

THE ULTIMATE GUIDE TO EOR

A unique model for more
efficient, compliant overseas
employee management



WHAT IS AN EMPLOYER OF RECORD?

An Employer of Record (EOR) is a company that employs international talent on your behalf. For example, let's say your business is based in the UK, but you want to hire a candidate in South Africa. An Employer of Record can help you do that compliantly by adhering to local laws.

On paper, the candidate will be legally employed by the EOR. But you're in control of the day-to-day relationship with the employee and their tasks.

It's important to know how an EOR differs from a Professional Employer Organization (PEO). The terms are often confused as both have similar functions. They both provide HR services like payroll. But EORs become the legal employer of the employee, whereas the PEOs do not.

When you want to onboard a new hire quickly, it can be a real bottleneck, as in some cases it can take months to set up the entity before you can officially onboard the candidate onto the payroll.

Once set up, your organization will need a lot of expertise on areas as broad as compliance, tax, benefits and pensions in the new location, all while keeping a new hire satisfied, and settling them into your company culture from a distance. Importantly, if the new hire doesn't work out, and you decide to close the entity, this can often be as time consuming and expensive as setting it up in the first place.

An Employer of Record is a simpler and smarter route to the same outcome. You can hire candidates anywhere in the world, taking your pick of the best talent, but the actual payroll management is outsourced to a local partner, who hires the candidate on your behalf.

The EoR will be both responsible and liable as the employer of record, while on the employee side they will see no difference, working for your organization the same way they would as a locally-based employee.

If you choose to partner with an EoR, you can expect them to handle:

- ▶ Payroll, in compliance with local government agencies and laws
- ▶ Tax obligations, including handling both employee and business taxes
- ▶ Benefits, including insurance, pension schemes, and often, perks
- ▶ Elements of HR, including working hours, vacation days and sick leave
- ▶ Drafting of locally compliant employment contracts

Key back-office tasks handled by an EOR partner:



Payroll

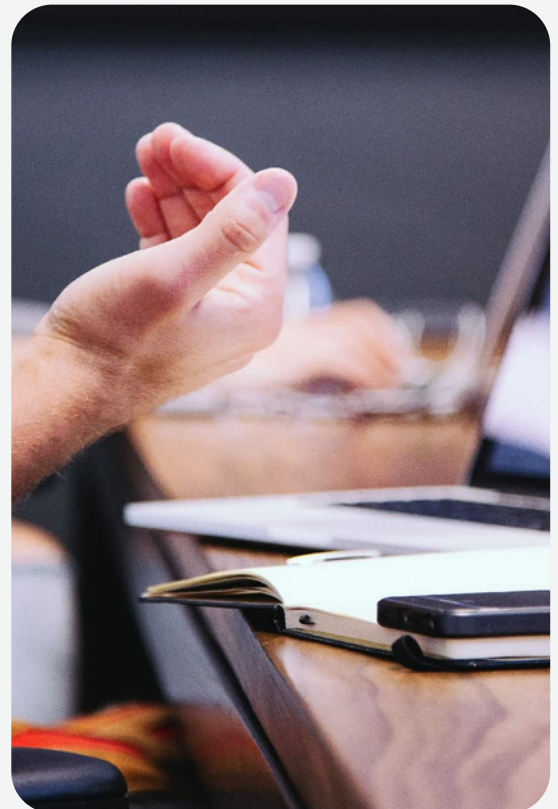


Tax Withholdings



Visa
& Immigration

Onboarding Tasks,
Including Background
Checks and Drug Testing



How to choose the right employer of record for your business?

The best way to choose an employer of record is to measure your options against the following categories:

- Coverage: Can the EOR help with hiring in the country you want to hire from? Does it offer support for other countries you might consider in the future? (Better to plan for your future needs now than to switch to another EOR service provider as you scale.)

- User interface: Does the EOR company have its own platform for global workforce management? How easy is the platform to use? Does it offer self-service options so your employees can easily access their pay slips, benefits, contracts?

- Features: How powerful is the tool? Consider features like access management, employee self-service, customizability, notifications, integrations with other tools you use, etc.

