



## How to launch an employee compensation, bonus or benefits plan internationally

Multinationals inevitably vary their employee compensation packages—their pay rates, employee incentives, bonus plans, benefits offerings—by country of employment. It is pointless to inquire into some multinational's entry-level total compensation package for its managers, engineers, in-house lawyers, computer techs, punch-press operators, cashiers, secretaries, truck drivers or fry cooks without specifying their *place of employment*. Compensation packages for otherwise-similarly-situated staff inevitably run higher in (for example) Canada, Japan and Norway than in (say) Croatia, Jamaica and Nicaragua. Multinationals might even be said to “discriminate” in pay and benefits across borders, denying “equal pay for equal work” by linking an employee's “rewards” package to location—although of course geographical pay differentials are not *illegal* discrimination because pay equity laws do not treat overseas co-workers as comparators.

Geographical differentials in remuneration arise out of market forces and laws. Wage rates run highest in rich, developed economies with high standards of living. And employee benefits dovetail with local laws. Employer-provided medical insurance is so common in the United States because of the unique U.S. medical system. Worker profit-sharing payments and Christmas bonuses are ubiquitous in Mexico because Mexican law requires them.

Yet in recent decades business drivers have pushed multinationals to align or harmonize certain pay, bonus and benefits offerings internationally—particularly at the executive level but also as to “broad-based” or all-hands programs. In the old days, multinationals got away with locally segregating or “siloeing” their remuneration systems, but today's cross-border project teams and instantaneous internal communications motivate employers to extend certain compensation and benefits offerings across borders. (We are talking here about compensating local employees across international locations—*expatriate* pay and benefits is a different issue entirely.)

Globally integrating certain aspects of employee pay and benefits is on the front lines of international human resources integration, often the first aspect of HR that multinationals think about aligning across borders. This is because pay and benefits offerings, particularly for executives, are increasingly vital for motivating and integrating “talent” internationally. Multinationals regionalize or globalize all sorts of remuneration offerings that, back in the old days, were purely local. Examples include: cross-border equity/stock plans, global profit-sharing plans, regional sales commission plans, international sales incentive plans, cross-border variable

compensation/pay-for-performance plans, multi-jurisdictional executive retention bonuses, international severance pay plans, global tuition reimbursement programs, certain insurance benefits—even company cars for executives, international employee assistance programs and global adoption expense reimbursement plans.

Sometimes it seems as if multinationals look at each element of compensation and benefits they give to headquarters staff and ask: *Why not expand this out to our people worldwide?* And indeed, this logic can make good sense. For example, the driver for a multinational's tuition-reimbursement plan may be to encourage staffers to learn more and advance their careers—a rationale that applies in Anchorage as well as in Athens and Algiers. The reason a publicly-traded company launches a broad-based equity plan is to get workers to think and act like owners—a strategy that applies equally in Boston and Brussels and Buenos Aires. An acquiring company might offer a post-merger retention bonus to retain recently acquired talent—talent retention is as important in Cincinnati as in Cairo and Caracas. Even where the business case for a certain staff payment or benefit is largely local, today's intranets, email systems and internal electronic communications can reveal to employees, almost instantaneously, what the boss gives overseas counterparts. Launch a new bonus pool, a new pay-for-performance program or a new severance pay plan for your team in Denver and expect your staff in Dubai and Dublin to ask: What about us?

But harmonizing pay, bonuses and benefits across different markets and legal systems requires a proactive, strategic and legally-compliant approach.

**[Click here](#)** to read the full Report.

Donald C. Dowling, Jr.