Second Talent Analysis Finds EOR Diverge Sharply Across Asia's Major Markets

Statutory employer contributions range from 5 percent to roughly 31 percent of gross salary, complicating expansion plans for companies hiring in the region.

SINGAPORE, SINGAPORE, July 21, 2026 /EINPresswire.com/ -- Companies expanding into Asia face statutory employer costs that vary by more than sixfold between neighboring markets, according to a country-by-country review of employment rules published by Second Talent, an employer of record (EOR) provider operating in nine Asian markets.

The review compares mandatory employer contributions, leave entitlements, notice periods, severance formulas and bonus obligations across Vietnam, the Philippines, Indonesia, Malaysia, Thailand, Singapore, Hong Kong, Taiwan and China. It found that employer-side social contributions alone range from approximately 5 percent of payroll in Thailand, where social security contributions are capped, to roughly 31 percent in China once pension, medical and housing fund obligations are combined.

The variance extends well beyond payroll percentages. In the Philippines, 13th month pay is a statutory entitlement that must be paid by 24 December each year. In Indonesia, the equivalent religious holiday allowance, known as THR, must be paid seven days before Eid al-Fitr. In Vietnam, Malaysia, Singapore, Hong Kong and Taiwan, year-end bonuses are customary but not mandated by statute — a distinction that affects budgeting and contract drafting.

Severance obligations differ just as widely. Thailand applies a tenure-based schedule that can reach 400 days of pay for employees with 20 or more years of service. Indonesia applies a formula combining severance pay and long-service pay that can exceed a year of compensation depending on the reason for termination. Singapore has no statutory severance requirement at all, though retrenchment benefits are common in practice.

"The assumption that one regional employment policy can cover Asia is where most expansion plans run into trouble," said Elton Chan, CEO at Second Talent. "Notice periods, probation limits and termination rules are set at the national level and they do not converge. A policy written for Singapore will not survive contact with Indonesian labour law."

Entity setup versus third-party employment

The analysis also addresses a decision companies commonly face when entering a new market: whether to incorporate a local entity or engage an employer of record.

Establishing a legal entity typically requires three to six months for incorporation, tax registration and social security enrolment, and in several jurisdictions requires a locally resident director or minimum registered capital. Ongoing obligations include local accounting, annual filings and, in some markets, a company secretary. Winding an entity down can take a further six to twelve months.

Under an EOR arrangement, a provider that already holds a local entity becomes the legal employer of record. The provider issues the employment contract, runs payroll, withholds and files income tax, enrols employees in statutory benefit schemes and carries the associated compliance liability. The client company directs the employee's day-to-day work, reporting lines and performance management.

Second Talent stated that onboarding under its EOR service typically takes five to ten business days once documentation is complete, compared with the multi-month timeline associated with incorporation.

The company noted that EOR arrangements are not restricted to any particular job function. Roles employed through the model span finance, marketing, operations, customer support, human resources, design, engineering and management. Exceptions arise where national law reserves certain licensed activities for directly employed staff.

Contractor misclassification

The review identifies worker misclassification as a recurring compliance exposure for companies operating in the region. Long-term contractors who work fixed hours under a client's direction may be treated as employees by local authorities regardless of the contract label, potentially triggering retroactive liability for social contributions, leave entitlements and severance.

"Misclassification is rarely a deliberate decision," said Elton. "It is usually a contractor relationship that was appropriate at the outset and then quietly became something else over two or three years. The exposure accrues in the background."

Second Talent said contractor-to-employee conversion is among the more common reasons companies engage its EOR service, and that converted workers retain statutory entitlements under local employment contracts.

Availability

The country-level guides, covering working hours, overtime, probation, leave, payroll contributions, income tax, notice periods and severance for each of the nine markets, are available at https://www.secondtalent.com/resources/employer-of-record-asia-guide/

Second Talent noted the figures reflect regulations current as of publication, that statutory rates and contribution ceilings are subject to periodic revision, and that the guides are general reference material rather than legal advice.

ELTON CHAN
Second Talent
+1 6282769873
email us here
