Challenges in International Benefits and Compensation Systems of Multinational Corporation

Semere Haile
Grambling State University

Abstract

The aim of this paper is to examine developments on the type and amount of compensation necessary to attract technically and culturally qualified international managers and technical professionals to the three nationals or country categories involved international human resource management activities from which employees are selected whether the people are PNCs, TCNs or HCNs. This paper will draw on research, which has been completed over the last ten years with the growth of international business and workforce. Since the principal problem of salary levels for the same jobs differ among the three primary labor pools nationals, this papers also examines and sees if any progress has been made toward restructuring compensation and reward systems among the three types of employees of an MNC who perform the same job in the same subsidiary. MNCs’ HR managers have a special role in ensuring that international compensation policies deal fairly among the three types of employee’s managers who perform the same job. Such fairness may maximize international employees’ performance. In particular, we are interested in how international compensation is practiced among the three types of labor pools of all managers regardless of nationality in an MNC.
Introduction

A multinational corporation (MNC) is usually defined as a company with operations in more than one country (Porter, 1990). This means that an MNC has significant assets in terms of plants and/or offices in one or more foreign nations and derives some of its profits from these operations (French, 1998). The growth of the global economy has increasingly pushed MNCs into all corners of the world.

The impact of the growth of international economy has become a major force in business in general and in human resource management in particular. These practices are important realities faced by MNCs doing business overseas. MNCs must coordinate policies and procedures that effectively balance the needs and desires of host country nationals (HCNs), parent country nationals (PCNs) and third country nationals (TCNs). Compensation is one of the most complex areas of international human resource management. Pay systems must conform to local laws and customs for employee compensation while also fitting into global MNC policies. It is also important for MNCs to consider carefully the motivational use of incentives and rewards among the employees drawn from three national or country categories.

International business has been around for centuries. However, the growing impact of MNCs is a relatively recent phenomenon. Most big MNCs operating overseas during the 1950s and 1960s were Americans. In the 1970s and particularly in the 1980s the nature of international business operations became global in nature. MNCs are a natural outcome of the global economy and they are playing an increasingly major role in the global economy.

Much of the growth in international business is in developing markets that are outside of traditional economic powerhouses like the U.S., European Union, and
Japan. In fact, developing markets are expected to capture 50% of world gross domestic products (GDP) in the near future. The bottom line is that consumer demand in developing nations is rising as they become more affluent and per-capita income increases (McFarlin & Sweeney, 1998).

The internationalization of business and employment is reaching a dramatic dimension as we enter the 21st century. Overseas investments by American MNCs have increased tenfold during the past decade. During the same period, the number of foreign-owned domestic firms has increased by 300 percent (Gomez-Mejia and Balkin, 1991). The vehicle for “going global” is often not an international merger, acquisition, nor a financial transaction but, rather, an international strategic alliance creating a world of “stateless corporations.” This international alliance is collaboration between two or more MNCs that allows them to jointly pursue a common goal (Cascio, 1998).

MNCs are staffed either by recruiting expatriates from the regular organizations or by creating an international cadre of managers, professionals, and workers of very diverse cultural backgrounds (Edstrom & Galbraith, 1994; Business Week, 1990). In the long run, these MNCs will have their own cadres of “globalists” in perspective and their own sophisticated international managers drawn from three national or country categories. In fact, MNCs like Gillette, Nestle, Sumitomo Bank and Sony are already doing their own international cadre of managers now (Cascio, 1998). Recruiting people directly to an international career will assure a supply of employees who expect and want to go overseas.

MNCs’ businesses have expanded internationally to increase their markets. They recognized that their domestic markets were too small to sustain much growth and therefore moved into international activities. MNCs are computing in international markets and they generally employ individuals working as expatriates. For example, American MNCs are employing about seven million
people outside the United States and more than 100,000 American firms are engaged in some type of overseas venture (Melvin & Sylvester, 1997).

The Growth of International Business and Workforce

MNCs are growing rapidly and they are focusing their efforts not just in their country of origin but also abroad. Many American companies no longer consider developing economies as just sources of cheap labor. These developing economies are regarded as places to build new markets and tap a growing middle class eager for new products and services. For example, Citibank now has nearly half of the credit-card market in Thailand (McFarlin & Sweeney, 1998). Colgate-Palmolive has operations in 194 countries. AT&T has 52,000 employees overseas working in 105 countries. McDonald’s International is operating 22,000 restaurants in 106 countries. For example, McDonald’s International increased its operations from a single location to more than 130 restaurants in Beijing, China, in just three years. It has three restaurants in Moscow, with the Pushkin Square having the distinction of being the busiest McDonald’s in the world. The vast majority of McDonald’s workforces are host-country nationals (French, 1998 & Fisher, 1999).

