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COMPENSATING EXPATRIATES¹ IN POLISH SUBSIDIARIES – PILOT RESEARCH FINDINGS

This article, of a theoretical-empirical nature, presents the practices of compensating expatriates working in Poland. The first part of the article is devoted to the research findings concerning compensation practices by foreign authors, and on this basis the practices in Polish subsidiaries are presented. The pilot research findings, conducted on 105 expatriates, show that the most often offered approach to compensating expats is the balance sheet approach, which is also the most popular in other studies. The biggest problems related to compensation are exchange rates and double taxation. Most expats pay taxes in Poland. Besides the base pay, they are offered relocation allowance and education allowance.

Keywords: expatriate, compensation system, balance-sheet approach, mobility premium, relocation allowance, education allowance

1. INTRODUCTION

Building a compensation system for expatriates is a very complicated, time and cost consuming process. According to M. Festing, administering the compensation of expatriate employees has been an important concern for international HR specialists, accounting for over 50% of their time (2009, p. 6). Maybe that is why about 20% of corporations outsource the administering of expatriates' compensation policy and almost 10% of them plan to do it (GMAC, 2010, p. 65) .

In practice there is not one dominant approach concerning managing compensation systems for expatriates. According to *World at Work and Watson Wyatt Worldwide Research 2004 (2006)* conducted in 228 global corporations, 49% prefer using a centralized approach (global) in managing the compensation system, while 51% of them practice a decentralized (local) approach in this field.

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¹ Expatriate – also *expat*, a manager who comes from the country of origin of a headquarter company or from the third country and is ultimately transferred by the headquarters for long or short contracts to foreign branches of the company or he/she travels among different branches of a given corporation (S. Przytuła, 2009, p. 476).

In contrast, the research findings of T. Kawka proved that more than 2/3 of all international companies based in Poland declared that the level of compensation for managerial positions was established independently from the wage rates in the headquarters. This meant a rather local approach in this part of the personnel function (2008, p.183).

The research findings of the World at Work 2004 (*Global Compensation...*, p. 5) presents the greatest challenges to developing the global compensation system in international companies (Chart 1).

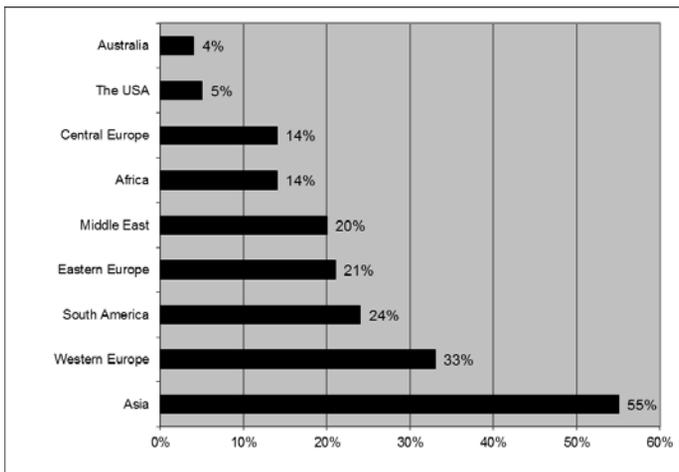


Chart 1. Which geographic regions of the world present the most challenges to developing a global compensation system?

Source: *Global Compensation Practices*, World at Work, 2004, p. 5

Survey respondents reported that Asia presents the most challenges by far. It is worth mentioning here that Asian countries are the most attractive for foreign investors. Western Europe, South America, Eastern Europe and the Middle East also presented challenges.

It can be assumed that difficulties of constructing compensation packages for expats arise mostly from cultural distance and the political, economic and social differences of these regions.

Also, according to C. Fay (2008, p.135), who conducted his research in 275 international companies, among the most challenging issues of corporations are: streamlining the process of selection and retention of talent management (48%), improving the remuneration policy (21%), providing connections between remuneration system and the desired behaviour (13%).

In this article the author presents firstly a theoretical framework of compensating expats based on global research. Then, on the basis of the research project entitled: *The staff of expatriates-managers in international enterprises in Poland* concerning the HRM function, the author presents a part of the pilot research concerning compensating expats. The aim of the empirical study will be diagnosing the compensation practices applied to expat managerial staff in international companies in Poland². The research findings will be related to the global practices in order to seek similarity or diversity in this field that take place in Poland.

It is worth mentioning here that there are only a few publications and researches concerning expatriates in Poland (*Zarządzanie misjami...*, 2012; C. Zając, 2012). Although some authors mentioned in publications about this specific group of managers, “expatriation” seems to be only a part of wider spectrum of subjects of their interests like international human resources management (*Międzynarodowe zarządzanie...*, 2002; J. Schroeder, 2010), managing international corporations (M. Rozkwitalska, 2011; *Zarządzanie kadrą...*, 2009), cultural context of the international management (A. Sitko-Lutek, 2004; D. Simpson, 2000; A. Murdoch, 1999). There was also a research project conducted by the Polish Ministry of Labour and Social Policy (Bańka, 2006), devoted to transnational guidance and problems of emigration but only in a small part of this project there may be found some expatriation issues.

That is why it is needed to fill the theoretical and empirical gap in the field of expatriation in a Polish context.

Other reasons which influenced the author to undertake the research concerning the subject, was the fact that international companies increased their interest in investing in Poland³. The country became a potential beneficiary of all possible economic advantages connected with the investment process. However, the people responsible for the best use of such advantages are the people from the management sector. The scarcity of managers with experience in an international setting and being well compensated and motivated to work abroad appears to be a barrier to achieving success in a competing global market. Further integration of the

² In the case of long-term contracts the expat’s compensation may be even twice or three times higher than compensation offered on the comparable position in home country (*The Forum...* 2009, p.8).

