

Advancing the American Workforce

ALIGNING POLICY SOLUTIONS & BEST PRACTICES

SPOTLIGHT ON

Thinking Globally and Acting Locally While Expecting the Unexpected

It is important for U.S. policymakers to consider the many HR challenges global companies face, as this information is essential when dealing with issues such as employment, trade, taxes, technology, and more.

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About this Series

HR Policy Association (HRPA) represents nearly 400 of the largest companies worldwide. Members employ more than 10 million individuals in the U.S. This report articulates the perspectives of our members regarding the trajectory of work in the U.S. and the need for specific changes in both corporate and public policies to effectively advance the future of the American workforce.

HR Policy Association's "Advancing the American Workforce" series equips policymakers and business leaders with insights from Chief Human Resource Officers (CHROs) of major companies. The profound changes employers and society have experienced over the past five years have transformed the way large employers and their employees think about work, the workforce, and the workplace and how each needs to be structured for long-term success. HR Policy provides the perspective, not only from employers, but from CHROs who bridge the goals of their companies with the talents and needs of its greatest asset: employees.

New technologies, evolving demographics, and shifting political winds demand a strategic approach to HR. Chief Human Resource Officers are at the forefront of navigating these changes, and their perspective provides invaluable insights for policymakers. This multi-part series offers practical experiences and perspectives on the critical trends shaping the future of work, and suggests policy approaches to ensure the American workforce remains at the vanguard of global excellence in the years to come.

Executive Editor: [Timothy J. Bartl](#)

Series topics include:

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HRPA



EXECUTIVE SUMMARY

Thinking Globally and Acting Locally While Expecting the Unexpected

Managing human resources across borders has long been a study of differences in cultures, laws, and practices. Today, the challenges facing Chief Human Resources Officers of companies with global footprints look remarkably similar.

HR Policy Association's Advancing the American Workforce project is largely intended to translate the views of Chief Human Resources Officers (CHROs) into proposals for consideration by U.S. policymakers.

While HR Policy Association (HRPA) is an active policy advocate in the U.S., it also informs policymakers on the many HR challenges global companies face. This is essential information to consider when dealing with issues in a wide range of areas, including employment, trade, taxes, technology, and more.

HRPA's [HR Policy Global program](#) informs, advises, and provides its members with access to networks and tools that are essential to companies with international footprints.

The last 25 years have seen a massive internationalization of business. Geopolitical changes opened China and Central and Eastern Europe to business. Technology changes brought India and a range of new countries into the provision of "back of house" services. As supply chains have extended, the pressure on companies to assure and report on human rights compliance of third-party companies has increased. The same has happened in the growing gig economy.

Issues like pay equity and transparency; diversity, equity and inclusion; use and control of AI; supply chain human rights compliance; growth of the influence of organized labor; and the impact of wars and natural disasters face every company everywhere. CHROs want to assure common values and policy standardization, while culture and laws still vary widely around the globe.

The Five Major Challenges for Global Companies

CHALLENGE #1

Maintaining a unified, inclusive culture when operating in multiple countries.

Every company, large or small, seeks a certain degree of uniformity, or at least harmony, in its practices and policies while nurturing a common culture that can accommodate local variations.

However, consider the differences from country to country in the following areas of significant influence on the workplace:

- Culture, both at the national level as well as the locality where a company's operations exist;
- Demographics, which in some countries may be largely homogeneous or, as in the U.S., considerably heterogeneous,
- Definitions of diversity, which are driven largely by local culture and demographics;
- Legal systems, where enforcement may be primarily through government agencies, through litigation, or both;
- Business customs, which vary significantly from country to country, due to differences in forms of government, culture, etiquette, communication styles, and social norms;
- Employee voice, which may be manifested primarily through unions or through more diverse sources, such as social media; and
- Employment laws and policies, which have created the proverbial "patchwork quilt" and will be discussed further within.



