

A series of colorful paper cutouts of people in various shapes and colors (pink, blue, orange, green, yellow) holding hands in a line, receding into the background. The cutouts are placed on a light blue surface.

HIRING ACROSS BORDERS: EMPLOYMENT LAW ESSENTIALS FOR GLOBAL EXPANSION

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In today's hyper-mobile world of digital-first business models, a scale-up might launch in London, hire developers in Kraków, appoint a sales team in Dubai, and set up customer service in Cape Town, all within the first 18 months. But while this operational flexibility fuels growth, it also triggers a complex tangle of employment laws, tax implications, and worker protections that vary dramatically across jurisdictions.

As a founder, COO, or People & Culture lead, expanding internationally isn't just about finding talent. It's about managing risk. This article explores five foundational employment law themes that every cross-border business must grasp to scale compliantly and sustainably, without compromising speed or global ambition.

CONTRACTOR OR EMPLOYEE? WHY CLASSIFICATION MATTERS

In early-stage growth, hiring contractors often feels like the logical choice: fast, flexible, and (seemingly) low-commitment. But misclassifying a worker as a contractor, when they legally qualify as an employee under local law, can open the door to back pay claims, social security contributions, tax liabilities, and even criminal penalties.

And here's the catch: your written contract doesn't get the final word. Most countries apply a "substance over form" test, which means tribunals and regulators will assess how the working relationship functions in reality.

UK example: A developer working fixed hours under your direction, without the right to substitute their services, may be classified as a "worker" or even an employee, regardless of being labelled "independent" in their agreement. That gives them rights to holiday pay, pension enrolment, and possibly unfair dismissal protection.

Global tip: Don't assume contractor classification is portable. In Italy, self-employment tests are strict. In the US, the IRS, Department of Labour, and individual states all have separate tests. A global contractor model can rapidly become an accidental employee model, with retroactive costs.

YOU CAN'T COPY-PASTE EMPLOYMENT CONTRACTS: LOCAL LAW RULES

Thinking of using your UK employment template abroad? Don't. While having standardised offer letters and core company policies is efficient, employment contracts must comply with the legal requirements of the worker's location, not your HQ.

For example:

- * Germany requires precise notice periods, mandatory sick pay terms, and payslip requirements.
- * France mandates that contracts be written in French and comply with industry-level CBAs (Collective Bargaining Agreements).
- * The UAE recently overhauled its Labour Law in 2022, requiring fixed-term contracts and offering a new leave regime (including parental leave and remote work frameworks).

Therefore, a well-drafted contract should reflect not only the statutory rights of the employee but also cultural norms. Including inappropriate clauses (e.g. post-termination non-competes that are unenforceable) can backfire, and local courts may strike out entire sections. Best practice in this case would be to work with local lawyers to tailor each contract, or use cross-border compliant templates verified for key markets.



EMPLOYEE RIGHTS EXIST – EVEN IF YOU’RE “REMOTE”

Many companies believe that a distributed or remote structure shields them from local employment law, but in most cases, it does the opposite.

Wherever the employee is habitually working from is where their employment rights apply. That means your UK company hiring a “remote” marketing exec in Spain is subject to Spanish employment protections.

Examples of local obligations:

- ✱ Spain: Requires remote working agreements to be formalised in writing, with cost reimbursement for home office expenses.
- ✱ Italy: Workers are protected by CBAs, which can include minimum salary bands, training entitlements, and bonus schemes.
- ✱ South Africa: A robust framework for unfair dismissal and workplace discrimination applies, even to foreign employers.

Hence, maintaining a localised employment handbook that outlines minimum standards in each market and at minimum, aligns compensation, working hours, leave, and termination procedures with local law. It’s not just about risk, respecting local norms is key to talent retention.



ONE HIRE CAN TRIGGER A “PERMANENT ESTABLISHMENT”

Employment decisions often intersect with corporate tax exposure. If your foreign hire performs business-generating activities (like signing contracts, managing customers, or running sales), they might create a Permanent Establishment (PE) for your company, leading to local tax filings, payroll obligations, and VAT registrations.

Consider the risks:

- ✦ A UK software firm hires a “country manager” in Poland to lead a market launch. That individual’s home office, title, and activities may satisfy PE criteria under the Poland-UK tax treaty.
- ✦ A UAE-based team member representing your business at trade fairs and closing deals in-country may trigger VAT or corporation tax exposure, even without an entity.

Workarounds:

- ✦ Hire via Employer of Record (EOR) services like Remote or Deel, which act as the legal employer and handle local compliance.
- ✦ Consider setting up a subsidiary when headcount or revenue thresholds are met. This allows for proper corporate governance, HR infrastructure, and operational clarity.



DIGITAL NOMADS, VISAS, AND PAYROLL: THE HIDDEN LEGAL TRIPWIRES

The “work from anywhere” dream has legal limits. Letting staff choose their base country can have serious immigration, tax and compliance implications, for them and for you.