Nike and Reebok also manufacture all of their shoes overseas in plants owned and operated by foreign companies. Because of these factors, the total number of international workforces directly employed by U.S. companies may understate the extent to which manufacturing capacity and the employment base has shifted abroad (McFarlin & Sweeney, 1998). Moreover, Procter & Gamble (P&G), International Business Machine (IBM), and Citibank has long had extensive overseas operations.

Ford Motor Company has had successful businesses in Europe for many years and today the company employs less than half of its total workforce on U.S. soil.
General Motors Europe has also had strong sales in Europe since 1985 (Moorhead & Griffin, 1998). Overall, it is estimated that more than 60 million workers are employed in more than 100,000 U.S. companies now doing business overseas (Bernardin & Russell, 1998). Included in this growing number workforce are the three types of employees of an MNC: (1) the HCNs, (2) PCNs, and TCNs.

The expansion of Wal-Mart, Home Depot, and Office Depot into international markets is also growing. More than 75 percent of the employees of Gillette work outside the United States and more than 70 percent of profits come from overseas sales. Mobil, Citicorp, Motorola, Coca-Cola and Pepsi are also dramatically increasing their international investment and revenues. For example, Coca-Cola and Pepsi receive more than half of their revenues from operations outside the United States (Bernadin and Russell, 1998; Robbins, 1997). Mobil, Texaco, and Exxon also realized they had to increase their international market share to keep pace with foreign competitors such as British Petroleum and Royal Dutch Shell (Moorhead & Griffin, 1998). Hence, the growth of international business has increased the activities of the three types of employees of an MNC.

On the other hand, many foreign-owned firms are entering the U.S. marketplace. For example, “all-American” firms such as General Tire, Pillsbury, and CBS Records are actually foreign-owned. Many of the foreign automobiles on U.S. highways were manufactured in America. More and more successful Japanese automobile firms such as Toyota and Nissan are selecting and training American labor force to fit the standards and procedures preferred by the foreign parent company. BMW and Mercedes are now producing their products in the United States because of the lower wage rates, better tax rates, and improved quality (Moorhead & Griffin, 1998). The U.S. is becoming an “overseas” for tens of thousands of international firms that have operations in America. These foreign-owned firms employ three million Americans, or approximately 10 percent of the manufacturing work force in the U.S. In all, there are more than
37,000 MNCs doing business around the world and they employ a total of 73 million people (French, 1998).

Subsidiary Staffing Policy

Consistency within the growth of international business operations will require effective international human resource management (IHRM). International HRM involves moving people around the world. An effective IHRM helps MNC’s HR managers to formulate and implement policies and activities in the home-office headquarters like Coca-Cola and IBM (Briscoe, 1995). MNC HR manager responsibilities include selecting, training, and transferring PCN abroad, and formulating policies for the firm as a whole and for its foreign operations (Dessler, 1997).

In staffing international operations, MNCs? HR managers face a confusing array of choices in recruiting and selecting from one of three types of employees of an international firm. The three nationals or country categories involved in international HRM activities are: (1) the host-country where the subsidiary may be located, (2) the home country where the firm is headquartered, and (3) “other” countries that may be the source of labor or finance (Dowling, 1999). For example, P&G employs Eritrean citizens (HCNs) in its Eritrean operations, often sends U.S. citizens (PNCs) to the Gulf countries on assignment, and may send some of its Italian employees on assignment to its Mexican operations (as TNCs).

MNCs use of expatriates or host-country nationals in international management positions has been given a lot of attention by both researchers and practitioners. A question was identified by Perlmutter (1969) for discussion to guide the actions of MNCs and international transfer of managers. The implication is that MNCs with an ethnocentric mind-set tend to use large numbers of PCNs for key overseas management positions, MNCs with a polycentric mind
set tend to use HCNs wherever possible, while MNCs with a geocentric mind set select the best person for the job regardless of nationality (PCN, HCN, or TCN). Later, a number of different authors linked a polycentric strategy with MNC staffing policies for global efficiency (Barlett & Ghoshal, 1989). Others like the transnational approach advocated for a mix of HCNs, PCNs and TCNs to establish both formal and informal networks.

