

Multiplier

# EOR Guide For Employers

Discover how you can hire  
and expand risk free

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# The “Closer Than Ever” Future of Remote Work & Global Hiring

“Yes, Remote work, if not already dawned upon, is closer to us. Unwarned, unprecedented, and untold, the national and segregated lockdowns closed down swamped office spaces. thrashed supply chains and disrupted work culture.”

## Why Should You Start Thinking About A Globally Distributed Remote Workforce?

Remote work was a luxury available to a select few. Now, it is more commonplace.

Research has effectively proved that remote work is liked and adapted to by employees all around the world. In a sentimental analysis of over 500,000 tweets, remote work was liked by over 62% of employees while only 12% actually reported a bad experience.

This liking for remote work has impacted various trends in the employment industry (Upwork, 2019, 2020):

### Increased preference for remote work

**56%**

#### Hiring Managers

56% of hiring managers feel that the shift to remote work has gone better than expected, while only one in ten feel it has gone worse than expected. (Upwork, 2020)

**65%**

#### Growth Rate

The expected growth rate of full-time remote work over the next five years has doubled, from 30% to 65%. (Upwork, 2020)

**80%**

#### Gartner’s iconic

Gartner’s iconic survey in Aug 2020 showed promising evidence that 80% of companies planned to move their positions fully remote. (Gartner, 2020)

### Millennial’s budding romance for remote work

Millennials and Gen Z made up for over 60% of the global workforce in 2020 and the former will make up for 75% of the global workforce by 2030.

**90%**

In a survey that was taken by 2000 Gen Z & Millennials employee survey, 90% reported that they do not want full-time office work once the pandemic is over. (Citrix, 2021)

**50%**

This population prefers work that aligns with their personal interests and goals. Thus they are turning to the gig economy. If the gig economy keeps growing at its current rate, more than 50% of the US workforce will participate in it by 2027. (Freelancing in America, 2017)

### Technological advancements

**79%**

A huge majority of remote workers 79% think video conferencing was at the same level or more productive than in-person meetings. (Owllabs ,2020)

**159%**

Between 2009-2021, the number of employees working remotely has increased by 159%. This influx is largely attributed to advancements in remote work technology. ( U.S. Census and Bureau of Labor Statistics )

## How You Can Capitalize on This Opportunity?

Remote work has paved the way for companies to hire employees across the globe. Barriers such as fixed work durations, commute, and employee location, are smashed with the advent of remote work across the globe.

Even varying time zones were waived off from being a factor affecting remote work. In a survey conducted by Buffer, only 8% think different time zones as a barrier to remote work. It was found that 59% of remote teams work within a span of 2-5 time zones.

So how can you change your work environment to accommodate talent from around the world?

### Offer a flexible work environment:

Flexibility in the work environment can encompass allowing workers to work across times, improving technology for better asynchronous communication, and hiring contingent talent.

### Tap into the contingent workforce

The term “contingent workforce” is used to describe independent contractors, freelancers, and part-time workers.

It is estimated that 80% of the workforce will operate on a freelance basis in 2030. (PWC, 2018) In countries like Australia, New Zealand, and Asia, this labor force is set to grow between 20-36%. (CXCglobal, 2020)



Although the benefits are far-reaching, building a contingent workforce has its own set of risks.

For instance, employers cannot:

1. Set work hours
2. Assign duties that aren't relevant to their skillsets and tasks that aren't mentioned in their contract
3. Offer them benefits
4. Employ them long-term
5. Restrict them from working for too many clients