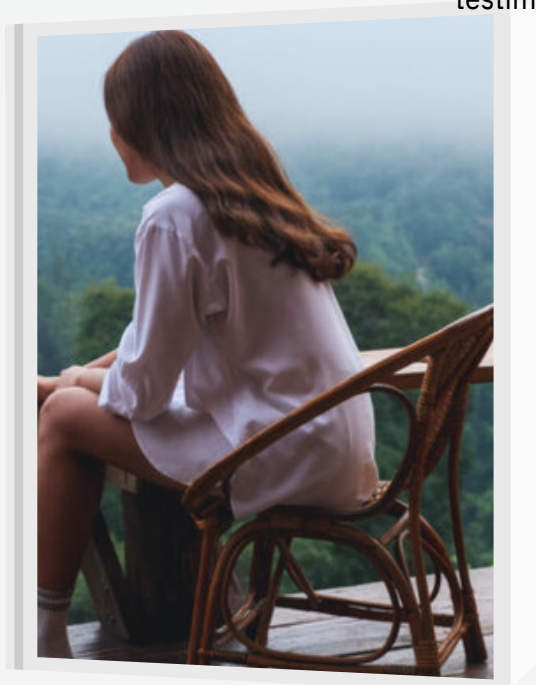
- Expertise: Does the EOR have in-house legal experts to create employment contracts and provide support to customers?

- Data security and protection: Does the EOR have a public and comprehensive privacy policy? How does the EOR protect employee data? What tests and systems does the EOR use to secure data stored on the platform?

- Compliance: Is the EOR SOC compliant? Does it regularly conduct internal audits?

- Implementation: Does the EOR have customer success agents to help onboard your team? Does their customer support team cover all time zones?

- Online reviews and testimonials: Does the EOR have strong and verified online reviews and testimonials from clients?



THE FOUR KEY BENEFITS OF USING AN EOR

Breaking down the benefits of EoR

Flexibility

Hire full-time employees in any location risk free, without having to set up an entity, or worry about misclassification. Hire employees that can get the job done, creating a broader pool of talent.

Time

When it comes to hiring the best talent, time is of the essence. Leapfrog the competition and scale quickly, putting workers in place anywhere globally, in a fraction of the time it takes to hire via traditional means

In-Country Awareness

No need to learn local customs regarding payment benefits. Instead, place the compliance requirements and payroll processing in the capable hands of local in-country partners

Cost

Hire international workers without going through the expense and headache of setting up a local, permanent entity, including registration and incorporation fees for every country in which you have employees.

7 THINGS TO CONSIDER WHEN CHOOSING THE RIGHT EOR PROVIDER

Knowing that EoR is the right employment model for you is just step one. The next part of the process is working out which EoR provider suits your business needs. Here are 5 questions to get you started.

1

Does the EoR have a local presence?

Every country is different, and will have their own laws, compliance regulations, culture, and expectations around the employer/employee relationship. To be sure of compliance in a foreign market, and to get started with your best foot forwards, the EoR has to have a local presence. That means either the EoR itself is based in the country where you are hiring, or it needs to be associated with an in-country partner to handle workforce management.

Without a local presence, a company can easily fall behind with changes to legislation that could affect your company directly. They also might not be experts on various details of workforce management, such as how to handle disputes over vacation days in the local country, or how to set and enforce limits on overtime. They may not be able to advise your company on local salary expectations or benefits benchmarks, and they certainly will not be available on the ground to help you recruit new employees and vet those you want to hire.

2

Is there a limit to how long a country allows companies to work through a Global EoR?

Some countries are stricter than others about the time limit they allow for EoR relationships. Germany, for example, allows companies to pay an employee through an EoR for 18 months.[7] After that, a company will have to open an entity and hire the employee directly.

The truth is, most EoR solutions are not a long-term option. At some point, whether that's months or years, it makes more sense for the companies to plant roots and open a legal entity of their own, or to walk away from expanding in that specific location.

When they reach a certain threshold of employees, usually in the range of 15-20, the fees they pay on each employee usually grow beyond the financial burden of incorporation costs. At that point, they may also feel that they're ready to expand beyond what EoR can offer, for example, they might want to engage in contracts with partners that require a permanent presence to complete. Until that time though, you want to make sure you can utilize an EoR provider's expertise for as long as you need, and that you won't be caught short by local laws.

