GME | BENCHMARKING RESEARCH

Survey Report on Cutting Cost without Cutting Corners

2023 Report

In the current economic climate, companies across multiple industries are looking to cut costs and find savings. Global Mobility is no exception to this.

Post Covid, the Global Mobility function has become more strategic and their role has expanded to include managing an increasingly global workforce. The function is now seen as an enabler to companies to help attract and retain talent, but the cost of Global Mobility can be prohibitive and in the current economic climate GM Teams are under pressure to find ways to reduce costs while still providing competitive packages and a positive employee experience.

There are a number of reasons for the current economic climate of 'stagflation' (high inflation coupled with poor growth). The impact of the geopolitical situation, the war in Ukraine, and increasing tensions between Taiwan, the United States and China, has led to greater uncertainty in global markets. The effects of the Pandemic are also still being felt, with certain sectors – Hospitality, Retail and Wholesale, and Shipping is still not back to operating at pre-pandemic levels. These factors have also impacted supply chains, resulting in bottlenecks and a shift in how companies manage their logistics. This has had an adverse effect on employment, with Global Employment growth only expected to grow by 1% in 2023, according to the ***International Labour Organization***[1], affecting high-income countries the most. Thus, it is understandable why, for many organizations, reducing the overall costs of Global Mobility is a necessity.

Global Mobility is under pressure to offer more flexible and creative solutions to the business, which will increase cost efficiencies and innovation.

[1] https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_865332.pdf (World Employment and Social Outlook: Trends 2023. Geneva: International Labour Office, 2023.)

Survey Introduction

'Cutting Costs without Cutting Corners' will enable us to better understand how the global economic situation is impacting the Global Mobility function.

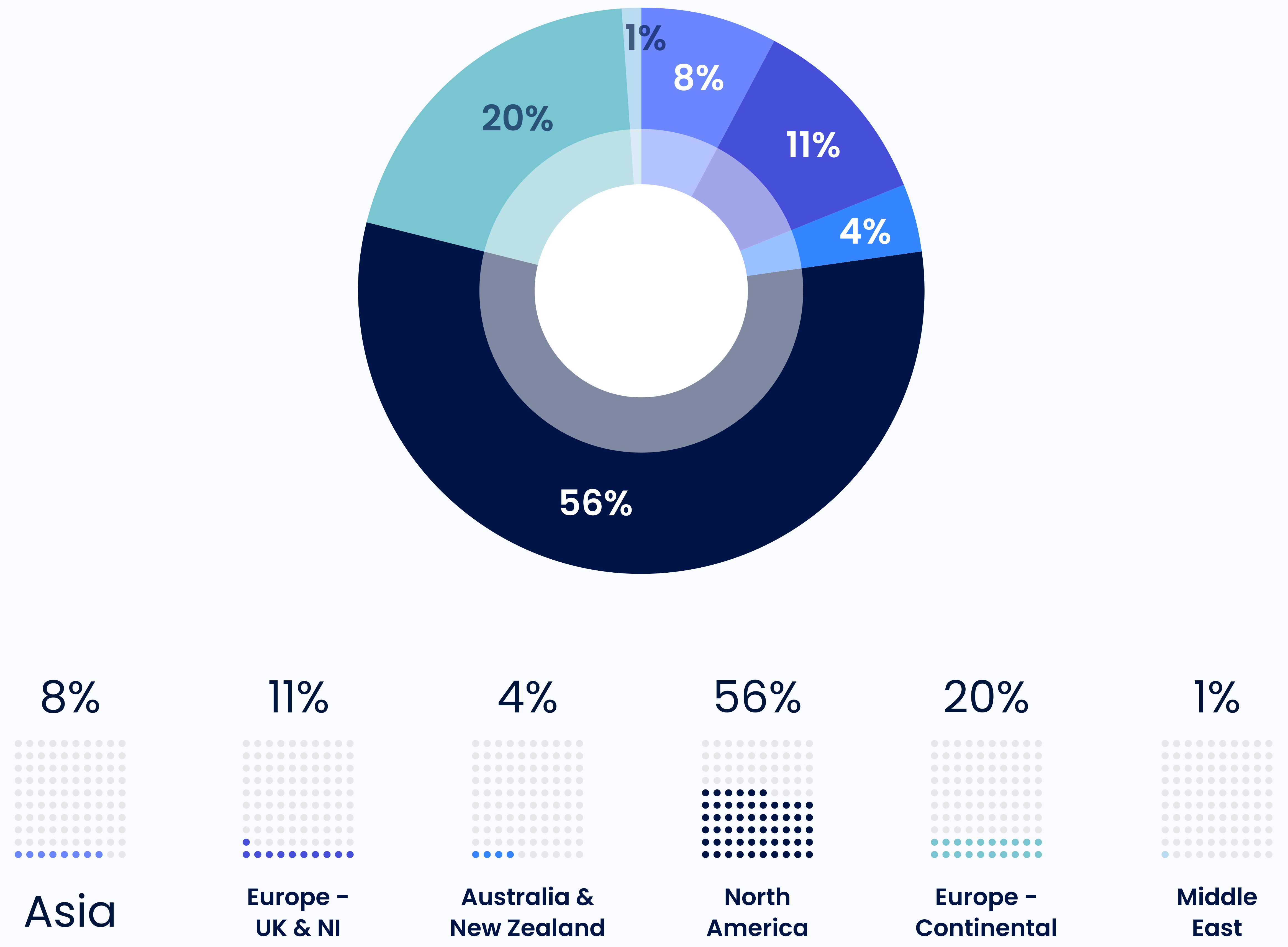
In this report we will assess the impact of the economic climate on Global Mobility, considering the importance placed on cost-reduction, and investigating ways in which companies are looking to reduce costs and the policy areas targeted.

We would like to thank everyone who took part in the survey for their responses and comments in helping us gain valuable insights into current cost-reduction measures within Global Mobility.

Survey Demographics

The survey responses show that the majority of participants came from either North America (56%) or Europe (31%). The remainder of the responses were from Asia (8%), Australia and New Zealand (4%), and the Middle East (1%).

