



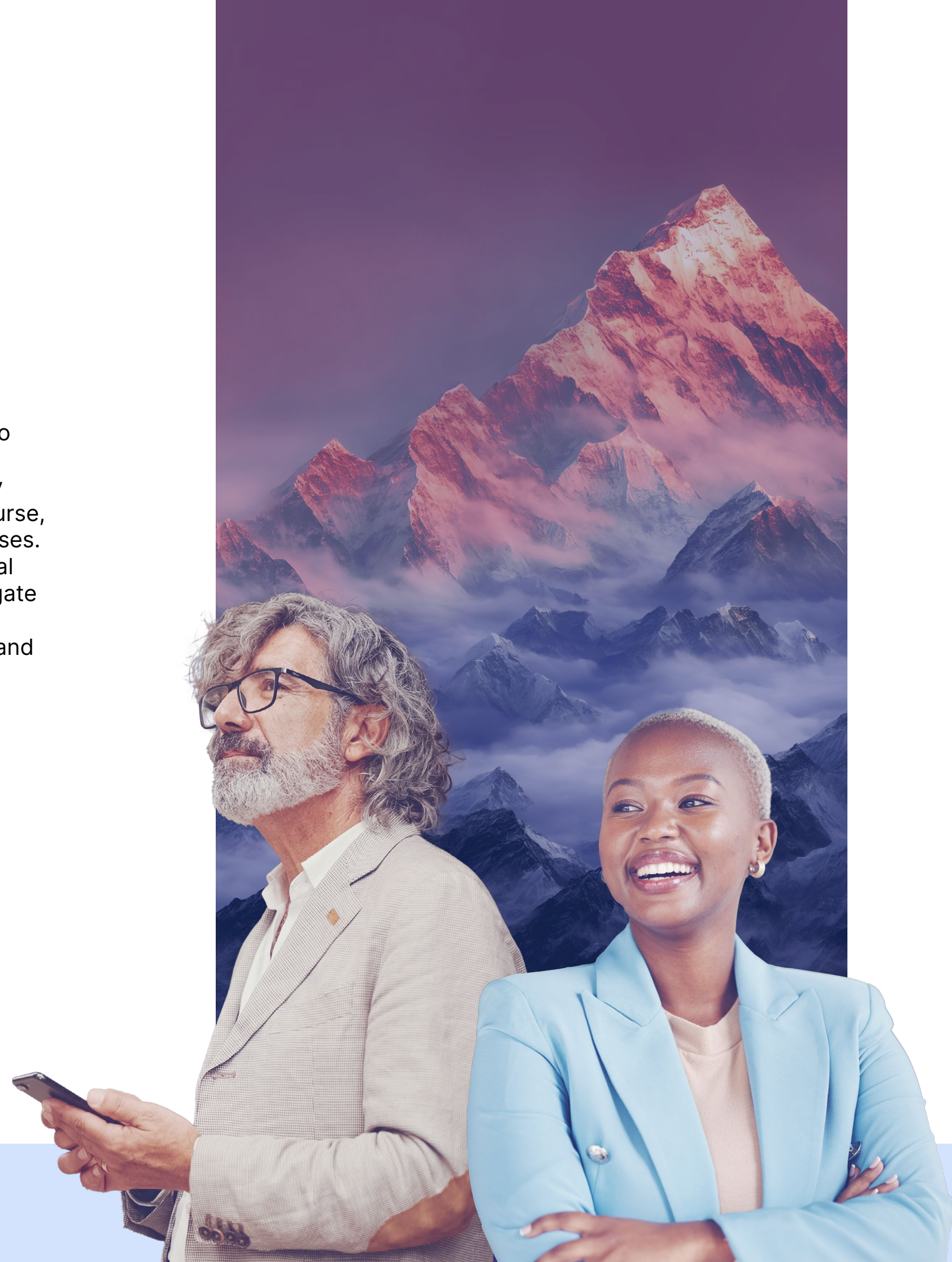
The global hiring playbook

A guide to scaling your workforce during international expansion

Know your hiring options

Global staffing is a natural part of organizational growth. As you move into new markets, you'll need to hire local employees to effectively and efficiently facilitate the expansion process. Of course, that's easier said than done in many cases. Companies planning to hire international workers will need to know how to navigate the complexity of foreign markets and talent. This guide will help you understand the best path for your organization.

- International recruiting
- Independent contractors
- Employer of record
- Legal entity establishment



Every business is unique, which is why you should understand all your options before making any international hiring decisions. Understanding your long and short-term growth objectives will help you assess the strengths and weaknesses of each hiring option.

If you're hiring people internationally, you'll want to think carefully about the different ways you can engage talent and which hiring option is the best fit for your business. It is especially important to pay attention as the relationship between you and your hires changes over time to make sure your workforce continues to be classified correctly.

