

e-book



20 common compliance mistakes in global hiring - and how to beat them

By Mauve Group

Your trusted partner in
tailored, people-focussed
global employment solutions

Introduction

Navigating global employment compliance

Bringing your business to the global stage – whether by expanding into new countries or hiring employees abroad – is an exciting growth opportunity. However, navigating the complex world of international business and employment law can pose challenges. Every country has unique labour, tax, and employment laws, which can complicate the global hiring process. Challenges arise from standard expansion routes such as overseas entity set-up, and also from mergers and acquisitions (M&As), which create a need for review to avoid missteps.

Many organisations struggle with a lack of in-house expertise, limited connections in target countries, and time constraints. Ensuring compliant staff relocations, contractor management, and employee requests in countries where they lack a legal entity can become overwhelming. On top of this, nonprofits, startups, and businesses operating within strict budgets face added pressure to maintain compliance while keeping costs under control.

This guide highlights 20 of the most common compliance mistakes businesses make when employing staff internationally—and, most importantly, how to avoid them. Whether you're considering a payroll service, exploring Employer of Record solutions, or looking for expert guidance to help you decide, this valuable resource will help you navigate compliance with confidence.



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MISTAKE 1:

Misclassifying employees as independent contractors

Misclassifying workers to avoid taxes, benefits, or regulations.



Misclassifying employees as independent contractors is a practice commonly used to cut costs. While some companies intentionally misclassify their workers to avoid paying benefits and taxes, others unknowingly violate regulations due to a lack of understanding of local employment law. However, around the world, governments are cracking down on misclassification, imposing serious penalties and backdated tax liabilities on businesses found in breach, regardless of their reasoning.

Failing to adhere to classification laws will not only land you in legal difficulty but could damage the trust between you and your workers, as in misclassification cases, the impacted workers may be entitled to back-payment of benefits like overtime pay and social security contributions. For companies operating across multiple locations, the risk is exacerbated due to employment classifications varying significantly by area.



Penalties will vary between countries and, in some cases, states. For example, California has strict penalties for misclassification, including fines of \$5,000 to \$25,000 per violation, strong wage enforcement, and potential criminal charges for lack of workers' compensation. Texas primarily enforces tax penalties through the Texas Workforce Commission (TWC) and federal laws but does not impose severe fines like California.

Meanwhile, France imposes the strictest laws on worker misclassification. Wilful misclassification can lead to up to three years in prison and fines of €45,000 for individuals, or €225,000 for companies.



SOLUTION:

Regularly audit your workforce with the help of local legal or HR experts to ensure roles are correctly classified according to local labour laws in each country or region. Additionally, you should create and enforce internal classification policies based on key criteria like control, independence, work schedule, and benefits. Align these with the most restrictive jurisdictions you operate in. Partnering with an Employer of Record can remove classification guesswork. They act as the legal employer on your behalf, ensuring compliance with local employment laws and regulations.

You should also invest in training your HR, finance, and hiring managers on the latest local classification rules and risks of misclassification — especially in places like California, France, and other high-risk areas. Before onboarding a contractor or freelancer in a new market, consult local employment lawyers to confirm classification or have contracts vetted by legal counsel.



MISTAKE 2:

Relying on generic contract templates

Applying a "one-size-fits-all" approach to employment contracts across different countries.



If only it were that easy! A standardised approach to employment contracts poses a major compliance risk, as each country has its own laws governing wages, termination, benefits, and working conditions. Ignoring these requirements and failing to include mandatory clauses like probationary periods, severance terms, or notice periods, can lead to legal issues and penalties. Don't risk it! In many countries, the employment contract must not only be in English, but in the local language. In addition to this, the translation must be a legal translation as not all translations will directly match the English language.

SOLUTION:

Customise your employment contracts to align with the labour laws of all your countries of operation. Local legal experts can help to ensure your bespoke contracts meet jurisdictional requirements. They can also work to regularly update agreements, meaning you can stay compliant with changing regulations.



MISTAKE 3:

Mishandling terminations

Failing to adhere to local termination procedures, including notice periods and severance pay.

Employers know that handling terminations properly is key to a smooth exit for both the worker and the company. Mishandling this sensitive process can cause all sorts of headaches – from lawsuits to tarnished reputations. Termination procedures differ between countries, requiring varying notice periods, severance package requirements, and valid reasons. Companies should budget for layoff expenses such as severance fees and other legal costs. Depending on what country the termination is taking place in, you may be required to place the worker on performance improvement plan or to consult with unions or local regulatory bodies before dismissal is allowed.