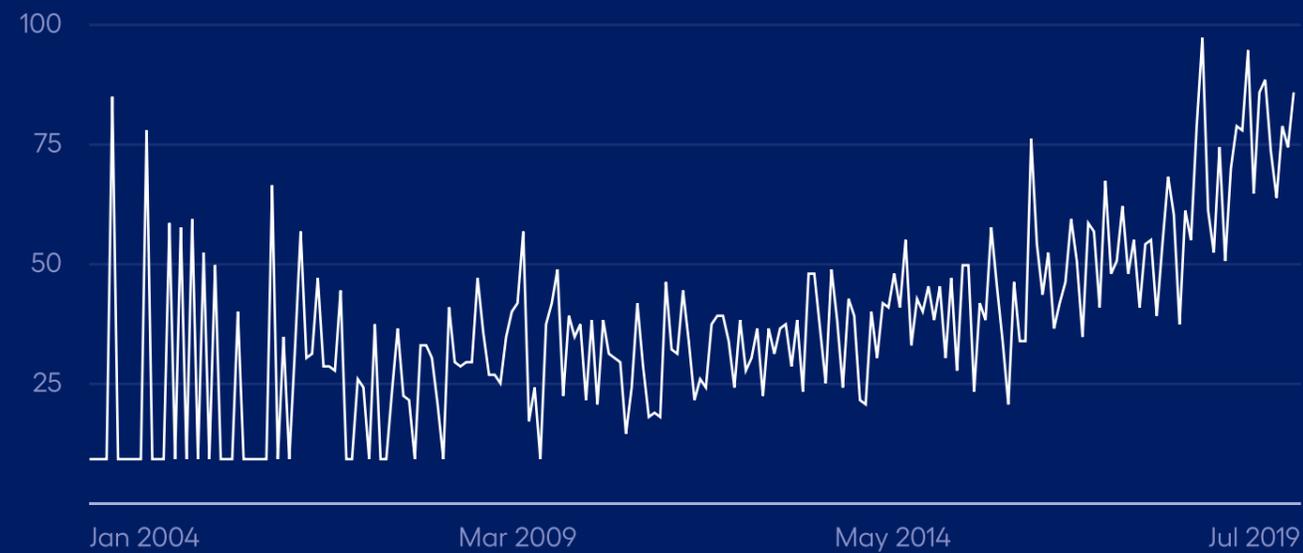
However, hiring a contractor for the long haul is risky. One of the most common yet costly mistakes is employer misclassification. Other mistakes include violating compliance around employee benefits, tax, and other labor laws.

### Employer of Record

An Employer of Record is the new buzzword in the employment industry. It is a seamless way to legally build and manage a global workforce without violating tax and legal compliance.

The Employer Of Record is a 40-year old industry that has seen a surge in search and demand over the past few years. EORs are used to accelerate global expansion plans. They help employers hire full-time employees and other forms of workers without violating local compliance and labor laws.

On analyzing Google Trends data, we deduced that this term has seen a surge in Google Search post-2019, which coincides with the advent of the lockdowns.



Terms such as “international employer of record”, “employer of record service”, “record of employment”, “what is an employer of record”, “employer of record services”, “employer of record service” have enjoyed breakout status; the terms attained peak popularity like never before.

Searchers were looking for information related to EORs around topics such as employment, tax, payroll, insurance, law, etc.

For instance, employers cannot:

1. What is an EOR?
2. Why are people looking for such a solution?
3. Is it the secret sauce for global hiring and expansion success?
4. Why is it better than hiring contractors or a staffing agency?

Hold your hiring horses! The next section is the answer to your enigma.

## What Is An EOR?

An EOR or an Employer Of Record is an organization that partners with you to help you hire employees from countries where you do not have a registered local entity. EORs employ talent into their payroll and become the legal employer of the foreign talent you want to hire while you manage their day-day tasks.

The primary reason behind partnering with an EOR is to evade the painstaking efforts involved with setting up local entities. A local entity demands you to :

1. Spend 3-12 months in research, consultation, legal help
2. Spend \$55,000 to \$80,000 in setting up local infrastructure and maintaining them
3. On-site document signing obligations
4. Staying cognizant of changes in local labor laws and compliance

Even EORs, have to go through this torrid process. However, this is their primary job. Staying abreast of local compliance, tax laws, getting to know the benefits in the local market are our primary tasks. So we handle all this, while you do not have to.

This enables businesses to legally manage talent as a full-time employee; discharge duties, set deadlines, onboard them according to your company policies, etc without worrying about employment obligations. Additionally, businesses partner with an EOR to help with global expansion, enter newer market access, hire foreign talent on a full-time basis, build sales teams for 24x7 business cycle, improve customer service, etc.

Businesses also make use of EORs to test markets. Without an EOR, closing down entities can take months.

