Connectivity

How do employees and teams connect with one another? Are they motivated?

From	To
Linear defined career paths provide motivation. A move across borders may be necessary for upward mobility or part of a succession plan. The connection between employer and employee is fostered by the career path.	Fluid roles and physical boundaries require additional attention to career paths. The way and frequency that teams connect will be different in the future — from international business travel for managing virtual teams to smaller teams made possible because of AI. New collaboration tools, technologies, and delivery mechanisms — such as social media that enable regular interactions — can keep employees engaged with their teams and bosses.



Compliance

What are the regulatory and compliance implications of reshaping the workforce? Immigration and tax laws have employer and employee ramifications if not followed.

From	To
For years regulatory compliance is more static than volatile from both employee and employer perspectives. Processes and amounts due revenue authorities are projected and followed.	Regulatory compliance is increasingly complex from both an employee and employer perspective. Income, social, corporate, and immigration taxes are examples of what organizations need to assess before moving or expanding to a new location or implementing technologies (e.g., some countries are discussing a tax on robot labor and internet use).

The future of work in 2030

We expect that the future of work will be less about mapping people to specific roles and more about mapping skills to tasks that need to be completed — an essential exercise for global mobility to remain relevant in the digital era. New roles within the HR function will emerge, including the workforce shaper who helps bring together business strategy, workforce analytics, innovation, mobility, and the people agenda to understand the long-term requirements for people and skills in the business.

No part of the people agenda will be out of bounds for change, from how we attract, develop, motivate, and retain talent to the ways that we reward our people and the mix of worker types — contingent vs. permanent, onsite vs. virtual, expatriate vs. local, human vs. robot.

The definition of the workforce itself will change, says the global mobility director of a European pharmaceutical manufacturer. “We will need to manage not only our traditional employees but also our extended workforce — our contingency workers and freelancers, perhaps including those who work with our alliance partners. At the same time, we’ll need to give these groups as much freedom as possible to take full advantage of their entrepreneurial approach. If we embed them into our big core operation they will lose their DNA.”

Workforce shaping will be used as a springboard to enable an organization’s fitness and readiness for the future against a set of redefined jobs that will be required to deliver on strategic ambitions. To best deal with this redefinition, HR, global mobility, talent, recruitment, and reward functions will need to be restructured and operate very differently to keep their strategic value.

We should expect some current specialist areas, such as mobility, either to be blended into other areas or to have its remit expanded substantially and absorb other specialist functions, such as talent acquisition. Systems and processes will need to be fundamentally rethought to manage company compliance and reputational risk and to respond to the speed of the market.

The head of global mobility at another European pharmaceutical company foresees one united global workforce team that has absorbed both global mobility and workforce shaping. “The number of traditional assignments that we have will be minimal,” she says. “We will be looking at global workforce options. The focus of HR will be less on traditional planning and career development and more on how to manage contingent workforces.”

Regardless of which scenario holds true, the trick is to create organizations and societies that grasp the importance of reinventing workplaces to make the most of what humans can do when working with AI. This is a challenge of leadership, design, imagination and creation just as much as one of coding. And it’s the requirement of HR and global mobility working together to prepare their people for the age of the smart machine.

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