



Fairness in aid remuneration

PROJECT FAIR



Exploring practical pathways for reward fairness in international NGOs

Project Fair is an ESRC-funded international collaboration between the CHS Alliance, Birches Group, the University of Edinburgh and Massey University

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TABLE OF CONTENTS

Project Summary	2
Background	3
Method	5
Findings	6
1. What are organisations doing?	6
2. Challenges in reward	7
3. Evaluating the reward system	7
4. Drivers of change and challenges to change	8
5. Strategic considerations	10
6. A process of incremental change	12
7. Calling for a sector-wide approach	13
Workshop with HR and Reward Managers (April 2017)	14
Conclusions and Future Directions	15

PROJECT SUMMARY

Within the international aid sector most organisations remunerate their national and international employees on different scales. The differences between local and international pay and benefits within this so-called “dual salary” system can be large, reflecting challenges of attracting skilled international workers to difficult contexts, whilst remunerating national employees appropriately within their local economy.

Project FAIR builds upon a strong body of research into the psychological impact of these disparate salaries in the sector, in particular their impact on some employees’ motivation, performance, and retention. The project aimed to collaboratively explore practical alternatives to the dual salary system and enable the INGO sector to maximise its contributions to decent work, sustainable livelihood and poverty eradication.

The purpose of this report is to outline the key findings from the research, for organisations wanting to create fair and transparent reward systems. It provides background to the topic, outlines the project methodology and results, and gives an overview of the Fair Reward workshop held in April 2017. Through 18 interviews with HR and reward managers from 13 international NGOs the project identified a series of interlinking findings. Of the organisations that participated in the project, three have shifted to a single salary system, five remain on a traditional dual salary system, and five use a “hybrid system”. Despite the different approaches, all highlighted a commitment to fairness and discussed a variety of strategic decisions to facilitate a process of incremental change. A series of supporting case studies have been published based on data gathered during the interviews.

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BACKGROUND

In 2015 the United Nations' Sustainable Development Goals (SDGs) set out an agenda for ending poverty, protecting the planet and ensuring prosperity for all by 2030. These are a series of 17 goals covering a range of issues, but of particular relevance for the topic of reward is SDG8 which focuses on economic growth and decent work, and specifically includes work that is productive and delivers a fair income¹. One of the subgoals of SDG8 is 'equal pay for work of equal value'. Project FAIR sits against the backdrop of these global goals, as well as the commitments agreed on at the World Humanitarian Summit, and the Charter4Change, which outlines a commitment to a localization agenda within international NGOs.

The term 'dual salaries' describes the situation where, in low-income countries, skilled host country national employees and expatriate/international counterparts are rewarded on different pay and benefits scales. Such situations are generally those involved in longer term development projects rather than fast-acting humanitarian and emergency relief.

This approach to reward within the humanitarian aid and development sector can be traced back to the Marshall Plan post-World War II, where the US sent aid to Western Europe to assist with rebuilding. However, the context of work in the aid sector has changed substantially since then, for example with greatly expanded countries of operation, as well as countries contributing assistance. International NGO HR policies and practices need to adapt with those changes.

The most systematic study of dual salaries is Project ADDUP², which surveyed a cross-section of almost 1300 skilled national and international workers across six countries (Malawi, Uganda, India, China, Solomon Island and Papua New Guinea).

Participants were asked about a range of pay-related issues, and what was uncovered in the research was that dual salary systems and the relative inequity experienced within them were contributing to demotivation, feelings of injustice, and thoughts of leaving the job, particularly for skilled host country national employees³. More alarmingly, perhaps, the results also pointed to inadequacy of reward packages for local employees, whereby for example 80 percent of host country national workers reported that their package did not meet their every day needs. In Island Nations like Papua New Guinea, host country nationals have reported a "zero balance", where the bank balance reaches zero before the end of the current pay period⁴.

Notably, both nationally and internationally rewarded groups of workers reported that some pay differences may be fair, for example where skills are not available locally and therefore international recruitment is needed, but the actual difference exceeds the fairness threshold. Further implications of local-expatriate reward packages are the negative impact on quality of inter-group relationships and resultant capacity building/skills transfers⁵, as well as reduced physical and mental wellbeing⁶.

