

A high-angle, close-up photograph of a person's hands typing on a silver laptop. The person is wearing a white, ribbed sweater. The laptop is on a white desk. To the left of the laptop is a white notebook with a pen resting on it. To the right is a clear glass of water. In the background, a plate with some food is visible. The overall scene is bright and clean, suggesting a modern office or home workspace.

DIGITALISATION, HR OUTSOURCING AND THE FUTURE OF WORK

**FUTURE OF WORK STUDY
2025**

DISCLAIMER

This report compiles publicly available views, opinions, and data as of the time of writing. It presents perspectives and allegations for discussion but does not endorse them as verified facts. This report is a snapshot in time, not an exhaustive analysis, as the landscape continues to evolve and new information may emerge. No claims, conclusions, or statements herein should be interpreted as definitive findings or accusations against any individual or entity.



INTRODUCTION

The scope and subject of this study were chosen to investigate the rise of important services linked with the future of work, as well as improve the oversight and standing of the sector on the path towards further growth. This study therefore looks at the rise of HR outsourcing in terms of its evolution and the role that technology and increased digitalisation play in this process. It also treats the growth of third-parties offering Employer of Record (EOR) services to companies. The study then covers the laws and regulations that EORs must follow in Europe.

This report also covers policy recommendations. We propose that not respecting labour law and flouting sanctions should be punished; the EU Platform Work Directive should cover HR outsourcing; a Code of Conduct should be established for the HR outsourcing sector; companies and organisations need to take responsibility for the EORs that they use for HR services; and a robust EOR screening process is needed.

But first we begin with our emerging hypotheses about HR outsourcing and the growing EOR sector.



EMERGING HYPOTHESES

The emerging EOR industry is advancing the future of work, however, all actors in the space need to ensure that its potential and the full extent of its benefits are realised.

The global EOR market size was USD 4.9 Billion in 2023 and this market is projected to touch USD 8.59 Billion by 2032, highlighting growth of 6.8% during this period. This development builds on the needs and desires of corporations, organisations and global talent for more flexible, streamlined and tailored HR solutions facilitated by technology. The genuine benefits of this emerging sector should not be undermined.

Not respecting labour law and flouting sanctions should be punished: national and EU authorities need to investigate and take action.

Companies that are found by judicial means to violate labour laws and flout sanctions undermine fairness, equity, and the international order, warranting strict consequences. Such actions potentially exploit workers, destabilise labour markets, and erode the effectiveness of global regulations designed to address critical issues like human rights violations and invading sovereign countries. Punishing companies found by a court of law to be involved in these activities ensures accountability, deters potential unethical practices, and fosters trust in economic systems while promoting a level playing field for compliant businesses.

A Code of Conduct needs to be adopted for the sector focused on money laundering, worker rights and respecting sanctions.

Adopting a Code of Conduct for the EOR sector will help to ensure ethical practices by addressing risks associated with money laundering, labour law and sanctions non-compliance. This Code will establish clear standards for due diligence, transparency, and accountability while safeguarding worker rights and protecting against exploitation. This framework will enhance industry credibility, foster stakeholder trust, and support global economic stability as well as ensuring a level playing field.



THE RISE OF HR OUTSOURCING

Human Resources (HR) covers the management of employees and encompasses the recruitment, onboarding, development, and retention of talent within companies and organisations. Its core mission is to ensure the alignment of workforce capabilities with the organisation's strategic goals, fostering a productive, engaged, and satisfied workforce while being fully compliant with all rules and regulations. HR oversees critical processes like payroll, benefits administration, and compliance with labour laws (particularly when working across multiple jurisdictions), while also acting as a bridge between management and employees to uphold a positive work environment.

The role of HR has expanded significantly in modern organisations, moving from traditional administrative functions to a more strategic focus. HR now plays a key role in workforce planning, talent acquisition, and the cultivation of a company culture that drives innovation, productivity and inclusivity. It also serves as a critical player in shaping policies that adapt to evolving employee expectations, such as flexible work arrangements, diversity and inclusion initiatives, and continuous professional development. By aligning human capital with business goals, HR contributes directly to the organisation's flexible growth and long-term sustainability.

