

How to Answer the Global Question – Independent Contractor vs. Employee?

Your company is planning on global expansion and you'll need people on the ground to make the magic happen. Which is the better option to hire - independent contractor vs. employee? Is it even possible for your company to hire workers in other countries?

Absolutely. In our growing international gig economy, hiring employees or independent contractors to work for your company in other countries is a great solution for a company going global – in some cases.

As a business professional, you probably already know a lot about the subject. And, you might be able to successfully navigate this bumpy terrain of managing a global workforce alone.

Here's the caveat – getting there will most likely be a long, rough journey for a busy professional like you. (The great news? We also have some ideas to make it easier for you!)

What's the difference?

Classifying workers correctly (independent contractors vs. employees) is tricky enough within your own borders. In the U.S., employers must review and compare multiple factors in order to determine, and be able to prove, that a worker is classified correctly according to legal standards. Laws in other countries are as strict or more so.

Check out our comparison chart below for a quick look at the general differences.

Independent Contractor vs. Employee	Independent Contractor	Employee
Work is project-based with definite end point. Worker maintains control over process.	√	
Work is long-term & a critical component of expansion plan. Work performed is similar to work produced by regular employees.		√
Work is performed independently with little oversight. Worker maintains own business & provides similar services to other entities.	√	
Worker maintains regular work schedule. Worker performance is managed by your company.		√
Worker is responsible to provide own supplies, equipment, health & welfare coverage, benefits. Worker is responsible for own P&L & applicable tax liability.	√	
Company provides perks, benefits, rewards, titles, performance evaluations. Worker participates in company-sponsored events, programs.		√

What are the pros and cons of each?

Employees

Managing a traditional employee workforce is familiar ground. It provides the employer with direct access to the worker and the output of their work. There's some expectation of continued employment, so an employee workforce offers more stability and consistency. Policies and procedures are documented so workers understand what is expected and how to access resources.

However, maintaining a long-term workforce with competitive benefits and complying with employment regulations can be costly and onerous.

Independent Contractors

Independent contractors can be a cost-effective way to staff up or down as business needs fluctuate. And, that translates into lower staffing costs and increased efficiency. The arrangement may be a flexible solution for already busy managers – just outline the project and expectations and receive the finished product.

Well, it's not quite that easy. While flexibility is a positive, it also introduces unknowns and a lack of continuity in skills and experience.

How do I hire in another country?

Hiring global workers adds additional obstacles necessitating significant expertise. Differences in language and cultural norms create misunderstandings. Political or environmental events impact continuity and data security.

Most concerning are the myriad tax, payroll and employment laws that govern hiring in-country workers that vary widely between countries. And, the penalties for getting it wrong can be severe.

So, even if you guessed correctly in our comparison chart, you'll still need to understand the laws in each country that your company will operate in.

Regardless of the type of employment classification, a significant consideration is the process of obtaining and employing workers in other countries. Each country requires that employers obtain authorization to conduct business in that location. This involves establishing and maintaining a legal entity or business in each location. As you might imagine, that's a lengthy, costly (and probably frustrating) journey.

What to do? Here's the part where we offer some great alternative solutions if the traditional options aren't a good fit for your company right now!

Alternative employment models

There are several ways to achieve your staffing objectives without the risks. If you're not ready to become an expert in global hiring just yet, you may want to partner with a company that specializes in alternative employment options.

A PEO, (Professional Employer Organization) may be an efficient solution for U.S. based businesses. The PEO typically provides payroll, tax, benefits and HR services while the client company manages the employee work process and output.

The one big downside for globally expanding companies is the fact that PEOs are not legally authorized to operate in many countries.

Partner with an expert

A comprehensive solution such as GEO (Global Employer Outsourcing) incorporates all of these options into one package. The GEO company is legally authorized to employ and manage workers in the host country, functioning as the Employer of Record. The services typically include management of HR, payroll, benefits, tax and compliance requirements for your global workers.

With operations in 179 international markets, *Company Name* is a leader in the GEO arena. Functioning as the EOR (Employer of Record) for global clients, *Company Name* removes the obstacles to international staffing.

Contact one of our global solutions advisors today. We'll help you focus on making the magic happen.