European Union: Social security compliance is becoming mainstream

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In brief

International social security is on the move to become more mainstream. This is the essential finding of a recently published EU report: Coordination of social security systems at a glance – 2020 Statistical Report published by the European Commission.

The report paints a clear picture of the development of A1 compliance by companies that move employees around the EU over the past ten years. It finds that the main reasons for this development are the fact that EU Member States have introduced new or increased enforcement measures in order to ensure compliance and the increased awareness of this compliance need.

The report also notes that A1 management is no longer mainly focused on the construction and road transport sectors but is growing in other sectors in which international business travel is common. The report recommends that companies that do not currently have structured A1 compliance processes in place should look into implementing them.

In detail

When companies within the EU send employees cross-border, the employer must apply for a so-called A1 certificate. The certificate ensures that the employee is maintained within the home social security scheme and exempts the employee and employer from social security contribution liabilities in the host country. The requirement is relevant to all cross-border work within the EU regardless of the length of the move or the nature of work performed by the employee. For example, an international intercompany two-day business travel for training purposes would, in principle, require an A1.

In general, the management of the A1 certificate has increased, the report finds. Almost 2% of the EU workforce held an A1 certificate in 2019 of which 60 % worked outside construction or road transportation.

Over recent years, the number of A1 certificates issued has increased exponentially. In 2019 the number of A1s increased by 57% compared to 2018. Indeed, the number of A1s issued over the past ten years has increased by over 250%. In particular, the report finds that the increase has happened for so-called Article 12 certificates, which covers traditional long-term assignments as well as ad hoc business travels.
The growth in A1 certificates appears to have been influenced by the increase in international business travellers, which has taken place over the past decade. This is a result of companies moving away from traditional long-term assignments towards a more dynamic cross-border employee deployment approach calling for the best person within the organization to travel for a given service delivery.

The report touches on the distinction between Article 12 certificates (assignments and business travellers) and Article 13 (working in two or more Member States). Over the past ten years, there has been an ambiguity among national authorities as to whether business travellers should be covered by one provision or the other. It is currently the common understanding that basic ad-hoc business travellers are covered by Article 12, which triggers the need for the company to file an A1 application on a travel-by-travel basis thus explaining the dramatic increase of such applications. However, in many EU countries, this creates a substantial administrative burden due to heavy paper work requirements, as well as long turnaround times with the authorities (it remains the case that only five EU countries can typically issue an A1 within a week, with many authorities taking many weeks/months to process the applications). PwC is therefore assisting clients in proactively addressing A1 compliance for their business traveller population in order to be covered by the rules on working in two or more Member States (Article 13), which can trigger a single annual (or even bi-annual) application per employee, substantially reducing the compliance administration.

Interestingly, Germany and France are the top destination countries when you look at all the A1s issued in 2019. These are followed by other western European countries such as Belgium, the Netherlands, Switzerland and Austria. Part of this will be the alignment between social security compliance and both immigration and Posted Worker Directive (PWD) requirements in these countries. Relevant immigration/PWD authorities increasingly ask for sight of the A1 when granting entry to foreign employees.

Finally, there is of course the corporate duty-of-care agenda driving company A1 application management. A missing A1 in certain instances may cause the employee to lose the right to certain social security benefits following business trips due to a broken home coverage record.

**The takeaway**

The management of A1 certificates is becoming an increasingly important part of cross-border working, driven by enhanced national enforcement measures introduced by Western European countries. The development is especially driven by short-term business travellers outside of the construction and road transport industries. The A1 is growing mainstream.

With Europe on the verge of lifting COVID-19 travel restrictions, business travels as well as new cross-border working patterns are expected to increase even further and the number of A1 certificates to continue the exponential development trajectory. Now is a suitable time for businesses to setup and prepare an up-to-date A1 compliance program. This regards business no matter the size and no matter the lengths and purposes of the employee move.
Let’s talk

For a deeper discussion of how this impacts your business, please contact your Global Mobility Services engagement team or one of the following professionals:

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