

Global Workforce Management:

Unpacking the Risks and Challenges

1

Global Workforce Management: Unpacking the Risks and Challenges

The growing demand for remote work significantly impacted the business world. Remote work often requires companies to adapt their HR policies and practices to accommodate the unique needs and challenges of remote employees, especially when those employees choose to relocate to a different country.

Hiring employees overseas is also a common strategy for many U.S. businesses as they expand their operations and seek to access global talent pools, markets, and opportunities. However, this trend towards global workforce expansion also brings a lot of complexities and risks because of the employment laws and regulations unique to each country. U.S. businesses hiring often seek guidance from international HR consulting service (HRC) providers to

navigate these complexities effectively and avoid risk. In outsourcing all, or even just some of the HR functions, these experts essentially become an extension of a company's HR department, ensuring compliance with local, national, or even international regulations when it comes to recruitment, onboarding, benefits, compensation, taxes, immigration services and more.



Growth and Popularity of Globalization

In the past, the only companies that had to worry about international employment laws and regulations were multi-billion dollar companies. Now, the interconnectedness of the global economy has expanded the reach of businesses of all sizes. SMBs directly engage in international trade, have clients or customers abroad, or source materials and services from other countries, subject them to international laws and regulations.

Other factors that have driven globalized operations growth for businesses of all sizes include:

- **Digital transformation:** The rise of e-commerce and digital communications platforms has enabled even small companies to reach international markets.
- **Transportation and Logistics:** Advances in transportation and logistics have significantly reduced the time and cost of shipping goods internationally.
- **Competitive Pressures:** Intense competition in domestic markets often pushes businesses to seek growth opportunities in foreign markets.
- **Technological Innovation:** Advancements in technology, including AI, IoT, and 5G, enable businesses to offer innovative products and services with global appeal.

These factors have contributed to the increasingly global nature of businesses, allowing companies of all sizes to explore and thrive in international markets. However, businesses need to understand and navigate legal and regulatory challenges to succeed in their global endeavors.



3 The Hurdles of Global Human Resources

The new normal embraces flexible work and a globally interconnected workforce. But with that new normal comes a problem that used only to be faced by Fortune 500 companies and other big brands - international laws.

When a company is based in one location with employees and offices all within the same commuter range of each other, it's easy to know and comply with tax, HR, and payroll laws because what works for one member of the team works for everyone. However, as a company stretches out in multiple countries, that burden rapidly expands. Just crossing the border to Mexico or Canada effectively doubles the number of laws and regulations a business must know and follow.

International expansion significantly impacts HR functions. HR professionals must now adapt and develop specialized skills to effectively manage a diverse workforce while ensuring compliance with multiple local laws and regulations. Many large, medium, and small companies don't have the staff or expertise to successfully manage the combination of strategic planning, cultural awareness, legal expertise, and effective communication across borders.



4 International HR is Not a Do-It-Yourself Project

DIY projects are perfect for small, around-the-home tasks that you can learn to do in a day or two with the help of some YouTube videos and maybe a book. Tasks like changing your car's oil, painting a room, or making homemade fudge are great DIY projects because they are small projects that can be quickly learned about.

International HR and payroll regulations are not a DIY project.

Managing HR matters globally involves a complex web of legal, cultural, compliance, financial, and logistical considerations that require specialized expertise.

Payroll laws within the United States change annually and can drastically change depending on what city and state a person lives in. Seasoned tax professionals who make a career out of accurately understanding the tax code still rely on digital automated processes to handle some of the work because it is impossible to memorize everything. And that is only for the United States.

U.S. payroll laws and tax regulations are highly complex and subject to frequent changes at various levels of government, including federal, state, and local jurisdictions. These changes can be influenced by legislative updates, court rulings, and economic conditions. And that is just in the U.S.

Many companies that try to navigate the even more complex payroll and HR rules and regulations outside the U.S. run a significant risk of fines and penalties, legal action, damage to their reputation, business disruption, loss of skilled workers, loss of market access, etc.



5

International Rules and Regulations

Labor and payroll regulations can vary significantly from country to country, reflecting each nation's unique legal, cultural, and economic contexts.

Here are some examples of unique labor and payroll laws and regulations in various countries:

China

Just like in the U.S., where there are federal and state labor laws, labor laws in China vary by region. For example, the minimum wage is determined based at the local level in China, and it depends on the economic development of the area, such as the cost of living.

All Chinese employees must have a labor contract. This contract should include the employee's role and duties, the company's termination policy, employee benefits, and more. Even if the employee is fluent in English, it's expected for this contract to be translated to Standard Chinese. The translation must be very accurate because if there are any disputes, the Chinese contract takes priority.

Suppose the employer does not offer the correct level of benefits for employees, including pensions, medical care, maternity care and benefits, work-related injury insurance, and unemployment. In that case, the company will face heavy fines.

Mexico

Terminating a Mexican employee is a complex process, and it is the employer's responsibility to prove the reasoning behind the termination. Even if defended by the employer, the employee can contest the termination in court and appeal to the Mexican government. This can lead to lengthy legal processes and ultimately lead to the government forcing the employer to reinstate the employee or pay additional severance.

Most notably, all employees in Mexico are entitled to profit sharing. The government requires companies to share 10% of their pre-tax profits spread across all employees. Companies can be taken to court and face fines if this is not met.

