

The Culture of Business - In Perspective

NOTE: Both authors have a topic to respond to and do not have prior knowledge of the position each is taking.

Standards of Pay – Discrimination or Misunderstanding?

By: Stephen G. Wright

Are there instances of unequal pay standards by expat companies? Certainly there is a fair amount of talk about this issue and I frankly am not sure why. While preparing an article on equal pay for equal work, for the American Chamber of Commerce, I submitted a draft to a colleague for feedback. My colleague pointed out that organizations she has had contact with pay well above the average wage here. Further, it was pointed out that some people here make more money than comparable employees in other nations.

I do not doubt that most local employees working in expat firms have wages that are higher. Yet the question seems not to revolve around the level of pay received but about the perceived inequity of compensation. Look at an example within an industry I have had many years of interaction with, higher education. A local professor, teaching in an expat operated institution, with a terminal degree is paid a wage higher than local colleagues in a Kazakhstan university, yet is paid less than expat colleagues. The same work but unequal pay?

In order to fully understand the situation we need to know the circumstances involved. An expat working in this region has a different set of financial requirements that need to be addressed. An expat worker has obligations in their home country and they will return there. So the compensation they receive needs to adjust for their needs here as well as back home. This only begins to scratch the surface of some of the variables that exist under the circumstances.

The most important thing to focus on is transparency. Like the word or not (it is over used these days), the concept is critically accurate in this instance. All expat organizations need to make their compensation package structures open for review. Please bear in mind I have said “structures” not amounts! Compensation is still and needs to be a confidential contract between the employer and the employee. Yet, the structure is what people need to be made aware of. In addition your compensation criteria, local and expat, should be clearly defined and easy to understand.

For any expat organization to look inward and say, “we treat our people well, and we give them more than local companies do”, is not sufficient! Expat firms have an obligation to maintain a relationship with the local community, not simply to produce Public Relations. If you say that your structures and criteria ARE already readily available for all to see, then why is there a persistent perception of inequity? Regardless of what you believe, it is the perceptions that others hold that most often becomes a truth. Why not put together a conference or forum for the purpose of coordinating compensation management information? Work together, build together and get the message out to ALL levels of the local community about our progress!

Mr. Wright has 12 years of field experience in 5 nations of the F.S.U. Some of his clients for seminars in cross-cultural relations, business communication strategies and “Understanding the U.S. Culture for Strategic Advantage” include, Gazprom, The Ministry of Transportation and Defense of Saudi Arabia, Bechtel, USDA Graduate School, and Georgetown University. Between 1996 and 2002 Mr. Wright was a member of the Associate Faculty in the MBA Program at Johns Hopkins University,

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Local Colleague Input
By: Aliya Chukmaitova
Equal pay for equal work

The main objective of the present article is to try to find an answer to the question of why any variation and inequality in payment for equal skilled labor for local and foreign employees exists.

In order to give keen insight into this situation the question on payment should be examined from different points of view. Fundamental understanding of the problem will include analysis of unbiased factors, which could be the basic causes of the variance in wages of foreign and local workers.

In 1991 after receiving independency Kazakhstan had changed its general strategy and way of development. The process of transition from a Soviet system with central planning to market economy was very difficult. At that time the Government declared openness and transparency of policy and liberalization of the economy. Although most of the reforms in the financial sector, privatization and in other economic fields were conducted by the Government, a lot of foreign experts and consultants from different developed countries and international organizations put much effort and energy into this process. Undoubtedly, foreign experts and consultants received very high payment for their work in Kazakhstan, but they were paid for knowledge and experience that no local expert had at that moment.

Certainly on that stage of development foreign experience and modern managerial skills made a significant contribution into the progress towards transition and today we reap the fruits of their labor such as: new types of thinking, modern skills, and international standards in the financial sector and other sectors of economy. With the help of foreign investors many enterprises after a decline started to work again applying new technology and new modern styles of management.

Socio-economic situation in Kazakhstan significantly improved during the last four years. Firstly, it should be noted that to date the level of education of youth - the new generation of experts - is very high. There are a lot of people who studied abroad in Master and PhD programs and have returned to work here. Moreover currently working employers have gained experience and skills to adapt to new environment. Thus among public reasonable question appears: "Why local and foreign employees with equal education and skills receive different wages? In this case most arguments come from a difference in experience. Regarding this issue it could be marked that, on the one hand, each country including Kazakhstan has its own specific character and local experts in most cases can work more efficiently. On the other hand, in conditions of a market economy companies try to minimize costs of production. If firms decide to hire foreign expert and pay him a high salary it probably means that an appropriate expertise is not available locally.

The question of payment for locals and foreigners is very discussable. In my opinion we should not draw generalizations for all cases and rather we should make suggestions for each particular case.

It can be concluded that companies have some sound reasons to pay higher salaries for foreign experts than for local such as the follows:

- ✓ Foreign expert has really good education and applicable working experience in the same field in developing country
- ✓ Foreign expert has unique expertise which are not available locally

As development and progress in different fields appear and more local experts become available the gap between wages of foreigners and locals will decrease. In the future companies will exercise less and less practice of hiring foreign staff. The exception from general rule will be probably made for: top managers and foreign professors who give lectures and conduct trainings.

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