These three types of employee groups have very different cultural backgrounds. Therefore, MNCs’ HR managers must coordinate policies and procedures to manage from the firm’s home country as well as in subsidiaries around the world in shaping international compensation and reward systems. These policies and practices must effectively balance the needs and desires of HCNs, PCNs and TCNs as well (Fisher, Schoenfeldt and Shaw, 1999). Failure to recognize differences in managing human resources in international environment frequently results in major difficulties in international operations (Desatnick & Bennett, 1978). Managing of a global workforce can be an important factor in the success or failure of an MNC (Melvin & Sylvester, 1997).

The challenge for the MNC’s HR manager is to work with top management in fostering the desired “international mind-set.” This international mindset requires a HR manager who is able to think internationally and to formulate and implement HR policies that facilitate the development of internationally oriented staff (Bartlett & Ghoshal, 1992; Pucik, 1997). Developing high potential managers, enhancing an MNC’s international perspective, controlling international operation subsidiaries, transferring technology, and setting up new operations are some of the justifications given for moving managers to international assignments (Borstorff, Harris & Feild, 1997).

How well MNCs manage their human resources around the world can mean the difference between success and failure in international business. Underlying all human resource management challenges is the strategic position of the MNCs
regarding the relationship of the overseas operation to the parent companies. The recruitment, selecting, training, and development of outstanding employee strategies for overseas assignments are directly tied to these strategic positions. As long as the global business strategy is planned ahead, MNCs’ HR managers can choose the best candidate to assign to overseas operations whether the people are PCNs, HCNs or TCNs. It is widely accepted that MNCs need to strategically use their human resources to support broader organizational goals. It will make MNCs stronger international competitors (McFarlin & Sweeney, 1998).

One of the most critical determinants of an MNC’s success in a global venture is the effective management of its human resources. MNC’s HR managers must staff their international business operations with personnel who are technically competent, culturally proficient, and cost-effective. In almost all cases, it is generally argued that it is cheaper to employ HCNs than to send expatriates (PNCs or TNCs). MNCs may find expatriates too expensive to employ in large numbers (Dowling, Schuler, & Welch, 1994). For example, AT&T and many other American MNCs reduced the number of PCN managers in favor of HCN managers in their international business operations. AT&T estimates that expatriate managers cost three times as much as local national managers. GM also spends close to a $1 million for a three-year international assignment for an executive expatriate and family, over twice as much for an HCN executive. The failure rate of PCN managers is also high relative to HCN managers (Bernadin & Russell, 1998). The failures of expatriate rates have been estimated from 15 percent to 70 percent (Copeland & Griggs, 1985; Fuchsberg, 1992; Mendenhall, Dunbar, & Oddou, 1987).

Facing the International Compensation Challenge
The global business growth presents challenges to MNCs’ HR managers that they never had to confront when their international operations were confined within national borders. They face diverse political systems, laws, and customs. They confront different economic climates, and tax policies. But these differences create both problems and opportunities. Opportunities created by those differences have been the primary motivation for MNCs to expand their international business operations (Robbins, 1997).

As MNCs expand internationally, whether through growth, acquisition or cross-national alliance, the autonomy of their international operations can result in significant differences in the levels and types of compensation and benefits programs provided by each country or region. MNCs are doing business in all locations with diverse culture, economic development, laws and regulations, the role of labor unions, and standard of living. For example, union influences may play an important role in determining wage policies in some countries such as Australia where the Australian Government and unions negotiate pay rates for workers that apply nationwide. Also, in Hong Kong, by contrast, labor unions are extremely weak, and wage rates are determined by the free market (Fisher, Schoenfeldt & Shaw, 1999). All these different factors between international communities affect international compensation systems. Therefore, finding the right method for MNCs to determine a compensation package in an international market is simply becoming a nightmare (Wetlaufer, 1996; Cullen, 1999).

