EP-JOURNALS

JOURNAL OF MANAGEMENT RESEARCH AND REVIEW

Available on: https://jmrr.ep-journals.org/ E-ISSN: 3051-3588, P-ISSN: 3051-357X

Journal of Management Research and Review

Volume: 02 Issue: 08 August-2026

International Remote Work and the Governance of Employer of Record (EOR) Arrangements

Fernando Pacheco Ph.D

Candidate in Communication Sciences, ISCTE-IUL / Université Libre de Bruxelles

Isadora Figueiredo, MBA

Sustainability and Digital Technologies, USP

Published Date: August 19, 2026 **Article DOI: 10.65150/EP-jmrr/V2E8/2026-11**

ABSTRACT: The expansion of remote work, accelerated by the COVID-19 pandemic but rooted in longer-term structural trends, created the conditions for the rapid growth of a new category of digital labour intermediary: the Employer of Record (EOR). EOR platforms act as the formal legal employer of workers on behalf of client companies operating in jurisdictions where they have no corporate presence, centralising payroll, compliance, and statutory obligations within a tripartite, cross-border employment architecture. Despite the scale of this phenomenon, the EOR model remains underexplored in academic literature. Scholarship on remote work has focused primarily on productivity, engagement, and organisational outcomes, while scholarship on platform work has concentrated on task-based gig economy intermediaries. Neither body of literature adequately addresses the EOR model, which mediates ongoing skilled employment relationships across national legal systems and produces accountability gaps that existing regulatory frameworks are ill-equipped to resolve. This article examines the EOR model as a structurally distinct form of digital labour intermediation, tracing its emergence from the structural conditions of remote work, analyzing its legal architecture and its divergence from existing regulatory categories, and proposing a research agenda grounded in platform governance and comparative employment law.

KEYWORDS: remote work, employer of record, labour intermediation, platform economy, cross-border employment, worker classification platform governance, employment law, digital labour

1. INTRODUCTION

Remote work is not a phenomenon born of the COVID-19 pandemic. Companies have experimented with remote arrangements since the 1970s (Nilles, 1975), and Clancy (2020) documents that remote work was already growing rapidly in the decade before the pandemic, driven by improvements in digital collaboration technology and the declining productivity premium of physical co-location in knowledge-intensive sectors. What the pandemic accomplished was an acceleration of structural trends already underway: in the European Union, the combined share of employed people usually or sometimes working from home rose sharply from 14.4% in 2019 to a peak of 24.1% in 2021, before declining to 22.2% in 2023 and rising again to 23.0% by 2025, the most recent year for which data are available (Eurostat, 2026). Pass and Ridgway (2022) characterise this shift as one of the most significant disruptions to working life in the post-war period, noting that workers were required to make rapid and fundamental changes to their professional lives while employers simultaneously had to reconceptualise how to manage geographically dispersed workforces.

This structural shift created a compliance problem that existing institutional frameworks were not equipped to solve. Employment law, in virtually every national jurisdiction, was built on the assumption that employer and employee shared a common legal system, an assumption that underpins the choice-of-law and jurisdictional rules that govern cross-border employment disputes (Grušić, 2023). When remote work made it operationally straightforward for a company in one country to employ a worker residing in another, that assumption no longer held. Three questions became genuinely contested rather than simply complex: which country's law governed the relationship, who was responsible for tax withholding and statutory benefits, and what mechanisms existed for resolving disputes.

It is in this structural gap that the Employer of Record model emerged. EOR platforms act as the formal legal employer of workers on behalf of client companies that have no legal presence in the worker's jurisdiction, centralising compliance obligations under a single contractual party while allowing the client to retain operational direction over the worker's daily activities.

Multiple market research firms report rapid growth in the EOR sector over the past five years, tracking the broader expansion of cross-border remote hiring (Verified Market Research, 2026). Despite this scale, the EOR model has received limited systematic attention in academic literature. The remote work literature has focused primarily on productivity, engagement, and psychological wellbeing (Bloom et al., 2015; Pass & Ridgway, 2022; Silva, Velez, & Borrego, 2024). The platform work literature has concentrated on task-based gig economy intermediaries and the worker classification disputes they generate (De Stefano, 2016; Prassl, 2018; Wood et al., 2019). Neither body of work addresses the EOR model, which differs structurally from both standard remote employment and gig platform work in ways that have significant implications for governance and worker protection.

This article argues that the EOR model constitutes a structurally distinct form of digital labour intermediation that requires its own analytical framework. It proceeds as follows. Section 2 locates EOR within the structural conditions created by the remote work transition. Section 3 examines its legal architecture and divergence from existing regulatory categories. Section 4 analyses the accountability gaps it produces. Section 5 surveys emerging regulatory responses. Section 6 proposes a research agenda.

2. REMOTE WORK, OUTSOURCING, AND THE TRANSFORMATION OF EMPLOYMENT RELATIONS

2.1 The Historical Trajectory of Remote Work

Remote work, understood as labour performed physically apart from co-workers and supervisors, is not a product of the digital age. Nilles (1975; 1988) was among the first to systematically theorise it, coining the term "telecommuting" to describe the use of telecommunications to replace daily physical commuting to a central workplace, a conceptualisation that already anticipated the substitution of physical proximity with mediated communication as the organising logic of distributed work. Baruch (2001), building on Nilles, argued that communication technologies could improve worker performance in terms of productivity, and that organisations should treat such technologies not as emergency substitutes for office-based work but as a strategic pathway to organisational effectiveness. Nogueira and Patini (2012) extend this perspective, defining remote work broadly as work performed at a distance and mediated by electronic communication, noting that it can occur even within a physical office space so long as the worker operates at a remove from direct managerial supervision, a formulation that captures the essential institutional feature of remote arrangements: the displacement of authority from physical co-presence to mediated communication.

Telework opportunities expanded progressively with each successive generation of information and communication technology. The introduction of personal computers in the 1980s and laptops and mobile phones in the 1990s reduced both the cost and physical constraints of office-independent work; as the prices and sizes of these devices fell while processing speed and bandwidth increased, a growing proportion of office workers became capable of performing their functions outside the physical workplace (Kizza, 2013). Belzunegui-Eraso and Erro-Garcés (2020) note that the shift from an industrial to an information economy simultaneously expanded the range of occupations amenable to remote performance: as work became progressively more cognitive and less physical, the constraint of geographic proximity to tools, machinery, and colleagues weakened. The remote work scenario, as Nilles (1988) already recognised, emerges from the broader phenomenon of globalisation and organisational restructuring, in which firms seek flexible work arrangements and develop new contractual forms to access talent across geographic and institutional boundaries.

What changed with the COVID-19 pandemic was not the concept but the scale and speed of adoption. Pass and Ridgway (2022) note that approximately 50% of Europeans worked from home at least partially during 2020, a figure also reported by Eurostat (2026), representing a structural shift of a magnitude that no prior technology transition had achieved within a comparable timeframe. Workers were required to make rapid and fundamental changes to their professional lives while employers simultaneously had to reconceptualise how to manage dispersed workforces, often without the institutional frameworks, training, or technological infrastructure that would have made that transition orderly (Pass & Ridgway, 2022). Galanti and collaborators (2021, cited in Pass & Ridgway, 2022) note succinctly that the COVID-19 outbreak "substantially forced most organisations to adopt this way of working, often without providing employees with the skills needed for remote work," a characterisation that applies equally to the compliance infrastructure needed to employ workers legally across national borders.

2.2 Remote Work, Virtual Teams, and the Reorganisation of Labour

The shift to remote work at scale did not merely change where workers performed their tasks; it fundamentally altered the social and institutional architecture of work, replacing the physical workplace as the central hub of employment relations with a distributed network of mediated interactions (Felstead, Jewson & Walters, 2005). One of the most significant organisational consequences of this shift was the proliferation of virtual teams: groups of individuals who collaborate toward common objectives while separated by geographic, temporal, or organisational distance (Dubé & Robey, 2009; Kratzer, Leenders & Engelen, 2006). Ferrazzi (2014) defines virtual teams broadly as those formed by people in different physical locations, whether consistently or intermittently, a definition that encompasses the full range of contemporary distributed work arrangements, from fully remote teams to hybrid configurations. Hoch and Dulebohn (2017) note that the explosive growth in virtual team usage by organisations, and the inherent challenges such teams face, has generated a pressing need for theory and research to inform the design, structuring, and management of these arrangements.

Virtual teams are particularly prevalent in specialised, knowledge-intensive professions. Among skilled workers in managerial and technical roles, 70% globally work remotely at least once a week in some form (IWG, 2018). The characteristics of knowledge work, its cognitive intensity, its dependence on communication, and its relative independence from physical tools and co-located infrastructure, make it both particularly amenable to remote performance and particularly sensitive to the quality of the managerial and communicative relationships that sustain it (Judy & d'Amico, 1997). Within virtual environments, leadership becomes structurally more dependent on communication than in co-located settings: Neufeld, Wan, and Fang (2010) established that in remote environments, communication effectiveness is a strong predictor of leadership performance, acting as a mediator of leadership behaviour; as organisations and employees become more geographically dispersed, communication becomes the primary means through which leaders exercise influence (Barge, 1994). Physical distance between leaders and members, combined with the absence of informal face-to-face contact, places heightened demands on the formal communicative relationship between supervisor and subordinate (Howell & Hall-Merenda, 1999).

