Dispelling the Myth: Compensation structures for GEC employees

A common misconception in global mobility is that expatriates employed within a Global Employment Company (GEC) must always be compensated according to an international salary structure. This belief, while widespread, is not only inaccurate but also overlooks the flexibility and strategic potential offered by GECs.

To understand the true value of a GEC, it is essential to recognize that a GEC is essentially a legal entity or branch wholly owned by the parent organization. This ownership gives the company full control over the GEC's operations, provided they comply with local regulations, including compensation policies.

A GEC allows organizations to implement compensation strategies that align with the specific needs of the business, and there is no mandate to adhere to an international salary structure. In fact, many organizations take a segmented approach to compensation within their GEC. For example, it is not uncommon to see GECs that employ traditional long-term expatriates, as well as "rotators" and Senior Executive. In principle, it is possible to have 3 different compensation approaches for these 3 segments.

Ultimately, the choice of compensation structure for the GEC is influenced by the profile of employees that it hosts, and this, in turn, depends on the underlying objectives for establishing a GEC in the first place. Understanding these fundamental points is of critical importance. The myth that GECs are associated only with an international compensation structure has led several organizations to dismiss GECs as expensive, inflexible and inefficient. By contrast, many companies that have recognized the full potential of GECs, and implemented compensation

systems that cater to various employee segments. These organizations have maximized the utilization of the GEC, and successfully delivered substantial value, both to their business operations and to their employees.

In essence, GECs offer a level of flexibility that allows organizations to create compensation strategies tailored to their specific needs, employee profiles, and business objectives. Far from being limited to an international salary structure, GECs can host a diverse range of compensation models that enhance business efficiency and ensure competitive compensation for employees at all levels. By dispelling this myth, organizations can unlock the full potential of GECs, driving value across the board.

If you have questions on the optimal segmentation and compensation structure for your GEC, feel free to reach out to an ITX consultant.