

Speaker 1:

Welcome to Pay Talk, the podcast for payroll professionals, with your host Nina Talley. In the podcast, we explore the human side of payroll by speaking with global industry leaders who provide their unique insights to help listeners better understand the issues important to them and their careers.

Nina Talley:

Hey everyone, thanks for joining us for Pay Talk, the podcast that brings you payroll's human side. I'm your host, Nina Talley, and today we're joined by Tim Kelsey, MCIPP, AIPA, Owner and Managing Director of Kelsey's Payroll Services, and international payroll expert at large. This is Tim's second time joining us for Pay Talk, but this time he's joining us to discuss something that's particularly near and dear to my heart; family leave. I'm really excited to discuss this with Tim as, surprise, I'm currently very pregnant and about to take a bit of family leave for myself. In fact, as you are listening to this, I'm actually no longer pregnant, but am on maternity leave. That's just the magic of podcasting folks. Tim has a really unique insight into global family leave practices and I can't wait to hear his thoughts on how different countries handle leave of this type and how you can prepare your payroll team for incorporating different family leave practices from all across the globe.

Nina Talley:

Before we get started, Tim, can you introduce yourself again and tell our listeners a little bit about your background?

Tim Kelsey:

Hi everyone. My name's Tim Kelsey and I am an international payroll consultant. It sounds rather grand, doesn't it? I did have a proper job for 20 odd years, I was the Payroll Manager of the Medical Research Council and they processed payrolls from Dundee in Scotland to Entebbe in Uganda and all parts in between. These days, my business does two main things. We do teaching, lecturing, and writing and we aim to educate the payroll profession on the payroll rules in 39 different jurisdictions. We also cover the concept of global mobility as well, so we're often working with companies who are sending expats around the globe.

Nina Talley:

Well, thank you so much for joining us, Tim. And let's just start at the beginning. Antenatal leave. Antenatal leave isn't really talked about too much in the United States as it's often rolled into standard maternity leave, but can you discuss how this leave is granted before the baby is born and how it's handled?

Tim Kelsey:

Yes. This is the first, perhaps, touch on the payroll will be periods of leave before the baby is born. And they're all manner of things going on during this period of time, so first of all, mums will need to go to antenatal appointments. So Nina, how many have you been to so far?

Nina Talley:

Probably at least 10 or 11. I've been through three different doctors.

Tim Kelsey:

Three different doctors, 10 or 11 appointments, not too unusual I would have to say, certainly in the UK experience, some of those appointments might not have been with a doctor, they might have been with a midwife instead. And generally speaking in a lot of jurisdictions, those absences from work will have been paid absences and there'll be no limit on the paid time off for those absences. It will simply be what is reasonable. Now, with Nina's absences, I'm sure she was able to attend those appointments with a certain degree of confidence that they would start at a particular time and end at a particular time.

Nina Talley:

Give or take.

Tim Kelsey:

She wouldn't have been so lucky in a UK NHS hospital. She would've known what time to turn up, she wouldn't have had a clue what time she was coming back again. So the general mantra is reasonable paid time off. In some jurisdictions, there'll be an entitlement to the time off work, but not an entitlement for pay. And then it'll be down to the employer to decide whether they choose to pay for those appointments. I guess for me, the test to apply here, if you allow people paid time off for one or two dental appointments a year, if you allow them paid time off just for one or two doctor's appointments in the year, this is no different and you should do the same thing, otherwise it's discriminatory, but certainly you'll find lots of countries. You will have to be paying, without limit, it'll just be what is reasonable.

Tim Kelsey:

Now reasonable, what does that mean? Exactly, how long is a piece of string? But you can usually ask for evidence of the appointment. So it would not be unusual in the UK, for example, for a lady to present her appointment card, and she'll be given a card from her midwife where all of her appointments will be recorded during the pregnancy and she's making an application for a time off to attend those appointments, it's very normal to ask to see that appointment card. So, that would be administration we would expect our colleagues in HR to perform.

Tim Kelsey:

Now, what else might people be doing during antenatal leave? Well, let's look at the Irish Republic as an example. Now, the very first time you have a baby, you are not allowed to just have a baby in Ireland. You've got to pass an exam. I haven't found out what happens yet if you don't pass the exam. You have to attend a series of antenatal classes, those are controlled by law. There are six classes and you have to be given paid time off to go to the first three of them. Now, why is it only the first three of six? Well, the answer is that in Ireland, they have a health and safety rule that says the latest that you can go off on maternity leave is actually two weeks before the expected day of childbirth. That's a health and safety measure.

