CASE STUDY: PEO SERVICES EUROPE

PROFILE PARTNER COMPANY

- U.S. based software company
- More than 20 years' experience
- Over 1000 employees
- Employment in 1 European country

Introduction

With one of the world's largest and most mature markets, a strong and stable geo-political environment, and easy access to multiple regions – many U.S. based companies see Europe as the next logical step to their organization's global growth and development.

Setting up in Europe also comes with many difficulties such as legislative compliance risks, establishment costs, language barriers and managing a wide portfolio of international employees in different time zones. One of the most effective approaches to overcome these possible pitfalls is to make use of the services of a professional employer organization (PEO).

In this case study, we'll guide you through the European development journey of one of our North-American clients in the software industry that expanded to Denmark by employing 3 Danish employees.

The Partner Company

The client, who helps companies and public-sector organizations innovate using the technology and data they already have, is a well-known US software development firm and works for and with 44 of the Fortune 50 companies. With more than 20 years of experience, over a 1000 employees and an already notable presence in Europe, the partner company was ready to expand into new European territories with Denmark as their target country.

Why Denmark?

Denmark is the home to world-class software development talent, particularly within security and encryption, business solution development and eGovernment solutions. Many tech giants such as Microsoft, IBM, Nokia and Google have already chosen Denmark to set up international research and development centers. A true hotspot for software development.

Furthermore, according to research, people living in Denmark are among the happiest people on earth. Like the other Scandinavian countries, Denmark has a high disposable income and good social services. Moreover, most Danes speak English and German well. This, and the fact that Denmark ranks high on the "ease of doing business" index, makes Denmark an interesting European country to expand to.

Population: 5.8 million

Currency: Danish Krone (DKK)

GDP: 350.1 billion USD

Avg. Annual Wage: 57.150 USD

Capital: Copenhagen

National Language: Danish

Challenges

In October 2016, the relationship between EuroDev and an American Software company was born. The company has been developing software that supports the way that global organizations run their critical infrastructure and innovate for the future. Although the company already had a European presence thanks to their office in the United Kingdom, the client was experiencing some difficulties with increasing their market share in Europe through other European countries. As a result, they contacted EuroDev to support them in further expanding their European team. Even though Denmark is an extremely interesting country to employ talent, there are also difficulties in hiring staff and other important factors should be taken into account as a foreign employer.

One of the factors to consider is the Collective bargaining agreements (CBA). Most Danish labor laws are laid down in a CBA. About 70% of Danish workers are member of a trade union. In addition, the CBAs differ from one industry to another. Most Danish employees work 37 hours a week, not 40, and are entitled to five weeks' holiday.

Moreover, employees pay very high-income taxes in Denmark. These taxes must of course be paid correctly by the employer and the employee. Additionally, the Danes pay around 8% in social security. This includes health insurance, maternity benefits, disability insurance, sickness benefits, and holiday pay. All these matters are arranged by EuroDev to support the client and employees.

Challenges the client was facing prior to the partnership

- Dealing with Collective Bargaining Agreements
- Drafting employment agreements that are in compliance with the national laws and in the local language
- Register employees in specific countries and dealing with local authorites
- No knowledge and expertise on ever-changing Danish labor laws
- Dealing with different time zones and currencies, and unknown cultures and languages

Our solution

Through EuroDev's PEO service we have been able to contribute to the steady growth of our client's business in Denmark and Europe. Through this PEO structure, EuroDev carries the liabilities for the legal compliance obligations on behalf of the client, which does not come without risk. Therefore it is of great importance to have sufficient and up-to-date knowledge and to take the right steps to set up employment in Denmark.

As our client was based in the United States, EuroDev acts as a European extension to the HR department of the client, meaning that there is a team available for the US HR department and the European employees. It is of great value of the European employees as they do not have to worry about time differences, knowledge on the local labor law or language/culture barriers. The team consists of a European HR consultant, a Financial Consultant and an Account Manager.

Below are some steps that have been taken to help the client as quickly and as effectively as possible with their expansion in Denmark.

Business structure

- For the partner company, we have set up a Dutch Entity that is part of EuroDev. The entity acts as the employer of record for the Danish employees. Under this entity employees from almost all European countries can be hired.

- DBA Registration
  As an employer in Denmark, we have to register with the Danish Work Council in order to get a central enterprise register number and thus be able to hire employees.

- Tax registration
  We have registered our entity with the Danish tax authorities.

- Social security
  As an employer in Denmark, we are also obliged to pay social security contributions.

- Employment contracts
  Danish employment contracts have been drawn up that comply with the Danish labor laws and collective bargaining regulations.

