

Global Employment Company (GEC) vs Global Employer of Record (EOR)

THOUGHT LEADERSHIP

**GLOBAL
EXPANSION**



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INTRODUCTION

The business world is in a state of constant change. Companies are growing and markets are going global. How you manage this change can shape the future of your business.

If you're eyeing international growth, you'll face crucial decisions, starting with how to hire overseas. Do you relocate domestic staff or hire locally? And how can you streamline the process without burdening your HR team?

Our eBook offers solutions in the forms of a Global Employment Company (GEC) and a [Global Employer of Record \(EOR.\)](#)

But what do these services do, and how do they differ?

We'll break down the differences between GECs and EORs, helping you to make informed decisions for your global expansion.

GEC

EOR



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WHAT IS A GLOBAL EMPLOYMENT COMPANY?

If you're planning to expand overseas, the idea of a borderless workforce is likely on your mind. To succeed abroad, you'll need to find effective ways to hire, train, onboard, and support your employees who will be instrumental in building your expansion from scratch.

The talent market is tough at home, so imagine the competition when vying for top talent across borders.

A Global Employment Company (GEC) specializes in helping businesses acquire talent in the international arena. You might think it sounds like an EOR, and you're not far off.

While similar, many expanding companies opt to establish their own GEC. How do they do it? Let's delve deeper into what these globally expanding companies are really up to.



Multinational Companies and Multinational Workers

“ Multinational companies increasingly have international mobile employees (IMEs) who perform services in more than one country, other than their country of citizenship, during a single taxable year.

Thanks to The National Law Review, we can gain more insight into what companies use GECs for: *“A Global Employment Company is an entity established by a multinational company to employ its IMEs. In effect, the GEC serves as a leasing company that is responsible for the employment, compensation and benefits, immigration and income, and social tax matters for IMEs.”*

A GEC is an entity that is set up by a multinational company looking to expand internationally. In effect, you'll incorporate your new operation and establish this leasing company to manage salaries, benefits, and other employment-related issues within the country that you're expanding into.

This helps to ensure that everything is set up legally both in your home country and in your host country, which is often the most difficult and confusing aspect of expanding overseas.

What Are the Main Benefits of a GEC?

There are several key reasons why a business would want to establish a GEC in a host country for international expansion:

- ✓ International mobile employees are treated with equity.
- ✓ Your organization gains comprehensive internal control over employer and employee compliance requirements.
- ✓ Your GEC can be uniquely established to leverage beneficial tax and social security locations, improving your bottom line.
- ✓ A GEC can easily simplify your global mobility administration, making it easier to manage your international workforce from overseas.
- ✓ Establishing a GEC means that you're also establishing a mobility P&L. This will help to manage costs more effectively in the long run.
- ✓ Your GEC will allow you to minimize establishment exposure permanently. Your organization will be better positioned to implement change organization-wide.
- ✓ Instantly align your talent with the unique opportunities that you're given. Pave the way for a global reward structure with a GEC.