³ <http://www.paiiz.pl>

European market, which seems to be more and more important, makes the problem even more significant (Sculion H., Brewster C., 2001, p. 346).

2. APPROACHES TO COMPENSATING EXPATRIATE IN GLOBAL PRACTICE – REVIEW OF GLOBAL RESEARCH FINDINGS

In the management practice there are various approaches to compensating expatriates: balance sheet approach, local approach, regional, negotiation(individual) approach and global approach (*Międzynarodowe zarządzanie...*, 2002, p. 117).

A) *Balance sheet approach (BSA)* or *built-up approach* is defined as "no-gain, no-loss" and was designed soon after the World War Two for employees working abroad (Frazee, 1998, p. 19). The idea is that the employer sustains the employee's standard of living throughout the assignment, so the expatriate family does not go above or below it because of the international relocation. There are two common methods for calculating the BSA:

a) *home-based method* bases the expat's pay on the salary for a comparable job in his or her home country. The point of reference in this method is the level of compensation in the country of the expat's origin (Figure 1).

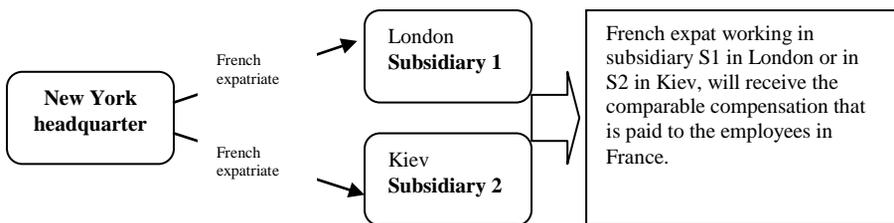


Figure 1. BSA-home based method

Source: author's own

Under this method, salaries are evaluated and determined the same way as they are for domestic employees. In Table 1 an American expatriate with an income of \$100 000 is sent to Finland. The expenses in Finland (in markka) have been converted into U.S. dollars at the prevailing exchange rate.

Table 1
BSA for a US expatriate in Finland

	Expense category	US expenses (in \$)	Costs in Finland (in Finnish markka)	Conversion to US dollars (1USD=5 FIM)	Additional payments in \$
1.	Income taxes	20 000\$	FIM 110 000	USD 22 000	USD 2000
2.	Housing	15 000\$	FIM 120 000	USD 24 000	USD 9000
3.	Goods and services	40 000\$	FIM 240 000	USD 48 000	USD 8000
4.	Reserve	25 000 \$	-	USD 25 000	-
5.	TOTAL	100 000 \$	FIM 470 000	USD 119 000	USD 19 000

Source: Sanyal R., *International management*, Prentice Hall, New Jersey, 2001, p. 395

The last column shows the extra sums (\$19 000), in addition to the salary of \$100 000, that the company will have to pay to the expatriate to enable a replication of the standard of living in Finland.

b) *headquarter method* – starts with the salary for a comparable job in the headquarters country of origin (Frazee, 1998, p. 20). This approach can be used at the early stage of internationalization or it is useful when the majority of expats comes from the headquarter's country of origin. The point of reference in this method is the level of compensation in the country of the headquarter's origin (Figure 2).

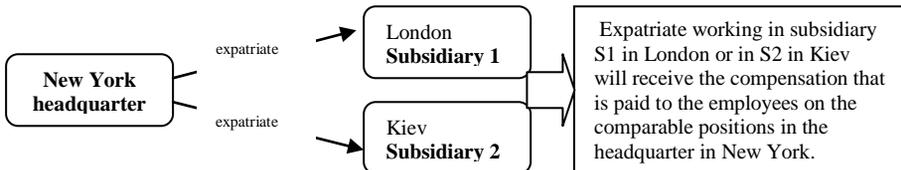


Figure 2. BSA headquarter based method

Source: author's own

The BSA approach is most frequently used by the international corporations to compensate their expats. Almost 70% of European corporations, 65% of Asian and 79% of American firms use this approach (Schroeder, 2010, p.159). Moreover, the recent Worldwide Policy and Practices Survey of over 930 companies presents that in the year 2010, 80%

of corporations in the USA and Japan and 70% in Europe preferred the balance sheet approach of paying expatriates (*The Forum...*, 2010, p. 12)⁴.

B) *Host-country approach (going rate approach)*

The base pay of expats is established on the same level of salaries offered to the comparable positions in the host (local) country where the subsidiary is located. This formula pays when the expat is transferred to the country where salaries are generally higher than in his/her country of origin.

In **ORC** research only 27% of the respondents have a compensation policy that is localized at host country level. A similar minority pursuing localization was identified in the survey of 70,000 employees in 276 companies by Pricewaterhouse & Coopers with only 13% considering the local market when determining salaries for expats. The point of reference in this approach is the level of compensation in the host country, where the subsidiary is located (Figure 3).

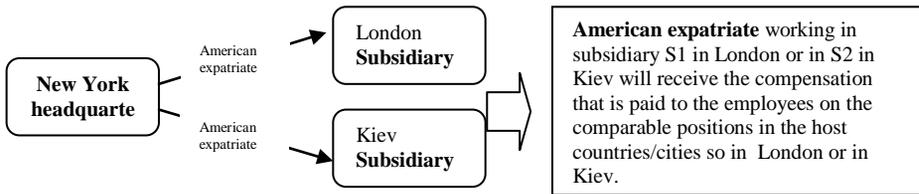


Figure 3. Host country approach

Source: author's own

According to P. Dowling, the following can provide a reference point when calculating the remuneration of subsidiary employees: remuneration level of a particular sector in the local market, remuneration offered by competition in the same country, remuneration offered by all competing companies from various countries operating in the same local market. (*Międzynarodowe zarządzanie...* 2002, p. 120).

