



**SAFEGUARD  
GLOBAL**

# **Global employment guide for manufacturing companies**

In-country HR: The key  
to international expansion





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## INTRODUCTION

As survey after survey shows, adding global talent at scale is a priority for manufacturers all over the world. In a 2020 study by Deloitte and the Manufacturers Alliance for Productivity and Innovation (MAPI), for example, over 50% of global manufacturing companies said they plan to enter a new market in the next five years.<sup>1</sup> This represents a significant increase from the 30% of manufacturers that were planning to expand internationally in 2015.

**In today's competitive talent market, companies looking to grow internationally need to develop an HR strategy that's savvy enough to attract and retain the workers required to successfully expand into new geographies.**

Sourcing the right people for the right market means navigating unfamiliar employment laws and compliance risks. Without knowledgeable HR resources on the ground to help, finding niche or technical talent abroad can be challenging.

This guide is based on our experience helping hundreds of companies like yours overcome recruiting and hiring challenges in more than 170 countries. We'll share with you:

- **Obstacles to recruiting and hiring in foreign countries**
- **Repercussions of hiring mistakes**
- **A flexible, scalable solution for global recruiting, HR and payroll**

<sup>1</sup> <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-manufacturing-de-loitte-and-mapi-footprint-2020-study.pdf>

## OBSTACLES

# The roadblocks to expansion

**There are three major hurdles manufacturing companies typically face when recruiting and hiring in foreign countries:**

1. **You don't have a legal entity in the country that can hire employees directly, and you don't want (or don't have time) to set one up**
2. **You lack the local HR resources to find skilled people for the job**
3. **You're missing the HR expertise to ensure you comply with unfamiliar labor laws and customs**



## No pipeline, no entity, no expansion

Whether this is your 17th international expansion or your first, by this stage of planning you know that in order to directly and legally hire employees abroad, you'll need a registered business entity. Without one, you can't expand—but establishing an entity is a huge hurdle.

Setting one up can take months or even a year, and that doesn't include recruiting, hiring or onboarding new employees. Legal and tax advisory fees can run into the tens of thousands of dollars. That's before you add the cost of local real estate, banking and resident director costs, which many countries require.

For manufacturers who need to expand internationally in order to grow, that time and money are often better spent on research, development and market disruption activities that attract business, or transforming your operations via digitization in order to be more competitive, than on tedious administrative activities like entity establishment.

## Local recruiting, hiring and payroll complexity

Besides the complicated logistics of entity establishment, there are human resources challenges to recruiting and hiring internationally. Even if you've decided to invest in entity setup, you still have to find and onboard new workers, and make sure you hire them in accordance with local labor laws, regulations and customs. That's nearly impossible to do without in-country experts who can help ensure your organization remains compliant.

How do you find the right people and craft an attractive and competitive offer? Should you hire workers as independent contractors or full-time employees? Do they need fixed-term or indefinite contracts? There's no one-size-fits-all answer.

## Developing a talent pipeline

Whether you need local salespeople who can leverage existing connections or engineers with the expertise to train additional staff, there are a number of reliable ways to build a pool of professionals who are, or might one day be, looking for a new job. Talk to recruiters or do your research online, and you'll notice the same strategies. Leverage employee referrals. Network at industry events. Continually invest in existing team members to develop their leadership abilities and reskill them to keep up with emerging technology like AI. Polish your reputation as a reputable employer.

Unfortunately, most of these things are difficult or impossible to do when your recruiting team doesn't live in the same geography, speak the same language, understand the customs or know the laws where you need to hire. Using online resources like social media or outsourcing recruiting are among the few recruitment strategies you can employ from abroad, but they stop short of helping you hire and onboard international workers.

# Three types of entities



## Representative office

A bare-bones entity used primarily for administrative operations; the parent company assumes full liability



## Branch office

An entity that's an extension of the parent company; unlike a representative office, it can be used for conducting business in a country, but it usually requires a citizen or permanent resident to complete the registration



## Subsidiary company

Operates and conducts business in a country as a separate legal entity, shielding the parent company from legal liability; often requires an in-country representative for registration

## OBSTACLES

### Choosing the right kind of worker

You may need to hire full-time employees, independent contractors, or a mix of the two. Knowing which is the right fit and, even more importantly, how to properly classify and compensate them is critical. Although the laws governing employee classification vary from country to country, they generally have strict parameters and steep consequences for mistakes. For example, if you hire a salesperson as an independent contractor in a test market, but they meet any of the following criteria, the local government may consider them a full-time employee, putting you at risk of fines, jail time or even a complete shutdown.