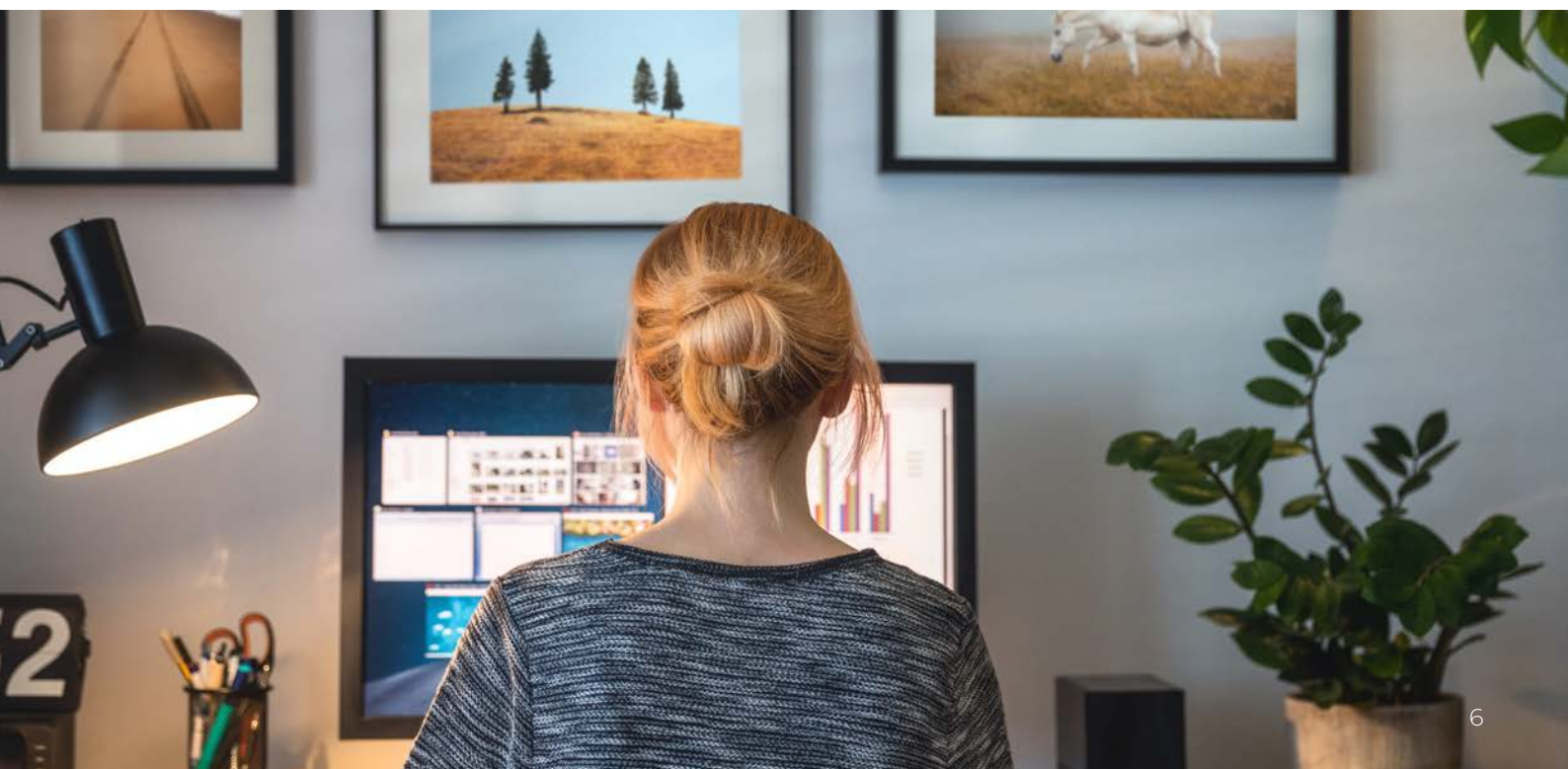
Common Pitfalls:

- ✱ A US citizen working in Portugal on a tourist visa = unlawful employment.
- ✱ A UK firm continuing to payroll an employee now living in Germany = incorrect social security contributions and exposure to fines.

Every country has different rules around visa status, taxable presence, and social insurance registration. Some allow for short-term remote work; others expect formal sponsorship or work permits.

Solutions:

- ✱ Use a global mobility policy to assess remote work requests.
Consider split-payroll, where a portion of salary is paid via local payroll and the rest through HQ.
- ✱ Apply for “digital nomad” visas where available (e.g. Portugal, UAE, Estonia), ensuring the role qualifies.



FACT SHEET: COMPLIANCE AT A GLANCE

Country	Holiday Entitlement	Probation Period	Termination Rules	Social Security	Key Employment Risk
UK	5.6 weeks (28 days)	Up to 6 months	Reason needed after 2 years	Mandatory pension auto-enrolment	Misclassification, unfair dismissal claims
UAE	30 calendar days	Max. 6 months	Flexible under fixed-term contracts	End-of-service gratuity, not pensions	Visa compliance, working hours
Germany	20 days (plus public holidays)	Max. 6 months	Strong dismissal protections, works councils	High employer social costs	Collective bargaining obligations



FIVE THINGS BUSINESSES SHOULD KNOW ABOUT EMPLOYMENT LAW IN THE UK

1. Two years to dismissal protection, but day-one discrimination rights

Unfair dismissal rights kick in after 2 years, but employees are protected against harassment, whistleblowing retaliation, and discrimination from day one.

2. Holiday pay includes more than just base salary

Employers must include regular overtime, commission and bonuses in holiday pay, based on the “normal remuneration” rule.

3. Auto-enrolment into pensions is compulsory

If your employee earns over £10,000/year and is aged 22–66, you must enrol them in a workplace pension and contribute 3% (minimum).

4. Zero-hours contracts are legal, exclusivity clauses are not:

You can use casual contracts, but can't restrict workers from seeking additional jobs.

5. Dismissal must be procedurally fair

Even where dismissal is justified (e.g. performance), you must follow a fair and transparent process or risk tribunal claims.

CONCLUSION

Scaling across borders isn't just a tax challenge, it's a people challenge. And in employment law, mistakes aren't just expensive, they're reputational. Getting this right signals maturity to investors, confidence to employees, and resilience to regulators.

At Spencer West, we help fast-growing companies navigate the legal complexities of global hiring, from contract localisation to workforce strategy, from risk audits to compliant exits. Whether you're onboarding in Berlin, Bengaluru or Buenos Aires, we've got your back.

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