



GoGlobal

What is an Employer of Record (EOR)?

Hire Talent Anywhere in the World



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Introduction

Hiring internationally and managing global payroll can be complicated and time consuming, with statutory requirements and payroll processing varying drastically from one country to the next. An Employer of Record (EOR) service is often the right solution for efficiently achieving business goals while saving time, money and hassles in international hiring.

EOR services have numerous use cases, including global market expansion and seamlessly tapping into talent pools abroad. An EOR partner can even help a company achieve compliance quickly ahead of corporate transactions, such as initial public offerings (IPOs), mergers and acquisitions (M&As), carve outs and wind downs. Companies may also engage an EOR partner to help them streamline HR functions, enabling internal teams to operate more efficiently.

In determining whether an EOR service is the right solution for a company, it is necessary to deeply understand what an EOR is and how it can potentially fit into the global talent strategy.

What is an EOR?

An EOR is an organization that has legal entities already established in the target countries in which a company (the EOR's client) wishes to hire talent. Effectively, the EOR legally employs that talent on behalf of the hiring company, rather than the hiring company directly employing the worker. Hence, the EOR assumes the liabilities of operating a local business as well as the responsibilities of administering payroll and employment in the country.

An effective EOR offers a combination of specialized knowledge in local HR regulations, statutory requirements, customary benefits, culture and hiring practices. They also provide the administrative acumen and due diligence to ensure international employees are welcomed locally, onboarded efficiently and well-cared for throughout the entire employment tenure.

Relying on an EOR's expertise can relieve a lot of the administrative burdens that come with expanding into new countries or employing talent in countries where a company is not already incorporated. For example, if a company expanding into a new market wishes to hire locally, they must go through the process of setting up a legal entity in-country. The company's HR team would then be tasked with learning and understanding payroll, visa, tax requirements and other regulations specific to that jurisdiction.

Key back-office tasks handled by an EOR partner:



Payroll



Tax Withholdings



Statutory and Supplemental Benefits



Visa & Immigration



Onboarding Tasks, Including Background Checks and Drug Testing



Compliance with Labor Laws Such as Termination Protocols

Employment risks also largely lie with the EOR, freeing the hiring company from many legal liabilities and risks. Still, in the day-to-day operations, that person completes their work for the company like any other employee.

Partnering with an EOR helps companies hire the best talent for the job, regardless of where they are in the world. By knowing their business is operating compliantly and seamlessly, the company can then focus on the core business-growth activities that matter most.

What's the Difference Between an EOR and a PEO?

On the surface, a Professional Employment Organization (PEO) and an EOR may appear to carry out the same functions. There is some overlap but there are several key distinctions that may make it more beneficial to work with one versus the other, depending on a company's operational needs.

It is helpful to think of a PEO as an outsourced HR department to a degree. They handle responsibilities like contracts, terminations, taxes and many day-to-day HR tasks such as payroll. But there are limitations and additional liabilities that come with a PEO that can limit its applications in global hiring and payroll management.

The most important differentiator is that, unlike an EOR, a PEO does not employ the talent on behalf of the hiring company. Instead, a PEO model creates a co-employment relationship. Thus, as the client, full liability still falls on the hiring company. So, if anything goes wrong or any fines are levied, the buck is passed to the hiring company. Likewise, since the hiring company is a co-employer, the PEO model does not eliminate the need for the client to establish a legal entity in a country they wish to employ talent full-time.

Comparing Global Hiring Models

	PEO	EOR
Eliminates the need for the hiring company to set up a legal entity in-country	✗	✓
Talent is employed on behalf of the hiring company	✗	✓
Reduces the hiring company's legal liabilities in-country	✗	✓

Why is Demand Growing for EOR Services?

The ability to tap into new talent pools and hire anyone from anywhere is only one benefit of partnering with an EOR.



The EOR Functions as an HR Service

while clients oversee the day-to-day management of workers



EOR Serves as the Legal Entity In-Country

to construct employment contracts, conduct payroll and administer localized benefits

Compliance is another major consideration for working with an EOR.

Jurisdictions vary greatly in the scope of their labor and tax laws. If there is even a single mistake made in following local legislation, the company is held 100% liable for any fines or associated costs. An EOR helps to mitigate this risk. Essentially, they maintain compliance with all contributions payroll, withholdings, benefits, etc. Should the need arise, the EOR can also apply their local expertise and act as the go-between between the company and local authorities.

