

**TMF**  
GROUP

Global reach  
Local knowledge

# BUILDING A WORKFORCE

THE GLOBAL BUSINESS  
COMPLEXITY INDEX 2019



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# INTRODUCTION

**The research undertaken for our Global Business Complexity Index 2019\* indicates that it is becoming increasingly complex to be an employer at every stage of the employee lifecycle, from hiring to firing.**

Around half our global team of specialists reports that labour laws are difficult to understand and comply with in their jurisdictions,\*\* as the ways in which businesses build, manage and report on their workforces become more heavily regulated. The challenge is even greater in jurisdictions where payroll legislation is continually changing.

Depending on the jurisdiction, areas of complexity can include hiring and retaining the best workers, human resources and payroll data reporting requirements, managing relationships with unions and handling disciplinary processes when employees underperform.

The boom in digital technology has given regulators new controls and enhanced powers, driving the increase in reporting requirements. At the same time, the financial and reputational consequences of non-compliance are becoming increasingly severe.

Businesses must be agile to keep up with changing regulatory requirements, especially when new legislation is unclear or inconsistent. As multinationals expand, legislation in a single jurisdiction can affect their entire global operations. Businesses need local market expertise to successfully navigate this complexity and mitigate risk.

\*The TMF Group Global Business Complexity Index 2019 identifies the most – and least – challenging jurisdictions around the world. This helps company leaders to assess possibilities for expansion, understand potential risks and determine what local expert support they need.

\*\*We use 'jurisdiction' to mean an area governed by a set of laws. A country can include several jurisdictions which, from a business point of view, are separate. For example, Curaçao is part of the Kingdom of the Netherlands but it is an entirely separate jurisdiction to the Netherlands.



# HIRING A SKILLED WORKFORCE

**When setting up in a new jurisdiction, most businesses seek to build a workforce as quickly as possible, so they can become operational and start generating revenue. However, this first phase of the employee lifecycle is one of the biggest challenges they face.**

In most jurisdictions, it is difficult to take on staff before a company is established as a legal entity.

This is especially problematic in Latin America, where company registration processes can be lengthy – in Peru, for example, registration takes up to three months.

Once a business is legally established, the complexity of hiring new employees depends on the types of workers needed. Once a business is legally established, the complexity of hiring new employees depends on the types of workers needed.

**Complexity of hiring workers before the business is established as a legal entity (on a scale of 1 to 10)**



■ GLOBAL ■ AMERICAS ■ APAC ■ EMEA

## Hiring staff from overseas

Protectionist labour laws often make it much harder to recruit staff from overseas than to hire local workers. In Canada, for example, businesses must prove that a vacancy cannot be filled by a Canadian before they recruit a foreign worker.

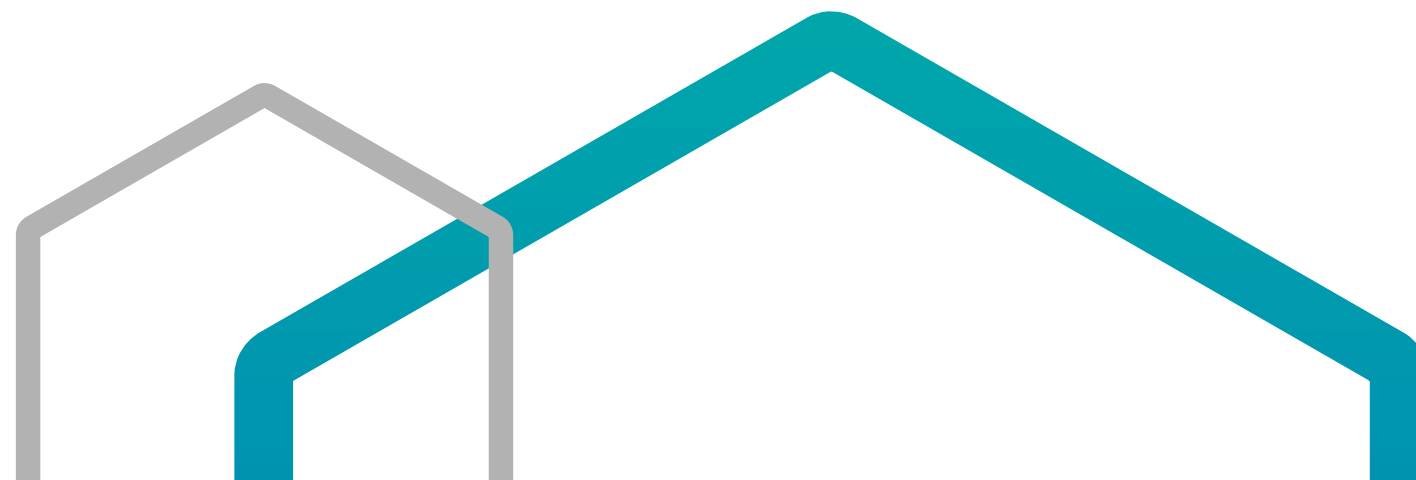
**Complexity of hiring workers seconded from another jurisdiction (on a scale of 1 to 10)**