With great pleasure, EuroDev has been able to build a long-term relationship with the client in the software industry whereby a steady growth is visible within the Danish team. With each employee, an onboarding call was made to get acquainted and to build a relationship in which we act as the HR department for our client and their employees. Within EuroDev we are constantly ready to help and advise both client and employee in the field of HR and payroll. By providing these services, EuroDev ensures that the client can continuously focus on growing and improving their own organization's performance.

BENEFITS

- The client was able to focus on it's core business and growing the domestic operations
- A single point-of-contact for all European HR needs
- EuroDev minimized the client's corporate and employment liabilities
- Quality and domestic HR support
- Centralized knowledge and ability to receive relevant and up-to-date information and advice on local European payroll rules/regulations.

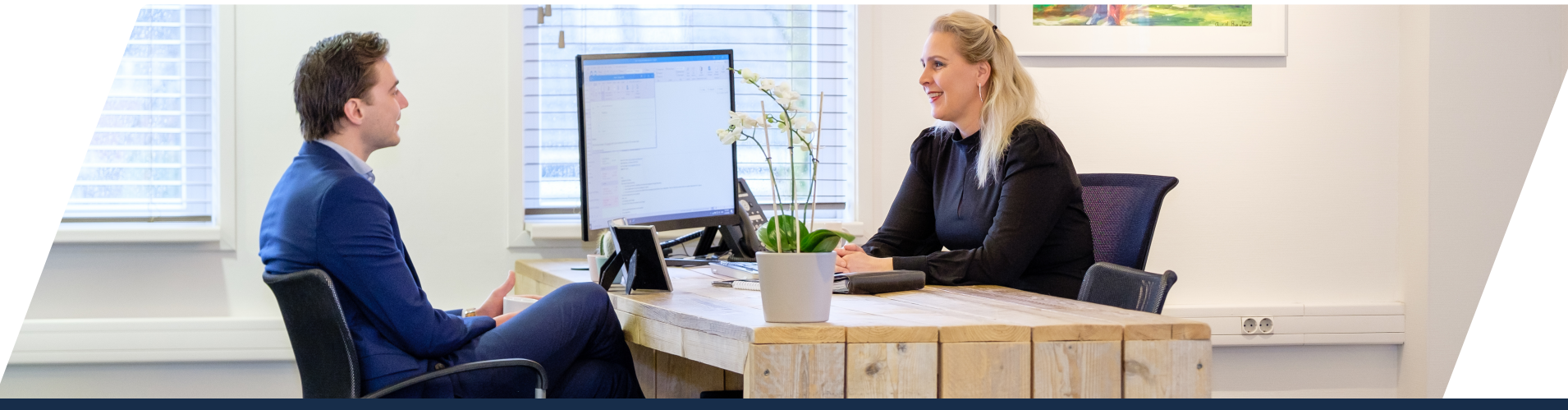
What's next?

In order to ensure that the excellent growth and success of the client is maintained, we take a number of actions on a regular basis.

First of all, weekly update calls with the partner company are held so that no issue is overlooked and to make sure that any potential concerns and objectives are discussed. This also keeps the client in the loop on the various HR matters throughout Europe and allows for continuous improvements in our current service delivery.

Secondly, we have direct contact with the employees on a regular basis to ensure that their interests are addressed and so that they can focus on the core business of the client. This is an especially important step for employees who have moved abroad to fulfill the position.

Lastly, EuroDev always thinks along with European matters. Thanks to our Sales Outsourcing, HR Outsourcing and Digital Marketing Services, we always have a professional available that can support the client with all European concerns. Thanks to our Pan-European scope, expanding into one European country is often only just the beginning.



WORKING WITH EURODEV

- 25+ Years of Experience and Network within the EU markets
- Multilingual staff, dedicated to the partner's success
- Making the effort to truly understand the client's values and align our internal processes to theirs
- Cost-effective solutions to grow the Pan-European presence
- European business development experts ranging from Sales to Marketing to HR

WHY CHOOSE EURODEV?

EuroDev, established in 1996 with offices in The Netherlands and France, has a single, defined purpose to help mid-sized North American companies expand their business in Europe. We have created a proven, successful business development model and since our founding have partnered with over 500 companies to help them define and meet their European business goals.

Sales Outsourcing
Dedicated sales and marketing teams for

HR Outsourcing
Professional employer organization services, HR

Digital Marketing
Result-driven marketing for North American manufacturers looking to expand in Europe

management and recruiting solutions across the EU

companies, at the service of their European clients

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