Regions

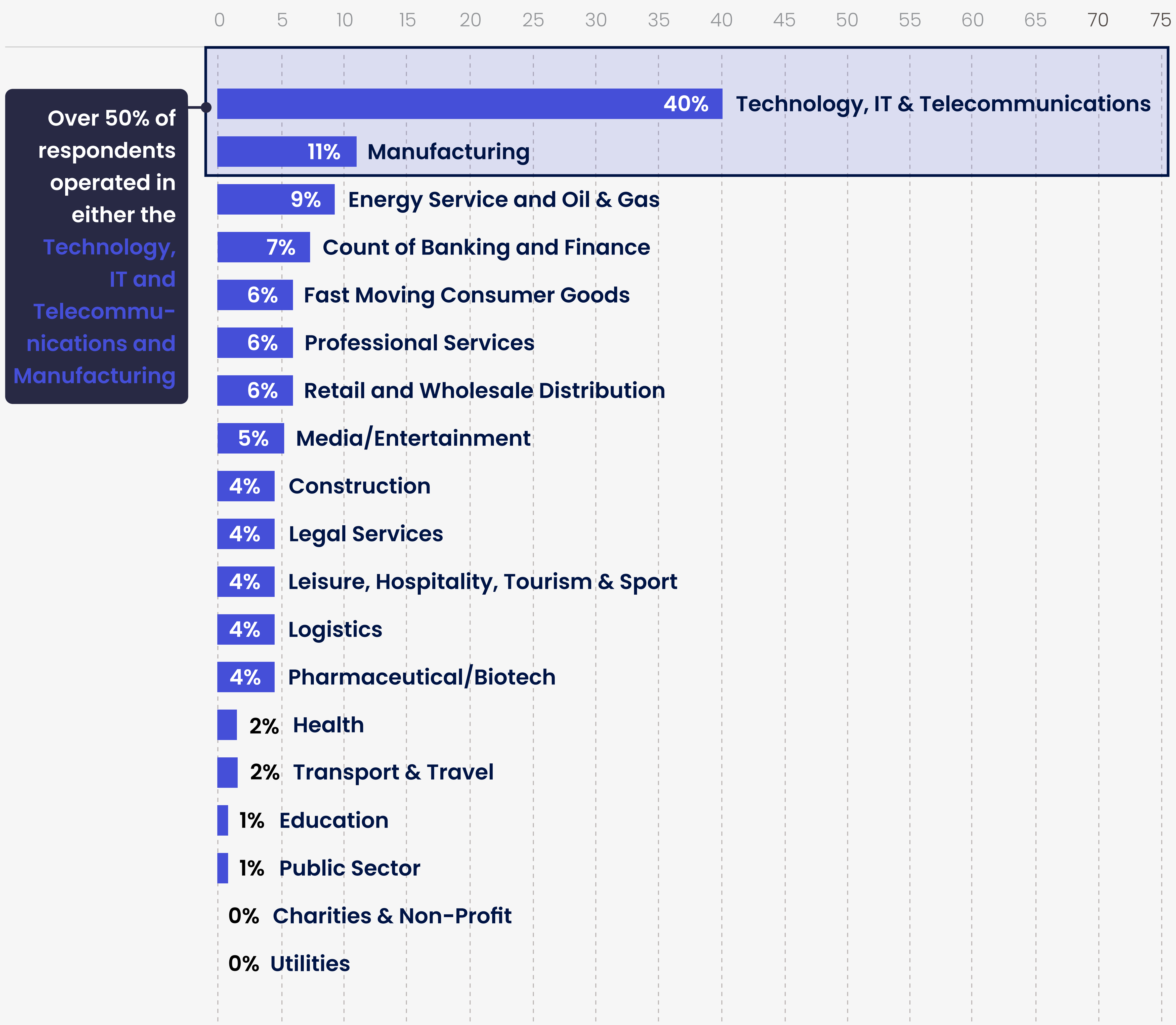


Note: The region demographics were calculated from 80/81 participants.

A wide range of industries participated in the survey, with Technology, IT and Communications making up the largest proportion of responses (40%), followed by Manufacturing (11%) and Energy (9%). Given the significant increase in growth of the technology sector during the pandemic, this is not unexpected.

In total there were 81 responses to the survey, representing the views of 79 different organisations.

Industry sectors

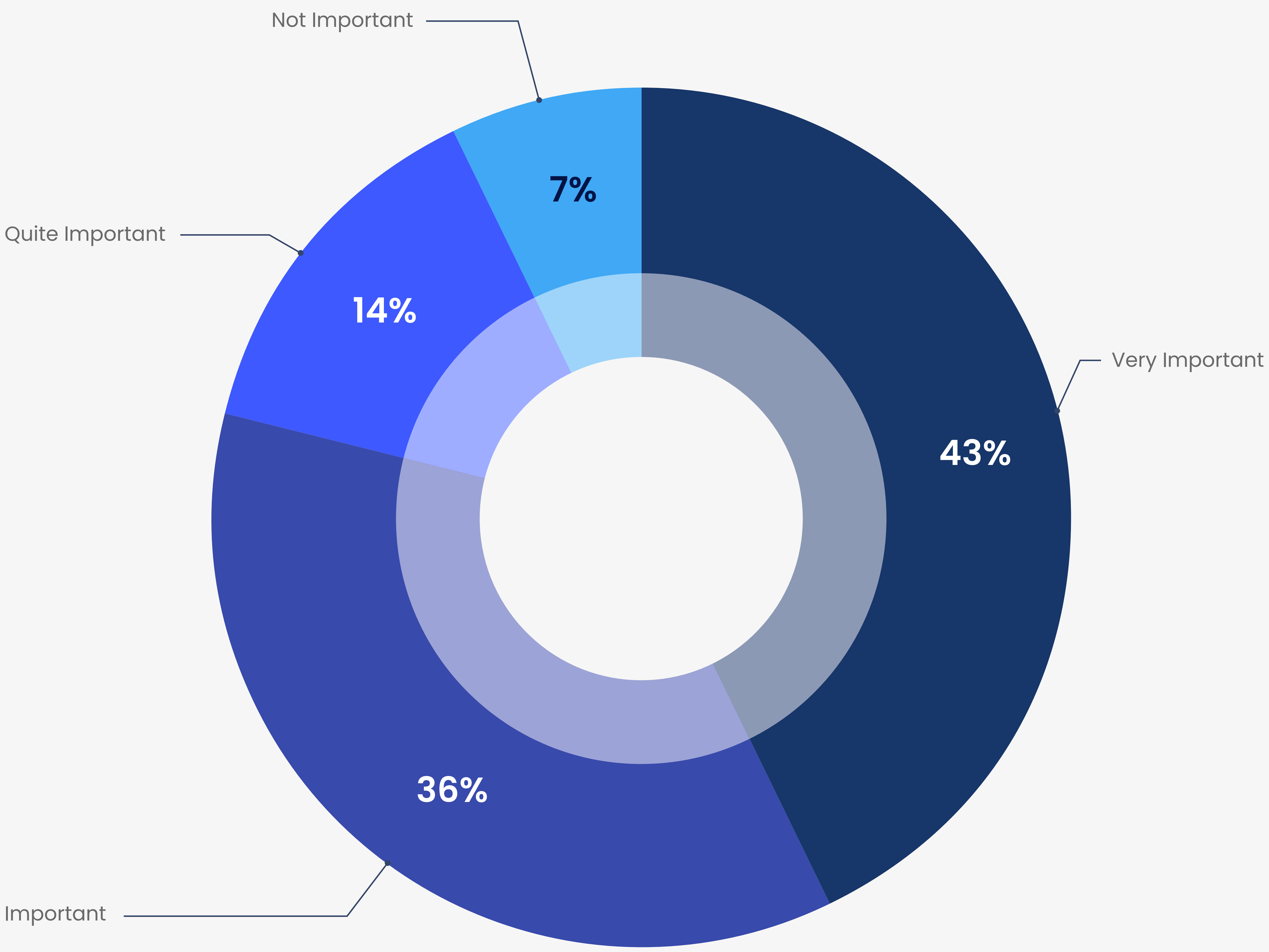


Survey Results

Cost Reduction's Significance to the Organisation, and How this Translates into Practice

The majority of companies taking part in the survey consider cost-reduction to be important to their organisation. Nearly 80% of the participants state that cost-reduction is either important (36%) or very important (43%), whilst only 7% do not feel that it is significant at all. Although this is not surprising, given the current economic conditions, it confirms that Global Mobility is affected by the present economic outlook, and it is therefore important that GM leaders consider what strategies can be effected to ensure the same levels of service can be provided to employees, while reducing overall programme costs.