Tim Kelsey:

So the idea is those last three classes, they're taking place in that two week period just before the baby's born. So it's cramming in that knowledge just before a baby arrives. Maternity antenatal classes in Ireland, they take place Monday to Friday. 9:00 to 5:00. When my children were born back in the, when were my kids born? Yeah, the 1990s, we went to antenatal classes in the evening, in our own time, but not in Ireland. It will be on the employer's dollar. Now, dad in Ireland also gets to attend two paid

antenatal classes. Dad doesn't need to go to the first four classes when they've got the plastic pelvis and the plastic baby and they do all that scary, dad doesn't need to see that, dad simply needs to go to the last two classes once they've got rid of all the gory stuff where he learns how to bathe the baby and not drop it on its head, advice I wish my wife had followed with our firstborn. She's fine though, she bounced.

Nina Talley:

So when it comes to actual maternity leave and pay, what are some of the global standards that our listeners should be prepared for if they're operating inside of a global payroll department?

Tim Kelsey:

Yeah. So how long is a piece of string? It will depend on where we are in the world, but I would say a good point to start, a good point to start would be a maternity leave pivoting around 12 to 13 weeks. So if we look at, for example, the arrangements in Nigeria, we have 12 weeks maternity leave with a requirement to pay 50% of pay if mum has got six months service with us. Kenya has three months full paid maternity leave. Uganda has 60 days full paid leave with mum having to have a minimum of four weeks leave after the birth. So, that starting point of three months, 12 weeks roughly off work is a fairly common one.

Tim Kelsey:

But if we move into, for example, the European Union, we'll find that the period of maternity leave can be significantly longer than that. But I think the question we need to ask first of all is what a country deems to be maternity leave. Now, if you listen to my own dear prime minister when he is talking on the subject, you will hear him say something like this on the back of Brexit, that the UK has some of the most generous maternity leave in Europe because we have a 52 week leave, of which 39 weeks are paid. And if we were to compare UK maternity leave with other countries in Europe, at first glance, his statement would be a true one. The issue is that a lot of countries describe maternity leave as simply the period immediately before and immediately after the birth. And of course what's going to happen in those countries is that mum is not necessarily going to come back to work at the end of maternity leave because she's going to go onto a different type of leave as soon as the maternity leave has finished.

Nina Talley:

So it's always about the actual labeling of what the leave is. And I think that that's an interesting intricacy that a lot of, at least, payroll professionals in the United States miss because obviously America or the United States of America doesn't have the strongest maternity leave policy on a federal level, as we're all aware. And so I think that's something that you should keep an eye out for if you are operating a global payroll department, is that there's maternity leave, but there's other layers of leave that a mother will also be taking.

Tim Kelsey:

Yes, absolutely. And bear in mind that the name for that leave is likely to be not one you expect. So it might be called family leave, it might be called parental leave. It's going to follow on immediately after what the country is deemed to be a maternity leave though, for sure.

Tim Kelsey:

Now, I guess the first thing to consider is, how quickly can mum come back to work? Because most countries do have a mandatory period of minimum leave. So in the UK, for example, you cannot come back to work in the first two weeks after having a baby. But if you particularly work in a factory, you have to be off for four weeks. And actually, that's an example of some of the oldest employment law, because that law goes back to the mid 19th century. It's a Victorian law when the Victorians felt that actually it was terrible that ladies had to give birth and then go back to the cotton mill the next day. So they passed that particular rule many decades ago. That is a relatively short period of time, so it's not untypical in Europe to find that the minimum leave will be at least eight weeks after the baby's been born.

Tim Kelsey:

And we may have to be firm with mum about this because there are mums who want to come back to work as quickly as possible, particularly if they are the main or sole bread winner, they will be keen to get back to work and they simply cannot, they have to stay off work for the requisite period of time. Some countries will have a much more flexible approach to that initial period of maternity leave. They will tie it in with the personal circumstances of mom and a good example of this would be France. The whole French system, the French tax system, the French maternity law system is designed to encourage French moms to have three kids because that will get you the best possible outcomes in terms of tax reliefs that can be claimed and also maternity leave periods of time as well.

