



HANDBOOK

Employer of Record

Simplify Your Ability to
Expand Internationally





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Disclaimer:

The foregoing is intended for informational purposes only and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal and/or other relevant advice should be obtained.

The Challenges of International Expansion

For most businesses, international expansion is not just a long-term goal, but a necessity to remain competitive and grow. For example, in a recent [Atlas survey](#), more than 80% of international companies said that they were considering expanding into new markets this year in order to find the right talent for their business.

However, the path towards success in international expansion is fraught with risks, costs and unexpected delays. For example, it can take as long as 18 months to open a new operation in China, while in Brazil, it could cost more than \$200,000 just to set up an entity and hire your first employee.*

Going global is a challenge, but these complexities have not prevented many small and medium sized businesses from scaling their operations internationally. They have powered their growth by identifying the specific hurdles that limit their expansion and deploying a solution.

For many, that solution has been partnering with an Employer of Record (EOR) service provider, which removes a lot of the complexity, cost, and risk to their business from the entire experience.

What is an EOR service and how does it work with companies to simplify international expansion? In this guide, you will learn more about EOR services and how they can help your business reach its global potential.

* Average calculations at the time of publication based on an organization in the United States setting up a legal entity and employing one employee in Brazil at a gross annual salary equivalent to USD 50,000.



Explaining Employer of Record (EOR)

An Employer of Record, also known as an EOR, is an organization that can manage the legal, HR, tax and local compliance responsibilities of your workforce in any country where you don't have an entity already established.

An EOR partner will onboard, manage and pay staff on your behalf while your organization retains the management responsibilities over your talent, looking after the day-to-day management of the employees.

In other words, you still call all the shots on hiring, compensation, assignments, duties and termination, while the EOR partner acts as an HR service to keep your business and your workforce compliant with local laws.

For example, let's say you need to hire a team across multiple European countries. Typically, this would require setting up entities in each region that you wish to hire staff in, as well as setting up local bank accounts, organizing payroll, sourcing local benefits, onboarding new hires... all the while navigating the unique laws and regulations for each jurisdiction.

With an EOR partner, however, you simply provide the information about who you want to hire and where you want to hire them, along with the remuneration details. The EOR then navigates the local laws and handles all the paperwork for onboarding the employee. This frees you from the time, cost, and complexities of bureaucracy across different regions and jurisdictions.

More importantly, it allows you to focus time and energy instead on the key objective of growing your business in new markets.

An EOR hires employees in the new country under its local business entity and takes on the risk of the legal employer.

The EOR is responsible for:

-  Visa, immigration, and work permits
-  Country-compliant payroll & taxes
-  Advice on cultural and language awareness
-  Adhering to local labor laws
-  Advice on required notice periods and termination rules



Types of EOR: Direct vs. Indirect

Direct EOR

A direct EOR service provider like Atlas has its own business entities established in the countries where its employees are hired and avoids outsourcing its services to third-party vendors.

Working with a direct EOR means that its people are directly tasked with supporting your employees, so when there's a problem, you can speak immediately with their local, in-house support.



Indirect EOR

An indirect EOR service provider does not necessarily have its own entity in every country it offers its services in. Instead, it relies on a web of third-party providers and in-country vendors of HR, tax, accounting, and legal services.

This model can become a challenge in terms of responsibility and accountability, especially when a client or international employee encounters issues and needs urgent help.



A Growing Industry

The global EOR market is young but growing rapidly. According to a recent report from [The IEC Group](#), the global market size of the EOR industry sits at USD 4.8 billion in 2023. This is expected to grow at a compound annual growth rate (CAGR) of 16.7% to hit close to USD 10 billion by 2028.

Increasingly, small to medium size businesses are turning to EOR partners to help them unlock the global talent market in a timely and cost-efficient way, but how exactly do EORs help businesses with these expansion efforts?



How Can an Employer of Record Help?

Increased Speed to New Markets

The benefits of expanding your business into a new country might be clear, but the hurdles that must be navigated to get to a position where you can start to hire international talent are not so obvious.

In particular, the time it can take to create a legal entity in a new country is often prohibitive and requires working with multiple vendors along the way.

Most companies are legally required to have a local business entity to pay employees in the country they reside in, with laws varying by country, or even by state or province. Some countries also require an entity to have a local physical office or real estate lease, and often you'll need a significant amount of capital in a local bank account.

Additionally, it's often compulsory to handle payroll locally to ensure that social security contributions and taxes are compliant. Running a timely and correct payroll internationally is challenging, and its complexity only rises when adding more countries into the equation.

