Learning Corner: Starting and ending a GEC contract

Note: This article provides a generic and high-level overview of the topic. You are strongly advised to consult ITX, or your qualified Employment Law Consultant to receive relevant advice for your specific circumstances.

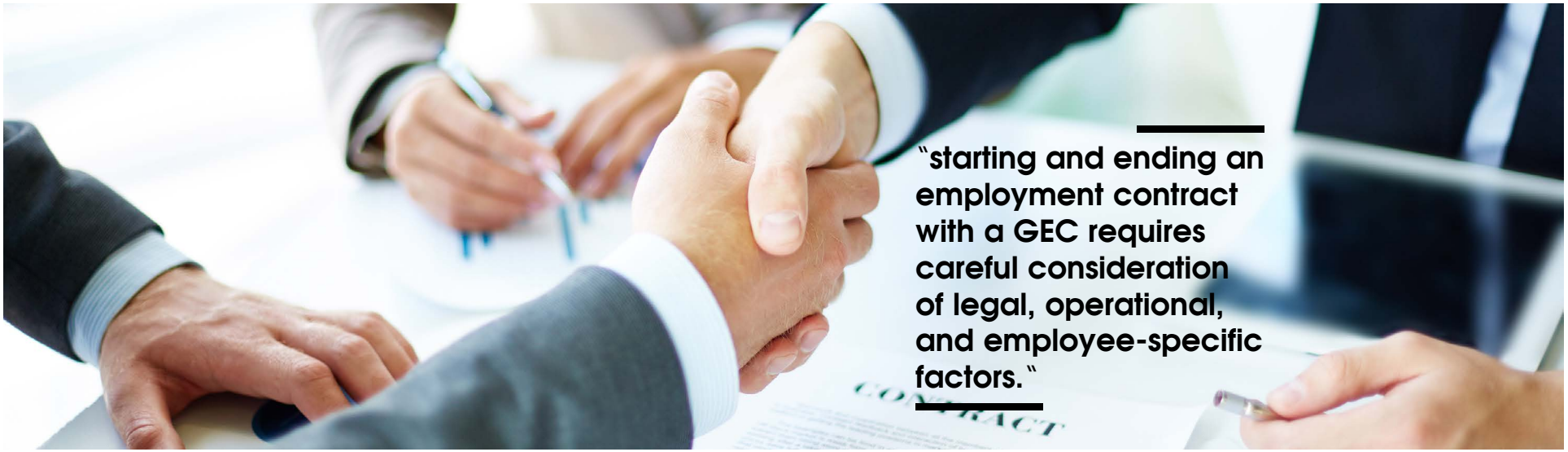
When entering into an employment contract with a Global Employment Company (GEC), it is essential to ensure that the contract is carefully crafted to comply with applicable laws and meet the needs of both the employee and the organization. Since the GEC becomes the legal employer, the location of the GEC is crucial, as it determines the legal framework governing the employment relationship, including the rights and obligations of both parties. This makes it important to understand the jurisdictional implications of the GEC's location, as they can significantly affect the employment contract's terms.

A well-designed GEC employment contract not only addresses legal compliance but also plays a pivotal role in making the offer attractive to prospective employees. This includes outlining compensation, benefits, and other employment conditions, which are key to securing top talent, especially for global assignments or executive leadership roles.

The process of onboarding employees into a GEC contract can vary depending on their prior relationship with the organization. Typically, organizations deal with three main categories of employees: new hires, existing employees transitioning to the GEC, and expatriates who are mid-assignment.

New hires are generally onboarded into the GEC either for immediate deployment overseas or to join the Global Executive Leadership team. In many cases, new hires who are due to be deployed overseas are brought into the GEC on fixed-term contracts, which specify the conditions that would bring the employment relationship to an end. These contracts often align with project durations or specific assignments, and the employee's role ends upon completion of the contract's predefined terms.

Existing employees transitioning to a GEC contract present a more complex scenario. These employees are typically transitioning from an existing contract to the GEC, often to be deployed overseas. It is crucial to clearly define the changes to their terms and conditions, including adjustments to compensation, benefits, and social security contributions. These employees may also expect some reassurance that any time spent on the GEC contract would be recognized in their home country in terms of tenure, and that they would be reinstated back into the original home country structure at the end of the GEC contract, taking into account any changes in job level and compensation occurring over time. Therefore, once again, it is strongly advisable to make it very clear from the



start what happens at the end of GEC contract. Hence the onboarding of existing employees into a GEC is altogether a more complex and delicate process, requiring careful analysis and experience in addressing all the employee's concerns.

In some cases, expatriates who are not yet on a GEC contract may need to be onboarded. This often occurs when a GEC has been recently established, or when the scope of the GEC is expanded to include new types of assignments. Best practices suggest transitioning these expatriates into the GEC at the end of their current assignment, rather than in the middle, to minimize risks and simplify the process.

Apart from these three main categories, other employee profiles might require unique handling. For instance, organizations may employ contractors on fixed-term contracts, which are often treated similarly to new hires. Alternatively, these contractors may be treated as service providers rather than employees, depending on the specific nature of their engagement.

In summary, starting and ending an employment contract with a GEC requires careful consideration of legal, operational, and employee-specific factors. A well-designed contract is essential, but so too is a comprehensive framework of policies and processes that ensure smooth onboarding and offboarding. Clear communication, legal compliance, and tailored solutions for different employee profiles are vital for successfully managing employment relationships within a GEC. Organizations that approach these tasks with diligence and foresight will be better positioned to manage their global workforce effectively and minimize the risks associated with international employment.