Tim Kelsey:

So if you are having your first child or you've already got one child and you're having the second one, you get six weeks of antenatal leave and 10 weeks of postnatal leave. Now, if you are doing the right thing and you're having child number three, which is what the French system really wants you to have, that leave will now jump to eight weeks prenatal leave and 18 weeks postnatal leave. If you've managed to have twins, regardless of how many kids you've already got, that antenatal leave jumps to 12 weeks and it's 22 weeks after. And if you manage to have triplets or even more, then it's 24 weeks and 22 weeks. And actually if you take a step back and think about that, that's entirely logical, isn't it?

Nina Talley:

Yes.

Tim Kelsey:

Yeah. I've just had twins, they're more than double the trouble. Of course, I need more leave. It's adapting the leave to the circumstances that mum finds herself.

Nina Talley:

I love that. I have a friend who just had triplets and trust me, she needs the time. She needs the time.

Tim Kelsey:

Well, tell her to head over to France because there she's due for 46 weeks of maternity leave.

Nina Talley:

Ah, if only. So, mothers aren't the only ones that need time with their babies. What can we expect to encounter when implementing global paternity leave policies?

Tim Kelsey:

Everything from dad being completely ignored as though he was nothing to do with the process to some very generous arrangements for both paternity leave in its own right and also moving on to look at the concept of shared paternity parental leave as well, which I know we'll come onto in a wee while. We're slowly seeing more and more countries now acknowledging that dad needs some time off here as well. So, sticking with my African examples, paternity leave in Uganda, for example, is now set in the national law at four days on full pay. Nigeria doesn't have any general paternity leave, it makes it a devolved matter, so just like the United States, the individual states will offer that some of it, not all of them do. So Lagos, for example, does offer leave.

Tim Kelsey:

We could have the leave being offered for either a continuous period of time. So Ireland, for example, offers two weeks which can be taken any time in the first few months after the baby's been born, or we'll find that the leave has to be taken at the time the baby is born. In France, for example, dad gets 11 calendar days, that goes up to 18 if he's had twins or triplets, and then he gets three days of leave around about the time of the birth as well. However, what the French have now done is they've said, "Okay, 11 days, actually you can have up to 25 days, but you must take at least seven days." So there's the government using the leave system to try and compel a behavior in society to, in effect, get dads to play more of a part in those first vital weeks and months when the baby's born.

Tim Kelsey:

I mean frankly, you don't usually have a problem getting a French person to take some leave. They're usually the first in the queue when it comes to taking any form of leave, but the government felt that they had to encourage the population to do a bit more here. We have two weeks paternity leave in the UK as well. It's been working very well since it came in. I can remember when my children were born, I was lucky, I had an employer who did give you some days of leave, but it was only two days for each baby. That seemed very forward thinking at the time that my employer gave me two days off. Now I look at the situation and I'm not sitting there thinking, "These people," I was like, "[inaudible 00:16:28] in my day, you had a baby by six o'clock in the morning and you were back at work by 9:00 AM." That is a ludicrous [inaudible 00:16:34], we need dads to be able to take this leave as well, so it's important.

Tim Kelsey:

Now, the thing with dad leave is who is actually qualifying for the leave? Because some countries we can have the rule being a little bit waggy finger. And by that, I mean it's the state setting the rules to encourage a particular behavior in society. So if we look at paternity leave in Singapore, for example, to qualify for that paternity leave, the baby, first of all, has to be a Singapore citizen. So no paternity leave for foreigners. Dad has to be legally married to mum at some point, at some point between conception and the child's birth, and he has to have three months continuous service with the employer, and that's for two continuous weeks of leave to be taken anytime in the first 16 weeks after the child is born. So there's the state saying, "Get married as a result of having this kid." Can you imagine that happening in the United States, Nina?

Nina Talley:

No, not at all, but honestly I am loving this concept of different things that countries are doing to encourage a specific behavior, maybe not so much the marriage one, but at least putting in minimums that you have to take a minimum amount of time, either mom or dad, I think that is a really brilliant way

to encourage better health outcomes in your infants. I think it's always best to have two sets of eyes on them at all times.

Tim Kelsey:

Yeah, absolutely. I think a good example of this would actually be Sweden. So the Swedes have a very generous period of leave, but it's a moving feast. So there are up to 480 days of leave on offer.

Nina Talley:

Be still my heart.