In some markets, firing employees is not easy as well. EORs remove all these risks and hassles. Using an EOR, an employer can leave failed attempts at market entry without much costs, leaving the Employer of Record - the legal employer - to take care of the termination process.

## So This Is How An EOR Works

Look at the conversation between a Founder based out of USA and his Global Recruitment Consultant. Follow the conversation to understand how EORs can actually help you.



Hey, I need to employ this developer in Singapore into my company.



Yes, You can. Simply start a local entity.



How to start a local entity in Singapore?



Oh, all you need to do is register with the government, tax authority, get a registration number, open a local bank account, partner with a insurance provider and then employ your developer.



Err, that's simply exhaustive. Is there an alternative?



Hire an EOR



Well, How does it work?



An EOR or an Employer of Record would already have a registered entity in Singapore. They shall add your employee onto their payroll thus effectively gaining legal ownership of your employee.



The EOR becomes the legal employer of your employees on paper allowing you to manage their daily affairs.

Thus, you get a proxy presence in the chosen country enabling you to hire and employ talent without a local entity. This helps you to setup teams in new markets completely abiding regulations surrounding employee benefits and taxes.



So basically, I hire the developer and the EOR helps me employ the developer into my company. And I can do all that without a local entity. That's handy!



Yes! Moreover, your employees are paid on-time and payslips and promptly generated with a precise breakdown of their taxes and benefits.

Their taxes are managed effectively by the EOR. All you need to do is manage your employee's day to day affairs.



Well, why didn't I know this before! Find me the best EOR



Well, Multiplier has entities in over 100+ countries;

This means, 100+ chances at hiring international talent with 100% compliance and zero local entities.

## Discover 6 Things Fast-Growing Companies Do With An EOR

### Faster Market Entry

It is estimated that EORs accelerate market entry by 90%. Once you are onboarded with an EOR, all you need to do is give the credentials of your candidate and the EOR will take care of the rest.

### Testing New Markets

Companies get the help of EORs to test uncharted waters - here, new markets. They quickly build teams and disband them without any legal obligations.

### Increase Employee Satisfaction

Once (and if) you establish a local entity yourself, you still have to familiarize your employee with your work culture, offer them learning and development, pay them in their local currencies, etc. Any mishaps here can lead to a disgruntled employee. With EORs in place, you can effectively manage your employees while the former can take care of HR and legal tasks.

### Pay Global teams with 100% payroll accuracy

Payroll accuracy is how accurately you disburse salaries to your employees. EORs help in disbursing salaries and any supplements such as overtime, arrears in a quick and accurate manner.

