The influence of national culture on the compensation system in selected countries

Утицај националне културе на систем компензација у одабраним земљама

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Abstract: The escalating pace of globalization affects the increased need of organizations to develop effective compensation programs. Business cannot be imagined without one of the key things and that is human resources. Creative and productive employees are of great importance for the success of any organization. For the satisfaction and loyalty of employees, the compensation system, which consists of basic pay, incentive pay, and benefits, is of key importance. The goal of the compensation system is to simultaneously ensure the main goals of employees and employers, i.e. the purchasing power and satisfaction of employees, as well as the business success of the company. In times of crisis, determining the amount of basic pay, selecting adequate incentives, and offering various benefits became especially important. The aim of this paper is to present the basic elements of the compensation system in twenty countries around the world and to analyze the impact of national culture on the compensation system. The paper will present the following dimensions of national culture according to Hofstede's classification: distance from power, individualism versus collectivism, male versus female cultures, avoidance of uncertainty, long-term versus short-term orientation, compliant versus restrained cultures. The analysis included twenty countries around the world, which are grouped as follows: the first 8 countries are members of the EU, the other 6 countries are located in the CEE region and the last 6 countries represent very important countries around the world. The paper determines the influence of the dimensions of national culture on the compensation system in selected countries from the European Union, the region of Central and Eastern Europe, and other countries, the paper is the basis for further research in this area.

Keywords: compensations, basic pay, incentives, benefits, national culture.

JEL classification: J31, J33
Introduction

Human resource management (HRM) is about taking care of people. DeCenzo & Robbins (2002) state that human resource management is responsible for the human dimension of an organization. Human resource management consists of staffing, development, motivation as well as staff retention. Dessler (2002) points out that modern management puts in the first place the importance of employees as well as the importance of psychological factors such as abilities, motives, goals, expectations etc. He also states that HRM refers to practices and policies necessary to perform managerial tasks relating to personal matters and, in particular, to the recruitment, training, evaluation, and rewarding of employees. Human resource management (HRM) implies the current or previous result or performance of employees, teams, or the entire organization (Slavić et al., 2014).

International Human Resource Management (IHRM) has multiple meanings and definitions by different authors. For instance, according to Taylor et al. (1996), IHRM is a set of different activities, processes, and functions aimed at attracting, developing, and maintaining the human resources of multinational corporations. According to Almond et al., (2004) IHRM deals with identifying and understanding how multinational organizations manage their employees located in different countries around the world to harness human resources in order to achieve local and global competitive advantages. Internationally oriented companies are forced to develop new policies and standards related to employment, training, coaching, and the reward system. It is necessary to continuously harmonize with national legislation, economic and social realities and cultural differences. In relation to national human resource management, IHRM requires a broader view and includes a wider range of activities such as selection, verification of professional competence, obtaining a work permit in foreign countries, cross-cultural adaptation program, helping a couple find a job, etc. (Maksimović, 2014).

Štangl Sušnjar & Leković (2009) define compensations as a direct financial cost for each company and emphasize that labour costs represent the importance of monetary amounts of total operating costs. In some industries, labour costs can reach as much as 60% of total operating costs. For this reason, companies should view this cost as an investment that will result in increased company value.

Factors that influence systemic compensation can be external (economic pressures, government policy, and laws, stakeholders, culture, and customs) or organizational (strategic organization, technology, human capital, human resource policies, acceptance, and employee attitudes - fairness and costs), as it is stated by Štangl Sušnjar, Slavić and Berber (2017).
National culture is an important factor in the compensation system. The most commonly used classification of national cultures is based on Hofstede's research, which distinguishes several main dimensions. The aim of this paper is to present the basic elements of the compensation system in twenty countries around the world and to analyse the impact of the dimensions of national culture on the compensation system.

The paper is structured as follows: the first part contains an overview of the structure of the remuneration system, with special emphasis on the managers’ compensation system, compensation management goals, and emphasis on the importance of the remuneration system to employees (their motivation, satisfaction, commitment, etc.). The second part refers to the presentation of the dimensions of national culture according to Hofstede's classification, as well as the tabular presentation of the dimensions of 20 countries around the world. In the third part, the practice of compensation for 20 countries is presented, of which 8 are EU member states, 6 CEE (Central and Eastern European) countries, and 6 countries around the world (Russia, USA, Japan, Switzerland, India, and the UK). This is followed by the fourth part, comprising the analysis of the influence of national culture on the compensation system in selected countries. The paper concludes with conclusions and recommendations for future research.

