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Current Remuneration Practices in the Multinational Companies in Malaysia: A Case Study Analysis

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Abstract

The increasing globalisation of the marketplace combined with an ever increasing shortage of skilled staff and advances in technology has resulted in large scale changes to remuneration practices throughout the world. And as Asian firms are unlikely to be immune from these challenges, an exploration was conducted with four multinational corporations (MNCs) based in Malaysia to assess the potential for their strategic remuneration policies to attract qualified international staff. A key aim of the study was to establish if the remuneration policies of this sample of MNCs that operate in the important chemical industry, are aligned with global practices. Specifically, four MNCs in the chemical industry, which were selected based on equity ownership, were analysed to ascertain if remuneration policies in the MNCs in Malaysia are being aligned with global trends by providing an account of remuneration policies practised in these four MNCs. In addition to identifying the relevant HRM practices commentary is provided of current knowledge in terms of best remuneration practices that could be emulated by local organisations as well as other institutions in the Asia Pacific region. A salient focus of the study is to assess if globalised foreign owned MNCs are more likely to align their remuneration policies with global trends rather than with the practices employed by locally owned MNCs. The findings are discussed in terms of implications for HR practitioners, particularly those in Malaysian organisations.

Introduction

Remuneration policies are recognised as being critical to the delivery of an organisation's business strategy and change initiatives, motivating and mobilising staff to achieve valued corporate goals. The use of financial inducements has featured prominently on both the agendas of human resource researchers and practitioners (Lawler 1984). More companies today are committed to providing competitive salaries and benefits. A compensation and benefits survey carried out by Culpepper shows that actual increases in base pay ranges from 3.2 per cent in Switzerland in 2007 to 12.3 per cent in Venezuela. Base salaries are growing at a faster pace in the Asia Pacific than other regions in the world. Countries with the highest projected base salary increases for 2008 are Venezuela (16.2 per cent), India (11.4 per cent), and Argentina (10.3 per cent), whereas, countries with the lowest projected base salary increases for 2008 are Luxembourg (3.2 per cent) and Switzerland (3.3 per cent) (Culpepper & Associates 2007). According to the 8th Annual Asia Pacific Salary Increase Survey, the Asia Pacific region witnessed the highest salary increase in the world with Sri Lanka reporting the highest release within the region (15.3 per cent). Asia was followed by Latin America with Venezuela leading with 18.8 per cent. Europe reported the third highest salary increase globally with Hungary leading the region with an increase of 7.5 per cent (Hewitt Associates 2007).

With the advent of globalisation and the increasing demand for skilled labour, changes in remuneration practices worldwide is inevitable. Increasingly, more companies are trying to further reinforce the pay and performance relationship through variable pay plans (Hewitt Associates 2007). Workers are recognised and competitively rewarded for their performance – not just through base pay, but through a variable pay plan, a share programme and other benefits. According to the 8th Annual Asia Pacific Salary Increase Survey, companies reported variable payouts of 14.5 per cent of their payroll in 2007 (Hewitt Associates 2007). Organisations that maintain effective remuneration policies are likely to have a sustained competitive advantage, as key employees are effectively locked into their careers and employment costs are minimised. Thus, remuneration plays an important role in today's organisations and will continue to evolve and expand. Lam, Zhang and Baum (2001) found that a relatively large percentage of Hong Kong workers, when compared to their American and Japanese counterparts, listed monetary rewards as their primary goals. What remuneration policies then are most desired by company employees? Past research show that many companies are moving towards performance based pay and an emphasis on incentives. Incentive payment offers the greatest productive benefit (Locke, Feren, McCaleb, Shaw & Denny 1980) while other research supports the role of incentives in raising productivity (Kaufman 1992, Banker, et al. 1996). Incentive pay has the potential to increase worker productivity if properly designed and maintained. Individual incentive plans offer the clearest link between a worker's effort and the reward (Billikopf 2006). The right strategy should include an incentive compensation plan that is directly linked to the goals of the company for that period (Sarvadi 2005).

According to the Culpepper Compensation Survey (2006), companies in the United States use incentive pay most frequently, followed by those in the United Kingdom and Canada. In addition, survey data gathered by Hewitt Associates reveal that company spending on variable pay for salaried exempt employees has been on the rise. Similarly, data from the NW Biotech & Health Technology Salary Survey (2004), The Seattle All-Technology Salary Survey (2004), The WorldatWork 2004 – 2005 Salary Budget Survey (2004), as well as several broader national surveys indicate that employers are continuing to increase their focus on variable/incentive pay, while striving to hold down base pay. Similarly, Soltis (2005) reiterates that more companies are resorting to balanced incentive portfolios, which tie incentives to specific goals. However, individual incentive plans may result in undesirable negative consequences, as there was in earlier times a tendency to neglect job aspects not covered in performance goals, reporting of invalid data on performance, and negative social sanctions for high performers (Lawler 1973). Individual incentive plans also promote self interest instead of organisational commitment (Beer 1993).

Before the Asian economic crisis, employees in many companies in Asia were rewarded with increases of approximately 10 to 15 per cent annually. Generally, these financial rewards were based on an employee's seniority, rather than in terms of the employee's performance. However, after the crisis, some Asian based companies felt forced to reward employees with variable pay plans such as performance based salaries and bonuses (Gross & Thadani 1999). The need for performance contingent payment is probably attributed to the fact that performance based payment is often advocated as a means of inducing higher productivity (Fein 1976, Lawler 1971, 1981). Recently, the 8th Annual Asia Pacific Salary Increase Survey (2007) reveals that salaries in China rose by 8.6 per cent, up from 8.3 per cent in 2006, with a more widespread adoption of schemes linking pay to performance. In 2001, 81 per cent of companies in Shanghai employed variable pay packages compared to 92 per cent of companies in 2005 (Moreno 2006). According to Leininger (2007), over the last four years, salaries have risen around eight per cent annually. The Hay Group Global Pay Day Analysis (2007) shows that Chinese pay increases are the highest in the world. Boosted by strong economic growth, administrative staff in China received pay increases of 10.1 per cent, professionals 10 per cent and senior managers 11.1 per cent. The amount of variable pay has gradually increased in recent years. For most companies, the amount of variable pay at the senior level will be equivalent to about two months salary. Variable pay in some industries, such as financial services, is much higher (Leininger 2007). These increases, give China the highest wage inflation in the Asia Pacific region. Similarly, India reported higher salary increases. According to Gerritsen (2005), India has the fastest remuneration increase rate in the Asia region at 11.7 per cent. However, in the 8th Annual Asia Pacific Salary Increase Survey (2007), Sri Lanka ousted India from the top spot by reporting the highest average salary increase at 15.3 per cent. India reported an increase of 14.8 per cent, up marginally from 14.4 per cent in 2006.

Remuneration in India is now characterised by a Total Cost of Employment approach, which places much emphasis on flexible benefits and increasing levels of variable pay. Variable pay varies from company to company as grade structures have become organisation specific (Gerritsen 2005). Salary progression for all employees is driven by market forces and individual performance and ranges from 11.9 per cent for manual workers to 16 per cent for professional/ supervisor/technical level (Hewitt Annual Study Reports 2007). In 2006, professionals and administrative staff experienced pay increases of 11 per cent while senior managers received 12 per cent (Hay Group 2006). In the late 1990s, senior/top management enjoyed the highest salary increases across all surveyed employee groups. However, since the year 2000, staff members at the professional/supervisor/technical level have received the highest increase. This group received a salary increase of 16 per cent in 2006 as compared to 15.4 per cent in 2005 (Hewitt Annual Study Reports 2007). Hewitt's Salary Increase Survey also demonstrated that locally owned organisations are awarding higher salary increases than multinational companies in India. In 2006, locally owned organisations saw an overall salary increase of 14.9 per cent, while foreign owned organisations saw an overall increase of 14.3 per cent.