¹ <http://www.ilo.org/global/topics/decent-work/lang--en/index.htm>

² http://www.massey.ac.nz/massey/learning/departments/school-of-psychology/research/poverty/add-up/add-up_home.cfm

³ Carr, S. C., McWha, I., MacLachlan, M., and Furnham, A. (2010). International: Local remuneration differences across six countries: Do they undermine poverty reduction work? *International Journal of Psychology*, 45(5), 321–340.

⁴ Marai, L. (2014). Dual salary and workers' wellbeing in Papua New Guinea. In W. Reichman (Ed.) *Industrial & organizational psychology help the vulnerable: Serving the underserved* (pp.120-130). UK: Palgrave Macmillan.

⁵ McWha, I. (2011). The roles of, and relationships between, expatriates, volunteers, and local development workers. *Development in Practice*, 21(1), 29-40.

⁶ Marai, L. (2014). Dual salary and workers' wellbeing in Papua New Guinea. In W. Reichman (Ed.) *Industrial & organizational psychology help the vulnerable: Serving the underserved* (pp.120-130). UK: Palgrave Macmillan

The current project evolved from Project ADDUP, and a workshop held in collaboration with People in Aid and Birches Group in 2014. At this workshop issues of fairness and the unintended consequences of reward systems were highlighted and discussed, but overwhelmingly what emerged was the need to understand how to address reward policies in a way that works. At the core of the matter, HR professionals in INGOs are required to counter-balance macro level forces such as the SDGs, inflation, and labor market norms, with micro-level realities, for example reward differences for workers doing the same or similar work, with same or similar qualifications and human capital. Project FAIR aimed to work with INGOs to explore how they are already addressing many of these issues in order to develop fairer systems, and in doing so to generate an evidence-base that other organisations can use and build on to help promote change.

Dual salary systems, per se, may create a challenge for meeting the sustainable development goals, including decent work and equal pay for work of equal value. International NGOs are already doing a lot to address reward fairness, and this project focused on gathering and sharing details of what is being done. Project ADDUP identified a role for organisations in the impact of dual salaries on workers, over and above any impact of sector or national culture. Therefore, the most logical point of intervention for creating fair reward in the sector is at the level of the organisation.



PROJECT ACTIVITIES

Translating research findings into practical policy solutions by talking to rewards and HR managers in international NGOs about their experiences with different reward systems

Building and disseminating a solid evidence-base for different reward alternatives

Identifying commonalities and differences in what works and what doesn't within the international aid and development sector

Developing an integrated series of case studies and policy briefs that can be used as practical examples of different approaches to fair reward

METHOD

In order to gather experiences from international NGOs we circulated a request to participate in the project widely, through email lists and reaching out directly to organisations. We undertook semi-structured interviews (via skype or phone) with 18 individuals from 13 organisations. We interviewed senior reward and HR professionals within these organisations. Interviews explored positive and negative aspects of the current reward system, reasons for changing it, perspectives of a variety of stakeholders (donors, board, staff, beneficiaries, etc), and structural/demographic questions. Seven organisations were headquartered in the UK, three in Africa, two in Europe/Scandinavia and one in Asia. Organisations ranged in size from 90 staff (with 11 international employees) to 17,000 staff (with 600 international employees). They engage in a widely varied programmatic focus, ranging from between 3 and 20 offices in between 6 and 120 countries of operation. In terms of structure there was a mix of confederate, federate, networked and single organisations.

All interviews were transcribed and went through a coding process whereby they were read and reread for themes. During the analysis process we were not guided by any particular structure but allowed the themes to emerge organically from the data.



FINDINGS

1. WHAT ARE ORGANISATIONS DOING?

A key goal of this project was simply to document the different approaches organisations are taking to reward, in order to share experiences of what is often a taboo topic, but one which INGOs are working hard to understand and improve. Within the 13 organisations interviewed we found a range of different approaches are used, as outlined in table 1.

