



REMOTE WORK – AN INTERNATIONAL AND EUROPEAN PERSPECTIVE (Part II of II)

REFLECTION PAPER

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Introduction

In Part I of II of this mini-series, we started commenting that Remote Work is not just about Covid-19, but many other topics (macro and micro) - more specially about the Future of Work and the Digital Transformation waves affecting many industries.

We also observed that Europe is not essentially different from other world regions overall regarding those topics, even if some European countries were pioneers in Remote Work well before the coronavirus (for example, the Netherlands or the Nordic countries).

However, because of quite diverse European cultural and legal considerations and realities, Human Capital and Rewards' management, and Remote Work, do need regional and local expertise.

We touched on aspects such as:

- Asymmetric recovery from the Covid-19, depending on European countries in question, industries, and company model.
- Reflections among top management over allowing wider Remote Work from now on - or not.

The present Part II of II article will go on with:

- Gravitation towards geographically distributed teams.
- Care about employee wellness, resilience, and mental wellbeing.
- Attention to compliance, tax & legal issues – personal income and corporate taxation, immigration and visas, cross-border moves and conditions, social security, benefits, and pensions – inside and outside Europe.
- Rewards’ localization and debate on how to apply it – reduction of Compensation levels, application of differentials vs. separate structures, etc.

At the end of this article, we will try to draw conclusions on the Remote Work ideas shared throughout Part I and II, and possible next steps for companies.

Gravitation towards geographically distributed teams

There are figures revealing that at least **in some European countries of relevance, depending on economic structure, existing type of jobs, cultural and legal flexibility, etc., 25-35% of work could be done remotely without affecting productivity.** Ways to capitalize on that by companies are hiring at a distance, talent sourcing no matter where but locally based, virtual and more efficient (even if sometimes tiring) meetings, deploying contractors, etc.

According to consultancy.eu’s [“One-third of work in Europe could be remote post-pandemic”](#), citing data from other sources, the **potential share of time spent working remotely by country could be the following:**

COUNTRY	% of potential time in Remote Work with no productivity loss	% of potential time in Remote Work - theoretical maximum
UK	33	46
Germany	30	39
France	28	39
Spain	26	36
US	29	39
China	16	22
India	12	16

Benefit for the companies may include a broader talent base to choose from, more streamlined work processes (if done correctly), savings on fixed labor costs, higher employee satisfaction, etc.



Reciprocally, from a work candidate perspective, more and more job portals already advertise positions with specific flexible / remote work sections – for example, “[30 Companies Switching to Long-Term Remote Work](#)” (flexjobs.com). While it is true that most of the companies posting jobs are technology-related (Microsoft, Facebook, Netflix, Twitter, Slack, Salesforce, Spotify, etc.), there are plenty of major European businesses, such as Siemens or others, tech-related or not, which are actively present in those portals, and well known for regularly hiring freelance, remote, part-time, and flexible schedule jobs.

Some **reasons for individuals** to choose Remote Work can be found in “[A complete guide to remote working in Europe | cities, jobs and tips](#)” (careergappers.com): **no longer wishing to be into “classic” organizational structures, looking for a next place to live for a while, planning some time out of work to travel doing or not doing some work along the way, etc.** This in Europe has importance for younger and older people alike.

In any case, many regional and global European HQs have traditionally needed to work across world regions and time zones, or with part-timers, “digital nomads”, etc. – but **what is reasonably new, is that solid-line reporting teams can now be distributed - located and working together in different countries at the same time, depending on the nature of the jobs in question.**

Care about employee wellness, resilience, mental wellbeing

From the employee wellness angle, it is true that **Remote Workers in Europe can have several advantages in terms of life quality, if they can manage it**: not just talking about people working from Thailand or the Caribbean, but in Europe, going to more “nearshored” and equally seaside, beautiful places such as the Algarve or Cascais, the Costa del Sol, Ibiza, Majorca, Sardinia, Cinque Terre, Capri, Malta, the Dalmatian Coast or some Greek Island, for instance – most of those, within a two-three hours’ flight or land trip from many major cities in the European region (Covid-19 and travel restrictions allowing).

Again, as commented in “[A complete guide to remote working in Europe | cities, jobs and tips](#)”, “many of Europe’s urban centers are on the doorstep of incredible nature, from spectacular mountain ranges to idyllic coastline”, normally very safe and enjoyable.

No surprise that, even if expensive, **cities like Vienna, Zurich or Geneva systematically score highest in quality of life worldwide**, that other cities like Amsterdam, Berlin, Munich, or Cologne attract scores of expatriates, and that many multinationals are opening international work centers in emerging, venerable yet young-minded cities such as Bratislava, Krakow, Valencia, or Tallinn.



Now, it is a fact that **HR departments have needed to cope with a tired local workforce, with upkeeping team morale, with personal life “interruption” in the middle of work affairs and a “fusion” of personal and professional matters, with time management and return to work scheduling.** And Reward professionals have needed to update **healthcare benefits and work-life balance offerings.** Mindfulness, relaxation techniques, emotional resilience and counselling, virtual coffee breaks or gym lessons have been necessary – whilst at the same time, redundancies and restructurings, furloughs, and the like have happened. **What seems to be clear is that Remote Work can offer great opportunity but requires structure to be implemented effectively.**

Attention to compliance, tax & legal issues

For sure, **compliance, tax, and legal issues have been taking up HR and Reward practitioners’ time,** under severely restricted international mobility of employees or when the employee has been “stranded” in a country in which he / she does not usually work. Remote Work can indeed prolong these situations.