Tim Kelsey:

Dad has to take at least 90 days of this, so that both dad and mum then qualify for benefit payments at a certain level. And if the parents actually managed to split the 480 days equally between them, so 240 days each, they qualify for what's known as an equality bonus payment from the state. And that really is a driver in Sweden. So we have this concept in Sweden known as the Latte Papa. A Latte Papa will be a bearded hipster, young man in his early 30s carrying his child in a baby's thing and meeting his mates for a latte coffee in the cafe. So next time you're in Sweden, just have a look at that if you're in a cafe mid morning, glance around, see how many young bearded men you can see with babies in slings. They're there because they're aiming for the equality bonus payment, because it's a significant amount of money, it's well worth having. It's the government, again as you said, Nina, it's slightly waggy finger, but this time at least they're backing it up with some money. So this behavior will reward you with this lovely additional cash sum.

Nina Talley:

The Latte Papas are out there living the dream. So it's always fun and games until it comes down to taxes. And what are some of the tax and social insurance implications of these different types of policies?

Tim Kelsey:

So, most maternity payments will potentially have a tax and/or social insurance exemption. Of the two, it's more likely to be social insurance because the driver here is usually that the state is funding, if not all, then at least a portion of the payment. And that leads to some interesting concepts. So let's take Ireland as an example. So maternity benefit in Ireland, which is a flat rate benefit, 250 Euros a week. That is taxable, but it's free of the other two payroll taxes, which is PRSI, the social insurance and universal social charge, which is a supplementary income tax.

Tim Kelsey:

Now, imagine that you are an employer that is one of the good guys. So in others words, "I have a paid maternity policy and Nina, I'm going to give you 18 weeks paid maternity leave. Okay?" And that would be not untypical in Ireland. So you're going to get your maternity benefit direct from the state, I need to take that into account when I'm setting my maternity payment, because otherwise you will be better off when you're on maternity leave than you would be when you're at work. Remember you're one of the good guys as the employer, I want you to go on your maternity leave I want you to have a successful maternity leave, and then I want you to come back to work. I don't want you to be in a better position

whilst you're off than necessarily any of the workers who are still at work. So, I'm going to need to do an adjustment to your full pay to reflect this.

Tim Kelsey:

Now, that isn't going to be as straightforward as just taking 250 euros a week off your pay because I need to think that actually, that 250 euros, that is going to be free of PRSI and USC in a way that the pay that it replaces is not. So if I genuinely want to put you in the same position as you would've been had you been at work, I'll need to true up that adjustment. And if we do the maths with me, take 250 euros, and let's say Nina's rate of PRSI will be 4% and rate of USC would be four and half percent, that's eight and a half percent in total.

Tim Kelsey:

So if we take the 250 and we divide it by 91.5, which is 100 minus the rates that we're grossing up for, and multiply it by 100, we end up with a value of 273.22, and that's what we would reduce someone's pay by rather than the 250, because the combination of the net benefit the state has paid without those deductions, plus the residue of pay will put the person in the same net position. Now, companies don't always realize this and they don't think to write this into their maternity pay policy. So if you know you're in a jurisdiction where there is a tax and/or social insurance advantage for having the maternity pay benefits, then think about working those into your occupational pay policies. Remember that mantra, you're still one of the good guys. You're giving people the same income that they would've had had they been at work.

Tim Kelsey:

There's another interesting concept in Germany in terms of maternity pay. So maternity pay in Germany, it's free of tax, it's free of social insurance, but it's actually subject to a concept called [German 00:23:41] and that means that it is taken into account when the tax authorities are considering the employee's marginal rate of tax. So it becomes technically part of taxable income without actually being taxed. So if that person gets more income from another source, rents, dividends from shares, et cetera, they'll potentially pay tax at a higher rate because of that maternity pay, but we won't actually have paid tax on the maternity pay itself. Now, that would be a nightmare to administer in payroll-

Nina Talley:

Yeah, my brain it trying to figure it out right now.

Tim Kelsey:

The good news is that German payrollers don't have to do that because it's actually done by the financier of the tax office as part of the annual tax return. Our response here, all we have to do is simply report the payment as a maternity payment and maternity pay in Germany goes under the charming name of [German 00:24:42]. So we must make sure that the [German 00:24:46] is recorded correctly on the payroll so the tax office can do that special tax treatment on it.

Nina Talley:

And I think it's important for payroll departments, and really all of us to remember that babies can come into our lives through all sorts of ways. So, what can you tell us about adoption and surrogacy leave around the globe?

