



Employer Of Records Guidebook

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To pursue untapped opportunities, companies have an increasing ambition to expand their operations globally.

Until recently, the only route popularly taken by companies was to set up legal entities in each country they wish to operate. This meant hours in registration time, humongous cost of incorporating and managing operations, and increased risk.

Many organizations are now turning to **Employer of Records (EOR)**, which takes up the burden of managing all employer related obligations, making the process of global expansion much less complex

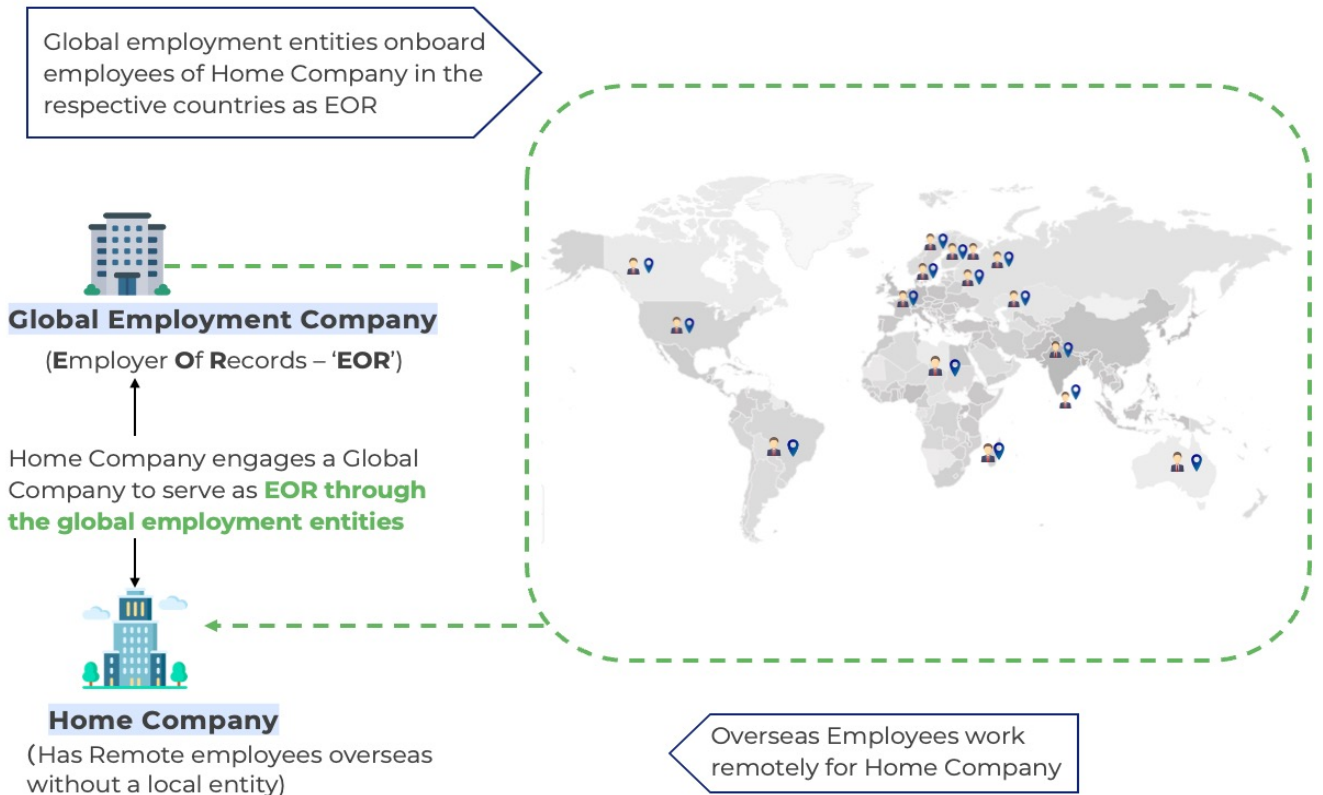
But EOR still remains a confusing topic. And having a clear picture of how this arrangement works will help organizations make confident decisions.

Here in this guide, we will help you understand the EOR arrangement and how it can help you expand globally with ease.



Explaining EOR arrangement

Let's understand the arrangement between Home Company, EOR, and Overseas Employees with this diagram.



Structure explained

- 01 Onboards employees and serves as Employer of Records for the employees
- 02 Provides additional support such as insurance, housing, etc.
- 03 Manages all employer obligations such as payroll, social security, etc.