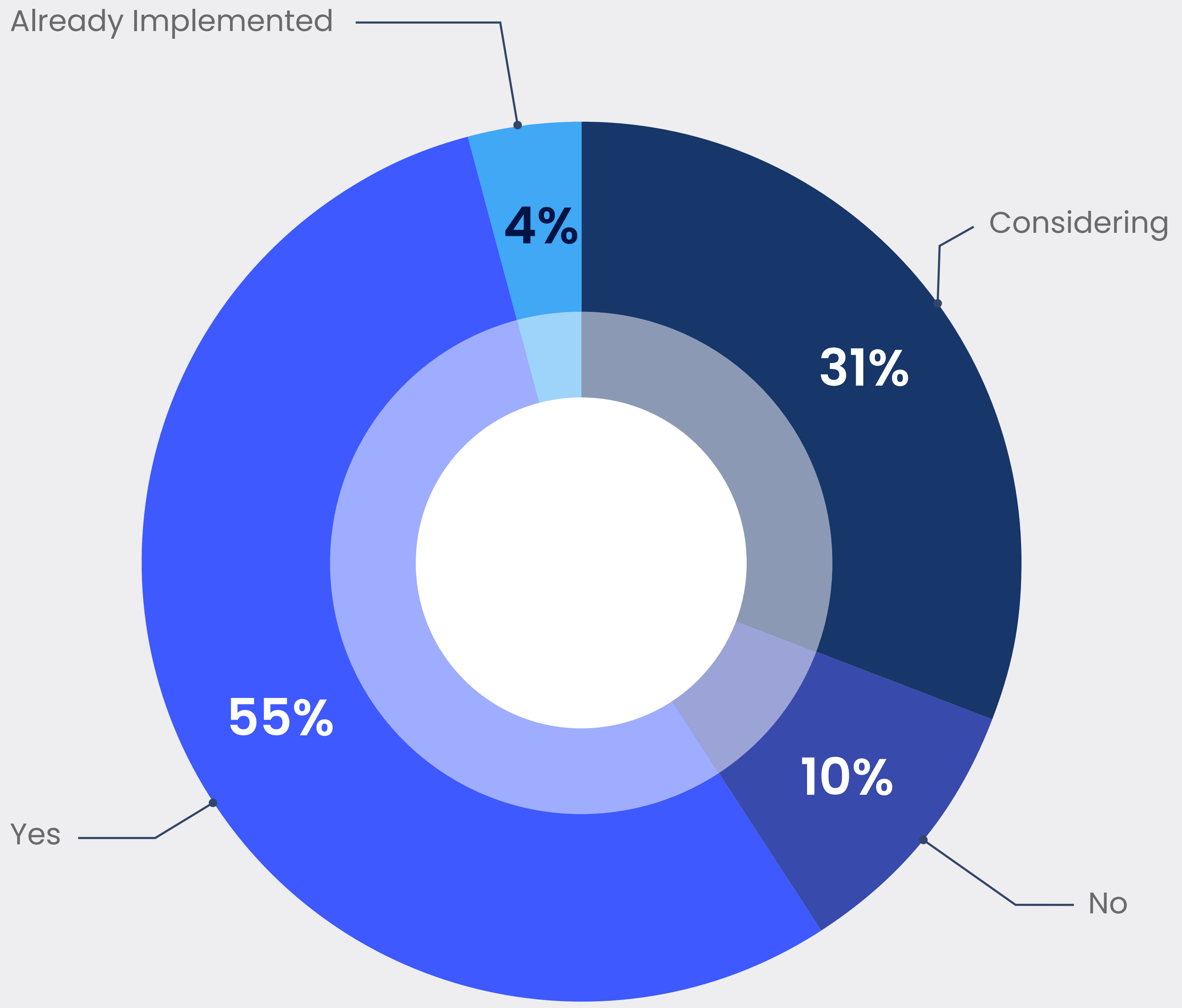
Significance of Cost-Reduction to the Organisation



This is generally reflected in the steps organisations are taking in relation to cost-cutting. Nearly 60% of respondents are in the process of implementing, or have already implemented, cost-reduction measures, whilst a further 31% are considering introducing such measures in the future. The major policy areas targeted for cost-reduction are highlighted below and provide some indication of where Global Mobility teams are focusing their efforts.

When considering the survey demographics, a higher proportion of organisations in North America consider cost-cutting **Important** or **Very Important** in comparison with Europe. Analysing responses from Europe, Continental European organisations consider cost-cutting less important than those in the UK. These insights are mirrored by the fact that a higher proportion of organisations from North America are implementing, or have already implemented, cost-cutting measures, whilst a higher proportion of European organisations are considering implementing measures.

