

Leveraging the global workforce

Opportunities and obstacles
in international remote hiring



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Introduction

More small and medium-sized businesses (SMBs) are recognizing the advantages of hiring employees and contractors from across the globe. But the process can often feel prohibitively complex.

In this guide, we provide an in-depth look at both the opportunities and obstacles in hiring internationally—from reducing costs and expanding your talent pool to navigating compliance and company culture—all supported by data-backed insights from over 500 SMB owners and decision makers in the United States.



Why hire internationally?

The top reason SMBs are hiring internationally is to manage costs. However, they also want access to talent in key markets to help them expand.

Managing costs — As of July 2023, there were 1.4 job openings for every unemployed person in the US. With a continued talent shortage pushing many employers to raise wages, SMBs are turning to international employees for the help they need—86% reported they're hiring internationally to manage costs. Additionally, 58% said a key reason they're turning to global talent is because they're facing a shortage of available US employees, or because they need additional skills they can't find in the US.

Accelerating expansion into new markets — 51% of companies report that “expanding the company's ability to serve non-US markets or customers” is a somewhat or very important factor in their decision to hire international employees. Having employees on the ground allows companies to tap into their skills, as well as their local and cultural expertise.

Takeaway:

If you're finding it challenging to hire skilled workers in the US because of the ongoing labor shortage, it may be worth looking internationally to find the right people to join your team.

If you're planning to serve customers in other countries, it may be worth having boots on the ground in those locations. Having those team members can help you extend your hours of operation and will give you the cultural expertise you need to better attract customers in new markets.



International contractor vs. foreign employee?

While more SMBs are hiring independent contractors overseas, 49% are considering converting those contractors into full-time employees. SMBs were able to give multiple responses, with the top reasons including:

- The ability to better retain the skills and expertise of existing contractors (60%)
- The ability to protect intellectual property (45%)
- Avoiding the misclassification of contractors, opening up potential compliance violations and penalties (39%)

And if you've hired remote employees in the US, it becomes easier to hire across global borders. 67% of SMBs with international employees started with a US remote employee before they hired their first international one.

Takeaway:

SMBs are converting their international contractors to employees. The easiest way to do this is with global employment outsourcing through a professional employer organization (PEO) or an employer of record (EOR) service.

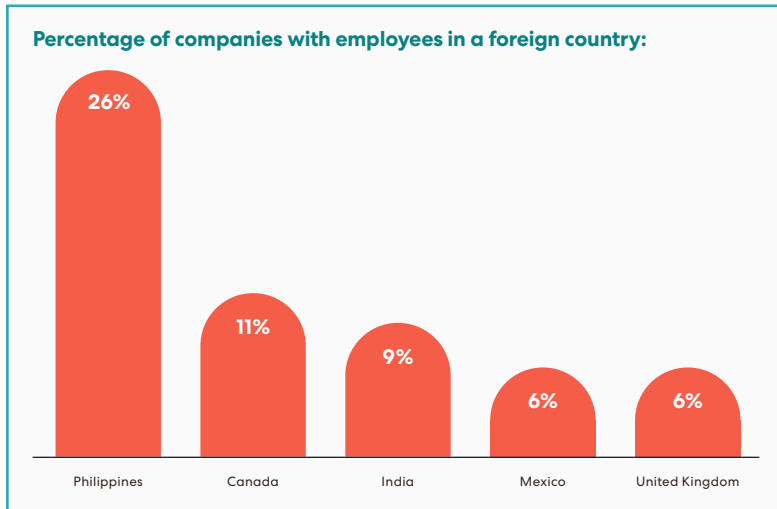
Need help with hiring international talent quickly and compliantly?

Learn more about Gusto Global, powered by Remote, which helps you easily hire full-time employees around the world without cutting compliance corners.



Global hiring: where to look

The most common country from which US companies are hiring international employees is the Philippines, followed by Canada and India.