If you disregard these key details when terminating an employee, your company is at serious risk of wrongful termination claims and paying out significant financial settlements.

SOLUTION:



Don't be hasty and apply a slapdash approach by prioritising efficiency over proper protocol. Make sure that you establish termination procedures that comply with local laws in all your regions of operation and follow them to the letter. And that's not all – you need to ensure that these processes are regularly updated to reflect evolving labour laws, reducing the risk of litigation and maintaining compliance everywhere.

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If experiencing issues with an employee, document all concerns and follow progressive disciplinary steps when necessary. It is always a clever idea to consult legal professionals before proceeding with dismissals.

✗ MISTAKE 4:

Disregarding minimum-wage laws

Paying employees below the local legal minimum wage.

Underpaying employees is not a good look and, unsurprisingly, it's also a serious compliance violation that can lead to serious consequences. Though local minimum wage laws may be complex and change frequently, leaders must make it their business to ensure they align with all local laws, both at regional and state-level.

Lots of factors, both intentional (such as seeking to cut costs) and unintentional (such as payroll errors or misinterpretation of laws) can result in non-compliance in this area. However, whether you meant to underpay your workers or not, if your business is caught in breach of regulation, it may be subject to lawsuits, backpay obligations, and business restrictions. In Colombia, for example, employers who fail to pay the minimum wage can face fines ranging from 1 to 5,000 times the legal minimum wage.

Not to mention, future prospective employees may be put off by a history of paying substandard wages.

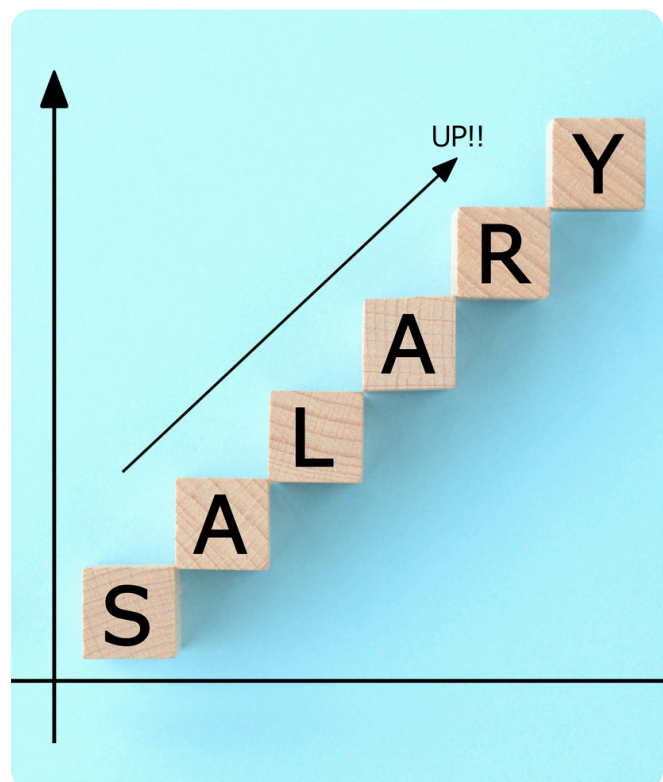
✓ SOLUTION:

Savvy global employers conduct regular wage audits and monitor legal updates to ensure compliance.

Salary Benchmarking services will ensure you pay your workers a competitive living wage, in line with local expectations.

Leverage technology to automate payroll with built-in compliance checks to adjust salaries as required.

Ensuring fair wages enhances employee satisfaction and retention while protecting your business.



❌ MISTAKE 5:

Violating work-hour regulations

Requiring employees to work hours beyond local legal limits.

To maintain your reputation as an honest, ethical employer who values employee wellbeing, you need to make sure your business complies with regulations on working hours, overtime, and mandatory rest periods. Employers who exceed these limits without proper compensation risk financial penalties, lawsuits, and serious employee dissatisfaction. Overworking employees and failing to make sure rest and meal breaks are provided, can naturally lead to burnout, reduced productivity, and lowered retention rates.