1. Theoretical background

Different authors define the compensation system in different ways. Fay & Thompson (2001) point out that compensations represent a systemic approach to providing monetary value as well as other benefits to employees in exchange for their work or service and that compensation plays a significant role in attracting high-potential employees as well as retaining existing employees. They also emphasize that the compensation of employees has a great impact on the motivation of all employees to achieve a higher level of performance.

Compensation consists of the basic pay with allowances in the form of various incentives designed at the individual or group organizational level as well as compensation related to tangible and intangible elements for employees (Berber et al., 2017). In this paper, the compensation system is observed so that its main elements are the basic pay with various allowances, incentive pay, which is formed at the individual, group, or organizational level, as well as benefits related to tangible and intangible benefits to workers.

Rewarding employees is considered to be the most complex and sensitive function of human resources management. Through compensation, it influences the motivation of employees to behave and work in a way that affects the achievement of the organization's goals. Based on the observation of the stated goals of the company and employees (expatriates), we conclude that it is very difficult to achieve all goals at the same time and that it is necessary to continuously adjust and balance goals to achieve the strategic goal of the company – survival, maintaining high-level international operations, and growth and development in the long run. In the following section of the paper, the elements of the compensation system will be tabulated (Lowe et al., 2002).
Table 1: Elements of the compensation system

<table>
<thead>
<tr>
<th>Element</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic pay</td>
<td>It represents the minimum level of earnings; in some cases, it represents the standard earnings while in others it is supplemented with other elements of earnings.</td>
</tr>
<tr>
<td>Incentive pay</td>
<td>It refers to rewarding the above-average performance of workers. Companies can use various methods of individual, group, and organizational stimulation. Stimulation of individuals usually refers to payment per unit of product, rewarding innovation, stimulating time savings, and individual bonuses. Group stimulation takes into account the performance of the whole group rather than individual members. Incentives at the organizational level reward all employees for the achieved performance of the organization.</td>
</tr>
<tr>
<td>Benefits</td>
<td>They represent an indirect part of the compensation system. They refer to benefits above basic and incentive pays. They mainly include unemployment insurance, health and pension insurance, company car, food, babysitting, status, paid transportation costs, counselling services, etc.</td>
</tr>
</tbody>
</table>

Source: the author, based on Štangl Šušnjar et al. (2017)

2. Overview of the dimensions of national culture according to Hofstede’s classification.

Compensation professionals in multinational companies need to know the elements of national cultures and their impact on compensation. National culture encompasses common norms, attitudes, and beliefs of individuals within national borders. Hofstede’s framework represents the most commonly used national cultural framework in studies such as psychology, sociology, management, or marketing (Soares et al., 2007).

Hofstede used 116,000 questionnaires and over 60,000 respondents in 70 countries in his empirical study (Hofstede, 1984, 1991, 2001, 2005).

Table 2: Overview of the dimensions of national cultures according to Hofstede's classification

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distance</td>
<td>The extent to which society accepts the fact that power in institutions and organizations is not evenly distributed.</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>The degree to which members of society feel uncomfortable due to uncertainty, ambiguity, something that is far from the status quo.</td>
</tr>
<tr>
<td>Individualism/collectivism</td>
<td>The degree to which members of society are integrated into groups.</td>
</tr>
<tr>
<td>Masculinity/femininity</td>
<td>The degree to which members of society strive for achievements, material rewards, and success, or prefer cooperation, social care, modesty, and quality of life.</td>
</tr>
<tr>
<td>Long-term/short-term orientation</td>
<td>The degree of inclination that a society has in either short-term fulfilment of social obligations or long-term orientation towards the future, persistence, and thrift.</td>
</tr>
<tr>
<td>Indulgence/Restraint</td>
<td>The degree to which members of a society are free to satisfy their basic needs or the following strict social norms.</td>
</tr>
</tbody>
</table>

The following is a tabular presentation of Hofstede's cultural dimensions for selected countries to further analyse the impact of national culture on the compensation system.