The traditional function of pay to attract, retain and motivate employees has not changed. However, the emphasis has shifted from the attraction and retention functions to the motivation function. MNCs must ensure that those skilled employees are compensated for achieving goals that make the international business operations succeed (McNally, 1992). As different countries have different norms for employee compensation, MNCs’ HR managers should consider carefully the motivational use of incentives and rewards among
international community. For Americans money is likely to be the driving force even though no financial incentives such as prestige, independence, and influence may be motivators. Other cultures are more likely to emphasize respect, family, job security, a satisfying personal life, social acceptance, advancement, or power. Since there are many alternatives to money, the rule is to match the reward with the values of the culture (Sherman, 1998).

MNCs’ HR managers are facing the complex components of international benefits and compensation every day as they attempt to manage human resources across national boundaries (Cascio, 1998). One of the most critical determinants of an MNC’s success in a global venture is the effective management of its human resources. This success depends on the linkage between IHRM and an MNC strategy (Welch, 1994).

A successful compensation strategy involves keeping expatriates motivated while meeting MNC goals and budgets. MNCs’ HR managers must build an expatriate pay package by: (1) meeting corporate goals at home and abroad, (2) keeping expatriates motivated, and (3) complying with company budgets (Latta, 1998). This strategic perspective on the linkage between IHRM and strategy is so critical for an MNC’s success. An MNC that can develop a highly trained, flexible, and motivated international workforce is at an advantage relative to its competitors, especially if that workforce can be used strategically to support corporate goals (Mcfarlin & Sweeney, 1998). It is essential that there is synergy among business objectives, staffing, and compensation. A sound expatriate strategy is a key to international business success and should be a major interest of senior management (Reynolds, 1997).

This globalization of business brings a host of management challenges concerning international benefits and compensation. MNCs’ HR managers are focusing on their strategic objectives and developing a comprehensive compensation plan, in terms of considering base pay, short and long-term
incentives, benefits and growth opportunities. The objective of this kind of strategy is to ensure that both MNC’s long and short-term objectives coexist in the compensation system without overlap, which would duplicate a single pay plan for the same objectives. The purpose of the planning is also designed to ensure that the compensation system attracts and retains the desired employees and that it motivates them to do those things that support the business plan (McNally, 1992).

International compensation systems are becoming more and more challenging issues for HR managers as MNCs become increasingly global (Wetlaufer 1996). With increased globalization of business, the compensation of international managers and conditions of employment differ significantly among various labor pools of nationality categories of employees and it also vary among MNCs (Sherman, 1998).

These international compensation policies can produce intense internal conflicts within an MNC at any stage of globalization. Compensation includes wages and salaries, incentives such as bonuses, and benefits such as retirement contributions. There are wide variations both between countries and among organizations within countries concerning how to compensate workers. The principal problem is salary levels for the same job and the jobs are different between countries in which an MNC operates (Cascio, 1998).

International compensation and reward systems can play an important role in promoting MNCs’ global opportunities. The cost of labor (both direct and indirect compensation) is one of the biggest motivators for international business expansion. MNCs’ HR managers can use compensation packages to enhance the effectiveness of expatriate assignments. However, compensation policies can create conflict if local nationals compare their pay packages to the expatriate’s and conclude that they are being treated unfairly (Gomez-Mejia, 1998). For example, the compensation package structured for an expatriate (i.e., PCN or
TCN) is more complex and expensive than that for the HCN. Expatriate pay systems are often very different from those used for host country employees within a subsidiary. In some cases, expatriate employees make more money than HCNs who have jobs of equal or greater importance and complexity. These differences often can result in host country employees feeling that they are being treated unfairly (Fisher, Schoenfeldt & Shaw, 1999). This situation can create resentment and envy on the part of HCN managers and lower their morale and productivity (Wederspahn, 1991). MNCs’ HR managers should pay the three types of employee groups who do the same work the same pay regardless of the host-country compensation environment.

Problems of Developing International Compensation

The compensation and benefit programs for PCN and TCN expatriates are more complex and more expensive than that for the HCN. The complexity of developing a systematic compensation program requires more than relying on structural and corporate-wide solutions. Harvey (1995) identified significant problems of compensation programs for expatriates, host-country nationals and third-country nationals. Expatriate pay systems are often very different from those used for host country employees within a subsidiary. In some cases, expatriate employees make more money than HCNs who have jobs of equal or greater importance and complexity. These differences often can result in host country employees feeling that they are being treated unfairly (Fisher, Schoenfeldt & Shaw, 1999). The HCNs receive the lowest number of elements in their compensation package than the PCN and TCN. There is also a difference in the level of compensation between PCN and TCN. For example, the PCN receives more preferential salary and fringe benefit treatment than the TCN. On the other
hand, TCNs may receive more base salaries than PCNs to attract them to the company.