✅ SOLUTION:

To avoid any mistakes in this area and keep your workers satisfied and on side, it's important to implement reliable time-tracking systems to monitor employee hours and overtime. Invest in training managers to make sure breaks are taken and to prevent excessive workloads.



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Workers should also be made aware of their rights as employees. By taking employee wellbeing seriously, you will ensure a happy, healthy workforce who stay with your company for longer.

MISTAKE 6:

Failing to provide statutory benefits

Omitting mandatory benefits from employment agreements like paid leave, parental leave, or health insurance.

Remember, it doesn't matter how competitive your salary offering is; if you fail to offer mandatory benefits, then you're still running the risk of non-compliance. Most countries have a set of benefits that all employers are obliged to provide their workers – which will likely vary from those in your home country. So, as ever, don't go applying that one-size-fits-all mindset to benefits.

Failure to provide benefits like paid leave, parental leave, health insurance, and pension contributions can result in the usual consequences – including fines, backdates payments, and reputational damage. In Australia, failing to provide mandatory benefits can result in fines up to \$939,000 AUD per breach, superannuation penalties up to 200% of unpaid amounts, back pay with interest, and in cases of wage theft, up to ten years in prison or \$1.4 million AUD in corporate fines.

Employees who are denied their mandatory benefits may be less motivated, and less likely to remain with the company, which will in turn lower your retention rates, and reduce productivity.



SOLUTION:

Conducting regular audits to ensure benefits align with local labour laws is the best way to safeguard your business from compliance risks in this space. Businesses should work with HR and legal experts to incorporate required benefits into employment contracts. Plus, make sure you maintain up-to-date records of benefit offerings and monitor legal changes to avoid getting caught out by policy updates.

MISTAKE 7:

Incorrect immigration permissions

Employing workers without the necessary visa and work permits.

Immigration is perhaps one of the better-known areas of compliance, due to its high-risk nature. As a global business, you know that hiring foreign employees without the necessary visas or work permits can result in fines, prosecutions, deportations, and hiring restrictions. A common mistake many businesses make is wrongly assuming a tourist or short-term business visa is sufficient for employment. Most countries require specific work permits and corresponding visa status.

Visa and immigration can be a compliance minefield as visa regulations are frequently subject to change. Employers who fail to track things like visa expiration dates or work-permit dates risk operational disruptions, as well as legal consequences for noncompliance.



SOLUTION:

Be stringent about verifying work eligibility before hiring. Support your workers by maintaining meticulous records of their visa and permit expiration dates and renewing them proactively. Work closely with immigration experts to stay informed about regulatory changes.

MISTAKE 8:

Non-compliance with international data privacy laws

Mishandling and transferring employee data in violation of laws like GDPR.



In the current marketplace, any employer knows that “data privacy” is the phrase of the day. Global businesses need to remain compliant with laws like GDPR and CCPA, which regulate how employee data is collected, stored, and shared. Serious fines and damaged reputations await companies that think they can sidestep these laws.

Improper data handling—like failing to obtain consent or improperly storing sensitive information—can result in significant legal trouble, lawsuits, fines, and more.

SOLUTION:

Invest time and resources in developing comprehensive data privacy policies tailored to each jurisdiction. Make sure to conduct regular audits to ensure compliance, secure employee data, and train staff on data protection best practices, and work with legal experts to navigate complex privacy laws and implement cybersecurity measures. It may seem like a lot of work, but it’s an investment in your company’s future and the security of your workers.

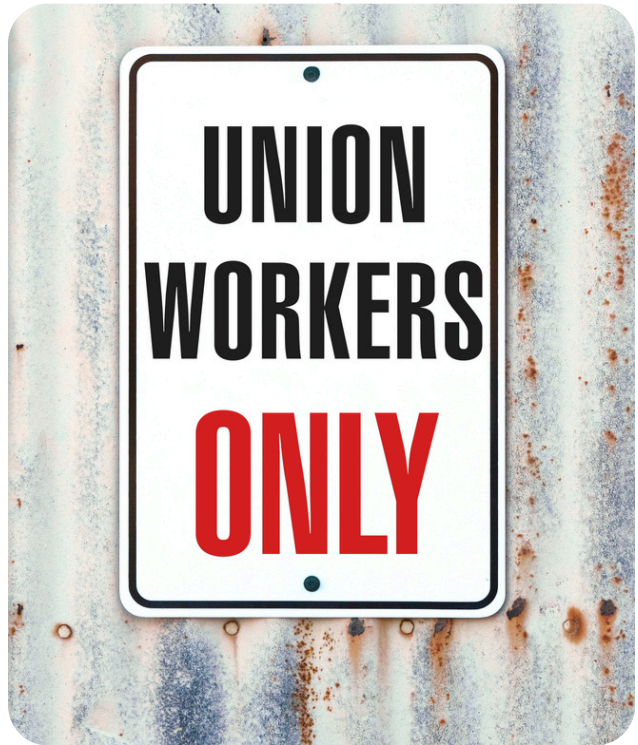


MISTAKE 9:

Lack of adherence to Collective Bargaining Agreements

Overlooking union-negotiated agreements.

Collective Bargaining Agreements (CBAs), also known as Collective Labour Agreements (CLAs) play a key role in employment conditions, covering wages, benefits, working hours, and dispute resolution procedures. Many locations require companies to abide by these agreements, which often extend beyond statutory labour laws. Disregarding CBAs can result in strikes, operational disruptions, and a reputation as an unethical employer, and those are just the natural outcomes! Legal consequences may also ensue, including fines, legal proceedings, and employee lawsuits.



SOLUTION:

Employers must familiarise themselves with applicable CBAs and work closely with labour experts to ensure compliance. Establishing regular communication with trade unions and employee representatives can help prevent disputes and maintain amicable relationships.

Employers should also review CBAs when moving into new markets to ensure alignment with industry-specific agreements. Keeping policies updated and maintaining transparent labour relations will help businesses avoid legal issues while fostering a positive workplace culture.



MISTAKE 10:

Failing to adapt to remote work

Ignoring local laws that may apply to remote workers, such as tax obligations.

As you're no doubt aware, the shift to remote work has introduced new compliance challenges for employers. Many assume that remote employees are subject to the same legal and tax requirements as in-office staff, but local labour laws may differ based on where an employee physically works. Don't overlook these nuances, unless you're in the market for some hefty tax liabilities, social security compliance issues, and legal penalties.

One of the most common mistakes is failing to track the locations of remote employees, which can result in non-compliance with local tax withholding and labour regulations. Some countries require businesses to register locally if they have remote employees working within their jurisdiction, leading to unexpected tax obligations and reporting requirements.



SOLUTION:

Don't lose track of your workers! Implement a tracking system for remote employees' work locations and consult local tax and employment law experts to ensure compliance. Employers should also review and adapt remote work policies to align with country-specific labour regulations, covering areas including tax withholding, employee benefits, and social security contributions. As ever, your good friend the regular compliance audit will help your business to stay ahead of evolving regulations and mitigate potential legal risks.

MISTAKE 11:

Improper tax withholding

Failing to correctly calculate and remit local payroll taxes.



Tax is a key area for compliance mishaps. Failing to correctly withhold and remit payroll taxes can result in serious financial and legal consequences. Add to that, facing these consequences in multiple jurisdictions - and you're in serious difficulty.

Remember that tax regulations vary widely across regions and businesses must navigate complex requirements related to income tax, social security, and other mandatory deductions. Tax bands, social security base limits and ceilings, and remittance due dates vary widely across regions. Failure to adhere to payroll accounting laws have severe implications, including, but not limited to, fines, penalties, reputational damage, and business closure.

SOLUTION:

To prevent tax-related issues, it is highly recommended to partner with local payroll providers or tax professionals who understand country-specific tax laws. Automating payroll systems can ensure accurate calculations and timely remittance of taxes. Regular audits will verify compliance and allow you to keep up with evolving tax regulations. By proactively addressing tax obligations, business leaders can avoid legal troubles and maintain smooth payroll operations.

✗ MISTAKE 12:**Non-compliance with anti-discrimination laws**

Allowing workplace policies or practices that discriminate based on protected characteristics.

As well as being compliant, you want to be an equitable employer that fosters a diverse and innovative workplace environment. As such, you need to remain abreast of all local Diversity, Equity, and Inclusion (DEI) legislation.

Most jurisdictions have strict anti-discrimination laws that protect employees from bias based on race, gender, age, disability, religion, and other protected characteristics.

✓ SOLUTION:

Implement strong anti-discrimination policies and conduct regular training for employees and managers to ensure compliance and foster an open, understanding environment in which people of all backgrounds feel supported.