Drawing on survey data from 203 respondents across 14 countries, a study examined the relationship between leadership communication quality, perceived leadership effectiveness, and turnover intention in remote work environments (Silva, Velez, & Borrego, 2024). The research found a statistically significant positive relationship between leadership communication quality and perceived leadership effectiveness (Spearman coefficient: 0.812), classified as "very strong" according to Schober, Boer, and Schwarte (2018), and a statistically significant negative relationship between communication quality and turnover intention (Spearman coefficient: -0.343), indicating that effective leadership communication is associated with reduced probability of employees leaving the organisation. These findings have, potentially, implications that extend beyond individual organisational outcomes: in EOR-mediated employment, where the formal legal employer and the economic employer directing daily work are institutionally separate entities, the leadership communication relationship is structurally fragmented in ways that are likely to undermine both its quality and the worker's capacity to respond to its failures through institutional channels.

2.3 From Co-location to Compliance: The Structural Problem of Cross-Border Remote Work

Clancy (2020) argues that the case for remote work as a long-term structural feature of knowledge-intensive economies rested on four empirical pillars even before the pandemic. First, individual remote worker productivity is comparable to or greater than co-located peers in many sectors, particularly where tasks are cognitively intensive and output measurable without physical supervision. Second, the matching between geographically distant firms and workers has become progressively easier through technological and social development, expanding effective labour markets beyond geographic constraints. Third, remote workers tend to accept lower compensation because they assign positive value to geographic flexibility. Fourth, the productivity spillovers from physical proximity to other knowledge workers, agglomeration externalities, have been declining as digital tools for knowledge sharing improve. Taken together, these four pillars suggest that the pandemic did not create remote work but revealed its economic viability at scale, removing the organisational and cultural barriers that had previously constrained its adoption.

It is at this intersection of geographic distribution, digital mediation, and institutional fragmentation that the EOR model emerges as both a solution and a new problem. Haddud and McAllen (2018) note that remote work improves company access to talent by expanding the geographic range from which recruitment can draw, improving organisational flexibility and restructuring potential; Illegems, Verbeke, and S'Jegers (2001) made similar arguments in earlier telework literature, showing that companies adopting remote arrangements could benefit from improved talent recruitment while restructuring their organisational footprint. But accessing talent globally requires employing workers globally, and employing workers globally requires complying with the employment law of the jurisdictions in which those workers reside. This is the compliance problem that no prior institutional framework had adequately solved before the emergence of EOR platforms.

2.4 The Outsourcing Precedent and the Fragmentation of Employment Relations

From the 1980s onward, the outsourcing of business functions to lower-cost domestic or international providers became a dominant corporate strategy, driven by the logic of comparative advantage and the decomposition of previously integrated value chains into separable modules assignable to specialised providers (Dash, 2006; Gereffi & Sturgeon, 2004). Offshore outsourcing to developing countries offered companies in high-income economies access to skilled labour at wage rates substantially below domestic market levels, a form of geographic arbitrage that Khan and Islam (2006) document in detail, noting its dual consequences: employment and income gains for workers in receiving economies, and job displacement pressures in sending economies. Rajeev and Vani (2008) document the case of India's business process outsourcing sector, showing how offshore contracts created formal employment for educated workers in a context where domestic demand for such labour was insufficient, generating foreign exchange earnings and reducing educated unemployment. Paus and Shapiro (2007) caution, however, that the welfare gains from outsourcing depend critically on active policy frameworks that facilitate industrial upgrading; passive participation in global production networks can lock economies into low-value activities without generating the technology transfer needed for sustained development.

Standing (2011) situates this progressive fragmentation of employment relations within a broader political economy of labour market flexibilisation, arguing that the erosion of standard employment relationships has produced what he terms the "precariat": a class defined by insecurity across multiple dimensions, including income, employment status, rights-based security, and occupational identity. Kalleberg (2011) documents the parallel rise of polarised and precarious employment systems in the United States, showing how the growth of non-standard work arrangements over four decades has systematically weakened the institutional protections on which workers' economic security depended. De Stefano (2016) extends this analysis to the digital economy, showing how platform-mediated "just-in-time" work arrangements transfer the risks of employment to workers while denying them its protections.

2.5 The Rise of Digital Labour Platforms, International Perspective and the Emergence of EOR

The platformisation of economic activity, as Srnicek (2017) analyses it, involves the reorganisation of markets around digital intermediaries that capture value by mediating transactions between multiple user groups. Kenney and Zysman (2016) argue that this reorganisation is not merely a technical change but a restructuring of economic power, in which platforms establish themselves as the indispensable infrastructure through which economic activity is coordinated, extracting rents from that indispensability. In the labour market, this platformisation has taken two principal and structurally distinct forms: task-based platforms that mediate discrete work engagements between clients and workers classified as independent contractors, and infrastructure platforms that provide the legal, administrative, and financial scaffolding for ongoing employment relationships across borders.

The international dimension of EOR-mediated employment is what most clearly differentiates it from domestic outsourcing and domestic platform work, and what creates the governance gap that the academic literature has not yet adequately addressed. Under the EU's Rome I Regulation, employment contracts are governed by the law of the country in which the worker habitually works, regardless of where the employer is incorporated; under OECD Model Tax Convention provisions, analogous principles apply to tax obligations. A worker habitually performing work in Portugal is formally entitled to Portuguese employment protections regardless of where their employer is incorporated. But a company incorporated in the United States or Norway with no legal entity in Portugal cannot be a party to a Portuguese employment contract, cannot register for Portuguese social security contributions, and has no standing in Portuguese labour tribunals. The compliance gap is therefore not merely administrative but structural: the existing international legal architecture for employment was built on the assumption that employers would have a legal presence in the jurisdictions where their workers were located (Grušić, 2023).

The EOR model solves this structural problem by interposing a locally registered entity between the foreign client and the domestic worker, creating a formal domestic employer-employee relationship that satisfies local law while the economic reality of the employment relationship remains transnational. This is not a legal fiction in a pejorative sense; it is an institutional innovation that enables cross-border employment to occur within the framework of existing law. But it has structural consequences: the accountability that employment law attributes to the formal employer cannot in practice be fully exercised by an entity, the EOR, that does not control the worker's daily activities, performance standards, or career trajectory. These remain with the client company, which under most national frameworks bears no formal legal obligations to the worker.

Ishmetova (2024) situates this governance gap within the broader challenge of legal regulation in an era of globalisation and the international division of labour, arguing that existing international legal instruments, including ILO conventions and WTO regulations, have not kept pace with the practical reality of how global labour markets function. In practice, EOR providers operate within a patchwork of domestic frameworks, including Dutch payrolling, French portage salarial, German Arbeitnehmerüberlassung, and Brazilian tercerização, none of which was designed for cross-border remote hiring. The constructive ambiguities produced by this patchwork create systematic compliance risks for all parties: regulatory uncertainty, internal and external miscommunication, and insufficient compliance controls are the kinds of operational risks most commonly associated with EOR adoption, and they suggest that the governance gap identified here has direct operational consequences for the organisations and workers navigating it.

3. THE LEGAL ARCHITECTURE OF EOR ARRANGEMENTS

3.1 The Tripartite Structure

Under the EOR model, three parties are involved in a cross-border employment relationship: the worker, who holds an employment contract with the EOR; the EOR, the formal legal employer under the law of the worker's country of residence; and the client company, which directs the worker's daily activities under a separate commercial agreement with the EOR. This separation between the entity that formally employs the worker and the entity that economically directs the worker's labour is the constitutive feature of the EOR model and the source of its principal governance challenges.

This tripartite structure is legally analogous to the "triangular employment relationship" formalised in ILO Employment Relationship Recommendation No. 198 (2006), in which one entity formally employs a worker while a second entity directs that worker's daily activities. The ILO specifically identified this structure as a source of accountability gaps, calling on member states to ensure that workers in triangular arrangements retained access to the protections employment law was designed to provide. Davidov (2004) argued that when employer functions are split across parties in such arrangements, it becomes genuinely unclear which party carries which obligations, and workers regularly end up with less protection than either party intended, not through deliberate evasion but as a structural consequence of institutional ambiguity. Fudge (2006) extended this argument, warning against formalistic adherence to bilateral employer models in an era of fragmented work organisation, noting that rigid application of legal categories designed for direct employment relationships could leave workers without effective recourse when accountability was distributed across multiple entities.

Reljanović (2024), writing from the perspective of Serbian labour law, frames the structural logic precisely: in the EOR model, the employer function, in the literal sense, is experienced as a service, with the EOR provider appearing in place of the real employer who is for some objective or subjective reason unable to enter into a direct contractual relationship with the worker. This formulation captures why the EOR's formal employer status, though legally real, does not correspond to substantive employer authority. Pettersson (2024), in a master's thesis analyzing the Swedish context, arrives at a compatible conclusion through a different analytical route: she characterises the EOR as an employer on paper, while the client company retains daily control and leadership over the work performed. In her assessment, the central legal risk is that if the client's direction of the worker is sufficiently continuous and comprehensive, courts may disregard the formal contractual structure and attribute employer status to the client, a possibility already engaged by the 2022 Swedish labour law reform, which requires client companies to offer permanent employment when assignment duration exceeds twenty-four months within a thirty-six month period.