Tim Kelsey:

Yeah. So this is becoming more and more common on the back of maternity leave. First of all, adoption. We may still find though that the playing field is not particularly an even one. So again, we'll return to the Republic of Ireland for an example of this. So in the Republic of Ireland, ladies are entitled to 26 weeks ordinary maternity leave, which is paid by the state, and then they have 16 weeks additional maternity leave, which is unpaid.

Tim Kelsey:

If a lady, or a gentleman for that matter if they're the only adopter, goes on adoption leave, then they get 24 weeks ordinary adoption leave and then 16 weeks additional. Why the difference between the two? Well, the Irish rules insist that mum goes off two weeks before the expected date of child birth, as a health and safety measure. And here what the state is saying is, "Ah, you're not actually giving birth," which I think is rather a harsh thing to say to a couple who are adopting, "so you don't need those two weeks of paid maternity leave." So we may still see these differences.

Tim Kelsey:

I'm just looking now at the new parental leave changes that are coming in in Denmark and they're effective from August this year. What we're going to see is a grant of 24 weeks leave to each parent, and what we're going to see of those 24 weeks, 13 weeks can be taken at any time before the child's 9th birthday and they can then be transferred from one parent to the other. And the rules that are now saying specifically that those can be transferred easily between LGBT parents, and also if we've got a single parent, instead of transferring the leave to their partner who's no longer there, they can instead nominate a close family member, so really widening the group of people who can benefit from some of the provisions of these leaves.

Nina Talley:

Want to learn more about payroll and leave in specific countries? Be sure to check out the Global Payroll Management Institute's classes focused on in-country compliance. GPMI offers lots of classes and resources to help carry the load of understanding country-specific global payroll leave policies. GPMI offers classes for payroll in South Africa, payroll in Poland, payroll in Uganda, payroll in France, just to name a few. GPMI helps to connect you with the largest network of global payroll leaders, get the latest global payroll compliance news with expert analysis, and sign up for world class global education and publications. You don't have to take on your in-country global payroll journey alone. Visit gpmiinstitute.com to see the full list of education and events. Again, that website is gpmiinstitute.com.

Nina Talley:

I think that we all know that kids get sick and many countries are now making accommodations for this inevitability. Can you tell us a bit about caring leave for children and the payroll practices for that?

Tim Kelsey:

Yeah. So, once we've done the initial period of maternity leave, often first of all we're able to then go onto a period of initial childcare leave. So if we take Poland as an example of that, we could be off work for a very long time indeed. Mum would be entitled to up to three years unpaid leave, but she would have full employment law protection during that period of time, she'd be entitled to come back to the same job straight away.

Tim Kelsey:

Once mum has come back, finally, then she'll be entitled to, in Poland she gets a nursing benefit and that allows her to be at home for up to 60 days in a year and be paid pay at 80% of pay to look after sick family dependents, so children, but also spouses as well. And on top of that, there's childcare leave as well at two days a year at 100% of the previous month's salary. That one's more for childcare emergencies, where perhaps the childcare has let us down at the last moment. Again, looking at some of those arrangements in the Nordic countries, those Danish arrangements I already outlined there are pretty generous, but mum could bank those weeks and save them up for times when the kids are sick.

Tim Kelsey:

If we move on to Sweden, you've got the Parental Leave Act, which allows parents of kids under the age of eight, they can reduce their full-time working hours by up to 25%. So the law is giving you the right not just to have time off because there's a health emergency, you've got fundamentally the right to go part-time if that works even better with your childcare arrangements.

Nina Talley:

Man, those Swedes know how to do it.

Tim Kelsey:

If they're not sipping coffee, they're off on part-time working arrangements. And those are allowed for parents of disabled children all the way up to age 19. And you often find that the arrangements are more generous where the child is disabled.

Tim Kelsey:

We were going to talk about the payments that were involved, weren't we, Nina, and what people actually receive as a payment from the state? I wanted to share a story from the UK on this particular point. So the UK gives 39 weeks paid leave, 13 weeks unpaid leave. The first six weeks of that leave are paid at the rate of 90% of average earnings, but how do we work out average earnings? Well, how it's done in the UK is we look at the expected date of childbirth, we count back 15 weeks from there, and then we look at the eight week or two month period immediately before that 15th week.

