



Steering a Course Through the Pandemic: How COVID-19 Has Impacted the Automotive Sector

KEY TAKEAWAYS

The automotive industry faces significant Covid-19-related challenges, including supply chain disruption, declining consumer demand and assembly plant closures.

Like many sectors, a key challenge for global mobility professionals this year has been the management of “accidental assignees,” requests to work from anywhere and the resulting compliance risks.

Staying on top of rapidly changing global immigration, travel and quarantine rules remains an ongoing challenge.

Current conditions are accelerating pre-pandemic trends: greater use of local hires, more short-term or commuter assignments, and unaccompanied assignments.

While certain flexible assignment approaches are embraced, a prevailing view is that the practical challenges and compliance-related risks of virtual assignments outweigh any potential benefits.

By many accounts, the automotive industry has been one of the sectors most heavily challenged by COVID-19 and the actions governments across the globe have been compelled to implement to manage the crisis. The complex, global and just-in-time supply chains for parts production commonly used throughout the industry are especially vulnerable to the incredible disruption wrought on many different industries. Assembly plant closures have been commonplace across the globe as a result of plummeting demand. A report published by Deloitte during the summer underscores the scale of damage when it states that “industry forecasters are now expecting global new vehicle sales to total just more than 70 million units in 2020, a downgrade of 18.5 million light vehicles from January’s estimates. To put that in context, the drop in global demand this year alone is roughly equivalent to light vehicle sales expectations in the United Kingdom, Japan, and the United States combined.” So, against this gloomy backdrop, how has global mobility fared?

A recent Sterling Lexicon round table for the automotive sector brought together global mobility professionals to discuss current issues and trends affecting them.

Track and Trace

Like their counterparts in other industries, global mobility professionals in the automotive sector have been challenged with identifying involuntarily and voluntarily displaced employees and the associated compliance risks. Striking a chord with fellow professionals, one of our participants remarked that “there’s no good way of wrapping our arms around that population.”

Like many others, this group has been supporting their organizations’ “accidental assignees” in addition to employees keen to embrace new ways of working.

“We’re seeing a lot of work from anywhere (WFA) requests” one of our panellists shared, “we’re just dealing with them as they come in.”

But are organizations in this sector structured for agile working? The feedback was mixed. While one of our participants was able to share that their organization had already been working towards a hotelling style set-up at the office pre-pandemic, another reflected that their organization had a strong culture of presenteeism before the crisis struck. As with many businesses, it was felt that there will be a different emphasis in the future, although just how the balance will be struck is unclear right now.

Stalled at the Border

Staying on top of and navigating rapidly changing immigration regulations and quarantine rules has been a focal point for our participants. The extent to which borders are open and the necessity to quarantine either at home or in a government facility has impacted organizations' ability to bring employees back to their country of employment, deploy employees on new assignments and return people to their assignment location if they've left the country for a home leave trip.

Driving Mobility into 2021

Our panel agreed that it is too early to say what sort of impact the recent encouraging news of an effective vaccine will have on mobility for 2021. One shared that their assignee numbers were already in decline prior to the onset of the pandemic, with their organization making greater use of foreign local hires. There was consensus in the group conforming with a general trend reported in several surveys over the course of the year that traditional, three- to five-year assignments will decline in future years.

Participants shared that in the near term at least, they have seen either a reluctance from employees to take assignments abroad as a result of health concerns, or that employees will leave their family at home – at least for the early stages of the assignment. The additional complexities surrounding managing phased assignments will surely further underscore the tremendous value global mobility brings to the organization as an enabling function. The panel speculated that their organizations may make better use of commuter assignments over the next year and possibly beyond.

While tried and tested alternatives to traditional assignment formats resonated with this group, trending theories on virtual assignments were treated with much greater caution. The prevailing view was that the compliance complexities

associated with undertaking an assignment remotely appear to outweigh the potential gains. Overall, this likely places the sector alongside the wider global mobility consensus. A recent AIRINC study showed less than half of the respondents predict an increased use of virtual assignments post-COVID, and only 10% forecast an increase in accompanied long-term assignments.

Regardless of the type of move, the drivers behind mobility for this group remain varied, with specific projects, strategic moves, and learning and development all identified by participants.

Allowances

For the most part, participants reported that assignment related compensation has not been adjusted. Some organisations take a host-based approach, and haven't had to manage assignment allowances, while in one or two other circumstances, COLAs were reduced.

Conclusion

It's been a difficult year for mobility in the automotive sector, but this group has played a pivotal role in keeping their organizations' assignees and employees safe and moving, and will continue to do so throughout 2021.

Learn more about how Sterling Lexicon can help you navigate the next normal and update your global mobility programs accordingly.

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*By Stuart Jackson,
Account Director, Sterling Lexicon
stuart.jackson@sterlinglexicon.com*

ABOUT THE AUTHOR

Stuart Jackson is an account director at Sterling Lexicon with 20 years' experience of working with multinational organizations to manage complex global mobility programs. A trusted advisor, Stuart is recognized for excellence in execution, collaboration and a track record of designing and implementing successful, innovative mobility solutions.