Companies in Malaysia are also following the trend in line with the Malaysian government's call for a wage system in the private sector that links salary increases with productivity gains. The main complaint about the current wage system is that it is too rigid and it does not reward productivity, but instead gives priority to seniority. Nonetheless, pay rises in Malaysia are much lower; normally at 6.4 per cent for professionals and senior managers, and 6.1 per cent for administrative staff (The Hay Group Global Pay Day Analysis 2007). The 8th Annual Asia Pacific Salary Increase Survey (2007) reports an increase of 6.5 per cent in 2007. The average overall salary increase budget ranges from six per cent to seven per cent for the six employee groups (top executive, senior management, middle management, junior manager/supervisor/professional/, general staff, and manual workforce) surveyed for 2007, and from 5.7 per cent to 6.4 per cent for 2008 (Hewitt Associates 2007). However, according to Kohn (1993) people who expect an external reward for performance do not perform as well as those who perform with no expectation of such reward and that extrinsic rewards have never been linked to long term improvement in the quality of performance. Similarly, Beer (1993) argued that, at best, a pay for performance programme has a half life of five years, after which companies usually install an improved scheme.

Generally, salary increases were observed in all the countries surveyed by the Hay Group in 2007. Salary increases range from 2.1 per cent for administrative staff in Switzerland to 13.9 per cent for senior managers in Saudi Arabia and Russia, and professionals in Ukraine. Real pay rises were highest in China; 8.9 per cent for senior managers, 7.9 per cent for administrative staff and 7.8 per cent for professionals. The Hay Group Global Pay Day Analysis (2007) reports that pay increases in the United States was four per cent across the board. In Eastern Europe, salary increases are likely to be relatively higher than in previous years, while salary hikes can be expected to remain stable in Western Europe. Senior managers in Bulgaria received the largest real pay increases of any in Eastern European, at 7.8 per cent. However, for administrative workers it was only 4.3 per cent. Lithuania experienced average increases of 5.7 per cent while in Slovakia average real salary increases were 5.5 per cent. Average real salary increases in Rumania were 3.1 per cent. Similarly, the study reveals that all countries in Asia experienced salary increase in 2007. Though pay increases in Japan have been negligible in recent years, all Japanese employees receive generous summer and year end bonuses, which generally range from about ¥400,000 in companies with less than 30 employees to nearly ¥810,000 in companies with more than 30 employees (Gross 2006). In 2007, pay rises in Japan were at 2.2 per cent. In Singapore, the pay increase was 4.2 per cent for senior managers and administrative staff while professionals received 4.6 per cent. Comparatively, salary increases in Hong Kong were lower; 2.8 per cent for administrative staff, 2.9 per cent for professionals, and 3.1 per cent for senior managers (The Hay Group Global Pay Day Analysis 2007). Hewitt studies show that as Singapore's economy continued to strengthen, employees experienced average salary increases of 4.7 per cent, up from 4.6 per cent in 2006. Salaries also rose in Hong Kong and Japan (The 8th Annual Asia Pacific Salary Increase Survey 2007).

According to a survey by WorldatWork (2001), the use of spot bonuses which reward employees on the spot for achievements that deserve special recognition has increased slightly in the United States. In 2001, 53 per cent of 332 responding companies had a spot bonus plan, up slightly from the 50 per cent in 2000. Everyone from clerical staff to executives is eligible. These bonuses are quite considerable for a job well done and for executives and upper management, awards greater than $10,000 are not uncommon (Johnson 2002). In addition, spot bonuses, companies are also offering sign on bonuses to upper and middle management. These awards, which are given to new employees, serve two purposes 1) to establish goodwill, and 2) to buy out any compensation 'left on the table' from a previous employer (Ueda 2006). According to a recent survey taken by the WorldatWork, 60 per cent of the responding companies offer sign on bonuses and that upper and middle management were most likely to receive the offers. In technology related fields, half of technology and life science companies currently have a signing bonus for executives and technical employees. Hourly/non exempt and sales employees are less likely to be offered signing bonuses. The amount ranges from $1,000 to $10,000 – higher for executives and lower for hourly/non-exempt employees (Culpepper Trends Survey 2006). Researchers have also found that a signing bonus is not only restricted to the corporate sector. In response to projected teacher shortages, a number of school districts and a few states in the United States have begun experimenting with signing bonuses to attract new recruits (Ferdinand 1998, Gewertz 2001, Bryant 2002, Schemo 2002).

Though there has been limited evidence on the effect of merit pay on employee job attitudes (Schay 1988) and job satisfaction (Wood 1993), there was a significant rise in salaries in parts of Eastern Europe and the Asia Pacific (The Hay Group Global Pay Day Analysis 2007). Money may be an important work motivator for some, but research (Taylor 1991, Osterman 1995, Heskett, et al. 1997, Vallario 1997, Lau & May 1998) show that high quality support services and policies that enable employees to deliver results to customers enhances employee satisfaction, and hence, productivity. Nonetheless, many individuals prefer merit rather than seniority as a basis for pay increase allocations (Heneman 1988, 1990), and are likely to experience greater job satisfaction when they perceive their pay to be based on their performance (Lawler 1971, 1981, Greene 1973, Dyer & Theriault 1976). According to Balkin and Gomez-Meiji (1990) compensation systems are key to eliciting and reinforcing behaviours that support firm strategy and this can have a substantial positive or negative effect on performance.

To understand if the current remuneration policies in Malaysian companies are aligned with global trends, a case study analysis was done on four MNCs in the chemical and petrochemical industry – three foreign owned and one locally owned. It is generally believed that in developing countries, multinational companies have better HRM systems when compared to local companies (Taylor, Beechler, & Napier 1996, Duarte 2001). Multinationals are considered to be 'pattern-setting employers' in China and India; these are gradually leading to the emergence of global value paradigms among their employees (Chatterjee & Pearson 2000, Zhu & Warner 2000, Warner 2004). Local organisations are still very far from applying the concept of HRM as is understood internationally (Warner 2004). Global companies are regarded as training grounds for local employees and that local companies copy HRM systems from their global counterparts (Khilji 2004).

In this paper, first is presented the current global trends in remuneration based on extensive input from human resource executives at the more than 1,500 Salary.com clients and expert analysis by the Salary.com team of certified compensation professionals. This section of the paper highlights some of the contemporary remuneration practices that are widely practised in big MNCs, which include the use of incentive payments such as spot bonuses, signing bonuses and retention bonuses. Performance based pay, the increasing demand for talent workers, work from home programmes and increasing health care costs are likely upcoming trends. Subsequently, in the next part of the paper, evidence will be presented to demonstrate if the remuneration policies of the companies in this study are aligned with global trends, and whether foreign owned MNCs being more globalised and technologically advanced have adopted more contemporary remuneration policies for their employees. With the advent of globalisation, which makes it easier for workers to move across boundaries, having remuneration practices that are aligned with global trends may be essential for competitive advantage. Indeed, it is likely the more entrepreneurial, achievement oriented individuals will be more attracted to organisations where rewards are based on competency and performance (Lawler 1981). Finally, in the concluding section, the implications for human capital practitioners in Malaysia will be discussed together with the relevance of this paper content for contemporary Malaysian MNCs.

Global Trends in Remuneration

Creative and jumbo size remuneration packages have become a way of life with the competitive demand for brainpower over the last several years. In general, organisations are moving toward salary and remuneration systems that emphasise flexibility, goal achievement, and variable pay based on performance, and less emphasis on increases to base pay. Hewitt Salary Studies reveal base pay increases remain stable for 2007 with more companies relying on variable pay (Hewitt Associates 2006). These companies are using bonuses based on profit and accomplishment to add to employee remuneration. For example, in the U.K., between 30 per cent and 50 per cent of organisations are using bonuses, compared with only around 20 per cent five years ago. The higher up an organisation an employee progresses the more likely they are to enjoy a bonus and at the very top level bonus potentials have increased considerably (Centaur Communications Ltd. 2003). A research conducted by Salary.com reveals remunerations trends will focus mainly on companies offering their employees added flexibility, more incentives based on performance, and earlier bonuses and salary increases (Malachowski 2006). The 2006 salary/compensation trends list compiled by the Salary.com team of certified compensation professionals reveals top ten remuneration trends for 2006. These trends, in addition to some of the likely global trends, are grouped into the three categories of (a) cash compensation, (b) incentives, and (c) benefits.

