An opportunity to refocus
Evolution of work – 2021/22 Report
Over a year ago, we started our series of Reinventing the Workplace surveys. Our aim was to give our clients insight and benchmarks in dealing with new and emerging pandemic-related workplace challenges, to assist with the development of their employment strategies.

In this report we consider some of the key issues that are continuing to gain momentum in the employment sphere, both locally and globally, with the purpose of providing insight and intelligence going forwards. Some of those trends look set to form long-term features of the new working landscape and inform people strategy and the evolution of work in the next few years:

- new ways of working: hybrid working approaches and managing the transition back to workplaces
- global mobility: considerations in the evolving landscape and the impact of new developments on immigration and posted workers
- technology in employment: developments in the transformation of the workplace through digital tools, automation and other technologies
- resetting the dial on responsible business and employee engagement: utilising lessons learned from the pandemic to embrace more environmental, social and governance strategies and other future-proofing initiatives
- employment status, contingent and atypical working: evolution, risks and policy developments
- the changing face of compensation and benefits: new influences on pay and reward

In future materials in this series, we will look further at some of the topics emerging from these trends, including focusing on particular sectors, regions or jurisdictions.
The initial rush to work remotely at the start of lockdown was driven by necessity. But the imposition of remote working helped to demonstrate that most office-based jobs can be effectively performed on a remote or flexible basis. Having observed this, many organisations were beginning to debate, even in the early months of the pandemic, whether certain job roles could evolve to become more flexible in the future. In our June 2020 global survey, for example, 54% of respondents expected to extend remote working on a permanent basis. By the time of our November 2020 survey, this had increased to 63% of respondents.

Of course, moving to new ways of working as a temporary response to a crisis is not the same as choosing to implement home working or other flexible working patterns in a strategic and structured way. The latter requires employers, as a precursor, to engage in meaningful communication and consultation with their staff and trade unions or worker representatives. However, effective worker/union engagement also relies upon there being clear business objectives to form the basis of discussion. It is notable that when we surveyed our global clients in June 2020, many had yet to consider the criteria they might apply when deciding which roles were suitable for remote working. However, by November 2020, many respondents were expressing greater certainty on this issue and some were implementing those criteria.

COVID-19 restrictions continue to flux, globally, but a return to the workplace has become an option for increasing numbers of employees in many countries and yet more employers will be reviewing their approach to remote or flexible working. For most organisations, the concept of flexible working is not new. However, for many, it is likely to have been confined to specific roles, often occupied by predominantly female staff. What could be new, post-pandemic, is the anticipated scale of demand for flexible working. Moreover, for every employer confidently making public commitments to offer their staff permanent home working, there will be others still endeavouring to weigh up their options. Certainly, what is becoming clearer is that many organisations are aiming for a “hybrid” approach to work i.e. a mixture of both office and homeworking.

There is no “one size fits all” hybrid working model. Employers need to take care to determine exactly what “hybrid” will mean for them. The needs of the business will be a priority, including staff learning and development, as well as effectiveness. How employee expectations will be managed will also be important, ensuring that the views of all potential stakeholders are taken into account and identifying the support structures needed to ensure new ways of working stand the best chance of success.

There will always be some roles where home or hybrid working is not an obvious solution. In such cases, there may be a tension between an organisation’s assessment of how it can best meet its business needs and employees’ personal preferences. Equally there could be some staff for whom hybrid working is not attractive and their views should not be overlooked.

EU employees’ preferences for working from home, post-pandemic (%)
Net sentiment towards advantages/disadvantages of homeworking, Great Britain, 21 April to 16 May 2021

Source: Office for National Statistics – Opinions and Lifestyle Survey (COVID-19 module)
Before employers rush to make decisions, they may wish to consider whether a trial period could be agreed. Indeed, in those jurisdictions where employees have a legal right to make a flexible working request, trial periods might be offered as a means of avoiding being overwhelmed by such requests and so risking a lack of control of the process.

There are also important questions of fairness and equality, or in some cases health and safety protections, to be taken into account in any decision-making, if unlawful discrimination or risk is to be avoided.

In addition to any legislative obligations, employers may find that an unwillingness to contemplate flexible working patterns highlights them as an outlier in their sector. Employers could therefore be forgiven for concluding that proactively offering the option of flexible working will become a necessity if they are to be regarded as an employer of choice, whether by potential candidates or existing staff.