This formula is profitable for an expatriate who is delegated to a country where the salary is higher than in the corporation's home country. This may trigger a rivalry between expatriates competing for more attractive

⁴The research conducted by Pricewaterhouse & Coopers on the sample of 700 corporations confirmed that this approach was the most popular *Międzynarodowe zarządzanie...* 2002, p. 118. According to A. Harzing, for almost 73% of international companies BSA was the leading strategy (2004, p. 315).

destinations, while in the subsidiaries operating in less financially attractive countries, a problem with recruiting potential candidates may occur.

This approach proves appropriate in regard to younger expatriate personnel with little international experience, who decide to accept an employment contract in order to develop their own international competences and gain work experience. In practice, an average salary in a given country is taken as the base salary, to which various allowances are added (accommodation and car rental, the cost of education for children, home country flight reimbursement)⁵.

C) Individual approach

Few corporations tend to use an individual approach. It relies on negotiating acceptable compensation packages with each prospective expatriate. This approach pays off when there are only few expatriates, then the compensation system is simple and easy to administer.

D) Regional approach

The salary for expats is based on the regional compensation offered to comparable positions in the region. It is usually used for employees from third countries who, while working for the same company, moved from one country to another but still within the same region. For example, a Spanish expat working for an American corporation in the subsidiary in France. The basis for his/her compensation is the average pay in the comparable positions in the region.

E) Global approach

The purpose of this approach is to construct the expats' compensation on the same level for all comparable positions no matter what is his or her country of origin.

In Table 2, there are advantages and disadvantages of the presented approaches to compensating expatriates.

⁵ This approach is rarely used. The research conducted in 276 international companies among 70,000 employees proved that only 13% of the companies utilized a local approach for their expatriates (Harzing A., 2004, p. 316).

Table 2

Advantages and disadvantages of the approaches to the compensation of expats

Approach	Disadvantages	Advantages
<i>Balance sheet approach</i>	<p>international personnel receive various salaries for the same duties in the host country</p> <p>according to the differences in base salaries in the host countries, constant cost monitoring and calculation including currency rates is required</p> <p>creating incentives to import their lifestyle to the subsidiary, creates a barrier between the expatriate and local workers, especially in the countries with low purchasing power</p> <p>problematic administration of remuneration packages resulting from tax laws of certain countries is disadvantageous for the expatriate workers from third countries, if the level of remuneration in the home country is lower than in the country they have been delegated to</p>	<p>- it does not create significant problems concerning the pay gap relating to the employee's nationality</p> <p>- it is a more advantageous form as the employee receives a higher salary for the same post than in the home country</p> <p>- relating the expatriate's salary to the headquarters, facilitates their return to the country upon contract termination</p>
<i>Host country approach</i>	<p>- the risk of sending the so-called '3rd league expatriates' (who the corporation intended to dispense with) to the local unit is a kind of exile</p> <p>-it may lead to competition between expatriate for contracts to more financially attractive destinations, then such remuneration package encourages employees to leave the headquarters but creates problems upon the termination of a contract as this means returning to a lower salary</p>	<p>- an encouraging solution when the rates are higher in the home country than in the host country</p> <p>- simplicity and avoiding injustice problems</p> <p>- it strengthens the company's competitiveness in the local job market, which attracts new and skilled employees</p>
<i>Individual approach</i>	<p>- the differences in salaries of individual employees may contribute to an unpleasant atmosphere at work</p>	<p>- the feeling of individuality and being an expert for the company</p>
<i>Regional approach</i>	<p>- comparing the data concerning pay elements, the costs of maintenance and inflation in individual countries of a given region constitutes a problem</p> <p>- comparing the content of work relating to a given post in various countries may also be problematic</p>	<p>- it works when countries in a given group have similar levels of remuneration</p> <p>- it increases the mobility of third country employees if the remuneration level in the region is higher than in the employee's home country</p> <p>- it facilitates the flow of employees between departments of a company in the same geographical region</p>
<i>Global approach</i>	<p>- difficulties in constructing such remuneration system</p> <p>- may lead to the decrease in work efficiency of expatriate as competitive salary on a global scale is not always competitive in the local job market</p> <p>- it does not promote the mobility of workers between company departments if it does not include the increased cost allowance</p>	<p>- it limits the financial conflicts between expatriate of different nationality</p> <p>- it is attractive for employees who frequently change departments located in different countries</p> <p>- it facilitates current administration of the remuneration system due to a uniform manner of calculating the wages of all expatriate</p> <p>- achieving advantages and economy by avoiding additional costs of administering significantly different compensation packages</p>

Source: own translation based on: *Międzynarodowe zarządzanie...* 2002; Schroeder 2010; *Zarządzanie międzykulturowe*, 2010

3. STRUCTURE OF COMPENSATION

We can distinguish between an internal and external remuneration structure. The elements of the internal remuneration structure include: base salary, awards, commissions, bonuses, additions. The external remuneration structure consists of the relations between remunerations of particular posts, the so-called salary position of a particular post against other posts (Kawka, 2010, p. 198). This is mainly related to the range of remuneration between different posts.

At this point it is worth mentioning that a compensation structure depends also on the cultural differences and specific solutions used in various countries and regions. In the national cultures identified as highly collective, the base salary depends on the work of the group, rather than on individual contributions. In addition, the basic salary determines the sense of security and stability, so it is a major part of wages in countries with high levels of uncertainty avoidance (Greece, Italy, France)⁶. In individualistic countries, which put a premium on performance and individual effort, considerable importance is attributed to variable components. In addition, countries in which the Protestant ethic is dominating in social life (Germany, U.S.), assign a major role to these components, which are a measure of the kind of hard work, and therefore of human dignity⁷. In “macho” cultures the income is dependent on the performance, and therefore the dominant role in salary structure is played by components such as bonus, perks, premium. However, in “feminine” cultures, where social solidarity is valued, considerable attention is attributed to salary and pension benefits.