In EOR-mediated cross-border employment, by contrast, the EOR may be incorporated in one country, operating through a local entity in a second country, serving a client company in a third country, and employing a worker who is a national of a fourth. Each of these parties may be subject to different national legal frameworks, and the interaction between those frameworks in any specific dispute may be genuinely unresolved (Grušić, 2023).

Most national legal systems have not established specific regulatory frameworks for EOR arrangements. Instead, EOR providers are absorbed, often imperfectly and incompletely, into existing regulatory categories that were designed for domestic employment scenarios: Dutch payrolling under Article 7:692a of the Dutch Civil Code, French *portage salarial* under the Ordonnance of April 2015, German *Arbeitnehmerüberlassung* under the AÜG, and Brazilian *tercerização* under regulation 6.019/74 as amended in 2017. Rak (2025), writing from the Slovak perspective, characterises this situation as an outsourcing of the employer function, made necessary by the low flexibility of national legal systems in the face of a dynamic global economy, and notes that EOR services remain unrecognised as a distinct regulatory category under Slovak law. None of these frameworks explicitly addresses cross-border remote hiring; each assumes that the worker resides and performs work within the jurisdiction in which the formal employer is registered. The result is a form of constructive ambiguity: situations in which preexisting legal frameworks apply imperfectly to EOR arrangements, producing genuine uncertainty about the compliance obligations of each party and the legal protections available to the worker.

Jolkkonen (2022), in a master's thesis offering a comparative legal analysis of EOR arrangements in Finland and the Netherlands, finds that the application of the EU Temporary Work Directive (2008/104/EC) to EOR is problematic primarily due to the directive's temporariness requirement, which most EOR arrangements do not satisfy given their duration. Finland and the Netherlands have nonetheless not incorporated this requirement into their national legislation, leaving open the possibility that EOR could be regulated under temporary work law. The Netherlands went furthest, introducing explicit EOR-specific legislation from January 2020 classifying payrolling as a distinct form of temporary work with enhanced equal treatment obligations. Jolkkonen (2022) also notes that the EOR provider's employer status is challengeable based on the actual nature of the arrangement, with the distribution of employer obligations between EOR and client remaining an open legal question in both jurisdictions.

This article proposes a taxonomy of global employment intermediaries that situates EOR within a four-construct framework alongside Professional Employer Organisations (PEOs), Global Payroll services, and Contractor of Record (COR) arrangements. The four constructs can be distinguished along four dimensions: legal employer or engagement status, entity requirements on the client side, jurisdictional portability of the legal structure, and co-employment or shared liability configuration. On these dimensions, EOR occupies a distinctive position: the intermediary assumes full formal employer status; the client requires no local legal entity; the structure achieves high jurisdictional portability; and no co-employment arrangement exists at the employment level. EOR is therefore the only model available to companies that wish to employ, rather than contract, workers in jurisdictions where they have no corporate presence, making it structurally difficult to replace for the cross-border remote hiring that the remote work transition has made increasingly common.

This taxonomic clarity matters analytically because the frequent conflation of EOR with PEO, Global Payroll, and contractor arrangements in both vendor marketing and policy discourse produces both compliance failures in practice and conceptual imprecision in scholarship. In practice, services marketed as "Global PEO" are almost invariably EOR arrangements, because the co-employment doctrine that defines PEO is absent from most legal systems outside the United States. Prassl (2016) made a related argument at the conceptual level, noting that the bundling of distinct employer functions under a single legal category obscures the distribution of actual authority in complex employment arrangements and makes it structurally difficult to attribute accountability where it genuinely lies. In the EOR context, this means that a client company selecting a "Global PEO" provider expecting to share employer liability may find that, in the relevant jurisdiction, no such transfer has occurred and the compliance exposure remains with the client.

3.2 EOR, Gig Economy and Platformisation: A Structural Distinction and Research Gaps

The most important analytical distinction for the platform governance literature is between EOR platforms and the task-based gig economy platforms that have received the most academic attention. Wood et al. (2019) document that gig economy platforms typically mediate discrete, short-duration task engagements, often with workers who are formally classified as independent contractors and who work for multiple platforms simultaneously. De Stefano (2016) characterises gig work as a form of "just-in-time" labour, in which workers bear the risks of employment while being denied its protections. Maric, Schuessler and Thäter (2024), applying Marsden's (2004) theory of employment systems to platform-mediated work, identify a structural dysfunctionality: the psychological, economic, and legal contracts that underpin stable employment relationships are present in attenuated and unilaterally controlled forms on gig platforms, but none of them reconciles the interests of platforms, workers, and clients in the way that Marsden's framework requires for a functional work system.

EOR platforms differ from this model in several analytically important respects. First, they mediate ongoing employment relationships rather than discrete tasks; EOR-employed workers typically work for a single client company on an ongoing basis, under employment contracts of indefinite or fixed duration. Second, they engage primarily skilled workers in knowledge-intensive occupations, rather than the low-skill, high-substitutability workers who predominate in food delivery, ride-hailing, and domestic services platforms. Third, their legal structure is explicitly designed to comply with national employment law in the worker's jurisdiction, in contrast to gig platforms that often rely on contractor classification to avoid employment obligations. In Marsden's (2004) terms, EOR-mediated employment at least satisfies the formal legal contract constraint: the regulatory framework governing the relationship is explicit, nationally grounded, and enforceable through established labour law institutions, rather than being displaced by platform terms and conditions.

This structural distinction means that the regulatory frameworks developed in response to gig platform work do not straightforwardly apply to EOR arrangements. EOR-employed workers are already formally classified as employees; the problem is not misclassification in the gig economy sense but rather the fragmentation of employer accountability across parties and jurisdictions in ways that existing employment law frameworks were not designed to address (Prassl, 2016; Fudge, 2006).

Reljanović (2024) identifies a key inversion that clarifies this distinction: whereas digital platforms actively minimise their role and resist employer classification, EOR providers consciously assume all employer obligations, including payroll, social contributions, and compliance with local labour standards. The employment relationship is not concealed but constitutive of the EOR model. This paradox has a further dimension that the platform governance literature has not yet addressed. Gigant, Cañibano and Alfes (2026), studying highly skilled IT freelancers in the German technology sector, find that even workers who are formally outsiders to client organisations can develop strong relational psychological contracts with the project teams for whom they actually work, while maintaining transactional and bounded contracts with the formal contracting entity.

The structural distinction between EOR-mediated employment and gig platform work also has implications for how the EU Platform Work Directive (2024) should be read in this context. The directive's rebuttable presumption of employment was designed to address systematic worker misclassification on gig platforms; it operates by reversing the burden of proof when an algorithmic management relationship is established. EOR-employed workers are not misclassified; they are formally employed. Applying the gig platform regulatory framework to EOR would therefore address the wrong problem. As Maric et al. (2024) observe in their analysis of platform-mediated work systems more broadly, going beyond the question of worker classification towards understanding the organisational and institutional elements of the work system that need to be redesigned is essential; this observation applies with particular force to EOR, where the formal employment relationship is present but the accountability architecture that should support it is absent.

Rak (2025) makes a structurally identical argument from the Slovak labour law perspective, concluding that the development and global expansion of the EOR concept points to the low flexibility of labour law in today's dynamic global economy, and that the challenge for regulators is not to assimilate EOR into existing frameworks designed for either standard employment or platform work, but to develop a new regulatory category that addresses the specific accountability gaps generated by the tripartite structure. This argument is reinforced by Pettersson's (2024) finding that Swedish courts, when confronted with EOR arrangements of long duration, have already begun to look through the formal contractual structure to the factual reality of direction and control, suggesting that judicial adaptation to the EOR model is already under way even in the absence of explicit statutory recognition.

4. ACCOUNTABILITY GAPS IN EOR-MEDIATED EMPLOYMENT

4.1 The Divergence Between Formal and Economic Employer

The central accountability gap in EOR-mediated employment arises from the divergence between the formal legal employer, the EOR, and the economic employer, the client company. Employment law in most jurisdictions attributes accountability to the formal employer on the assumption that the formal employer is also the entity exercising genuine managerial authority. Prassl (2016) identified five employer functions that employment law bundles together under this assumption: initiating and terminating employment, administering wages and benefits, supervising and disciplining workers, absorbing business and social risks, and representing the enterprise externally. In EOR arrangements, these functions are systematically split between the EOR and the client company in ways that the legal attribution of formal employer status does not capture.

This divergence is not merely a technical inconvenience. It is a structural condition that the architecture of employment law was not designed to address. As the UK Supreme Court held in *Uber BV v Aslam* [2021], employment relations "cannot safely be left to contractual regulation" precisely because allowing the formal characterisation of a relationship to determine its legal consequences would effectively grant one party the power to decide whether employment protection legislation applies at all (Adams-Prassl, 2022). The Court's purposive approach requires tribunals to look through contractual documentation to the factual reality of direction and control, reflecting a recognition that formal employer designation and substantive employer authority can and do diverge. In EOR-mediated employment, this divergence is not incidental but constitutive: the entire model rests on a deliberate allocation of formal status to one party and operational authority to another (Reljanović, 2024).