**Table 3: Overview of the dimensions of the national culture of 20 countries according to Hofstede's classification**

<table>
<thead>
<tr>
<th>Country</th>
<th>Power distance</th>
<th>Individualism</th>
<th>Masculinity</th>
<th>Uncertainty avoidance</th>
<th>Long term orientation</th>
<th>Indulgence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>35</td>
<td>67</td>
<td>66</td>
<td>65</td>
<td>83</td>
<td>40</td>
</tr>
<tr>
<td>France</td>
<td>68</td>
<td>71</td>
<td>43</td>
<td>86</td>
<td>63</td>
<td>48</td>
</tr>
<tr>
<td>Italy</td>
<td>50</td>
<td>76</td>
<td>70</td>
<td>75</td>
<td>61</td>
<td>30</td>
</tr>
<tr>
<td>Sweden</td>
<td>31</td>
<td>71</td>
<td>5</td>
<td>29</td>
<td>53</td>
<td>78</td>
</tr>
<tr>
<td>Greece</td>
<td>60</td>
<td>35</td>
<td>57</td>
<td>100</td>
<td>45</td>
<td>50</td>
</tr>
<tr>
<td>Denmark</td>
<td>18</td>
<td>74</td>
<td>16</td>
<td>23</td>
<td>35</td>
<td>70</td>
</tr>
<tr>
<td>Belgium</td>
<td>65</td>
<td>75</td>
<td>54</td>
<td>94</td>
<td>82</td>
<td>57</td>
</tr>
<tr>
<td>Netherlands</td>
<td>38</td>
<td>80</td>
<td>14</td>
<td>53</td>
<td>67</td>
<td>68</td>
</tr>
<tr>
<td>Serbia</td>
<td>86</td>
<td>25</td>
<td>43</td>
<td>92</td>
<td>52</td>
<td>28</td>
</tr>
<tr>
<td>Hungary</td>
<td>46</td>
<td>80</td>
<td>88</td>
<td>82</td>
<td>58</td>
<td>31</td>
</tr>
<tr>
<td>Slovakia</td>
<td>100</td>
<td>52</td>
<td>100</td>
<td>51</td>
<td>77</td>
<td>28</td>
</tr>
<tr>
<td>Slovenia</td>
<td>71</td>
<td>27</td>
<td>19</td>
<td>88</td>
<td>49</td>
<td>48</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>57</td>
<td>58</td>
<td>57</td>
<td>74</td>
<td>70</td>
<td>29</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>70</td>
<td>30</td>
<td>40</td>
<td>85</td>
<td>69</td>
<td>16</td>
</tr>
<tr>
<td>Russia</td>
<td>93</td>
<td>39</td>
<td>36</td>
<td>95</td>
<td>81</td>
<td>20</td>
</tr>
<tr>
<td>SAD</td>
<td>40</td>
<td>91</td>
<td>62</td>
<td>46</td>
<td>26</td>
<td>68</td>
</tr>
<tr>
<td>Japan</td>
<td>54</td>
<td>46</td>
<td>95</td>
<td>92</td>
<td>88</td>
<td>42</td>
</tr>
<tr>
<td>Switzerland</td>
<td>34</td>
<td>68</td>
<td>70</td>
<td>58</td>
<td>74</td>
<td>66</td>
</tr>
<tr>
<td>India</td>
<td>77</td>
<td>48</td>
<td>56</td>
<td>40</td>
<td>51</td>
<td>26</td>
</tr>
<tr>
<td>UK</td>
<td>35</td>
<td>89</td>
<td>66</td>
<td>35</td>
<td>51</td>
<td>69</td>
</tr>
</tbody>
</table>

Source: Author based on: https://www.hofstede-insights.com/product/compare-countries/

3. **Overview of compensation systems in selected countries**

“One of the most important factors in every company’s business comes out the door every day.” People and human resource management are increasingly seen as a key element of competitive advantage (Pfeffer & Jeffrey, 1998; Gratton et al., 1999; Boxall, 2003). Due to increased competition, globalization, rapid technological change as well as other factors, companies are striving to understand how human resources can be managed to achieve a competitive advantage (Allen & Wright, 2006).
In the following section of the paper, a detailed description of HRM compensation practices of 8 EU member states, 6 CEE member states, and 6 countries around the world, which are very important for the analysis, will be presented in a table and performed.

