

What Universities Should Know About PEO





Many universities are trying to navigate how to stay compliant with a global workforce. With remote work becoming more common, universities are hiring new faculty, staff or students who live abroad but may have delays moving to the United States, or may be living in foreign countries due to the pandemic restrictions. This is a new challenge for many universities, but Professional Employer Organizations (PEO) help to simplify the process.

A PEO is an organization that acts an employer for foreign workers. They use their own legal entities across the world to stay compliant so universities don't need to worry about setting up their own. The PEO becomes the employer of record for tax purposes and handles other administrative tasks like onboarding, payroll and benefits. However, universities still have full control over the day-to-day tasks of their faculty and staff.

Although many universities need an immediate solution during COVID-19, remote employment is becoming the new normal moving forward. A PEO is a great short- and long-term solution to these evolving employment situations. We've put together a list of common questions to help you prepare for how a PEO can help your university.

What Employee Categories Can Go Through the PEO?

There are many positions universities fill. From full- and part-time faculty, to adjunct positions, to graduate appointments with stipends. All employees working for the university outside of the United States who would normally use traditional payroll, must be hired through the PEO to maintain compliance and mitigate permanent establishment risk. In some cases, the cost of a PEO may not justify certain hires, such as minimum wage students and teacher aids.

Whenever a university decides to hire an employee overseas, there are risks involved. Using a PEO provider helps to mitigate these risks, while still allowing your university to maintain control of the education and business growth strategies. This is particularly advantageous when considering how often local laws and regulations change in various countries. This eliminates the burden and risk of managing compliance, legal and tax requirements so you can focus on finding the right hires for your university.



What are Social Costs?

Social costs usually refer to the statutory costs of employment for the individual countries, or the university's payroll tax burden. Most countries have these costs, including the United States, which pays for Medicare, Medicaid and Social Security. The unique benefits of each country means the social costs can vary significantly. Some countries, especially in Europe, have employee protections and benefits that require pensions, health care, paid vacation, etc.

How Does a PEO Handle Employee Compensation and Benefits?

Compensation and benefits for university faculty and staff can be a more complicated matter. Make sure your PEO provider has the knowledge and experience to implement various contracts for different employee functions.

For example, a sales member might have a commission structure in their contract. Or a marketing or R&D employee could have bonus structures in place. This is why a one-size-fits-all approach doesn't work. Universities will need to ensure their PEO provider has the expertise to understand and implement these contracts, in addition to managing general compensation and benefits.

A global provider like Global PEO Services can also procure benefits and offer them to the entire employee base across the world. A global structure provides more flexibility and buying power. So it's important to remember that volume matters in this situation.



What Can We Expect our Department to Pay?

Typically, the Human Resources department will work with the PEO to determine the exact costs the individual departments will need to pay. This is based on the monthly salary of the employees and the country where the employees will perform their work. It's important to take into consideration the social costs of different countries, which could be 10%-45% or more of the monthly salary. Generally speaking, Latin and South American countries have higher social costs, where the Middle East and Asia have lower costs.

Because every university is unique, it's difficult to say how much an individual department will end up paying. Sometimes those departments are solely responsible for the employee costs, while other times the university will supplement the hiring fees.



About Global PEO Services

There can be a lot of risk when it comes to hiring overseas. Using Global PEO Services (GPS) can help mitigate these risks, while still giving you control. With laws and regulations frequently changing for different countries, it can be challenging to keep track of compliance, legal and tax requirements.

We manage all the legal requirements and payroll, while the business manages the international team on a day-to-day basis. For companies hoping to switch international contractors to PEO, GPS can help you stay compliant in 170+ countries.