Tim Kelsey:

Now, what that means because of that quirky way of working out the average earnings is that we can get situations where mum's on maternity leave for that first six weeks, earn maternity benefit at a much greater rate than their ordinary salary, and this happens very often in the city of London, particularly in professions where the culture is to have a very big annual bonus. And I've had to explain this to an American parent company before, because they're looking at the number for maternity pay and certainly going, "This can't possibly be right. It's three times what she ordinarily earns. How can you justify this?" And you go, "Well, here are the numbers, the numbers don't lie." And the point I have to make to clients often is, "Ladies know this, and they are as calculating as this. They will sit down with a calendar and work out when to have sex. It is as basic as that." Sometimes they hit the jackpot, sometimes they don't.

Tim Kelsey:

So, just celebrate with them their joy of having a baby and don't be so mean minded. It's easy to be generous with other people's money, of course, but in the UK don't forget that 92% of the amount that is paid in statutory maternity pay is actually recovered by the employer from their national insurance contribution. So the cost to the employer is only 8%, whereas in other jurisdictions we might get a small or a larger amount back, but we may also have more administration to do in order to claim that money back.

Tim Kelsey:

So if we look at the arrangements in Germany, for example, the money comes from two sources. So we get 13 Euros a day from the public health insurer, and then the balance of full pay comes from another insurance fund, the U2 Contribution Fund. That therefore means that there is a significant amount of administration to perform there in order to claim the necessary sums back. And if you're running this payroll through an outsourced provider, this is one of the things that you want to make sure that they are going to be doing for you, that they carry out this work, they will chase the refunds, and they'll credit them to the right place on your books.

Tim Kelsey:

Often systems are set up so that the state has mandated what you have to pay and you'll do the calculations to work it out, but then you will receive a repayment of either all or most of the money through some sort of recovery mechanism. And that usually means there's some sort of time lag between you paying the money out and getting it back in again and all of that needs to be taken into account on your accounts and how you make sure the money goes back to the right place. It's one of those things where we may have control issues that we need to look at, so if we have an imbalance on a payroll, it's one of the 10 obvious places to start if numbers don't agree, has something gone adrift on maternity pay recovery?

Nina Talley:

Thank you so much for that illuminating information, because I know that definitely here in the United States, the question is always, "But where does the money come from?" And I think that on a global scale, there's so many different ways that it is handled, but it's also reassuring to know that there are examples where the cost to the employer is minimal, even if you have an employee who did the math and gamed the system a little bit.

Tim Kelsey:

Exactly. It's just that you probably do have some hoops to jump through in order to recover that money. There may also be physical limitations in the when, when you can get that money back. So again, you need your payroll provider to be on this job straight away. So for example, back in Sweden when we're looking at the parental leave, you will pay that money out on behalf of [inaudible 00:35:20] and the Swedish Social Security Authority. And you can't claim it back until the initial claim has started, and I think you've got a maximum number of three tranches to make any claim in. So you do have to be organized in this to make sure you've got your money back.

Nina Talley:

I want to link back to the previous episode that you joined us for. What about expat employees? Do these policies apply to employees living in a different country from where your business is headquartered?

Tim Kelsey:

Well, it's highly likely with expats that we'll have a situation that sits heads I win, tails you lose. And this is one of the joyful things that particularly Americans discover when they're on an assignment to other countries, you will be entitled to the usual employment law protections in the country where you are physically working. So if you're on a three-year assignment at the UK and a year in, you're now pregnant, having a baby, you will be entitled to up to 52 weeks' worth of maternity leave. That will be a fact under UK employment law.

Tim Kelsey:

What you won't be entitled to, of course, is UK statutory maternity pay, because you will have come into the UK with a certificate of coverage, you won't be paying UK national insurance, but you will remain paying US FICA contributions. So we often see that the entitlement to the leave is set under the rules of the country where you're physically based, but the actual payment of benefits will be driven perhaps by the rules back home.

Tim Kelsey:

Now, that's not always the case because what we might find in certain European countries, and beyond, is that even people working in an office can be covered by a collective bargaining agreement. So if we take the Netherland as a typical example, something like 90% of Dutch workers are covered by a collective bargaining agreement. And those collective bargain agreements will often mandate a period of paid maternity leave against which any state benefits would be offset. But of course, if there are no state benefits to offset against them, the employer would still have the obligation to pay for whatever period of time have been set in the collective bargaining agreement for that maternity leave.

Tim Kelsey:

I find that companies are particularly poor at anticipating the fact that female employees might just possibly go on a maternity leave whilst they're on a medium or long-term assignment abroad. It is a piece of advice I give any international company, you should think about this very carefully and you should write some comprehensive guidance on what it means in your Global Mobility Policy.