Diversity, for example

Consider diversity as an example of how variations from one country to another have an impact on HR policies. Diversity is a global priority but is typically defined differently from one country to another, depending on its demographics. While there are consistent areas of focus, such as gender equity and inclusion, individual countries and regions have priorities which account for their specific social cultural and demographic differences. Particularly, U.S. priorities around racial discrimination and equity may not translate with the same meaning or application in other geographies.



The right local leadership

Variations in leadership pose a challenge to a key goal of any CHRO: engagement of a workforce operating in vastly different situations. Frontline managers, who are often drawn from local populations, are the key to increasing employee engagement. They often bear the burden of increased complexity and uncertainty, especially during the implementation of new technologies. Therefore, global HR leaders focus heavily on training local leaders in people skills, providing autonomy to make decisions, and offering updated technology to remove non-value-added work

CHALLENGE #2

Navigating a patchwork of inconsistent laws

It should be no surprise that companies operating in multiple countries face a highly inconsistent compliance environment. While many of a country's laws address situations that are unique to them, most categories of legal issues recur from one country to another—labor relations, wage and hour, nondiscrimination, benefits, etc. These are long-standing concerns, typically with well-established laws in those countries. Meanwhile, as discussed below, there are certain volatile issues that in recent years have become a global priority among countries. Yet, following the historical pattern, jurisdictions address these in widely varying ways with no concern for coordination or consistency in application to companies operating in multiple jurisdictions.



Wage and hour laws, for example

The overtime rules vary widely from one country to another, which can preclude uniform global policies. Some countries join the United States in simply requiring overtime pay for hours worked above a “standard workweek”, but others prohibit such work altogether. Coverage also varies widely. In the United States, employees who are paid a salary and have certain duties and responsibilities do not have to be paid overtime. Yet, in Europe and other areas, there are virtually no exemptions. Thus, unlike their counterparts in the U.S., highly compensated professionals must keep track of their hours and may be subjected by their employer to limits on those hours due to cost concerns regarding payment of overtime.

Evolving workplace issues of global concern:

Inconsistent laws and customs are a reality that global companies and their CHROs have learned to deal with, not unlike the challenge of complying with multiple varying (and often inconsistent) state and local laws in the U.S. But the challenge is likely to grow as certain emerging issues take on a global priority, such as climate change. There are similar issues in the employment arena, with three of note:

- Workplace Technology** – Around the turn of the 21st century, the explosion of information technology gave rise to serious concerns regarding who has access to and control of personal data. While the United States and other countries grappled with the matter, the European Union issued its General Data Protection Regulation (GDPR), which included employee data in its coverage. The law had a significant impact outside the EU for global companies, where employee data from around the world was typically part of an integrated system. The data regarding their European employees now had to be handled differently, with many companies simply applying the EU rules to the entire company. We now see the same with legislation on Artificial Intelligence not only in the EU, which is already taking the lead, but elsewhere in the world.
- Pay Transparency** – The United States is not the only country to realize that, despite strong anti-discrimination laws, reliance on prohibitions alone will not solve certain inequalities. Gender and racial pay gaps are a major target, with pay transparency viewed as the preferred mechanism for narrowing, if not eliminating the gaps. While new laws continue to be proposed and enacted at both the state and federal

level in the U.S., other countries, such as the UK and Australia have moved ahead with far-reaching requirements of their own. Global companies, who increasingly are voluntarily disclosing pay data in their own manner, must ensure that they track and file separate disclosures under a growing number of new requirements.