Cash Compensation

Cash compensation is a current remuneration trend. There is growing momentum for HR departments to continue to move towards pay for performance, with a greater emphasis on incentives where employees will be rewarded when they meet or exceed performance goals that were set with their managers. This particular emphasis on remuneration is perhaps due to the fact that subordinates tend to be more satisfied and motivated when rewarded by their supervisors (Podsakoff & Todor 1985, Yammarino & Bass 1990, Yukl, Wall & Lepsinger 1990), and that the more entrepreneurial, achievement oriented individuals are likely to be attracted to organisations where rewards are based on competency and performance (Lawler 1981). Theoretical developments based on agency theory have also demonstrated the advantages of adopting performance based pay system in order to attract superior employees and induce greater effort from the existing workforce (Gibbons 1998). Furthermore, if effectively managed, incentive schemes can be a useful mechanism to enhance employee satisfaction (Koh & Neo 2000). In fact, pay for performance has become an important compensation objective in many organisations (McAdams 1988). Though base pay is likely to increase at a moderate three to four per cent per year, more employees, potentially can have the opportunity to earn more in variable pay incentive programmes. Firms are trying to replace fixed pay plans by variable plans, in which salaries rise when there is an offsetting rise in production or profits (Appelbaum 1991). More than half of all large to mid size companies have variable pay schemes that tie a portion of pay to the competitive performance of the organisation or business unit as a whole (Gibson 1995).

According to survey data gathered by Hewitt Associates, the use of variable pay as a strategic lever continues to be an important means of attracting and retaining talent, with 87 per cent of respondents saying they had variable pay plans in 2006. Company spending on variable pay for salaried exempt employees amounted to a meagre 3.1 per cent of payroll in 1991. By 1995, this amount rose to 7.6 per cent. For the year 2000 spending on incentive awards was over three times as high as in 1991 or 9.7 per cent. According to the study, variable payout awarded by companies in 2006 was 16.5 per cent of their payroll. Target variable payout was highest for senior/top management at 20.4 per cent (Hewitt Annual Study Reports 2007). In 2007, companies reported variable payouts of 14.5 per cent of their payroll. Actual variable payout was highest for top executive at 22.1 per cent, and is expected to rise to 23 per cent in 2008 (The 8th Annual Asia Pacific Salary Increase Survey 2007). Variable pay has thus, grown in prevalence since the early 1990s, with 80 per cent of responding companies currently offering at least one type of broad based variable pay plan, compared with 51 per cent in 1991. Variable pay continued to be an important means of attracting and retaining talent, with 91.8 per cent of responding organisations using this practice (The 8th Annual Asia Pacific Salary Increase Survey 2007). According to Hewitt Salary Studies (Hewitt Associates 2006), special recognition awards are the most common awards (63 per cent), followed by business incentives (62 per cent), signing bonuses (62 per cent), individual performance awards (44 per cent), non executive equity awards (44 per cent) and retention bonuses (35 per cent). In 2007, individual performance awards were the most popular, with nearly 68 per cent of responding organisations saying that this is their preferred type of variable pay plan, followed by special recognition awards and business incentives.

With the advancement of technology, employees could start seeing their bonus payments and salary increases sooner than in years past. Salary review processes are likely to be enhanced and employees may be rewarded earlier. Employees no longer have to wait months for all the administrative work of performance and salary reviews to be completed. In addition, workers may see an increase in pay for jobs with increased visibility and increased demand. Workers with specific skills that are in high demand can potentially negotiate a higher salary, more incentives, or a bigger bonus. Employers are willing to pay more to retain workers that would be of great value to the company. According to Appelbaum and MacKenzie (1996), top ranking executives receive an average bonus of 24 per cent of their income in a normal year and 35 per cent in a particularly good year. The 8th Annual Asia Pacific Salary Increase Survey reveals that organisations are becoming dealers in talent, using pay and benefits as a strategic lever to attract, motivate and retain talent. More and more organisations are showcasing themselves as dealers in talent, with aggressive pay positioning and increased benefits, hence, having a heavy skew towards being transactional (Hewitt Associates 2007). Mercer Human Resource Consulting in the latest Total Remuneration Survey (TRS) for Singapore, that covers over 500 companies across 13 industries, found the pressure on the Singapore labour market to retain and attract talent was intense in 2006. Many organisations are planning on using even higher salary increases to help overcome the challenges associated with increasing staff turnover rates (Total Remuneration Survey 2007).

A review of executives' remuneration is another trend in human resources. Companies and their boards are likely to reevaluate, cut back, or eliminate components of their executive pay programmes though regular rank and file employees may expect more spot bonuses, pay for performance incentive plans, and merit salary increases. Some employers may cut back on executive perks, eliminate executive severance packages/golden parachutes, and reevaluate supplemental executive retirement plans (SERPs). Furthermore, it is also anticipated that the number of openings for expatriates and the attractiveness of expatriate packages are on the decline. Now, many employers are either refraining from giving expatriates any special treatment at all or converting expatriate packages to local remuneration. Also, many companies may prefer to hire younger or older candidates whose financial commitments are probably lower. In addition, many foreign firms are no longer paying for the children of their expatriate employees to go to the most expensive local schools (Gross & Thadani 1999).

Incentives

The trend for incentives is the use of various bonuses to compete for the best workers. Managers will increase the use of spot bonuses to provide immediate positive feedback to key contributors. Aspot bonus may be offered upon completion of a difficult task. Spot bonuses not only strengthen the connection between pay and performance, but can motivate and keep employees satisfied. Employees may also see more team spot bonuses in the future. As the demand for talented employees will increase, the use of signing bonuses is likely to return in moderation, and more companies are expected to reintroduce signing bonuses in recruitment. Though employers will be more cautious with the frequency and magnitude of signing bonuses, talented workers that are in great demand may be able to negotiate a signing bonus during the interview process. Employees eligible for a hiring bonus typically receive a flat dollar amount ranging from $1,000 to $10,000, with these amounts trending higher for executives and lower for hourly/non-exempt employees (Culpepper Trends Survey 2006). Signing bonuses do not always involve offering money to a job candidate and non financial rewards that have a high perceived value to that candidate may be given. Similarly, retention bonus plans would be used to motivate and engage key talent by overtly recognising their achievements. Retention bonuses are given to employees in unusual circumstances, such as a merger or acquisition, or when an important project needs to be completed. These bonuses are designed to provide continuity when there is potential uncertainty about an employee's continued employment at the company (Ueda 2006). With the emphasis on bonuses, stock option usage will continue to slow. Instead of issuing stock options to employees, employers will look to replace them with other motivating tools, such as one-time grants, restricted stock, or cash.

Benefits

To retain workers by keeping them motivated and satisfied, companies may have to increase the opportunity for employees to develop professionally. For this achievement, more resources such as adult education, corporate training programmes, and online educational opportunities may be made available for employees. Educational advancement programmes and tuition reimbursements may also be negotiated, as more qualified employees are likely to improve the bottom line (Malachowski 2006). Thus, retraining would probably become a challenge for employers and employees. Besides, as younger employees tend to job hop for better salaries, employers will be looking for creative ways to retain older workers, as they are less likely to leave, and, therefore, could provide greater organisational stability. This is especially imperative for employers who are looking to increase their workforce in the near future.

Companies are also removing the hardship premiums that have traditionally accounted for as much as 30 per cent of the gross base salary. Hardship premiums were used to persuade executives to relocate to 'undesirable' posts; places in which living conditions are bad. With decreasing political violence and crime, improvements in infrastructure, better sanitation and communications, many companies are gradually doing away with (or reducing) hardship premiums. However, companies today are facing increasing health care costs. According to a report on the Monthly Labor Review (Stelluto & Klein 1990), life, health, and disability insurance accounts for about six per cent of compensation costs, but this component is growing with the rapid rise in health care costs. Preliminary results from the fall 2004 edition of The Seattle All-Technology Salary Survey report that participants were experiencing median premium renewal increases of 12 per cent. Similarly, a national study reported that health care costs increased 11.2 per cent in 2004. In China, though the percentages can be raised along with economic development, upper limits for the basic health fund is set at six per cent of salary for the company contribution and two per cent of salary for the individual's contribution. According to Watson Wyatt Worldwide, 64 per cent of foreign owned companies operating in China offered supplementary medical insurance to their employees in 2007. Other supplementary benefits offered included education assistance, life insurance and housing benefits (Canadian Management Centre 2007). An article in Research Review reveals that the rise in health care costs has been rising alarmingly during the past two decades (Soltis 2005).

