



Global Payroll Management Guide

Learn how to manage global payroll for your team and keep your company compliant with international labor laws. Our global payroll guide has all the information you need to get you started.



How to manage global payroll for your international team

Today, companies of all sizes can hire great people all over the world. Managing global payroll isn't easy, though, even for experienced businesses.

Global payroll involves much more than processing payments to employees.

Your global payroll solution is more of a strategic asset than an administrative one, allowing you to hire and pay top talent swiftly, easily, and in full compliance all over the world.

Not all global payroll providers can fulfill this role effectively, however. Companies unfamiliar with global payroll may recognize the many challenges of compliance, taxation, and other obstacles that global payroll solutions can solve. For example, if a company does not own a legal entity in a country, a global payroll provider can help that company hire international workers without needing to spend thousands of dollars over several months to open a new entity.

Approaching global payroll as a challenge with an easy fix is a problem in itself. Labor laws and international payment restrictions vary greatly from one country to another. This guide will help you learn more about how to manage your global payroll and protect your international team.





2020

Global Workforce Revolution Report

Welcome to the biggest revolution in the history of work. Employees today operate under a different set of rules, and their needs and outlooks are changing faster than ever. To attract and retain employees today, companies must understand what employees expect, how those expectations are evolving, and where they stand in the new era of work.

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What does global payroll include?

Global payroll is often used as a catch-all term to describe the practice of onboarding, managing, and paying employees and contractors around the world. Depending on the person you ask, global payroll could mean something as simple as sending payments to contractors or something as complex as having another company act as the employer of record for your employees in that country.

There are three basic services offered by global payroll solutions providers:

	Requires you to own entity	Employs workers on your behalf	Intellectual property protection	Takes on your labor law compliance	Payroll for your local entities	Benefits administration & management	Payments to Contractor
Global employment services		✓	✓	✓	✓	✓	✓
Localized payroll services	✓				✓	✓	✓
Contractor payment services							✓



01 Global employment services

When you do not own an entity in the country where your employees live, you need full global employment services. Global payroll providers can employ your workers on your behalf using a model commonly known as Employer of Record, or EOR. Under this model, your employees are still your employees, but the global payroll provider acts as the employer on paperwork to allow you to employ workers in the country legally. Global employment services include payroll management, benefits administration, intellectual property protection, and assignment of your company's in-country employer legal responsibilities to your provider.

02 Localized payroll services

Global payroll providers can also handle your local payroll needs in countries where you already own your own legal entities. This is a good option for companies that have already made significant investments in a country and plan to maintain a large in-country workforce. In these cases, the global payroll provider handles local payroll and benefits administration but does not employ the workers on your behalf. You are responsible for your own in-country legal obligations and intellectual property protection.



Contractor payment services

In cases where your company needs to work with someone in another country but does not wish to make that person a full employee, your global payroll provider can help you with international contractor payments. For short-term arrangements and deals with individuals who prefer to remain self-employed, this can be a good option. That said, companies must be cautious to avoid fines and penalties, not to mention accidental loss of intellectual property depending on the laws where the contractor lives.

Because countries have different guidelines on who qualifies as an employee, your global payroll solution acts as your first line of defense against worker misclassification. Many companies default to paying international workers as contractors because it's easier. However, doing so can expose the company to potential lawsuits if the contractor decides to claim an employment relationship.

Sometimes, companies may use different methods in different countries. For example, a company could employ workers through a global employment solutions provider in one country, use that provider's local payroll services in another country where the company owns an entity, and use the same provider to pay contractors all over the world. Your global payroll provider can help you work out the right mix of services for your situation.





Best practices for global payroll

Once you know which type of global payroll services you need, make sure you follow a few best practices

01 Global employment services

First, select a global payroll partner who matches your needs. If you own an entity in the country, you may not need full global employment services. In this case, localized payroll services will likely cover all of your needs. If you already have a provider, you may be able to get a better price or better service by shopping around. Whichever option you choose, make sure your provider is an owned-entity provider and not a partner-dependent one.

02 Prioritize the employee experience

During and after your partner vetting process, keep the needs of your team top of mind. Your employees deserve a great experience no matter where they live. Nothing damages the relationship between employer and employee like a late or incorrect payment, so take the time to set up your international payroll solution correctly from the beginning. Work with your provider to provide employees with the benefits that matter to them and make sure your provider appreciates the responsibility of acting as your company's payroll representative.

03 Understand the difference between an employee and a contractor

Next, clarify the relationship between the company and the worker. Legal battles in foreign countries get costly quickly, not only in money but also in time. When executives, managers, and lawyers have to argue court cases thousands of miles away, the company loses valuable hours that would be better spent elsewhere. If your company needs to pay workers abroad, establish relationship boundaries clearly and in writing to clarify whether workers are employees or contractors. Your global payroll provider may be able to help with this depending on the type of service you require.

04 **Pay the right salary for the person, role, and location**

After setting expectations for the relationship, make sure you pay appropriately. How do you determine compensation for remote employees? That depends on your company's compensation philosophy. While some companies choose to pay everyone the same rate no matter where they live, others base their salary calculations on the cost of living in the area where each employee lives. Do your research to make sure any offers you make are competitive for the role, region, and employee's work experience. Again, your global payroll provider may be able to help you understand local salary ranges.

05 **Consider whether you need your own entity**

Next, think about your long-term goals. Do you need to open your own entity in the country where you want to employ someone? That question depends on a variety of factors, including how long you plan to employ workers there, how many workers you want to hire, what kind of payroll partner you have in the country, and the costs of opening the entity. If you are not sure which option makes the most sense for your business, your global payroll provider may be able to help.