How HR Outsourcing Has Evolved

The future of work is reshaping the HR outsourcing industry, driving significant growth and evolving its trajectory to meet the needs of an increasingly dynamic workforce. As businesses face challenges such as managing remote teams, navigating complex compliance across multiple jurisdictions, and addressing rapid technological change, HR outsourcing has become a vital strategy for companies of all sizes. Providers now offer advanced solutions that integrate AI-driven analytics, cloud-based platforms, and tailored services like Employer of Record (EOR) models to address global hiring and payroll needs. For smaller businesses, outsourcing offers access to world-class HR expertise and technology without the overhead of building in-house teams, levelling the playing field with larger competitors.

For larger organisations, outsourcing enhances efficiency, scalability, and compliance in managing diverse and distributed workforces. By embracing the future of work, the HR outsourcing industry is enabling companies to focus on strategic goals while ensuring their HR operations remain agile, compliant, and aligned with workforce expectations.

The current trends in HR outsourcing cover a number of important areas. Companies are outsourcing administrative HR tasks like payroll, benefits administration, and compliance to focus more on strategic HR activities such as talent management and employee engagement. Businesses are also increasingly seeking partnerships with HR outsourcing providers that align with measurable outcomes such as improving retention rates or enhancing workforce productivity.

The Role of Technology and Digitalisation

Organisations are also increasingly looking for cloud-based platforms and an increased use of AI and automation to improve efficiencies and improve recruitment processes. This reality is streamlining operations and increasing data-driven decision-making. Given the increased complexity and related demands of a remote and global workforce, there is a heightened need for compliance and risk management services. HR companies also need to provide customised and flexible outsourcing models that meet the needs of organisations. HR companies are also required to meet environmental, social and governance (ESG) requirements.

Companies are also seeking integrated solutions that address both traditional employment and contingent workforce management (freelancers, contractors, gig workers) needs, while focusing on resource and cost optimisation.

Beyond recruitment, technology also enhances employee engagement and development through personalised learning and development platforms, gamified training modules, and real-time feedback systems. These tools not only empower employees to take charge of their growth but also foster a sense of inclusion and connection, particularly in remote or hybrid work environments. By embracing technology and digitalisation, organisations are not only optimising HR functions but also cultivating a workforce that is more agile, informed, and future-ready.

The Rise of EORs

Employer of Record (EOR) services act as a third-party intermediary that manages all aspects of employment for workers, allowing companies to hire employees without directly establishing a legal entity in the worker's country. The EOR takes on the responsibility for compliance with local labour laws, tax regulations, payroll, benefits administration, and other employment-related tasks, while the client company maintains control over the employee's day-to-day work and job responsibilities. This arrangement is particularly valuable for businesses looking to expand into new markets or hire remote employees across different regions without the complexity and cost of setting up local operations. EORs enable companies of all sizes to access a global talent pool, reduce administrative burdens, and scale quickly without worrying about local regulations or employment-related liabilities.

The EOR industry has experienced substantial growth, evolving into a multibillion-dollar sector driven by globalization, the rise of remote work, and the need for compliance across diverse jurisdictions. In 2023, the global EOR market was valued at approximately USD 4.9 billion and is projected to reach USD 8.59 billion by 2032 according to Business Research Insights. This reflects a compound annual growth rate (CAGR) of 6.8% during this period. As companies increasingly operate on a global scale, the demand for EOR services continues to rise, solidifying the industry's position as a significant contributor to the global economy.

The expansion of the EOR sector allows, in parallel, Small-to-Medium Enterprises' (SMEs) and large companies to operate globally while navigating an increasingly complex, diverse and ever-changing global environment.



B e r l a y m o n t



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THE LAWS AND REGULATIONS THAT EORS MUST FOLLOW IN EUROPE

EOR providers operating in Europe must navigate a complex legal landscape to ensure compliance with national and EU-level regulations. These laws govern employment relationships, workers' rights, tax obligations, and data protection. Some of the key areas of compliance for EORs in Europe cover Employment laws and worker protections; Tax and social security; Posted workers; Platform Work; Anti-discrimination; GDPR; Contract termination rules; Collective bargaining and trade union rights; Immigration and work permits; and Rules on pensions.