Table 4: Overview of the dimensions of the national culture of 20 countries according to Hofstede's classification

<table>
<thead>
<tr>
<th>Country</th>
<th>Compensation system</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EU member states</strong></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>The legal minimum wage is not set but the introduction for certain industrial sectors or even general is being discussed. The most important item that determines the basic pay for all classes are employee performance, relevant experience and employee classifications. Benefits vary by company size. Some of the forms of benefits that managers have are a company car (for the elderly or those who travel frequently), lunch vouchers, life insurance and/or accident insurance, etc.</td>
</tr>
<tr>
<td>France</td>
<td>Basic earnings are defined through a comprehensive collective bargaining arrangement, with a certain minimum wage. The factor that affects the level of basic pay of managers and professionals most is qualification. Earnings based on seniority are used to a lesser extent. One of the common practices is to allow managers to use cars and other types of benefits in kind (Halima et al., 2018).</td>
</tr>
<tr>
<td>Italy</td>
<td>One of the very important determinants of basic pays at all levels is the educational level and performance, while the content of the job is very important for management. There is no minimum wage, but the Italian constitution guarantees the right to a fair wage. Over the last decade, the frequency of companies offering different types of securities to their shareholders, and especially to top management, has increased (Gigliotti, 2013). Managers generally have high compensation as well as additional benefits like a company car, low-interest loans, mobile phones, etc.</td>
</tr>
<tr>
<td>Sweden</td>
<td>The use of basic pays and bonuses as compensation is rarely applied. An individual, differential salary system is used concerning a certain level of employee responsibility, profession, performance as well as market prices. The minimum wage is not legally defined (Bylander, 2015). When deciding on the salary for a new employee, the previous salary that the employee had is taken into account. For managers in senior positions, some incentives such as cars, accident insurance, life insurance, lunch are used.</td>
</tr>
<tr>
<td>Greece</td>
<td>The minimum wage is set for most employees through collective agreements negotiated annually by the Federation of Greek Industry and the General Confederation of Greek Labour. Due to the recession, there was a reduced amount of the minimum wage for young people, and these changes were implemented in the period 2009-2017 (Georgiadis et al., 2018). Some of the benefits enjoyed mostly by senior executives are car, housing, health coverage, etc.</td>
</tr>
</tbody>
</table>
| Denmark       | The minimum wage is not legally determined but the collective agreement sets the minimum wage for a large percentage of the Danish workforce (Westergaard-Nielsen, 2008). The content of the job is the most important determinant of basic pays for all levels of the class, as well as performance, classifications, experience, and seniority. Overtime is not always compensated. The official car and allowances for additional pensions are mainly intended for
The influence of national culture on the compensation system in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Compensation System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Basic pays are defined through collective bargaining. Some of the most important determinants of basic pays for top management are job content and classifications. There is a noticeable decrease in the salary trend based on seniority. The minimum wage for all employees is determined by the National Labor Council. The benefits that managers receive are company car, life insurance that cannot be withdrawn once it is approved, vouchers for meals, etc.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>The minimum wage is determined and employers are obliged to provide employees with the right to holiday pay in the amount of 8% of the gross annual salary of the employee. Internship, job content, and relevant experience are some of the most important determinants of basic pays for managers. Past work is used when defining earnings, but it is used less often. Incentive pays such as company cars, laptops, phones, gifts on special occasions such as anniversaries, etc. are used.</td>
</tr>
<tr>
<td>Serbia</td>
<td>Minimum wage is guaranteed by labour law. Earnings are based on seniority and hours spent at work. Modern forms of rewarding are rarely used. There is an increase in the use of individual bonuses. Kucurski (2016) states in his doctoral dissertation that benefits added to the fixed part of managerial salaries include a company car, mobile phone, health and pension insurance, training, various company benefits etc.</td>
</tr>
<tr>
<td>Hungary</td>
<td>The minimum wage is determined every year by the Government, and the payment is made based on hourly or performance. For managers, the compensation system is defined at the individual level and for other employees, it is more often applied at the company level (Karoliny et al., 2009). Large and foreign companies use various forms of incentives such as company cars, insurance, subsidized vacations, and meals to motivate employees to be more efficient and productive and thus make the company’s success as good as possible (Poór et al., 2011).</td>
</tr>
<tr>
<td>Slovakia</td>
<td>The minimum wage is determined by law. The compensation system is linked to the organizational strategy. The highest level of earnings is in the capital of Slovakia, and variable earnings are increasingly directed towards earnings based on performance. Stimulation is used for managers and sales staff; some of them are company cars, mobile phones, computers, etc. Slovak tax laws consider that the private use of a company car should be additionally taxed and for that reason, company cars can only be used for work purposes (Kachanakova et al., 2009; Stacho et al., 2017).</td>
</tr>
<tr>
<td>Slovenia</td>
<td>The minimum wage is defined by law. Earnings consist of 3 parts: basic pay + performance earnings + additional payments (such as overtime, night work, etc.) In practice, it is not common for employers to grant benefits to their employees such as a company car or personal injury insurance if certain benefits are not of great importance for a certain type of work (Svetlik &amp; Braček Lalić, 2016).</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>In public enterprises, basic pay is defined at the individual level, while in private enterprises there is a decentralized approach to definition. The minimum wage is defined, paid monthly, with the payment for the production workers being applied according to the produced quantity. There is a noticeable increase in the use of incentive pays; non-financial benefits are used</td>
</tr>
</tbody>
</table>
for managers and highly professional staff (Koubek, 2009). Managers during their employment generally receive a car, computer, mobile phone, and other benefits for temporary use. These types of benefits are mostly agreed upon by agreement, and based on that, the method of return should be defined if the employer proposes the withdrawal of compensation.