06 **Guard your intellectual property closely**

Did you know that in some countries, intellectual property rights default to the creator, not the client? When working with contractors and employees abroad, make sure you do not accidentally expose your IP and invention rights to unnecessary risk. Talk to your global employment solutions provider about how they protect your IP abroad.



Frequently asked questions about global payroll

01 Can US companies pay foreign employees?

Companies in the US cannot make direct payments to foreign employees in most circumstances. Although US companies can make direct payments to global contractors, paying international employees is more complicated. Companies can either set up their own legal entities in the countries where employees work, or they can partner with a global employer of record that provides payroll services.

02 How do you pay workers in other countries?

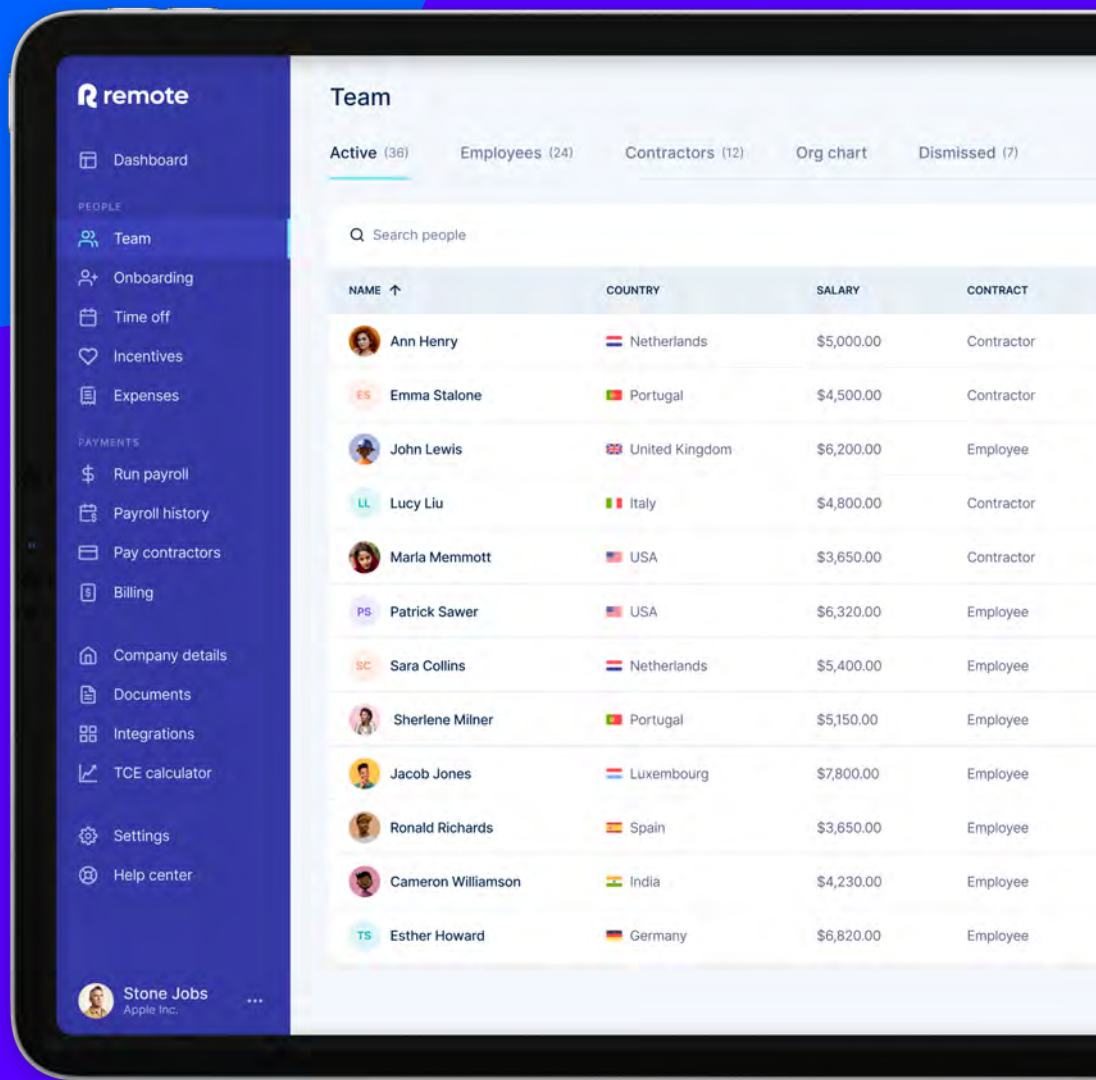
Unlike domestic employees, who can receive their paychecks with little difficulties, employees in other countries require more attention. To pay employees in other countries, you must account for things like contributions to social programs, like social security and pension funds; employer taxes; and payment for statutory benefits. Many businesses looking to hire foreign employees work with global payroll providers.

03 How much should you pay foreign employees?

The answer of how much to pay foreign employees depends on the model your company follows. Some companies pay everyone the same wage no matter where they live. Others adjust for factors like cost of living. In most cases, companies hiring in foreign countries offer their foreign employees salaries that are consistent with the salaries in the area where they live.

04 Which laws apply to foreign workers: the laws of their country, or the laws of yours?

In most cases, the answer is both. However, your company should already be compliant with the laws of the country where your business is headquartered. To hire workers in other countries, you must also understand and account for other laws. Different countries have different degrees of worker protections, different requirements for employers, and different penalties for breaking the rules, so it's important to take compliance seriously.



Start hiring international employees and contractors

Hire, pay, and manage a global team with speed and security

GET STARTED NOW





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