The practical consequences of this split are significant for workers seeking redress. When a worker experiences harassment, wrongful termination, or a wage dispute, the question of which party bears legal responsibility is genuinely contested. The EOR is the formal employer under local law, bearing obligations regarding contracts, payroll, and statutory benefits, while the client company exercises daily supervisory authority, making decisions about the worker's tasks, performance, and continuation in the role (Pettersson, 2024). Aloisi (2016) documented how this dynamic of mutual referral between parties can effectively insulate all of them from accountability in triangular employment arrangements. The EOR case is structurally analogous but amplified by cross-border jurisdictional complexity: the worker seeking redress may face the prospect of pursuing claims across multiple legal systems, each with different substantive standards, procedural rules, and costs (Rak, 2025).

Niezna and Davidov (2023) provide a complementary theoretical foundation for understanding why this divergence generates accountability deficits. They argue that in employment contexts, consent operates on a continuum between free choice and coercion, and that the structural inequality of bargaining power renders consent to employment terms fundamentally questionable. The implication for EOR arrangements is direct: a worker formally employed by an EOR cannot meaningfully be said to have consented to an arrangement in which the entity directing their daily work bears no formal legal accountability for that direction. The EOR holds the formal employer obligations; the client holds the substantive managerial power; and the worker, positioned at the end of this chain, lacks effective recourse against either party for the accountability gaps that arise from the split itself (Niezna & Davidov, 2023; Prassl, 2016).

The EU Platform Work Directive (2024) addresses a structurally related problem through its Article 3, which concerns intermediary liability in platform work. Adams-Prassl, Aloisi et al. (2025) note that this provision is deeply ambiguous, having been read both as establishing joint liability and as establishing joint employment, a difficulty traceable to the Directive's drafting challenge in specifying accountability when multiple entities share employer functions. The EOR context presents the same structural challenge in sharper form: unlike gig platform intermediaries, EOR providers explicitly assume all formal employer obligations, yet the entity exercising operational control, the client, remains formally outside the employment relationship. The Directive's accountability architecture, designed for misclassification scenarios, does not map onto EOR arrangements, where the problem is not the absence of a formal employer but the absence of correspondence between formal employer status and substantive employer authority (Prassl, 2016; Fudge, 2006).

4.2 Management Quality, Trust, and the Fractured Employment Relationship

The relational structure of employment contracts generates implicit expectations that go beyond the express terms of any written agreement. Niezna and Davidov (2023) argue that the employment contract is best understood as a sui generis branch of law, distinct from both general contract law and employment legislation, which recognises the inherent inequality of bargaining power as a permanent feature of the relationship rather than an exceptional circumstance. This sui generis character is relevant to EOR-mediated employment because the relational expectations that employment law is designed to protect, those of ongoing cooperation, fair treatment, and meaningful recourse, are systematically directed by the worker towards the client company, which directs their daily activities, while the formal legal relationship remains with an EOR that may have no meaningful operational presence in the worker's working life.

Freedland (2007) argues that the traditional binary division between employees and independent contractors is no longer adequate for modern work relations, and proposes the concept of the "personal work nexus" to capture the complex legal ramifications that extend beyond a simple bilateral contract. In EOR arrangements, the personal work nexus of the worker is effectively split: the worker's personal integration into an organisation, their relationships with colleagues, their daily subordination to management direction, all point towards the client, while the formal legal nexus points towards the EOR. This split between the factual and legal dimensions of the work nexus is precisely what Freedland's framework identifies as the terrain where existing legal categories fail workers (Freedland, 2007).

In the network society, Castells (2009) argues, power operates not only through coercion but through the construction of meaning in the minds of those subject to it. He identifies four forms of power in networked arrangements, including what he terms "network-making power," held by those who set the goals and protocols of the network itself. Applied to the EOR context, the client company functions as the effective programmer of the work relationship: it sets the tasks, the performance standards, and the conditions of continuation, while the EOR functions as an administrative node through which formal legal obligations are routed without corresponding operational authority. This structural misalignment has measurable consequences for workers. Salvatori (2010), drawing on longitudinal data from the European Community Household Panel across seven EU member states, finds that temporary workers, who share with EOR-employed workers the characteristic of formal employment with attenuated organisational integration, consistently report lower job satisfaction and weaker attachment to their employing organisation than permanent workers, particularly when employment protection legislation does not adequately address their specific situation. While Salvatori's analysis concerns temporary employment rather than EOR specifically, the mechanism he identifies, the negative wellbeing effects of regulatory frameworks that fail to address the reality of the worker's situation, applies directly to the accountability gaps produced by EOR intermediation (Salvatori, 2010).

The accountability diffusion in EOR arrangements is further compounded when the client company deploys algorithmic management tools to direct the worker's activities. The EU Platform Work Directive's Chapter III establishes requirements for transparency in algorithmic decision-making, data protection impact assessments, and human oversight of automated monitoring systems, reflecting a legislative recognition that management authority exercised through algorithmic systems generates accountability gaps requiring specific regulatory response (Adams-Prassl, Aloisi et al., 2025). In EOR-mediated remote employment, such tools are typically deployed by the client company. The EOR, as formal employer, bears legal accountability for working conditions but has no operational visibility into or control over the algorithmic systems the client uses to direct the worker. The entity accountable for management standards does not control the management systems, and the entity controlling those systems is not formally accountable for their effects on workers.

4.3 Outsourcing, Geoarbitrage, and the Distribution of Risk

The EOR model introduces a form of labour cost arbitrage that is structurally distinct from traditional outsourcing. Rather than contracting with a local service provider, EOR-mediated employment places workers on employment contracts formally compliant with their local legal system while enabling the client company to calibrate compensation, workload, and engagement conditions to its own commercial interests. The client company captures the productive output of the worker while outsourcing the compliance obligations of employment to the EOR, and the worker bears the risks associated with the EOR's financial stability, regulatory compliance capacity, and longevity as a business (Rak, 2025; Reljanović, 2024).

Wright, Wailes, Bamber and Lansbury (2017) argue that employment relations cannot be adequately understood through a national systems lens alone, and must instead be analysed across three intersecting institutional spheres: national, sectoral, and transnational. EOR-mediated employment exemplifies the governance gap that emerges when these spheres fail to intersect coherently. At the national level, the worker's employment contract is governed by the law of their jurisdiction, providing formal protections. At the sectoral level, no industry-wide standards or collective bargaining arrangements govern EOR services as a distinct category.

This multi-level governance gap is a risk of the first order: EOR providers vary significantly in financial stability and compliance capacity, and under-capitalised providers may fail to fulfil their formal employer obligations in ways that leave workers without recourse. The EU Platform Work Directive's non-regression clause (Article 26) and its requirement that Member States ensure effective remedies including dedicated communication channels for persons performing platform work (Article 20) reflect a legislative recognition that enforcement gaps are as consequential as substantive rights gaps (Adams-Prassl, Aloisi et al., 2025). These provisions apply only where the Directive applies, however, and EOR workers are not its primary subjects. The governance challenge for EOR-mediated employment is therefore not simply to establish what rights workers formally hold, but to ensure that those rights are practically enforceable against an identifiable responsible party in the worker's jurisdiction.

Reljanović (2024) illustrates the concrete consequences of this governance vacuum from the Serbian context, where no specific regulatory category covers EOR arrangements and providers register under general consulting or information technology activity codes that inadequately reflect their actual function. Freedland (2007) argued that the "personal work nexus" framework is necessary precisely because existing legal categories designed for bilateral employment relationships fail to protect workers whose personal work relations extend across multiple parties. In the EOR context, no equivalent regulatory development has yet occurred to address the tripartite structure's accountability consequences, leaving workers to navigate a legal landscape designed for an employment model that EOR systematically bypasses (Freedland, 2007; Rak, 2025). This regulatory absence generates compounding risks: the worker may face precarious fixed-term contracts renewed in line with client engagement cycles rather than genuine employment need; the EOR provider assumes unlimited legal liability as formal employer while lacking operational control over working conditions; and the client retains substantive direction of the worker's activity without bearing corresponding employer obligations (Reljanović, 2024).

4.4 Insolvency, Non-Compliance, and the Limits of Worker Recourse

The accountability gaps identified in the preceding sections acquire their most concrete form when the EOR fails financially or fails to fulfil its formal employer obligations. In the standard bilateral employment relationship, the insolvency of an employer, while damaging, activates a relatively well-defined set of legal protections. In EOR-mediated cross-border employment, the same event triggers a cascade of jurisdictional and structural uncertainties that existing frameworks were not designed to resolve.

Within the European Union, Directive 2008/94/EC on the protection of employees in the event of the insolvency of their employer establishes a minimum guarantee framework requiring Member States to create guarantee institutions responsible for meeting workers' outstanding wage claims when their employer becomes insolvent. For cross-border situations, Article 9(1) of the Directive provides that where an employer has activities in the territories of at least two Member States, the guarantee institution responsible for meeting outstanding claims is that of the Member State in whose territory the worker habitually works. The extent of the worker's rights is then determined by the national law governing that competent institution (Directive 2008/94/EC, Art. 9(2)). This framework was designed with the classical bilateral cross-border employer in mind, one entity operating across frontiers with workers in multiple jurisdictions. It was not designed for the EOR tripartite structure, in which the formal employer is incorporated in the worker's country of residence precisely to ensure local legal compliance, while the entity directing the work operates from a different jurisdiction entirely.