**Bulgaria**

The minimum wage in Bulgaria is defined and collective bargaining is applied. Non-financial benefits are used to a lesser extent, while incentive pays are most often used for managers and professional qualities (Morley et al., 2016). Benefits such as a company car, mobile phone, etc. are not mandatory but they are generally approved to managers in senior positions. Private insurance systems and incentive pays are not mandatory in this country (Vatchkova, 2009).

**Russia**

The basic pay of a manager is determined based on performance, experience, job content, and seniority. It amounts to 20% of the total figure while 80% are guaranteed supplements and bonuses (Lukiyanova, 2011). The minimum wage is legally defined. As for bonuses, there are sectorial guidelines for the payment of bonuses; for example, in the banking sector as well as for certain state-owned companies, bonuses depend on the performance of the organization. Managers of Russian companies participating in private pension insurance programs have the option of additional pensions (Berber, 2015, p. 184).

**SAD**

The minimum wage is defined by law. Wage data analysis is performed to maintain the development of wage levels within the organization. The incentive contains an allowance for difficulties when going to another company located in another state, a departure premium. Standard benefits include paid leave and protection programs, while enhanced benefits include expatriate relocation assistance, expatriate children's education allowances, travel and home allowances, and entertainment allowance (Martocchio, 2004).

**Japan**

Basic pay is determined by a long salary tradition where employees can expect an increase in basic pay each year regardless of the performance of the organization (Whitehill, 1991). Employees in Japanese companies expect their status to increase due to promotion in the workplace due to long service and obliging subordinates to treat them with respect and honour. Traditional Japanese rewarding practices are being replaced by newer, more western forms such as car, telephone, etc. (Allen et al., 2004).

**Switzerland**

There is no legal minimum wage in Switzerland, wages based on past work are less and less in use. The most important determinants of basic pay are the content of the job, performance, seniority, and experience of the employee. As for the bonus, it can reach up to 15% of the maximum amount of the employee's salary. Supervisors may allow the application of individual bonuses within the budget (Berber, 2015, p. 184).

**India**

The basic pay is set at about 40-50% of the fixed fee; the goal is to prevent the exploitation of labour. Incentives for employees are apartment rental fee, medical allowance, transportation fee, travel fee, meals etc. Managers receive various types of compensation for their work, in addition to monetary incentives, i.e. benefits, and these include pension insurance, life, and health insurance, and disability (Jaiswall & Bhattacharyya, 2016).
4. Analysis of the influence of national culture on the compensation system in selected countries.