Current Implementation of Cost-Reduction Measures

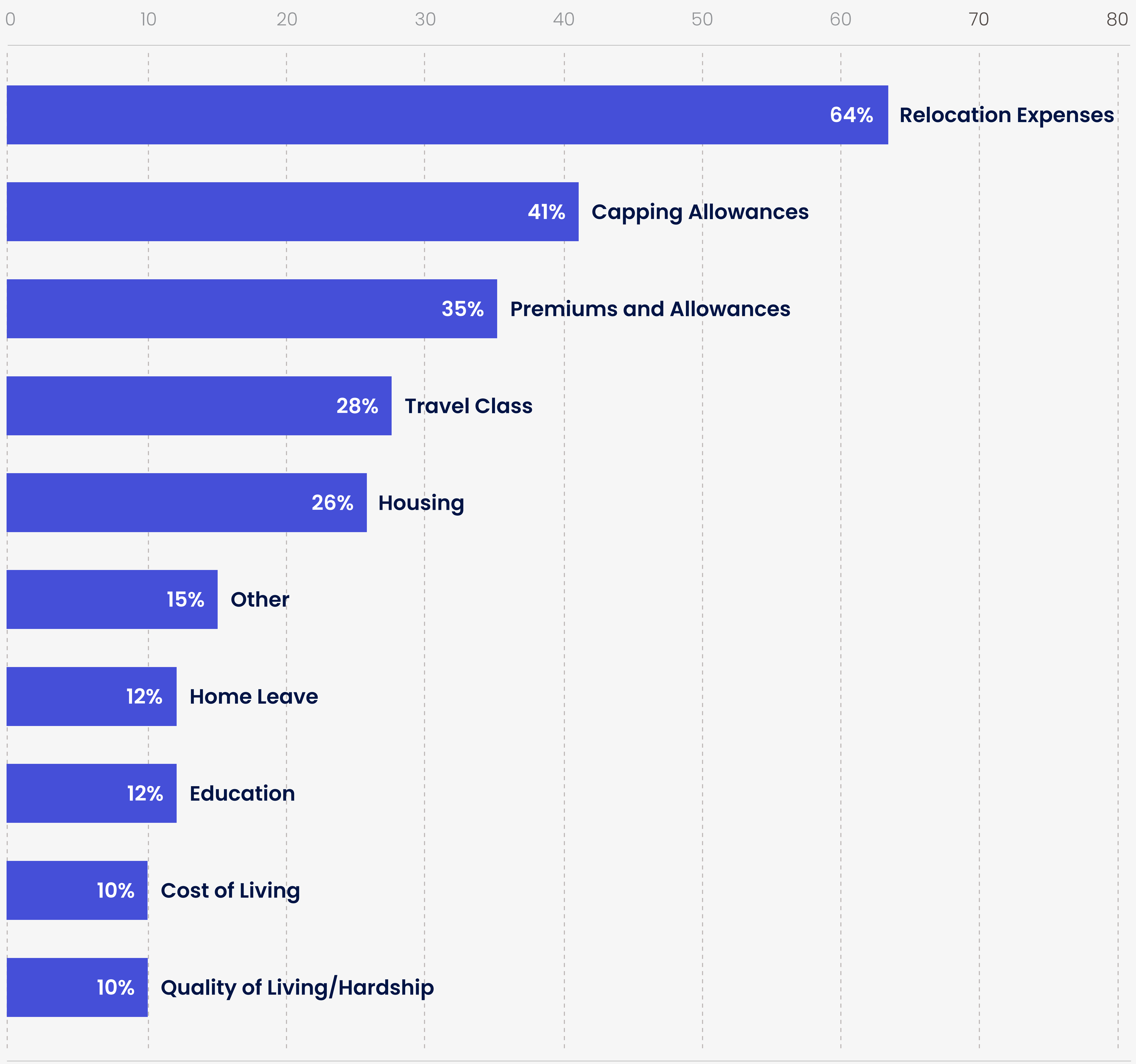


Policy Areas Prioritised for Cost-reduction.

To gain a better understanding of how organisations are approaching cost cutting, we asked participants to select which policy areas are a focus for cost-reduction. The top five areas selected were:

1. Relocation Expenses (64%)
2. Capping Allowances (41%)
3. Premiums and Allowances (35%)
4. Travel Class (28%)
5. Housing (26%)

Policy Areas under Consideration for Cost-Cutting (%)



Relocation

Relocation appears to be the biggest priority for cost saving measures, with 64% of participants stating that it was an area under scrutiny.

A shift in working practices over the last few years in favour of hybrid working – triggered in part by the Pandemic – likely plays a significant role in why relocation is an area of focus. With increasing use of short-term and virtual assignments, relocation support is being reduced or in some cases not provided at all.

The focus on relocation also reflects a shift towards hiring and developing local talent in the host location. Given the increasingly global nature of the workforce, some organisations are opting to select local talent, rather than relocating a foreign local hire or making an internal transfer.

The effects of the pandemic have also impacted global shipping due to the shortage of container ships. As a result, it is now more expensive to move an employee's personal effects. The potential for long delays can increase the time spent in temporary housing in the host location which further adds to the cost of relocation. A number of organisations are considering providing lump sums for employees to buy or rent furniture in the host location rather than ship their possessions.
This shift is also being driven by employee demographics. Millennials and Gen Z prefer a lump-sum approach, so they have a choice in how they spend their relocation allowance e.g., either sending shipment or purchasing furniture in the host location.

The focus on relocation also coincides with ESG and sustainability initiatives within organisations. Global Mobility has overall been slower than other functions in the uptake of more sustainable initiatives, yet it has an important role to play in helping to reduce an organisations' greenhouse gas emissions and improve their sustainability.

Allowances

The other major area that organisations are looking to reduce costs relates to allowances, either as a cap on allowances (41%) or concerning premiums and allowances more generally (35%).

Introducing or increasing a cap on allowances is a straightforward way for Global Mobility teams to reduce the overall budget. Careful consideration needs to be given to the application of a cap and whether it is related to salary or a lump sum amount. It is advisable to calculate the impact of caps on the employee's package and communicate details in the assignment policy and contract of employment.

Travel Class

Class of travel also featured as a top priority for cost reduction, with over a quarter of responses (28%), stating it is an area of focus. However, when looking into this in more detail, it becomes clearer as to why this is the case. Business-class tickets have significantly increased in cost over the last few years and are set to increase again in 2023[2]. Therefore, changing travel policy over who can fly business class, and for what trips, is an effective way for companies to reduce their overall Global Mobility spend. This may also be driven by an organisation's ESG commitments, as emissions associated with business-class air travel are up to three times higher than travelling by economy class[3]. Switching from business-class to premium-economy or economy class seats could be part of a wider range of travel perks that are removed or phased out. This, again, would contribute to an organisation's sustainability initiative as well as save on the cost of expensive business class travel, particularly for short-haul trips and home leave.

Housing

26% of organisations are looking to reduce costs associated with housing. Global Mobility teams often struggle to find suitable accommodation at the right cost in the host location. This is driven by a variety of factors, from high rental prices to a shortage of housing availability which particularly impacts temporary living costs on arrival.

Companies are increasingly working with local destination service companies and real estate agents to access housing and potentially reduce costs. Some companies are providing a lump sum for temporary housing and allowing the employee to find their own accommodation.

[2] https://www.amexglobalbusinesstravel.com/content/uploads/2022/12/Air-Monitor-2023.pdf (American Express Global Business Travel, 2022)