- **They are paid for time worked rather than per project**
- **They use your tools or resources to complete a job**
- **They only provide services to your company, and do so for an extended period of time**
- **You manage their day-to-day work**

If you hire an engineer as a full-time employee, these criteria are to be expected from your work arrangement. You'll also be responsible for withholding all of the taxes required by the local government and providing benefits like vacation time and retirement plans that are government mandated, culturally expected, or both.

In a tight labor market, offering a full-time position complete with perks and benefits can become a competitive advantage that signals you're serious about your candidate and plan to invest in their career long-term.



## OBSTACLES

### **Contract considerations**

Another consideration is what type of contract to offer new workers. A fixed-term contract, also referred to as a limited-term contract, usually falls within the one- to three-year range and is better suited to a project with a fixed end date than an expansion. Many governments stipulate how and when to use a fixed-term contract vs. an indefinite term contract, and you risk noncompliance if you don't follow the nuanced requirements precisely.

An indefinite contract is exactly that—a contract without a defined end date. For organizations that are committed to long-term growth or want to maintain flexibility, hiring workers on indefinite contracts is a better bet. The regulations for indefinite contracts vary from place to place, but generally address four general topics.

- **Wages and benefits**
- **Leave policies**
- **Probation and disciplinary processes**
- **Dismissal and termination**

### **Intellectual property terms**

If you're hiring engineers or another role where their work is likely to include creating intellectual property, it's important to understand who owns what according to local law, and what specific language must be included in the contract to ensure your company IP is protected. Considerations include the definition of IP, which can differ from country to country, as well as what constitutes copyrights, trademarks, patents and trade secrets. In Germany, there are laws that "prohibit assignment of an author's copyrights and/or moral rights in a work either entirely or prohibit such rights from vesting initially in the employer."<sup>2</sup>

<sup>2</sup> <https://www.technologysleage.com/2017/05/cross-border-considerations-for-protecting-ip-developed-by-employees-and-independent-contractors/>





## Gaining a competitive advantage

By some estimates, nearly 30 million manufacturing jobs in China will go unfilled by 2025.<sup>3</sup> Even in a job market that isn't tight, however, replacing workers is expensive, so it's critical to understand what's considered a must-have benefit vs. a nice-to-have perk. Crafting enticing hiring packages is an important part of an HR strategy where you need to attract and retain workers for the long haul, and that requires being knowledgeable about local employment customs.



### Pay raises

In some countries, employee raises aren't just at the discretion of the employer; both unions and the government may define how often and by how much wages are to be increased. That's the case if you're planning on hiring workers in Brazil, Germany, Malaysia or Turkey, for example.<sup>4</sup>



### Extra pay

Many countries, including Mexico and India, require a 13th-month salary installment that's usually equivalent to a month's pay. It may be a one-time payment, a holiday bonus or be spread across the year in multiple payments. In other places, an annual bonus is optional but customary, especially in certain industries. In the U.S. and the U.K., an end-of-year bonus isn't mandatory, but can sweeten the deal.<sup>5</sup>



### Gender equity

There are laws governing pay equity among genders in several locations. Employers in France must report on pay gaps and the actions taken to address them; they receive an "equal pay rating" that could result in a financial penalty if corrective measures aren't met.<sup>6</sup>

3 <https://www.sixthtone.com/news/1012053>

4,5 [https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/globalpay.aspx?\\_ga=2.39178912.2070953839.1591647367-811033302.1591647367](https://www.shrm.org/resourcesandtools/hr-topics/compensation/pages/globalpay.aspx?_ga=2.39178912.2070953839.1591647367-811033302.1591647367)

6 <https://www.lexology.com/library/detail.aspx?g=4e94a635-c767-468c-b54f-6461f3461a9e>

## Up-and-coming manufacturing hubs

Based on global 2021 output, China and the U.S. dominate manufacturing, representing a combined 46% share of the market.<sup>7</sup> But aging populations and trade wars between the two nations have given other countries a leg up. Here are five locations whose reputations as highly desirable manufacturing destinations are on the rise.<sup>8</sup>