This section will analyse the impact of national culture according to Hofstede for selected countries depending on the strength of the dimension; countries with the lowest values (below 35) and those countries with the highest values (above 75).

The dimension "Power distance" refers to the extent to which society accepts the fact that power in institutions and organizations is not evenly distributed. Based on the presented Table 3, we conclude that countries with a large power distance (value above 75) include: Serbia (86), Slovakia (100), Russia (93), and India (77), while countries with a small power distance (value less than 35) include: Germany (35), Sweden (31), Denmark (18), Switzerland (34), and UK (35). In countries with a great power distance, society accepts a hierarchical order in which everyone has a place, while countries with a low power distance want to equalize the distribution of power and demand justification for inequality. The wage system in countries with a great distance from power is similar in selected countries, the minimum wage is legally determined and is generally set depending on the position, length of service, experience of the employee, and incentives and benefits are determined based on success at work. Employees get the opportunity to use a company car, laptop, mobile phone, and other benefits. Regarding employee incentives, there is a small difference between countries, most employees are additionally stimulated through various systems of simulated earnings, but there are also some differences between countries, so for example in Serbia, modern reward systems are not high, in Russia, 80% of earnings consists of guaranteed extras and bonuses. In contrast to these countries where the minimum wage is defined by law, in countries that have a small distance from power the amount of the minimum wage in most countries is not defined. If the distance from power is observed, in the case of countries with a large power distance, a system of rewarding employees for each level at which the employee is to motivate employees from lower levels to more they work and progress to reach a higher hierarchical level where the reward system is at a much higher level. While in countries where power distance is small, countries want to equalize the distribution of power, the proposal is to establish a system of remuneration depending on the work, success, employee, regardless of his position. According to Hofstede (2001), in countries that have a great power distance, there is a tendency towards greater elitism in society. This
refers to those who are in positions in society will not only be more valued but will be able to extract more wealth. Li & Harrison (2008) state that in cultures characterized by a great power distance, there are great differences in authority, earnings, and privileges between those in higher and lower positions. On the other hand, in cultures with a small power distance, more consultation on decision-making is noticeable, and less powerful actors are valued and encouraged.

In the dimension "Individualism", the emphasis is on individual rewarding based on the individual performance of employees, based on their performance at work, etc. Based on the presented Table 3, we conclude that individualistic countries (value above 75) include: Italy (76), the Netherlands (80), Hungary (80), the USA (91), and UK (89), while "collectivist" countries (value below 35) where the success of the group is valued more, but also the success of the individual in the group, include: Serbia (25), Slovenia (27) and Bulgaria (30) – CEE members. Based on the information presented in Table 4, we conclude that in countries that belong to individualistic societies, the work and performance of an individual are valued more than a group, which is especially pronounced in countries with a high degree of individualism (the USA and the UK). Opposite them are three countries that are the only members of CEE, which value the success of the group more, but also the additional effort of the individual in the group. It should be noted that the function of a manager who delegates authority and influences groups to direct them towards success is very important. Parker (2001) points out that employers in countries like the USA reward their employees more based on individual success. Research shows that individualism is strongly associated with a country's national wealth and that employees in highly individualistic cultures associate their success with financial status, leading to the strong use of external rewards in recognizing employee success (Gomez-Mejia & Welbourne, 1991). Conyon & Schwalbach (1997) showed in their study that the percentage of compensation when comparing 10 European countries was the highest in the UK. A study by Giacobbe-Miller et al., (2003), which compared awarding rewards to 66 American, 113 Chinese, and 87 Russian managers. He concludes that “the USA” and “China” represent cultural opposites in the dimensions of “individualism/collectivism” and “power distance”. On the other hand, the authors state that "Russia" shares cultural characteristics with both “China” and the USA, which means that Russia is not expected to differ much from any other country.