International recruiting

International recruitment involves identifying, attracting, interviewing, selecting, hiring and onboarding qualified candidates in foreign markets. This is more than a simple job posting. It's a strategy to acquire top-tier talent to help meet international expansion goals.

In many cases, you not only need to fill open roles, but you need to fill them fast. Opening your search to remote and international markets deepens your talent pool. But it can also overwhelm your talent acquisition teams, particularly if they're unfamiliar with the labor laws, HR requirements and cultural expectations of a foreign country. Working with an international recruitment agency can alleviate some of these challenges.



ADVANTAGES

Access to a large talent pool: Recruitment agencies maintain large databases of pre-screened and vetted candidates (including passive candidates who may not be actively searching for a job but are open to opportunities), which lifts one of the most time-consuming aspects of the hiring process off your plate.

Expertise in niche industries: Many recruitment agencies specialize in specific industries or sectors, keeping themselves up to date on the latest market trends, industry news and in-demand skillsets.

Regulatory compliance: Complying with regulations is much easier when you have help, and recruitment agencies already have processes in place that reduce potential risk and align with local laws.

Local market knowledge: Recruitment agencies often have in-depth insight into the local job market in the countries where they operate. This local knowledge and expertise can help your company prepare and set expectations with regard to available local talent, compensation standards, legal requirements and market trends.

Streamlined process: Partnering with a recruitment agency not only offloads some of the workload from your internal team, it also can give you a more predictable ROI for the resources expended during the hiring process, since candidates are sourced ahead of time and vetted.



DISADVANTAGES

Time to hire: Even with access to a large talent pool, finding the perfect fit for your needs can take time. If you have an immediate hiring need, it's important to understand that recruiting foreign workers is strategic, and therefore can take time to fill open roles.

Onboarding and training: Make sure you understand everything that is included with your recruitment provider. Sometimes recruitment only includes the actual hiring of an employee, without additional onboarding and training support.

Payroll challenges: After you've successfully recruited a new employee, how are you going to pay them? Paying international workers compliantly can be a significant challenge, especially if you're operating in multiple countries.

Independent contractors

Different countries and governments have various definitions regarding contractors versus employees. But as a general guideline, if an individual exclusively works for one employer for an extended period, they are usually classified as an employee. As a result, the company will be expected to treat them as such. This means you need to implement wages, benefits, and taxes for that employee.

Utilizing independent contractors for one-time projects can be very fruitful for a business. They can enjoy significant cost savings when it comes to benefits reductions. However, even innocent mistakes can become costly. If a company and local government don't align on the proper classification of a worker, it can result in serious compliance penalties.

ADVANTAGES

Cost savings: Although businesses may have higher payments to independent contractors, they still save when it comes to equipment, tax withholdings, office space and healthcare/benefits. In some cases, companies could save as much as 20% by using independent contractors.

Specialized skill sets: Independent contractors often specialize in specific industries or skill sets. This means they can provide high-quality work and prepare businesses to enter new markets. Being hired as a contractor means their job security relies on delivering good results to the employer.

Flexibility: In most cases, contractors have more flexible schedules to ensure they can meet the demands of their employers. This adjustable schedule allows them to fulfill all the necessary requirements in a reasonable time frame.



DISADVANTAGES

Employment classification risk: For a worker to be correctly classified as a contractor, they'll need to meet the following criteria:

- They are allowed to work for several companies at the same time. The contractor agreement must include the independence of the contractor from the company.
- They control their own working status or schedule. This means they shouldn't have company oversight, as well as no fixed or set schedules for their work.
- They can only work for a single company for a short period of time before moving on to a different company. They should not receive the same benefits as full-time employees.
- They cannot have a non-compete clause in the contractor agreement. Such a statement would imply employment status in many countries.



HR compliance risk: Accurately paying foreign contractors requires thorough knowledge of the tax and employment laws in the countries where your business operates. These factors will weigh the heaviest when assessing a foreign country's regulations and requirements. If contractors are misclassified, the penalties could include government fines, non-payment of income taxes, non-payment of social security amounts, and revoking of authority for carrying on business.

Local presence requirements: Many countries require a local business tax ID for any required payments on an employee's behalf. This includes social security, workman's compensation, income tax, pension, healthcare and more.

Work permits: Contractors cannot get work permits unless a local entity is sponsoring them. This means a business will need to have a legal presence in the country in order to use this for foreign workers.

Employer of record

Using an employer of record (EOR) can help mitigate the risk of noncompliance when hiring internationally, while still giving you flexibility and control. With labor laws and tax regulations frequently changing for different countries, it can be challenging to navigate the complexity.

An employer of record solution like GEO from Safeguard Global gives you the ability to hire workers in other countries, quickly and compliantly, and without the need for a local entity. The EOR manages all the legal requirements and payroll, while you manage your international workers on a day-to-day basis.