Vietnam



Mexico



India



Malaysia



Singapore

7 [https://finance.yahoo.com/news/top-20-manufacturing-countries-world-202110469.html?guccounter=1&guce\\_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLnNvbS88&guce\\_referrer\\_sig=AQAAANOH8YabKQGcETyReynzJZQ50HWd8TF6W0IRix7K-bZ-lQfnSEbO\\_HyHbF8T9v-xV8zCGSf1IF7j9IaV58cuJCO1UH-KZRjA3VhJh9IYHGnuHPr3VYkGYMt9Ex\\_ISRcPYRjfiCRSoAzP-fm81NgrsCxOdxfdieh2dhGzfkLpA66z1](https://finance.yahoo.com/news/top-20-manufacturing-countries-world-202110469.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLnNvbS88&guce_referrer_sig=AQAAANOH8YabKQGcETyReynzJZQ50HWd8TF6W0IRix7K-bZ-lQfnSEbO_HyHbF8T9v-xV8zCGSf1IF7j9IaV58cuJCO1UH-KZRjA3VhJh9IYHGnuHPr3VYkGYMt9Ex_ISRcPYRjfiCRSoAzP-fm81NgrsCxOdxfdieh2dhGzfkLpA66z1)

8 <https://internationalfinance.com/top-5-global-manufacturing-hubs-making/>

## RISKS

# How HR mistakes can jeopardize expansion plans

Expanding into new markets requires finding and onboarding the right people in the countries that are critical to your growth. But employing workers in a geography where you're unfamiliar with labor laws and customs, and you don't speak the language, increases the likelihood of error—and mistakes often come with penalties.

For example, U.K. law automatically converts employees on fixed-term contracts to full-time status after four years of work, meaning that you'll likely owe the employee additional benefits and they'll become entitled to different protections than independent contractors.<sup>9</sup> In some countries, you can be fined if you misclassify an employee, and you may also owe unpaid wages, taxes and/or benefits, plus you risk having your business license revoked and having to cease all business operations; in France, you can even end up in jail.<sup>10</sup> Given these serious legal and financial repercussions, you can't afford to make an HR or payroll mistake.

**Here's a small sampling of legal requirements and recent court rulings related to hiring or payroll mistakes.**

**\$1.3 million**

The amount a funeral home in Canada paid, equal to nine years of compensation, for dismissing an employee in the first year of a 10-year contract

[Source](#)

**\$43 million**

The U.S. Department of Labor fined Holland Services this much for incorrectly paying employees as contractors, keeping improper records and failing to compensate workers for overtime

[Source](#)

**\$530 million**

This is the jaw-dropping amount Nike may owe after misclassifying workers across the U.S., U.K., Belgium and the Netherlands

[Source](#)

<sup>9</sup> <https://www.gov.uk/fixing-term-contracts/renewing-or-ending-a-fixed-term-contract#:~:text=Any%20employee%20on%20fixed%2Dterm,reason%20not%20to%20do%20so>.

<sup>10</sup> <https://www.cm-murray.com/wp-content/uploads/2016/11/Worker-Classification-Report.pdf>

# AI and HR

Like many other industries, recruiting and HR have started to explore the use of artificial intelligence.

**Some applications, like ChatSG from Safeguard Global, help HR teams navigate information about hiring laws from countries around the world.<sup>11</sup>**

Other uses of AI, such as identifying and screening job candidates, raise questions about discrimination and privacy, among other concerns. As a result, governments the world over are looking at how to regulate this new technology. If you're hiring in Germany or in any other European Union member country, for example, you need to be aware of the AI Act. This proposed legislation would limit how AI can be used, placing the simple task of CV-scanning into the high-risk category.<sup>12</sup> European companies who violate the law could face penalties of up to €30 million, with fines going even higher for large global organizations.<sup>13</sup>



<sup>11</sup> <https://www.safeguardglobal.com/resources/featuredcontent/ai-meets-eor-introducing-chatsg>

<sup>12</sup> <https://artificialintelligenceact.eu/>

<sup>13</sup> <https://www.shrm.org/resourcesandtools/hr-topics/global-hr/pages/eu-proposal-could-limit-ai-use-in-hiring.aspx>

## SOLUTIONS

# How to recruit and hire workers internationally so you can grow

So how can you recruit and add the talent you need around the world when you don't have local entities or HR resources on the ground to ensure you're making culturally appropriate offers that are also in full legal compliance?

### **A global workforce solutions partner.**

They can do everything in the HR life cycle, from recruiting and hiring to onboarding, payroll and vacation tracking. They'll hire workers on your behalf and assume responsibility for employment and payroll compliance. Think of them as your in-country HR support team and the face of your company; they speak the workers' language and possess the cultural know-how to negotiate a competitive offer. Oftentimes hiring and onboarding new international workers can be completed in as little as two weeks. You, in turn, manage your employees' day-to-day workflow and responsibilities.

