European Union: Managing social security for globally mobile employees

July 10, 2020

In brief

Many organizations have taken some immediate steps to understand the social security and healthcare implications for employees now working remotely across borders. However, challenges continue as employers seek to satisfy their social security compliance requirements – both monetary obligations as well as access to benefit entitlements including healthcare access. At the same time, employers also are looking for cost saving and cash flow options.

This *Insight* will provide some high-level suggestions on how to tackle these difficulties.

In detail

COVID-19 has caused unprecedented disruption to globally mobile employees, with some returning home early, some working from home in their host country, and others working from a third country where they had pre-existing ties.

This disruption has prompted unprecedented measures within the European Union (EU) from a social security perspective. A previous PwC Global Mobility Services Insight detailed the approach being taken on EU social security coordination for dislocated workers. There has been less direct guidance from other authorities outside the EU/EEA and Switzerland.

General guideposts relating to social security contributions and healthcare access

In bilateral social security agreement cases where a posted individual has continued to work in the host country remotely, it generally should be possible to continue to pay home social security, but it may be necessary to apply for continued coverage on an exceptional basis. Where individuals have returned to their home country during the lockdown and subsequently return to the host country, new certification may be needed. If the individual has moved to a third country, then the liability may switch to that country.

In situations where there is no social security agreement between the employee's home and host countries, the social security position is potentially more complex and dual liabilities may arise for displaced workers. A full review of individual circumstances generally will be required.

In most cases, we have seen authorities taking a relaxed approach to social security coverage for individuals who already were in a cross-border situation that was disrupted by COVID-19. As lockdown restrictions begin to ease and travel becomes more viable, these relaxations will be phased out so it is important for employers to assess the implications if employees wish to continue working remotely and/or from a different location going forward.

Within the EU, the EHIC (European Health Insurance Card) and S1 healthcare certificates can provide access to healthcare. Outside the EU, there are fewer mechanisms to provide access to state-provided or subsidised healthcare. Employers should review private health insurance arrangements to ensure employees' policies cover these unprecedented circumstances.

Helping terminated employees optimize social security benefits

If an organisation must terminate cross-border employees, there are several ways to help those individuals and their families manage the transition:

- Ensure they transfer periods of statutory social security coverage from one country to another (e.g., by utilizing a U1 certificate.) This will ensure that the employees are accurately and timely transferring accrued periods into another social security system should they need to make a claim for state support.
- Clarify how statutory pension entitlement is affected by time spent in another country and how they may be able to aggregate cross border at the time of their retirement.
- Enable access to a new country's healthcare system, whether that means compliance in a private or statutory scheme.

Such actions can be a differentiator for organizations during a difficult crisis.

Refunding and reducing social security overpayments

Reviewing your globally mobile employee population now and taking any remedial actions needed to ensure correct coverage, contributions, and healthcare access will both keep employees protected and preempt future scrutiny from tax authorities.

Social security often is overpaid for globally mobile employees and can be recovered for several years in the past. Overpayments may arise for multiple reasons:

- Individuals are assigned with a Certificate of Coverage to exempt them in the host location, but host payroll may be set up to automatically deduct host social security
- Individuals are assigned between countries with no social security coordination and may or may not be liable in the home and host locations depending on their personal circumstances. In many cases, payments may have been made in both countries when social security was due in only one or even neither location
- Social security may have been paid without accounting for all available relief that can apply to globally mobile employees
- During COVID-19, a number of governments have introduced payment holidays, postponements, or reductions that can be claimed to increase cash flow for the organisation.

In many locations, social security contributions – particularly the employer portion – may be a large cost and is normally repayable directly to the business. Where systemic overpayments have occurred, the refunds can be substantial. Identifying, quantifying, and reclaiming overpaid contributions can make a significant difference to short-term cash flow. In addition, reviewing how payrolls operate social security on an ongoing basis can prevent overpayments in the future, reducing ongoing expenditure.

The takeaway

Employers should consider their current state of operations and determine what this means for their business from a social security perspective. Cost savings may be achieved, as well as an opportunity for businesses to differentiate themselves as an employer that not only focuses on proper social security compliance but wants to ensure the optimal result for employees.

To potentially increase cash flow and maintain compliance, employers should consider the following when reviewing their cross-border workforce:

- Understand where employees are located and the resulting compliance obligations and opportunities
- Maintain proper social security documentation, according to the latest international guidelines
- Evaluate statutory and private health care access and ensure it remains up to date based on the current situation
- Enhance cash flows by reviewing and reclaiming overpaid social security contributions with respect to global mobility programs.

Let's talk

For a deeper discussion of how this issue might affect mobile employees and employers, please contact your PwC Global Mobility Services engagement team or the following team members:

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