Employment Laws and Worker Protection

EORs must comply with national labour laws in the countries where employees are based. These laws often include:

- **Employment Contracts** - these must comply with local laws on probation periods, termination conditions, notice periods, and statutory benefits.
- **Working Hours and Rest Periods** - these must adhere to EU standards, such as the EU Working Time Directive (2003/88/EC), which regulates maximum weekly working hours, rest breaks, and annual leave.
- **Minimum Wage** - this covers compliance with national minimum wage laws (e.g. Germany's Mindestlohngesetz or France's SMIC).
- **Health and Safety** - Employers must follow occupational health and safety laws under frameworks such as EU Directive 89/391/EEC.

Taxation and Social Security Contributions

EORs are responsible for ensuring compliance with tax and social security laws, including:

- Payroll Taxes – this relates to withholding income taxes and submitting them to the relevant tax authority (e.g. Skatteverket in Sweden and Finanzamt in Germany).
- Social Security Contributions – this covers the payment of employer contributions for healthcare, pensions, and unemployment benefits according to national rules.
- Double Taxation Treaties – this requires EORs to navigate international tax agreements to avoid double taxation of employees working cross-border.

EU Posting of Workers Directive

If an EOR posts employees to work temporarily in another EU country, they must comply with Directive 96/71/EC, which ensures the equal treatment in terms of pay, working conditions, and benefits. This legislation also covers compliance with the host country's labour standards, even if the employment contract is governed by another jurisdiction.

EU Platform Work Directive

This new EU Directive (2024/2831) was adopted to introduce new rules to improve working conditions for the more than 28 million people working in digital labour platforms across the EU. This will need to be implemented in all EU member states by the end of October 2026 and covers the use of algorithms in human resources management more transparent, ensuring that automated systems are monitored by qualified staff and that workers have the right to contest automated decisions. It also aims to help correctly determine the employment status of persons working for platforms, enabling them to benefit from any labour rights they are entitled to.

Anti-Discrimination and Equal Treatment

EORs must adhere to EU directives that prohibit discrimination based on race, gender, religion, disability, age, or sexual orientation. These include compliance with the EU Equal Treatment Directive (2006/54/EC) which ensures gender equality in the workplace and Framework Directive (2000/78/EC) which outlaws discrimination based on religion, age, disability, or sexual orientation.

General Data Protection Regulation (GDPR)

As EORs process sensitive employee data, they must comply with the GDPR (Regulation 2016/679), which requires systems and procedures to be put in place to ensure the secure collection, storage, and processing of personal data. EORs are also required to attain explicit employee consent for data usage, and provide data breach notifications within 72 hours.

Local Contract Termination Laws

Termination rules vary across Europe, and EORs must navigate country-specific requirements. These include notice periods defined by national law or employment contracts, as well as severance pay, since statutory obligations for severance exist in EU countries like Spain, Italy and Belgium. EORs also need to provide protection against unfair dismissal. Extremely robust protections exist in countries like Germany, Denmark and Sweden, where dismissals must meet specific legal criteria.

Collective Bargaining and Trade Union Rights

In many European countries, employees are protected by collective bargaining agreements (CBAs). EORs must therefore honour these agreements applicable to specific industries or regions. EORs also need to respect workers' rights to organise and join unions, as guaranteed by EU law and national constitutions.

Immigration and Work Permits

If an EOR hires non-EU nationals, they must comply with immigration laws. These responsibilities include securing appropriate work permits and visas, as well as complying with residency and labour market test requirements.

Pension Regulations

Many European countries mandate employer contributions to employee pensions. EORs must follow national pension schemes, such as auto-enrolment pensions and mandatory occupational pension contributions in countries. These are obliged across many countries in Europe.



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Parlement



Democracy
in action

POLICY RECOMMENDATIONS

It is important that policies are enacted to ensure that EORs follow local rules, set ethical standards and contribute to the positive image of the whole sector globally. HR outsourcing and EOR services are growing along with the needs of industry and individuals, therefore it is essential that the image and practices of the sector are exemplary. While a nascent sector should not be stymied by excessive regulation, guardrails need to be put in place to secure the longevity of the sector. We therefore suggest that the following policy recommendations are taken on board.