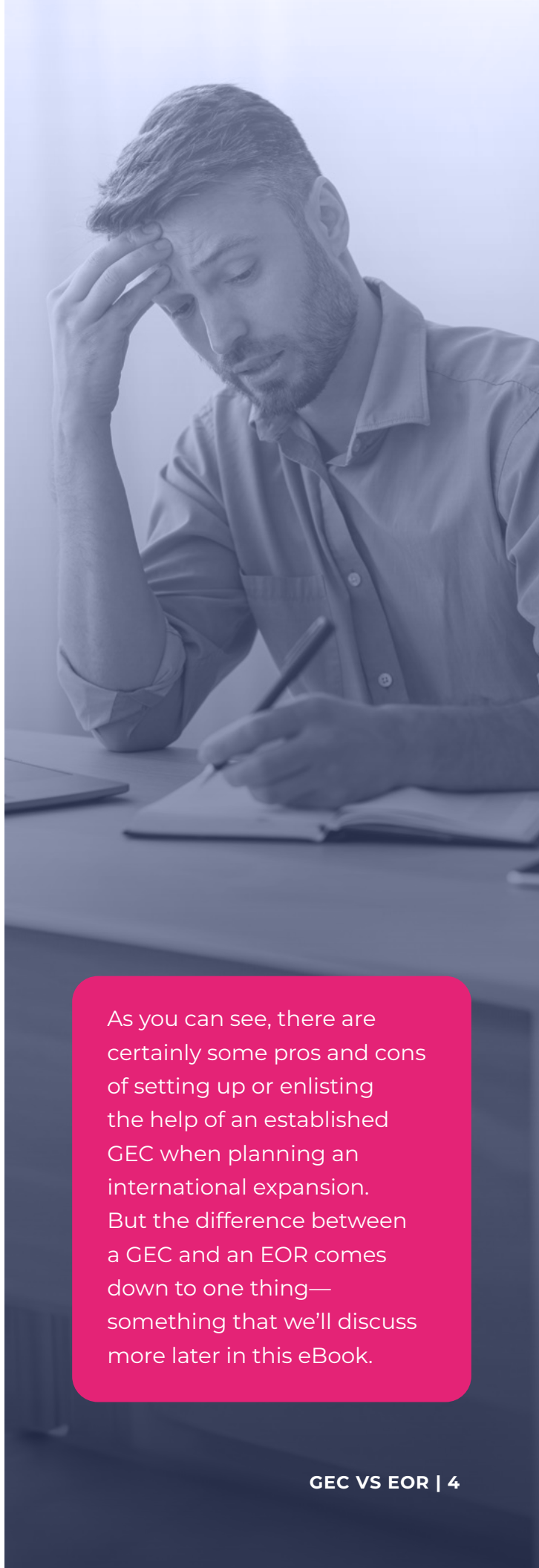
Where GECs Fall Short

GECs can be quite expensive. Remember, establishing your own company along with a GEC means more money spent. Depending on how you choose to use your resources, it might simply be more cost-effective to formally incorporate and do things on your right from the start.

Let's also talk about the potential for losing control. Think about it: your HR team handles all aspects of employment for your business, and then you suddenly tell them to hand over their job responsibilities for your international expansion. In this case, you might end up with some frustrated employees who might even feel insulted by your choice to allow a third party to handle employment and payroll responsibilities for your overseas operations.

Not only that, but it's difficult to ensure whether your business strategy is seamlessly aligned with that of the GEC, making for a potentially difficult challenge to overcome.

Depending on your available resources, it just might be more beneficial for you to try to set up your employment strategy overseas all on your own, without having a local entity to assist you in that endeavor just for the sake of maintaining your business strategy.



As you can see, there are certainly some pros and cons of setting up or enlisting the help of an established GEC when planning an international expansion. But the difference between a GEC and an EOR comes down to one thing—something that we'll discuss more later in this eBook.

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WHAT IS AN EMPLOYER OF RECORD?

An Employer of Record (EOR) is a company that legally hires workers on behalf of another business.

The EOR handles all employment-related tasks such as compliance, payroll, taxes, and benefits.

EORs can operate within the same country as the hiring business or in a different country with distinct employment regulations.



Working With an EOR Makes It Easier to Launch Your Global Operations

When you first start a business, nothing can be more important than getting to know the market in which you'll be located. Not only does this include the market niche in which your business is situated, but in the very literal sense of the local, regional, and national market that you'll be looking to exploit.

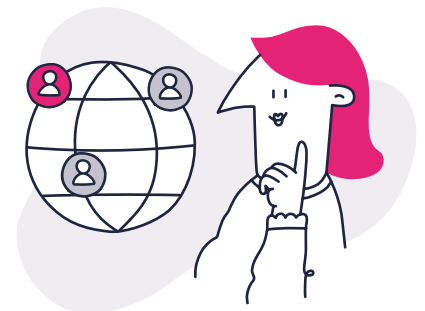
When you plan to launch an international operation, it is just as critical to get to know that market, too. Partnering with an EOR makes it easier to launch your international operations because you won't need to learn everything about this new foreign market.

In essence, your EOR will be responsible for everything from payroll and taxes to benefits, compliance, and employee protections for your new host country. This means that your HR staff and administrative staff won't be required to research every piece of information related to "how we do things" overseas, while also maintaining their day-to-day responsibilities back home.

With an EOR, you can get your new operations up and running much faster because you don't need to become an expert in this new market—at least in terms of employment.

Assuming you're already a market expert in terms of why you chose to expand to this new host country, but that doesn't have nearly as much fine print as employee relations does.

With that in mind, teaming up with an EOR lets you concentrate on vital aspects of your expansion plans while ensuring legal compliance when hiring international workers for new markets.