Another remuneration related trend is that more companies are expected to introduce work from home programme or flexible work weeks. Many employers have discovered the benefits of allowing employees to work at home through telework (also known as telecommuting) programmes. Telework has allowed employers to attract and retain valuable workers by boosting employee morale and productivity (The U.S. Equal Employment Opportunity Commission 2005). Employees who prefer to work from home for various reasons – family situations, high gas prices, travel concerns, and high childcare costs – would be able to do so with this job design structure. If working from home is more attractive to employees, the employer may be willing to accommodate to the wishes of the employees to make life easier for them (Malachowski 2006).

Allowing an employee to work at home may be a reasonable accommodation if a job can be performed at home without causing significant difficulty or expense for the firm. Technology is also making working from home feasible for employers. Though personal computers, laptops, connectivity, networking, telephony and printing/copying/faxing needs may be necessary, a job design that incorporates working from home is a win-win situation. On the one hand, the employer may be able to retain an employee who is thinking of quitting, while on the other hand, an employee is able to get a job closer to home. However, it may be necessary for both the employer and the employee to have a flexible working schedule so that work is done in a timely way. In this way, an employer does not have to lower production standards for individuals who are working at home. The employer and employee may also have to agree on how supervision would be undertaken.

The literature demonstrates that remuneration systems vary widely. A key aim of this study was to evaluate the nature of remuneration policies and practices employed by four important MNCs that operate in the Malaysian petrochemical industry. The next section will discuss the methodology for the study.

Methodology

Site and Subjects

The study was carried out in four leading chemical and petrochemical MNCs that were located in a common industrial area in Malaysia. The chemical and petrochemical industry was selected for this research to understand what drives employees to stay with these companies despite the perilous nature of the job. Workers are not only exposed to the physical hazards at the workplace, but also the chemical pollutants in the air. The four companies were identified based on the equity ownership to see if different ownership has an impact on the remuneration policies of the company. The study was conducted in the natural environment of the organisations with minimum interference by the researcher. The four companies for the study are given the fictitious names of Company A, Company B, Company C, and Company D. Company A is one of Malaysia's largest and leading chemical companies. It is a joint venture between a foreign owned chemical company and Malaysia's state owned petroleum corporation. Company B is a 100 per cent foreign owned company manufacturing various products including chemicals. One of the largest integrated oil, gas solar and petrochemical companies in the world wholly owns Company C. Company D is wholly locally owned.

For the purpose of this research, it is hypothesised that the remuneration policies of foreign owned MNCs are likely to be more aligned with global trends as compared to locally owned MNCs. Data were obtained through indepth interviews with some of the senior management staff. At Company A, two senior HR managers (a male and female in their 40s) and two HR executives (both females in their 30s) were interviewed. At Company B, the Assistant HR Manager (a male in his 40s), a HR executive (a female in her 30s) and the Quality Manager (a female in her 30s) provided information. At Company C, the Senior HR Manager (a male in his 40s) and two HR Advisors (both males in their 40s) were interviewed while at Company D, the Senior HR Manager (a male in his 40s) and two HR executives (both females in their 30s) participated in the study. The study was conducted in such a way that respondents did not suffer discomfort, embarrassment, or loss of privacy. The research ethics consideration of this study was demonstrated by ensuring the strictest confidentiality to the research participants. Employees who would be interviewed were informed in advance to eliminate the element of an unpleasant surprise. Thus, respondents had given their informed consent before participating in the research. A brief description of the purpose and benefits of the study was discussed with the respondents before the interview.

Procedure

The study began with a literature review of books, as well as articles in journals related to the research topic. Company records, newspaper articles, handbooks and magazines were other sources of secondary data. Searching the World Wide Web for information on the Internet also served as a source for secondary data. Secondary data gathered through a literature review and opinions of various writers on issues relating to HR management policies gave an indepth understanding of the study boundary. Primary data were collected from indepth interviews with the staff of the HR Department and these sessions were done face to face. Follow up discussions were carried out electronically through e-mails, facsimile and telephone.

The study design had five steps. The first step was to obtain permission to carry out the research from the MD or CEO of the companies. A written letter was sent and faxed to the companies outlining the objectives of the research. After approval from the company, the next step was to contact the HR Department of each of the companies by telephone. In the third step, a meeting with the HR Directors was arranged and a general outline of the research's aim and methodology was mailed to them in advance of the meeting. At the first meeting with the HR Directors the theme, the purpose, general outline, method, and details of the study were explained. Permission was then obtained to interview some of the staff in the HR Department. After identifying the respondents for the interview, the fourth step was to arrange a meeting with the interviewees for some preliminary discussions. The final step was to conduct interviews on a mutually agreed date and time at the company's premises.

As the focus of the study was on identifying current remuneration policies of the MNCs in the chemical industry and its alignment with global remuneration trends, qualitative data were collected through structured interviews. Structured interviews (32 questions) were carried out in a private room and each one lasted for an hour to an hour and a half. However, based on the respondent's answers, other relevant questions were also asked. Tape recordings of each interview were made and later transcribed verbatim into written form. This was done repeatedly in an effort to retain the essence of what the individual was trying to say. The interview drafts were then sent back to each of the interviewees to ensure the accuracy of the transcribed data. Notes were also taken during the interview and a summary of each interview was drafted. The interview drafts and the summarised responses to each question were tabulated and analysed comparatively to identify key trends.

Measures

Based on a comprehensive review of related literature, a set of 14 items was identified as current global remuneration trends for the analysis. These items were grouped into three categories, namely cash compensation, incentives and benefits.

Analysis

Complex statistical procedures are not employed to evaluate the data. Data obtained from the interviews were analysed on a comparative basis and tabulated to identify the remuneration policies that are aligned with the three categories. For each item, analysis was done comparatively for the four companies and the policies that are aligned with global trends were identified. An overview of the responses is provided in a descriptive and comparative manner. Tables were drafted for comparison of the policies among the four companies. The number of remuneration policies that are aligned with global trends for each company was then converted as a percentage of the total global remuneration trends to understand the alignment rate. The policies of the four MNCs for each global trend were also discussed to understand the differences and similarities with each trend.

Results

On examination of the global trends in remuneration and benefits, it can be concluded that the policies of the companies are not significantly aligned with most of the earlier described trends. Table 1 shows that as far as cash compensation is concerned, in all the companies, the emphasis is on pay for performance and to provide better benefits. This observation is similar to findings by McAdams (1988) and in line with the current trend that HR Departments will continue to move towards pay for performance with a greater emphasis on incentives. In all the companies pay is dependent on the competence of the employee as well as the achieving of objectives set for the year. Seniority has no substantial effect on pay and progress against set targets is monitored through performance review meetings. In addition, all the companies place great emphasis on incentives for their employees. This is likely to be due to the fact that incentive payment offers the greatest productive benefit (Lawler 1971, 1981, Fein 1976, Locke, Feren, McCaleb, Shaw & Denny 1980, Kaufman 1992, Banker, et al. 1996) as well as to enhance employee satisfaction (Koh & Neo 2000). Some of the incentives offered by these companies are shown in Table 1. As for contribution to the Employee Provident Fund, except for Company D, all the other companies contribute a higher percentage for workers who have been with the company for a number of years. In terms of overtime, Company C is paying a higher overtime rate than that stipulated by law. However, it is unlikely that employees could start seeing their bonus payments and salary increases sooner than in years past. As bonuses and salary increments are normally paid out after performance appraisal, employees are unlikely to receive an earlier pay increment or bonus unless there is a change in the timing of the performance appraisal. In most companies, a pay increment is in January and bonuses are paid in December. Some companies may pay a bonus twice in a year, such as in Company C, where bonuses are paid during March and December.