Based upon our recent experience of supporting clients to meet their hybrid or flexible working goals, examples of the questions employers should be considering are:

- is this the right time to move towards a permanent change or should a more ad hoc or pilot approach be taken?
- what will hybrid-flexible working arrangements mean for specific roles and how will the needs of the business continue to be met?
- how can they ensure that the views of all stakeholders are taken into account, weighing up any potential discrimination risks or perceived unfairness?
- what will be the mechanism for communicating these proposals to the workforce?
- are any statutory obligations to engage in consultation triggered?
- do existing employment contracts offer sufficient flexibility to accommodate new working arrangements, or will contractual change be required?
- how will data security and confidentiality obligations be maintained?
- what other legislative or regulatory issues arise e.g. how will working time record keeping obligations be maintained?
- what steps will need to be taken to maintain organisational culture?
- is a hybrid working policy required and what will be the consequences for other HR policies?
- how does the organisation propose to maintain workforce engagement and productivity levels?
- what structures should be implemented to address welfare issues such as digital presenteeism or poor mental health as a consequence of remote working?
- what changes will be required to maintain effective performance and conduct management?
- what support and training will line managers require?
As working models continue to transform, so does workforce global mobility.

The pandemic has demonstrated that, even when the traditional models of global mobility were temporarily suspended due to travel restrictions, in many cases it was still possible to continue to have the right person carrying out a function in respect of a particular location at the right time. This is a result of remote working models being embraced.

However, what the pandemic has also demonstrated is the importance of global mobility in the competitive global marketplace. Although traditional models may have temporarily shifted, international travel and cross-border assignments form essential elements of business growth strategies for a reason: there are clear benefits to be gained from having the widest possible talent pools. Furthermore there is simply no substitute for face-to-face “on the ground” contact when seeking to build and maintain strong customer relationships, create trust, ensure effective coordination and collaboration, build teams, support workers and maximise the effectiveness of development initiatives.

Global mobility: an essential element of global business strategy

When we started our series of Reinventing the Workplace surveys in early 2020, the uncertainty of the pandemic meant that workforce mobility was not at that time a priority for employers, with 61% of respondents indicating that they had not started planning for restarting international assignments. As the global travel restrictions have started to be lifted and businesses begin to work through post-pandemic strategies, global mobility is once again forming a key element of business plans.

It is consistently demonstrated that the legal and practical restrictions that can hinder the effectiveness of a global mobility strategy can be mitigated through effective due diligence and advance planning. In particular, understanding and managing the effects of the unique interplay between employment law, tax and social security requirements, regulatory requirements, immigration law, pension implications and health and safety obligations.

Tax and social security rules have, in some jurisdictions, seen temporary changes during the pandemic. Regardless of any such temporary changes, such rules can be complex and can have a significant impact on the cost benefit of global assignments if not effectively understood and managed at the outset. The number of days spent in the particular jurisdiction is often a key part of the analysis and it will therefore be essential for companies reviewing global mobility policies to understand the applicable rules and thresholds. Further, to have robust processes in place to monitor any changes to those rules and keep an accurate track of the location of workers.

Global mobility to protect against talent shortages

An effective global mobility strategy has the dual advantage of ensuring global agility but also protecting against the risk of local talent shortages through access to the wider global pool. This factor is likely to have increasing importance as the working landscape shifts and new skills are demanded. Further, in terms of global retention, as workers working remotely increasingly expect the ability to work overseas.

A year before the pandemic, the British Chambers of Commerce reported that the manufacturing industry was facing the biggest skills shortage in 30 years, with 81% of UK manufacturers struggling to find people with the right experience and qualifications to fill vacant roles. The issue has not gone away and was again brought into sharp focus at the recent World Economic Forum’s Jobs Reset Summit, where it was reported that “69% of employers globally are struggling to find workers with the right skills”.

Global mobility: considerations in the evolving landscape.

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69% of employers globally are struggling to find workers with the right skills

Source: World Economic Forum, Jobs Reset Summit, June 2021
Assessing the impact of legal and practical influences on global mobility
A number of key questions will need to be determined at the outset in assessing the legal and practical influences on global mobility, some of which may have changed during the course of the pandemic and some of which may be emerging, such as evolving vaccination status across countries and sectors.