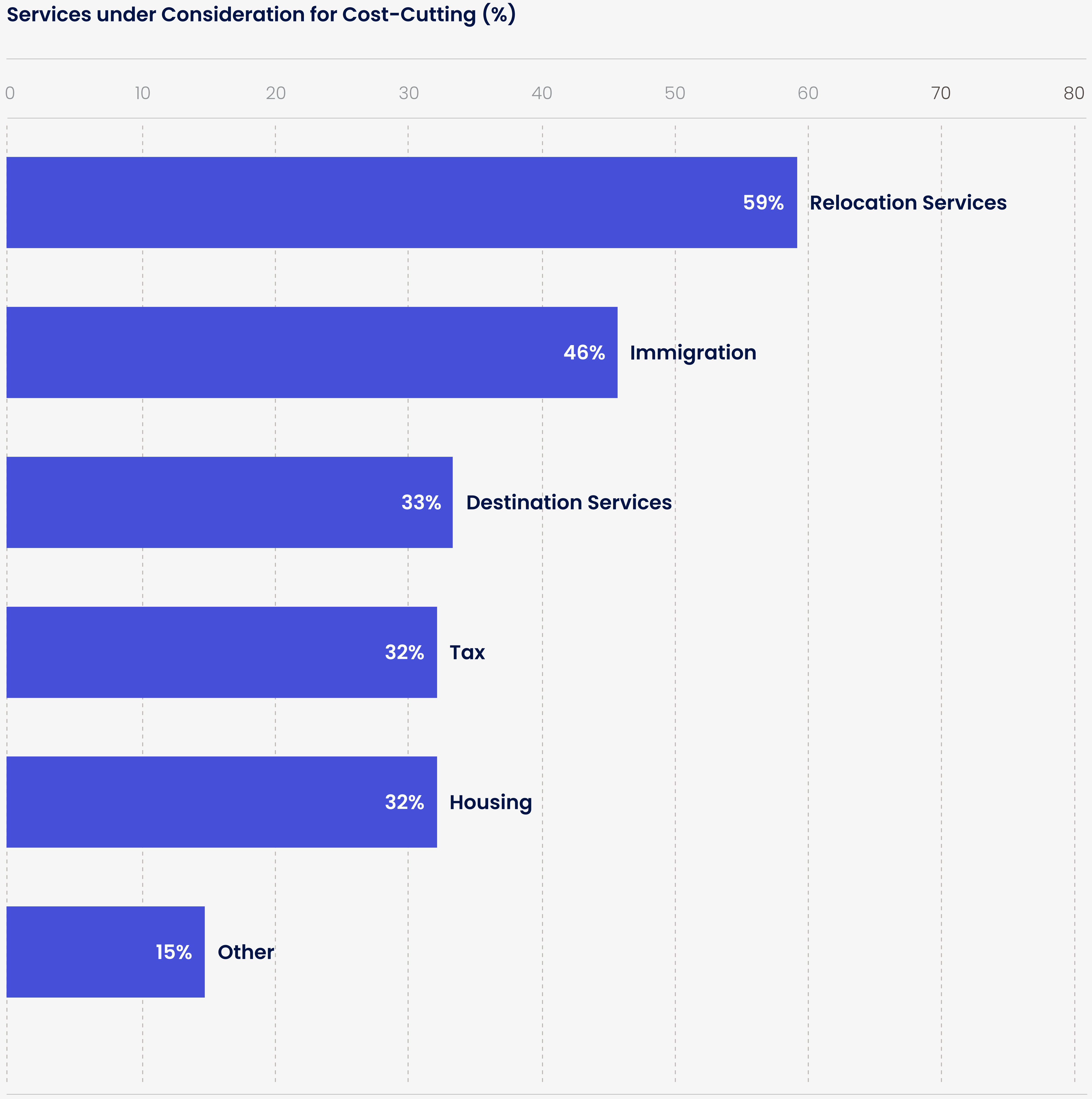
[3] https://www.reuters.com/business/aerospace-defense/corporate-business-travel-carbon-budgets-loom-airlines-2021-10-10/ (Freed & Kumar Singh, 2021)

Review of Services

Participants were also asked whether they were reviewing service providers and the associated fees as a means of finding savings. The vast majority of participants stated they were reviewing service providers, or had already done so, with only 6% of participants stating that this was not part of their cost reduction strategy (these fall within the category 'Other'). Relocation Services were the most frequently referenced service under review (59%), followed by Immigration (46%), and Destination Services (33%), with Tax and Housing services equally referenced by 32% of participants.

Relocation Services:

Perhaps unsurprisingly, considering that relocation was the top policy area for cost reduction, relocation services are under a similar level of scrutiny. As stated above, a greater focus on remote work, a reduction in traditional assignments overall, increased shipping costs, and sustainability initiatives, when taken together, mean that the type of relocation support is changing.



Immigration:

Certain sectors, like technology, are contracting post Pandemic and as a result immigration support, which was previously very generous concerning duration and visa type as part of an incentive to attract talent are now under scrutiny and companies are being more cost conscious in this regard.

Organisations are reviewing service provider fees and running regular RFPs to ensure they are supported by the right vendor. This is particularly important given the increasing variation in the type of assignments offered and the added complexity for Global Mobility teams. Ensuring tax and immigration compliance is integral to successful Global Mobility operations, therefore, the services provided by vendors must meet the demands of organisations in a cost-effective manner.

Destination Services:

Companies are also scrutinising the types of local destination services offered to employees, the budget allocated to each service, and whether any services are no longer required or considered unnecessary. Some organisations are taking a more flexible view on destination services, from transport to language and cultural awareness, depending on the host location and type of move. The move to Lump sums is also influencing support with Companies giving employees the choice to choose what services they require which in turn is leading to a reduction in costs.

Housing:

Given the above comments on housing, it is understandable why some companies are starting to evaluate their housing service providers and the fees charged. A few companies are offering lump sums to employees instead of providing housing support allowing the employee more choice.

It's recommended that Global Mobility teams regularly review their vendors to ensure the services provided are suitable and the associated fees are in line with the market.

Changes to Policy and New Strategies

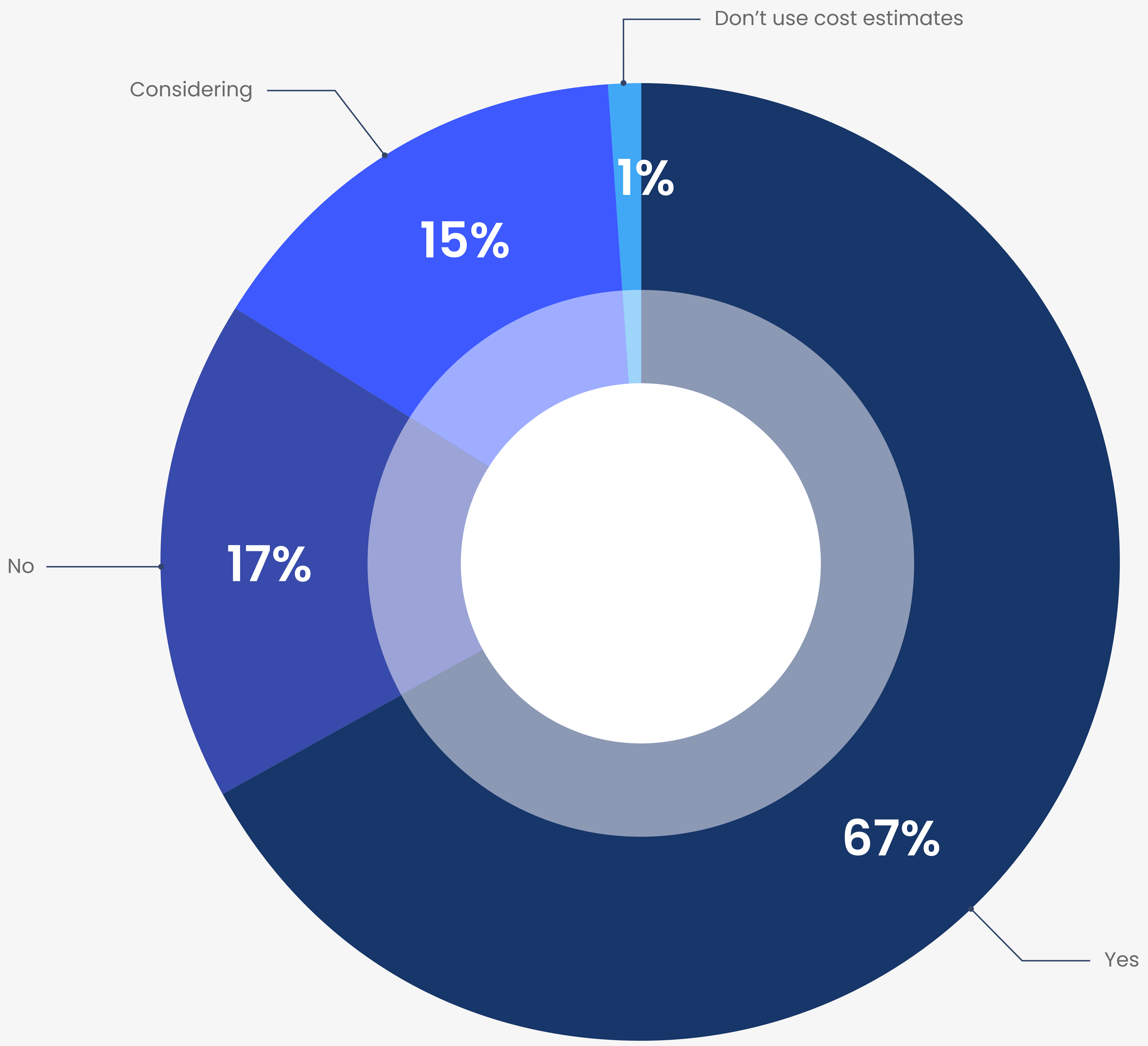
Another way to reduce costs is to regularly review the Global Mobility Policy to assess whether new approaches for different move types and the introduction of technology can lead to positive outcomes.