In some cases, supranational agreements make hiring overseas workers simpler. In the European Union, for example, freedom-of-movement legislation grants citizens the right to work in other member states.

In addition to employment legislation, indirect controls can impact a business's ability to hire foreigners. In Jersey, for example, strict housing controls prevent incoming workers from settling on the island unless they meet various criteria including qualifications, experience and personal wealth. Similar restrictions apply on other island jurisdictions, such as the British Virgin Islands, where the primary limiting factor is space.

Given the complexity of hiring overseas workers, jurisdictions that boast a highly-skilled labour pool are very attractive to investors. Local fluency in English – considered the international language of business – adds to a jurisdiction's appeal.





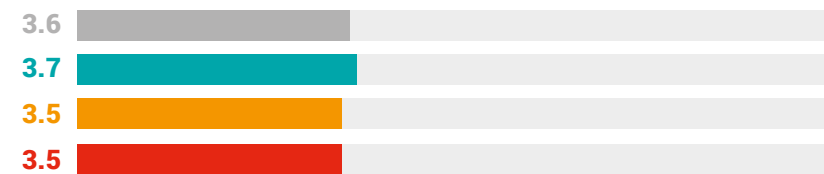
# HIRING A SKILLED WORKFORCE

## Hiring local workers

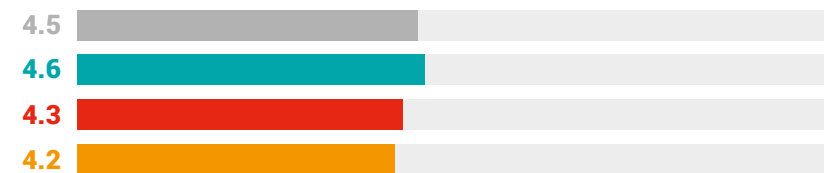
When hiring from the local workforce, it is often more difficult to hire subcontractors than permanent employees. However, subcontractors are typically subject to less regulation than full-time employees which brings other benefits.

## Complexity of hiring permanent staff and subcontractors (on a scale of 1 to 10)

### PERMANENT STAFF



### SUBCONTRACTORS



Our experts in Indonesia report that multinationals often give workers short-term contracts of six months to a year because it is so costly to fire permanent staff.

However, this gig economy model – characterised by less regulated, more flexible self-employment contracts – is coming under pressure as governments seek to protect workers from exploitation and tackle income inequality.

■ GLOBAL ■ AMERICAS ■ APAC ■ EMEA

In September 2019, lawmakers in California passed landmark legislation designed to disrupt the gig economy employment models of tech giants such as Uber and Lyft, which are headquartered there. Under Assembly Bill 5 (AB5), companies that want to classify workers as contractors must prove that the workers are not controlled by the company, do not provide services that are central to the company's business and are running their own independent businesses.