Based on Table 3 and the information on the salary system shown in Table 4, an analysis of countries belonging to the “male” cultures (value above 75) was performed: Hungary (88), Slovakia (100), and Japan (95). The characteristic of these societies is the high valuation of perseverance, entrepreneurship, and innovation. This can be confirmed based on the fact that in Japan, Slovakia, and Hungary, employees are additionally stimulated if they achieve a certain result and progress in their business. In contrast, the countries that belong to the “female” culture are Sweden (5), Denmark (16), the Netherlands (14), and Slovenia (19). These countries value social status, quality of life, and stability more. Managers strive for a certain status in society to be more rewarded and thus provide themselves with a better quality of life in society. Sweden has a very small value of “male values”, and it is characteristic of this country that the minimum wage is not defined
The influence of national culture on the compensation system in selected countries

by law, an individual differential system is in use. Kluckhohn and Strodtbeck (1961) also point out that female values are dominant in Denmark, Norway, and Sweden, i.e. that they give a high value to the quality of life and care for others. Tosi and Greckhamer (2004) in their paper emphasizes that cultures with a dominance of male values tend to support greater income inequality, while the situation is reversed in cultures where female values dominate. In addition, the same author points out that countries such as Germany, Japan, and the USA tend to have more gender-differential professional structures where certain jobs are fully assigned to women and others to men, while on the other hand in countries like Sweden and Norway work, employee participation and job satisfaction are preferred. Based on the conducted research, he emphasized in his work that he believes that in cultures with a dominance of male values, the material success of an individual is manifested through a greater difference in earnings, while in feminist cultures, social goals are dominant and that relationship is lower.

Analysing the data presented in the paper, we conclude that countries with a “high degree of uncertainty avoidance” (value over 75) that tend to propagate laws, specific rules, procedures include: France (86), Greece (100), Belgium (94), Serbia (92), Slovenia (88), Bulgaria (85), Russia (95) and Japan (92). In contrast, countries with a “low degree of uncertainty avoidance” (values below 35) that accept risk and uncertainty are Sweden (29) and Denmark (23). Based on the presented data, we conclude that most countries with a high degree of uncertainty (such as Serbia and Greece) had a difficult economic period behind them and that it is for these reasons that they want to reduce the risk to the lowest possible level. Minimum wages in countries with a high degree of risk avoidance are defined by law, so this dimension is confirmed, these countries strive for more laws and rules to make the employee wage system fair. In contrast to these countries, the minimum wage in Sweden is not legally defined, which is precisely the characteristic of countries that have a low degree of risk avoidance, there is a lack of law and other specific rules and procedures. Stanojević (2014) emphasized in his paper that when it comes to risk avoidance, some countries limit performance pay to maintain employee predictability and consistency (Japan, Spain, Turkey, etc.). Gerhart (2008) points out that variable wages, incentives, as well as decentralized wage determination, are present mainly in countries with a low degree of uncertainty avoidance, while on the other hand fixed wages (e.g. basic wages), centralized wage determinations and internal equality have a greater role in countries that have a high degree of risk avoidance. Schuler & Rogovsky (1998) point out that performance-based earnings (especially individual employee performance) are most likely in countries with a low degree of uncertainty avoidance, which is confirmed in the paper to assess individual performance in Denmark and Sweden. As for the distance from power where individual performance is viewed, Denmark and Sweden are among the countries with a small distance from power. Also, the author states that skills-based compensations are more common in countries with a low degree of uncertainty avoidance while length-of-service compensations are probably more prevalent in countries with a high degree of uncertainty avoidance, this is also confirmed in our analysis such as it is the case in Japan, Russia, etc.
The characteristics of countries that are “long-term oriented” (value over 75) are thrift, sense of shame, etc., based on data from Table 3 of countries that are long-term oriented: Germany (83), Belgium (82), Russia (81) and Japan (88). In contrast, “short-term” countries (below 35) include Denmark (35) and the USA (26). The characteristic of this dimension is protection of the person and personal perseverance as well as the fulfilment of social obligations. One of the specifics of this analysis is Japan, where there is a plan for the system of salaries and remuneration of employees in accordance with years of service, while in the USA, which is short-term oriented, employees are rewarded based on performance, and the goal is to achieve more today.

Based on the above Table 3, we come to the conclusion that of the analysed countries, the country that belongs to the “indulgence” category in national culture (over 75) is Sweden (78) and it is characterized by the enjoyment of life and entertainment while in countries that belong to “restraint” category by national culture are Italy (30), Serbia (28), Slovakia (28), Czech Republic (29), Bulgaria (16), Russia (20) and India (26), characterized by control of meeting needs based on strict social norms. What differs significantly in Sweden from other countries is that the basic pay and bonuses are less used, the minimum salary is not legally defined, while in the countries that are abstained it is not the situation, where the minimum salary is determined by law.