### Building A Contingent Workforce

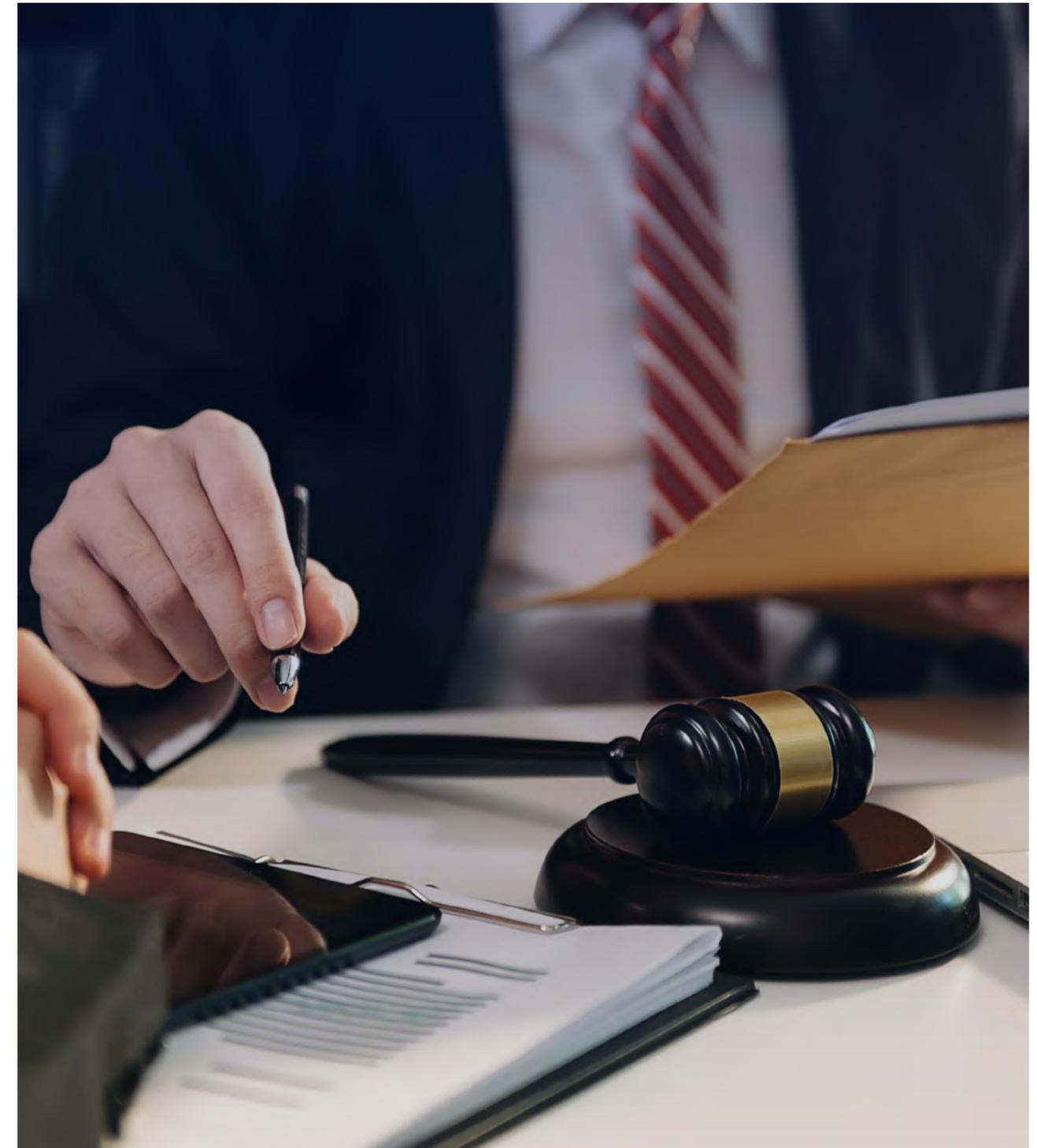
EORs make your organization more agile and flexible. You can quickly get a proxy presence in a chosen country and start hiring contractors for short-term employment.

### In Country Awareness

Staying aware of changes in compliance and tax-related laws is hectic. A faint slip, no matter how well-intended, leads to a slew of laws and regulations pouncing on your business. EORs have in-house experts who monitor these changes and keep your business compliant and safe in foreign countries.

## What You Cannot Do When You Partner With an EOR? The Curious Case of Employee Misclassification

One thing you can surely do away with when you partner with an EOR is employee misclassification. It occurs when you wrongly employ a freelancer or contractor like a full-time employee.



Several governments around the world lose several million dollars owing to companies wrongly classifying employees as independent contractors. In 2016 alone, Ireland lost \$600 million due to companies wrongly classifying employees

Thus employees incur severe penalties when they misclassify workers. In the US, the fines are strict – up to 20% of all paid wages, as well as all FICA taxes both for employers and employees. The severity of penalties varies from country to country.

It's because independent contractors and freelancers manage taxes on their own. Employing contingent workers provides a tacky way for employers to evade compliance and pay taxes and offer benefits. Take the case of Fedex paid \$228 million after it wrongly classified its drivers to save labor costs.

The problem is, there aren't any simple ways to avoid misclassifying your workers. For instance, even the federal and state governments in the US propose various constraints to classify workers. However here are a few differences with which you can draw the line between contractors and full-time employees.

	Contractor	Full-time employee
Work hour flexibility	Cannot track their work hours	Can be asked to work during specific times
Training	Come with specialized skills - no training offered	The employer can offer training programs
Work schedule	Can work for upto 4 months	Can work as a permanent employee
Affinity to teams	Work autonomously	Are in constant touch with their peers
Employee benefits	No	Yes
Technology and Infrastructure	Uses their own hardware and software	Company offers hardware and tools

## EOR Vs Staffing Agency

Often, EORs are misunderstood as staffing agencies. In short, an EOR does not help with hiring., while a staffing company does.