What is employer of records? ⁵

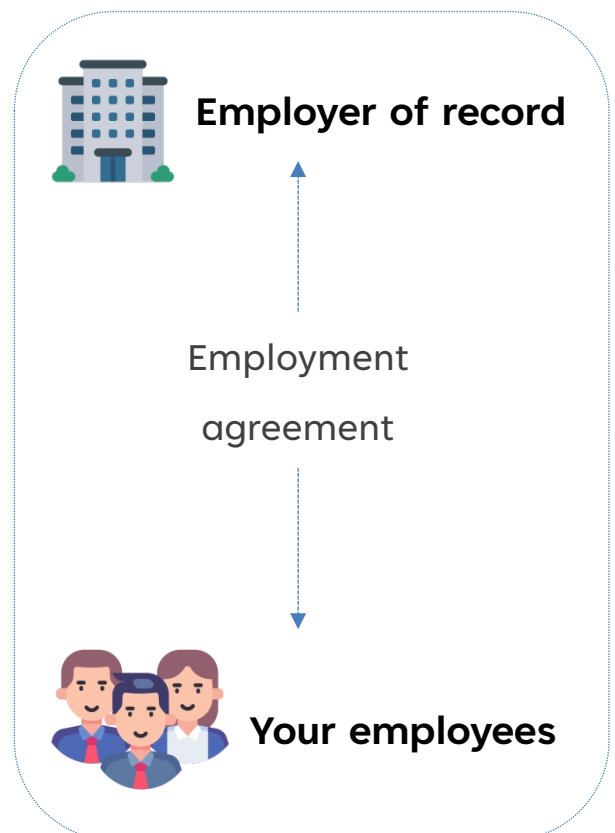
Companies engage EOR partners in countries where they don't have a local entity.

An employer of record, is a professional organization, which steps in and onboards your employees through its local entity, in countries where you don't have a local entity.

Companies wish to **avoid** months and sometimes even **longer duration for setting up their own legal entities.**

Especially for businesses experimenting with a new market, making such a huge investment in not only establishing a company, but also operational expenses like office space, country-specific contributions, and benefits, might be unnecessary.

Simply put, say you want to hire in multiple Asian countries, but only have an entity presence in France. Instead of setting up an entity in each of the Asian countries, you simply share the details of **who and where to hire along with the remuneration details with the EOR.**



What does an EOR service provider do?

An EOR essentially **becomes the legal employer** of the employees that your company intends to deploy in countries where it does not have a legal presence. Consequently, it performs a variety of activities and obligations on behalf of your organisation. Take a look at what they consist of:

- Firstly, **EOR onboards employees on your behalf** in countries where you don't have a legal entity, issues them important documentation like offer letter and employment contract
- Unless specifically restricted by host country regulations, EOR also **sponsors visa for your employees** and takes care of immigration, work permits, and other registrations required for your employees to work in a country
- It runs **country-compliant payrolls** and manages required social security contributions
- Additionally, some employer of records service providers also help you with **settling in support** like cultural and language training for your expatriate employees



Areas of support under EOR partner

Let's take a deeper look at the support areas you can expect from your EOR partner to accelerate your international expansion plans.

Immigration and Mobility

While the employees will be working for you, the EOR service provider will be the legal employer, **taking responsibility for sponsoring visa applications of your employees.**

Since the requirements for visas and work permits depend greatly on country specific rules and your employee's nationality, careful consideration of these requirements is essential. With EOR's local expertise, you can get accurate information on time and avoid administrative delays.



Compliance and Employment Contracts

To ensure compliance with local authorities, agreements between the EOR partner, employees, and the organization must be carefully drafted.



Moreover, employment contracts should take into account the **local employment laws, statutory requirements, and any specific local norms**. Most of the things like working hours, paid leaves, national holidays, termination rules, differ from country to country.

For instance, **in France terminating an employee will cost an employer the equivalent of 12-18 months of salary** in severance if an employee has been on board for longer than his or her probationary period.

Infrastructure and Office

In some cases, you might require employees to work in a regular office environment to carry out necessary job functions. In this case, your EOR partner might be able to **support you with required office space and technical infrastructure.**

Due to their know-how of local markets, they will be able to negotiate and offer a suitable office space for your employees.

Settling in support

(Expat Orbit Advantage)

Another additional support with Expat Orbit is our comfortable settling in support for your employees. **More than 50% of expatriate employees leave mid-term because of settling in challenges-** which results in huge cost leakages for businesses.

To tackle this problem head-on, on your request we arrange for:

- Housing for your employees
- Pre-arrival counseling sessions
- Cultural and language trainings



Global Mobility Advisory (Expat Orbit Advantage)

While most EOR partners help you cover the above-mentioned domains, we at Expat Orbit, with our experience team of global mobility professionals and labor law experts can assist you with:

- Advisory on **suitable assignment structure** to meet your business objective
- **Global mobility policy structuring** taking into consideration the best market practices
- **Cross country tax treaty analysis** and its implications on hiring
- Compensation structuring to **hire and retain the best talent**



A slight loophole in the agreement can cost you millions of dollars, and we want to help you avoid any such situation.