Do you use cost estimates to help determine areas for cost saving?

The majority of respondents currently use cost-estimates (67%), with a further 15% considering cost-estimates as a means to identify areas for cost-reduction.

Cost estimates can help the business determine whether the right level of package is being provided to the employee and is within budget. Sharing cost estimates with the business provides full transparency and allows the business to control costs more effectively. It is also important to compare the cost estimate with actual cost of a move to enable better cost management.

Company Using Cost Estimates

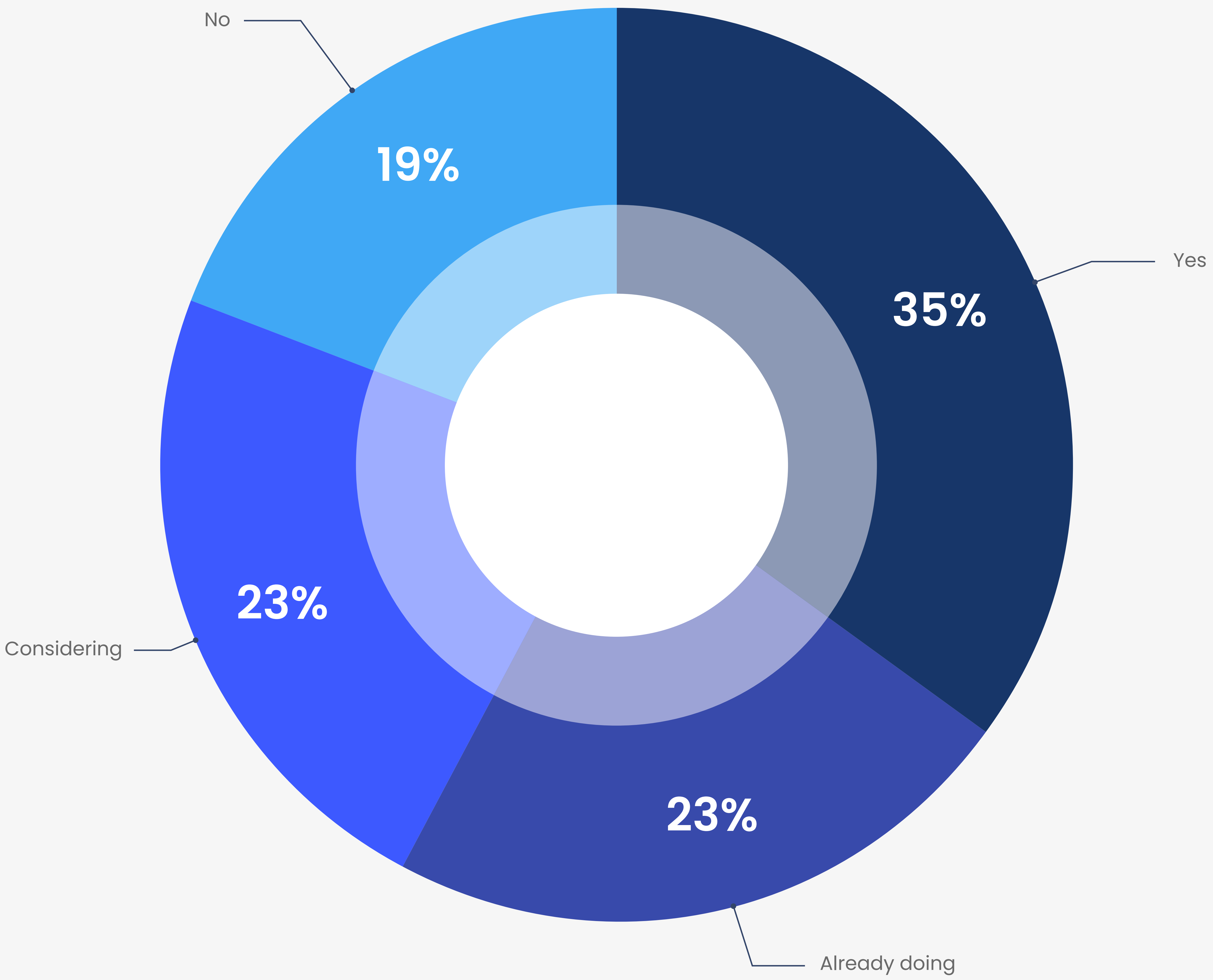


Are you segmenting policies to reduce costs?

Nearly 60% of participants state they are segmenting policies (58%), with a further 23% considering this approach.

Given the increasing complexity new ways of working, Global Mobility Teams are having to create more flexible cost-effective policy options to suit the different types of moves they support within their programme (e.g. VIP moves versus self-initiated moves).