Here are more differences between the two.

	Employer of Record	Staffing agency
Focus	Handles documentation, payroll, and tax paperwork submission. An employer of record is responsible for personnel vetting, benefits administration, and contract termination.	Handles recruitment, supplies the workforce for seasonal activities or contract projects. The main goal of a staffing agency is to scout talent for long-term or short-term projects.
Benefits	Hiring an employer of record gives business owners confidence in compliance with the hiring formalities abroad.  <b>Onboarding an EOR helps:</b> <ul style="list-style-type: none"> <li>• Transfer the responsibility for documentation errors</li> <li>• Save business owners time and money from having to deal with payroll management, benefits administration, etc.</li> </ul>	Hiring a staffing agency reduces the amount of time needed to close a job opening and helps find the best talent available on the local market.  A staffing agency owns recruiters with expertise on a particular niche to hire the right the talent for your company.
Responsibilities	<ul style="list-style-type: none"> <li>• Ensuring workplace safety and documentation compliance</li> <li>• Accepting responsibility for legal and financial decisions</li> <li>• Handling employee termination</li> <li>• Representing the main office as a registered entity abroad</li> </ul>	<ul style="list-style-type: none"> <li>• Finding ways to close job openings in the fastest way possible</li> <li>• Screening and interviewing talent</li> <li>• Onboarding and managing teammates within the company</li> </ul>

Source: <https://bridgeteams.com/>

## An EOR Company Might Be Right for You If...

If you are competing in a sector that requires fast growth and expansion by seeking overseas talent. The key sign to look for is if you want to hire quickly, efficiently, and compliantly.

This is particularly common in the following sectors:



### Tech and IT

Tech and IT are some of the most cut-throat competitive industries. Competitors are always at your heels trying to bite off some of the market share. Market expansion is always on their plans once they got some funding to implore new markets. Particularly, global expansion is often a key feature during Series B announcements. An EOR, at this stage, ensures a company's flexibility and mobility. Moreover, with the remote-first trend, software companies find the need to be ubiquitous. They need sales and customer support teams working around the clock.

### Energy

Oil and gas corporations need large pools of contingent laborers to test and capture emerging markets for limited periods. These organizations may look to expand into a country for brief periods, and can opt to use an EOR for convenience, cost, and time savings.



### Education

Top institutions in the education sector are increasingly opening faculty positions overseas as international students seek to gain the best education without leaving home. A global EOR provides the foundation for expansion.

### Pharma and health

Companies in these sectors seek an EOR to tap into locations with higher densities of experts with the required skill sets for development and research.



## [Bonus] Ask These 11 Questions When You Choose an EOR Vendor (even if it were us)

Global business expansion is a risky business. It can end up riskier. If you partner with the wrong vendor.

Also, not all EORs are equal. For instance, some vendors are experts in the field. They have their own entities and in-house experts. This allows you to have more transparency into how your employees are managed and paid.

However, EORs do not offer such transparency. For example, some EORs partner with other local vendors instead of having legal entities on their own, while advertising that they employ your talent within their entity.

Here are a few questions you could ask your EOR vendor that could serve as an acid test before you partner with them:

### 1. Do they have their own local entities?

It is important to understand if your EOR will manage your employees through its own entity or through a local vendor. Several EORs advertise under the pretext of helping you employ across dozen markets. Behind the scenes, they may partner with local providers while directly managing employees in fewer countries. This is because registering local entities is a time-consuming process. Although most EORs are good at offering a seamless experience it decreases transparency and adds additional layers to the international employment relationship. Ultimately, you must clearly know who is responsible for your employee in the eyes of the local authorities in case of mishaps.

### 2. How much experience does the EOR have in the chosen market?

Another factor to consider while choosing your EOR is how much experience they have in managing your chosen market. At a high level, you may have to watch out for compliance and local labor laws. However, a lot of nuances come into play once it's a touchdown. Make sure your Employer of Record has previously worked with a company similar to your niche and has

offered expansion and hiring expertise to clients like you in the same market.

