

Global employment guide



So why hire globally?

Hiring internationally allows businesses to tap into a global network of skilled professionals, overcoming local labour shortages and finding the perfect fit for any role. This diverse team brings a wealth of unique perspectives and experiences, fostering innovation and a deeper understanding of international markets. While cost savings can be a factor, the true value lies in the competitive edge gained from a global workforce that can propel your business to new heights.

The first question you need to ask is: why should I hire employees globally? Let's explore a few reasons why you might want to consider it:

To beat labour shortages

There's an undeniable skills shortage in Europe. In Germany alone, 50% of companies are struggling to fill vacancies. By looking beyond local borders, companies can find highly skilled individuals to fill critical roles.

To expand your business

Hiring a geographically diverse team allows you to better understand and cater to international markets. This can open doors to new customers and revenue streams. For example, hiring regional sales and customer success professionals.

To hire people with specific skill sets

People from different countries bring unique experiences and skill sets to the table. This diversity of thought can lead to innovation. Eg. Ireland has the highest ratio of artificial intelligence (AI) talent in the European Union, according to a new study from LinkedIn.

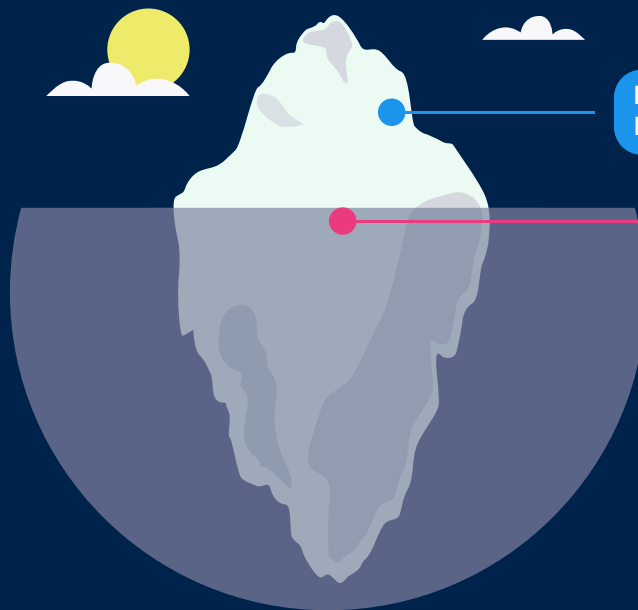
To save on employment costs

When we think about hiring abroad, we of course look at bridging the gap between finding skilled talent and supplying remote employment to skilled workers. But we also need to acknowledge the clear cost advantage it provides to businesses because of low regional salaries.

Challenges of hiring abroad

The problem: **Global employment is painful & hard**

For example: international companies will face challenges when hiring in France due to complex employment and payroll laws, such as the RTT compensation requirements that come with rules and regulations separate from standard PTO laws.



HR's dream:
Employing globally

The challenges:

- Setting up a legal entity
- Taxes & social security
- Intellectual property
- Performance issues
- Tech equipment
- Holiday tracking
- Corporate taxes
- Finding talent
- Team culture
- Salary levels
- Labor law
- Expenses
- Benefits
- Mobility
- Payroll
- F/X

While choosing to hire employees abroad seems like a simple decision, executing it is not. Let's discuss some of these challenges in detail:

Compliance

Each location has its own set of employment laws and regulations governing contracts, benefits, termination procedures, national holidays, and other aspects of employment.

From correctly handling payroll taxes to ensuring the benefits that meet local standards and regulations, compliance understanding is crucial to avoid legal risks and penalties.

Did you know?

The Spanish calendar has a total of 14 public holidays throughout the year. But It's not quite so simple: 8 of them are for the entire country, 2 more are regional holidays (that some regions might share or not), then each town and city can choose two more holidays of their choice

Establishing a local entity

In some countries, establishing a local entity, such as a subsidiary or branch office, may be necessary to comply with local labour, tax, and employment laws. This may include requirements for registering the company, obtaining employer identification numbers, and complying with payroll tax and social security contributions.

However, regardless of whether a local entity is established, it's also essential to have legally compliant employment contracts and agreements that outline the terms and conditions of employment, including compensation, benefits, termination procedures, and compliance with local laws and regulations.

Employment status

In some cases, companies may be able to hire remote workers abroad without establishing a local entity, especially if the arrangement is temporary. While hiring temporary remote contractors may work for some companies, in many jurisdictions, there are legal definitions and criteria that distinguish between independent contractors and employees in order to avoid misclassification.