Immigration and Brexit: points and parameters
As a result of Brexit, free movement into and out of the UK is over. Global mobility strategies that include the UK therefore need to take account of the fact that EEA citizens working in the UK, and UK citizens working in Europe, and to anticipate the need to demonstrate their immigration status.

From a UK perspective, this means changes to immigration requirements and to the right-to-work checking process for EEA and Swiss nationals. For those without settled or pre-settled status under the EU Settlement Scheme and for non-EU citizens, a new points-based system for working in the UK applies. That scheme gives priority to those with the highest skills and talents and includes a range of other specialist work routes to settlement status, such as a global talent route for individuals in certain fields who can show they have exceptional talent or promise.

The UK is certainly not alone in its use of the immigration system in a bid to attract new skills and talent. The EU’s Blue Card Directive establishes new entry and residence rules for highly skilled workers from outside the EU, including flexible admission conditions, qualifications and skills equivalency, flexibility in changing position or employer between EU Member States, family reunification and enhanced rights and beneficiaries.

Posted workers: additional considerations
Aside from the underlying employment law considerations for workers working across jurisdictions, in Europe the Posted Worker Directive (PWD) places an additional layer of responsibilities on employers sending individuals to work in EU Member States, thereby increasing the compliance challenges and associated risk profile for global mobility.

With the intention of protecting the rights and working conditions of posted workers and seeking to prevent the undermining of local labor markets by the use of cheaper foreign workers, the PWD provides obligations in respect of reporting and registration and ensuring the posted
workers benefit from the same minimum core terms as permanent workers within the host country.

For EU employers with workers posted from outside the EU, the PWD can still have an impact and should not be overlooked. As was recently highlighted by the European Commission, workers posted to an EU member state by an undertaking established in a country that is not a member of the EU must not (with some exceptions) be granted more favourable terms and conditions of employment than those applicable to workers posted to that member state by an undertaking established in the EU.

Global mobility: Key themes for building and maintaining an agile workforce
Global mobility is evolving. Although some companies are still in watch and wait mode, waiting too long to review mobility requirements and build global mobility into post-pandemic strategies could mean missing the opportunity to gain competitive edge and drive future business success.

Key considerations for global mobility strategies include:

- regulatory requirements and employment law impact – ensure that an analysis is undertaken of individual circumstances to establish whether the employment and regulatory laws of the overseas country, including the PWD in Europe, will apply and ensure that any associated requirements and flexibilities are understood and controlled.
- immigration, visa, permit and right to work requirements - ensure that any immigration and right to work requirements are factored into the global mobility strategy and the budget and timescales for implementing arrangements.
- tax and social security considerations - ensure that processes are in place to ensure limits are not exceeded and that implications are understood. For example, could there be additional or double taxation? What evidence should employers and workers maintain to ensure they receive any/all exemptions that apply to them? Are there any concessions in place by revenue authorities? Are there corporation tax implications, e.g. by inadvertently creating a permanent establishment of an employing entity in one country by letting one of its employees work in another country?
- duty of care - develop a “duty of care” strategy for all those on global assignments and business travellers.
- structuring the arrangement – ensure that all appropriate options are explored and understood, including any associated risks and documentation required to formalise the arrangement.
- global mobility policies and procedures - ensure these are up to date and fit for purpose
The rapid reduction in physical contact and human interaction as a result of the pandemic has accelerated pre-pandemic trends of the use of digital tools and the adoption of automation and AI technologies in the workplace.

The World Economic Forum (WEF) has projected that “By 2025, the time spent on current tasks at work by humans and machines will be equal.” If that projection is realised, it will mean that around 85 million roles will be displaced by automation within the next four years. However, also predicted by the WEF within the same timeframe is that “97 million new roles may emerge that are more adapted to the new division of labour between humans, machines and algorithms”.

Technology in employment: the transformation of the workplace through digital tools, automation and other technologies.
Automation in manufacturing and retail aimed at maximizing productivity and efficiency has visibly progressed over a number of years. During the pandemic, the adoption and increased use of a range of digital technologies has become commonplace as businesses have sought to replace physical interactions with virtual communications. Consistent with the WEF projections for the future of work, that trend seems set to continue, with the increased use of digital technologies changing how work is done and in many cases creating new types of roles.