Tim Kelsey:

I want to give an example from one of my clients actually, and it's quite a complicated example so bear with me, I'll try and make it as simple as I can. So it's a love story and we all like love stories, don't we? So everyone go, "Aww." Aww.

Nina Talley:

Aww.

Tim Kelsey:

That's it. So what we had here was a bit of a May to December romance. As you probably guessed by now, I am a little bit of an old gossip and I do like to know the backstory about the cases I deal with. So this particular couple, he was in his mid 50s and he'd been around the block a bit, she was in her mid 30s and she was described by her HR colleagues as a dedicated, trusting HR professional, and they actually said to me, "She was the least likely person you would have ever thought to have a bank." Anyway, the pair of them hit it off. They were in Dresden, Germany and she became pregnant. They were both very

happy and it is a happy story this, they are still together as far as I know, I usually ask about them when I go and see this particular department.

Tim Kelsey:

So she's got UK terms and conditions and that compelled the payment of 24 weeks full paid maternity leave, which you would offset the statutory maternity pay against, okay. She's an assignee, she's on a tax equalization deal. German tax rates are significantly higher than UK ones, their company had paid a big chunk of German tax on her behalf. A question came in from our German colleagues, "We know we've got to pay 20 weeks maternity pay, but can we offset the Kindergeld against this?" We went, "What?" having never heard of Kindergeld before. Kindergeld, literally child gold.

Tim Kelsey:

It is a child benefit that is paid to people in Germany, not because they are social insurance contributors, but because they are tax payers and the thrust of the query from our German colleagues was this, "Well, we paid all the tax on her behalf so surely we can offset this Kindergeld benefit, which is worth a few hundred Euros a month against the statutory maternity pay, which we wouldn't normally pay to our own people." And there's a great example of a highly technical issue, which just had not been thought about by the company. Now, we tossed this one backwards and forwards and came to the conclusion, because we actually hadn't written it down specifically in the policy, "No, we could not do that." But I think it's a good example of the sort of due diligence that you would need to do in a country in order to decide what your policy will be with your expats.

Nina Talley:

That's a great example. And I think that it's something that we talked about before we hopped on this podcast is, you need to prepare for these sorts of things, even if you think that it won't necessarily happen. And even if your expat is a man, if there are paternity leave policies in that other country, you need to prepare for that as well. So just having a comprehensive idea of what maternity and paternity leave policies are in the country that your expats are working out of is an absolute necessary.

Tim Kelsey:

Absolutely. Yeah. 100%. You need to do your research.

Nina Talley:

I think that's the crux of payroll.

Tim Kelsey:

Yeah. Yeah.

Nina Talley:

So now is the time in our podcast for something we like to call Payroll Nightmares. These stories are some of my absolute favorites to share. They're so unique. If you haven't heard Tim's previous episode, make sure to go back and listen to that one as Tim prevented a coup. So, just take a journey back and join us for that, but I think that Tim has another unique global nightmare for us. And Tim, can you tell us a bit about it and how you handled that one?

Tim Kelsey:

Yeah, sure. So you need, if you're outsourcing payroll to an outsource provider, remember the mantra, you never outsource the responsibility. This story is all about controls and it was a recent visit that I did to a client who's based in the UK, but running a Republic of Ireland payroll. So they're responsible for running a payroll in the country where they're based. And one of my really big mantras is about controls and the fact that not enough companies these days do a proper three way control on their tax and social insurance liabilities. And what we mean by that is you should do a check that looks at the running total to date on the payroll software versus the total number of deductions made over the year to make sure those two numbers match, and then you should check your control accounts on your books to make sure that reconciles back to zero, because remember, when we deduct tax off people's pay, we put credit on a control account and the corresponding debit will be when we pay the statutory authorities.

Tim Kelsey:

Now these days, most countries will have some sort of online dashboard where you can spot, look at how progress is going in terms of your payments in and your filings of earnings as well. And if I'm going out to see a client, I will always ask to just have a little peek at their dashboards just to see what's going on. So this one was no different, I asked them to fire it up, they knew where it was, they fired it up, they opened it. And at that point, my blood ran cold. Why did it run cold? Because I could see clearly that they hadn't paid a penny in tax and PRSI for six months.

Nina Talley:

Oh, no. Oh, no.

Tim Kelsey:

Six months.

Nina Talley:

Oh God, my blood runs cold hearing that.