Although Uber and Lyft are likely to fight the ruling, AB5 could set a precedent that eventually leads to restructured labour laws, in the US and other jurisdictions, that force gig economy companies to take on more workers as full employees, entitled to standard benefits and compensations.

## Hiring experts

Some markets specialise in specific industries. For example, Curaçao's long history as a financial hub in the Caribbean means that finding workers with knowledge of local financial legislation is easy. In some jurisdictions, professional skillsets vary between regions. In India, the cities of Bangalore and Pune are technology hubs, whereas automobile expertise is clustered around Chennai.

While hiring workers can be difficult, it is only the beginning of the employee lifecycle. The real challenge is to nurture employee loyalty and minimise staff turnover.

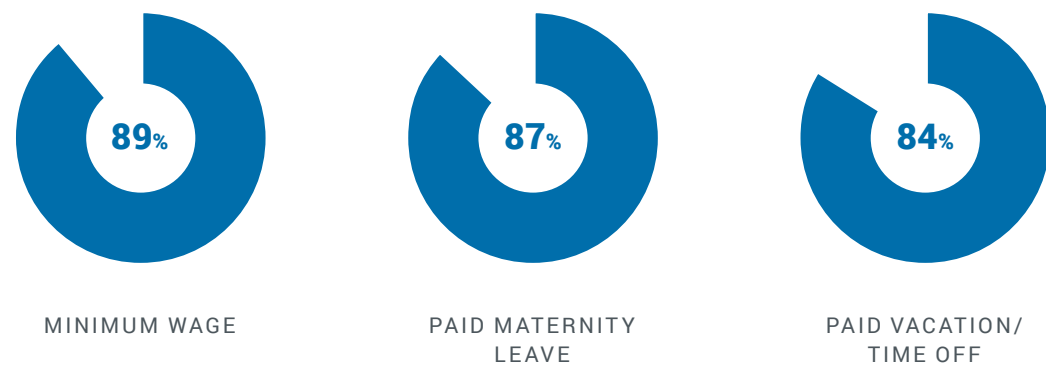


# COMPENSATING EMPLOYEES

Building the optimal workforce is crucial for success, so businesses compete to attract and retain the best employees. Offering higher wages is just one of the ways they do that. We see a growing trend towards companies granting benefits beyond financial compensation for time spent working. Additionally, governments are adopting policies that favour workers and prospective employees are demanding greater rewards.

Globally, most jurisdictions require employers to offer workforces a set of 'traditional' benefits, including minimum wage, maternity leave and paid vacation time.

Percentage of global jurisdictions in which traditional benefits or compensations are a legal requirement



Beyond these core requirements, employee entitlements vary significantly between different jurisdictions and industries.

In the Americas, a '13-month salary' or bonus is commonplace. Shared parental leave is a legal requirement in 63% of jurisdictions, compared to 57% in EMEA and 33% in APAC.

GLOBAL AMERICAS APAC EMEA

A 13-month salary or bonus is mandatory in 17 jurisdictions in the Americas



Percentage of jurisdictions in which offering shared parental leave is a legal requirement



APAC leads the way in pension provision: a fund must be offered in 79% of its jurisdictions, compared to 63% in the Americas and 50% in EMEA. Some jurisdictions demand relatively unusual benefits, including transportation allowance (16%) and life insurance (11%).

Benefits can vary across sectors. In Denmark, for example, benefits for different industries are agreed by representatives for workers, employers and the government and reviewed triennially. In many jurisdictions, cryptocurrency providers offer employees cryptocurrency in addition to a conventional pay cheque.

Government approaches to benefit provision range from light regulation to heavy intervention. In Switzerland, where

government regulation is relatively light, benefits are negotiated by employers and employees on a case-by-case basis. French law has many more requirements and states, for example, that companies must provide lunch vouchers to employees.

In some places, weaker employee protections are partly offset by competition for labour – in the United States and Hong Kong, companies must provide attractive benefits to secure the best talent.