However, technologies that are often less visible in the workplace have been progressing too. For example, the use of digital and artificial intelligence (AI)-based tools that can be used throughout the lifecycle of an employment relationship to assist with HR functions, such as recruitment and selection, management, performance monitoring and even the dismissal process. Increasingly, such tools will use algorithms (a set of digital instructions used in reaching a computerised outcome) to make decisions and judgements.

In recruitment in particular, the use of AI is now commonplace, with in-person interviews at the initial stages of the recruitment process less common. Technologies progressively used at this stage of the process include AI-based CV scanning, background checking, psychometric testing and the use of algorithms from the data gathered to decide whether the candidate will progress to the next stage.

From a legal perspective, the introduction of new and updated technologies within workplaces can, however, present a number of traps for the unwary. For example, a recent report by the UK conciliation and advice body, Acas, identified key risk areas and considerations for employers concerning the use of algorithms. For multi-national employers, different laws and practices dictate the ease of implementation, local laws impact process requirements and timing and data privacy regulation governs how the data, that is often crucial to the success of such tools, can be gathered and used.

Increasingly, governments and regulators are putting restrictions on the use of certain technologies and process requirements for their implementation. In particular, to ensure that the rights and freedoms of individuals are not overlooked in the race to innovate. For example, particular concern has been raised about the potential ability of biometric technology to marginalise, discriminate and breach privacy rights. Such concerns have caused many jurisdictions to regulate the use of such technologies, either through existing legislation or specific new laws.

In Europe, the European Commission has also recently proposed a new legal framework around AI systems, including the use of such systems in employment. In particular, requiring certain “high-risk” systems, including those intended to be used for monitoring and evaluating performance and behaviour, to comply with a set of mandatory requirements.

Data privacy regulators have also put in place safeguards to seek to protect against privacy breach risks. In the UK, for example, the Information Commissioner’s Office has recently issued a framework for auditing AI, focusing on best practices for data protection compliance. Although data privacy requirements associated with the implementation of new or updated technologies are now routinely considered, the areas still often overlooked are potential discrimination risks and collective information, consultation and sometimes consent obligations.
Due to the way in which AI systems learn from data in order to operate, there is an inherent risk of incorporating systemic discrimination and reproducing broader patterns of discrimination or other unfairness in the use of such systems. Particularly in the current environment where the pandemic has had a clear disparate impact on certain groups of workers, the use of such systems without appropriate measures to seek to avoid discrimination can further exacerbate that effect.

Also often overlooked is that, in some jurisdictions, an obligation to inform and consult with employee representatives with associated timelines and formalities will be triggered by a proposal to introduce new or updated technology that is likely to impact the workforce, even where that impact does not result in workforce reductions.

The interaction between any European Works Council, local works councils, unions or other employee representative bodies must also be considered and planned for. However, regardless of any statutory information and consultation obligations, maintaining the trust and commitment of the workforce by ensuring transparency in respect of plans, maintaining effective communications with the employee representative bodies and getting employee communication right will be critical.

Strategic planning – technology implementation checklist

- set up a cross-jurisdictional team who can devote the necessary time and management commitment to the project
- establish the business case for the proposed implementation of the technology and the scope of how that technology can and will be used in the workplace
- understand and monitor the legal and practical issues in each jurisdiction, including in relation to consultation obligations with employee representatives; data privacy obligations or restrictions; and any local rules around the use of specific technologies
- devise a consolidated and coordinated global plan and follow a detailed project plan per country
- ensure that a communications strategy forms part of the plan and that managers are provided with support to implement the process
- engage early with employee representatives to properly explain the purpose and impact of new technologies and to address and accommodate any concerns
- devise a training program to support workers’ skill transition in the use of the new technology
new roles may emerge that are more adapted to the new division of labor between humans, machines and algorithms

Collegiality or, at very least, significant co-operation in the workplace, has underscored business continuity and, in some cases, organization survival during the pandemic, as our previous Reinventing the Workplace surveys have shown. The rapid switch to new ways of working as mentioned above in Part One of this report is just one manifestation of the flexibility employers and employees alike have demonstrated.

