

Contractor or Employer of Record: which way to hire someone abroad

A contractor costs far less per month than an EOR, roughly a 49 dollar management fee against a 599 dollar EOR fee plus the employer burden. But price is not the decision. Which route is legal depends on whether the work is genuinely independent, and getting that wrong can cost more than years of EOR fees.

Published 2026-07-01 · A Mue guide

You have found the person you want and they are in another country. Now you have to decide how to pay them: as an independent contractor who invoices you, or as a real employee through an Employer of Record (EOR) that hires them on your behalf. The contractor route is far cheaper every month. That is exactly why it is the wrong place to start the decision.

The monthly cost gap is real, and large

Take the two routes at published list rates. A contractor-management platform charges around 49 dollars per contractor a month (Deel's list price), and on top of that you pay only the rate the contractor invoices. There is no employer social security, no statutory benefits and no payroll to run, because the contractor is responsible for their own taxes and cover. An EOR is a different animal: around 599 dollars per employee a month at list, and on top of that you carry the full gross salary plus the country's employer-side statutory contributions, which run from roughly 13 percent to 40 percent of gross depending on the country (about 21 percent in Germany, about 25 percent in Belgium).

So for one person on the equivalent of 5,000 dollars a month, the EOR route lands around 79,800 dollars in year one all in, while the contractor route is the invoice plus that 49-dollar fee. A contractor usually charges a higher headline rate than an equivalent salary, precisely because they cover their own taxes and have no benefits, so the true gap is smaller than the raw fee difference suggests. Even so, the employer-burden line and the platform fee both genuinely favour the contractor. The two prices are not buying the same thing, though, and they are not interchangeable at will.

Price is not what decides it. Legality is.

You do not get to pick the contractor route just because it is cheaper. It is only legitimate when the working relationship is genuinely independent. Tax and labour authorities look past the label in the contract at how the relationship actually works, and if it looks like employment they can reclassify it, whatever the paperwork says.

The usual test scores about six factors: control (who decides how, when and where the work is done), integration (how embedded the person is in your team), exclusivity (whether they serve

other clients or only you), duration (a defined project versus an open-ended full-time role), equipment (whose laptop and tools), and payment (invoices against deliverables versus a fixed monthly amount that looks like salary). Control and integration carry the most weight. A genuinely independent, multi-client, project-based contractor is on solid ground. A person who works set hours, on your equipment, exclusively for you and indefinitely is an employee wearing a contractor label, and our contractor-misclassification risk checker scores exactly these factors so you can see where a real relationship sits before an inspector does.

What getting it wrong costs

Misclassification is not a small fine. When a contractor is reclassified as an employee, the hiring company is billed for the employer contributions it never paid, often backdated several years with interest, plus unpaid holiday, notice and sometimes pension. In Belgium employer social security alone runs about 25 percent of gross, so backdating that across two or three years is a serious number before penalties start, and in stricter jurisdictions that bill sits with the hirer, not the worker. Measured against that, the monthly saving over an EOR can be wiped out by a single reclassification. The cheap route is only cheap if it holds up.

The middle option: a Contractor of Record

There is a step between plain contractor management and a full EOR. A Contractor of Record has the platform act as the legal contracting entity between you and the contractor, which adds compliance review, proper local contracts and classification checks. Deel lists this from around 325 dollars per contractor a month, above the 49-dollar management fee and below the 599-dollar EOR. It lowers the risk on a shaky contractor engagement, but it does not turn genuine employment into legitimate contracting. If the six factors say the relationship is really a job, a Contractor of Record manages the paperwork, not the underlying misclassification, and the clean answer is still to employ the person.

The decision in one line

- Genuinely independent, project-based, multi-client work: a contractor is legitimate and far cheaper. Keep the relationship actually independent and you are fine.
- A full-time, directed, exclusive, open-ended role: it is employment. Use an EOR where you have no entity, or open your own entity once you are past roughly five to six people in one country, the point where the entity fixed cost undercuts stacked EOR seat fees.
- The grey middle: either tighten the engagement so it is genuinely independent, or accept that it is a job and employ properly. A Contractor of Record can bridge a borderline-but-real contractor relationship; it cannot rescue one that is employment in all but name.

The point

The contractor route almost always wins on monthly cost, so the real question is never which is cheaper. It is which one the working relationship actually qualifies for. Score the relationship honestly first, then price the route it points to: run the EOR-versus-entity math in the calculator if it is a job, and check the six misclassification factors if you are leaning contractor. Choosing

on price alone is how a saving becomes a backdated bill.

Frequently asked questions

Should I hire a contractor or use an Employer of Record?

It depends on the work, not the price. If the engagement is genuinely independent (project-based, several clients, the person controls how the work is done), a contractor is legitimate and far cheaper. If it is a full-time, directed, exclusive, open-ended role, it is employment, and an EOR is the compliant way to hire in a country where you have no entity.

Is a contractor cheaper than an EOR?

Almost always, on monthly cost. A contractor-management platform charges around 49 dollars a month at list and you pay only the invoiced rate, with no employer social security. An EOR is around 599 dollars a month plus the full gross salary and the country's employer contributions, which run from roughly 13 to 40 percent of gross. But the contractor route is only a real saving if the relationship is genuinely independent, because a misclassification can cost more than years of EOR fees.

When does a contractor need to become an EOR employee?

When the relationship stops being independent. If the person works set hours, on your equipment, exclusively for you, on an open-ended basis, they look like an employee whatever the contract says, and an EOR or your own entity is the compliant route. The six-factor misclassification test, control and integration first, is how to judge where the line sits.

What is a Contractor of Record?

A middle option where the platform acts as the legal contracting entity between you and the contractor, adding compliant local contracts and classification review. Deel lists it from around 325 dollars per contractor a month, above the roughly 49-dollar contractor-management fee and below the 599-dollar EOR. It reduces the risk on a borderline contractor engagement, but it does not turn genuine employment into legitimate contracting.

Can I keep someone as a contractor just to save money?

Only if the work is genuinely independent. Choosing the contractor route purely because it is cheaper, when the person really works as an employee, is misclassification, and authorities look at how the relationship actually works, not the label. The bill for getting it wrong, backdated employer contributions with interest plus unpaid holiday and notice, can dwarf what you saved.

Price the EOR route on your own numbers

Free, no signup: agent.mue.app/tools/eor-global-hiring-cost-calculator

agent.mue.app/articles/contractor-vs-eor-which-way-to-hire-abroad