- **Employment Relationships** – Technology has fueled the increase of a new kind of worker—the “gig worker” whose pay and work schedule is typically determined through customer access to an app. Is the company that operates the app the worker’s employer? This relatively new form of what in the U.S. is called “contingent work” and elsewhere “casual work” is subject to widely varying answers to this question depending on the jurisdiction where the work is performed. Moreover, the applicable laws go beyond drivers and other so-called gig workers to include independent contractors (to use the U.S. legal term) who are viewed as separate businesses performing work for various companies. As more workers seek this flexibility and financial growth potential, there is concern that they are denied some of the accoutrements of employment—certain benefits, unemployment insurance, paid leave, etc. As can be expected, governments are addressing this issue in a variety of ways seeking to either recement the employment relationship or ensure benefits and protections outside that relationship. The controversy over this issue in the United States reflects an ongoing global debate on how to deal with new forms of work. As discussed above, the regulation of AI also foreshadows a debate over the impact of “digital workers” on employment generally.

- **Remote Work** – The evolving mix between remote, in-person and hybrid work is already generating new laws and will likely continue to do so. For example, several countries—including France, Italy, Spain, Belgium, Australia, Canada, and Slovakia—have adopted laws giving workers the right to “disconnect,” i.e., ignore communications from their employer outside of “normal” work hours. California’s entry into this area – the first American jurisdiction to do so – could inspire similar efforts around the United States while more and more countries follow suit. Yet, the laws contain myriad variations on critical issues, such as how “normal working hours” is defined, exceptions for emergencies, and so forth. Global companies will need to navigate these variations while meeting internal and external deadlines for “getting the job done.”



Political and social issues

Meanwhile, as in the U.S., there are increasing expectations overseas for companies to take a position on social issues, which are often tied to public policy issues as well. The position of a global company on an issue in one country will be known by its global workforce, which may have varying reactions. Global organizations must consider regional perspectives, which may not always align with headquarters’ views, as well as those of its shareholders and customers. For example, employees may feel very differently regarding military conflicts, the importance of gender and ethnic diversity, or issues of employee voice in different regions.

CHALLENGE #3

Compliance issues within the supply chain are a priority, but challenging

In recent years, certain prominent incidents and investigations have generated concerns about dangerous working conditions and exploitation of workers in companies overseas that are part of the supply chain for global companies. A prominent example was the collapse of the Rana Plaza factory in Bangladesh in 2013 killing over 1100 people, mostly garment workers. Their work produced products sold by a number of well-known retailers.

Who is responsible? Those retailers did not directly employ the factory workers but the incident highlighted the issue of how much responsibility well-known companies should bear for the working conditions of companies relied upon for their products. Bangladesh was by no means an isolated incident, with operations in other countries whose lax enforcement of labor protections falls far short of those in the United States and European countries.

The EU has been in the forefront of addressing supply chain monitoring and compliance. New EU directives such as the [Corporate Sustainability Reporting Directive](#)¹ (CSRD)

and [Due Diligence Directive](#)² require cross-functional collaboration, considerable funding, and resource allocation. Any company doing business in the EU is required to abide by these regardless of where the operations in play exist.

ESG under attack. Supply chain concerns arise in the broader context of sustainability and the debate in the United States over the role ESG should play in corporate decisions. Also relevant is increased pressure on companies to gather statistics relating to Human Capital Management, with management and reporting requirements inconsistent across the regions. For example, the EU's CSRD requires disclosure of human capital metrics such as number of full-time employees, gender pay gaps and median pay ratios – but these will almost certainly differ from the SEC's upcoming human capital management rules, which will place global employers in the position of having to comply with both.

Yet, even as the ESG and sustainability movements have come under attack in the United States, they continue to be a driving force elsewhere, especially Europe. Thus, the backlash in the U.S. could generate conflicting requirements, once again catching global companies and their CHROs in the crosshairs.

How much responsibility should companies bear?

Operations in other countries often fall far short of those in the U.S. and Europe.



CHALLENGE #4

Geopolitical disruptions with major human resource implications

The late twentieth century saw many post-WWII “truths” falling into question. The emergence of Japan, then China, then other Asian countries as major competitors of U.S. manufacturers was the first major change. Then came an event of even greater significance—the demise of the Soviet Union and the accompanying end of the post-World War II Cold War, which re-engaged former Iron Curtain and other Communist countries in the larger global economy.