Studies conducted in seven countries in the project WOLIWEB in 2007, indicate that individual bonuses in the surveyed European countries were more popular than the group ones (Figure 4).

⁶ It is worth noting that in these countries there is a huge commitment to the basic salary and any attempt to change the security level on this issue, met with a wave of social unrest on a large, national scale. These countries are the record holders when it comes to organizing general strikes during the year, <http://www.psa.ac.uk/2009/pps/kelly.pdf> (accessed on 11/04/2011)

⁷ Americans are willing to accept up to 100% of salary dependent on discretionary assessment, while for Europeans the variable part of remuneration in exceptional cases should not exceed 10% (*Zarządzanie międzykulturowe*, 2010, p. 85).

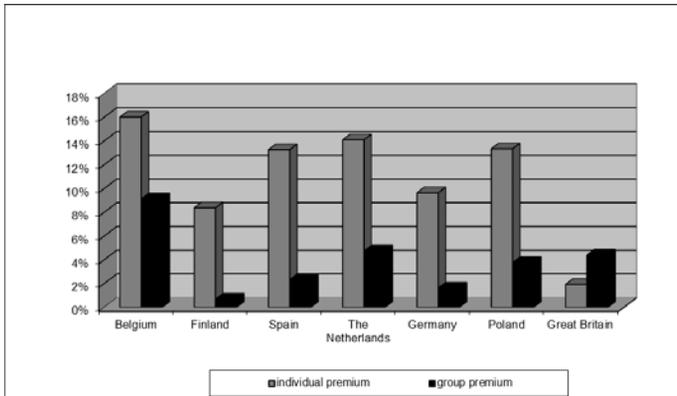


Figure 4. Relations between average individual and group bonuses to base salary

Source: Adrałojć, 2010, p. 140

Penning's study conducted on a sample of 67 directors in 29 corporations in the U.S., France and the Netherlands also confirmed the dependence of the remuneration package and cultural dimensions for these countries. The American system of remuneration is more formal, very rich in various components of the remuneration in the short-term and long-term perspective. A constant level of wages is a rare phenomenon, whereas the components such as bonuses or options, shares are often present. In France and the Netherlands where the formalization is low (in many cases there were no formal remuneration plans), additional benefits have little impact on total compensation package for managers (Sanchez, 2008, p. 14).

For the sake of this article, elements of the internal remuneration structure such as additions have been scrutinized as they determine the attractiveness of the remuneration. In business practice such allowances are the most common: relocation allowances, mobility premium, housing allowances, education allowances.

a) Relocation allowance

Compensation for costs such as transport, storage, temporary accommodation, purchases of appliances and vehicles, associated with moving to the host country. In Chart 2 there are presented the most often covered expenditures included in relocation allowance.

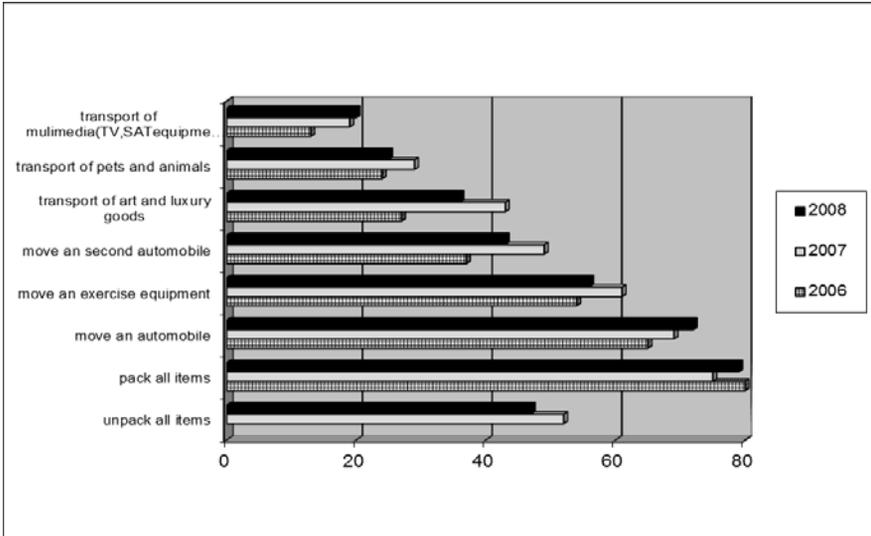


Chart 2. Relocation cost coverage in %

Source: *Corporate Relocation Survey Report 2008*

Global Relocation Trends Survey Report 2008 shows that most of the companies cover all relocation expenditures (Chart 3).

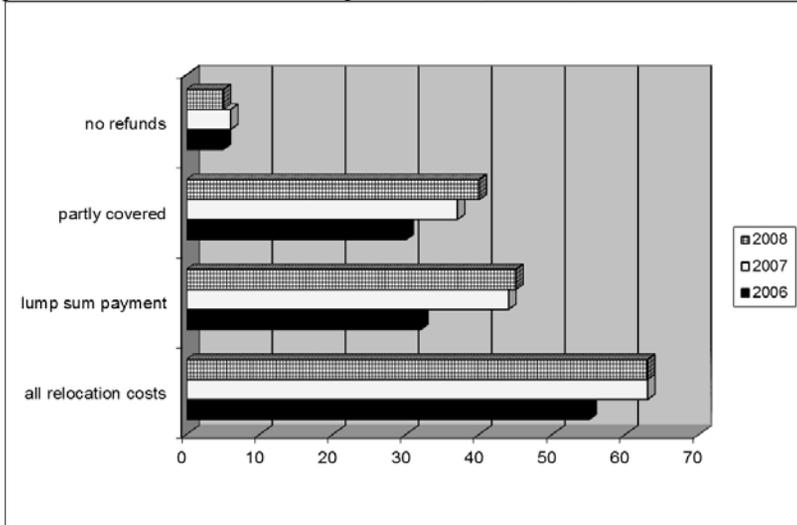


Chart 3. What kind of expatriation expenditures are covered by the corporation? (in %)

