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MOBILITY™

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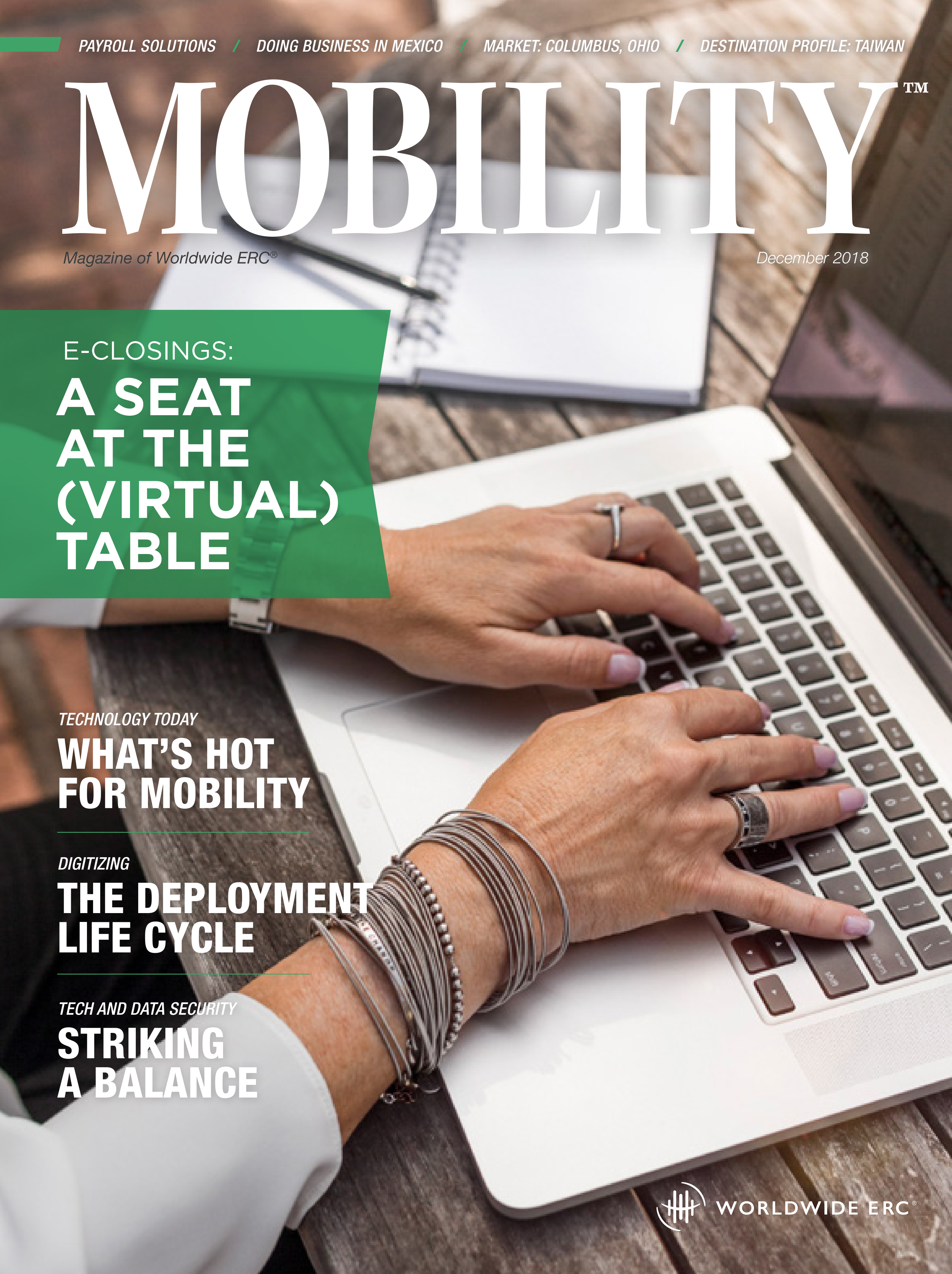

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How to Control Costs Through Customer-centric Payroll Solutions

Technology and processes that provide procedural efficiency and employee confidence

BY MIKE SHAMBURG

Relocation assignments can be a rewarding experience for an employee's professional development; however, expatriate deployment is often accompanied by difficulties containing costs when it comes to payroll and other types of associated payments. These can be stress-filled experiences and, for some transferees, lead to negative impacts such as underperformance, subpar business results, illness, and even a search for work elsewhere.

