The Hidden Ally in Workforce Finance: What CFOs Can Gain from a Global Employment Company

In today's globalized economy, managing international employees, whether they're in traditional international assignments or working remotely, is a complex challenge. The finance department often faces difficulties with cost allocation, forecasting, and ensuring financial visibility across multiple regions. While global mobility teams typically focus on managing talent movement and assignment logistics, CFOs have their own concerns, most notably around controlling and forecasting global people costs. This is where Global Employment Companies (GECs) are emerging as a critical tool for finance teams to gain control over their international workforce, simplify financial reporting, and streamline global employment costs.

The Finance Challenges of International Assignments and Cross-Border Employment

For many companies, managing a global workforce means navigating an intricate web of payroll systems, tax regulations, and compliance requirements across different jurisdictions. International assignments (IAs) are often managed through shadow payrolls, where employees remain on the payroll of their home country while working abroad, often with different tax and benefit systems in the host country. In some other cases, assignees may be paid entirely or partially through the host payroll. While these model allow for temporary moves, they create significant complications for CFOs, including fragmented financial reporting, hidden costs, and challenges with budgeting.

Moreover, finance teams are often responsible for tracking the cost of international assignments, which can be difficult to forecast. They need to account for various allowances, the complexities of gross-up calculations, currency fluctuations, tax liabilities, project extensions, and the cost of living in different locations, which can change dynamically every few months. This financial complexity is exacerbated when assignees are spread across multiple countries with different reporting requirements and payroll systems.

One of the most significant advantages of implementing a GEC is the centralization of people costs. With a GEC, employees are hired directly by the company's employment entity in a specific jurisdiction, making the GEC the official legal employer. This centralization allows for a more unified approach to payroll, benefits, tax filings, and other employee-related costs. For CFOs, this clarity is essential.

Rather than managing separate payroll systems in different countries, which can lead to fragmented data and inefficiencies, the GEC consolidates all employment costs under one roof, thus simplifying the process of assigning costs to specific departments, regions, or business units. With a GEC it's usually easier for CFOs to track and allocate labor costs, including salaries, taxes, benefits, and even overheads, within one system.

Additionally, internal re-billing and cost-sharing models can be more easily implemented, providing more transparency and a simpler workflow. Whether it's allocating costs between subsidiaries or between business units, a GEC gives CFOs the tools to ensure that all global employment-related costs are appropriately captured and reported. This centralized approach improves visibility across the entire organization, enabling better financial analysis and planning, as well as more accurate forecasting.

The ability to forecast more accurately also allows for more effective strategic decision-making regarding hiring, cost management, and resource allocation.

By providing CFOs with immediate access to data on global employee costs, GECs also allow finance teams to track expenses and budgets on an ongoing basis. This data transparency helps finance leaders stay ahead of the curve and adjust to unexpected changes, such as fluctuating exchange rates or shifts in regulatory requirements.

A Stronger Link Between HR and Finance

Traditionally, HR and finance departments have operated somewhat separately, with HR focusing on talent acquisition and management, and finance handling budgeting and reporting. However, as GECs become more prevalent, the alignment and collaboration between HR and finance is becoming easier to achieve. With finance teams having greater visibility into employment costs and HR teams managing the day-to-day employment functions, both departments are now working from the same data source.

This close collaboration leads to more effective decision-making across the organization. Finance teams can provide more informed recommendations on compensation structures, and HR can work more efficiently to align talent strategies with financial goals.

In summary, far from being just an HR tool, GECs are becoming an indispensable part of the financial infrastructure, enabling organizations to manage their global workforce more effectively and strategically. By consolidating employment functions into a unified platform, GECs give CFOs the insights they need to make better, data-driven decisions, while ensuring compliance, optimizing costs, and positioning the company for future growth in a complex global market.