Companies Segmenting Policies to Reduce Costs

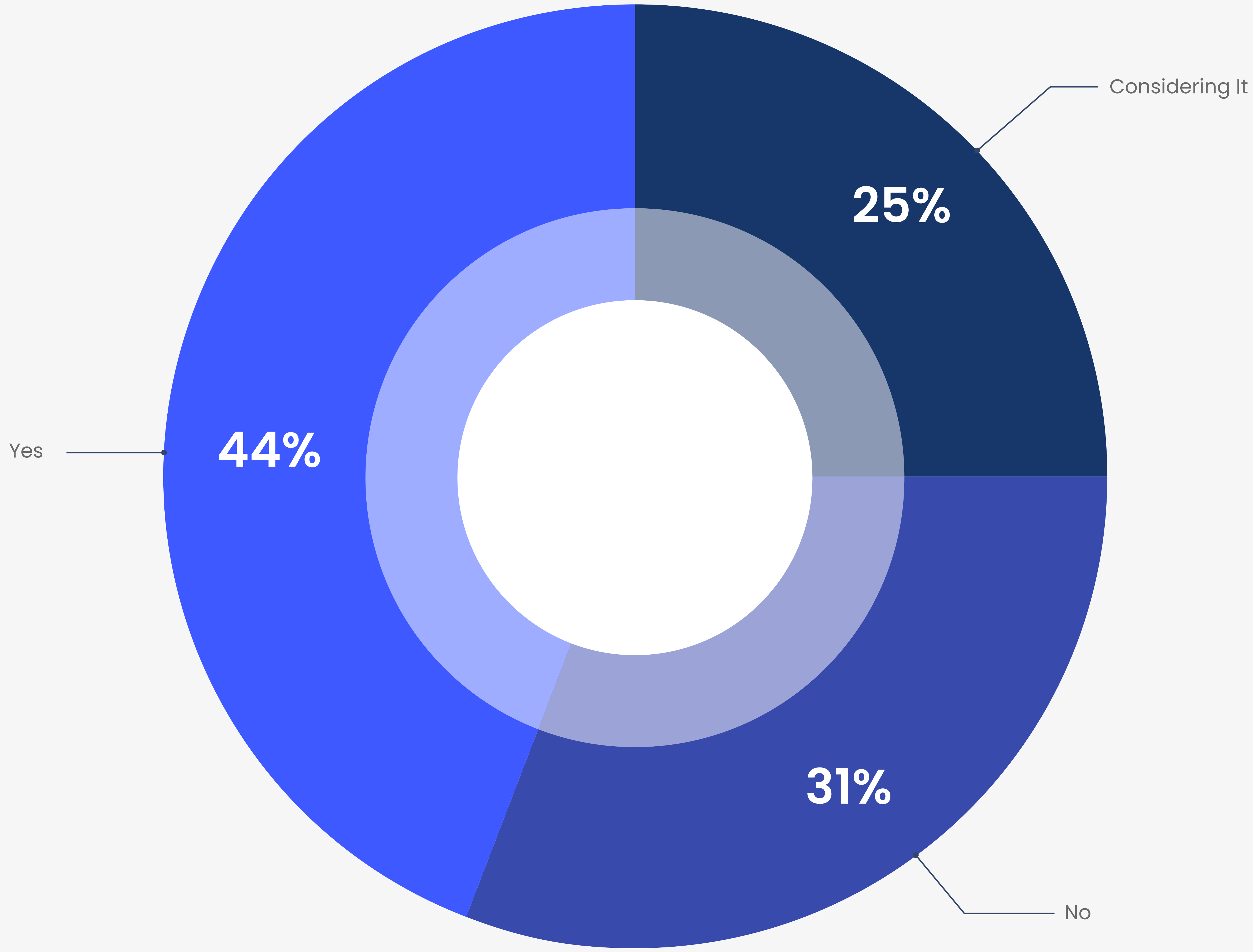


Have you put in place an Exception Management policy as part of your cost reduction initiatives?

Over 2/3rds of organisations either already have an Exception Management policy in place (44%) or are considering introducing one (25%).

Tracking data as to what exceptions are made and identifying any trends – can serve as a way of reducing exceptions and helping to bring down overall cost programme costs.

Exception Management Policy in Place



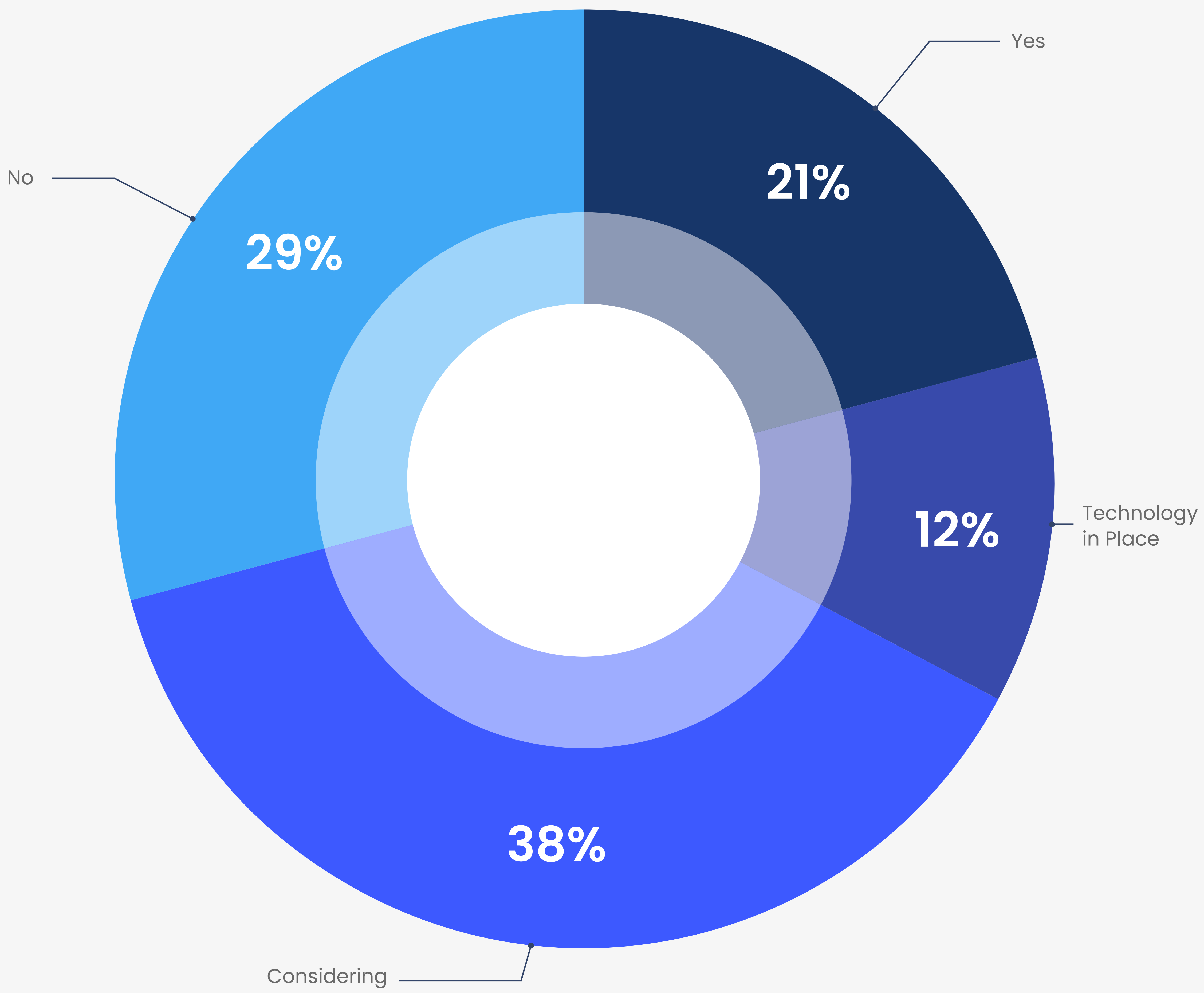
Are you introducing any new technology to improve cost data analytics?