ADVANTAGES

Quick hiring: Because an EOR like GEO is already established in the country, businesses can hire and onboard new employees within days or weeks, instead of months.

Low cost: For businesses on a budget, this can be a very cost-effective option. Using an EOR provider eliminates the setup fees associated with setting up a legal entity and allows the business to start operating immediately.

Minimal risk: All the compliance obligations fall on the EOR provider and protects the business from any legal risks or issues.

Flexibility: Companies can test new markets with easy entry and exit, without sustained liabilities or costs upon departure.

Talent acquisition: Companies can acquire top talent by offering attractive compensation and benefit packages. All salaries and benefits should be determined by socially expected norms, local market conditions and any benefit regulation.

In-country expertise: Years of experience in countries around the world allow EORs to offer a wide range of support. They can help businesses navigate complex labor laws and optimize their growth potential.



DISADVANTAGES

Acquiring physical assets: Companies with many physical assets may not have a choice when it comes to establishing a legal entity. This allows businesses to show fixed assets in accounts.

Permanent establishment considerations: It's important to understand the compliance requirements of each country you operate in. In some cases, it may be necessary to register a legal entity for certain tax obligations.

Fragmented vendors: If an EOR provider doesn't operate in the countries a business wants to expand to, they may be forced to hire multiple providers. This can cause communications and management burdens for your internal team.

Lack of complete control: Although businesses have control over the day-to-day operations of their employees, they do not have full control over the legal and compliance operations.

GEO manages the legal and compliance infrastructure by acting as the legal employer for a client. This enables them to handle all workforce management tasks, including payroll, accounting, and compliance requirements. And although an EOR provider handles many of the backend services, the client is free to control and manage the employees on their daily initiatives.

Businesses can reference this checklist to determine if an EOR would be the best solution for their international expansion:

- You're taking your first steps in a country and simply want to test the market.
- You want to operate for the long-term in low volume countries.
- You don't want to work with contractors in other countries.

Legal entity establishment

When it comes to hiring full-time employees in another country, you will need a legal presence to ensure compliance with local employment laws and obligations. This can be complicated especially if you are hiring in multiple countries, because regulations vary significantly between countries and often between provinces and states even within the same country.

Let's look at China as an example. If you're looking to hire a local employee, you will need to make contributions to housing and social care schemes. These legal requirements and costs will need to be taken into consideration during your expansion.

ADVANTAGES

Talent acquisition: Companies can acquire top talent by offering attractive compensation and benefit packages. All salaries and benefits should be determined by socially expected norms, local market conditions and any benefit regulation.

Local compliance: When a company registers as a permanent legal entity, it is much easier to stay compliant with local tax and legal regulations.

Physical assets: Companies with many physical assets may not have a choice when it comes to establishing a legal entity. This allows businesses to show fixed assets in accounts, such as land, buildings, machinery, tools, equipment, vehicles, or any other form of tangible economic resource.

Market presence: Establishing a legal entity creates a sense of trust and credibility within the local economy. This can help generate a positive market perception over time.

Strong growth foundation: Although it may cost more upfront, legal entities create a foundation for stabilized growth in the long term.

DISADVANTAGES

Costly setups: It is very common for businesses to pay between \$15K-\$20K to establish a legal entity.

Longer setup times: If you are hoping to hire employees quickly in a country, this may not be the right solution. Depending on the legal complexities of the country, a legal entity could take two to four months to set up.

Compliance management: Local laws and regulations are constantly changing. It is critical for companies to always be aware of these changes, or they will end up paying significant fines and penalties.

Exit difficulties: After a company establishes a legal entity, some country requirements can make it difficult to close operations in the future. Dissolving a legal entity could cost three times as much as it did to set it up.

When establishing entities, the more countries you operate in, the more complicated the management process becomes. This is because regulations vary from country to country, and even within states or provinces. Your international success is contingent upon having a firm grasp of local employment law.

You'll also need to consider how you will structure and implement employee compensation and benefits. Make sure you structure this correctly so you don't have two countries competing for your tax revenue.

If this is the right fit for your business, here is a list of components to prepare to establish a legal entity:

- A resident director
- Information and credentials for the executive team and all corporate directors
- Office space or registered office address
- Local support (accounting firms, law firms, bank accounts, etc.)
- Registration with the local labor board
- Registration with the national pension, health and unemployment requirements
- A local operating agreement
- Employment contracts that are compliant with local laws



A trusted partner for global hiring

Safeguard Global supports organizations throughout the business lifecycle, offering global **recruitment services, entity setup, employer of record, accounting, HR and payroll solutions** in 170+ countries.

Our experienced global teams understand the complexities of operating across multiple countries and help our clients effectively navigate the nuances of local laws and regulations. We help simplify day-to-day operations for our clients so they can free up time and resources to focus on their core competencies.



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