There is No Need to Set Up International Legal Entities with an EOR

Earlier, when referring to Global Employment Companies, we spoke about the need to establish or, essentially, incorporate your business overseas in the new host country. When you work with an EOR, this simply isn't necessary—another big benefit that allows you to get your operations up and running fast.

Establishing a foreign legal entity isn't exactly a simple or seamless experience. It can be costly, it can certainly be time-consuming, and it almost always comes along with some serious challenges and roadblocks that could be more trouble than it's worth. By partnering with an EOR, your incorporation in your home country is more than enough to move forward.

Instead, the EOR will act on your behalf in your new host country. This means that you can move past those confusing complexities that revolve around the various employment rules, laws, regulations, and restrictions, along with compliance requirements and other bureaucratic necessities within your host country.

From there, your EOR can seamlessly hire full-time and part-time employees on your behalf to manage your new company, while you sit back and watch your team grow before your very eyes.

What about the potential for loss of control?

With a GEC, that's always a possibility. When you partner with an EOR, you'll always maintain comprehensive control over how your staff members are organized and structured, and how their tasks are delegated both at home and abroad. And from there, your EOR will handle administration.

Compliance Doesn't Have to Be Complicated

Compliance is often difficult to manage—even domestic compliance requirements. In 2023, the [U.S. Department of Labor recovered \\$274 million](#) in back wages and damages.

Now, could you imagine having to navigate the tumultuous waters of compliance requirements at home and abroad? That could quickly turn into a headache for your HR and administrative staff.

Thankfully, compliance doesn't have to be complicated. By working with an EOR, you can keep your eye on compliance at home while your EOR keeps everything in check overseas.

It's also important to consider that international employment compliance is entirely different from adapting to the local culture, customs, and legal systems of your new host country.

Every city is different, no matter where you go, and that means that you'll be responsible not only for nationwide compliance but for complying with regional and city compliance requirements as well.

If, for whatever reason, you decided to take matters into your own hands and forgo the assistance of an EOR, you'd be responsible for ensuring compliance in your domestic country, domestic state, and domestic city, in addition to your host country, host region, and host city.

And in the likely event that something goes wrong, you'd be hit with fines and, potentially, legal action that could bar you from doing business in that particular host city, region, or country. All of which would spell disaster for your international expansion endeavors.

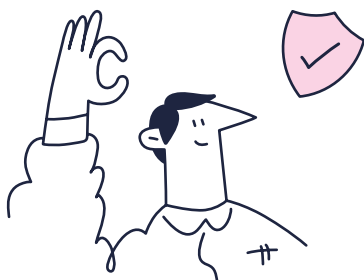


An EOR Makes It Possible to Dip Your Toes Before Diving In

Many business's international expansions fail to live up to expectations, or fail altogether because there isn't enough demand for a product or a service. And no matter how much market research you do, you're never going to know until you enter the new market.

If you choose to expand internationally, you can go about it by formally establishing your organization as a legal entity by incorporating in this new host country. This is a time-consuming process that can be expensive and complicated—and it's also permanent.

On the other hand, you can simply maintain your domestic incorporation and work with an EOR to test the waters. Because you wouldn't exactly be establishing a legal entity, you'll be able to present potential investors and stakeholders with a clear exit strategy should things go south. And should they go south, your EOR is responsible for your international workforce, not you.



An EOR Lets You Expand Your Business—Not Your HR Team

Because your EOR will be hiring employees on your behalf, you won't have to worry about bringing on new HR staff members to handle things like recruitment, training, and onboarding—something that many businesses end up being forced to do when expanding.

Consider this: You have 100 staff members in London and decide to open another branch in Manchester with another 100 employees. However, with only four HR managers, it becomes challenging for them to handle their daily tasks along with recruiting, interviewing, and training 100 more employees. You'll probably need to hire at least two more HR managers to support your expansion.

And if you were expanding internationally, you'd be forced to expand your HR department too, but not if you work with an EOR. Your EOR would simply handle all the tasks that your HR and administrative staff would manage.

You can say goodbye to the often cost-intensive and time-consuming process of establishing a legal international entity and instead, allow your EOR to deliver virtually instant savings on both cost and time.

From there, you can spend more time focusing on how you plan to accomplish your international expansion goals, with predictable HR expenses already factored into your budget well in advance.