- In general, companies are more likely to hire international employees in Europe or Canada so they can expand their business to the region.
- Companies are more likely to hire employees in countries such as the Philippines and India to manage their costs while accessing high-quality talent.

The challenges of hiring international employees

When approaching how to hire internationally, some of the biggest barriers can include ensuring you're compliant with the employment regulations of the country you're hiring in. It's also tough to put together compensation packages that will attract and retain the right people.

- Overall, nearly 75% of companies report that **understanding and complying with foreign employment and tax laws** is one of the most important issues they face hiring and working with international employees and contractors.
- Another **52% said it's challenging to know whether they're offering the right pay and benefits to be competitive in the local market.**

Takeaway:

Hiring international employees can be complex. To better understand and ensure your business is compliant with any foreign employment regulations, consider bringing on a PEO or EOR for localized expertise and support. They should also be able to provide proactive guidance on the right compensation packages to help you build your team.

Global recruiting: Attract and retain the best international talent

SMBs that treat international employees the same as US employees generally report greater success with international hiring.

- Of companies reporting that they typically pay different rates depending on the location of employees, **84% report they pay the market rate for talent in that area**, no matter what the company would pay a US-based employee. However, companies that report they pay employees the **same rate as the company would pay in the US but adjusted for the cost of living** in the employee's location report a better ability to attract high-quality international talent.
- Companies are much more likely to report better outcomes for attracting and retaining talent when they offer their international employees the same perks and benefits as their US employees.



In fact, compared to companies that offer fewer benefits to their international teams:

- Companies that report offering the same level of retirement benefits to international employees are 1.2x more likely to report being “far above average” at attracting high-quality international talent.
- Companies that report offering the same level of health benefits to international employees are 1.3x more likely to report being “far above average” at attracting high-quality international talent.
- Companies that report offering the same level of company equity or profit sharing to international employees are 1.4x more likely to report being “far above average” at attracting high-quality international talent.

Learning and development—Most companies (**76%**) provide the same amount of learning and development resources to their international employees as they do for US employees. These companies also report being better able to manage burnout and maintain productivity among their staff.

Vacation time—Most companies (**67%**) provide the same amount of PTO to their international employees as they do for US employees. These companies also report being better able to manage burnout and maintain productivity among their staff.

Onboarding across cultures: Set up your international employees for success

Be thoughtful about your employee onboarding experience—it sets the tone for your future interactions.

Roughly half of companies encourage managers to spend time building personal connections with their employees. They also schedule 1:1s for international staff and their US counterparts. But to truly create the best possible experience for your international employees, here are some less common but highly effective tactics:

- Formal cultural training for managers
- Tailor international employees' onboarding experience to match the work culture of their country
- Provide onboarding materials in international employees' primary languages



Cross-border collaboration increases success

Frequent collaboration between international and US employees is key—having fully integrated teams leads to higher productivity.

64% of companies report collaborating with international employees on a daily basis. These companies are also 40% more likely to report being “far above average” at maximizing the productivity of international employees.

SMBs can face hurdles getting there. About half of companies report **managing work across time zones** is a major issue for the company, and **24%** of companies report that **language or cultural differences are a major challenge.**

What's working:

- 43% of SMBs highlight the company's missions and cultivate shared values between cultures.
- They're 1.6x more likely to report being “far above average” at retaining international talent, and 1.4x more likely to report being “far above average” at managing burnout”

Global hiring with intention

Hiring internationally has never been easier or more attractive. Companies ready to make the leap are poised to access a wealth of untapped talent while saving money and seizing opportunities to expand to new markets.

Understanding common pitfalls and being intentional about international hiring, onboarding, and management processes is critical to avoiding costly mistakes. Having the right local experts in place through an EOR or PEO can take global payroll and compliance off your plate. This frees you up to focus on building the right culture for your team members—no matter where they are in the world—so you can build for the long-term growth and success of your business.

Gusto Global offers built-in compliance management, easy access to new countries, and a 100% owned-entity model for best-in-class service with localized expertise.

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