Engaging an EOR partner can provide significant time savings and minimize costs for a company's internal HR and legal teams. Namely, they no longer need to be experts in, nor keep track of, changes in the labor laws in a foreign country.



Expanding into New Markets

When expanding into a new market, setting up a legal entity without any guarantee of success might prove to be nothing but a cumbersome, expensive experiment.

Incorporating a legal entity can take longer than six months in some countries, according to data from the World Bank, and the process involves steep startup costs.

If the global expansion ultimately fails, the final result can be a lot of time, effort and revenue expended – with nothing to show for it. On the other hand, by engaging an EOR partner with a legal entity in the target country, a company can tap into new talent pools with flexibility and ease. At the same time, they can contain operating costs and virtually eliminate the legal obstacles of hiring global talent.

Other Common EOR Use Cases

Apart from global expansion, some other common use cases for an EOR service include:



Facilitating Corporate Transactions

Using an EOR can help mitigate underlying human capital risks in corporate transactions – including IPOs, wind downs, carve outs and M&As – while bolstering business development, cultural integration and talent retention.



Centralizing International Payroll

If a company's HR team has limited resources and is spending more time on administrative tasks than on strategic initiatives, it might be worth considering shifting to an EOR model to reclaim that time.



Relocating Employees

If an employee wishes to relocate to a country where a company does not have a legal entity, an EOR can make it possible to retain that employee without breaking compliance or violating tax laws.



Ensuring Compliance with Immigration

Immigration policies around the globe are constantly changing, including ad hoc provisions implemented during the COVID-19 pandemic around visas, permits and types of business activity. Rather than run the risk of non-compliance or invest the resources to keep pace, many companies choose to implement an EOR model for international hiring.



Hiring Where the Talent is

An effective EOR model essentially offers a company agility in hiring top talent in any market around the world – regardless of where they are located.







An Effective EOR Model Can Benefit Workers too

When deciding how to engage global talent, companies sometimes have questions as to whether or not the EOR model will attract the right talent.

While the EOR model is still growing and many workers may not be fully aware of how the arrangement works, there are numerous benefits workers also enjoy when they are employed through an EOR.

Sometimes a company may feel that the best way to engage a worker is through an independent contractor relationship, as it both alleviates the hiring company of fixed costs and offers workers a certain level of autonomy. However, this can become increasingly complicated as a company grows its in-country footprint, with companies running the risk of permanent establishment and legislation also possibly placing additional tax and administrative burdens on the contractor.

Benefits for workers employed by an EOR:

 Safety Net of Permanent Employment	 Statutory and Supplemental Benefits	 Localized Support with Awareness of Culture and Customs
 Legal Protections	 No Timezone Barriers	 Local Language Support

Tips for Choosing an EOR Partner

When it comes to vetting an EOR partner, there are several considerations and key questions to ask:

- What level of local expertise and global hiring experience does the EOR team have?

- Will the hiring company receive support in their time zone?

- Will the hired workers (client-employees) receive support in their time zone and in their native language?

- Has the EOR worked with organizations similar to the hiring company before?

- How are they going about securing client data?

- Do they understand privacy laws and compliance?

- Do they have an easy-to-use platform?

- How will they communicate with the new hires?

- Do they have an onboarding process?

- How are hiring requirements (background checks, drug tests, etc.) handled?

- How are contracts handled?

- Do they fully understand termination rights and other local labor laws?



Empower Your Global Talent Strategy with an EOR

Choosing to work with an EOR partner is all about finding the right balance of speed and risk.

If a company is looking to make a significant investment and is expanding into a new market with dozens of new employees, then it might be worth going through the process of setting up a legal entity.

If the goal is to rapidly hire and scale growth opportunities in a new market – while reducing costs and liabilities – then an EOR may be the right solution.

Feel free to contact us with your questions about hiring overseas talent quickly, compliantly and cost-effectively with our proven EOR solution.

[Contact Us](#)

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GoGlobal

GoGlobal is the world's fastest-growing, privately-owned Global Employer of Record (EOR) service provider, with a globally distributed and remote workforce. GoGlobal's technology enabled EOR solution allows businesses of all sizes and geographies to hire staff globally without the need to set up a local entity, opening new doors to rapid expansion and growth. GoGlobal clients can hire top talent anywhere in the world – quickly, cost-effectively and compliantly.