The limits of the Directive's application to EOR-adjacent scenarios were starkly illustrated by the Court of Justice of the European Union in Case C-710/21, *IEF Service GmbH v HB* (2023). The case concerned a worker resident in one Member State who performed work remotely from their home country during half their working time, while working in the employer's Member State of registration during the other half. When IEF Service became insolvent, the question arose as to which guarantee institution bore responsibility for the worker's unpaid wage claims. The Court held that where the employment contract specifies that the worker's primary and habitual place of employment is in the Member State of the employer's registered office, the employer cannot be considered to carry out activities in the territories of at least two Member States within the meaning of Article 9(1) of the Directive, even if the worker performs a significant proportion of their duties remotely from their State of residence (Case C-710/21, para. 1). The consequence is that the worker's claims fall to be met by the guarantee institution of the employer's State of registration, not the State of residence, regardless of where the work was factually performed.

The implications of this reasoning for EOR-mediated remote employment are significant and troubling. In the EOR model, the formal employer is incorporated in the worker's country of residence and the employment contract is governed by local law. If the EOR becomes insolvent, the guarantee institution of the worker's country of residence is in principle responsible, and the Directive's cross-border provisions appear not to apply. However, the Directive's guarantee framework is calibrated to the financial capacity and regulatory standards of each Member State's institution, which vary considerably. More fundamentally, the guarantee institutions were designed to respond to the insolvency of genuine employers, entities that both formally and operationally controlled the employment relationship. In the EOR case, the formally insolvent entity, the EOR, was never the operational employer; the client company directed the work, generated the economic value, and captured the productive output of the worker. The guarantee institution of the worker's country of residence is therefore called upon to compensate for the insolvency of an entity whose financial exposure arose from a commercial arrangement with a client over which the institution has no visibility and no jurisdiction (Rak, 2025).

This raises the question of whether the client company, as economic employer, bears any legal responsibility for the EOR's obligations to the worker. In general, the answer across most jurisdictions is no. The absence of a direct contractual relationship between the client and the worker, and the absence of any regulatory framework specifically governing EOR arrangements, means that the client company is legally insulated from the consequences of the EOR's insolvency (Reljanović, 2024; Pettersson, 2024). Some jurisdictions have moved towards joint and several liability frameworks for triangular employment arrangements. New Jersey, for instance, enacted explicit legislation providing that a client employer and a labour contractor shall be subject to joint and several liability for violations of wage and hour laws, and that a client employer shall not shift to the labour contractor any legal duties or liabilities under worker health and safety legislation (New Jersey Revised Statutes, § 34:11-58.1). However, this domestic legislative solution applies only within its jurisdiction and does not address cross-border EOR arrangements. No equivalent transnational instrument exists.

The National Labour Relations Board in the United States attempted in 2023 to expand the joint employer standard under the National Labor Relations Act to include entities that exercise even indirect or reserved control over essential terms and conditions of employment, a formulation that could in principle have captured client companies in EOR arrangements given their authority to direct, evaluate, and terminate the worker's assignment (National Labor Relations Board, 2023). This expansion was vacated by the US District Court for the Eastern District of Texas in *Chamber of Commerce v. NLRB* (2024), which held that the rule exceeded common law boundaries by sweeping in virtually any entity that contracts for labour. The standard remains that of direct and substantial control, a threshold the EOR client typically avoids by formally routing all employment obligations through the EOR (National Labor Relations Board, 2023). The regulatory instability of the joint employer standard in the world's largest economy illustrates the absence of settled legal doctrine on precisely the question that EOR governance most urgently requires.

The question of tax and social security compliance presents a parallel but distinct accountability gap. The EOR, as a formal employer, is legally responsible for withholding and remitting income tax and social security contributions in the worker's country of residence. If the EOR fails to do so, whether through insolvency, administrative failure, or deliberate non-compliance, the worker may face unexpected tax liability and gaps in their social security record, including pension entitlements and unemployment insurance. In most jurisdictions, the tax authority's recourse is against the formal employer, not the economic employer; the client company, having paid the EOR's service fee, has no further fiscal exposure under the law of the worker's country. Directive 2008/94/EC explicitly provides that Member States may stipulate that the guarantee framework does not apply to contributions due from the employer to statutory social security schemes, a carve-out that can leave workers without recourse for precisely the most durable consequences of EOR non-compliance: gaps in pension records and loss of social insurance entitlements accumulated over years of employment (Directive 2008/94/EC, Art. 6).

The worker's access to information about the EOR's financial condition and compliance status is a further dimension of the accountability gap. Niezna and Davidov (2023) argue that procedural transparency is a prerequisite for meaningful consent in employment relationships: workers cannot exercise informed choices or assert their rights if they lack access to relevant information about the entities that bear formal responsibility for their employment. In EOR arrangements, the worker typically has no access to the EOR's financial accounts, no visibility into whether social security contributions are being remitted, and no mechanism to verify compliance with local obligations. The EU Platform Work Directive's transparency provisions (Chapter III) address algorithmic transparency for platform workers, establishing obligations on platforms to disclose relevant information to workers about automated decision-making (Adams-Prassl, Aloisi et al., 2025). No equivalent transparency regime applies to EOR providers. The worker's only practical mechanism for verifying compliance is to consult their own national social security records, a post-hoc check that may reveal contribution gaps only after they have accumulated over an extended period.

Rak (2025) concludes from the Slovak context that the development and global expansion of EOR points directly to the inadequacy of national law in isolation. Davidov (2004) identified the structural problem in triangular employment more broadly: when employer functions are split across parties, it becomes genuinely unclear which party carries which obligations, and workers regularly end up with less protection than either party intended. In the EOR insolvency scenario, this indeterminacy becomes acute. The formal employer is insolvent and legally dissolved. The economic employer denies any legal relationship with the worker. The guarantee institution of the worker's country of residence is responsible under the Directive but may face jurisdictional barriers in recovering from the client company in another Member State. The worker, possessing a formal employment contract that provides no practical recourse, is left to navigate this multi-jurisdictional gap without institutional support, legal representation, or access to the information that would be necessary to bring claims against the parties that generated the economic relationship from which their employment arose (Reljanović, 2024; Wright et al., 2017).

5. EMERGING REGULATORY RESPONSES AND THEIR LIMITS

5.1 Functional Employer Classification

The most promising conceptual development in the regulation of triangular and platform-mediated employment is the move toward functional definitions of employer status. Prassl (2016) argued that employment law should attribute employer accountability based on the actual exercise of employer functions rather than formal contractual designation, identifying five employer functions whose distribution across parties in complex arrangements the legal system must be capable of tracking: initiating and terminating employment, administering wages and benefits, supervising and disciplining workers, absorbing business and social risks, and representing the enterprise externally. Extending this argument to EOR specifically, an accountability approach can be built that focuses on which party bears de facto responsibility for compliance and worker rights, rather than which party formally designates itself as employer in a commercial services agreement.

The Court of Justice of the European Union articulated a compatible principle in the AFMB case (Case C-610/18, 2020), holding that determining the true employer for social security purposes should hinge on factual indicators of hierarchical control and economic risk rather than contractual labels. The Court's reasoning is directly applicable to the EOR context: if social security attribution should reflect factual employer authority rather than formal employer designation, then the client company, which exercises daily hierarchical control and bears the economic risk of the worker's output, has a stronger claim to social security employer status than the EOR, which bears the formal designation without the operational authority (AFMB, Case C-610/18). Van Schadewijk (2021) surveys the developing EU concept of the employer and identifies a trend across member states toward substantive rather than purely formal definitions, driven by the need to address accountability fragmentation in multi-party employment arrangements. He argues that permanent uthyrning, or long-duration arrangements in which the formal employer's status does not reflect the factual reality of the work relationship, is itself a strong indicator that the formal employer structure should be looked through (Van Schadewijk, 2021).

The UK Supreme Court's decision in *Uber BV v Aslam* [2021] established that purposive statutory interpretation requires employment tribunals to look through contractual documentation to the factual reality of direction and control, because to do otherwise would allow the formal designation of employer status to defeat the protective purpose of employment legislation (Adams-Prassl, 2022). Applied to the EOR context, this purposive approach would support attributing employer accountability to the client company for purposes of the obligations it actually discharges, while retaining the EOR's accountability for those obligations it formally and operationally controls. Niezna and Davidov (2023) provide the theoretical foundation for this dual attribution: they argue that the sui generis law of the employment contract must be developed to address situations where the formal structure of the relationship does not correspond to its substantive reality, and that procedural and substantive standards must be calibrated to the actual distribution of power rather than to contractual designation.

Freedland (2007) argued from the concept of the personal work nexus that the protective scope of labour law must extend beyond the bilateral employment contract to encompass the full network of legal relations through which personal work is performed. In the EOR context, the personal work nexus of the worker encompasses both the EOR and the client company; a regulatory framework that attributes all accountability to the formal employer while leaving the economic employer unaccountable fails to protect the worker's personal work nexus as Freedland's framework requires. The challenge for regulators is not conceptual but institutional: functional employer classification requires adjudicative capacity across multiple national jurisdictions and evidentiary access to the commercial arrangements between EOR and client, neither of which existing regulatory institutions reliably possess (Wright et al., 2017).

