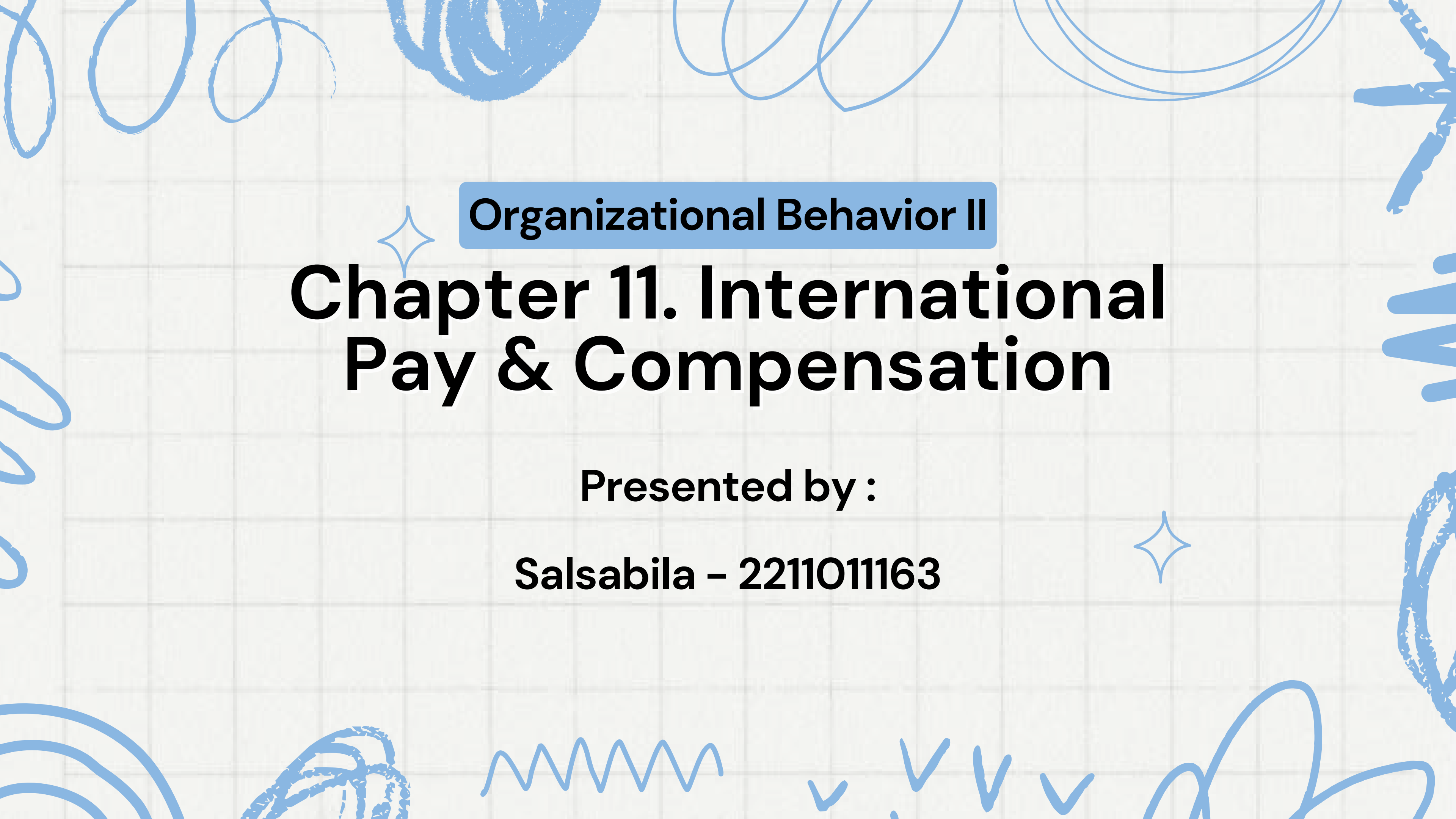




Organizational Behavior II

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Chapter 11. International Pay & Compensation

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Table of Content

- Introduction
- The differences and similarities of compensation practices in different countries
- The factors that leading to variations in compensation practices
- MNC's strategies to dealing with the competing pressures of alignment and conformance
- Expatriate compensation and the issue of internal equity
- Case Study



Introduction

International compensation encompasses both monetary and non-monetary rewards provided by multinational corporations to their employees. It is a crucial aspect of human resource management in these organizations as it constitutes a significant operational cost and influences employee attitudes and behaviors. International compensation is complex due to the diverse cultural, legal, and socioeconomic backgrounds of employees. It differs from domestic compensation in terms of the knowledge and information required for designing comparable compensation packages in foreign locations.



