

# Global Employment Companies: Just A Current Trend Or The Long-Term Solution?

**The use of Global Employment Companies (GEC) and the role they are playing within organisations notably changed over the years passing from a basic operational HR tool to a corporate structure included in the strategic side of corporate HR.**

GECs have existed for decades under different names such as Hubs, Managing Platforms and many other denominations. As any other entity they evolved along the years and have gone through 3 different stages:

**1. The 90's:** Companies were looking for solutions for their "International employees", expatriates that would spend most of their career on assignment and who would for most of them never go back to working in their home country. These people needed to be paid in various major currencies, benefit from an international social package and be administrated by a separated entity that could offer international contracts of employment.

**2. Early 2000:** Boosted by the globalisation and new technologies the model opened up to a bigger range of profiles. With the constant increase of Third Country Nationals (TCN) the model started to be promoted as being capable to optimise and simplify the management of expatriates regardless of their home or host country.

**3. Present:** Since the last couple of years GECs have grown into a key corporate HR strategic partner ensuring fast and efficient employment and deployment of companies' best human resources. Not only that, today's GECs are able to answer to high standards of compliance, they are more and more often established to guarantee compliance with taxes, employment benefits, finance and employment legal requirements.

These stages show several aspects of the model, its longevity and its ability to adapt and evolve along with the

need of the organisations and changing environment.

Its success probably lays in the fact that it involves and provides its services to both HR and Finance corporate functions.

From an HR point of view it simplifies the hiring process, ensures equity among the expatriate population, reduces the number of exceptions, partners with talent management and personnel retention, waives payrolls complexity and releases Compensation & Benefits from dealing with numerous social security systems and insurers.

From a Finance point of view it enhances rebilling processes and permits for the right cost to be addressed to the right cost centre along with clear financial reports. It eases the collection of data for cost control, financial audits and cost containment.

Expatriation is costly, nothing new here. Benefits, incentives, allowances, and family support, are every so often reviewed and lessened. To what extent and until when? Compliance drives companies' ability to generate new savings and what is often left is to optimise. This suggests doing something differently and better.

The type of industry of course plays a role, companies sending expatriates for half a century have expatriation deeply engraved in their culture, while for more recent industries their companies apply slightly different models. In both cases there are many possibilities to enhance HR management through GECs.

Big multinational corporations have, many years ago, been pioneers in this area, but it is now all type of companies regardless of their size or status (ie NGOs) that are facing similar challenges and either need or wish to implement new models.

The GEC model is present across the globe, the size of Asian companies and the fact that they are being confronted with the very same concerns as their Western competitors led them to dedicate more time in enhancing their HR management. Europeans have been effectively using this model for years, and US corporations start seeing GECs as a great tool to ensure compliance without

losing competitiveness.

We can notice the emergence of regional GECs and companies considering having multiple GECs around the world. A question pops up right away; isn't it a little bit contradictory with the centralisation argument often highlighted as one of the major benefits offered by GECs? Well if you look at it a bit closer you will actually see that the type of population integrated in this model has been widened. More and more companies implemented regional mobility policies for their expatriates moving within the same region. Companies are also trying to (re)integrate their contracting staff, rotational employees and freelancers.

The above gives us two additional indications. On one hand the rising need, and on the other hand the worldwide scope.

Launching a project such as a GEC requires companies to allocate the best resources within the organisations. It involves many functions such as HR, Finance, Legal, Purchasing, Insurance. In most cases this will be a corporate driven development resulting in the incorporation of a new entity. For all those reasons the projects might take some time before being validated and put in place. This is why some companies decide to outsource the implementation and management of their GEC. A GEC can basically be implemented in any country, but some are more "GEC friendly" than others. When deciding on where a GEC will be located, companies should ensure they will have access to efficient international products for covering their expatriates and that insurers are authorised or licensed to offer their products to foreign based entities.

Initial investment is important both in terms of human and financial resources, but is well worth it on the long run. Such type of structure becomes mature and will deliver its best 18 to 36 months after the first employee is hired or transferred.

GECs can be the running engine of an international mobility programme and the centre of expertise that corporate HR, business partners and company's

stakeholder can rely on.

We can expect that the number of GECs will continue to increase reaching more and more companies, industries and countries. The type of services will also change, there are already companies planning on establishing a GEC to centralise the management of their Local + population with whom they lost contact (Resource management), and for whom they do not have precise financial reporting (Cost control).

The GEC model is definitely not a one size fits all solution but rather a solution that can be adapted to every need. Any company willing or needing to rethink the management of its expatriates population should be exploring the possibilities a GEC may offer for a long term solution.



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Gordon is based at ITX Headquarter in Geneva (Switzerland). He previously held the position of Head of International Mobility Administration & Finance where he successively set-up, promoted and managed Global Employment Companies for ITX clients.

His "Human Resources Specialist" background and strong experience of working with multinational companies from diverse industries makes him an expert measuring the strategic importance of Global Mobility and its key topics such as: Compensation & Benefits, policies, international working contracts, TCNs' management, rebilling, cost control vs package "attractiveness" and expatriation process efficiency.

Gordon also drove the implementation of ISO 9001:2008 Quality Management System standards and compliance.

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