Adjusting a compensation package among PCNs, HCNs and TCNs is different because the level of economic development of the international community is not the same. For example, the economic disparity between the United States and the developing country economies is different. Therefore, MNCs’ HR managers are experiencing difficulties in determining TCNs’ hardship allowances in developed and developing economies of the international community. The rationale for this set of problems would be similar to those of expatriates (Harvey, 1995). The complexity of operating international business in different nations and employing different national categories of workers is a key variable that differentiates, domestic and international HRM, rather than any major differences between the HRM activities performed. Many MNCs underestimate the complexities involved in international businesses, and there is some evidence to suggest that business failures in the international arena may often be linked to poor management of human resource management (Dowling, 1999).

There was also less consistency in a compensation plan when PCNs were transferred to another international assignment. The most interesting of the transfer cases were the HCNs who transferred to the United States and did not receive significant adjustments in salary or fringe benefits. TCNs appear to receive adequate adjustment to salary and fringe benefits when they are transferred (Harvey, 1995).

International Benefits and Compensation

MNCs’ effective policy considers all the cost factors and fundamentally supports the objective of the business in today’s global marketplace. For example, MNCs’ HR managers should focus on organization’s global objective
and employee’s individual characteristics when designing a competitive expatriate compensation package. This is because MNC’s success depends on its internationally qualified workforce. Therefore, MNCs’ HR managers must help to ensure that remuneration is fair among its three primary labor pools of international managers, but cost-effective in a way that maximizes overseas employees’ performance.

Smart MNCs balance business objectives with the compensation programs such as base salary, taxes, allowances, cost-of-living allowances (COLAs), housing and reimbursable expenses (Solomon, 1995). The levels of salary and types of fringe benefits paid to the three primary labor pools of international managers are well documented. What has not received adequate attention is the difference among PCNs, HCNs, and TCNs. For example, executives, middle managers and supervisors who are expatriate managers in international assignments, receive a variety of “package” of benefits (Harvey, 1995). The most noticeable differences among the three labor pools of international managers are (1) overseas premiums; (2) housing allowances; (3) cost-of-living allowances; (4) tax equalization; (5) repatriation allowances, and (6) performance-based bonuses (Klein, 1991).

International benefits and compensation are calculated to reflect the special status of the international managers. In addition to salary, taxes and benefits, international managers also receive different allowances as part of their overall compensation to accept an overseas position. The foreign service premium is based on the expatriate’s level in the company, the family size, and the location. Another type of premium is the hardship allowance and home leaves. The U.S. Department of State established a hardship list in 1996 to help organizations providing expatriate managers hardship allowances as a percentage of their base salary. Cost-of-living allowance (COLA) is also provided to help PCN or TCN enjoy a standard of living abroad that is comparable to what they would enjoy in
the home country. Housing allowance, along with tax equalization, entails substantial additional costs. MNCs differ in policies regarding employee contributions to housing. Tax equalization means that PNCs pay no more income tax and no less than if he or she stayed home.

Harvey (1995) also identified the second most troublesome issues that have an impact on the stage of the family life cycle on aggregate compensation demands. The compensation costs of a family with children are shifted to hardship allowance for schooling, childcare, increased residence cost and all fringe benefits associated with supporting a family life cycle. In the case of HCNs, the pattern of shifting the cost of compensation throughout the family life cycle is less clear-cut. The TCN was similar to those of the PCNs with the exception of salary cost having a significant impact early and throughout the family life cycle. Finally, it is common practice for companies to pay for security guards in many overseas locations.