5.2 International Coordination and Regulatory Gaps

The EU Framework Agreement on Cross-Border Telework establishes that, for social security purposes, telework performed in an employee's country of residence for less than 50% of working time does not shift the applicable social security legislation away from the employer's country. This narrower principle offers a partial model for reducing jurisdictional ambiguity, but it applies only to social security determinations under Article 16(1) of Regulation (EC) No. 883/2004, not to the broader question of which country's employment law governs the relationship. The agreement remains a limited set of bilateral and multilateral arrangements between participating states, and it has not been extended to address the multi-party, multi-jurisdictional structures of EOR platforms, nor to the question of which country's substantive employment law, as opposed to social security legislation, should apply (Administrative Commission for the Coordination of Social Security Systems, 2023).

Wright, Wailes, Bamber and Lansbury (2017) argue that the analytical failure to account for transnational institutional dynamics is a structural weakness of national systems approaches to employment regulation. Their framework of three intersecting institutional spheres, national, sectoral, and transnational, illuminates why EOR governance is proving intractable: each sphere has developed regulatory responses to aspects of the problem it can observe, but none has the reach to address the full tripartite, cross-jurisdictional structure. At the national level, domestic employment law applies to the formal employer but cannot reach the economic employer in a different jurisdiction. At the sectoral level, no industry standards govern EOR services as a distinct category. At the transnational level, no binding international framework addresses the cross-border accountability gaps that EOR intermediation systematically produces: the ILO's Employment Relationship Recommendation No. 198 (2006) identified triangular employment as a source of accountability gaps requiring national legislative response, but produced no binding international standard, and its framework precedes the specific cross-border dimension that EOR platforms introduce (Wright et al., 2017; ILO, 2006). The result is that the regulatory capacity of each institutional sphere is outpaced by an employment model that operates at the intersections between them.

Blackett (2020) argues that international labour standards frameworks must accommodate the territoriality principle of domestic employment law while enabling cross-border compliance mechanisms that prioritise worker protection over rigid employer categorisation. This is precisely the balance that the EOR case demands, and that no existing international instrument achieves. Rak (2025) reaches the same conclusion from the Slovak national context, observing that the development and global expansion of EOR points directly to the inadequacy of national law in isolation and to the need for regulatory innovation at a level above the individual state. Reljanović (2024) documents how the absence of any specific regulatory category for EOR in Serbian law leaves workers navigating a vacuum in which no authority has clear competence to act on their behalf, a regulatory failure that is not unique to Serbia but characteristic of any national system confronting EOR arrangements for the first time.

A registration or certification framework for labour intermediaries, analogous to the IRS Certified PEO programme in the United States, could serve as a foundation for more robust governance without requiring the comprehensive supranational employment law framework that is politically unlikely to emerge in the near term. Under such a framework, EOR providers would be required to meet minimum financial stability, compliance capacity, and transparency standards as a condition of operating, and certification would serve as a proxy for the due diligence that individual workers and national authorities currently cannot perform. Financial stability and compliance capacity are among the most critical variables differentiating EOR providers, which suggests that a certification framework addressing precisely these variables would target the most acute source of worker risk. The EU Platform Work Directive's transparency and accountability provisions, particularly its requirements for information disclosure to workers and competent authority access to platform data (Articles 17 and 20), offer a partial regulatory template, though Adams-Prassl, Aloisi et al. (2025) note that even within its own domain the Directive leaves significant gaps, particularly around social security and cross-border enforcement.

5.3 The Limits of Gig Economy Regulation as a Template

A recurring risk in the emerging regulatory response to EOR is the temptation to apply regulatory frameworks developed for gig economy platforms to a structurally different phenomenon. The EU Platform Work Directive (2024) creates a rebuttable presumption of employment for platform workers, addressing the systematic misclassification of gig workers as independent contractors. This instrument is not directly applicable to EOR arrangements, in which workers are already formally classified as employees. The problem in EOR is not the absence of an employment relationship but the fragmentation of employer accountability within that relationship, across parties and across jurisdictions, in ways that existing employment law does not address (Prassl, 2016; Fudge, 2006).

Maric, Schuessler and Thäter (2024), applying Marsden's (2004) theory of employment systems to platform-mediated work, conclude that the regulatory debate has focused too narrowly on worker classification and has insufficiently addressed the organisational and institutional elements of the work system that generate dysfunctional outcomes for all parties. Their analysis applies with equal force to EOR: the question of whether a worker is formally an employee has been resolved by the EOR model itself, but the question of which party bears accountability for which employer functions within the tripartite system remains unaddressed by any regulatory framework. As Marsden (2004) established, the enforceability constraint of any work system requires that the rules governing task allocation and employer accountability be transparent and legally supported; in EOR arrangements, neither condition is met across the full tripartite structure.

Applying gig economy regulation to EOR could have counterproductive effects. By presuming employment and attributing it to the EOR, such regulation might actually reinforce the formal employer structure that produces the accountability gap, rather than addressing the gap itself. What is needed is not a presumption of employment but a functional allocation of employer accountability that reflects the actual distribution of authority between EOR and client company. Reljanović (2024) anticipates this problem precisely, observing that applying the EU Platform Work Directive to EOR-type arrangements would be analytically misplaced: EOR employment is not misclassified non-employment but formal employment with an accountability gap internal to its tripartite structure. Adams-Prassl, Aloisi et al. (2025) make a related observation about the Directive's own limitations within its intended domain, noting that even for gig platform workers the Directive's employment presumption does not resolve the deeper questions of algorithmic accountability and enforcement across borders. If those limitations are already visible in the Directive's home terrain, extending it to EOR, where the structural conditions are categorically different, would compound rather than reduce the regulatory mismatch.

Gigant, Cañibano and Alfes (2026) provide an indirect but analytically significant insight into why the gig regulation template fails in the EOR context. Their finding that highly skilled independent workers develop relational psychological contracts with the project teams for whom they actually work, while maintaining transactional contracts with the formal contracting entity, maps directly onto the EOR worker's situation: the worker's substantive employment experience, including their sense of obligation, trust, and belonging, is located with the client company, not the EOR. A regulatory framework that concentrates all formal accountability on the EOR while leaving the client company's de facto employer relationship unregulated therefore fails to address the relationship in which the worker is most embedded and most vulnerable. Regulatory design that ignores this experiential dimension will produce instruments that are formally coherent but substantively inadequate to the realities of EOR-mediated employment.

6. RESEARCH AGENDA AND IMPLICATIONS

6.1 The EOR Gap in Platform and Remote Work Scholarship

This article has argued that the EOR model constitutes a distinct object of analysis that falls between the existing bodies of scholarship on remote work and platform-mediated labour. The remote work literature has documented the organisational, psychological, and managerial dimensions of geographically distributed employment, tracing its evolution from an emergency response to a structural feature of knowledge-intensive economies (Clancy, 2020; Pass & Ridgway, 2022; Baruch, 2001). It has not addressed the institutional and legal infrastructure that makes cross-border remote employment possible, nor the governance challenges that this infrastructure produces when employment is mediated by a third-party formal employer operating across national legal systems.

The platform work literature has developed sophisticated accounts of how digital platforms reorganise labour markets, allocate risk between platforms and workers, and generate accountability gaps that existing regulatory frameworks struggle to address (De Stefano, 2016; Wood et al., 2019; Maric et al., 2024). Maric, Schuessler and Thäter (2024), applying Marsden's (2004) theory of employment systems, demonstrate that the debate on platform governance has focused too narrowly on worker classification, leaving the organisational and institutional elements of platform-mediated work systems inadequately analysed. This observation applies with equal force to EOR: the classification question has been resolved by the model's formal employment structure, but the deeper question of how employer accountability should be allocated within the tripartite arrangement has received no systematic analytical treatment. The gig platform literature, which has concentrated on task-based low-skill work, has left the EOR model, which mediates ongoing skilled employment relationships across national legal systems, analytically underexplored.

The taxonomy proposed here distinguishes EOR from related intermediary models, and the regulatory landscape across a range of national jurisdictions shows a pattern of constructive ambiguity as EOR is absorbed into pre-existing regulatory categories. Reljanović (2024), Rak (2025), Pettersson (2024), and Jolkkonen (2022) have examined the legal status of EOR arrangements in Serbian, Slovak, Swedish, and Finnish and Dutch law respectively, providing comparative material from which a more systematic research programme can be constructed. These contributions provide the starting point for the sustained scholarly attention that the governance of EOR employment now requires.

6.2 Priority Research Questions

Several research questions follow from the analysis presented here. First, what are the empirical consequences of EOR intermediation for worker outcomes in terms of wages, benefits, job security, access to legal redress, and subjective wellbeing? Salvatori (2010), in a longitudinal study across seven EU member states, establishes that workers in atypical employment arrangements consistently report lower job satisfaction and weaker attachment to their employing organisation when regulatory frameworks fail to address the reality of their situation. Whether EOR-mediated employment produces comparable wellbeing deficits, and through which mechanisms, is an open empirical question that existing research has not addressed.

Second, how does the structural separation between formal and economic employer in EOR arrangements affect the quality of the psychological and relational dimensions of the work relationship? Gigant, Cañibano and Alfes (2026) establish that highly skilled workers develop relational psychological contracts with the project teams for whom they actually work, while maintaining transactional contracts with the formal contracting entity. Whether EOR-employed workers exhibit the same dual contract structure, and what the implications of that structure are for their engagement, retention, and vulnerability, are questions that the framework developed by Gigant et al. (2026) is well positioned to address empirically.