Table 1 Cash Compensation Policies of the Companies

	Company A	**Company B**	**Company C**	**Company D**
	Pay for performance			
	Achieving of objectives set	Various criteria	Progress against targets set	Performance management system
Assessment	Biannual reviews	Biannual reviews	Quarterly reviews	Quarterly reviews
Pay package	Basic salary, overtime pay, allowances and bonus			
Overtime rate	Stipulated by law	Stipulated by law	Higher than that stipulated by law	Stipulated by law
Allowances	Shift, car cash	Shift	Shift, fire crew, petrol, entertainment	Shift, standby and shift coverage, cost of living, petrol, laundry and meals
Revision of pay	Performance-based			
Contribution toEmployee Provident Fund	Increase after seven years of service	Increase after three years of service	Increase after three years of service	No change
Pension scheme	No	No	No	Yes
Bonus	Variable bonus	Variable bonus	Fixed and variable bonus	Fixed and variable bonus

Early bonus payments and salary increases

- No
- Bonuses and salary increment are paid out after performance appraisal
- Pay increment is normally in January and bonuses are paid in December

An increase in pay for jobs with increased demand

- Possible
- Determination of starting pay is negotiable

	Company A	Company B	Company C	Company D
Criteria for determinationof starting pay	Minimum academic qualification, experience, job grade, market rate, lastdrawn pay			
	Reevaluate executive pay programmes			
	• Unlikely, as there is no policy to resort to pay cuts • All the companies are looking at improving the current benefits package • The expertise of experienced workers is invaluable to the company			
	Decline in attractive expatriate packages			
	• No • Companies have no control over expatriate packages – guided by the policies of the parent company			• Yes • On the same basis as the locals

As potential recruits are allowed to negotiate their starting pay during interviews, there is a possibility that workers may see an increase in pay for jobs with increased visibility and increased demand. If there is an increasing demand for specific hard or soft skills, companies will definitely be willing to pay more to those potential recruits who possess the desired skills. Employees with those skills can also expect companies to reward them accordingly in order to retain them. Currently, those employees with IT skills are able to demand a better pay. Nevertheless, the determination of the starting salary depends on the job grade that the employee enters, and the salary range in each job grade will determine the pay of each employee. As all the companies are in a new industrial area, a competitive remuneration package is essential not only to entice experienced and skilled workers, but also to retain the valued personnel. Thus, academic qualifications and experience are the main criteria in determining the starting pay of the new recruit. As there is no policy in most companies in Malaysia to resort to pay cuts, it is unlikely that the companies in the study would embark on such a programme. As such, none of the companies and their boards will be looking to reevaluate, cut back, or eliminate components of the executive pay programmes. In fact, all the companies are looking at improving the current benefits package. Non performers may not be given any increment, but the companies do not cut the pay of a non performer. Besides, the expertise of experienced workers is invaluable to the company and a cut back may result in an exodus of highly marketable employees to competitors.

In all the companies, expatriates were mainly recruited by the parent company. Except for Company D, a decline in attractive expatriate packages is not anticipated in the other three companies, as these expatriates are compensated by the parent company. The companies are not directly involved in the recruitment of these expatriates, and thus, have no control over expatriate packages. Besides, most of the expatriates are in higher management and will be stationed at the companies for about three to five years, after which other expatriates appointed by the parent companies will replace them. These expatriates are guided by the policies of the parent company and are based at the subsidiary on a rotational basis, and are likely to leave once they have finished their assignment. There were many expatriates when the plant was first set up, but most have repatriated and their roles are now localised. At Company D, expatriates were recruited to cover areas where local staff lack the expertise. Once the technical skills are transferred, the expatriates are expected to leave, as it is costly to maintain them. The company's future policy is to recruit foreign personnel on the same basis as the locals – equal treatment in every aspect, including remuneration and benefits. However, foreign personnel expect expatriate pay.

Table 2 summarises the incentive practices of the companies in comparison to current global trends. Though the current trend is that managers will increase the use of spot bonuses to provide immediate positive feedback to key contributors and the use of signing bonuses will return in moderation, none of the companies has these practices. There is no signing bonus even though the expertise of the candidate is very much needed in the company. The absence of a signing bonus is in contrast to findings by other researchers where some organisations have begun experimenting with signing bonuses to attract new recruits (Ferdinand 1998, Gewertz 2001, Bryant 2002, Schemo 2002). These candidates may have a better bargaining power in the negotiation of pay and benefits during the interview. Nevertheless, the candidate will be offered a pay within the salary range of the job grade. None of the companies uses retention bonus plans to expedite the completion of important projects. A retention bonus, which is usually about 10 to 15 per cent of the salary, is given to employees in unusual circumstances, such as a merger or acquisition, or when an important project needs to be completed (Ueda 2006). As far as possible, projects are carried on as schedule and the use of retention bonus plans may actually 'backfire'. Besides, the companies do not anticipate a merger or acquisition in the near future. As far as a stock option scheme is concerned, though stock option usage will continue to slow, the policy in Company C and Company D are expected to remain the same. In Company A and B, there is no stock option scheme and there are no plans to implement a share option scheme in the near future. Employees in Company C are allowed to participate in the stock option scheme known as 'share match' where for every share bought by the employee, it will be matched by another share given by the company. This scheme depends on the group performance and the average salary for the year.

Table 2 Incentive Policies of the Companies

	Company A	Company B	Company C	Company D
Spot bonus	None	None	None	None
Signing bonus	None	None	None	None
Retention bonus	• None • Projects are carried on as schedule as far as possible • The companies do not anticipate a merger or acquisition in the near future			
Stock option scheme	No	No	• Yes • Expected to remain the same	

With the rapid advancement in technology, training is inevitable to keep up with the changes in technology. Thus, retraining will become a challenge for employers and employees. The demands for funds to finance knowledge enhancement is likely to increase and this would mean added expenditure for the company. Except for Company B, the other companies are continuously training and retraining their workers. Company C has even adopted the learning organisation concept where lifelong learning is encouraged. In addition, with the advent of globalisation, employers will find creative ways to attract and retain older workers. All the companies in this study have very attractive remuneration packages to retain not only older workers, but also all employees in general. Comparatively, the benefits for older workers at the management level are higher in all the companies. In Company D, for example, senior managers and above are given a grant to purchase a vehicle of their choice every five years, after which, they are allowed to keep the car as their own. As far as hardship premium is concerned, there is no question of a reduction in hardship premium as all the companies are quite strategically located, and thus, do not provide hardship premium. However, there has been much emphasis on improving health benefits for all employees. As such, it is anticipated that increasing health care cost will cut into the budget of the companies; similar to findings by Stelluto and Klein (1990) emphasising the rapid rise in health care costs. All the companies in the study provide reasonably good health insurance schemes to the employees. The availability of better insurance schemes is also partly due to the hazardous nature of the workplace where the health of the workers is expected to deteriorate at a faster rate than workers in other less risky jobs. Prolonged exposure to unhealthy air and pollution at the workplace would jeopardised the health of the employees and the companies have responded accordingly in providing better health benefits. However, though employers will expand their use of work from home programmes for employees, none of the companies has implemented such a system. All workers follow the regular office hours stipulated by the company. In the case of shift workers, they follow the shift schedule fixed by the company. All the companies still adhere to the inflexible working condition where companies resort to monitoring staffs using the security assessment system.

Table 3 outlines some of the benefits practices of the companies in the study. Many global organisations are challenged by retraining, as this requires these corporations to increase expenditure on retraining. Companies not only have to justify the budget spent on retraining, but also ensure that learning is a continuous process for all employees. In order to attract and retain older workers, all the companies have very attractive compensation packages that will tie the workers to the organisation. Compensation packages for older workers in all the companies are generally lucrative. No hardship premium is given, as all the companies are located quite strategically with easy access to various amenities. In line with the current global trend, all the companies are facing increasing health care cost, which provide reasonably good health insurance to the employees. Currently, there is much emphasis on better health care benefits for all employees. Nevertheless, none of the companies has adopted the work from home programmes. While shift workers follow the shift schedule, all other workers observe regular office hours.