Pay and Compensation practices in different countries

1. Asia

- Low wages in India and the Philippines.
- In Japan, housing allowances may be provided to core employees
- Minimum wages in Europe vary. Germany has no legal minimum wage, relying on collective bargaining.
- Employees in South Korea, Japan, and Malaysia anticipate biannual bonuses
- China provides housing as compensation.

2. The EU

- The statutory minimum paid leave and paid public holidays in all EU member countries is four weeks (20 working days).
- Nordic countries have high universal social benefits
- Minimum wages in Europe vary. Germany has no legal minimum wage, relying on collective bargaining.
- Sweden offers 16 months of paid parental leave, with parents receiving 80% of their previous income.

3. North America

- In Canada, the statutory minimum paid leave is ten days per year
- No legal minimum leave in USA. Many companies offer 2-week vacation in year.
- USA employers provide 12-week unpaid maternity leave.
- Private US and Canadian health care.

Factors that leading to variations in compensation practices



Research indicates a mix of convergence and divergence in compensation practices globally. Convergence theory argue that Firms adopt best practices, leading to similar compensation practices and increased performance-based pay systems globally. On the other hand, divergence theorists suggest that differences in cultural and institutional characteristics hinder convergence in compensation practices.

MNC's strategies to dealing with the competing pressures of alignment and conformance

MNCs face the challenge of aligning global compensation strategies with local conditions. They use standardized and localized systems to balance alignment pressure and conformance pressure.

To address these pressures, MNCs adopt a combined approach, using standardized systems for managerial staff and localized approaches for non-managerial employees. MNCs design compensation systems to align with local market rates for pay levels while maintaining a standardized approach for pay mix elements. The key to success lies in harmonizing global alignment with local conformance for effective and equitable compensation systems within MNCs.



Expatriate compensation and the issue of internal equity

Expatriate compensation is a critical aspect, with MNCs offering attractive packages to encourage international assignments. Principles for developing expatriate compensation include providing incentives, ensuring equity, transparency, and facilitating re-entry post-assignment. MNCs employ various approaches like negotiation, balance sheet methods, and localization to compensate expatriates based on assignment types and organizational needs. Strategies to address internal equity issues involve promoting understanding between expatriates and host-country nationals, justifying differing compensation packages, and ensuring fairness in compensation practices.



Case Study

Home > Ekonomi > Bisnis

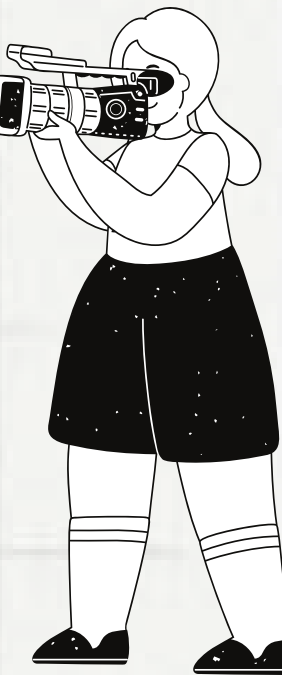
Eks Karyawan Gugat KIA Karena Tunggak Gaji, THR, dan Pesangon

CNN Indonesia

Former employees of PT Kia Mobil Indonesia Tbk filed a lawsuit against the company's management for unpaid salaries, THR, severance pay, and compensation after termination. They demanded Rp209.3 million plus a late fee of Rp31.39 million, highlighting the significance of proper compensation management and timely payments.

Discussion

The settlement of the issue of salary arrears, THR, and severance pay for former employees of PT Kia Mobil Indonesia Tbk was carried out through a legal process. The former employees filed a lawsuit against the company's management at the Central Jakarta District Court with lawsuit number 474/Pdt.Sus-PHI/2021/PN Jkt.Pst. They sued the company to pay Rp209.3 million and a late fee of Rp31.39 million. Before the lawsuit was filed, a tripartite meeting was held with the Manpower Office (Disnaker) which resulted in a recommendation to bring the case to court.





Thank you very much!

Any Questions please?