Third, how do EOR arrangements interact with the regulatory frameworks that exist for triangular and platform employment across different jurisdictions? Longitudinal analysis of how regulatory environments shape EOR provider behaviour, compliance capacity, and worker protection outcomes would substantially advance understanding. The interaction between EU Directive 2008/94/EC on employer insolvency and EOR's tripartite structure, as illustrated by Case C-710/21 IEF Service (CJEU, 2023), represents a particularly urgent research gap, since the application of guarantee institutions to EOR insolvency scenarios has not been systematically examined.

Fourth, what governance instruments are most effective at closing the accountability gap in EOR employment? The accountability approach outlined here, the functional employer framework of Prassl (2016; 2018), and the registration and certification model discussed above offer distinct conceptual foundations for regulatory design. Wright, Wailes, Bamber and Lansbury (2017) identify the intersection of national, sectoral, and transnational institutional spheres as the terrain on which effective governance of cross-border employment arrangements must be constructed. Empirical evaluation of which combinations of instruments, operating across which institutional spheres, are most effective in protecting EOR-employed workers across different regulatory contexts remains the central open question for the research programme that this article has sought to initiate.

Fifth, does the joint employer doctrine, whether in its US formulation under the NLRA or in the emerging EU framework established by Article 3 of the Platform Work Directive, provide a viable foundation for attributing accountability to client companies in EOR arrangements? The vacillation of the joint employer standard in the United States, from the expansive 2023 NLRB rule to its judicial vacatur in *Chamber of Commerce v. NLRB* (2024), illustrates the political and doctrinal contestedness of this question. Niezna and Davidov (2023) argue that the sui generis law of the employment contract must be developed to address situations where formal and substantive employer authority diverge; whether joint employer doctrine provides the appropriate vehicle for that development in the EOR context, or whether a distinct regulatory category is required, as Rak (2025) suggests, is a question that comparative labour law scholarship is well placed to address.

7. CONCLUSION

Remote work has fundamentally altered the conditions under which employment is organised across national borders, creating structural compliance gaps that no existing institutional framework adequately addresses. The Employer of Record model emerged as a market response to those gaps, enabling companies to hire workers across national jurisdictions without establishing local corporate entities, by interposing a formal legal employer between client and worker. The scale of this response, and the rapid growth reported across market research sources, and its structural consequences for worker protection and governance accountability, make EOR intermediation an object of urgent analytical attention.

This article has argued that the EOR model is structurally distinct from both standard remote employment and gig platform work, and that analyzing it adequately requires combining insights from the remote work literature with the platform governance and comparative employment law traditions. The accountability gap that EOR produces, arising from the divergence between formal and economic employer across multiple national legal systems, cannot be resolved by applying regulatory frameworks designed for either domestic bilateral employment or task-based gig work. What is required is a functional approach to employer accountability that reflects the actual distribution of authority in EOR arrangements, and that prioritises worker protection regardless of the formal contractual structure through which that authority is exercised (Prassl, 2016; Freedland, 2007).

As the UK Supreme Court established in *Uber BV v Aslam* [2021], employment relations cannot safely be left to contractual regulation, because allowing formal employer designation to determine the scope of employment protection would permit the party with greater bargaining power to structure the relationship in ways that defeat the protective purpose of employment legislation (Adams-Prassl, 2022). This principle applies with full force to EOR: the deliberate allocation of formal employer status to the EOR, and of operational authority to the client, is a contractual structure whose governance consequences cannot be resolved by the law of contract alone. The ILO's Employment Relationship Recommendation No. 198 (2006) recognised the accountability gaps inherent in triangular employment arrangements and called on member states to ensure that workers in such arrangements retain access to the protections employment law was designed to provide. Twenty years on, the EOR model represents both the most commercially advanced expression of the triangular employment relationship and the clearest illustration of why that call has not yet been adequately answered.

Niezna and Davidov (2023) argue that consent in employment is always a continuum, and that workers whose formal contractual position does not reflect the substantive reality of their employment deserve the procedural and substantive protections that the sui generis law of the employment contract has developed precisely to address structural power asymmetries. EOR-employed workers face a distinctive version of this asymmetry: they formally consented to an employment relationship with an entity that may have no meaningful presence in their working lives, while the entity that actually directs their work, shapes their career, and determines their economic future bears no formal accountability for those functions. Closing this gap is not only a regulatory challenge but an obligation that flows from the foundational premises of labour law itself.

The EOR model will not disappear. It is filling a genuine institutional gap created by the internationalisation of knowledge work and the persistence of nationally bounded employment law systems. Wright, Wailes, Bamber and Lansbury (2017) argue that employment governance must evolve across national, sectoral, and transnational institutional spheres simultaneously to address the regulatory challenges that globalised work arrangements produce. The EOR case demonstrates with particular clarity that governance responses confined to any single institutional sphere will be structurally insufficient. The task for researchers, policymakers, and regulators is to develop the multi-scalar governance instruments that the scale and structural complexity of EOR employment now demands.

REFERENCES

1) Adams-Prassl, J. (2022). Uber BV v Aslam: '[W]ork relations … cannot safely be left to contractual regulation'. *Industrial Law Journal*, 51(4), 955–966. https://doi.org/10.1093/indlaw/dwac027
2) Adams-Prassl, J., Aloisi, A., Countouris, N., De Stefano, V., & Rainone, S. (2025). Protecting platform workers in the European Union. *European Labour Law Journal*, 16(4). https://doi.org/10.1177/20319525251376935
3) Administrative Commission for the Coordination of Social Security Systems. (2023). *Framework Agreement on the application of Article 16(1) of Regulation (EC) No. 883/2004 in cases of habitual cross-border telework*. European Commission.
4) Aloisi, A. (2016). Commoditized workers: Case study research on labor law issues arising from a set of on-demand/gig economy platforms. *Comparative Labor Law & Policy Journal*, 37(3), 653–690.
5) Barge, J. K. (1994). Putting leadership back to work. *Management Communication Quarterly*, 8(1), 95–109. https://doi.org/10.1177/0893318994008001005
6) Baruch, Y. (2001). The status of research on teleworking and an agenda for future research. *International Journal of Management Reviews*, 3(2), 113–129. https://doi.org/10.1111/1468-2370.00058
7) Belzunegui-Eraso, A., & Erro-Garcés, A. (2020). Teleworking in the context of the Covid-19 crisis. *Sustainability*, 12(9), 3662. https://doi.org/10.3390/su12093662
8) Blackett, A. (2020). *Everyday transgressions: Domestic workers' transnational challenge to international labor law*. Cornell University Press.
9) Bloom, N., Liang, J., Roberts, J., & Ying, Z. J. (2015). Does working from home work? Evidence from a Chinese experiment. *The Quarterly Journal of Economics*, 130(1), 165–218. https://doi.org/10.1093/qje/qju032
10) Castells, M. (2009). *Communication power*. Oxford University Press.
11) Castells, M. (2013). *Networks of outrage and hope: Social movements in the internet age*. Polity Press.
12) *Chamber of Commerce of the United States v. NLRB*, 723 F. Supp. 3d 498 (E.D. Tex. 2024).
13) Clancy, M. (2020). *The case for remote work*. Iowa State University Department of Economics Working Paper. https://doi.org/10.31235/osf.io/cg7n6
14) Court of Justice of the European Union. (2020). Case C-610/18, AFMB Ltd and Others v Raad van bestuur van de Sociale verzekeringsbank, Judgment of 16 September 2020. ECLI:EU:C:2020:713.
15) Court of Justice of the European Union. (2023). Case C-710/21, IEF Service GmbH v HB, Judgment of 16 February 2023. ECLI:EU:C:2023:116.
16) Dash, S. (2006). Human capital as a basis of comparative advantage equations in services outsourcing: A cross country comparative study. *2006 International Conference on Information and Communication Technologies and Development*. https://doi.org/10.1109/ICTD.2006.301854
17) Davidov, G. (2004). Joint employer status in triangular employment relationships. *British Journal of Industrial Relations*, 42(4), 727–746. https://doi.org/10.1111/j.1467-8543.2004.00338.x
18) De Stefano, V. (2016). The rise of the 'just-in-time workforce': On-demand work, crowdwork, and labor protection in the gig economy. *Comparative Labor Law & Policy Journal*, 37(3), 471–503.
19) Directive 2008/94/EC of the European Parliament and of the Council of 22 October 2008 on the protection of employees in the event of the insolvency of their employer. *Official Journal of the European Union*, L 283, 36–42.
20) Directive (EU) 2024/2831 of the European Parliament and of the Council of 23 October 2024 on improving working conditions in platform work. *Official Journal of the European Union*, L 2024/2831.
21) Dubé, L., & Robey, D. (2009). Surviving the paradoxes of virtual teamwork. *Information Systems Journal*, 19(1), 3–30. https://doi.org/10.1111/j.1365-2575.2008.00313.x
22) European Trade Union Institute. (2023). *The future of remote work* (N. Countouris, V. De Stefano, A. Piasna, & S. Rainone, Eds.). ETUI.
23) Eurostat. (2026). *Employed persons working from home by professional status* [Data set]. https://doi.org/10.2908/lfsa_ehomp (data extracted 17 August 2026)
24) Felstead, A., Jewson, N., & Walters, S. (2005). *Changing places of work*. Palgrave Macmillan.
25) Ferrazzi, K. (2014, December). Getting virtual teams right. *Harvard Business Review*, 92(12).
26) Freedland, M. (2007). Application of labour and employment law beyond the contract of employment. *International Labour Review*, 146(1–2), 3–20. https://doi.org/10.1111/j.1564-913X.2007.00001.x
27) Fudge, J. (2006). Fragmenting work and fragmenting organizations: The contract of employment and the scope of labour regulation. *Osgoode Hall Law Journal*, 44(4), 609–648.