A study published in *International Private Medical Insurance (IPMI) Magazine* reports that the cost of an unsuccessful assignment runs on average from $570,000 to $950,000, which can seriously wreck a budget. When companies successfully navigate

Misdirected or returned payments cause delays and increased costs for the employer.

these obstacles, they not only remain on budget but also create an environment that enables their team members to be happy and comfortable in their host country, exceed employer expectations, and develop into loyal associates.

In a jointly conducted “Global Talent Mobility Study: Regional Differences in Policy and Practice” by Worldwide ERC® and Towers Watson, nearly two-thirds of participating companies reported spending approximately two to three times an assignee’s annual salary on each traditional expatriate assignment. Given those statistics and the number of mid-size and large organizations sending professionals abroad, reliable payroll and other payment solutions, as well as containment or reduction of associated costs, quickly make their way up global mobility professionals’ priority lists.

Add to this a movement from a conventional workforce toward freelance or contingent opportunities and a skill shortage combined with locating and keeping talent, and cross-border moves become an opportunity for mobility professionals to be proactive in solidifying employee peace of mind and contributing to positive business results. To be successful in this environment, these professionals must move beyond operational aspects and transition to being true value-based partners for their expats and company leadership.

If employers are unable to comprehensively and satisfactorily manage and implement a reliable, efficient relocation plan for transferees, other companies will, and they may entice valued employees to work for them. Uncomplicated, innovative, and economical solutions are available to help global mobility professionals ensure they remain on budget as well as optimize and shore up the international assignment experience for their employees.

BE PROACTIVE TO KEEP EMPLOYEES HAPPY AND CONTAIN COSTS

There are common pitfalls related to global payroll and other types of payments, which result in stress, anxiety, and increased costs for international assignees and their employers. All can acutely affect the quality execution and delivery of payments and contribute to busting budgets.

Misdirected or returned payments cause delays and increased costs for the employer. Common contributors are:

- Payees and/or employers lacking familiarity with the disparate local banking data required to successfully receive incoming payments—thus

The value of technology is shown when payments that would have been returned are "flagged" and fixed prior to release, eliminating funds delivery delays, fees assessed, topping up of payments, and the anxiety caused to the employee.

insufficient employee bank account information is submitted and is subsequently rejected by the receiving bank.

- Frequent changes to employees' foreign-based bank accounts. Should the employer and/or relocation management company not properly update and organize the most recent and valid account data, the payment will be sent to an old account.
- Multiple payee templates, inadvertently created for the same payee within accounting and payment provider platforms, can cause confusion and misdirected or returned payments.
- Returned payments that often need to be "topped up" (adding back the amount taken out by the bank for having to return the payment), adding to costs.
- Lifting fees that can be deducted as the payment is routed through various banks on its way to the payee account, resulting in a smaller amount arriving than expected.
- Failure to effectively manage foreign exchange conversion and fee costs.
- Inefficient manual procedures for processing payments before they are released for delivery.
- Foreign income tax liability—if applicable, many U.S. employees will request reimbursement payments should there be a higher tax in their host country than they would have had in the U.S. It is important for employees to see a tax specialist in order to understand their liability.

FINDING THE RIGHT PAYMENTS TECHNOLOGY PROVIDER

Mobility professionals—employers, RMCs, and destination service providers (DSPs) especially—should consider partnering with providers that offer technology, functionality, and service tailored to addressing money transfer challenges specific to the global mobility market. This can help organizations with procedural efficiency and enable employee confidence and satisfaction in the payroll payments process.