Not only does this give you a stronger ability to remain on budget, but it also allows you to expand your business without overloading or expanding your HR team. If you ask any multinational company that decided to expand without the assistance of an EOR, that would be considered a miracle.



A PEO Is More Than Just an Outsourcing Solution

Sure, setting up your international legal entity and hiring a recruitment firm might seem like the easy way. But an EOR offers much more.

It's a complete system that handles all aspects of managing international employees, allowing you to kickstart your expansion faster, with less risk, and greater potential for returns. And that's just the beginning—there are even more benefits to explore.

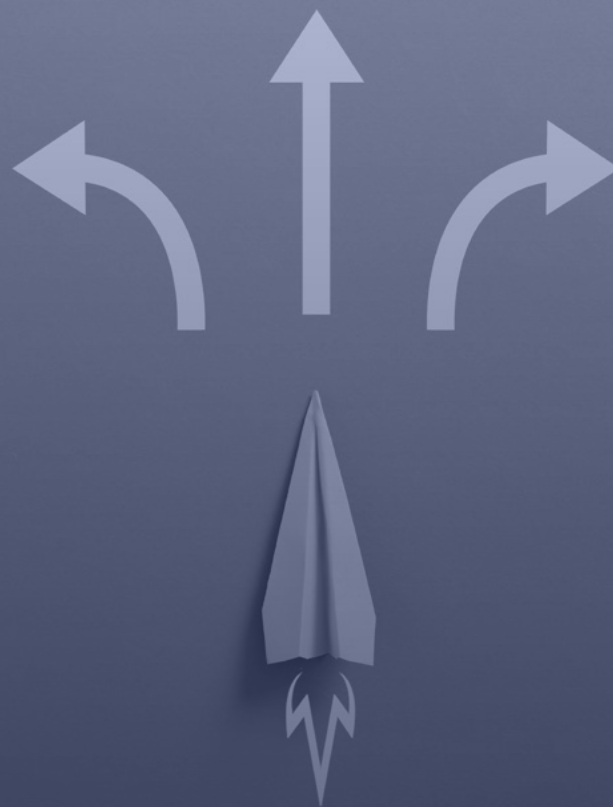
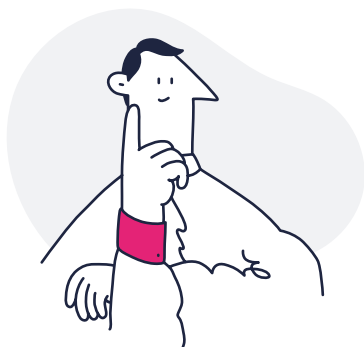
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WHICH ONE SHOULD YOU CHOOSE?

Now that we've compared GECs and EORs, the benefits of an EOR should be clear. While GECs have their merits, EORs offer greater flexibility, safety, and a higher chance of success—what every business owner desires.

Choosing an EOR to aid in your international expansion is your best move. Instead of grappling with incorporation in a new country, you can focus on launching your expansion while the EOR handles staffing, training, and employee management.

In the previous section, we weren't just listing benefits—we were defining what an EOR is and what it can achieve. Now, let's explore the key benefits businesses gain when partnering with an EOR.



Key benefits businesses gain when partnering with an EOR:

Administration Becomes Easy

For all your employees, the number one thing on their mind is almost always benefits—how will they get them, how much will they have to pay for them, and when can they expect them?

No matter what industry you're in, how big or small your workforce is, or what country you plan to operate in, benefits are always going to be critical. With an EOR, administering benefits doesn't have to be your top priority because it'll all be taken care of.

Your EOR will pave the way for streamlining how your employees receive and access their most important benefits like paid time off, retirement benefits, health insurance, and others.



File Taxes Correctly, Home and Abroad

No matter what country you're based in, filing taxes is always a stressful undertaking. But when you work with an EOR, you don't have to stress out about tax season. Instead, your EOR will take comprehensive control over your international taxes.

From preparing your taxes to filing them, you can rest assured knowing that your taxes will be filed accurately and on time. Not only does this make it easier for you to manage your international operations, but it'll also take a load off of your administrative staff who will already be bogged down with your domestic taxes.



Managing Claims Doesn't Have to Be Hard

If you own a business that employs workers, then it's virtually impossible to avoid having a claim filed against you. After all, accidents happen, and part of owning a business is knowing what you're liable for.

Luckily, when you work with an EOR, they can help you construct a comprehensive workers' compensation management plan that doesn't hold you liable or accountable, should an international worker become injured on the job or file a claim against your organization.