Table 1. Overview of different approaches to reward (pay and benefits) of 13 participating INGOs

Single-salary systems - All employees are paid across a single salary scale, but approach to benefits and allowances varies (3 organisations)
<ol style="list-style-type: none"> 1. Scale is built on national benchmarking data, with higher level grades supplemented in part by international data. All benefits are benchmarked to the national context, and employees who relocate internationally for a role receive a time-limited relocation allowance. 2. Scale is built on national benchmarking data only. Employees who relocate internationally receive benefits benchmarked against the headquarters, as well as a time-limited relocation allowance. 3. Salaries are based on the national context, and international staff are only recruited at grade five or above. All employees in roles at or above grade 5 receive international benefits, regardless of country of origin. These benefits are monetised to ensure equity among staff.
Traditional dual-salary systems – different reward systems for national and international employees (5 organisations)
<ul style="list-style-type: none"> - These organisations operate two reward systems – a national country package for local employees plus a global/international package for employees originating outside the country. For confederate organisations, often countries control national packages and the international secretariat controls the international packages. Many of these organisations are focusing on consistency and transparency.
“Hybrid” systems – two reward systems in place, but a shift closer to alignment (5 organisations)
<ol style="list-style-type: none"> 1. All employees at lower levels receive packages benchmarked nationally, and all at higher levels receive a standardised global package (regardless of the country they are working in, or country of origin). 2. Three systems are utilised – a dual system in country, but with executive-level (ie country director) positions matched, and national/international benefits are given. A third system is in place for regional roles (roles which are nationalised but have a responsibility at a regional level), which are remunerated on a headquarter scale. 3. Headquarter and national country scales and benefits are provided for international and national staff respectively. 4. All employees receive a headquarter package – they receive per diem if spending time in-country, or move to a different national system if moving longer term (nb this is a networked organisation with limited global mobility). 5. Programme countries operate their own scales, and international staff receive either a technical staff or programme staff package.

2. CHALLENGES IN REWARD

Regardless of the approach to reward, participating organisations highlighted a number of ongoing challenges they face in designing their reward systems:

- ▶ Identifying and introducing comparable benefits for national staff
- ▶ Tax (gross or net pay; double tax; changing rates in some countries)
- ▶ Currency (local or international (GBP/Euro/USD), fluctuations (e.g. Brexit))
- ▶ Cost (“Cost is at the centre of every decision you make. And often you can’t do things, because, well, you simply don’t have the budget for it” - Participant 5)
- ▶ Donor restrictions (Especially if restricted funding – “the project was already applied for 2 years back. So the salary of the particular positions are fixed” - Participant 3)
- ▶ Pay for performance vs annual increments



3. EVALUATING THE REWARD SYSTEM

We asked participants how they evaluate the effectiveness of their reward system, both in terms of the types of HR metrics that are gathered, and how frequently, as well as the feedback received from a range of stakeholders.

HR Metrics: those which were identified as being important include recruitment time, turnover, retention, engagement and satisfaction. Generally it was reported that these metrics are not well measured or tracked, in a formal sense, and particularly in country offices. Data that is collected often only covers international and HQ employees. Data is collected predominantly via exit interviews and engagement surveys, which have only a few questions on pay satisfaction and are often only carried out every 2-3 years.

Stakeholder feedback: No systematic feedback is gathered from stakeholders, however informally comments from staff often related to feelings that reward differences are unfair, e.g.: “staff ... see it, and they know it, and they don’t like it. And from time to time they say ‘not fair’” [Participant 12]. Conversely, there was some feedback that staff are concerned that changes may lead to an inability to recruit quality staff. Where discussed, feedback from the board was generally noted as supportive of creating fairer systems. Three participants noted donor queries or restrictions about international packages, e.g. “[this org] has been quite a high payer in the market especially for international posts, and we know that some donors have expressed some concern about this, as part of the review phase that we did” [Participant 6].

4. DRIVERS OF CHANGE AND CHALLENGES TO CHANGE

Five key drivers for change were highlighted in the 18 interviews. These drivers are linked, and not mutually exclusive.

