

Matrix organisation of employment: What is it, and what are the legal risks?

Ongoing globalisation and the growth of large corporate structures have led to organisational schemes at companies where employees are required to report to various people, some of them outside the employer's structure. This model is referred to as a "matrix organisation." What legal risks may arise from applying such structures in employment in Poland?



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What is a matrix organisation?

A classic employer organisation has a linear structure, where the relationship between superiors and subordinates is based on issuing top-down orders along the vertical plane. A matrix organisation, by contrast, is one where subordinated employees are simultaneously functional superiors and managers overseeing specific projects or processes.

A corporate employee may thus often be subject to a dual form of subordination:

- **Formal subordination** arising out of the employee's placement within the direct employer's organisational structure
- **Substantive subordination** arising out of the employee's function within the structure of the corporate group (typically based abroad, although this model is also found within Polish-based groups).

This can raise serious doubts within employment relationships governed by Polish regulations.

EMPLOYER

An entity with which there exists a formal employment relationship (most often pursuant to an employment contract, Labour Code Art. 3)

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Labour Code Art. 22
§1 in connection with
Art. 100 §1

Reporting chains in matrix organisations

The Polish Labour Code recognises solely the **employer** as the entity authorised to direct the work of employees. Consequently, it is only the entity concluding the employment contract that is authorised to direct the work of employees, which primarily means the right to issue **binding instructions concerning work**.

It follows that only superiors located within the employer's structure can authoritatively organise the current work of the staff. They are also authorised to take decisions that are binding for the employees. Granting holiday leave, assigning overtime work, and

sending staff on business travel also lie within their discretion. They are the ones holding employees accountable for the results of their work and their attitude in the workplace, as manifest in the application of disciplinary measures and decisions on termination of employees.

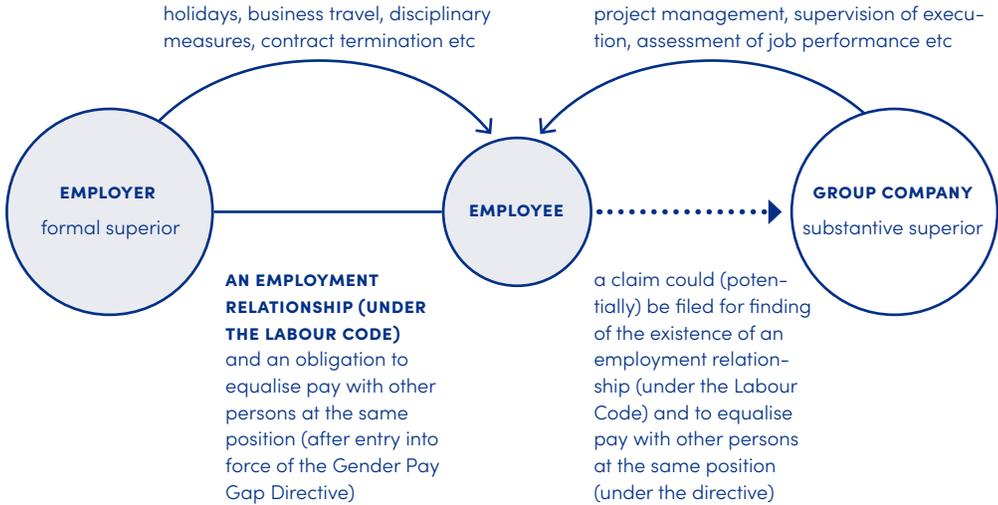
In matrix organisations, however, the ongoing performance of employees' duties is often controlled by persons employed by another entity (typically the parent company). It is these substantive superiors who allocate tasks and oversee their execution, and they are also responsible for assessment of employees' work (such as annual performance reviews).

But the Labour Code does not allow the employer's powers to be shifted to another entity. This would distort the essence of the employment relationship. This means that substantive superiors from outside the employer's structure have no formal authority to direct the work of employees hired by a Polish employer.

Labour-law actions by persons not formally authorised to take them are ineffective. This is important to bear in mind. While a defective grant of holiday leave or instruction to take a business trip may not carry serious consequences, if disciplinary measures are taken against an employee in an ineffective manner (e.g. imposing a penalty on the employee or terminating their employment contract) by an unauthorised person, this generates a tangible risk—particularly in the form of a ruling against the employer by the labour court.

Assigning competencies to persons outside the employer's organisational structure (in the form of a power of attorney) to issue instructions to employees also generates a serious risk for the companies involved. Such authorisation will essentially confirm that fundamental rights of the employer have been transferred to a third party, which could justify an allegation that the employee is merely formally (contractually) hired by the entity that is a party to the employment contract.

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Determination of the existence of an employment relationship with the parent company

If substantive superiors perform a managerial function (confirmed by the power of attorney or based on corporate classification), there is a risk that employees of affiliated companies will assert a claim for a determination that they actually have an employment relationship with the parent company. If the court upholds such a claim, this will confirm employment by another entity (typically from another country). The issue of official subordination of employees is treated in the decisions by Polish courts as the main criterion for ascribing the role of employer to a specific entity. Thus a finding that employees' work is directed on an ongoing basis to persons who do not formally act for the employer, and they are held accountable for the results of their work by those persons, will be a key argument for determining that an employment relationship exists with a different entity.