For many organizations, some of the most prevalent challenges are returned payments that inevitably increase costs and delay delivery of funds. To protect their budgets and foreign employee funds, a payments specialist can provide prepayment vetting technology and processes, on a per-country or per-region basis, to account for the disparate data requirements within various countries and reliably affirm that the payee banking details are accurate prior to transaction release, successfully delivering the company's global transactions.

Some payment organizations have developed and are using such technology, which operates in the background, "guiding" the payment builder through the process. This technology is active in all payment facilitation scenarios, including application programming interface (API), file upload, and manual input into a payments platform. The value is shown when payments that would have been returned are "flagged" by this technology and fixed prior to release, eliminating funds delivery delays, fees assessed, topping up of payments, and of course, the anxiety caused to the employee.

Another difficulty consistently experienced is multiple payment templates inadvertently created for the same employee but with different, and many times outdated, banking instructions. This can occur whether in the RMC's, employer's, or payment provider's enterprise resource planning (ERP), accounting, global mobility platform, or global payments system. I've seen cases with systems housing seven or eight different payment templates for the same employee. When not properly organized or analyzed, this causes confusion and enhances the chances of misdirected payments, payment delays, and increased costs.

To eliminate this budget-breaking and potentially damaging scenario for employees, a global payments specialist can provide the technology to catch duplicate payee templates, providing protection from wiring to an invalid or old account. This functionality will alert the user to the potential duplication by isolating consequential, repetitive data points present within the templates in question, presenting the relevant templates for review, and providing options to rectify the duplicates. This technology should be active in all scenarios—API, file upload, manual input into the payment platform, etc.

In some cases, lifting fees can be taken out by correspondent banks while the payment passes through on its way to the payee, potentially increasing costs and provoking dissatisfaction by foreign employees. To overcome the issue of payments arriving in amounts smaller than expected, payments can be "tagged" to alert correspondent banks that these fees are to be absorbed by the sending payments specialist. This approach will eliminate the vast majority of lifting fees, resulting in cost containment and increased employee satisfaction.

Though often overlooked, managing foreign exchange expenditures and fees is an effective way to contain costs. Failure to properly oversee this variable can lead to unnecessary costs for employers, RMCs, and DSPs. The most reliable approach is to work with the entity assigning the foreign exchange cost to each transaction to negotiate and agree on these costs upfront and to ensure they're transparent and verifiable. Good payments providers will put together a pricing plan, tailored to volume and currency mix, that will address all of these elements.

RELOCATION PAYMENT TRENDS TO KEEP AN EYE ON

Many employers, RMCs, and DSPs are eager to invest in technology to promote an automated, streamlined, integrated, and more reliable payments process within their organization and those they partner with. Replacing complex manual procedures also provides an opportunity to gain a greater return on the investment made in current technology by further utilizing capabilities within their ERP, accounting, and treasury management systems. RMCs have historically put their focus on developing internal systems to aid in managing relationships with transferees and DSPs. Some of them are now considering efficient tools such as APIs, allowing them to integrate with partners and share necessary data via this automated process.

Millennial and Gen Z workers are altering workforce demographics, bringing with them new payroll and mobile opportunities. With many generally being more adaptable to international assignments, there is the potential for fewer benefits requested and thus lower costs for the employer. And like any employee, they want to be paid on time and in the correct amount; however, they also tend to place an emphasis on a high level of transparency in all transactions, payroll included.

According to Deloitte's 2018 "Global Human Capital Trends Survey," contingent workers—including freelancers, contract employees, and temps—currently make up about 40 percent of the U.S. workforce, and this segment is growing globally. Many of them are also open to cross-border opportunities. With their assignment timelines, compensation packages, and locations differing and often evolving quickly, payroll systems and procedures must be agile, efficient, flexible, and highly reliable for contractor employees to remain comfortable within the organization.

By integrating these approaches, tactics, and tools into the global payments and payroll segment, global relocation programs will be more successful, employers will more reliably control their costs, and employees and contingent workers will have a better experience, freeing them to focus and accomplish the job they were relocated for. Implementing the right technology tools will bring these variables into play, providing payee and payor with peace of mind—a win-win situation. *M*

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