Source: *Global Relocation Trends, Survey Report 2008*

Lump sum is a sum of money in addition to the salary to be spent by expatriates as they deem appropriate.

b) Mobility premium

Also sometimes known as a *foreign service premium* or *expatriate premium*, it is a payment intended to provide an incentive to the employee to accept and complete a foreign assignment. Usually calculated as a percentage of base salary, it may also be intended to compensate for the cultural, personal and work adjustments necessary when undertaking a foreign assignment. Payment may be made either as (a) lump sum(s) or an ongoing payment delivered in the normal pay cycle.

Usually the mobility premium is 5-40% of the base pay. Mostly, this allowance is paid to the expatriates from the headquarter country of origin rather than to the third-country managers (Harzing, 2004, p. 314). c) Housing allowances (HA)⁸

An amount paid by the company, either to the expatriate or direct to the property landlord, to enable the expatriate to rent or lease housing in the host country. In business practice there are different approaches to this allowance (Table 3).

Table 3

Housing allowances in various countries

Forms of HA	Australia	Canada	Europe	USA
The corporation covers all housing expenditures	73,3	51	65	26,5
Expatriates participate in covering costs of housing	26,9	49	35	74,5

Source: *Międzynarodowe zarządzanie...*, 2002, p. 129

d) Education bonus for assignees' children

About 47% of expats take their children with them for the duration of contracts. That is why it is understandable for companies to pay expats *education bonus*, which allows their children to continue their education abroad. The education bonus may involve compensation for language classes, books and school fees, transport to the school, accommodation and food. Data of ERC APAC Report 2008 present the educational fees covered by corporations (Chart 4):

⁸ In Paris in 2008, daily housing expenditure including hotel was from EUR 266 to EUR 472, excluding hotel it was from EUR 90-140. The costs covered such expenditure like food to take away, laundry, cinema tickets, newspaper, transportation costs, e.g. taxi, telephone costs (*Global Mobility Metrics, Mercer 2011, p. 25*).

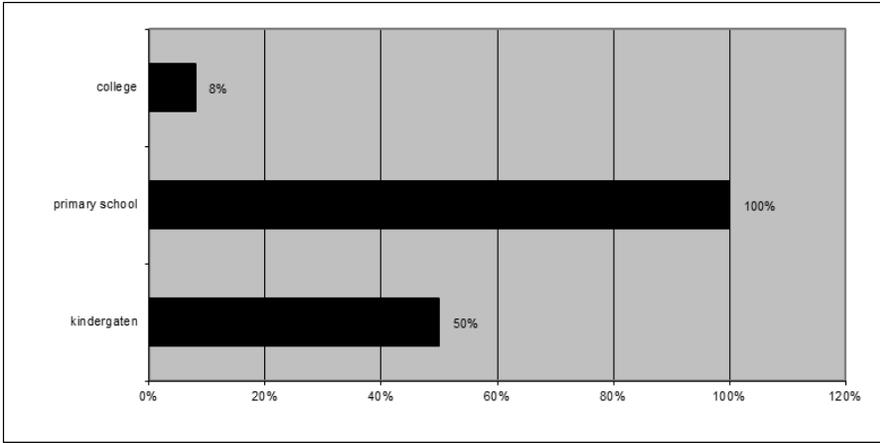


Chart 4. Educational fees covered by corporations

Source: ERC APAC Report 2008

The following Chart 6, presents the research findings of the *APAC Localization Survey Results 2008* on expatriate benefits which are usually offered by the companies.

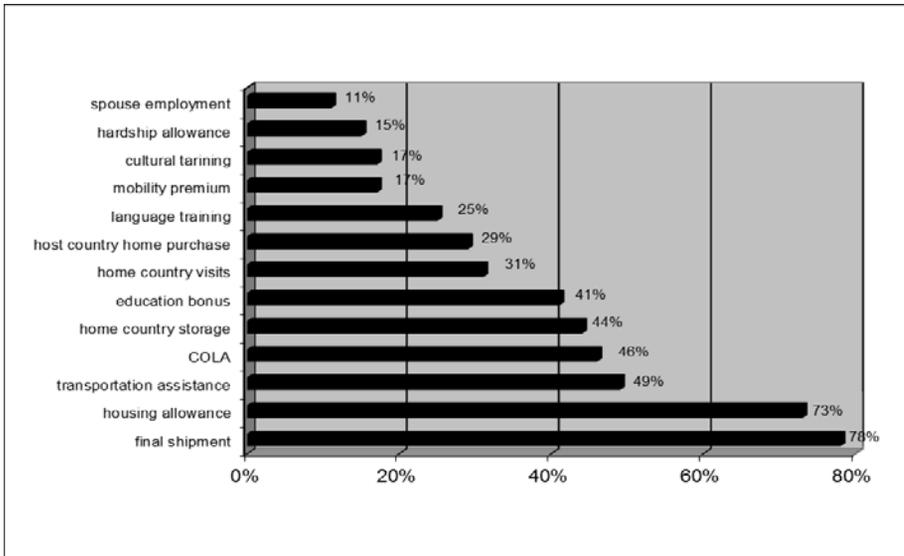


Chart 5. Benefits provided to the expatriate

Source: *APAC Localization Survey Results 2008*, p. 2

Final goods shipment to the destination location and housing allowance are among the most often provided allowances. Very few companies pay mobility premium and cultural training (17%). Hardship allowance is rarely used and only 11% of the researched companies help the expatriate's spouse or partner in employment abroad.

