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Supply Chains May Be Strengthened With Agile Global Mobility

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KPMG practitioners provide insights into how companies can adapt their global talent and mobility management to sustain supply chain resilience due to tariff-induced challenges.

Prior to the White House's announcement of reciprocal tariffs on countries imposing duties on US goods, global supply chains were already encountering disruptions due to shifting economic and geopolitical landscapes. The initial wave of offshoring aimed at cost reduction has evolved into recent trends such as nearshoring, friendshoring, and reshoring, with companies constantly adapting to mitigate risks and improve operational efficiency. Tariff-induced challenges are increasingly driving strategic reevaluation of production locations. As businesses contemplate relocating operations to the US or other non-tariff regions, they confront complex workforce mobility issues including immigration, employment structuring, income tax, social security, and payroll compliance. This article explores these implications, providing insights into how companies can adapt their global talent and mobility management to sustain supply chain resilience in the face of these challenges.

Background

On April 2, 2025, President Donald Trump announced a sweeping tariff policy to impose reciprocal tariffs on countries that apply duties to US goods. This announcement signified a major shift in trade policy, with a stated goal to address trade practices that contribute to substantial US trade deficits. The tariffs included a 10% duty on nearly all imports to the US starting April 5, 2025, with higher reciprocal rates for countries with significant trade imbalances effective April 9, 2025. However, a 90-day pause was

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announced on April 9, on the higher reciprocal rates except for higher tariffs on China. These shifts in policy have increased uncertainty for multinational corporations in choosing operational locations that avoid tariff impacts but supply chain uncertainty is not a new phenomenon. Since 2020, the COVID-19 crisis, the war in Ukraine, the view of the US government, and other international tensions have drastically exacerbated supply chain weaknesses, prompting supply chain leaders to explore options to build more resilience into the process through the deployment of various methods based on different sourcing locations.

- Historically, offshoring gained prominence as US companies sought to reduce costs by relocating operations to countries with cheaper labor. However, emerging globalization policies, increasing labor costs, issues with quality control and supply chain disruption made offshoring less attractive, leading to newer strategies like reshoring and nearshoring.
- Reshoring, which involves bringing production back to the home country, has gained traction under the most recent Trump administration due to trade and tariff policies aimed at reducing dependency on foreign manufacturing.
- Nearshoring, which relocates operations to nearby countries, offers a middle ground by reducing costs while maintaining proximity and control and has been increasingly adopted due to trade challenges with China.
- Friendshoring, initially encouraged by the Biden administration, aims to diversify manufacturing and supply chains across allied nations, reducing dependency on China while hedging against supply shocks.
- Strategic shoring involves streamlining the geographic footprint of a global supply chain to locations within the Americas, including Mexico, Central and South America, Canada, and even within the US to better serve the US market. This approach focuses on the selective relocation of operations to countries that provide cost advantages while aligning with a company's broader strategic goals, such as access to key markets, natural resources, access to skilled labor and proximity to the US market. *See* KPMG Report: The Proximity Premium (Oct. 2024).

The rapidly changing trade agenda under President Trump, which proposes tariffs even on allied nations, has further complicated these restructuring efforts introducing a new level of unpredictability and making it increasingly challenging for businesses to choose "safe" destinations for relocation without risking new tariffs.

Global Mobility Considerations

The interconnected nature of supply chain operations and global workforce management means that unpredictability in one area can have cascading effects on the other. The global mobility function can proactively reduce uncertainty in supply chain management by providing upfront insights into local labor markets, compliance requirements, and workforce deployment strategies, enabling organizations to swiftly adapt while maintaining operational efficiency.

A critical step in assessing the feasibility of relocating operations is an evaluation of the availability and cost of labor and skills in the new location. A company's talent sourcing strategy is pivotal to this process, and to optimizing its workforce composition in the new location, by distinguishing between skills that can be outsourced and those that must be retained in-house. This decision typically hinges on the nature of the tasks involved, with routine or commoditized skills often being outsourced to leverage cost efficiencies, while critical or proprietary skills are retained in-house to maintain a competitive advantage and ensure quality control. Conducting a thorough labor market analysis will help determine whether it is more cost-effective and strategic to relocate certain skills and talent from other locations or hire locally.