In many cases, existing terms of engagement and contracts of employment will have facilitated the changes involved but, for others, contractual terms will have been figuratively “thrown out of the window” and temporarily replaced by emergency measures. Either way, as the impact of the pandemic starts to recede, employers will want to re-evaluate whether their contracts are fit for purpose and reflect the future needs of the organization.

Tangentially, organizations also need to be alert to evolving attitudes either globally or in the regions in which they operate. Certain contract terms are becoming less acceptable to employees but also societally, such as some non-disclosure provisions or wording which is non-inclusive.

Responding to employee voice increased by necessity at the outset of the pandemic but may well now promote – or even demand – greater engagement between the organization, the workforce and representative bodies going forwards, including over future contract terms, as well as wider workplace issues. The mental as well as physical health of the workforce has also been a subject of particular focus during the pandemic and will continue to be so and to encourage dialogue. Employers will need to plan the extent to which and how they might capitalise on the positive aspects of such interaction, through existing Works Councils or new or adapted channels of communication.

Linked to this is the fact that the pandemic has highlighted the importance of employer whistleblowing procedures, reflecting a rise in workers speaking up against corruption, unsafe practices and other misconduct. With the implementation of the EU Whistleblowing Directive later this year and many other countries looking to introduce or to enhance existing whistleblower protections, organizations will need to ensure they adhere to local laws and requirements.

Research by the UK CIPD in 2021 found that, within their sample, managers’ effectiveness at keeping employees informed rose by 40% in 2020. Employee representatives were also seen as more effective in seeking employee views, with the percentage of workers rating employee representatives as good or very good in this regard rising from 41% in 2020 to 51% in 2021.

Our Reinventing the workplace – return to the workplace report part 1 also found that our clients were experiencing increased contact between managers and staff and a more supportive and flexible approach to facilitating work-life balance.
In addition to such potential internal influences, organizations are also finding themselves increasingly exposed to external pressures. Environmental, Societal and Governance, “ESG”, factors are used more and more frequently to assess the sustainability, value and reputation of organizations by investors, customers, employees, regulators, suppliers and campaigners. Diversity and inclusion, pay transparency, employee engagement and human rights issues in operations and supply chains are just some of the workplace ESG risks particularly attracting attention and with the potential to impact an organization’s reputation and value.

At the heart of many ESG considerations is a need for transparency, for example in internal operations and practices which can demonstrate a commitment to corporate responsibility, including in areas such as climate change, waste management and in human rights but also an organization’s support for fairness and equal treatment of staff.

How transparency can be achieved and managed will be critical to future sustainability and organizations can expect their future activity to be under the spotlight more than ever and for reputational risks to be compounded. Importantly, not all of this will be in the organization’s control since transparency is and will continue to be an issue of increasing legal intervention by which countries set minimum standards and as a means of progressing particular laws and objectives.
The pandemic has disrupted business models. For example, it accelerated uptake of platform business models, such as food delivery, and propelled innovation and new ways of working.

It has also disturbed the labor market, resulting in unemployment in some sectors and countries, which contrasts with the labor shortages in others as highlighted above in Part Two of this report.

Against this backdrop, the global contingent workforce has been driven by demand from both business and workers, reflecting the flexibility it affords, particularly during periods of uncertainty.

**The evolution of work - and risk**

A contingent worker is a person who works for a business, but is not employed permanently by it. Typically, such workers are used to provide short term or on-demand resource and specialist skills. While their rights differ depending on jurisdiction and the type of arrangement, they are distinct from employees under open-ended employment contracts. Generally, they can offer flexibility, lower costs and other advantages to businesses.

However, their use is attracting the attention of unions, workers, regulators, governments and customers. As the numbers of freelancers, contractors, consultants, temporary agency, on-demand and gig workers grow, the strain on the traditional employer-employee model is being played out in litigation, protest and regulatory change.

In particular, the employment law, tax and social security framework regulating contingent workers is evolving across countries. Furthermore, employment status misclassification litigation, which seeks to re-characterise non-employee contingent workers as employees, is increasing, with some headline-grabbing successes (such as against Uber in the UK Supreme Court where Uber drivers had their status as workers, albeit not employees, and thus entitlement to certain protections such as working time and national minimum wage confirmed). Some of these court cases have been accompanied by strikes and protests.

Companies using contingent workers globally need to stay informed, or risk significant additional legal and operational costs, challenges to their business models and potential reputational damage.