More and more cases are reaching the docket of the labour courts in Poland where employees of Polish companies seek a determination that they have an employment relationship with other entities within the corporate group, including foreign parent companies.

Piercing the corporate veil in connection with abuse of the employer's legal personality

If the function of employer is carried out by a different entity, employees may also pursue claims in individual cases alleging abuse of legal personality within the corporate group.

This theory is based on the notion that the parent company has framed the organisational structure so that an employee only formally, as a façade, maintains a contractual relationship with the subsidiary. If this is the reality, it results in infringement of the employees' rights, particularly in the area of equal treatment. In that situation, employees working under less favourable conditions (particularly financial terms) than persons formally employed by the parent company might persuade the court that the parent company has misused the separate legal personality of the subsidiary (the employer) to unjustifiably subject the subsidiary's employees to disparate treatment. In that case, piercing the corporate veil would result in a finding that the employer and affiliated companies are really just one entity—in this instance, a single employer.

In such a dispute, the use of a matrix structure for substantive superiors to direct the work of employees would be important evidence to show that legal personality has been misused.

It must be remembered, however, that the instrument of piercing the corporate veil, which is based on the construction of abuse of law, could only ever be an exceptional solution. Effectively piercing the corporate veil would come into play only in the case of gross violation of employee rights due to being hired by the subsidiary. Nonetheless, there are more and more cases where courts uphold the allegation of abuse of legal personality. This allegation has been the basis for [rulings](#) in proceedings involving domestic holding-company structures. So far there have been no reports of cases involving cross-border corporate holding structures (where a Polish labour court has addressed the alleged abuse of legal personality by a foreign-based parent company). Nonetheless, allegations involving piercing of the corporate veil against foreign companies seem to be only a question of time.



Supreme Court of
Poland judgment of
18 September 2014
(case no. III PK 136/13)

Elimination of jobs in a matrix organisation

The matrix structure is also relevant in the case of organisational changes, particularly involving elimination of a position or reallocation of the job duties within the corporate structure (either directly to headquarters or to another subsidiary).

Given the nature of matrix organisations, it may turn out that the eliminated position will no longer appear within the Polish employer's organisational scheme. Moreover, in that situation the organisational change will most often result from a decision by a different entity. But it is the formal employer that must take the steps to terminate the employment contract, and if the employee challenges the termination the dispute will be decided by the Polish labour court.

In this context, it is essential for the contract termination notice to include the actual name of the eliminated position (which is also the case in linear organisational structures). As stated in the case law, if the notice of termination of an employment contract due to elimination of the position does not identify the position beyond all doubt, this essentially prevents a determination of the correctness of the grounds for termination based on the presentation of evidence. Thus, in the event of elimination of a position within a matrix structure, such formal questions must be dealt with scrupulously.

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Supreme Court of
Poland judgment of
13 December 2005
(case no. II PK 103/05)

Equal pay in matrix organisations

Implementation of the [Gender Pay Gap Directive](#) may drive an increased focus on employment relationships within matrix organisations. The aim of the directive is to provide employees with transparent information on salaries for specific positions. Armed with that knowledge, employees will be able to seek a levelling-up of their salaries in the case of noticeable differences. Moreover, larger employers will have to publish regular reports on the pay gap between men and women in their organisation (starting from 2027 for employers with a headcount of over 150 people, and from 2031, over 100).

The directive imposes obligations directly on the employer (i.e. the party to the employment relationship indicated in the employment contract), but introduction of these new obligations may

**GENDER PAY GAP
DIRECTIVE**
Directive (EU) 2023/970
of the European
Parliament and of the
Council of 10 May 2023
to strengthen the appli-
cation of the principle
of equal pay for equal
work or work of equal
value between men and
women through pay
transparency and en-
forcement mechanisms

nonetheless impact the overall corporate group. This is because under the directive, **assessment of the pay gap** between female and male workers will not be limited to situations where men and women work for the same employer, but will also be extended to a “single source establishing the pay conditions.” And for employers belonging to a corporate group, the salary policies are often based on rules adopted by the parent company. This opens the way to applying the directive more broadly.

In the case of strongly integrated corporate groups—particularly when they use matrix structures—employees of different companies holding the same positions and collaborating in national and international teams across the group may be especially interested to learn about their colleagues’ salaries. If there are glaring disproportions in salary levels (or pay gaps), claims to equalise their pay will likely be raised directly with the entities where the employees’ substantive superiors work within the matrix structure.

Poland has not yet implemented some key aspects of the Gender Pay Gap Directive, but has until June 2026 to do so (to date only employers’ duties at the recruitment stage have been implemented, but a government bill to enact the directive comprehensively was published on the website of the Government Legislation Centre on 16 December 2025). Only after the regulations enter into force will it be possible to analyse the ways employees exercise their rights and how corporate groups handle inquiries into salary levels, and potential equalisation claims.

Summary

When employees report to superiors outside their employer’s organisation, it can carry consequences, particularly a risk of claims of *de facto* employment by another entity. Moreover, businesses using a matrix organisational structure within a corporate group (domestically or internationally) must also recognise the risk of claims for infringement of the right to equal pay for equal work, and entry into force of the regulations implementing the Gender Pay Gap Directive will no doubt inspire the filing of such claims. Elimination of positions within a corporate matrix structure is a separate issue requiring attention to the nature of matrix organisations.