A confidential reporting system should be in place to address workplace discrimination concerns promptly. Conducting periodic diversity audits can help identify potential biases and improve workplace policies.



MISTAKE 13:

Poorly-documented employment agreements

Verbal agreements or vague contracts that lack legal protection.

With everything in the world of business, specificity is key – which is why verbal agreements or unclear employment contracts can create significant risks for both employers and employees. Most places require written contracts that outline salary, benefits, job responsibilities, and termination terms. Without proper documentation, companies may struggle to enforce critical employment conditions, leading to disputes, financial liabilities, and legal problems.



SOLUTION:

Make sure that all employment agreements are in writing and tailored to local labour laws. Include explicit definitions of job expectations, compensation, benefits, and termination procedures. Legal experts can help you to draft agreements that meet jurisdictional requirements. Additionally, reviewing and updating contracts regularly ensures continued compliance with evolving employment regulations, fostering transparency and trust in the employer-employee relationship.

MISTAKE 14:

Overlooking health and safety requirements

Failing to provide a safe work environment.

You know that your employees are your greatest asset. Neglecting their wellbeing is never going to work out well, and this means adhering to all proper health and safety regulations. Even if an employee works from home, many countries require inspection of their workspace for health and safety concerns. Failing to do so can have dire consequences, such as serious injuries, significant legal claims, and ongoing operational disruptions.

Occupational health and safety laws require businesses to implement risk assessments, safety measures, and proper employee training.

SOLUTION:

Assess your workplace regularly to make sure all regulations are being complied with and that all the proper processes are in place and identify any training needs and areas for improvement. Don't hesitate to partner with experts who can help you to stay updated on local regulations and implement best practices. Employers should also ensure that they are compliant with worker compensation insurance laws in the country of work.



MISTAKE 15

Failure to comply with equal pay laws

Pay disparities between employees performing similar work.



You've implemented competitive salaries and DEI policies. The natural follow-on is to make sure that your company follows equal pay laws. Aside from being unethical, pay disparities among employees performing similar work can lead to legal claims and government audits.

Gender, race, and disability pay gaps are rampant in today's marketplace, and it's up to individual employers to combat this. Many businesses fail to address wage gaps caused by outdated compensation structures, unconscious bias, or lack of pay transparency.

SOLUTION:

Audit your workers' salaries regularly to identify and address wage disparities. Plus, make sure to implement structured, transparent compensation policies based on job responsibilities, experience, and performance. HR teams should be trained on equal pay laws to promote fair salary decisions and reduce bias in compensation practices.

Using a Salary Benchmarking service will allow your company access to a comprehensive overview of the economic, social, and political factors impacting local pay expectations and trends in your country of hire, allowing you to make informed, strategic decisions around remuneration.



MISTAKE 16

Unlawful restrictive covenants

Including unenforceable non-compete clauses.

Don't shoot your business in the foot by including overly broad non-compete clauses and restrictive covenants that are unenforceable in certain jurisdictions. Most countries impose strict limitations on these agreements to protect employee rights.

SOLUTION:

As we've said before, using generic templates for anything involving compliance is a recipe for disaster, so make sure any non-compete agreements are tailored to the specific region.

Non-compete clauses should be reasonable in terms of duration, geographic scope, and business necessity. In some countries, restrictive covenants must be accompanied by a financial incentive. Alternative protections, like confidentiality and intellectual property agreements, can provide stronger and more enforceable safeguards. Legal experts can support you to ensure compliance while protecting your company's interests.



❌ MISTAKE 17

Delays in payroll processing

Missing payroll deadlines, which can violate labour laws.

Not only will you be met with some understandably disgruntled employees, but failing to process payroll on time can violate labour laws, resulting in financial penalties. Most countries have strict payroll deadlines and missing them can lead to regulatory action, as well as discontent among your employees whose trust will have been broken. Common reasons for delayed payroll processing include administrative inefficiencies, miscalculations, and insufficient payroll funding.



✅ SOLUTION:

Automating payroll processing helps ensure accuracy and timeliness. Employers should stay informed about local payroll regulations and partner with payroll providers for jurisdiction-specific compliance. Conducting periodic payroll audits can help identify and correct errors before they result in compliance violations. Ensuring timely salary payments enhances employee morale and maintains company credibility.



**MISTAKE 18****Unlawful background checks**

Conducting background checks that breach local laws.