Government reforms to protect workers can sometimes add complexity for employers. For example, Spain's government passed a labour law in May 2019 that limits overtime hours to 80 a year. If an employee exceeds these hours, it must be reported to the Spanish social security department.

# MANAGING PAYROLL

As multinationals expand into new jurisdictions and build new workforces, they must get to grips with local payroll practices and reporting requirements and become fully informed on compliance demands and penalty risks.

## Payroll practices

Setting up new employees on payroll systems is a straightforward procedure in most jurisdictions. However, paying employees becomes more complex when legislation is subject to frequent change - as is the case for 45% of jurisdictions globally.

Percentage of jurisdictions in which payroll legislation changes frequently



In some jurisdictions, different regions operate different payroll practices, adding complexity.

■ GLOBAL ■ AMERICAS ■ APAC ■ EMEA

## Reporting requirements

Certain jurisdictions demand frequent reporting of employer and employee data, which can be extremely time-consuming for businesses. Globally, governments require companies to submit their payroll data at least once a month in 76% of jurisdictions. In France, where reporting requirements are particularly stringent, businesses must submit monthly reports detailing the pay and hours of individual employees, along with demographic data including the gender pay gap.

Percentage of jurisdictions that require businesses to submit payroll data to the government at least once a month



The introduction of electronic systems to automate and standardise reporting procedures can reduce the reporting burden. For example, the Brazilian government has introduced eSocial, a system that unifies the electronic submission of employer and employee data. Digital reporting systems often lead to an initial spike in complexity as businesses adapt to using them but should make processes quicker and easier in the long term.

For example, the Australian Taxation Office subjects salary and wage declarations to very high scrutiny, aided by real-time data collection measures and Single Touch Payroll – a regulation that requires employers to report detailed payroll information every time they pay employees. Failure to comply with their reporting requirements can have severe ramifications. The Bulgarian government not only monitors workforce composition, it enforces legally binding quotas. The People with Disabilities Act (PDA) requires Bulgarian employers with 50 or more employees to meet quotas for permanently disabled personnel.

## Compliance demands

Jurisdictions around the world are moving towards tighter controls. Businesses may be penalised for assumed non-compliance or data irregularities while in some jurisdictions, company leaders may be held personally liable.

Lack of diversity in the workforce and pay gaps can lead to severe reputational damage. For example, the British Broadcasting Corporation (BBC) suffered a major scandal when required to disclose figures that revealed a significant gender pay gap.

# WHEN EMPLOYEES UNDERPERFORM

Managing underperforming members of the workforce is a challenge for many businesses – and comes with numerous potential pitfalls. However, terminating the contract of individuals whose work is substandard can be vital to protect a business's productivity and finances, as well as the morale of other staff.

Laws governing disciplinary processes and the firing of employees demonstrate the most dramatic regional variation. Globally, one in five jurisdictions allow companies to fire an underperforming employee within a day. This statistic is skewed greatly by the Americas, where same-day firing is permitted in 52% of jurisdictions. Furthermore, employers are required to cite a reason for the termination in only 46% of jurisdictions in the Americas - compared to two thirds globally.

We see a significant split between North and Central America, and South America, where employees receive greater legal protection. In the USA, for example, a contractual system of 'at-will employment' means that workers can be dismissed without being given a reason or a warning. In Bolivia, however, the Ministry of Labor supports employee rights and companies can be forced to rehire dismissed employees if the reason for termination is deemed invalid.

## Length of notice that must be given to fire an employee

	REGION			
	GLOBAL	AMERICAS	APAC	EMEA
LESS THAN A DAY	20%	52%	8%	6%
A DAY TO 1 WEEK	6%	10%	0%	6%
1 - 2 WEEKS	4%	10%	0%	3%
3 - 4 WEEKS	26%	24%	23%	29%
5 - 8 WEEKS	23%	5%	46%	26%
9 - 12 WEEKS	10%	0%	0%	20%
13 - 24 WEEKS	4%	0%	15%	3%
25+ WEEKS	6%	0%	8%	9%

In other regions, legislation tends to favour employee rights. Our research suggests that APAC is the most difficult region in which to manage termination processes. In Thailand, the court system is sympathetic to workers and businesses risk significant costs if a dismissed employee launches legal proceedings. In China, companies that make more than a certain proportion of the workforce redundant over a certain period must justify their actions to the government.