Table 3 Benefits Policies of the Companies

Retraining will become a challenge

- Except for Company B
- Added expenditure for the company
- Company has to justify the budget spent on such retraining programmes
- Employees too will have to continue to learn, unlearn and relearn

Creative ways to attract and retain older workers

- Have very attractive compensation packages to retain not only older workers, but also to all workers in general

- Benefits for older workers in all the companies are higher

Hardship premium increasing health care costs

- None
- All quite strategically located and not in some rural areas
- Will cut into the budget of the companies
- Provide reasonably good health insurance schemes to the employees
- Much emphasis in providing better health benefits for all employees

Work-from-home programmes

- None
- Shift workers, they follow the shift schedule
- All the other workers follow the regular office hours

Analysing the remuneration practices of the companies, it was found that 42.9 per cent of the remuneration policies in Company D are aligned with global trends. Both Company A and Company C have adopted about 35.7 per cent of the global trends while in Company B only 28.6 per cent of its remuneration policies are aligned with global trends. This evidence suggests that remuneration policies in the locally owned MNC s are perhaps more contemporary in nature, but generally all the companies are not keeping up with the global remuneration trends. This could be due to the limited applicability of some of these trends or the companies are satisfied with the current remuneration policies. The figures are arrived at by identifying the number of company's remuneration policies that are in line with the trends discussed. All the companies have adopted performance based pay, and for jobs with increased demand, an increase in pay is possible. As for incentives, Company C and Company D have a stock option scheme for its employees. Except for Company B, where little training is carried out, and Company C, where lifelong learning is encouraged, retraining will become a challenge. All the companies have adopted creative ways to attract and retain older workers. Though no hardship premium is given, increasing health care costs is inevitable. None of the companies practises work from home programmes.

Discussion

Emphasis on Pay for Performance

The study results show that the MNC s, regardless of ownership, have not aligned most of the remuneration policies with global trends. Among the remuneration policies that are aligned with global trends is pay for performance, with a greater emphasis on incentives. All companies emphasised performance where pay and promotion are linked to the achievements of set targets. Though some of the companies have introduced competency based assessment, which is similar to ability based assessment, it is important to distinguish between potential competencies and competencies demonstrated at the workplace. Attaining a higher academic qualification means increased competencies, but if the competencies are not applied in the job, they do not add value to the organisation, and, therefore, are not recognised. This has caused a lot of dissatisfaction among some of the workers at the workplace as many have taken the initiative to go for further studies and self development at their own expense without any benefits in return. This ought to be noted by superiors as subordinates tend to be more satisfied and motivated when rewarded by their supervisors (Podsakoff & Todor 1985, Yammarino & Bass 1990, Yukl, Wall & Lepsinger 1990). Workers are likely to leave their organisation if a promotion is not forth coming after attaining a higher qualification. Consequently, the company may lose academically qualified key personnel, as well as their skills and knowledge, that have been acquired over the years, to competitors.

More transparent companies are likely to communicate better work ethics to their employees. However, employees may not want to sacrifice their career, in exchange for professional work ethics. For example, employees may be reluctant to demonstrate their true ability, if it were to increase their workload. There may be a tendency to allocate more work to competent staff, and this extra workload may discourage employees from revealing their latent abilities. Employees that are overburdened with extra workload are likely to feel demoralised, and this could affect their performance. Furthermore, because of extreme competition, and politics at the workplace, competent workers may be reluctant to groom coworkers though the government has emphasised much on knowledge sharing. Unlike Japanese corporations, where workers are highly recognised for grooming coworkers and subordinates, the mentor-mentee system is not much emphasised. The possibility of being superseded by subordinates, and the uncertainty in one's career path, may discourage knowledge sharing among employees. Such work ethics are also attributed to severe competition, which promotes self interest instead of organisational commitment (Beer 1993). If more weight was given to ability shown in assessment, workers would probably be more willing to demonstrate their abilities. This would have a spiralling effect on knowledge sharing, better work ethics, more team working, commitment, improved motivation, and increased productivity. To induce greater effort from the existing workforce, performance based pay system might be advantageous, managerial strategy (Gibbons 1998).

Employees' Provident Fund

The Employees Provident Fund (EPF) is a compulsory programme that provides retirement benefits for employees through management of their savings in an efficient and reliable manner. EPF is governed under the Employees Provident Fund Act. Currently, employees contribute 11 per cent of their monthly income while the employer contributes 12 per cent of the income. However, all the study companies have a policy of contributing more to the Employees' Provident Fund (EPF) after a certain number of years of service. Company A, for example, increased the company's contribution to EPF for workers who have attained eight years of service with the company. In Company B and Company C, employees with more than three years of service get an extra three per cent in EPF contributions by the employer. The increased contribution is likely to motivate employees, as it means more money on retirement. Furthermore, beginning February 1, 2008, younger EP F contributors will be able to make withdrawals from their accounts for investment. T his is under the EPF's new 'Beyond Savings' scheme where members can withdraw a portion of their savings from their Account One that is in excess of a 'basic savings,' which varies according to age. T his basic amount increases according to the age of the contributor and would ensure that he had at least RM 120,000 by age 55. Under the new scheme, contributors can withdraw at least RM 1,000 and up to 20 per cent of the excess amount once every three months. For example, the basic savings amount for a contributor aged 25 is RM 9,000 while a person aged 35 must have at least RM 29,000 before he can make a withdrawal (The Star 2008). Employees receiving higher EPF contributions are likely to benefit from this scheme if they invest wisely. EPF also provides an investment scheme for members who wish to invest part of their savings in unit trusts.

The EPF also provides various early withdrawal schemes for its members before they reach retirement age. These financial arrangements can be a withdrawal scheme to purchase/build a house, withdrawal scheme to reduce/redeem a housing loan, health withdrawal scheme, members/ members' children education withdrawal scheme, incapacitation withdrawal scheme, leaving the country withdrawal scheme, pensionable employees withdrawal scheme, and optional retirement withdrawal scheme. Though employees in all the study companies are likely to benefit from such systems, especially with the higher contribution from the employers, there is no system to ensure that employee's welfare after retirement would not be jeopardised due to a lack of funds. These companies do not have a pension scheme for their employees, and on retirement, employees depend on contributions to EP F for livelihood. Thus, it may be necessary for these companies to educate their employees on managing the funds, as it has been reported that EP F contributors had suffered losses of RM 600 million after investing in unit trusts (The Star 2006).

Overtime

Overtime is allowed in all the study companies and though all of them adhere to the maximum hours stipulated by law, companies may consider the implications of permitting the employees to do the maximum number of hours. Increased hours mean increased stress and in the long run the health of these workers may be affected. This is likely to escalate health care expenses of the company besides jeopardising the performance of the workers. The companies need also to look into the legal consequences if injuries or death occur at the workplace as a result of 'over work'. In addition, in some of the companies, workers do not have to fill out any documents as proof of overtime. Though there are systems to monitor the movements of the workers as in Company A, it encourages the misuse of overtime for personal gains. The system encourages low productivity during working hours and overtime work may be necessary to meet deadlines. This translates into higher costs for companies, and, therefore, it is imperative for management to find counter measures to overcome this problem and maximise the productivity of the workers. A reduction in overtime work not only reduces cost, but also helps contribute to a more balanced work life where employees have more time for their families and recreational activities.

Determination of Pay Increment and Bonus

Introducing schemes such as performance management system ensures that the determination of pay increment and bonus is more objective with the ratings based on competence and performance (Gross & Thadani 1999, Soltis 2005). In Company C, credit is also given for participating in extra curricula activities (10 per cent). The use of predetermined scales in assessment reduces arbitrariness and dissatisfaction among the employees. These structured assessments encourage healthy competition in the company and have the potential to improve superior-subordinate relationships. This enhances the quality of work, as workers are able to work cooperatively as a team. Improved productivity may translate to higher bonus as well. However, companies have to communicate clearly the criteria for assessment. Understanding the criteria is likely to drive employees to work towards those goals and in the process produce better workers for the company. Besides, a better understanding of the assessment helps reduce discontentment, if the workers were rated lowly. Nevertheless, the policy of limiting the increment so that the salary does not exceed the range in that job category could be rather discouraging. It is unlikely that employees would sacrifice for the company if the anticipated increment is negligible. Some companies have also introduced the quartile system where employees whose salary is in the upper quartile of the salary band will get a lower percentage of increment compared to employees in a lower quartile even though the ratings are the same.