With international payroll, it's necessary to ensure that employees are not just being paid correctly and on time, but also that they are being paid in their local bank account and in the correct currency. There are also different tax laws and regulations about how the payroll must be executed.

Furthermore, after establishing the entity, more time may be required for the hiring and onboarding processes, including the navigation of the specific visa and immigration process in every region you wish to hire people. Immigration laws, visa and work permit requirements vary greatly depending on the country and the employee's nationality, and visa or work permit issues often delay an operation and cause administrative headaches.

Expanding to new markets using an EOR service alleviates all these delays because the EOR partner already has a legal entity available in the country you wish to expand into.

As part of this, the EOR will already have the payroll systems set-up to pay these staff and, as the direct employer, will be responsible for visa sponsorship applications and can advise on all the requirements needed to accelerate an otherwise lengthy process.

This means that you gain back all the time it would usually take to set up your own entities and can focus instead on growing your business in the region.



Employment Contract & Compliance Mitigation

When hiring new employees, it's usually necessary to have written employment contracts or offer letters detailing all the conditions of employment. Therefore, it's necessary that the contract considers the local employment law, as well as statutory requirements and country-specific norms.

In order to be compliant, the employment contract may have to include the local working hours, parental leave, annual leave, sick leave, notice period and regulations about termination, but the requirements vary from country to country.

An EOR ensures that all legal requirements are met and the employment contracts are compliant, protecting both the business and the employee.

The EOR partner is also responsible for following the local HR regulations compliantly and keeping your company informed about any changes, which means that your organization doesn't have to spend time and money trying to keep up to date with shifting regulations across every country that you have operations in.



What's the difference between an Employer of Record (EOR) and a Professional Employment Organization (PEO)?

An EOR is empowered to employ staff in countries where your company lacks a legal entity. This means that your EOR partner is solely liable for the employees' local tax and labor law compliance — including all induction and general administrative aspects of employment. This allows you to focus on your employees' day-to-day work and making your business grow, while your EOR partner manages all compliance matters.

In contrast, a PEO undertakes certain HR tasks, such as the enrolment of benefits and the payroll, and splits the risk with your company. A PEO supports your company through a co-employment agreement, which means that both the PEO and the company are employers. This may expose your company to additional compliance risks.

Employee Misclassification

In the modern workplace, more and more organizations are turning to independent contractors (ICs) for flexibility and fast access to in-demand skills. However, you must always be clear about the nature of the work arrangements you make with ICs.

In many countries, labor laws require companies to make sure that the people they hire or engage are not misclassified employees, and companies found guilty of misclassification could face hefty fines and penalties, as well as reputational damage.

Working with an Employer of Record partner can help you mitigate these compliance risks as they can review an organization's existing work arrangements and advise on how to properly classify and treat all workers. To learn more about this, check out our recent guide, [Are Your Independent Contractors Independent?](#)

Cultural Considerations and Employee Experience

One of the biggest challenges during global expansion is adapting to new cultures. A lack of cultural awareness or language skills can foil an attempt to expand before it ever gets off the ground.

Take China, for example, where respect and politeness are cornerstones of business culture and even an unintended gesture can knock a fledgling business relationship off course. China has been a challenge for even the biggest and most sophisticated of companies. Tech giants like Amazon, Google, eBay and Uber have all struggled in China because they lacked local cultural nuance and sensitivities.

It can take years to understand a new culture and country, but an EOR partner with a wider international reach can advise companies on how to create multinational and multilingual communication strategies for their global presence as well as being their local language and English-speaking country advisor.

Using an EOR as a step in your business plan for global expansion is the solution to the challenges that often derail businesses from extending their international reach.

It is, therefore, no surprise that utilizing an EOR partner is becoming a standard for many businesses. Working with an EOR can accelerate the time-to-market and lower the costs of global expansion, no matter if it is the requirement for one remote employee or an entire new international office footprint.



Local Entity vs. EOR

Unsure of whether it makes more sense to create your own entity or to use an EOR partner instead? Let's break down the risks, tasks and costs associated with creating an entity versus using a direct EOR solution like Atlas.

With all of this, you need to consider:

- ✓ The duration and scale of your project
- ✓ Visa & immigration requirements you might have
- ✓ Employment and taxation laws in the country or countries you are exploring
- ✓ Cultural and language nuances you need to respect

Costs

Local Entity

Creating a local business entity has many costs such as fees for entity registration, which vary greatly depending on the country.

Additional costs can also include:

- Employment registration
- Entity tax compliance
- Bank set up
- In-country capital requirements
- Legal & financial counsel
- Internal staff costs
- Payroll

Taking all of these and more into account, the cost for a US-based company setting up an entity in a region like the United Kingdom could reach almost \$200,000 to hire just one employee *

EOR

When you use an EOR partner, you bypass the need to create the entity yourself and most of the associated costs that come with this.