### 3. How does the employment contract work?

While engaging with an EOR, contracts become three-pronged. There are always obligations between you and the EOR. Secondly, since the EOR is the legal employer of your employee, there are some binding obligations between the two. Thirdly, all company policies and daily affairs have to be stipulated and agreed upon by you and your employee. Thus, you have to stay cognizant of how employee agreement is drafted and should also choose an EOR who is open to accommodating changes with their employment contracts.

### 4. How do they manage payroll and taxes?

Payroll processing and tax management are two important reasons employers choose an EOR. Thus, it is obvious that they have first-hand knowledge and are abreast of changes in pay and tax-related laws in the chosen market. Asking a few onboarding questions is a good way to start. If the answers seem to be oriented towards pacifying you, then it's high time you disengage with the EOR. Quick tip: Do a background check of specialists answering your questions.

### 5. How will the EOR ensure the privacy and security of your employee's information?

It is essential to learn how the EOR can protect your data. Data security is crucial when you operate in a global environment. Here are a few questions to get you started:

- Are web transfers web completed through HTTPS protocol?
- Is access to the data of employees limited to a few stakeholders?
- Are there protocols in place to ensure data is secure when transferred?
- Who are their cloud and cybersecurity vendors?

### 6. How do they manage employee benefits?

Offering employee benefits that cover a wide range of employee well-being is crucial for employee satisfaction. Choose an EOR provider who can offer a wide benefits pack.

### 7. What pricing model does the EOR use?

EORs typically price their services using two models; fixed model and variable. The fixed pricing model allows the EOR to charge a flat fee per employee regardless of the employee's salary. The factors that can impact a flat fee are the local labor laws and compliance in a specific country. In a variable model EORs charge employers based on the employee's salary.

Employers are usually recommended to choose EORs that offer the first mode of pricing as it becomes easier and less cumbersome to budget for the workforce.

### 8. How reputed are they?

One of the best ways to gain a deeper understanding of your EOR is to enquire about their credibility, management, and customer service with past customers.

Besides this Sherlock-like snooping, try to gauge their experience in the local market. Try to find out if they are compliant with local labor and tax regulations.

### 9. How responsive are they after collaboration?

Since onboarding and employment is a process, your EOR vendor should be eager to handle your questions like a boss. Check out: How do they handle emergency situations, or "out of hours" contact? Would it be over the phone, email, or online chat? Is the cost for this transparent?

### 10. How long can you partner with an EOR in your chosen country?

All said and done, you have to know that an EOR is only a temporary solution. In countries like Germany, for example, local laws allow employers to partner with an EOR for 18 months.

This constraint varies across different countries. It is wise to check with your EOR, the time constraints, during the onboarding process. This helps you plan your expansion strategies for the long term.

### 11. How will they process employee termination?

In most countries, there are quite strict regulations to prevent unlawful terminations. Regardless of the location of your worker, or the specifics of the situation, the Employer of Record should step in to offer you tailored advice. They should provide the necessary support to ensure the situation is handled positively and legally. This requires availability, willingness to help when the going gets tough, and local knowledge.

In fact, it's such a vital part of your partnership with them that ending an employment relationship should be addressed in the commercial agreement you sign with the Employer of Record. Try to understand Enquire the procedures they have in place for compliantly ending employment agreements. A good practice would be that they should require their customers to alert them at the first sign of an employment agreement potentially coming to an end.



## Multiplier's EOR Solution

Multiplier is Asia's leading PEO platform and we have our legal entities in each market with a team on the ground to support smooth operations. Multiplier platform provides full transparency and ease of onboarding as you have full control of the process from selecting the compliance parameters to managing expenses and payments all through one easy-to-navigate portal.

With us, employing in a new geography is reduced to a few clicks.. Multiplier also operates with transparent low fixed monthly fees, allowing you to better forecast costs for each employee. We also ensure that there are no hidden fees that will surprise you. Multiplier allows you to give your employees local insurance benefits of global standards that others in the industry can not. Unlike other players, we can take care of your ex-pat employees and their visas on very short notice as well.

# Multiplier

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