

Global Employment Companies - An Alternative Operating Model And Its Benefits

Global Employment Companies - GECs or Global Employment Organisations - GEOs have been around already for many decades. The increasing complexity of Mobility due to compliance, the need for creating a better employee experience and centralised control of the mobile workforce have created a renewed interest for creating GECs in organisations.

GECs are an alternative operating model for Global Talent Mobility. They centralise the employment of all internationally mobile talent (Executives, Global Nomads, Third Country Nationals, Local+, Expat Light, Developmental Assignments, Post-retired Engineers etc.) in a separate entity and manage the complexity of Global Talent Mobility. Regardless of home or host country, the assignee will obtain a labour contract and assignment letter from the GEC, and relocate from their home country to their host country. The compensation and benefits borne by the GEC will typically be recharged to the host location.

This differs from the approach of so-called employers of record companies who offer to employ your international mobile talent locally.

GECs are predominately used in the oil & gas, metals & mining and engineering industries, but are also used as special purpose operating models in all other industries (e.g. Financial Services, Chemical, Construction, Shipping, Pharma, IT, Telecom, Retail, Airline, Automotive etc.) This article will explore the benefits of the GEC model and help you to understand if this is also a model that is beneficial for your assignment programme. We will look at the triggers that drive the decision to use a GEC and finally how to evaluate the opportunity of operating a GEC.

Forms Of GECs

GECs are typically separate entities that are located in suitable locations, such as Switzerland, Singapore, UAE. They are either staffed by a company with a Global Mobility team, or outsourced to a provider that

manages the assignees on behalf of your organisation. The typical factors that play a role in the choice of a suitable location are the following: a stable economy with talent availability, a good bilateral treaty network, accommodating labour law and a stable currency, respectively the ability to deal with multiple currencies.

A GEC can operate multiple policies and typically uses a global pay scale for managing their assignment populations. They are also managing all necessary recharges with a little cost plus that compensates for the service delivered by the GEC. Vendor management, e.g. for tax, social security, immigration compliance and relocation are also organised centrally.

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Benefits Of A GEC

There are many different benefits for companies to choose a GEC over a traditional assignment programme or in addition to one. The benefits that GECs have in common - regardless of the specific reasons for a GEC - are owed to their centralised management of all global assignments. One team of Mobility Experts, in-house or outsourced, deals exclusively with all assignment related matters which differs from the traditional model, where home and host locations team up to deal

with assignments only when they arise. This is sometimes supported by third countries where Mobility hubs are based.

GECs provide benefits in terms of a better consistency of the employee experience, improved coordination and assurance of compliance, better control and reporting (data!), cost savings and economies of scale due to the centralised management. The centralised expertise of Mobility Management also helps to fulfil the increasing duty of care requirements in a more effective and efficient manner. And finally, the increasing use of technology in Mobility and its benefits can be utilised more effectively in a centralised assignment management.

Companies have typically multiple specific reasons for managing their assignments through a GEC operating model that go beyond the common benefits listed above. While some use it for all their assignments, others chose it only for specific employee groups.

One frequent reason is the nature of international assignments in an organisation. If you have talent that continuously moves from country to country, the so-called Global Nomads, a home country approach is not feasible in the long run. The oil & gas industry is the premier example where almost all Tier 1 firms operate a GEC, which also helps them also for better recruitment globally. Social security coverage is another factor that is discussed in the context of GECs, since they operate international pension plans that can enrich a patchwork of different host country entitlements.

Another popular benefit is the risk mitigation around permanent establishments, especially if your assignees are entering new markets where your organisation has no existing entities yet, while others simply realised that their previously de-centralised assignment management caused too many compliance issues or did not deliver a consistent employee experience.

One company I came across employs e.g. their top management (200 people) through a GEC, which allows them to have a more consistent treatment and better control over their management, while ensuring their mobility.

An IT company that I advised created a GEC for their European short-term assignees for better control, a lower permanent establishment risk and easier centralised cost recharges.

The question from what size of an employee population does a GEC make sense sounds valid, but I worked with companies that formed a GEC's for five employees. The reason behind that was in one case a multinational merger where Expatriate top management lost their home countries and needed to be provided with a structure that allowed them to provide replacement benefits and to be kept out of the host social security.

So, you can see from the above example that there can be on top of the common benefits of a GEC a lot of very specific triggers that made companies use GECs.

Evaluate The Opportunity

During multiple opportunities in which I advised multinational companies on the feasibility of a GEC in the last 20 years, it became clear to me that not every company has a valid business case for a GEC. But the exercise of evaluating the opportunity was always beneficial, since alternatives to a GEC which addressed the issues that the GEC supposedly covered were always established and evaluated against the benefits of a GEC.

Typically, a one day facilitated feasibility workshop with the key stakeholders of a Mobility programme achieved a clear view if a business case for a GEC existed, or if any alternative approaches are more feasible. In such a workshop the barriers, enablers and objectives for Mobility are first established. The pros and cons of how a GEC would address these would then be discussed and compared with alternative approaches. The result is typically a solid business case for change. A key for success is to use a facilitator that is familiar with GECs who can ask the right questions. A former colleague of mine once joked that there have probably been more men on the moon than we have seasoned GEC experts in the world. So, it is important to identify a trusted partner. Even within the Big 4, you sometimes find only one or two people who have the necessary expertise, and they are often based on another continent.

One typical barrier to GECs is the effort for establishing and staffing a new entity. This involves effort and investment, for the set-up of policies, processes and vendors. An alternative to this effort is to outsource the administration to a proven provider of GEC services.

Another barrier to GECs came up when I was working with the mobile engineering talent of a company that needed special certifications to perform

their jobs, which were tied to their home entity and not transferable.

While some barriers can be overcome, others can end the idea of a GEC. Sometimes, the benefits of a GEC did not outweigh the necessary investment, or in one case I dealt with, that the benefits of alternative approaches to tackle their issues were more feasible.

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Bottom Line

With the rise in complexity of Mobility and compliance it is worthwhile to evaluate the opportunity not to miss out on the potential benefits it comes with. The investment into one day with stakeholders to discuss Mobility Strategy while testing the feasibility of a GEC as an operating model is small in comparison to the benefits that can arise from that. The expertise on GECs is scarce but is available in the market.

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About ITX: Founded in 2000 by seasoned HR and Finance executives totalling 40 years of global mobility experience within large corporations, we were the pioneers in the large and fast growing Global Mobility Management phenomenon.

We advise international organisations on all global mobility matters (Legal, Compensation and benefits and HR). We achieve the simplification of expatriation programmes, a better costs control in full compliance with regulations. We provide a unique offer from “on request studies” to “full operational solutions” - GLOBAL EMPLOYMENT COMPANY (GEC).

So, what about now ... Do I want to simplify my “Expatriate Management”?:

Can I seriously ease my “Expatriate Management”, have control of my costs and still be compliant? Isn't it the time to build my own “Best in Class” centre of Expertise? And why not leaving my Expatriate Management to Expert Hands in order to keep a direct control of my International Workforce?

If you would like answers to any of these questions, then visit www.itx-ge.com or email vincent.hennequin@itx-ge.com.