Dispelling the Myth: Are GECs and EORs mutually exclusive alternatives?

n the last issue of this newsletter (February 2024), we outlined the key differences between a Global a Employment Company (GEC) and an Employer of Record (EOR). Nevertheless, there are still several myths regarding the relationship between GECs and EORs. For example, it is often assumed that GECs are EORs are mutually exclusive alternatives.

In reality, while GECs and EORs serve distinct functions, they are not mutually exclusive and can effectively coexist within the same organizational framework. The key point to remember is that a GEC is an integral part of the organizational structure, whereas the EOR is a service provider delivering a service to the organization.

A GEC functions as the legal employer of assignees deployed overseas, managing various aspects of HR administration, offering control, visibility, and efficiency in managing mobility programs, leading to improvements in cost management, compliance, deployment timelines, and assignee experience. On the other hand, an EOR serves as a third-party provider, undertaking full employment responsibility for staff on behalf of its clients, particularly in locations where the client lacks a local subsidiary.

Crucially, organizations can benefit from integrating both GECs and EORs within their global employment strategy. When a GEC is already in place to oversee assignees deployed internationally, it is advisable for the GEC to hold the contract with the EOR service provider. This arrangement ensures comprehensive visibility of all employees working overseas, whether deployed to subsidiaries or locations where an EOR serves as the local employer.

In some jurisdictions, it is possible for organizations to register an overseas entity as a "foreign employer" with local authorities. While this process entails longer timelines, it allows organizations to maintain a direct employment relationship with the employee.

It is also possible for organizations to use EORs as an interim solution, whilst going through the process of registering the GEC as a foreign employer, or whilst in the process of setting up a local entity.

In summary, GECs and EORs offer valuable and not necessarily mutually exclusive options for deploying employees overseas under different circumstances. GECs are ideal for countries where the organization has a legal presence, with potential for registration as a "foreign employer" in other locations. EORs provide a swift solution for deployments where the client lacks legal establishment, albeit with considerations regarding costs and limitations. By strategically leveraging both models, organizations can tailor their approach to meet the unique needs of their global workforce, ensuring efficient management of international assignments.

GEC or EOR? Do you want to know what's the best solution for your organization? Please do not hesitate to contact ITX.