Don't break your employees trust by conducting unlawful background checks. Each jurisdiction will dictate the appropriate legal requirements for background checks and so businesses must adhere to these. Some places restrict access to criminal records or require explicit candidate consent before screening.

Failure to comply with local laws can incur the standard consequences of legal issues and fines, as well as a damaged reputation among prospective candidates.

**SOLUTION:**

Employers should research and follow local regulations regarding background checks. You can build trust and uphold compliance by obtaining documented consent from candidates. Remember that background screenings should be relevant to job responsibilities and need to be conducted ethically, so work with legal professionals to develop compliant policies.





MISTAKE 19

Non-compliance with diversity hiring quotas

Ignoring mandated diversity hiring policies in certain countries.



Alongside DEI compliance, businesses should stay up to date with diversity hiring quotas to promote workforce inclusion. Businesses failing to meet these requirements may face fines and difficulties securing government contracts. This can also limit access to top talent and hold back innovation within your company.

For example, in Italy, disability employment laws mandate employers with over 50 staff to meet a 7% disability quota. In France, employers with 20 or more employees must ensure 6% of their workforce has a disability, or else they must make a payment to the state.



SOLUTION:

Business leaders should make sure they're familiar with diversity hiring laws in their countries of operation while ensuring inclusive recruitment practices. Tracking diversity metrics and training HR teams on unbiased hiring can help to comply with legal requirements.

MISTAKE 20

Inadequate training on local laws

Cross-border managers being unaware of compliance requirements.

Failing to educate managers and HR teams on the local labour laws they are responsible for enforcing within their companies is a major oversight.

This can pose a particular problem on asynchronous or cross-border teams, where the manager may apply the conditions of the country they live and work in to a direct report in a different country. A lack of awareness among managers can result in improper terminations, wage disputes, or discrimination claims.

SOLUTION:

Provide regular compliance training ensures that HR professionals and managers stay informed about local employment laws. HR consultancy services, workshops, legal updates, and structured training programmes help can help businesses like yours adapt to regulatory changes and not become overwhelmed when seeking to remain compliant in multiple locations. It is highly recommended to establish clear reporting mechanisms, allowing employees to raise compliance concerns.



Take control of your global compliance strategy

As you can see, navigating global employment laws can be complex, and noncompliance can yield serious issues. Every one of the mistakes we have outlined carries with its severe consequences, from financial penalties to legal proceedings and reputational damage.

However, using this guide, you can identify and tackle key areas of compliance, avoiding common pitfalls and ensuring the success of your overseas venture.

How can Mauve help?

With solutions available in over 150 countries and bespoke packages created to meet your business's unique compliance needs, Mauve's experts are ready to help you ensure 100% compliance, 100% of the time. Explore our service offerings to learn more about each of our available options.



EMPLOYER
OF RECORD



GLOBAL BUSINESS
EXPANSION



GLOBAL
PAYROLL



LEGAL &
COMPLIANCE



SALARY
BENCHMARKING



GLOBAL VISA &
IMMIGRATION

Avoiding these mistakes requires smart strategy, the right tools, and global expertise. Whether you're hiring internationally, managing remote employees, or ensuring wage compliance, ensuring you have the right solutions to help you succeed is a must.

Get in touch



Take the next step toward compliance confidence:

You've explored the most common compliance pitfalls— now you're ready to begin your overseas hiring journey, 100% compliantly! No matter where in the world you're planning to employ, Mauve Group is here to provide in-country support and local expertise.



Schedule a consultation to discuss your specific compliance needs.



Visit mauvegroup.com to discover how our solutions can help keep your business compliant.

Let's turn your global vision into reality—together!

Meet Mauve Group

Mauve Group isn't just another HR provider—we're an award-winning leader in global business expansion and employment solutions. With 29+ years of expertise, we've helped companies of all sizes break boundaries and grow beyond their home markets.

What started as a one-person operation in a small Italian office back in the '90s has evolved into a powerhouse with over 70 global entities and a presence in 150+ countries across the spectrum of industry.

From global payroll and employment solutions to immigration support and compliance, our tailor-made services cut costs, reduce risks, and speed up expansion—so you can focus on what truly matters: growing your business. Wherever you want to take your company next, Mauve Group makes it happen. Get in touch today to find out how we can help you take your company to the next level.