Whether hiring local or relocating talent, understanding and navigating immigration policies, local labor laws, compensation and benefits, employer and employee tax issues, and cultural dynamics is another critical step in managing risk and compliance when a company shifts its manufacturing operations to a new location.For instance, when a company decides to shift its manufacturing operations from Asia to Mexico to be closer to the US market (nearshoring), compliance with Mexican labor laws is essential, including drafting contracts, understanding worker rights and union negotiations. If relocating employees, the company must manage the complex work permit process in Mexico, involving a company registry with the National Immigration Institute (INM) and steps such as application submission, interviews, and visa stamping. Understanding tax residency status is crucial as it impacts tax obligations, with residents taxed on worldwide income and non-residents on Mexican-source income, and social security contributions influenced by salary caps and risk classification. *See* KPMG Report: *Taxation of international executives: Mexico* (April 2024).

Similarly, reshoring manufacturing back to the US requires knowledge of, and compliance with a rapidly shifting immigration and tax environment if the company intends to relocate or source talent from outside the US. President Trump has indicated he is considering invoking §891 of the Internal Revenue Code which would double US tax rates on foreign citizens of countries that have been found to impose discriminatory taxes or trade practices against the US. Additionally, tightened immigration policy, including stricter visa policies and travel bans, may complicate the application process and extend the approval timeline for transferring employees to the US.

Multinational corporations must ensure their talent and global mobility strategy is aligned with the operational strategy and agile enough to respond to evolving conditions. This involves a multi-faceted approach underpinned by robust processes, technology, and data and analytics.

- **Availability of Skilled Labor**: Identifying regions with a robust pool of skilled workers is crucial for maintaining operational efficiency. Companies should evaluate the educational infrastructure, vocational training programs, and the presence of industry-specific skills in potential relocation destinations. Partnering with local educational institutions and investing in workforce development initiatives can help build a steady pipeline of skilled labor.

- **Labor Cost Analysis**: While relocating to regions with lower labor costs can yield immediate savings, companies must consider long-term implications such as productivity levels, employee turnover rates, and cultural compatibility. A thorough cost-benefit analysis should factor in wage trends, benefits packages, and potential hidden costs associated with relocating employees. Compensation and benefits must be carefully structured to align with local standards while remaining competitive to attract skilled labor.
- **Risk and Immigration Assessment**: Geopolitical risks, regulatory changes, and immigration policies can impact a company's ability to respond quickly to deploy talent to a new supply chain location. Conducting a comprehensive risk assessment helps identify potential challenges and develop contingency plans. Engaging with local governments and leveraging immigration expertise can facilitate smoother transitions and stronger compliance.
- **Compliance with Local Labor Laws**: Failure to understand and adhere to local labor laws can result in legal issues and disruptions in operations. This includes regulations related to working hours, employee rights, health and safety standards, and labor contracts. Establishing clear policies and training programs can help manage compliance.
- **Income Tax, Social Security, and Payroll Tax Compliance**: Navigating the complex tax landscape when relocating employees across borders requires careful planning. Companies must ensure compliance with local tax regulations, including income tax, social security contributions, and payroll tax obligations. Implementing robust tax planning strategies and consulting with tax experts can help optimize tax efficiency and minimize liabilities.

Solutions for Agility and Adaptation

The global mobility function can enable the organization to adapt quickly to a shift in supply chain strategy by offering innovative solutions, data-driven insights, and agile processes for optimal workforce deployment.

- **Central or Global Workforce Company (GWC)**: Establishing a GWC allows companies to reconsider employment strategies and optimize the labor mix across multiple jurisdictions. This approach facilitates compliance with employment and tax obligations, simplifies payroll operations, and enhances mobility by providing employees with a consistent employment framework. GWCs also offer tax optimization opportunities by enabling companies to manage employee tax obligations more effectively and reconsider their global tax profile.
- **Technology and Data Analytics**: Leveraging technology and data analytics can enhance decision-making processes and enable real-time monitoring of geopolitical developments. Advanced analytics tools can provide insights into labor market trends, tax implications, and regulatory changes, allowing companies to proactively adjust their strategies.
- **Flexible Workforce Models**: Adopting flexible workforce models, such as non-traditional cross-border arrangements and contingent labor, can enhance organizational agility. By diversifying the workforce and reducing reliance on fixed-location employees, companies can quickly respond to geopolitical shifts and maintain business continuity.

Conclusion

Increased unpredictability requires agility, and multinational organizations must integrate supply chain management, workforce, and mobility strategies to adapt to global changes. By evaluating skills, costs, risks, and compliance, companies can efficiently manage the employee-related complexities of relocating operations and optimizing supply chains. Implementing solutions like GWCs, utilizing technology, and adopting flexible workforce models will help maintain agility and resilience amid geopolitical shifts.