

# 3 Ways to Engage Talent in New Markets

"For a company to expand its global footprint in a competitive marketplace almost always requires engaging workers on the ground. The legal risks and opportunities in structuring these relationships differ significantly around the world." – Bloomberg<sup>1</sup>

Successful global expansion requires one element above all else: the engagement of skilled workers in your new location. There are three ways to accomplish this: independent contractors, hiring directly, or using a third-party employer of record.

Before choosing which method is ideal for your business, consider these three factors:

## 1. Speed to Engagement



## 2. Upfront Investment



## 3. Business Risk



### Independent Contractors



Contract individuals to provide specific services

**FAST**

Independent contractors (ICs) can be engaged quickly once they are identified and the terms of the contract negotiated.

However, different countries have different rules governing contractor classification and tax responsibility, so local legal support will be required.

**LOW**

U.S. companies often make the mistake of using domestic 1099 contracts for foreign ICs. To engage ICs correctly, expect the initial cost of creating a compliant legal contract, as well as potential ongoing legal fees and costs.

**HIGH**

Liability is high if individuals are misclassified as contractors when they are being treated and acting as employees. The company may even be liable if a contractor fails to pay personal income tax and social insurance contributions in some countries.

Permanent establishment risk is based upon the nature of the business activities performed by the contractor.

### Direct Hire



Engage workers through a proprietary local presence

**SLOW**

Before you can directly legally engage employees, you have to establish your business within the legal framework of that new country based upon your proposed activities. Even when you understand those responsibilities, the speed of your establishment is at the mercy of the local authorities and their internal processes. This can take anywhere from a day to over six months just to register the business!

**HIGH**

The investment required is large and difficult to budget for until you are fully aware of your new responsibilities as a direct employer in that country. Starting a brand new foreign office means you have to procure everything that the laws of that country dictate. This includes banking, facilities, insurance, legal support, benefit provisions and more.

**MEDIUM**

Once you have an established operation within another country you are subject to that country's regulations with regards to taxation, legislative changes, unions and many other factors that can directly affect your business and its ongoing success in that location.

As a direct employer you will also have to satisfy all of the statutory employer responsibilities that country's law dictates and treat your employees carefully. While being the greatest asset for a company, employees can also represent the largest risk, especially if you are not familiar and well versed in the cultural expectations of that country.

### Employer of Record



Engage workers through a third-party local entity

**FAST**

Because the employer of record is already established and operational, you can engage workers in as little as two to four weeks (and in some cases even faster) depending on the country's onboarding requirements and processes.

**LOW**

The only upfront costs you'll typically see are a small one-time setup fee to cover the onboarding activities and the creation of the employment contract.

**LOW**

The employer of record assumes full responsibility for local statutory compliance, leaving the foreign company with only an invoice to settle.

Permanent establishment risk depends on the nature of the business activities performed by the worker in-country.

## The Right Way to Successful International Expansion

While each method has its advantages, the employer of record model is in most situations the best solution for growing companies seeking to engage talent in new markets quickly, compliantly and flexibly. Companies may choose an employer of record for short-term engagements, as an interim solution while establishing permanently, or as a long term solution where your business activities do not warrant or require a local registered presence.

1. <http://www.bna.com/boots-ground-employment-n17179894374/>