United Kingdom

The UK has strict laws that hinge on the classification of employees. The most common error made by major companies, like Uber and Nike, is laboring UK employees and independent contractors. If you misclassify employees as independent contractors, you'll face heavy fines and possible prison time, in addition to paying any missed benefits due to improper classification.

6

India

Only a few years ago, the Indian government made a significant shift with labor laws. It consolidated its previous 29 existing federal labor laws into four codes. This change streamlined compliance and significantly reduced some of the bureaucracy, however, the fines for code non-compliance can be as much as 20 times more expensive than fines incurred with the previous labor laws.

Canada

All Canadian employees are entitled to benefits like pensions, employment insurance, and workers' compensation, as well as a set number of vacations in addition to public holidays. If a company does not meet the minimum benefits standards for their employees, they can face heavy fines.

All international companies doing business in Canada must follow the Personal Information Protection and Electronic Documents Act (PIPEDA). It is there to help protect the personal information of Canadian employees while also making that information easily accessible by the individual. If a company is not PIPEDA compliant, it can face fines of up to CAD 100,000 per violation.

Understanding the unique rules of each country, both in terms of hiring practices, benefits, and compensation, is essential to avoid legal and financial risks. This risk is so significant that many companies work with legal and HR experts specializing in international workforce management to ensure compliance and successful operations in foreign markets.



Top Considerations When Selecting an HR Partner

Selecting the best HR partner is a critical decision for your business. The right partner can help you streamline HR processes, ensure compliance, and support your company's growth. The wrong partner could make you vulnerable to financial loss and put your global expansion at risk.

Here are some of the most critical factors you should consider when looking for an HR consulting and services partner:

Scalability

The best HR partner should never get in your way of growth or hold you back. As your company grows, your partner should be able to maintain the same standard of service and provide everything related to growing internationally. For instance, they should be able to handle global HR AND payroll. Getting one partner now, just having to find another in a few years once your company outgrows them, is not worth it. It is better to decide once and then rest easy that you have a partner who will be with you no matter how large you grow.

International Coverage

Your HR partner should cover more than just a handful of countries. Instead, they should offer global coverage. While you may not need coverage in New Zealand, Brazil, or Italy right now, you never know what new markets the next year may bring and where your business will need to expand.

Transparency

Remember back in middle school when you were forced into doing group work? , it was an awful experience because there was almost no communication between everyone involved. Your HR partner must be an extension of your team, providing you with a dedicated contact that is easily reached and be your single source for all your needs.

Experience

Your company deserves to work with a partner you can trust. They should know the intricacies of international laws and regulations, and that knowledge only comes with years of experience. An experienced partner can help answer your questions and meet your needs but also help you look forward to the future and help prepare you for making the best choices for long-term success.

8

Breadth of Services

You should not need to find one specialist to handle immigration, and another one to handle benefits and compensation. Your partner should be able to handle the entire employee lifecycle management for overseas employees and even your U.S. employees, if needed. Your HRC provide should offer the following services:

- **Onboarding & Offboarding:** offer letters, employment contracts, company handbooks, employer/employee rights, compliance checks, etc.
- **Immigration:** passports, visas, work permits, immigration costs, documentation.
- **Compensation & Benefits:** pay equity, total reward systems, pension / 401K, healthcare packages, etc.
- **Global Mobility:** expatriate management, practical and personal support (before, during, and after moving), home and host country taxation, relocation policy creation, housing services.
- **Performance Management:** renewals, HR casework, employee engagement, training, and development.
- **Mergers & Acquisitions Support:** support for carve-outs, divestures, spin-offs and IPOs, terms and conditions, compliance audits, staff retention.
- **Payroll Processing & Payments:** Processing of in-country payroll calculations, including income tax, holidays, social security, benefits, and payments in the correct currency.
- **End of Year Reporting:** country-specific tax year-end reporting ensuring compliant filing. Monitoring new legislation and adjusting accordingly.

Affordable and Flexible Pricing

Depending on your need, your partner should provide different pricing packages so you can easily budget and manage your HR spend. Maybe you don't need all-inclusive HR support, help with a single project. Or perhaps you just want to purchase a block of time to use whenever you need it. Your provider should have the flexibility to match its pricing structures to those needs.

Partnering with a global HR and payroll provider can be a game-changer for managing a diverse and dispersed workforce across multiple countries. It can help you achieve operational efficiency, ensure compliance, and ultimately focus on growing your business globally.



IRIS Global HR Consulting Services

Whether you are deploying staff in a new country or territory for the first time or have already established yourself as a global organization, hiring and managing employees in another country and keeping up to date with local legislation can be a timely and costly endeavor - but it doesn't have to be. IRIS can provide the support your specific business requires. With country-agnostic services that are charged monthly based on your global employee headcount, IRIS HRC is much more affordable than other global HR services.

[Contact us](#) today to learn more about the difference IRIS can make for your company.



"Without IRIS, we wouldn't be able to recruit the talent we've been able to... I recommend everyone to go with IRIS. Everyone who I've worked with, and every question I've ever had, IRIS works with you to ensure it works best for employees and your organization."

Audra Bright, Human Resources and Internal Systems Senior Manager at Textile Exchange

IRIS Human Resource Consulting (HRC) was able to help Textile Exchange expand from 50 employees to 130 employees worldwide, with employees in Canada, the UK, Sweden, France, Italy, and Spain.