Tim Kelsey:

As a consultant, you always want to find something, but you are also in the background praying it's not too big because frankly, will they ask you back if you're the one who discovered that they made a cockup that was worth a million Euros or whatever it might be? And the sum involved here was about a million Euros over those six months. And actually when we tracked back into the previous year, we discovered that one month and one month only in the middle of the year hadn't been paid as well for random reasons that have never been sorted out.

Tim Kelsey:

Now, I asked them to keep me informed and we discovered that the reason why the monies hadn't been paid was that actually the finance department had changed the company's Irish bank account and had not changed the direct debit over for the statutory payments. There's the reason. Should that have happened? No. Why should it not have happened? They should have been doing that control. If they'd had done that, they'd have spotted after a month that they'd got a large, outstanding credit on their control account that hadn't been matched to a debit with the monies going out.

Tim Kelsey:

Now, of course, the other thing you might say is, how on earth did that go on for that long without the statutory authorities contacting them? I have no idea. The Irish Revenue would let something build up to over a million Euros over a six period and not even pick up the phone and mention it to them, I find that stunning, but of course when it's discovered, it just means it's gone on for longer and hey, they can charge you more statutory interest.

Nina Talley:

Exactly.

Tim Kelsey:

So there's my recent payroll nightmare, Nina.

Nina Talley:

Ooh, that one hurt me in my heart. Do you want to hear how our expert guests would've handled a payroll nightmare that you're familiar with? Send an email to podcasts@americanpayroll.org or leave us a comment on the APAs Facebook page to get involved in the conversation.

Nina Talley:

Now, we don't really like to leave things on a negative note with our nightmares, so I have one more question for you, Tim. And you've answered this for us before, but I'd like to know if you have a new insight to share. What is your best piece of payroll advice you've ever been given? Or what is the piece of advice that you wish somebody had given to you?

Tim Kelsey:

Well, here's my best piece of advice. And again, thinking from a global payroll perspective, the mantra I want you to all remember is this, nobody in global payroll ever answers a question they haven't been asked. So just think about that. So often I hear from companies, "Our payroll provider didn't tell us this." And their payroll provider in France just looked at them and gave them the Gaelic shrug and went, "You did not ask. Why would I answer a question you have not asked me? Why do you think I know everything about your business?" And actually when you think about it like that, it's a very sensible way to be. You need to ask all of the questions. Don't expect people to spoon feed you because they don't, particularly if you're outsourcing.

Tim Kelsey:

Outsourcers the world over work to the same model, it's about running a process that they particularly run. They will deal with queries as they come in. They won't think around things for you, they're not going to assume your level of knowledge. So, ask as many questions as you can and try and ask those open questions at the end. Now, are there any other payroll deductions that I might need to think about in your country? Can you think of any others that might apply to other clients that you've seen in the past? That sort of open question to try and tease a better response out of them. So there you go, nobody ever answers a question they haven't been asked.

Nina Talley:

That's excellent advice. And I think it's something that we return to on Pay Talk regularly when it comes to global payroll operations is, if you are working with another company to handle that, make sure that you're building the relationships, have a good relationship with them so that you feel comfortable asking those questions. And I love open-ended questions like that, something that I ask a lot is, is there anything that you can think of that I should know that I haven't asked you about?

Tim Kelsey:

Exactly. Exactly. Great question.

Nina Talley:

Tim, thank you so much for your advice and your expertise. This has obviously been an amazing conversation for me to have as I'm about to embark on my own family leave journey, but I know that it has been absolutely invaluable for our listeners who are either already working in global payroll operations or are about to branch out just beyond a national level.

Tim Kelsey:

Well, it's been a pleasure, as always. We wish you the best of British luck, Nina, you won't need it of course, you're going to sail through in about a 45 minute delivery.

Nina Talley:

Oh, yes.

Tim Kelsey:

Although for those who are listening, we do have a sweepstake going on in the APA office, you can place a dollar on Nina's expected [inaudible 00:48:57].

Nina Talley:

Let's all bet and hope for a very short, uneventful labor. I really appreciate that.

Tim Kelsey:

Absolutely. Absolutely.

Nina Talley:

I also want to take a moment to thank all of our loyal listeners out there. Without you, Pay Talk would not be possible. So make sure that you rate, review, and subscribe on your preferred podcast streaming service as that is the absolute best way to support this podcast and ensure that we can continue to bring you the human stories that make payroll so personal. Until next time, folks, this has been your host, Nina Talley, with Pay Talk.

Speaker 1:

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