The determination of pay increment for non executives through collective agreement ensures that the amount reflects company's performance. Giving more than the amount decided through collective agreement has the potential to encourage employees to strive harder, and indeed, the companies may also introduce a fixed and variable component to enhance performance. A similar system may be applied to executives, as no increment at all could be rather demotivating and lead to higher levels of turnover. At the same time, giving non performers an increment may encourage complacency. In all the study companies, non performers are not given any increment, but the companies do not cut the pay of non performers. A likely outcome is that workers may not want to work harder, if they are currently satisfied with their pay. Companies, therefore, may have to design attractive remuneration schemes to determine pay increment and bonuses to stimulate workers to strive harder. Performance based pay system has been demonstrated to induce greater effort from the existing workforce (Gibbons 1998). Besides employees' performance, companies may need to take a company's achievement into consideration. Employees are more likely to be committed and willing to put in greater effort to enhance productivity if they get to share the profits of the organisation. Research by Heneman, (1988, 1990) reveals that many individuals prefer merit rather than seniority as a basis for pay increase allocations.

Others (Lawler 1971, 1981, Greene 1973, Dyer & Theriault 1976, Balkin & Gomez-Meiji 1990, Wageman 1995, Welbourne & Cable 1995, Karl and Sutton 1998, Britton et al. 1999, Carson et al. 1999, Lam, Zhang & Baum 2001, Peccei 2004) reiterate that employees experience greater job satisfaction when they perceive their pay to be based on their performance. Some companies have adopted pay schemes that are linked to the performance of the organisation (Gibson 1995). A company's performance may be revealed at monthly assemblies so that employees have a better understanding of the increment that they would get for the year. Other factors, such as the standard of living and inflation rate may also be taken into consideration.

Grievance Procedure and Objectivity in Appraisal

Although there is a grievance procedure for staff, who are unsatisfied with their performance appraisal, few of them appeal. There can be various company related and personal reasons for such inaction. For instance, the HR department does not initiate action as the appellant has to initially make a formal complaint. Moreover, while dissatisfied employees can dysfunctionally affect organisational outputs, the institution is unlikely to install systems of greater transparency despite the potential for strengthening harmony and improved team working arrangements. Another reason could be that in some jobs, such as those which have unattractive properties (i.e., dirty, dangerous, high difficulty), incumbents may feel the rewards are inequitable to the personal demands on their health and safety. And as the organisation does not give due recognition to a greater duty of care, employees do not aspire to perform this type of activity.

Though it is rare to allow employees to negotiate on the annual increment, the possibility for top key performers to discuss aspects of remuneration with their superiors may be necessary. Companies are less likely to lose them to competitors if employees were allowed to negotiate for a pay increment at any time of the year, as practised in Company B. On receiving more responsibilities or an increased workload, it is likely that employees anticipate better rewards. Companies may also consider introducing more objective methods of appraisal and take measures to avoid vast disparity in ratings given by the appraisers. One way is to introduce the multiple rating systems by increasing the number of appraisers and stages of evaluation carried out during the annual performance appraisal. In addition, giving training to appraisers has the potential to enhance understanding of what appraising entails to ensure fairness in performance appraisal.

Objectivity is further enhanced as all the companies hold an objective setting session at the beginning of the year. Targets and objectives for the year will be discussed and agreed between the employee and the immediate superior. A mid year review redefines the objectives agreed earlier. Ratings decided at the year-end review will determine the annual increment and bonus for the year. Having two reviews per year is likely to enhance employees' understanding of what is expected from them. Better utilisation of employees' abilities, and an improvement in employees' morale are likely outcomes. At the same time, companies are getting the best from their employees and this helps superiors in appraising their subordinates positively. However, some flexibility may be practised to allow more than two reviews if necessary on a case-by-case basis. It is quite common for companies to hold quarterly reviews and a performance appraisal at the end of the last quarterly review.

Motivating Employees

Giving employees who have reached maximum pay a cost of living allowance and appointing them as line trainers to some extent may improve motivation. The cost of a living allowance may be negligible, but with the rising cost of living especially, in the urban areas, the additional allowance has the potential to motivate employees to strive harder. No cash allowance is given to them as line trainers, and incentives are in the form of bank premium certificates. This incentive may be encouraging, as employees holding bank premium certificates stand to win lucrative prizes offered by the banks. Such incentives are not only increased benefits for them, but also the recognition given to them as line trainers is likely to have a positive effect on their morale. Being line trainers confirms their expertise in the subject matter, and their advice is constantly sought by the younger employees. This recognition gives them a sense of pride that motivates them to share their knowledge and skills. Eventually, they became mentors to those who required their guidance.

Similarly, appointing younger employees who have acquired special skills and transferring those skills to others as line trainers is motivating as it adds value during performance appraisal. As line trainers, these younger employees are given the opportunity to show their worth. Such opportunities may enhance their chances of being fast track into higher positions at a younger, and age the possibility of rising to the top echelon earlier is likely to motivate the younger workers to go for continuous learning and improvements. Giving credit to employees who carry out non-routine tasks during assessment is also a positive move to enhance employees' motivation. This additional credit promotes innovation, employee involvement and initiative. Giving tokens to employees who do not take any medical chits may also encourage employees not to absent unnecessarily. Having too many absentees not only affect the bottom line, but also the overall morale of the organisation. Allowing employees paid leave to represent the company at national functions also improves patriotism among the employees. Such representations may advance the brand name of the organisation, and may indirectly be favourable to the company. According to Koh and Neo (2000), such incentives can be motivating if effectively managed.

Salary Negotiation

Another trend is the possibility of negotiating for an increase in pay for jobs with increased visibility and increased demand. The policy of the companies to allow new recruits to negotiate on the starting pay ensures that it is a win-win situation for both the company and the employee. New recruits are at least sincere in wanting to join the organisation and not use it as a stopgap until a better job comes along. Taking into consideration the last drawn pay of the potential recruit is also important, as the company is likely to have a better understanding of the worth of the candidate, which can reduce induction crises and turnover, and enables the company to draw up long term programmes for new recruits. The presence of a salary range for each job grade is also beneficial for the companies as this could be used as a guide in determining the starting pay of new recruits. Though 'fresh' graduates do not have much bargaining power, it is instrumental that the company is compensating experienced recruits accordingly. Overpaying the new recruit may have a demotivating effect on current employees while underpaying the new recruit is likely to reduce the commitment of the new recruit to the organisation. Signing bonuses may not be the trend currently, but as the market becomes more competitive and the demand for talent workers increases, these companies may have to resort to signing bonuses to entice highly skilled workers to join the company.

Retraining of Workers

Though retraining is expected to become a challenge for employers and employees, retraining is inevitable due to technology advancement and globalisation. Companies are likely to lag behind if they are unable to keep up with the changes in technology, and frustration may set in if employees do not have the skills to perform efficiently and effectively. Older workers especially need to be equipped with new skills to handle new technology and to enrich the working experience that have been accumulated over the years. With much talk about recruiting globally, older and more experience workers may be lured by companies who are able to offer more. As their experience is invaluable to the companies, employers are likely to look for creative ways to attract and retain older workers. Thus, employers must continue to retrain older workers so they can adapt to new technology and work habit changes. Employees may have to continue to learn, unlearn and thus, relearn sacrifices and increased burden for workers are likely outcomes.

Except for Company B, where training is not given much emphasis, all the other study companies have training programmes for their employees regardless of age, and while e-learning facilities are available the extent of adoption though the response is not encouraging. To encourage workers to practise lifelong learning, Company C has introduced the learning organisation concept, and geared the atmosphere and environment into a knowledge based organisation. Though retraining may be imperative for the company's competitiveness, the company has to justify the budget spent on such retraining programmes as training costs are monitored closely to demonstrate accountability. Although it may be more costly to maintain older workers a stable workforce may outweigh the cost involved as younger workers also tend to change jobs and are likely to leave for a better offer. Justification of the cost involved, evaluation of training undertaken and is in all the study companies, the HRD budgets are based on contributions (one per cent of the payroll) made to the Human Resource Development Fund (HRDF). In addition, Company D budgets five per cent of its manpower cost for training. Most of the trainings funded by HRDF are utilised to close competency gaps. Outsourcing training to training providers is quite substantial in all the study companies, mainly for lack of competent in-house trainers.