In a study on Finnish expats conducted by V. Suutari I C. Tornikoski (2001, p. 397), the researchers obtained similar results on the popularity of certain additions to basic pay (60% of expatriates received housing allowance, 29% of them received an education allowance and 23% respondents had the costs of removal and transport covered). In addition, 60% of expatriates were covered 100% for one holiday trip per year.

4. EXPATRIATES' COMPENSATION SYSTEM IN POLISH SUBSIDIARIES – PILOT RESEARCH FINDINGS

The presented research findings come from the research project entitled "*The staff of expatriates-managers in international enterprises in Poland*" (No. UMO-2011/01/D/HS4/01700) and financed by the National Science Centre. Preliminary research on a group of 100 expatriates working in Polish subsidiaries was conducted from 06.2011 to 12.2011. As there were difficulties with recruiting the respondents satisfying the criteria, the research was based on non-probability sampling (Babbie, 2004, p. 204) and the snowball method. A questionnaire prepared in English was a research tool. In order to obtain the language equivalence and avoid the problems related to the translation of the questionnaire's questions from Polish into English, the procedure of back translation (Matsumoto, 2004) was adopted. This involved the rendition of questions from Polish into English and then the back translation of the questionnaire from English into Polish. Such a procedure allowed the elimination of some terms and colloquialisms, and thus the back-translated text concurred with the original.

Surveys were conducted with an invitation email from the author and contained a link to a web-based questionnaire operated by the research centre.

Furthermore, the work included the analysis of written sources from the available documentation from companies and the information about the companies taken from their websites. The collected data was then processed with the use of the SPSS/PC+ Statistical Package.

According to research findings, 84% of respondents were male and 52% of this pool were 30-39 years old and 31% were older – 40-49 years old (Chart 6). These statistics confirm the general trend of age and gender in the expatriate population⁹.

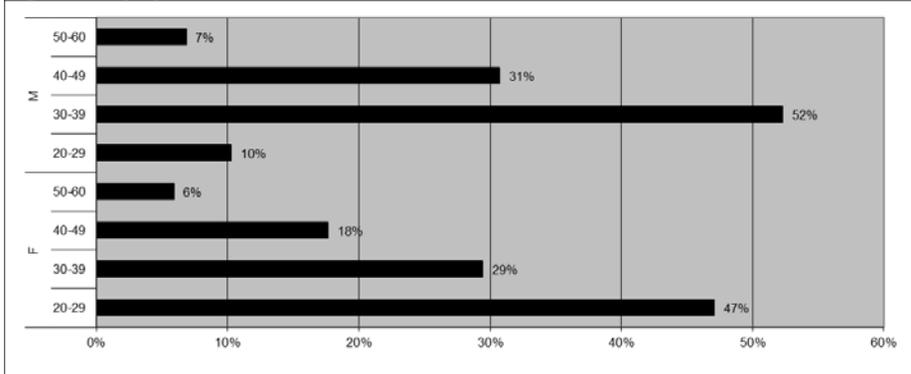


Chart 6. Age and gender of expats

Source: own research

In the target population, 54% of the respondents are expatriates in Polish subsidiaries employed in middle management posts and 14% employed as CEOs.

The results demonstrate that the expatriates delegated to Poland by corporations have little work experience (40% of the respondents have been employed by the company from 2 to 5 years) which confirms their young age. Experienced managers, with over ten years of work experience, constitute 19% (Chart 7).

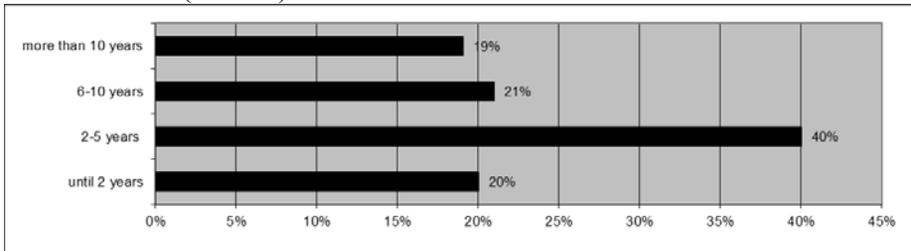


Chart 7. How long have you been employed in the corporation?

Source: own research

⁹ According to GMAC 2011, the dominant group of expats are managers aged 30-49. These are the persons who have families and children that let them develop their career abroad. Young expats aged 20-29 are 10% of the whole population. About 23% of expats are women.

38% of the expatriate employment contracts in Polish subsidiaries were of a short-term nature, i.e. up to 12 months and 34% of the employment contracts were given for a period ranging from 1 to 3 years. 12% of the respondents arrived in Poland for a period longer than 3 years and 15% admitted to an indefinite stay in Poland (Chart 8).

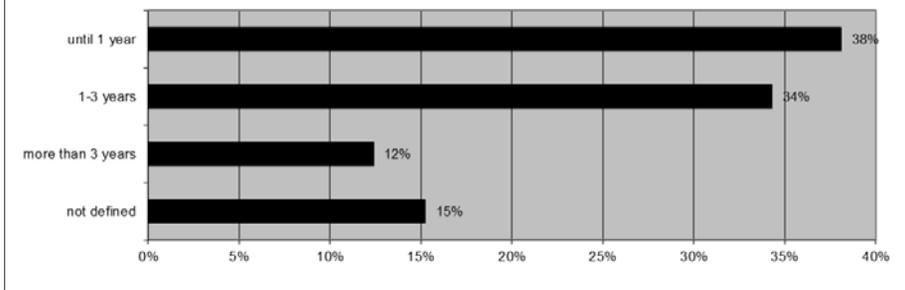


Chart 8. Duration of expatriation in Poland

Source: own research

This indicates that long-term contracts dominate in the case of this research, which corresponds to the worldwide practice. The GMAC¹⁰ research conducted between 1994-2010 indicates that the tendency regarding the length of the contract has changed. There has been a deviation from short-term departures, lasting between 6 months to 1 year (which is approximately 15%), for the sake of a long-term and permanent stay lasting more than 1 year. Over 50% of all expatriate contracts were long-term (above 1 year) and approximately 20% were one way transfers (above 3 years and permanent).

