The COVID-19 pandemic has hit the energy, resources and industrials (ER&I) sector hard, comprising the health emergency itself combined with demand decrease and a slide in commodity prices. Whilst an integral requirement for employers operating in this sector is to have robust contingency plans in place to maintain operational effectiveness, in the past these have often centred on dealing with more isolated cases of crisis management, such as responding to natural disasters and local political instability. However, the sheer global scale and rapidity of the COVID-19 pandemic combined with the impact on commodity prices for many parts of the sector is unprecedented, requiring an equally unprecedented response from all parts of the business.

From an international mobility perspective, this is resulting in major project disruption and significant displacement of personnel with many individuals ‘stranded’ in or out of location for an unknown period of time. A particular challenge for this sector is the need to manage acute travel and quarantine restrictions, whilst at the same time maintaining safe minimum staffing levels on key installations, sites, plants and vessels. Safety of personnel is paramount, necessitating a keen focus on increased health and safety measures to keep staff safe in transit. Whilst liquidity levels vary significantly across this broad sector and from organisation to organisation, there is consistency in the focus on cost containment and the deployment of a suite of short term tactical measures to ease cash flow pressure and workforce under utilisation, ranging from contract term variations to availing of government initiatives and easements to the extent that this aligns with the business’ tax and broader principles.

Moving beyond the initial response into the recovery phase, close teaming between HR, Global Mobility and Employment Tax, in conjunction with business and security stakeholders will continue to be essential to develop and implement a longer term approach to stop/defer activity and staffing requirements. Clear and proactive employee communication has never been more important.

Insights, findings and key observations

- COVID-19 combined with commodity price flux for the ER&I sector is resulting in major project disruption and significant displacement of personnel.
- How can Global Mobility, wider HR and employment tax teams engage now to turn the dial beyond the initial response phase towards recovery and ensure readiness to support the business as restrictions begin to lift?
- Whilst it is essential to undertake a deep dive review of all mobile employees in order to manage risks, quantify costs and keep the business appraised, it will also be important to reflect upon lessons learned to build out mobility programmes for future resilience.
- It remains to be seen the extent to which the pandemic will impact more broadly on sentiments towards business travel and more specifically towards international assignments. What is clear is that the pandemic is undoubtedly acting as a catalyst for change, with a rapid acceleration of the ‘future of work’ and a need to plan now to be ready for the next normal.
Respond: Unprecedented times require an unprecedented response – overview of key short term measures

**Operations**

- Tracking employees & family. Handling physical relocations from individual requests to more prescriptive demobilisation as ‘safe’ countries diminished
- Major displacement leading to scheduling & rotational challenges. New assignments on hold; temporary repatriation & delayed deployments
- Ensuring payroll delivery; checking home payroll requirements as a result of displacement. PE issues

**Cost controls & Policy**

- Assessing tax/social security impact of displaced individuals triggering tax residence in another location
- Consideration of available COVID-19 governmental reliefs, where appropriate, to ease cash flow. See Deloitte Atlas for global reliefs
- Increasing robustness & updating costs projections to ensure no surprises occur for the business on increased costs
- Unlocking ‘stuck’ tax authority refunds. Control cost leakages e.g. foreign tax credit claims/tax equalisation/year end settlements
- Who will pay the costs of any additional expenses as a result of dislocation/home working?
- Policy changes/exception tracking

**Talent & Reward**

- Focus on employee engagement and wellbeing
- Manage short term payroll costs. Pause hiring, reduce hours, manage holidays
- Temporary pay/pension/benefits cuts/freeze for all or a subset of population e.g. executives
- Step down from ‘expat allowances’ (e.g. COLA & hardship) & consideration of legal aspects of variations to terms. Union engagement
- Impact on new hires, on-boarding & contractor usage
- Consideration of need for redundancy/termination

**Recover: Building resilience in the post-lockdown period. Actions taken now will have a direct impact on the future of the business**

Whilst organisations are universally impacted by travel restrictions, they are understandably at different stages in responding to the crisis depending on their countries of operation, size of mobility programme, status of projects and liquidity levels. As businesses actively monitor COVID-19 developments, how can ER&I Global Mobility, HR functions and employment tax engage now to ensure readiness to support the business as restrictions begin to lift?

Navigating a shifting landscape

Global Mobility teams face fresh and diverse challenges in the short to mid-term, with a need to manage operations in the post COVID-19 new world order and at the same time reflect upon lessons learned to build out mobility programmes for future resilience. As restrictions begin to lift variously around the world, all Global Mobility teams will need to navigate the shifting landscape that is post COVID-19 travel, whereby individuals from some countries may be permitted to enter a particular location, but not others. In addition, some organisations will be returning furloughed workers to the business with a focus on re-integration, whilst others may face the challenges of headcount reductions.

Whilst preparations are being made for assignee moves later in 2020 (e.g. visa applications, securing housing, schools etc.), given the ongoing travel and quarantine restrictions combined with governmental processing delays for immigration applications, teams will need to reset processes and keep the business appraised of changing deployment timelines. Working with wider HR and Reward, there will be a need to assess the impact of the pandemic on 2020 variable pay outturns, the approach to 2020 bonuses and planning for 2020 share grants, together with any revised approach towards pension contributions, where applicable. Employee engagement, consultation and communication will remain key.