28) Gereffi, G., & Sturgeon, T. (2004). *Globalization, employment, and economic development: A briefing paper*. MIT Industrial Performance Center.
29) Gigant, T., Cañibano, A., & Alfes, K. (2026). Insider to what? A dynamic analysis of freelancers' perceived insider/outsider status through the lens of the psychological contract. *Journal of Occupational and Organizational Psychology*, 99(1), e70105. https://doi.org/10.1111/joop.70105
30) Grušić, U. (2023). Private international law aspects of the gig economy. *Journal of Private International Law*, 19(1), 1–35.
31) Haddud, A., & McAllen, D. (2018). Digital workplace management: Exploring aspects related to culture, innovation, and leadership. *Portland International Conference on Management of Engineering and Technology (PICMET)*.
32) Hoch, J. E., & Dulebohn, J. H. (2017). Team personality composition, emergent leadership and shared leadership in virtual teams: A theoretical framework. *Human Resource Management Review*, 27(4), 678–693. https://doi.org/10.1016/j.hrmr.2016.12.012
33) Howell, J. M., & Hall-Merenda, K. E. (1999). The ties that bind: The impact of leader-member exchange, transformational and transactional leadership, and distance on predicting follower performance. *Journal of Applied Psychology*, 84, 680–694.
34) ILO. (2006). *Employment Relationship Recommendation, 2006 (No. 198)*. International Labour Organization.
35) ILO. (2023). *World employment and social outlook 2023: The value of essential work*. International Labour Organization.
36) Illegems, V., Verbeke, A., & S'Jegers, R. (2001). The organizational context of teleworking implementation. *Technological Forecasting and Social Change*, 68(3), 275–291. https://doi.org/10.1016/S0040-1625(00)00105-0
37) International Workplace Group. (2018). *The end of the traditional 9-5?* [Global Workspace Survey]. IWG.
38) Ishmetova, S. (2024). Globalization and the international division of labor: Legal challenges and perspectives. *International Journal of Law Justice and Jurisprudence*, 4(1), 14–17. https://doi.org/10.22271/2790-0673.2024.v4.i1a.89
39) Jolkkonen, S. (2022). *Oikeusvertaileva tutkielma kolmikantaisesta EOR-järjestelystä Suomessa ja Alankomaissa* [Master's thesis, University of Helsinki]. http://hdl.handle.net/10138/350184
40) Judy, R. W., & d'Amico, C. (1997). *Workforce 2020: Work and workers in the 21st century*. Hudson Institute, Herman Kahn Center.
41) Kenney, M., & Zysman, J. (2016). The rise of the platform economy. *Issues in Science and Technology*, 32(3), 61–69.
42) Khan, H., & Islam, M. S. (2006). *Outsourcing, migration, and brain drain in the global economy: Issues and evidence* (SSRN Working Paper No. 004/2006). https://doi.org/10.2139/ssrn.1606106
43) Kizza, J. M. (2013). *Ethical and social issues in the information age* (5th ed.). Springer. https://doi.org/10.1007/978-1-4471-4990-3
44) Kratzer, J., Leenders, R. T. A. J., & Van Engelen, J. M. L. (2006). Team polarity and creative performance in innovation teams. *Creativity and Innovation Management*, 15(1), 96–104.
45) Maric, S., Schuessler, E. S., & Thäter, L. (2024). Neither employment nor self-employment: Avenues towards functional platform-mediated work systems. *British Journal of Industrial Relations*, 63(2), 287–304. https://doi.org/10.1111/bjir.12855
46) Marginson, P. (2016). Governing work and employment relations in an internationalized economy: The institutional challenge. *ILR Review*, 69(5), 1009–1034. https://doi.org/10.1177/0019793916654891
47) Marsden, D. (2004). The network economy and models of the employment contract. *British Journal of Industrial Relations*, 42(4), 659–684. https://doi.org/10.1111/j.1467-8543.2004.00335.x
48) National Labor Relations Board. (2023). Standard for determining joint-employer status: Final rule. *88 Fed. Reg.* 73946 (October 27, 2023).
49) Neufeld, D. J., Wan, Z., & Fang, Y. (2010). Remote leadership, communication effectiveness and leader performance. *Group Decision and Negotiation*, 19(3), 227–246. https://doi.org/10.1007/s10726-008-9142-x
50) New Jersey Revised Statutes § 34:11-58.1. Contractor and Subcontractor Worker Protection Act.
51) Niezna, M., & Davidov, G. (2023). Consent in contracts of employment. *The Modern Law Review*, 86(5), 1134–1165. https://doi.org/10.1111/1468-2230.12802
52) Nilles, J. M. (1975). Telecommunications and organizational decentralization. *IEEE Transactions on Communications*, 23(10), 1142–1147. https://doi.org/10.1109/TCOM.1975.1092687
53) Nilles, J. M. (1988). *Making telecommuting happen: A guide for telemanagers and telecommuters*. Van Nostrand Reinhold.
54) Nogueira, A. M., & Patini, A. C. (2012). Trabalho remoto e desafios dos gestores. *RAI - Revista de Administração e Inovação*, 9(4), 121–152.
55) OECD. (2021). *Teleworking in the COVID-19 pandemic: Trends and prospects*. OECD Policy Responses to Coronavirus (COVID-19). OECD Publishing. https://doi.org/10.1787/72a416b6-en
56) Pass, S., & Ridgway, M. (2022). An informed discussion of the impact of COVID-19 and 'enforced' remote working on employee engagement. *Human Resource Development International*, 25(2), 236–249. https://doi.org/10.1080/13678868.2022.2048605
57) Paus, E., & Shapiro, H. (2007). Capturing the benefits from offshore outsourcing in developing countries: The case for active policies. In *Global Capitalism Unbound* (pp. 215–228). Palgrave Macmillan. https://doi.org/10.1057/9780230608849_13
58) Pettersson, I. (2024). *Employer on paper: The EOR model under Swedish labour law* [Master's thesis, Uppsala University].
59) Prassl, J. (2016). *The concept of the employer*. Oxford University Press.
60) Prassl, J. (2018). *Humans as a service: The promise and perils of work in the gig economy*. Oxford University Press.
61) Rajeev, M., & Vani, B. P. (2008). *Problems and prospects of business process outsourcing industry: A case study of India* (MPRA Paper No. 9834). Institute for Social and Economic Change. http://mpra.ub.uni-muenchen.de/9834/
62) Rak, P. (2025). Employer of record: Challenges for labour law. In M. Švec & J. Žuľová (Eds.), *Algoritmy a inklúzia: Pracovné právo v ére technologickej a spoločenskej transformácie* (pp. 116–126). ŠafárikPress. https://doi.org/10.33542/AAI-0456-9

63) Reljanović, M. (2024). "Uslužni poslodavac" (Employer of Record) i rešavanje radnopravnog statusa frilensera. *Revija za radno i socijalno pravo*, XXVIII(1), 101–123. https://doi.org/10.56461/rrsp2401_05
64) Salvatori, A. (2010). Labour contract regulations and workers' wellbeing: International longitudinal evidence. *Labour Economics*, 17(4), 667–678. https://doi.org/10.1016/j.labeco.2010.01.003
65) Schober, P., Boer, C., & Schwarte, L. A. (2018). Correlation coefficients: Appropriate use and interpretation. *Anesthesia and Analgesia*, 126(5), 1763–1768. https://doi.org/10.1213/ANE.0000000000002864
66) Silva, F. A. P., Velez, M. J. P., & Borrego, P. J. V. B. M. (2024). Perceived leadership effectiveness and turnover intention in remote work: The mediating role of communication. *Caderno Pedagógico*, 21(3), e3200. https://doi.org/10.54033/cadpedv21n3-093
67) Srnicek, N. (2017). *Platform capitalism*. Polity Press.
68) *Uber BV v Aslam* [2021] UKSC 5.
69) Van Schadewijk, M. (2021). The notion of 'employer': Towards a uniform European concept? *European Labour Law Journal*, 12(3), 363–386. https://doi.org/10.1177/20319525211020573
70) Verified Market Research. (2026). *Global employer of record market size, by service, by end-user industry, by organization size, and by geography* (Report ID 464450). https://www.verifiedmarketresearch.com/product/employer-of-record-market/
71) Wood, A. J., Graham, M., Lehdonvirta, V., & Hjorth, I. (2019). Good gig, bad gig: Autonomy and algorithmic control in the global gig economy. *Work, Employment and Society*, 33(1), 56–75. https://doi.org/10.1177/0950017018785616
72) Wright, C. F., Wailes, N., Bamber, G. J., & Lansbury, R. D. (2017). Beyond national systems, towards a 'gig economy'? A research agenda for international and comparative employment relations. *Employee Responsibilities and Rights Journal*, 29(4), 247–257. https://doi.org/10.1007/s10672-017-9308-2