In regard to the most frequently approaches to the construction of the remuneration package for expatriate workers, in 67 cases the respondents indicated the individual approach, which means that the corporation adjusted the remuneration package to the needs and conditions proposed by the expatriate worker (Chart 9).

¹⁰ GMAC *Global Relocation Trends, Survey Report 2010*

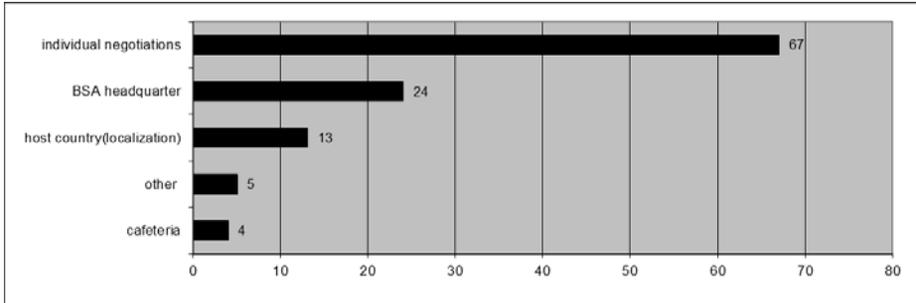


Chart 9. The approaches to compensating expats in Polish subsidiaries

Source: own research

In practice, the individual approach is rarely used and is applied when the corporation does not employ many expatriates. This explains the results of the author's research. It shows also that in 70% of cases the corporation employed between 1 to 10 expatriates working abroad. This justifies the individual formation of the remuneration packages as, in the case of a great number of expatriates, such an approach would be complicated, expensive and difficult to administer.

In 24% of cases the balance sheet approach – headquarter method has been applied, which means that the expatriate working in a Polish subsidiary will receive the compensation that is paid to the employees on the comparable positions in their headquarters (Chart 10).

Only 13% of the respondents have a compensation policy that is localized at host country level. The host-country (going rate) approach was not so popular and this practice is similar to other practices which were describe above in this article.

The most indicated problems concerning the remuneration were currency rates. One in four expatriates emphasized the disadvantageous remuneration conditions relating to double taxation of their income and one in five respondents experienced administrative, bureaucratic and institutional problems, e.g. difficulties with opening a bank account, time-consuming nature of bank matters (Chart 10).

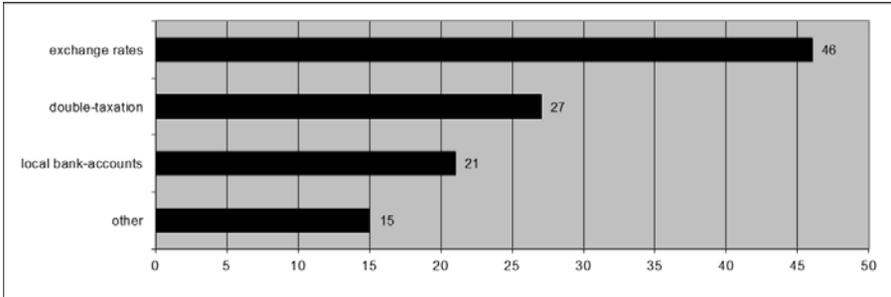


Chart 10. The most often problems connected with compensation

Source: own research

When asked: *Where is an expatriate obliged to pay taxes?* most of the respondents reported paying taxes in Poland, in 28 cases they pay taxes in the country of the company headquarters and in 26 cases the expats pay taxes in the country of origin (Chart 11).

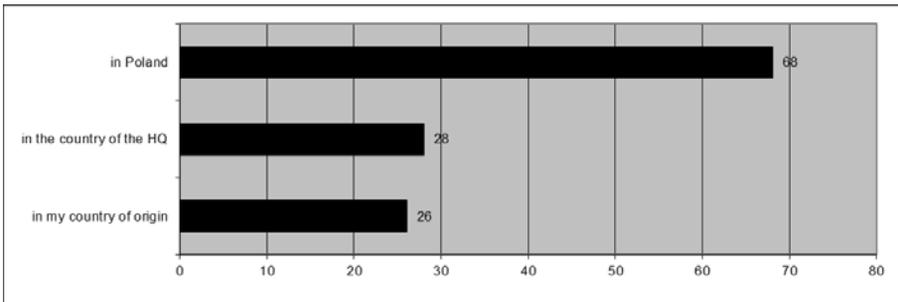


Chart 11. Where are you obliged to pay taxes?

Source: own research

Among the most often offered allowances was relocation allowance. Every third expatriate was also offered education bonus for his/her children (Chart 12).

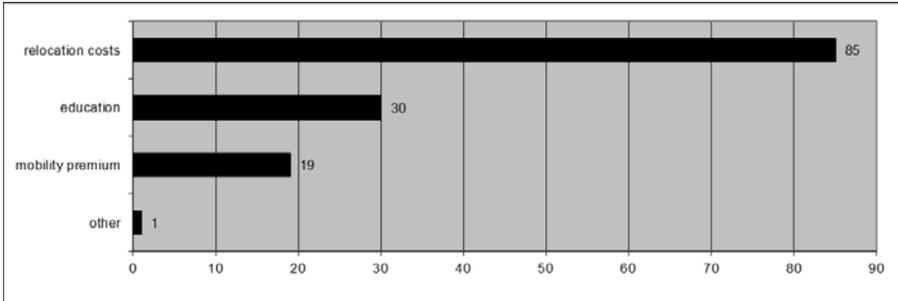


Chart 12. Additional allowances to the base-pay

Source: own research

30% of expats receive education bonus for their children. Because almost 50% of all respondents were aged 30-39, it can be assumed that many of them probably have families and children, that is why this allowance is very popular.