Because you're not a legal entity in that host country, your EOR ultimately takes all those responsibilities off of your shoulders. This is something that could make a world of difference when it comes to insurance claims.



Compliance Compliance Compliance!

Compliance is something that we spoke about extensively in the previous chapter, but it's still so important that we'd like to mention it again.

Working with an EOR means that you'll never have to even think about international compliance.

Remember, your multinational workforce isn't employed by you, they'll be employed by your EOR on your behalf.

That means that all the compliance requirements that you're forced to adhere to domestically—and in the countries in which you're incorporated—will no longer be a worry since don't all those responsibilities are now that of the EOR.



Connect With a New International Network

If you're seeking help from an EOR for your staffing needs overseas, you're probably new to international business.

This means that you likely don't have a ton of connections overseas, and you certainly aren't part of an extensive network of vendors, suppliers, contractors, distributors, and other related potential business partners that are often necessary to ensure the success of your operations.

But when you choose to partner with an EOR, you can open yourself up to a world of new opportunities. Most EOR services have an extensive network of other businesses they work with.

This means that you can potentially open your business up to new partnerships from all around the world, which could then point you in a new direction for future expansion plans.

This is an important factor to consider because the only way to succeed in the international market is to embrace it. You can't simply expect to expand into a new host country and do well all on your own.

Besides taking time, it will also take a network of support—the same support system you needed back in your home country. An EOR makes it easier to break out into a network when you're new to a market.

The Choice is Clear

The advantages of partnering with an EOR are clear. Whether you want to expand into new global markets without setting up shop abroad, manage international projects without burdening your HR team, or ensure a smooth expansion with a viable exit strategy for investors, an EOR is essential.

The best way to give yourself the most amount of control, cost certainty, and risk mitigation is by working with an EOR.



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CONCLUSION

Now that you understand the differences between a Global Employment Company (GEC) and an Employer of Record (EOR), let's focus on why partnering with an EOR is the best choice for your new international venture.

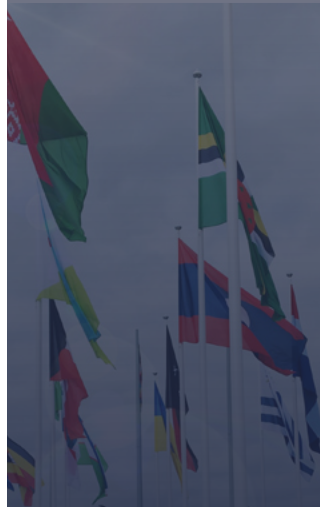
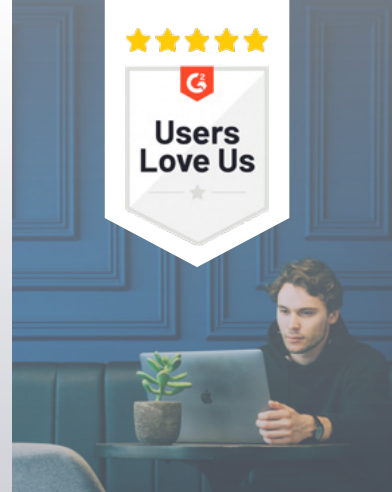
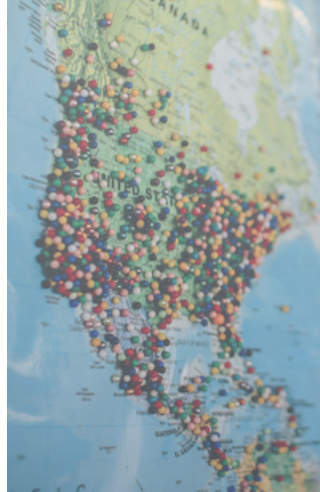
Working with an EOR brings a host of benefits, from streamlined employee management to compliance and tax advantages. Plus, don't overlook the potential networking opportunities that come with an EOR partnership.

These points are crucial because your international expansion aims to unlock new revenue streams and grow your business. Partnering with an EOR enables flexibility and efficiency, ensuring success both domestically and abroad in the long term.

By teaming up with an EOR, you position your business for success now and in the future.

If you want to explore how an EOR can fuel your multinational company's success, [reach out to us today](#).

We're ready to be your trusted partner, leveraging our expertise and network to guide your international journey.





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