**Recent policy developments**

While governments in different countries are wary of unnecessarily constraining the use of contingent workers, regulation is changing. Some are introducing new laws to restrict or penalise business use of such workers, increasing their rights, presuming employee status in certain sectors prone to misclassification or introducing licensing requirements.

For example, in the UK the Government has committed to introducing a right for workers to request a more predictable contract (such as more certain hours/days). A similar right will be implemented in 2022 across the EU, together with a right to reasonable advance notice of work and the payment of compensation where work is cancelled at late notice. An EU consultation is also underway to consider how to strengthen the rights of platform workers.
- reflecting differing misclassification litigation outcomes and a changing tax, employment law and social security landscape, global employers should regularly review contingent worker risks
- in some sectors and countries, both workers and business are embracing the benefits of contingent working and demand is growing. But a different approach may be needed elsewhere
- developing global policies setting out when and for what roles contingent workers can be used will also help to mitigate future risk. Business models may need to change in higher risk areas, depending on risk appetite
- well-drafted contractual agreements, incorporating indicators against employment, indemnity and arbitration clauses where appropriate, will assist. However, getting the contract right is only the first step, as the day to day practical arrangements must also reflect the contractual terms
- employed staff should understand the risks of treating non-employee contingent workers as if they are employees, for example, by supervising their work and engaging them exclusively for the long-term
As employers continue to grapple with the plethora of challenges caused by the COVID-19 pandemic, the picture that has emerged globally is one of polarized success stories: those organizations that have thrived and those that have been starved of their lifeblood. Redundancies in certain sectors have proved an inevitable consequence, shining a spotlight on applicable redundancy terms and packages. As lockdowns reduce in area and impact, organizations which accessed various state-funded support (“furlough”) mechanisms are now scrutinizing what financial support was claimed, received and paid out. In some cases this will also require a reappraisal and rebalance of pay, to address fairness in treatment amongst workers who were temporarily laid off or those who continued working at a reduced rate and retain workers in a more volatile labor market.

Recruiting and retaining good staff is the key to success for most employers but the pressure to do so is increasing, even being widely referred to in the media as a “war on talent”. Looking ahead, as highlighted above in Part Two of this report, the pool of available or suitably skilled workers may even be reducing, compounded by the recent displacement of workers or restructuring of working models.

Tackling the challenges that staffing and skills continue to present is placing renewed focus upon appropriate reward structures and will require a well-considered strategy and careful consideration of costs and resources, going forwards. Ensuring responsible and fair remuneration practices which meet compliance requirements, as well as worker and wider expectations, will also be key.

As working models continue to evolve, the impact of overheads for employers and of expenditure for those working remotely is already prompting reflection upon issues such as commercial office space, expenses, reduced travel or relocation costs and, chiming with many environmental/ ESG initiatives, the future of company car policies.

As has been seen during the pandemic, the rapid and necessary increase in mobile working has also led to workers being based in geographic locations well away from the employer, in some cases abroad. Where this arises, complex issues of double taxation or other levies can result, as well as wider considerations of location-linked compensation.

Global pay and benefits traps for the unwary
Cross-border reorganization guide for employers
Pay and reward - key themes

- re-appraising redundancy terms
- evaluating existing reward packages - should these be updated to reflect new working and new incentivization and, if so, how?
- will contractual changes be needed - how will you proceed?
- weighing up the costs of new ways of working and the tax/social security implications
Summary

The pandemic has altered the trajectories of workplace trends, in many cases spurring significant changes to traditional business models. Businesses looking beyond the pandemic have a unique opportunity to refocus and reimagine how and where work is done, with the potential to enhance operational flexibility and agility through the use of new working models, global mobility strategies and enhanced technologies. Further, to maximize access to talent, enrich employee engagement and satisfaction and address inequalities.

There is no “one size fits all” approach; however, maintaining a cohesive culture and developing practices and programs to keep employees connected in the newly-evolved landscape is likely to be one of the key challenges for many employers. As the pandemic eventually fades, businesses will need to ensure that the changes they have put in place are fit for the purpose of that new landscape and for new challenges on the horizon.
Our extensive global footprint means that we are well placed to help employers, wherever they have a presence. Our teams across the world have significant experience of supporting employers to steer through the legal and practical implications associated with all aspects of the evolving work landscape.