Across the world, the presence of strong workers' unions makes dismissing employees more difficult. Employers in Latin America must be aware of particularly powerful cultures of unionisation. In Chile, workers in companies with more than 50 employees are entitled to unionise. In Argentina, disputes with unions are often protracted because the country suffers from high inflation – employers must offset the declining value of currency with wage increases.



## LOOKING AHEAD

We are entering an era of 'social compliance' as regulators become more powerful on the local and global scale. We see a clear trend towards businesses being compelled to report more granular employee data, more frequently. While automation may boost reporting efficiency in the long term, there is likely to be a short-term upswing in complexity while these processes are implemented. Furthermore, it is questionable as to whether technology will be able to keep pace with frequently changing legislation.

As businesses expand and build workforces in new jurisdictions, they must be fully primed for the challenges and complexities they will encounter.



As social compliance gains traction, regulations and statutory reporting that concern the ethical treatment of workers and their data are increasing. Data handling has become an instrument of government welfare policy enforcement - and a powerful business tool for those who know how to use it. At the same time, social media enables individuals to share, inform and influence regulatory oversight on employers.

Ensuring HR and payroll compliance and mitigating risk for multinational companies requires global and local expertise. Within all regulatory frameworks, interpretation varies across locations and processes change. Companies need the flexibility and agility to accommodate rapidly changing employment legislation for every territory they operate in - whether they employ thousands of workers or just one. Technology is essential but it is a tool – to ensure better outcomes, businesses need to know how to use it.

HR and payroll services are no longer just about pay cheques. For us, the future lies in technology platforms that can be used globally, in combination with local experts who have deep knowledge of variations in their jurisdiction, and the experience and wisdom needed to successfully run a compliant payroll.

—  
Anne Clifford,  
Global Head of HR & Payroll,  
TMF Group.



## METHODOLOGY

The Global Business Complexity Index was compiled using research conducted among TMF Group's specialists in 76 jurisdictions. We measure 'complexity' in terms of how complicated and unpredictable a business environment is – and how difficult it is to understand and operate in.

An in-depth survey explored three areas:

1. Accounting and tax
2. Rules, regulations and penalties
3. Human resources

The data for each jurisdiction were statistically weighted and combined to produce an overall complexity score and ranked index.

Follow-up interviews were conducted with specialists from the ten highest and ten lowest ranking jurisdictions, exploring their business environments and investigating scores in greater detail. Experts were asked to score the complexity of several issues on a scale of 1 to 10, with 10 being the most complex. We calculated mean scores on the same scale.



# TMF GROUP – LOCALISING THE GLOBAL WORLD

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TMF Group helps its clients operate internationally, ensuring they are properly set up to do business in any country, fully compliant with local and international regulations.

Our work includes helping companies of all sizes with business services such as HR and payroll, accounting and tax, corporate secretarial, global governance, administration and fiduciary services for capital markets activities, private equity and real estate investments. We offer consultancy services to extend our clients' capabilities and help companies deal with the complexities arising from growth and expansion.

In today's environment, increasing business complexity means that a one-size-fits-all approach doesn't work, while the penalties for getting it wrong are becoming heavier. Operating in over 80 jurisdictions, we provide 15,000 clients with on-the-ground compliance and administration services so they can venture further, faster and more safely. We keep things running seamlessly, enabling them to focus on the bigger picture.

Our people localise the global world to help businesses succeed, which in turn helps communities prosper. We believe the only way to be 'global' is to put local first, which is what our team of 7,800 in-country experts do for businesses of all sizes, every day.

Find out more about TMF Group:  
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