In short, you want incorporation to be on your own terms, not forced or accelerated as a result of local laws. The key to planning starts with knowing in advance about any legal limits imposed by the country in question.

3

How does the EoR ensure data privacy and security?

Even before the EU's GDPR regulations came into play, privacy and security were buzzwords in the business world. After all, when it comes to payroll, companies collect and store some of the most sensitive data available about their employees. Before choosing a global EoR, it's essential to learn more about how employee data will be protected. Here's a checklist to get you started:

- Are web transfers, when necessary, completed through the secure HTTPS protocol, with no correspondence sent through standard emails?
- Is access to data limited to the minimum number of stakeholders possible, with the principle of least privilege employed for user access?
- Are files shared via attachments, known to increase data sprawl, or via secure file sharing processes?
- Are there protocols in place for protecting data in transit, as well as at rest?

It's not just a matter of protecting your employees, although of course that's top of every enterprise agenda. The fines for mishandling data can be extremely severe, and yet it doesn't always go without saying that all companies will treat your data privacy with the sensitivity it requires.

4

Which approach does the EoR use for handling IP?

As the employer in the relationship will be the EoR provider, it's important to think about contractual rights such as Intellectual Property, non-compete clauses and non-disclosure agreements, which de-facto will likely belong to the local EoR, not the client themselves. There are many complexities to consider here. In some countries, especially in Europe for example, you cannot mention the clients name in the

employment agreement, or say overtly that the IP rights are assigned back to them. Doing this could risk the relationship appearing as employer/employee, or co-employment. Of course, the EoR does not want the contractual rights, it's just a matter of assigning them in an enforceable way.

A smart global payroll provider will have flexible solutions that

can meet this challenge head-on, and will be happy to discuss this issue openly at the start, and the strategies they use to manage IP rights. In all cases, make sure to choose a partner who can recommend local legal counsel to ensure that your contracts will stand up to scrutiny and enforcement in the locations involved.



What pricing model does the EoR use?

When it comes to pricing, there are essentially two approaches a global EoR can choose. It can offer a flat fee for each employee, known as the fixed price model, or it can charge a percentage of the employee's salary. We would always suggest that companies go for option one, as workforce spending

is much easier to predict and plan with a fixed price model.

When fees are based on how much an employee earns, the numbers are likely to fluctuate from person to person, country to country, and job to job. It becomes difficult to predict how much your company

will pay the EoR for their service. On the other hand, if there is a standard fee for each employee, your company will know how much it is paying based on the number of people hired in each location. This becomes even easier when you onboard an aggregator model for EoR, see below.



How much flexibility does the EoR show in employment contracts?

Every company has its own policies, and the same is true for every EoR. The question is, what happens when the two sets of policies don't align? How far can the EoR compromise – without violating compliance regulations or local standards – to allow your company to maintain its values and principles? For example, in some cases the EoR may allow you to offer additional benefits such as an enhanced corporate pension

scheme, or an end of year bonus, even if it does not already offer these benefits on its own.

In reality, there are places where an EoR cannot be flexible, and may need to hold firm because of local laws and regulations, or legalities surrounding how they differentiate and enforce equity between one customer and another. However, there is a difference between an EoR who is

flexible when possible, and others who will insist on sticking to their own standard practices no matter what. Organizations might wrongly believe that they have to do what the EoR wants. After all, they're the ones with the local expertise. However, in some cases, decisions are just preferences by the EoR, not local standards, and there is no reason for companies to accept them, especially if your company culture is at stake.

MAKING THE TRANSITION FROM EOR TO PAYROLL WITH PANDA WORK GLOBAL

This transition can be complex for organizations to navigate, and this is one of the key ways that Panda Work Global differentiates itself against the competition.

We can support your enterprise in creating a EoR model in Pakistan currently, and in the upcoming years, other locations as well. where necessary, We can also provide equal expertise and know-how in incorporating and managing payroll, if and when you're ready to shift your business model in that direction.

With no specific dog in the race, Panda Work Global . (PWG) is best placed to provide genuine and impartial advice to your business on the right employment model for your needs. Once you've chosen what works for you, we can support a hybrid model of payment processing, the simplest way to handle complex employee payroll, globally.

As the only solution for all types of employees and workforces, we can work with you for the long term.



At PWG, we want your company to grow everywhere.

To find out more, visit our website at
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