**A change in sentiment?**

It remains to be seen the extent to which the crisis will impact more broadly on sentiments towards business travel and more specifically towards international assignments. Will individuals feel safe? Will they want to remain in the ‘home’ country on a longer term basis to see this crisis out? This could give rise to complexity around the individual’s tax residence status (plus permanent establishment and corporate tax residence concerns in some cases where home working is possible and continues on a longer term basis). Additional tax and social security costs may arise and a need to determine who will pay for these (the individual, the business, the project?). As regards accompanied assignments, if the individual re-deploys, but the family chooses to remain at home, this may well give rise to additional complexity, double taxation and cost issues, together with the need for robust policies and processes to underpin this. Re-briefing some assignees will be beneficial for both the individual and the business.

**Deep dive review**

Given the fast-paced movement of this crisis, it is essential to undertake a deep dive review of all mobile employees, categorising those that were displaced, worked remotely and/or required a visa extension, reviewing tax positions taken during the COVID-19 period, managing risks, quantifying costs and notifying the business accordingly. To build resilience against future shocks, consider an analysis of your response phase - systems, data integrity, people governance processes, vendors, policies and communications. How did they hold up? What changes are needed to be ready for future crises and which operational changes should be continued into the next normal?
Looking back at the crisis, ER&I organisations will want to assess how well the business responded to the actions put in place and how any measures implemented have helped to make the business more resilient, returning to old ways of working and levels of global mobility if it makes sense to do so, but allowing new ways of working to flourish where they better meet business needs.

In particular, planning for 2021 variable pay will need focus due to expected continued costs pressures. Looking ahead, businesses will want to assess how reward structures should evolve for the post COVID-19 environment. Will individuals place more value on fixed (rather than variable) pay given recent shocks?

**Global workforce review**

The pandemic is acting as a catalyst for change, with a rapid acceleration of the ‘future of work’ and a need to plan now to be ready for the next normal. Without doubt, the crisis has resulted in significant disruption and out of necessity, new working arrangements and practices have rapidly evolved. For some parts of the business, there will be reduced importance as to where work is done and increased focus on how work is done, leveraging robotics and automation, digital capabilities, connected platforms, tools and techniques.

For the ER&I sector, some individuals will remain displaced and under-utilised in the short term because remote working is not an option and their job can only be done in a certain location. Looking forward, some assignments, due to their nature will remain business critical and development assignments will also remain important in the overall talent agenda. But for others, perhaps this crisis shows that some jobs can be done remotely, leveraging digital capabilities, upskilling local personnel. Businesses may want to take the opportunity now to commence a broader workforce review, including a categorisation of current expatriate roles, assessing those which can be performed remotely on a sustainable basis and identifying the extent that additional training/infrastructure is needed to achieve this together with the design and implementation of remote working policies to complement global mobility. Permanent Establishment matters will need consideration in due course - recent OECD guidance (found [here](#)) is provided on the basis that remote-working due to the pandemic is ‘transitory’ in nature rather than longer term.

**Post COVID-19 Global Mobility**

As businesses start to re-imagine talent strategies and operating models, mobility will inevitably be impacted. The extent of this will, of course, vary from organisation to organisation, depending on operating locations, the nature of work, impact on global projects and, for some, ongoing cost containment as a result of ‘low for longer’ commodity prices.

Global Mobility teams will need to plan for potentially several waves of COVID-19 restrictions and a period of ongoing ‘shocks’, necessitating agility in order to dial up and dial down in response to the complex mix of COVID-19 restrictions and business needs and beyond resetting targets and challenging where the new digital/remote era can augment global mobility and make the location of work more cost effective.

Organisations will be looking closely at ways to reduce business travel, leveraging connected platforms and practices (which have grown successfully during the crisis) to reduce both cost and carbon footprint. The extent to which the COVID-19 pandemic will lead to resistance to undertake global travel and cross border work is unknown. It will be important for Global Mobility teams to keep their fingers on the ‘expat pulse’ to measure sentiments and where there is longer term reticence, consider what measures might need to be put in place to encourage individuals to undertake those assignments which are essential to the business.

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Resources

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<thead>
<tr>
<th>Area</th>
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<th>Summary</th>
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<tbody>
<tr>
<td>Mobility specific</td>
<td>Mobility Tax Newsflashes / Tax@Hand Portal</td>
<td>Alert / Portal</td>
<td>In addition to our ‘Newsflashes’ that provide brief Mobility related updates on tax and immigration, our Tax@Hand Portal provides further COVID-19 global and regional tax news, information, and resources. Subscribe here or access the site where you can configure your preferences.</td>
</tr>
<tr>
<td></td>
<td>Immigration global real time updates</td>
<td>Portal</td>
<td>Our immigration team have developed a digital interactive document that will give real time impacts from a travel, social and permit perspective. Please access the site via the following: <a href="https://gowork.ges.deloitte/">https://gowork.ges.deloitte/</a></td>
</tr>
<tr>
<td>Wider tax and other policy items</td>
<td>COVID-19 Signal Topic Alerts</td>
<td>Alert (where you will have direct control over alerts you’d like to see)</td>
<td>We have collaborated with Signal AI to develop a tax-intelligent news platform that produces: 1. Daily alerts on COVID-19 initiatives. 2. A Weekly Topic Alert Digest sent each Monday that consolidates the daily Topic Alerts from the prior week into a single reference document. To sign up to receive Signal Topic Alerts, please send your name, organization, and email address to: <a href="mailto:signal@deloitte.com">signal@deloitte.com</a></td>
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<tr>
<td></td>
<td>Deloitte Tax Atlas COVID-19 Tax &amp; Fiscal Measures Microsite</td>
<td>Portal</td>
<td>Our Atlas tool page shows reliefs and deferrals for direct, indirect and other taxes along with changes in tax administration practice designed to ease compliance for tax payers. Similar to the GoWork map, you can view by country and tax type in the interactive map and create country comparisons. To request access, please complete the short online access request form found here.</td>
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