Details can be found, for example, in KPMG’s [“Switzerland – COVID-19: Tax, Social Security, Immigration Implications for Cross-Border Workers”](#) – with some comments of our own, Switzerland represents well current European tax & legal challenges:

- **Individual Taxation.** When cross-border commuting employees, frequent for example in France, Germany, and Italy vs. Switzerland, are required to work in their home country more often than usual, their home country would have the right to tax these additional home office workdays, or even subject employees to home income tax and not the one from their actual country of employment. Even if double-taxation treaties would allow recognition of taxes paid elsewhere via different mechanisms, this is quite some change with adjustment of payrolls required, tax-at-source and economic consequences, etc.
- **Corporate Taxation.** A home office might meet conditions to be defined as a fixed place of business (“Permanent Establishment”), thereby potentially exposing employers to local corporate tax during home office. A short period would not typically be sufficient. But if we are talking about a top executive making decisions and signing documents from home, then there could be an issue. Also, allocation of costs in the new WFH situation across international cost centers and legal entities (holding, selling, and producing companies), can affect internal Transfer Prices, accountancy, and existing agreements with tax authorities in places such as Ireland (Eire), Netherlands, the Swiss cantons, etc.
- **Social Security, Benefits, and Pensions.** The issue of Social Security is an especially important one for Governments, companies, and employees alike in Europe, if only for the amounts involved. As a general principle of EU Regulation 883/2004, accepted in Switzerland (federal and state/cantonal laws), a frontier EU/EFTA worker is subject to social security in the country of employment if he



/ she works not more than 25% in the country of residence. Due to the current circumstances, employees are being obliged to work from home, which presents a challenge for international social security rules. By extension, this also affects other private or public, mandatory or voluntary, individual or occupational, defined benefit or defined contribution pension schemes, and affects the consolidation of benefits and possible pension rights.

- **Immigration and Visas.** Apart from the obvious travel restrictions, having to periodically update lists of allowed countries, consider border controls, medical tests required and quarantines, etc. there have been people with commuter, temporary and or semi-permanent work and residence permits expiring during WFH – or seeing some countries limit visas significantly.

The EU and EFTA countries have passed legislation to avoid undesired effects of WFH like the ones cited above, partially or totally – now it is a matter of seeing if this will extend into continued Remote Work situations after Covid-19, with specific analysis being required (we support companies there as well).

Rewards' localization and debate on how to apply it

Many companies, especially the ones which have had trouble, have reduced Compensation levels straight away during Covid-19 times, often via short term variable pay, salary freezes, or by taking down long-term incentive awards, modifying vesting periods and conditions, limiting eligibility of programs, localizing expatriates, and other means. All that has involved **technical Rewards work and calculations**, modification of documents, going through approval layers, etc.

In this light, a reflection appeared: **applying Compensation levels of the declared remote work site / home, as opposed to the “normal” office’s, even inside the same country, especially if the remote work site entails lower labor cost overall.** This localization of Reward, apart from the need to have reliable, granular-enough market data, has led to some controversy on how to do it effectively. Alternatives have been, for instance:

- Application of geography-based differentials or allowances (effectively, in-country COLAs).
- Creating separate Fixed Compensation structures by geography.

However, even with some legal Covid-19 relief subsidies, most often Salaries in Europe cannot be touched easily (or at all), so this has forced **Reward and Labor Relation functions towards renegotiating, individually or with employee representatives**, and trading off reductions with some other current or future Reward element advantages.

But regardless of how a specific company wishes to apply Rewards' localization, it is worth taking into account that maybe [“It Really Is Back to the Office This Time”](#) (Bloomberg), in the first place.

According to Cushman & Wakefield, vis-à-vis Remote Work we should look at real estate trends to understand effective company preferences: after a market crushed by the Covid-19 recession, **office space demand is apparently expected to start picking up this year in Europe and the U.S.** (in most Asia, where the virus was better controlled, it never went negative). And from a C & W / CoreNet survey with 339 global respondents:

- **58% of respondents expect an Office-First hybrid model – majority of employers expect an Office-centric model with Remote Work tweaks.**
- **Another 22% of respondents expect a Remote-First hybrid model.**
- Only 10% of Employers go for Office-only and 10% for Remote-only arrangements.

This implies that the most predominant Rewards’ model will be company office / worksite-based – in that sense, a bit like a “before Covid-19 situation”, but definitively in a new world, with adjustments for the people allowed to work remotely, and with strong Future of Work considerations. Those adjustments will vary according to overall Reward strategy, country and company division, role / job type and level, relevant market matching, career plans and expectations, and many other factors.

Finale (Part II of II)

After going through different aspects of Remote Work (ie macro factors, asymmetries across industries and businesses, convenience or not, HR and Reward implications, etc.), **we conclude that RW will probably be here to stay.** Frequently, **it may be in a hybrid presential-distance form that will depend on concrete industry, types of jobs and company circumstances.** Technologies will enable more and more RW anyway (think, for example, 3D images or holograms going forward), and economies are tending towards interconnectedness, ecosystems, networks. So we’d better get ready.

In our view, Remote Work is at the end of the day a subset of Talent and Reward Management in the context of the Future of Work. This will require more imaginative ways to organize, lead and recognize professionals. As next steps, companies may wish to revamp their people strategies and policies accordingly, update / upgrade their Reward schemes and the practitioners themselves internationally, and make sure that the digital transformation and technology adoption efforts the business is requiring, are a success.

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