

Policy on Eligibility for Harvard Payroll and Outsourced Payrolls

Background

Harvard University payroll and benefits are designed primarily to meet the needs and requirements for Massachusetts-based employees, which comprise nearly 100% of all University employees. Other states and countries have different requirements and employees there have different needs, which the Harvard payroll generally cannot serve. Therefore, Harvard has developed other options for these employees.

The Harvard payroll already excludes domestic employees outside a few states where Harvard is registered to do business. This policy continues that practice and extends it to overseas employees. Global Support Services (GSS) is managing the transition of non-U.S. employees from the Harvard payroll to alternative arrangements and will collaborate with School HR and Faculty Affairs on future hires.

Part I - Policy Requirements (Posted: January 1, 2014)

This policy applies to all employees on the Harvard payroll, as well as all other employees of President and Fellows of Harvard College and its affiliates.¹

Policy:

The Harvard payroll is limited to employees based in Massachusetts and, in certain cases, California.² In other states and overseas, employees must be paid on a different payroll that is confirmed to meet all applicable:

- employment tax, tax withholding and reporting requirements; and
- business registration requirements.

The following options exist to employ/pay out-of-state or overseas employees:

- Harvard Global, a Harvard affiliate that will employ overseas staff;
- Outsourced payrolls that meet these requirements;
- Partner organizations, such as collaborating universities or NGOs set up in the host jurisdiction;
- Temp agencies or Professional Employer Organizations (PEOs); or
- New or existing Harvard-affiliated entities, such as Trustees for Harvard University (in D.C.) or legal entities created for overseas sites.

See below for more information.

In limited circumstances where no reasonable alternative meets the requirements above, a School may petition the Provost for an exception to this policy.

Grandfathering:

Existing employees are grandfathered until *January 1, 2015*.³ Global Support Services will work with School HR and Faculty Affairs to plan smooth transitions for existing employees, to occur any time between January 1, 2014, and January 1, 2015.

¹ “Affiliates” are organizations controlled by or established to support Harvard.

² Before directly engaging employees in California, departments should consult with their School or department HR office. HR should contact OGC for advice on related employment issues, including complying with California regulations. LER is also available to discuss alternative employment arrangements, as appropriate. Note that a special PeopleSoft setup is required for California employees, due to state requirements. Central Payroll can assist with setup.

³ Note: The Provost or the Dean of the School, in consultation with the Office of the General Counsel, may decide not to grandfather individual employees where there is heightened risk that the Harvard payroll may not meet host-country regulations or U.S. benefits regulations.

Determining Base of Work:

For this policy, an employee is “based in” a state or country if he/she works (or plans to work) there most of the time over a period of a year, or over the duration of employment if less than a year.

Note: Cross-border telecommuting and remote-work arrangements require careful analysis to determine the work location for payroll purposes. Global Support Services can assist with this analysis.

Part II - Alternatives to Harvard Payroll

Your School HR department can help you evaluate these options. As needed, also consult Global Support Services (for non-U.S. work) or the Office of Labor and Employee Relations (for U.S. work).

Outside the U.S.

The principal differences between these options are the ease of implementation, degree of departmental control, and the nature of benefits provided. All options have similar tax implications, so cost is determined by the administrative effort, profit/overhead and employee benefits provided.

1. **Partner organization.** Where a program is collaborating with a university or other organization in the host country, that organization can often employ staff for the program. This is the simplest and cheapest option, but does not integrate with Harvard benefits and global mobility practices.
2. **Harvard Global.** A Harvard affiliated-organization that operates overseas on behalf of Harvard departments. Its payroll is designed with expatriates in mind while also integrating with Harvard systems. The U.S. expatriate payroll offers Harvard health and retirement benefits⁴ and integrates with Harvard’s global mobility and expatriate compensation practices. (Host-country nationals will receive host-country benefits.)
3. **Professional Employer Organizations (PEOs).** PEOs operate like temp agencies and employ staff on behalf of a client organization. Global Support Services has relationships with two global PEOs and can assist in identifying others in particular countries.
4. **Host-country entities.** Departments may partner with an existing Harvard-affiliated entity; Harvard currently has affiliated entities in about 15 countries. In limited cases, a department may create a new entity, which is expensive and requires multi-stage approval by the University Committee on International Projects and Sites (UCIPS); contact the Office of the Vice Provost for International Affairs for more information.

Inside the U.S.

The principal differences between these options are the degree of control and the nature of benefits provided. All options have similar tax implications and levels of effort; cost is determined by profit/overhead and employee benefits provided.

1. **Partner organization.** As noted above, partners can often employ project staff. Simplest and cheapest option.
2. **Temporary agencies.** Several temp agencies operate throughout the U.S., and the Office of Labor and Employee Relations is arranging a preferred temp agency for out-of-state employment. The temp agency is responsible for all state requirements. There are no time limits on temp-agency assignments outside Massachusetts.

⁴ For legal and procedural reasons, Harvard’s retirement plans are not available to non-U.S. nationals working outside the U.S. Employees working abroad as of July 2013 will be grandfathered in Harvard’s pension plans. Harvard Global expects to offer an international pension plan for non-U.S. nationals beginning in 2015.

3. **Harvard affiliates.** Departments may partner with an existing Harvard affiliate (in D.C./Virginia or New York) or in limited cases with approval from the Executive Vice President in consultation with OGC create a new affiliate (though the latter is quite expensive). Harvard Global may begin serving other U.S. states in 2015 or 2016.

For additional information or assistance contact:

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Revision History

08/27/2014 – Revised footnote 2 to clarify roles and responsibilities.