Fairness (14 participants) – a feeling that a dual-salary system is inherently unfair

Consistency and transparency (11 participants) – a desire for clarity in the system, thus enabling the ability to justify how people are rewarded

Cost (7 participants) – a feeling that the expense of large international packages is no longer justified, and can be a source of saving

Values (5 participants) – the values underpinning the organisation and the sector as a whole

Availability of skilled local talent (4 participants) – recognition that in some local markets there are highly skilled local talent available so international employees on large packages are no longer needed in those contexts

“ with our new global reward strategy and policy, we want to ensure that we have a more consistent and unified approach to reward and ... although there are differences, we want to have as much as possible a consistent and coherent approach to how we design pay structures, in terms of how we define different benefits for, either national or international, to avoid big discrepancies...They should be as similar as possible and if there are differences we want to try to be able to explain why there are these differences” - Participant 6

“ [This organisation] is very much about equity, we just didn't want to have that separate elite class of staff, you know, people working side by side who are, compensation wise (pay and benefits) are being treated very differently. So it's really for us, it's not a cost saving measure that some people think it is. It's really all about our values and our original founders' ethos that we don't think that we should treat people differently, we don't think that we can go into a country and talk about equality and equity, yet within our own organisation we're not treating people the same.” - Participant 4



Four main barriers to change were identified:

1. Fear of difficulty recruiting (8 participants)

Unsurprisingly the most common barrier to change was the fear that it would be more difficult to recruit. Feedback from those who have already made changes is that there is little, if any, impact on ability to recruit.

“ We’re going through a process of learning, I think, and half the organisation bought into the new policy, and then there’s half the organisation who, you know, a few, who are still, like, well, you know, this is really not fair and you’re not paying enough and we’re not going to be able to get the right staff and, you know, because we’re not paying a competitive package. So far, I haven’t see evidence of that, but we are tracking it” - Participant 11

2. Wanting to remain competitive (6 participants)

Clearly linked to the previous point is the concern that the organisation remains competitive. Respondents discussed this both in terms of being competitive compared with other similar organisations, as well as in terms of meeting the expectations of current and future employees.

“ It’s about working together to ensure that we don’t drive [packages] up by competing with each other and that we think about whether we do need to provide the level of package that we do and whether, if as a sector we can change the way we operate. That’s how it would have to be because of the worries we’re constantly competing with each other to secure the right people” - Participant 13

“ at the end of the day what you want to do is create the right skills in the locations and clearly if we’re kind of competing against someone like [a UN agency] who have quite big packages then that kind of, it all heats itself up doesn’t it?” - Participant 2

3. Consistency across different economic situations (5 participants)

Two clear perspectives came through on this issue which are linked to strategic decisions about mobility (see next section for more discussion on this). Some respondents highlighted the inequity between countries that would develop if all staff receive a national package, particularly for those countries with lower packages, while others noted that they do not expect consistency across different situations, but that employees will be rewarded according to the local context.

“ the kinds of countries where it’s straightforward would be Kenya and Singapore and countries like that, they’re already very developed and when you look at the national pay data you can see that the positions go up to CEO level for organisations like ours. And then the more difficult countries would be South Sudan, the DRC, countries like that where you’ve got the sort of challenges of education, but you’ve also got the sort of security and the political instability which doesn’t kind of create that strong base in terms of having that sort of higher calibre of talent in the marketplace” - Participant 8

“ in countries where we currently operate, there are such different pay systems, at different levels, because of the, you know, economic situation in each country. We work in Africa, in Asia, in the Middle East and in Latin America, which are completely different economies, so our local national salaries are clearly different” - Participant 15

4. High risk settings (3 participants) / Emergency locations (3 participants)

The challenge of how to address fair reward in settings where it is already difficult to recruit employees, such as high risk and emergency settings.

“ in Chad...in Afghanistan...in CAR, how do you make this shift, in these very difficult kinds of environment? And we will make it, I just don’t know what it looks like, and I don’t know when it’ll be, but it’s a huge challenge for us” - Participant 12

5. STRATEGIC CONSIDERATIONS

What came out clearly in the study is the need to make some strategic decisions around issues that underpin the approach to reward, and to subsequently develop underlying systems/policies that support those decisions. The following five topics came out as the key strategic issues organisations need to consider before restructuring their reward system.