Flexible Workplace

Though there is much global emphasis on a flexible workplace for employees the extent of companies with monitoring systems is not correlated. To a certain extent it may curb discipline, but the inflexibility of the system may lead to greater consequences for employees would definitely be unhappy if their superiors are monitoring their every movement. At times, employees may have to fulfil unforeseen obligations during office hours, but such a system would restrict their freedom. Sometimes being unable to fulfil certain obligations may be detrimental to both the employee and the company. There may be a better return if HR practitioners were to design a system where flexibility at the workplace is allowed, but at the same time restrict the misuse of such a system. Monitoring workers by placing machines at different locations is not a solution as workers may resent being monitored. The effectiveness of the system is also questionable as no action is taken unless a complaint is lodged.

The study findings show that though the remuneration policies of some of the companies are more attractive then others, there is similarity across the companies. These similarities are probably attributed to the fact that all the four companies are located in the same industrial area. As far as the cost of living is concerned, there would not be much of a difference. Besides, all the companies were set up at about the same time – in the mid 1990s and are almost similar in size. Thus, policies are rather similar. In addition, senior executives in the HR Departments in this industrial zone meet occasionally at the Chemical Industry HR Group meetings where they raise their issues and concerns so, each company is conscious of what the other companies are offering. Though staff poaching is not allowed, unless it is a promotional position, each company does its best to remain competitive in the market. It is not unusual for employees to exchange information on company policies, and vast differences in the remuneration policies among the companies, is likely to affect the morale of the employees.

Conclusion

In all the companies, the determination of starting pay is dependent on similar factors. These features are likely to be exhibited as such as minimum academic qualification, relevant working experience, entry job grade and market rate. In some companies, the last drawn pay is taken into consideration. Potential candidates can negotiate for the starting pay, but it is normally within the salary range in the job grade that he or she enters. Thus, candidates applying for jobs that are in demand are able to negotiate for a better remuneration package. Employees seem to regard the importance of qualifications in the determination of their pay and having spent time and money obtaining an extra qualification, employees feel justified that they should be given a higher remuneration. Many have gone for self development, and companies that do not recognise this condition are likely to lose more qualified employees to competitors. In addition, those with more relevant job experience and higher responsibilities expect better pay.

In general, the remuneration package is inclusive of a basic salary, various allowances, overtime pay, bonus and contributions to the Employee Provident Fund or pension scheme. Besides these financial elements all the companies have a range of benefits for all employees and rewards outstanding staff. The remuneration package is normally revised yearly after the performance appraisal. Depending on the performance of the employee, employees may enjoy a pay raise or no change in the remuneration package at all. No pay cut is practised in all the companies, and non performers do not receive increments. In addition, all employees receive bonus yearly, especially in companies where a contractual bonus is paid irrespective of performance. It is rare for the companies not to give the annual bonus, which is paid once or twice in a year. Though companies may not pay employees bonus during an economic downturn, the findings of the study show that none of the companies has resorted to this. A bonus received by each employee is based on the ratings received during the performance appraisal, and companies conduct biannual or quarterly reviews to enhance objectivity in appraisals and to ensure fairness in ratings.

There was an expectation that foreign owned MNCs, being more globalised and contemporary in their approach, would have a remuneration package that is not only globally consistent, but at the same time competitive vis-à-vis the local market. Nevertheless, the findings of the study have shown otherwise. Thus, it cannot be said with much confidence that the foreign owned MNCs have remuneration policies that are more global in nature than locally owned MNCs. In addition, the ownership of the companies bear no relation to the remuneration polices. The reason for this is probably because the HR departments of these companies are mainly staffed by locals. Higher management leaves it to the local managers to handle HR affairs. In all the four companies, there were no expatriates in the respective HR Department. Nonetheless, slight differences in the remuneration policies could be observed in all the companies. A general conclusion that can be drawn is that comparatively, the remuneration policies of foreign owned MNCs are not well aligned with global trends. In this study, the remuneration policies of the locally owned MNC are more aligned with global trends. Overall, the remuneration policies of all the study companies are not strongly aligned with global trends.

Even though the study shows that the remuneration policies of the four study companies are not significantly aligned with global trends, it is unlikely that drastic changes would be made by most organisations in Malaysia. However, as increasing recognition has been given to human resource management in the country since independence, companies are becoming more aware of the need to keep the employees relatively satisfied with their jobs. As such, it is expected that remuneration packages will improve. Following the increase in salary in the public sector, there is heightened pressure on firms to raise wages slowly and keep up with employee expectations. Moreover, it is anticipated that interest in remuneration systems, which reward employees and/or teams for results, will increase. In order to keep talented employees, especially senior executives, more companies are likely to reward employees with variable pay plans such as performance based salaries and bonuses. Thus, effective performance management systems may be necessary and the need to formulate and experiment with innovative performance based pay strategies will continue. Otherwise, companies may lose key performers due to discontentment, as performance based systems can never be completely free from arbitrariness. To ensure that employees are paid what they are worth, large corporations would occasionally conduct salary surveys to understand the current market rate and to determine competitive remuneration packages for their employees. As it is not possible for companies to continue offering bigger salaries, larger pensions and benefit plans, HR professionals are likely to focus on helping employees to be contented with what they already have.

To enhance loyalty and commitment, it is important that employees are able to identify with the company and feel proud to be part of the organisation. It is crucial, therefore, for a company to maintain an image that projects consistent growth in order to show that it too is worthy of a long term relationship. As the demand for flexible benefits is on the rise, companies will seek to provide the types of benefits that employees value most to enhance employees' job satisfaction. These would include group life and medical insurance, an array of housing options, and tuition assistance for local professional training. Besides increasing emphasis on additional benefits, employers may need to look into the welfare of the employees and the quality of work life rewards. Employees that deserve it are likely to be given due recognition. In addition to offering them good benefits, payment of smaller rewards with 'thank you' notes for above the call of duty contributions would definitely make a difference. Though not necessarily tied to an achieved result, these contributions when emphasised increase the probability of results. Furthermore, defining clear career paths for employees and an organisational commitment to human resource development would be an added advantage to enhance competitiveness.

More employers are likely to consider promotions based on performance and not merely on seniority and length of service. In the new millennium, the quality of work and the perception of fairness in the workplace will be much emphasised. The challenge for organisations would be to increase fairness and opportunity in the workplace while using fewer resources in the process. This has become an important issue, as employees will have rising expectations as to what they perceive as fairness in the workplace. To ensure fairness, companies will continue with the formal performance appraisal though informal appraisal is equally important. More companies are likely to embark on biannual or quarterly reviews especially in larger corporations to minimise the element of arbitrariness. Even though such evaluations are never free from arbitrariness, the risk of a complaint from an unsatisfied employee is low and not many would bother to go through the grievance procedure. Though promotion through company's nomination may breed discontentment among workers who are due for promotion, some companies will still adhere to this policy to ensure that the most suitable candidate is selected. Then again, self nomination provides a wider choice of candidates and motivates employees to shape their own career path.

A substantial challenge for HR practitioners is how to motivate workers to enhance loyalty and commitment to the organisation. In view of increasing mobility in the labour force, HR professionals will have to be ready with the essential skills to await workforce needs, and then proactively deal with those needs. Lucrative remuneration and benefit plans will need to be designed to attract a transient labour force and provide for more portability of benefits. Also, there is a need to review remuneration disparity in corporate structures to avoid unnecessary lawsuits and union activity brought by employees claiming inequality. Furthermore, as the workforce becomes increasingly diverse as a result of globalisation, values, cultural and language differences will need to be addressed, and these multicultural features are likely to become a substantial challenge for HR practitioners. In fact, mastering the challenges of labour force diversity is likely to be an essential key to organisational success not only in Malaysian institutions, but within corporations that operate on the world stage.

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