An addition for mobility is a rarity which is also confirmed by international research. The motivational power of this allowance seems to be rather weak, that is why the mobility premium was eliminated from the pool of additions. According to *ERC APAC Research*, only 20% of the international companies pay mobility premium for expats (2008, p.10). Table 4 presents the forms of mobility premium paid in different countries. Depending on the country of corporations' origin, there are differences in paying this allowance.

Table 4

Mobility premium in different countries in %

Forms of mobility premium	The average in research	In specific regions (countries)			
		Australia	Canada	Europe	USA
No mobility premium	38.3	38	26	58	37.5
Mobility premium paid before leaving and (or) after repatriation	21.2	20.5	17	9.6	18.8
Mobility premium paid also with compensation	26.4	37	54	32.4	29.7
Other	2.2	4.4	3	0	14

Source: Gould, 1999, p.42; Gould, 1998, p. 10

Mobility premium's insignificant motivational power prevents the corporations from employing it and it is more often received by men rather than women(Chart 13).

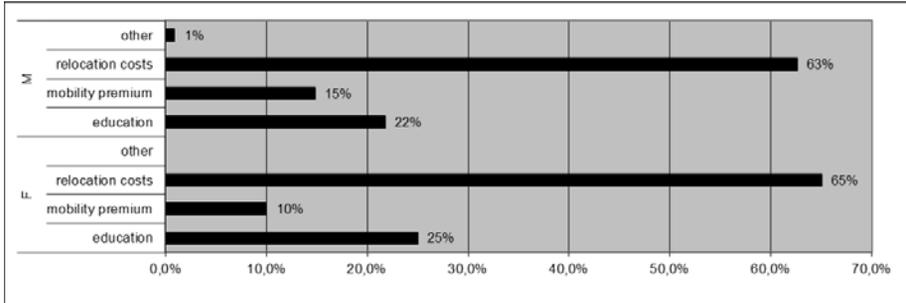


Chart 13. Additional allowances to the base-pay for males and females

Source: own research

5. INTERPRETATION

The purpose of this study was to diagnose the practice of compensating expatriates working in Polish subsidiaries. The pilot research findings were related to the global practices and other explorations in order to seek similarity or diversity in this field that take place in Poland.

In the field of approaches to compensation expatriates, the most popular in global practice is the balance sheet approach used in nearly 70% of the international corporations, while in this empirical study, the most popular was the individual approach. This solution was provided because according to respondents, in their corporations there were employed from 1-10 expatriates. For such a small number of expatriates the corporation may use such an approach as it is not complicated and not so difficult to administer these compensation packages. In 24 cases the expats pointed out the balance sheet approach based on the headquarter method.

The expats working in Poland pointed at exchange rates as one of the biggest problems connected with the compensation package. In 27 cases there were double taxation problems, and every fifth respondent said there are many bureaucratic problems with opening bank accounts.

Among the most often offered allowances paid with the base pay is the relocation allowance – in 85 cases expatriates pointed it out. Every third expatriate was also offered an education bonus for his/her children. In the light of other research the practices in this field are similar.

It is worth presenting other research findings concerning compensation policy in Polish and international companies. The research project conducted in Poland on 9000 workers points to the higher level of compensation in international companies, independently of the position in the organization. Moreover, the median of compensation for managers in foreign companies was PLN 16,500, while in Polish companies it was PLN 7,800. In relation to CEO positions it was appropriately PLN 24,000, while in Polish companies it was PLN 10,000. Besides, at CEO level, the international companies offered even 69% more money than Polish firms (*Wynagrodzenia...*, 2010).

Such a practice was confirmed in other research. According to T. Kawka in international companies based in Poland there is a visible huge gap between the compensation level of expats and local managers. This can be a source of various integration problems in international teams (2008, p. 195).

Other research carried out in the subsidiaries of multinational corporations in Poland, shows that in the vast majority of companies, expatriates can count on a basic salary (84% of responses) and bonuses (83% of responses). Expatriates working in Poland also receive a COLA (38%), housing allowance (36%), education bonus (17%), travel costs were covered in 42% cases, and relocation allowance was paid to 20% of respondents (*Zarządzanie misjami...*, 2012, p. 102).

As shown in many international studies, on the one hand the reward aspects of expats are neglected in the study of this population of workers (V. Suutari, C. Tornikoski, 2000, p. 517), on the other hand this area belongs to the most difficult ones of the expatriate personnel function (Hamil, 1989, p. 18). According to R. J. Stone (2000, p. 64), having expatriates is an expensive business for corporations, but having a poor reward programme is a disaster. Because expatriate remuneration is one of the most important issues in international corporations¹¹, therefore more attention should be paid to the approaches and various components of salaries. Besides, more holistic rules for remunerating expats should be worked out depending on business practice and its environment in different countries.

¹¹ J. S. Black shows that 77% of expatriates were dissatisfied with the compensation package, only M. Harvey notes that 80% of expats believe that the desire to achieve equality of pay in comparison with salaries of their colleagues is an important issue for them (Suutari, Tornikoski, 2001, p. 390).

6. LIMITATION AND THE FUTURE RESEARCH

The study is not without limitations. In this article the research results are limited and so far have used only one source of information (questionnaire survey).

Generalizing these findings should proceed with caution because the sample – 105 expatriates – was too small.

As the whole research project is devoted to the entire HRM function embracing staffing issues, expats' qualifications, repatriation and cultural adaptation issues, the part of compensation was not so deeply researched.

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