**Conclusion**

Based on the conducted research on the influence of national culture on the compensation system in selected countries, we conclude that in all six dimensions of national culture according to Hofstede’s classification there are different influences between selected countries. When comparing the wage system between countries with large and small power distances, it was found that in countries with large power distances, the wage system is similar, the minimum wage is legally determined and is generally set depending on the position, seniority, and experience of the employee, while in countries with a small power distance, the minimum wage is not defined by law. If the distance from power is observed, in the case of countries with great power distance, there is a hierarchical order and a system of rewarding employees for each level, where the employer is to motivate employees from lower levels to work harder and they progress to reach a higher hierarchical level, where the reward system is at a much higher level. On the other hand, in countries where the power distance small, countries want to equalize the distribution of power, the reward system is established depending on the work, success, employee, regardless of position. A comparison of countries based on whether they are more individualistic or collectivist confirms the conclusion that in individualistic cultures (for example Italy, the Netherlands, Hungary, the USA, and the UK) the performance of an individual is more valued than the performance of a group as in collectivist countries such as Serbia, Slovenia, and Bulgaria. When comparing “men” against “women” cultures, employees are additionally stimulated for success and they value innovation and perseverance more. In “women’s” cultures, the status and quality of life are more valued. These cultures include countries such as Denmark, the Netherlands, Slovenia, and Sweden. By comparing the countries, it was established that Sweden has a very small value of “male” values, and it is characteristic of
this country that the minimum wage is not defined by law, and an individual differential
system is in use. Comparing countries based on the “avoidance of uncertainty” dimension,
differences between countries with a high and low degree of avoidance of uncertainty are
noticeable. In the case of countries with a high degree of uncertainty avoidance (for
example France, Greece, Belgium, Serbia, Slovenia, Bulgaria, Russia, and Japan) the
determination of the minimum wage is defined by law and this is one of the characteristics
of countries with a high level of uncertainty avoidance, characterised by laws, specific
rules, procedures, etc. In contrast, in countries with a low degree of uncertainty avoidance
(for example, Sweden and Denmark), the minimum wage is not legally defined in the
observed countries. When comparing countries that are long-term oriented versus those that
are short-term oriented, a different impact on the compensation system is noticeable, and
the two countries stand out. One of the specifics of this analysis is Japan, where there is a
plan regarding the system of salaries and remuneration of employees in accordance with
years of service, this country is known for planning everything for a longer period, so in
accordance with the compensation system in the long run. While this is not the situation in
the USA: this country is short-term oriented, employees are rewarded based on
performance, more effort and success of the individual is seen. As stated, this country
belongs to the individualistic culture and thus confirms this thesis that individual
performance is more valued. Based on the comparison of countries based on the last
dimension according to Hofstede, indulgence/restraint, it is noticeable that in Sweden,
which belongs to indulgent cultures where enjoyment of life is seen more than savings, the
minimum wage is not legally defined and bonuses are less used. On the other hand, we
have the example of countries like Serbia, which belongs to the restrained culture, which is
characterized by the control of meeting needs based on social norms, less spending, no
emphasis on free time. In general, all CEE member countries have shown restraint. The
dimensions of national culture affect the compensation system in selected countries and
there are significant differences in the elements of the wage system in the observed
countries, which is partly explained by differences in the dimensions of national culture.

All human resource managers, especially those working in multinational companies,
should be aware of the different dimensions of national culture on the compensation system
as well as the specifics of the basic pay system, incentives, and benefits of different
countries to create a compensation package that will contribute to employee satisfaction.

Limitation of the research lies in the fact that the available non-standardized
secondary data on HRM practice were used. Future directions of research can be seen in
deeper analysis based on empirical research on specific practice in selected countries, on a
representative sample. In the research, the researchers should determine the indicators of
economic development such as GDI per capita, FDI per capita, unemployment rate, average
wages of employees, etc.
References


The influence of national culture on the compensation system in selected countries