With an increasing focus on producing cost data on the overall cost of the global mobility programme participants were asked if they are introducing any new technology tools to improve data analytics. Twelve percent (12%), of respondents stated they already have technology in place, 21% stated implementation was in progress, and a further 38% stated they are considering introducing technology. In contrast, 28% said they do not intend to introduce technology at this time. This could be down to the cost of technology, lack of resources or the fact that the organisation only has a small programme which doesn't warrant the investment.

Technology enables companies to better analyse and interpret programmes costs and investing in the right technology tools can ultimately help to reduce costs.

For more information on the influence of Technology on Global Mobility, read our 2020 and 2022 reports on the 'Evolving Global Mobility Landscape'.

Companies Introducing New Technology



Underlying Trends and Conclusion

Based on the additional comments provided by participants and the survey results, several underlying trends have emerged.

Assessing the Global Mobility policy is central to many organisations' GM strategy and is a logical first step to determine whether the current policy offerings are cost effective and reviewing specific policy areas where savings can be made is critical.

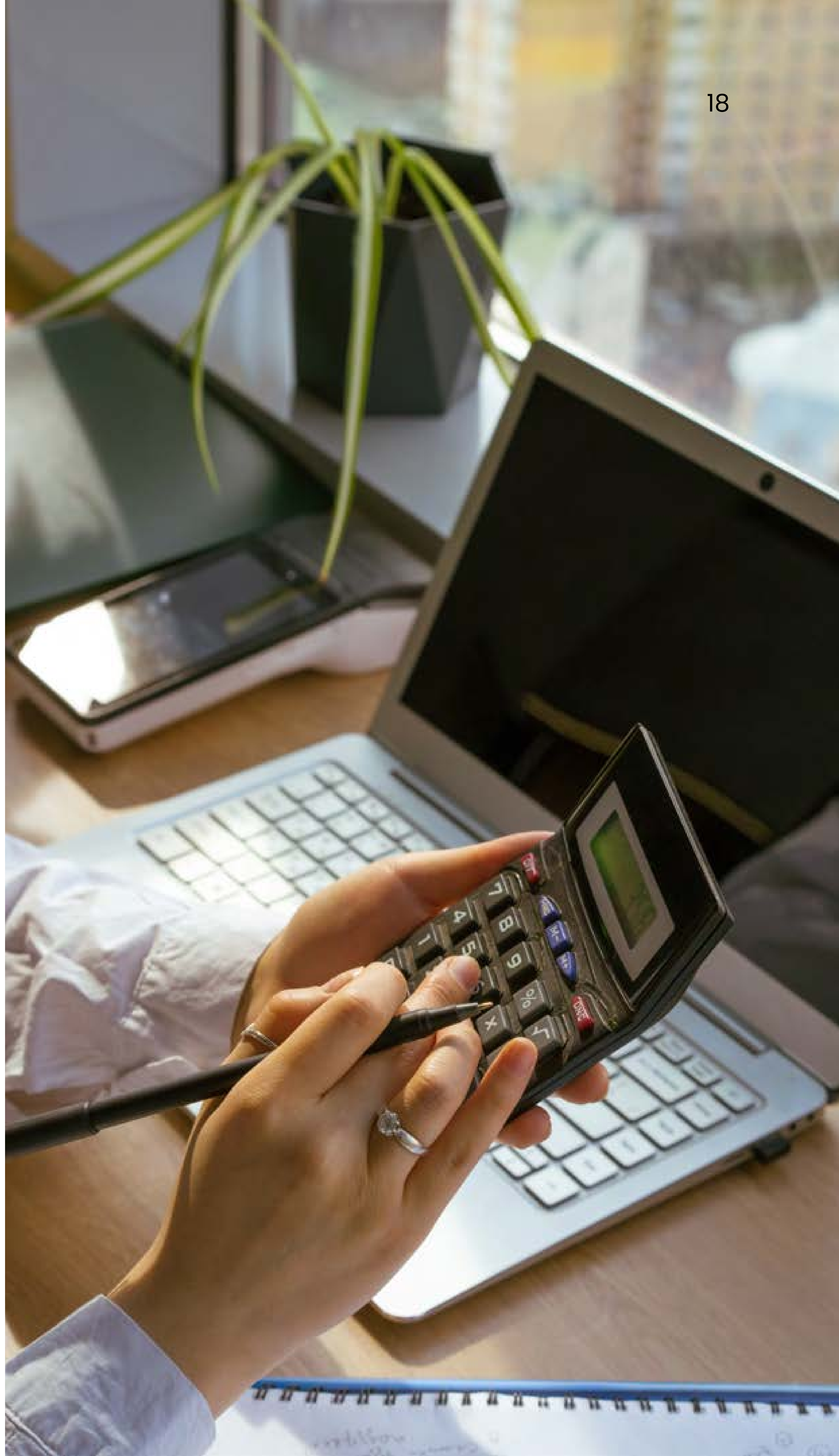
- For 64% of organisations, relocation is the number one priority due to
  - a shift in working patterns post-pandemic.
  - the knock-on effects of the pandemic on shipping and supply chain logistics
  - an increased interest in sustainability, by reducing the number of relocations, hiring local talent, and cutting back on shipping and air freight costs.
- Allowances are another key priority for organisations, with capping of allowances seen as a direct way to reduce costs.
- Cutting down on business-class tickets and managing travel spend can influence costs and improved sustainability.
- Increased housing costs means that companies need to find ways to reduce their expenditure. Providing lump sums, changing service providers, avoiding peak rental times in certain locations are all potential options to consider.

Regularly reviewing service provider relationships can deliver cost savings. This may require an RFP process and potentially moving to new vendors or better managing the relationship with existing providers.

This focus on policy and cost has led some organisations to scrutinise the different assignment types within their programme and more clearly define different move types along with adapting the terms and conditions according to the value of the move.

Technology is a valuable tool for providing additional insights into programme costs and can also streamline elements of the transfer.

> *With the current economic uncertainty, the pressure on Global Mobility teams to reduce cost is unlikely to let up. This survey provides insights into some of the approaches currently used by Global Mobility teams to reduce costs. By implementing, policies and services that are appropriate for the business, costs savings can have a positive effect on an organisation's overall results.*



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Global Mobility Executive Team would like to extend our thanks to all those who responded to the survey enabling us to produce this report.

We would also like to extend a special thanks to our key contributors:

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