## **A global workforce solutions partner carries you through the entire HR life cycle**

**Recruits and hires from a wider talent pool**

**Onboards local employees with compliant contracts**

**Pays salary and taxes, and administers benefits**

**Supports in-country workers' ongoing HR needs**

## Strategies to address the labor shortage

Inflation, supply chain bottlenecks and backlogs, cyberattacks. There are plenty of issues plaguing the manufacturing sector right now, with the global labor shortfall at the top of the list. Positions that remain unfilled, whether from a lack of qualified candidates or job churn, reduce both operational efficiency and profit margins. According to Deloitte's 2023 Manufacturing Industry Outlook, there are four talent management strategies organizations should implement to attract and retain skilled talent. [Source](#)



### Wage increases

With challenges from tech startups, warehousing operations and retail, manufacturing isn't the only gig in town. Maintaining competitive salaries is a must.



### Upskilling and reskilling

Training new workers like recent college grads, and offering continuing education for your current workforce, ensures that there will be enough people with the right mix of skills and experience to keep your operation thriving for years to come.



### DEI strategy

Widening your hiring pool not only brings in more underrepresented candidates, but it also contributes to increased innovation.



### Flexible work schedules

Few people expect, or want, to go to an office from 9–5, five days a week. This is especially true for younger workers. Organizations who ignore the massive cultural shift to hybrid work arrangements do so at the risk of losing out on more and more candidates.

## SOLUTIONS

### Why you need local HR expertise

A global workforce solutions partner can provide you with invaluable local HR guidance as well as hire international workers on your behalf. The latter service, called an employer of record (EOR), or sometimes referred to as a global professional employer organization (PEO), helps companies grow internationally without having to take on the delays, cost and risk of forming an entity because your partner has already established one locally. The EOR acts as an in-country extension of your HR team, so you don't have to spend precious time wading through local labor laws or hiring customs as you work to secure top talent. An on-the-ground HR team is especially valuable when it comes to four key areas.

### Compliance

An EOR will ensure that foreign workers are hired, onboarded and paid in accordance with all local labor and tax laws, handling all the questions so you don't have to worry.

- Do worker contracts correctly include everything that's required by the local authorities?
- What benefits are workers entitled to?
- Are the appropriate federal, provincial and/or local taxes withheld from workers' paychecks?  
In addition to income tax, there are taxes for social costs; entitlements like healthcare, pension and disability; and unemployment that may need to be withheld.

## **Worker satisfaction**

In addition to giving your business regulatory guidance, in-country HR partners also improve worker satisfaction by serving as the local face of your business. This helps workers feel like they're a part of your team with benefits, perks and tools that are comparable to what employees receive in your home country. New international team members are assured there's someone protecting their interests, because the local HR teams know firsthand what fair hiring, salary and benefits should look like.

## **Access to top talent**

If you work with an organization that offers recruiting services, you are tapping into a larger talent pool than you'd be able to identify on your own. Local recruiters are constantly connecting with active job seekers including people with highly desirable skills like niche, technical and hard-to-find expertise. Their network instantly becomes yours, and their reputation reassures local candidates that you're a worthwhile company to work for.

## **Entity setup**

Over time, as business opportunities grow, you might decide it's worth the investment to set up your own entity. Thanks to the flexibility of an EOR, you can easily transfer outsourced workers to your own entity and hire them directly. Additionally, some global workforce solutions partners will also usher you through the process of entity establishment, taking care of all the logistics on your behalf and navigating laws, regulations and red tape with a fluent understanding of what's required.



## CONCLUSION

# Your partner for quick, compliant hiring in international markets

To meet your manufacturing company's goals for growth, secure top talent and remain competitive, you need to be able to recruit, hire and onboard quickly, and you need to be able to do that again and again in any country where you spot new opportunities.

Safeguard Global has been tackling complex HR challenges for manufacturing companies like yours for over a decade. We have local HR and payroll teams as well as international networks of pre-qualified candidates around the world, so we are able to support your recruiting and hiring in 170+ countries. We've seen firsthand all the ways a company can benefit from outsourcing local hiring and HR in order to focus on the strategic initiatives that will help your company succeed.

Our global solutions advisors can assess your international HR needs and propose a solution that helps you grow your business around the globe.

[Contact us today to get started.](#)





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