Misclassification refers to the incorrect classification of workers as independent contractors (sometimes referred to as consultants or freelancers) rather than as employees, or vice versa. This misclassification can have significant legal, financial, and operational implications for both employers and workers.

Did you know?

In Germany, if a false self-employment (Scheinselbstständigkeit) is identified, the consequences might include:

- Retroactive social security contributions
- Tax adjustments
- Potential legal action to reclassify the relationship as an employment contract
- Criminal liability of the responsible managing directors

Taxation

Companies hiring remotely abroad must navigate complex tax systems in each location. This includes understanding income tax, social security contributions, and any other applicable taxes. It's essential to determine whether the company or the employee is responsible for paying certain taxes and to withhold taxes correctly.



Companies may also encounter cross-border tax implications. This includes potential double taxation issues and requirements for tax treaties or agreements between countries. Seeking guidance from tax experts or legal advisors can help ensure compliance with international tax laws, however, this comes with additional financial and time investment.

Scaling

Whether you are looking to expand your operations or facing the consequences of labour shortages, your company might seek to hire more than one employee abroad. Hiring from just two other countries can make your HR department face different:

- Labour laws
- Employment contract regulations
- HR processes
- Payroll difficulties
- Compliance issues

Growing a global team while handling these challenges can quickly get out of hand making your company vulnerable to compliance risks and penalties.

So what are your options?

Establish a local entity

Establishing a local entity, such as a subsidiary or branch office, can provide a robust solution for hiring remote employees abroad. This way, your company can ensure compliance with local laws and regulations, including labour laws, tax requirements, and employment regulations.

However, establishing a local entity involves significant time, resources, and administrative burdens, including legal and regulatory compliance, ongoing maintenance costs, and complexities associated with managing operations in a foreign jurisdiction. Furthermore, it may not be feasible or cost-effective for companies with limited resources or those looking for a more flexible and agile approach to international expansion.

Hire independent contractors

Hiring remote workers abroad as independent contractors or through business-to-business (B2B) arrangements can offer flexibility and agility for companies seeking to expand their workforce internationally without establishing a local entity. By engaging workers as contractors, companies can avoid administrative complexities and save costs - contractors are typically responsible for their own taxes, benefits, and insurance.



However, relying on contractors can present challenges in terms of maintaining control over the work and ensuring compliance with local laws and regulations. Misclassification risks may arise if contractors are treated like employees but classified as independent contractors, leading to potential legal and financial consequences.

Hire with an Employer of Record (EOR)

Employer of Record (EOR) services offer a third-party solution for hiring remote employees abroad without the need to establish a local entity. EOR providers act as the legal employer of the remote workers, handling payroll administration, tax compliance, benefits administration, and other HR functions on behalf of the client company.

This allows companies to quickly and efficiently onboard remote workers in foreign jurisdictions while ensuring compliance with local employment laws and regulations. EOR services can also offer scalability and flexibility, allowing companies to adjust their workforce size and geographic footprint as needed.

However, using EOR services may come with additional costs, including service fees and markups on payroll expenses.

Why you should consider WorkMotion as your EOR provider

Full cost transparency

You'll never have to wonder how much hiring an employee abroad will cost you. With our Employment Cost Calculator, you will receive a breakdown of the exact amount a potential hire will cost in a specific country.

Safe & fast onboarding

It doesn't matter if you're aware of local labour laws in your employee's country. We can enable you to instantly generate an employment contract and hire fast—in over 160 countries.

German compliance

Data security is at the heart of everything we build. All our data is stored on German servers complying to all GDPR rules. We make sure all the data our customers trust us with is 100% secure.

Our solutions at a glance



WorkGlobal

Onboard in 160+ countries with the help of our local partners.

With WorkGlobal, you can:

- Fast track global talent onboarding
- Create compliant employment contracts
- Hire top talent within minutes from around the world
- Take care of all talent onboarding requirements in a 100% compliant way



WorkDirect

Onboard talent across Europe while preserving your brand name through local registration.

WorkDirect lets you:

- Hire employees in another country without the need of a local third party
- Retain your own employer brand and custom employee benefits
- Register as a foreign employer and manage end-to-end employee lifecycle

"Finding the right EoR partner is not easy and without asking the **right questions**, you might end up with the wrong one. But if you get it right, your HR strategy can be taken to the next level."

Jan Boeckstiegel, VP of Global Infrastructure at WorkMotion



Curious to know more about how an Employer of Record model works?

Talk to one of our international hiring experts today. 