[Read this case study on our EOR support in Nigeria](#)



When to consider EOR solution?

Use Case 1: Product testing in new markets

Your product is already doing well in the home country. Now you want to access demand and **test the product in new geographies**.

Requirements:

- You need local employees to work closely with your global team
- You may send experienced employees from your home country to new geographies

Benefits:

- ✓ Local employees easily speak to stakeholders and execute projects
- ✓ You gain initial traction for your product without spending heavily on local entity setup cost
- ✓ Expat Orbit manages all employer related obligations



When to consider EOR solution?

Use Case 2: Build diverse global teams

You want **access to a wider pool of talent** for different functions at your organization.

Requirements:

- High quality talent for important job functions
- Ability to second employees from home country for supervision

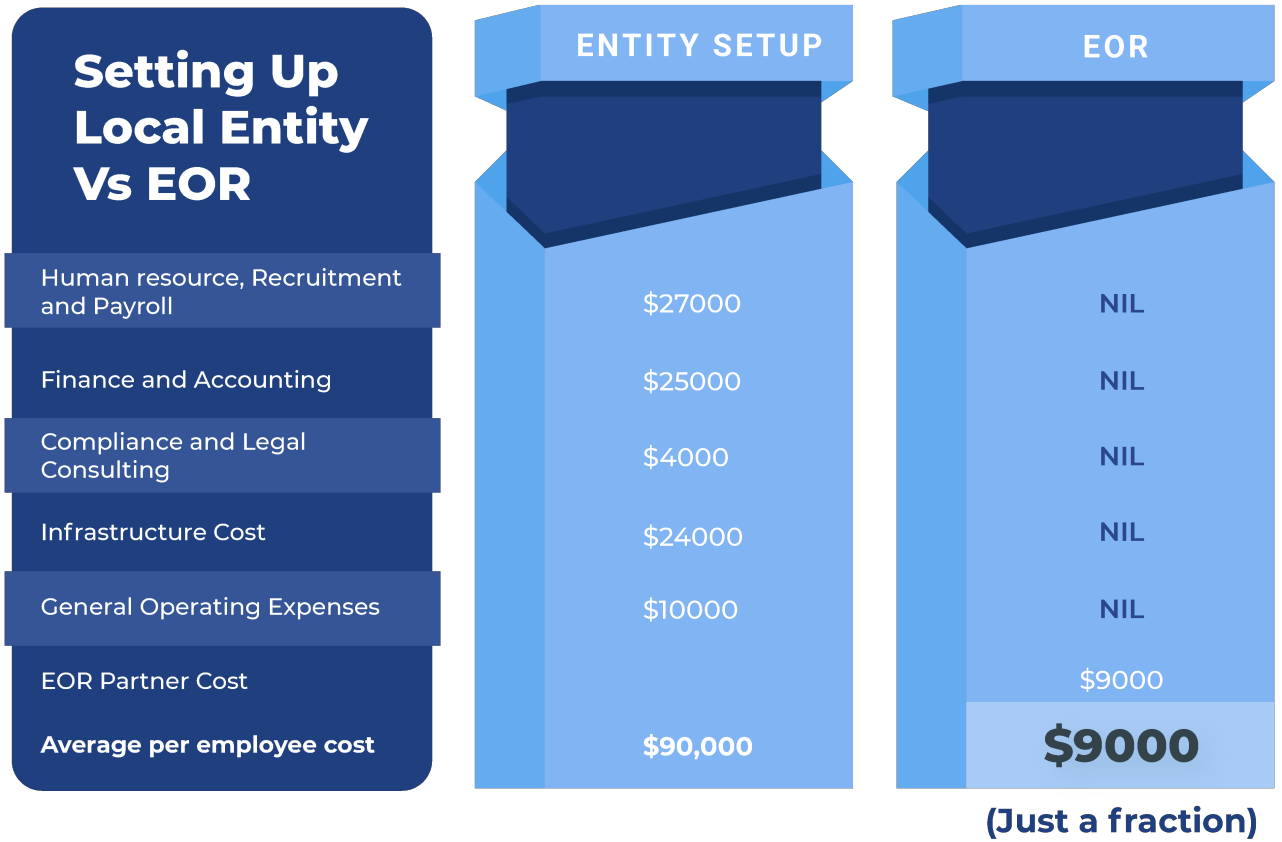
Benefits:

- ✓ You can onboard employees from countries where you don't have a local entity with the help of your EOR partner
- ✓ You get access to competent developers, lawyers, accountants from around the world



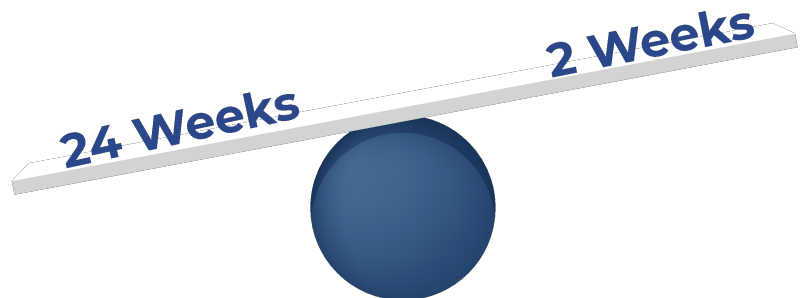
Let's take a look at the costs

A comparison between costs associated with setting up a local entity and hiring through EOR partner



Setup Time

(In weeks)



With EOR, you save up to 90% of your global expansions cost



Is EOR a legal solution?



Yes, **EOR groups are legal unless there are local restrictions** in the country of overseas employment.

Certain countries, such as **Singapore, Nigeria, and Egypt**, **issue quotas on to employers** when it comes to hiring foreigners. In such a situation, the EOR partner must possess the required quota in order to hire your home personnel.

Similarly, in the **United Kingdom**, **EOR cannot sponsor work visas**, therefore EOR's employment scope would be limited to local recruits.

Apart from such local constraints, engaging an EOR is completely legal. Being a core business function, EORs deploy dedicated legal, payroll, and compliance teams. Hence, **hiring through an EOR eliminates a large amount of legal and regulatory concerns** when compared to hiring independently.



Can EOR help mitigate Permanent Establishment (PE) risk?



A well-structured EOR arrangement, supported by robust documentation, may help in reducing the PE risk in the host country. However, there are other parameters that would need to be considered, and hence **PE risk cannot be completely mitigated with just an EOR arrangement.** Working with an Employer of Record certainly **offers a balanced solution to fulfil your global employment and expansion goals** when establishing an entity in a foreign nation is time consuming and expensive.

To prevent co-employment concerns, an EOR steps in as a legal employer and assumes all employer related obligations in accordance with local regulations. By using this employment solution, you can expand into new geographies and hire foreign workers while **lowering the chance of having problems with permanent establishment.**

[Read our detailed whitepaper on PE risk here](#)



What other models can I explore for hiring employees internationally? +

In addition to EOR, **businesses can also explore smart outsourcing options by engaging an international team with global experience.** Expat Orbit's Virtual Employee (VE) support caters to such an area.

Client entity outsources specific tasks, jobs, and functions to Expat Orbit (EO). Being a contract for service, **EO handles the execution and recruits employees** with the relevant competence, exposure, and experience in close collaboration with the client entity.

Operating remotely, **Virtual Employees work exclusively for the client entity** and support the execution of assigned activities. For more information on Virtual Employment Solution [click here](#).

Commonly asked questions

What is the difference between employer of records and PEO? +

A Professional Employer Organization, or PEO, is a service provider that handles payroll, tax withholding/PAYE, human resources, and other compliance for businesses who prefer to outsource these operations to an external organization.

PEO supports both employees and employers and ensures improved management and higher compliance quality. An Employer of Records (EOR) also provides the aforementioned services to organizations, but an **EOR also serves as the legal employer of the employees** in those geographies where the home company does not have a local entity or presence.

Got more questions?

Scan the QR code to get in touch with our experts



Expatriate Orbit advantage



Expatriate Orbit offers perfect balance between expertise, technology and extensive understanding of expatriate sensibilities to deliver innovative 360-degree expatriate assignment management solutions, customized for:

01 Corporates

02 Expatriate professionals


03 Accompanying families

Benefits you get:

- ✓ Dedicated relationship manager to address any queries
- ✓ Host of add-on services to eliminate the need of multiple vendors
- ✓ Highly competent consultants to deal with complex compliance challenges
- ✓ Minimized internal team effort and assured quality

Our founding team:




Prateek Agarwal 
Co-founder and Head of International Compliances

Chartered Accountant, DISA

15+ years of dedicated experience in domestic and international compliances for clients across geographies as part of global consulting organisations like KPMG and iTrust



Henna Vij 
Co-founder and Head of Expatriate Experiences and Product Development

MBA, IIM Bangalore

12 years of experience working for, with, and as an expatriate across KPMG, Accenture, HSBC



Presence across all major geographies in Asia, Africa, America, and Europe