These events spurred an uptick in globalization that impacted most if not all U.S. companies in several ways:

- The emergence of new potential markets for their products and services;
- New trading partners, that included China as well as most countries from Eastern Europe as part of the Soviet Union’s breakup;
- Initiation or expansion of operations in those countries;
- Increased global diversification of workforces, as well as corporate leadership; and
- An expansion of the number of laws and legal systems impacting operations.

Meanwhile, expectations that business and economic growth in these countries would result in political liberalization and greater democracy have not been realized. In addition, recent political events are forcing a rethink on the part of governments and business about the effectiveness of global supply chains,

especially if parts of those supply chains are in geographies that could become potentially unfriendly.

A 21st century cold war? The Russian threat, along with a possible distancing of the US from NATO, will result in a political push in Europe to strengthen its own defense capabilities and will create growth opportunities for businesses to support that capability. These growth opportunities will not just be relevant to those businesses that make defense materiel, but also to those that can help anticipate and deal with cyber-attacks and other forms of non-traditional warfare, such as disinformation social media campaigns.

Meanwhile, the conflict in Gaza has exacerbated tensions in companies with diverse religious populations, both overseas as well as the United States. As has been seen in the U.S., workplace disruptions caused by reactions to the conflict can put workplace policies to the test.

How are companies responding? One mechanism companies have in place to deal with global turbulence is an effective emergency response mechanism to handle urgent disruptions. This requires a high-level cross-functional team as well, with HR involved in design and implementation of those strategies addressing employee needs and concerns. For example, one immediate impact of the Russian invasion of Ukraine, was the need to help employees—in both countries—dislocated by the war. Travel assistance, transfers, continuation of pay and benefits, and myriad other issues required HR’s involvement in both planning and implementation.

In addition, an effective risk mitigation plan needs to include the company’s talent strategy. Consider a company with an R&D plant in Israel, which relies on vendors there for critical components. Due to the current situation in

Israel, the company is forced to explore the possibility of creating another facility or shifting production quickly from one location to another. This has led to a change in the business approach - instead of relying on a single production site, the company had to consider a multi-site approach globally.

In the same vein, an increasing number of companies are looking to multi-site options, use of AI, and harnessing remote talent to effectively address critical business processes affected by external impacts – such as war, pandemics, infrastructure failures and climate change.

In the end, there is only one constant when it comes to geopolitical disruptions: expect the unexpected!

CHALLENGE #5

Economic hurdles posed by inflation, a shrinking workforce, and technological advances

As each country and region faces its own unique challenges, there are certain pervasive issues that have a global economic impact. This compels companies to adhere to the time-honored mantra of thinking globally while acting locally.

- **An aging workforce coupled with a decline in birthrates is a drag on the economic growth of most major countries.** Manufacturing and other major industries rely heavily upon a steady supply of workers. Yet, many parts of the world in which U.S. companies do business are aging, with advances in medical science helping people live longer. Unfortunately, the other side of the aging population demographic is the declining birthrate across much of the world, with the exception of Africa. To replace the

population, a birthrate of 2.1 children per couple is required, allowing for the inevitability of young deaths. In many parts of the developed world the birth rate is less than 1.5 per family and falling.³ Policy initiatives on the part of governments to encourage families to have more children are failing to move the dial. In many countries, employers will be confronted with severe labor shortages in the years ahead.

- **Workforce shortages can be addressed through rational immigration policies, but these are often hindered by strong political tensions.** One answer to such indigenous labor shortages is immigration. But immigration, especially where the immigrants are of different cultural, ethnic, and religious backgrounds, creates political tensions – particularly when established populations feel themselves at risk of being overwhelmed and “replaced.” Brexit, the decision by the UK to leave the European Union, is an example of what can happen when such fears are politically exploited. The UK economy has suffered seriously as a result, with gross value added down 10% and 3 million fewer jobs.⁴ If political tensions make immigration problematic, then businesses could look to move to locations where labor is plentiful, such as Africa – but then they may encounter issues with a less stable infrastructure and movement between countries.
- **Integration of AI will impact multiple aspects of talent strategies.** Rapid integration of AI for talent acquisition and employee services deployment requires significant investment and change management. Companies who took advantage of labor arbitrage to shift back-office functions to lower cost countries will have a particular focus on integrating AI as labor costs increase. Looking forward,

technology – and especially the growing use of “digital workers” – will continue to play a critical role in HR strategies, with AI’s potential benefits and risks demanding careful consideration.

