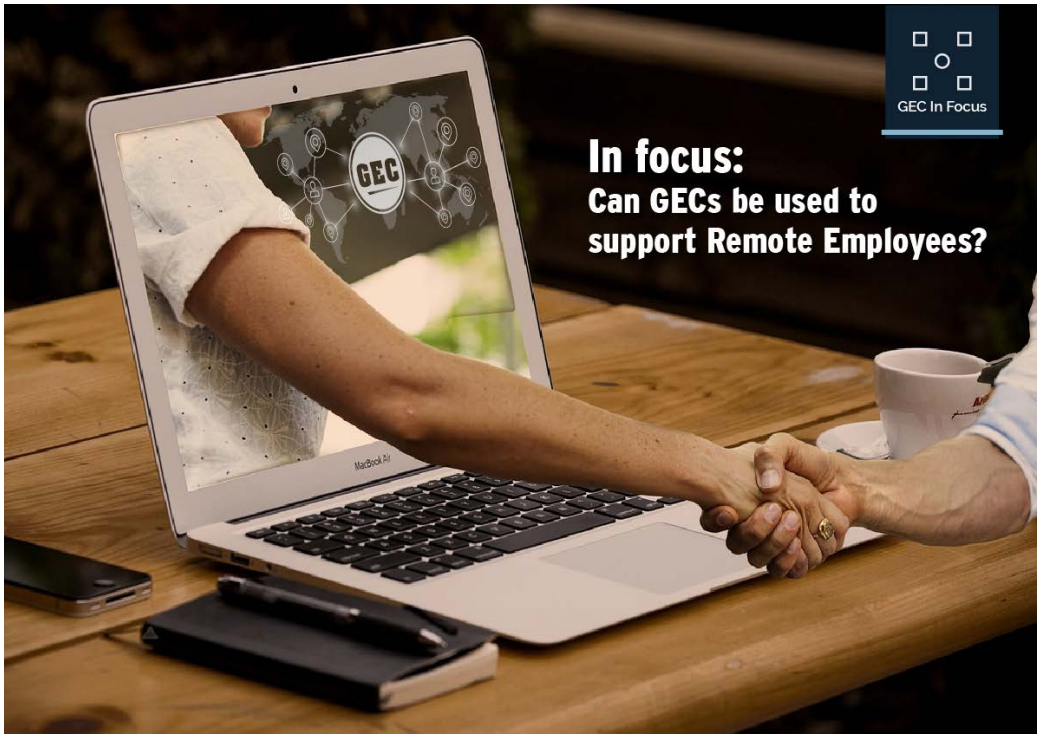
In focus: Can GECs be used to support Remote Employees?



The concept of working across borders virtually has been around for some time, but the COVID-19 pandemic accelerated its formal adoption in many organizations. This shift forced companies to reconsider how they manage employees working remotely.

Organizations reacted in various ways to this change, resulting in a wide range of approaches. Some created structured frameworks to manage remote employees across borders, including eligibility criteria, policies, and processes. Others, however, continue to handle these arrangements on a case-by-case basis. This inconsistency has raised an important question: can Global Employment Companies (GECs) be used effectively to support remote employees?

While GECs have traditionally been used to manage international assignments, there are situations where they may also be useful for supporting cross-border remote employment. The key is to assess each situation based on feasibility, risks, and costs, similar to how international assignments have been managed for decades.

Establishing a consistent framework can provide organizations with alignment, ensuring that remote employment arrangements are in harmony with their principles, objectives, and overall culture. For example, should a remote employment arrangement be employer-driven, or employee-driven? Are there any limitations on the duration of the arrangement? What preliminary steps are required in order to assess the feasibility, costs and risks of each proposed remote employment arrangement? Can employees work remotely from anywhere, or are the locations restricted by specific criteria, such as the presence of a local office, immigration considerations, tax exposure? These questions, and many more, need to be consistently addressed through well-designed frameworks and decision-trees.

It is also important to consider that remote employment scenarios can occur for various reasons. For example, in some cases, the employee remains in his or her usual home location, but the job is overseas. In some other cases, the employee may move physically, but the job remains back in the home location, which is a scenario often associated with "trailing spouses" who wish to keep their job whilst following their partner on an overseas assignment.

So, in which situations could a GEC be useful in the context of Remote Employment? There may be several scenarios where a GEC would make sense, or even be recommended. For example, many organizations use a wholly-owned GEC to host their Global Executives, who may all belong to the same global or regional leadership team, but physically residing in different locations.

Another common usage of GECs is for the hiring of employees who are physically in locations where the organization does not have an entity. In such situations, having all these remote employees in the GEC provides many advantages, especially in terms of better visibility, consistency, governance and efficiency. It is important to note that in such cases it is necessary to determine whether the employee can be employed directly by the GEC (i.e. "employment without establishment"), or whether the GEC needs to be registered locally as a "foreign employer", or whether it is necessary to use the services of a local "Employer of Record" (EOR). Note that the use of a GEC and the use of an EOR are not necessarily mutually exclusive, in such a scenario (please refer to earlier newsletters for more details on the use of EORs in conjunction with GECs). Needless to say, many other factors need to be considered, such as taxation, social security, employment law, insurance cover, and more.

Similarly, GECs could be used as an interim solution for new hires who are about to be relocated permanently to another location. If the new hire comes from a country where the organization has no entity, the GEC can act as the employing entity prior to the physical relocation, especially if the deployment is likely to be delayed by immigration procedures, employee's circumstances or other logistic factors. As per the earlier scenario, in this case it would be important to determine whether the employee can be employed directly by the GEC, or whether a local EOR is necessary.

Several other scenarios are possible where a GEC could play a role in supporting cross-border remote employment, either as an interim solution or as the chosen administrative model. In all cases, Global Mobility professionals should work with GEC consultants, together with their internal Tax and Risk Management colleagues, to design a Risk Assessment tool to be used for each proposed remote employment request, in order to understand its viability from a risk and cost perspective.

As all Global Mobility professionals would be aware, it is hard to anticipate what situations they will be expected to handle, but as the future of work continues to evolve, GECs are likely to play an increasingly important role in the management of cross-border employment. Therefore, it is important for Mobility specialists develop a deep understanding of GECs and the flexibility that they can add to the existing Global Mobility framework.

If you wish to discuss whether a GEC could potentially work in your organization, please feel free to **reach out to an ITX consultant** for a free consultation. You can also take the self-assessment using the QR Code below and receive a customized report in about 60 seconds.