The Expatiate Compensation Balance Sheet

Expatriate (PNC or TNC) compensation programs are an important issue in managing reward systems. Compensation plans for expatriate managers must be competitive, cost effective, motivating, fair and easy to understand, consistent with international financial management, easy to administer, and simple to communicate (Sherman, 1998). There are several different expatriate compensation methods that have been developed to meet specific MNC objectives. One size does not fit all. Some of the methods that an MNC can use for determining international benefits and compensation of expatriate managers is: the balance sheet or home-based approach; the host-based approach; the better-of-home-or-host approach; and the international citizen’s approach.
Expatriate compensation programs are used by more than 85 percent of U.S. MNCs rest on the balance sheet approach (Sherman, 1998). The balance sheet approach is by far the most commonly used method by North American, European, and, increasingly, Japanese global organizations to compensate expatriates. Its primary objective is to ensure that expatriates neither gain nor lose financially compared with their home-country peers. The balance sheet facilitates mobility among the expatriate staff in the most cost-effective way possible (Reynolds, 1995). It starts with a home-country salary (wherever that home base is) and builds upon that foundation. The underlying philosophy of the balance-sheet approach is to encourage global mobility by making international assignments in any country of the world equally attractive economically (Reynolds, 1997). It provides a compensation package that attempts to balance an expatriate manager’s purchasing power in the host country with purchasing power in his or her home country. In other words, under the balance-sheet approach an expatriate should not lose or gain in simple spending power because he or she is assigned to an international position. The drawback of the balance sheet can be its cost and inequity between expatriate managers and local national managers, and even among expatriates who come from different countries.

Amoco Corporation is an example that pays an amount adequate to the employee’s current consumption levels in the United States. If the cost of living is greater in the foreign location than at home, the firm pays the excess foreign costs. The employee also receives income for savings comparable to what he or she is currently saving. Finally, if the employee faces a hardship because of the assignment, the firm adds an additional foreign service premium or hardship allowance. Thus, expatriate compensation packages can be very expensive for an organization and must be carefully developed and managed (Moorhead & Griffin, 1998).
The destination-based approach of compensation calculates remuneration by host-country standards. In many cases, the destination-based approach is easier to administer and was designed to save money. However, individual negotiations can make it very complicated as well as costly. One of the drawbacks of this approach is that currency fluctuations can cause major problems. The idea behind the better-of-home-or host approach is that no expatriate manager should have to live at lower than local national manager level. The international approach tries to create an equitable system among all international employees. It is especially useful for highly placed executives who will be moving from location to location (Solomon, 1995).

Compensation of Host-Country National Managers

There are many managerial and administrative issues that must be addressed when an MNC establishes its international business operations. For example, when MNCs are designing compensation policies for their HCN managers, it is essential to adjust for differences in compensation practices among different countries. In the past, local salary levels have ruled remuneration of HCN managers. However, increased competition among different companies with subsidiaries in the same country has led to a gradual upgrading of HCN managers’ salaries. In general, MNCs are moving toward a narrowing of the salary gap between the HCN manager and the expatriate manager (PCN or TCN). In a recent survey, American MNCs lost their ranking as the world’s compensation leader. In fact, on average, MNCs in Japan ($387,000), Mexico ($277,000), Argentina ($229,000), Switzerland ($213,000), and Hong Kong ($206,000) all pay managers more than do those in the United States (Sherman, 1998). In fact, the use of HCN managers by MNCs to manage their international subsidiaries has become more and more popular in recent years (Rodriguez,
1996). An example of this situation is in the case of Mexico. American MNCs in Mexico are replacing their expatriate managers with HCN managers as a result of considerable conflicts between Mexican nationals and expatriate managers. Mexican managers are resisting the cultural imposition represented by U.S. expatriates (Sargent & Matthews, 1998). Kobrin (1988) also reported that there is a strong trend in U.S. MNCs to replace PCNs employees with HCNs managers.

Conclusion

This paper explores how international benefits and compensation systems have become complex in actual practice in MNCs. As the prospect for international business growth worldwide increases, some key problems confronting MNCs? HR managers are regarding who should manage their subsidiaries in overseas operations and how to compensate them. There are three options for MNCs to recruit and select staff to manage their international operations: (1) send someone from the HCNs, (2) hire someone in HCNs, (3) or hire someone from TCNs.

MNCs’ HR managers can choose the best candidate to assign to overseas operations regardless of whether the people are PCNs, HCNs or TCNs. The choice must be cost-effective in a way that maximizes overseas employees’ performance. MNCs’ HR managers must also ensure that remuneration is fair among its labor pools of all managers regardless of nationality.

International benefits and compensation present a special problem since salary levels differ among countries. The development and coordination of compensation systems for expatriate (PNC or TNC) managers constitute a complex and more expensive task than that of HCN managers. Pay systems must conform to local laws and customs while fitting into global MNC policies. They
must pay everyone who does the same work the same pay regardless of the host-
country compensation environment.

References


