

HR RESEARCH SERIES 2026 - REPORT R19 OF 10 (EXTENDED)

# Employer of Record: Global Hiring Without a Legal Entity

How EOR and PEO models enable European companies to hire anywhere, with compliance, cost, and risk analysis.

The Employer of Record (EOR) model has transformed how European companies hire internationally. By employing workers in foreign jurisdictions on behalf of client companies, EOR providers have removed the single biggest barrier to international talent acquisition: the requirement to establish a local legal entity before hiring.



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As remote work has made location irrelevant for most knowledge worker roles, EOR adoption has grown 182% since 2020. This report examines when EOR makes sense, how to evaluate EOR providers, and how to manage international EOR workforces effectively.

## What EOR actually is, and is not

An Employer of Record is a third-party organisation that legally employs workers on behalf of another company. The EOR is the legal employer, responsible for payroll, tax, contracts, benefits and local compliance. The client directs day-to-day work and pays the EOR a fee.

Model	Legal employer	Client controls work?	Local entity?	Best for
EOR	EOR company	Yes	No	Permanent hires, new markets, remote workers
Staffing / temp agency	Agency	Partially	No	Temporary, contingent workforce
PEO (co-employment)	Shared	Yes	Yes (usually)	Companies with existing local presence
Direct employment	Client company	Yes	Yes	When volume justifies entity
Contractor / freelance	Contractor	Limited	No	Short-term genuine self-employment

## When EOR makes financial sense

Scenario	Entity cost	EOR annual cost	Breakeven	Recommendation
1 hire in Germany	EUR 28k setup + EUR 8k/yr	EUR 6-9.6k/yr per person	~4-6 employees	EOR for first 4-5 hires, entity if scaling
3 hires in France	EUR 22k setup + EUR 7k/yr	EUR 18-28.8k/yr	~4-5 employees	EOR, monitor growth
10 hires in Netherlands	EUR 18k setup + EUR 6k/yr	EUR 60-96k/yr	Below 10 employees	Consider entity at this scale
1 hire in non-EU market	EUR 35-80k setup	EUR 7.2-12k/yr	~6-10 employees	Strong EOR case
Remote-first multi-country	EUR 100k+ multi-entity	Per-country EOR fees	High threshold	EOR clearly preferred

## Evaluating EOR providers, due diligence

- **Local legal entities**, owned in each country, not subcontracted (subcontracting increases risk).
- **Compliance track record**, request examples of how they handled compliance challenges in your target countries.
- **Employment contract quality**, review a sample contract with local employment counsel before signing.
- **Payroll accuracy**, what is their payroll accuracy rate and response time for errors?
- **Benefits management**, are locally required benefits properly structured or minimally compliant?
- **Termination handling**, legally complex, your EOR must handle it correctly.

## Permanent establishment risk

**EOR does not automatically create PE risk, the employment relationship is with the EOR, not the client. PE risk arises if EOR employees have authority to habitually conclude contracts on behalf of the client, or if client activities constitute a fixed place of business. A software engineer remotely contributing to a product team creates minimal PE risk, a sales person closing deals locally creates significant PE risk. When in doubt, take specific local tax advice.**

## Managing international EOR workforces

Management challenge	Common failure	Best practice
Performance management	Applying client country process to local context	Work with EOR on locally compliant process
Termination decisions	Decision without EOR guidance	Involve EOR at earliest stage of concern
Benefits and compensation	Assuming client country benefits apply	EOR provides local minimum, client supplements
Onboarding experience	EOR onboarding feels separate from culture	Integrate EOR admin into company onboarding
Employee relations	Unclear who employee goes to	Explicit, work issues to manager, employment to EOR

## EOR in a remote-first world

EOR use case	Business benefit	Key consideration
Hiring in talent-rich markets without local presence	Access to best tech talent in Berlin, Amsterdam without entity	PE risk, local employment law compliance

EOR use case	Business benefit	Key consideration
Retaining key employees who relocate	Retain talent who want to move countries	EOR in destination, benefits parity
Testing new market before entity commitment	Hire sales / ops locally before entity	EOR as market entry pilot, clear trigger point
Building distributed teams in cost-effective markets	Warsaw, Lisbon, Prague engineering teams	EOR quality, benefits equity across locations

## Forward outlook 2026-2030

EU employment law harmonisation reduces intra-EU EOR complexity in 2026, AI workforce planning automates the entity vs. EOR decision by 2027, EOR becomes the default global hiring infrastructure for European scale-ups by 2028, and by 2030 global payroll and EOR converge into a single platform managing any talent, anywhere.

### Built for what's next.

tenperzent.com is the AI-native ATS designed for European hiring in 2026 - GDPR by default, EU AI Act compliant, free to start, €79/month to scale.

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