In fact, with an EOR partner, the costs are just a fraction of what would be otherwise needed to incorporate a business in a new country. For a US-based business to onboard an employee in the United Kingdom using an EOR partner like Atlas, for example, it could cost as little as \$30,000 — an ROI of more than 450% compared to doing it yourself. *

* Average calculations at the time of publication based on an organization in the United States employing one employee in the United Kingdom at a gross annual salary equivalent to USD \$50,000.



Time Frame

Local Entity

Creating a local entity can be a long process in most countries. On average, it can take up to 20 weeks to create a new local entity in some regions, which means that it can take much longer to get employees onboarded and working when entering new regions.

EOR

With an EOR, the entire process can typically be completed within just a couple of days as the EOR partner should already have an entity set up in the country you wish to hire in.

To get your feet on the ground in a new region, it's only a matter of onboarding and paying your new employee, which the EOR handles for you as part of its service.

Labor effort

Local Entity

Creating a local business entity and onboarding a new international team is expensive as you'll need to hire staff to support this process:

- Legal and financial advisers to ensure you stay compliant
- Human Resources team to create international employment contracts and facilitate the onboarding
- Global payroll provider who can help you pay your international employees

EOR

With a direct EOR solution like Atlas, you will only have to deal with one company. The EOR will take care of all legal, financial, payroll and onboarding matters for the employees hired through them.

Bank Account

Local Entity

It's often a legal requirement to have a local bank account to pay employees when creating a new local entity. Banks can sometime require a director to physically visit a branch to open the account and deposit a large sum of money to meet local capital requirements.

EOR

Working with an EOR means that setting up a local bank account is not needed, so there are no capital requirements and no issues with currency conversion and foreign exchange rates.

Tax Liability

Local Entity

Creating a local entity leads to tax liabilities such as:

- Corporate income tax
- Business tax
- Profit tax
- VAT

EOR

Using an EOR, you avoid the burden of dealing with employee tax liabilities. As the legal employer of your staff, the EOR partner assumes responsibility for these liabilities.

Compliance

Local Entity

Each country has a host of laws, which can change abruptly, and as these regulations are mandatory you will need to remain ahead of the changes.

Whether it's data protection or tax and employment laws, your business will need to comply with the latest requirements or face penalties. This often means that your organization will need to employ extra staff or contract a third party to ensure full compliance in every region you have people operations in.

EOR

When you use an EOR, you are not responsible for staying informed about the ever-changing employment-related regulations. The EOR keeps you informed and ensures that your HR operations are legally compliant in each jurisdiction.

Termination & Employment Laws

Local Entity

It is important to understand local employment law when terminating an employee or you risk legal action.

Every country has its own regulations for termination, notice period and severance payment.

EOR

An EOR keeps you informed of the process and ensures a lawful termination.

Why Choose an EOR?

There are many benefits of having employees in other countries — the ability to tap into international talent pools, having local expertise on hand for clients and prospects in the region, and the increased efficiencies and flexibilities of working across time zones.

However, it's challenging for fast-growing businesses to remain legally compliant when hiring internationally as there are ever-changing regulations on employment and employer taxation laws.

For many organizations and companies, the prospect of expansion can be overwhelming. Creating a new local entity in an unfamiliar country is frequently a long, stressful and costly process without any guarantee of success. Therefore, many businesses choose to delay before they finally step forward to the international scene, but these delays give your competitors a first-mover advantage.

By using the direct EOR service model, the process and paperwork of hiring and managing employees overseas becomes simple and lowers the cost and time to deliver. That's why more and more businesses are taking advantage of EOR services to take these initial global steps first.

An EOR is a relatively low-cost and simple way to test and speed up time to new markets. By using an EOR, you no longer waste time on staying compliant on HR matters in your international operational footprint. Instead, you can bypass the time-consuming distractions of international HR law and concentrate on growing your business.





About Atlas

Atlas enables innovative companies to compete in a global economy, believing that businesses should employ whomever they want, wherever the talent exists.

As the largest direct EOR, Atlas delivers flexibility for companies to expand across borders by onboarding talent, managing compliance, and paying their global workforce without the need for a local entity or multiple third-party providers.

With entities in over 160 countries, Atlas brings localized experience and real human expertise into an enterprise-grade technology platform that supports companies and remote teams worldwide. The Atlas HXM platform is uniquely designed to deliver end-to-end EOR solutions and empowered user experiences that provide self-service capabilities and real-time insights that lead to improved business outcomes.

www.atlashxm.com

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