- **The inflation that exists on a global scale varies widely at the local level, with significant impact on human resource policies and practices.** The global inflationary environment has profoundly affected operations. Coupled with post-

Covid implications, this has led to a shift in workforce expectations and engagement strategies. To deal with the complexity, companies struggle with customizing their local plan under a global scheme. For instance, currency devaluation in certain Latin American countries, like Argentina, compelled one company to shift from a global annual approach to a quarterly routine for incentives and merit increases.

Looking Ahead to Global Workplaces of 2030 and Beyond

One has only to look back at events since 2018 to realize the upheavals that can occur within a brief time frame – a global pandemic, calls for racial justice, unparalleled climate shocks, conflicts in Eastern Europe and the Middle East, and volatile political scenes in every major region.

HR Policy Association predicts the following regarding how the human resource strategies of global companies will be impacted:

1

Managing talent will become even more important as competition for skills increases, and the range of employment models grows.

CHROs managing a global organization will need to keep abreast of geopolitical and supply chain challenges which will impact the location, availability, and skills requirements for critical labor. Understanding the implications of the gig economy and platform workers within all industries will be essential for CHROs seeking to broaden the availability for talent.

2

AI, automation, and analytics will play a significant role in workforce planning and talent management will continue to impact all human resources functions.

The Global CHRO can be expected to take a leadership position in establishing the agenda for AI in the organization.

3

Benefits will be adapted to meet the needs of a changing workforce and demographic shifts.

An appreciation of regional priorities and expectations is important in ensuring stable employee relations. Experimenting with portable benefits may be important, as a greater share of the workforce ages.

4

The role and profile of Chief Human Resource Officers will continue to evolve.

As remote and hybrid work models persist, new CHROs will benefit from a practical operations background combined with strong leadership and interpersonal skills. Finding new ways to embed human connections will be very important as CHROs guide their organizations through continuous change.

Endnotes

¹ Corporate Sustainability Reporting Directive, KPMG.com, <https://kpmg.com/nl/en/home/topics/environmental-social-governance/corporate-sustainability-reporting-directive.html>

² “Landmark EU ‘Corporate Sustainability Due Diligence Directive’ Imposing Human Rights and Environmental Due Diligence Obligations on EU and Non-EU Companies Approved by European Parliament,” Gibson Dunn, <https://www.gibsondunn.com/landmark-eu-corporate-sustainability-due-diligence-directive-imposing-human-rights-and-environmental-due-diligence-obligations-on-eu-and-non-eu-companies-approved-by-european-parliament/>

³ 2022 World Population Data Sheet, PRB.org, <https://2022-wpds.prb.org/>

⁴ “London’s economy after Brexit: Impact and implications,” Cambridge Econometrics Analysis, <https://www.camecon.com/what/our-work/londons-economy-after-brexits-impact-and-implications>

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ABOUT

HR Policy Association

For more than 50 years, HR Policy Association has been the lead organization representing Chief Human Resource Officers of major employers. HRPA consists of nearly 400 of the largest corporations doing business in the United States and globally. These companies are represented in the organization by their most senior human resource executives. Collectively, HRPA member companies employ more than 10 million employees in the United States, over nine percent of the private sector workforce, and 20 million employees worldwide. These senior corporate officers participate in the Association because of their unwavering commitment to improving the direction of human resources policy. To learn more, visit hrpolicy.org.