Not Respecting Labour Law and Flouting Sanctions Should be Punished

Companies that are found by judicial means to disregard labour laws and flout sanctions undermine the principles of fairness, equity, and international order, warranting strict consequences. Violating labour laws often exploits workers, denying them fundamental rights such as fair wages, safe working conditions, and protection against discrimination, which perpetuates inequality and destabilises labour markets. Similarly, not fully respecting sanctions - designed to address global issues like human rights violations or illicit activities, like the Russian invasion of Ukraine - erodes the effectiveness of international regulations and allows unethical practices to persist unchecked. Punishing such companies found in a court of law to have committed such acts serves as a deterrent, ensuring accountability while upholding the rule of law and protecting vulnerable groups. It also fosters a level playing field where compliant businesses are not unfairly disadvantaged by those cutting corners to gain financial or competitive advantages. Clear enforcement of regulations helps maintain trust in both domestic and international economic systems.

In short, national and EU authorities need to investigate misconduct and take firm action when this is discovered. This will clean the sector while improving the standing and overall attractiveness of the EOR sector.

Platform Work Directive to Cover HR outsourcing

The implementation of the Platform Work Directive across the European Union presents a perfect opportunity for national decision-makers and legislators to stamp out potentially negative activity in the HR outsourcing sector. The scope of the EU Directive allows regulators to look beyond the classification/misclassification of workers and issues such as algorithmic management to also cover the activities of EORs. The use of technology and the rise of platforms is positive for European labour markets and economies as a whole, while companies, organisations and individuals need to have faith in HR outsourcing and compliance risks need to be met.

The Need for a Code of Conduct

Adopting a Code of Conduct for the EOR sector is essential to ensure ethical practices, particularly in addressing money laundering, safeguarding worker rights, and respecting sanctions. The global nature of EOR operations exposes the industry to risks such as facilitating illicit financial activities, non-compliance with labour laws, and bypassing international sanctions. A robust Code of Conduct would establish clear standards for due diligence, transparency, and accountability, requiring EOR providers to implement stringent anti-money laundering measures, uphold universal labour rights, and ensure compliance with all applicable sanctions. Such a framework not only protects vulnerable workers from exploitation and ensures fair treatment but also strengthens the credibility and integrity of the legitimate actors within the EOR industry. By fostering trust among clients, regulators, and stakeholders, a unified Code of Conduct enhances the sector's reputation while contributing to global economic stability and social equity.

Companies and Organisations Need to Take Responsibility for the EOR That They Use for HR Services

Companies and organisations must take responsibility for the EOR providers they engage for HR services by conducting thorough due diligence to ensure ethical and legal compliance. An unreliable EOR partner can expose businesses to significant risks, including violations of labour laws, risks associated with sanctions compliance, and poor treatment of workers, which can lead to reputational damage for the organisation and erosion of stakeholder trust. In today's interconnected world, such scandals can quickly surface, negatively impacting corporate image and share prices while jeopardising long-term growth. By carefully vetting EOR providers for compliance with legal standards, adherence to worker rights, and robust anti-

money laundering practices, companies safeguard their brand integrity and financial stability. Taking proactive measures not only mitigates potential risks but also demonstrates a commitment to ethical governance, reinforcing confidence among investors, employees, and customers alike.

The Need for a Robust EOR Screening Process

Choosing the right EOR partner and implementing a thorough screening process should be a core component of corporate Environmental, Social, and Governance (ESG) policies. EOR providers directly influence how companies manage their global workforce, making their practices pivotal to ensuring compliance with labour laws, ethical treatment of workers, and sustainability goals. A robust screening process ensures alignment with ESG values by verifying that the EOR partner complies with international laws and sanctions, upholds fair labour practices, respects diversity and inclusion, and adheres to environmental standards in their operations. Failure to scrutinise EOR partners can result in reputational risks, regulatory violations, and a failure to meet stakeholder expectations for responsible business conduct. By integrating EOR selection into ESG frameworks, companies reinforce their commitment to social responsibility and governance excellence while building trust with investors, employees, and the wider community.