

Understanding your employer of record options

By Ben Wright, CEO, [*Velocity Global*](#)



An employer of record is an organisation that takes on all of the legal responsibilities involved in employing staff on your behalf. This means that, on paper, they are the primary employer of your workers.

Why use an employer of record?

Organisations tend to take on employers of record (EOR) when they are testing a new market or have never operated in a given location before as they provide a quick and affordable means of gaining a legal in-country presence. EORs can help to keep your business compliant by handling local regulations for benefits and taxes



as well as undertake numerous administrative HR and payroll tasks such as:

- Processing payroll
- Paying local taxes
- Dealing with health benefits
- Writing employment contracts
- Handling visa and sponsorship applications
- Clarifying termination requirements.

Types of EOR services in the international space:

Foreign Subsidiary-as-a-Service (FSaaS)

FSaaS is ideal for companies that are looking to set up a legal presence in a new country quickly and cost-effectively. Working with contractors can be ►

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risky and creating a foreign subsidiary is expensive - it can cost up to \$20,000 and take months to do.

But FSaaS offers a full-service solution. Providers will manage all of your HR, payroll, and benefits requirements and deal with compliance and risk issues including how to protect intellectual property, while you focus on getting established in your new market.

International professional employer organisations (PEO)

International PEOs are similar to FSaaS organisations in that they enable companies to hire employees in a foreign market without setting up a subsidiary of their own but they are based on a more traditional outsourcing model. As a result, your business will remain accountable for day-to-day activities and employee liabilities, although a PEO will help you conform to local regulations.

They will draft locally-compliant employment contracts for you and assist with monthly withholdings, including employer social security contributions and income tax, supplemental permits and insurance. In essence, by taking on a PEO, you are borrowing or leasing their company in order to cut overheads and enable your employees to gain access to a target country.

Administrative services organisations (ASO)

ASOs provide outsourced services to deal with your HR and administrative needs. They also handle international payroll and benefits processing. The main difference between an ASO and PEO is that, with the former, all employment-related risks and liabilities are retained by you. ■



Ben Wright, CEO at *Velocity Global*, has over a dozen years of experience in helping companies expand overseas. Building on his experience as a Certified Public Accountant, leader of an interim finance executive firm, and having global partnership responsibilities at an international services firm, Ben has become a recognised thought leader on international back office operations. He frequently speaks on international business panels and travels globally to present on topics such as international employment, permanent establishment, global payroll, and expatriate assignments. He is a graduate of the University of Notre Dame and is passionate about helping companies succeed globally.