1. Nationalisation policy

Hiring nationally where skills are available. Assessing availability of talent within lower income countries was identified as an important part of the change process. Interviewees talked about addressing this on a role-by-role basis rather than looking within a whole country's talent market more broadly. One technique shared is to exclude salary details from job adverts (thereby removing any indication of what group of worker is expected to apply), another strategy is to try to hire locally in the first instance, and then open it up internationally if it cannot be filled. The importance of capacity building amongst existing national employees and in local communities, for example through leadership development, was also highlighted as a way to address this policy.

“ we seek to prioritize recruiting and developing local staff wherever we can. And we would try to recruit international staff by using a local package if that was possible, but we recognize that in some instances, in order to be competitive with other large agencies, we may have to use a global type package in order to be able to secure the people that we need to do, to do the jobs that we need” - Participant 13

2. Mobility policy

Some organisations have identified a strategic need for them to retain a (smaller) portion of globally mobile staff, who would receive a higher wage and more benefits than other employees. The quotes below provide two examples of different approaches to mobility, the first includes a globally mobile cadre of employees who move often and focus on building capacity. The second considers employees who move internationally as a relocation rather than a temporary assignment.

“ we want to give more emphasis on internationals being a global workforce. They are on an international contract because they should be globally mobile, they are on the international contract because they have a certain level of expertise and experience and should have a high focus on building capacity of nationals, while they're there. So that they potentially could be replaced by nationals when they leave.” - Participant 3

“ we strive to hire local staff. But that's not always possible, of course, so when we can't do that, we will move people from one country to another, but it's really treated as relocation rather than a temporary expat assignment” - Participant 5

3. Total reward package

A need for a greater recognition of the total reward package being offered to potential (and current) employees has been identified, recognizing the changes to what motivates those who are now entering the workforce. Anecdotal data from the organisations interviewed suggests that many expats are not looking for the really high packages any longer. The importance of aspects of the total reward package were highlighted by respondents. These include a consideration of non-financial aspects of reward, which may be attractive to employees. For example, considering intrinsic motivation, the philosophy of the sector and the 'cause' the organisations work for, the brand, the work environment, and personal career development (and leadership) opportunities

“Compensation has been a key element for us in order to be able to attract and keep [staff], but of course there are other things that we also hear from our staff that they really want to work with [us], more because of the reputation the organisation has in the humanitarian sector”
- Participant 6

“We find people are working for [us], because the contribution to the society is, you know, really important”
- Participant 3

“We are a charity, so by definition we're paying a little bit less than in the commercial sector, but nonetheless, people who are working for us should work also for the cause”
- Participant 5

4. Identifying market comparison groups

A further strategic decision INGOs need to consider is with which market they want (or need) to compete. There is great value in understanding with whom the employees tend to compare their reward package, and from what market future employees can/will be recruited, whether that be national vs international employees, technical vs non-technical employees, or private vs NGO sector.

“if somebody comes and breaks the 'E' wall, they will get the same pay whether they're based in London, Johannesburg or Nairobi. The reason why we've done that pay scale is that for those roles we need the international experience, this also for having international remit, and so we fill that, regardless of the nationality and home country, which means regardless of cost of living, or local pay scales in that country, we want everybody to be on an equitable pay scale” - Participant 15

5. Centralised vs. decentralised HR/reward decisions

A final key question is whether HR and reward decisions are made centrally and fed out to country offices, or whether country offices are provided autonomy to make their own reward decisions. The reasoning behind this decision should be clear, for example, whether it be because of the decision that a local perspective should be prioritised or because one overarching transparent approach for all offices is needed.



6. A PROCESS OF INCREMENTAL CHANGE

The project results suggest that many organisations are taking an incremental approach to change. A three-step process was identified and is outlined in figure 1.

Figure 1: An incremental process of fair reward



- 1. Developing a consistent and transparent reward system**

Numerous organisations highlighted the fact that internationally mobile employees had been remunerated on an ad hoc basis, often because there had only been small number of employees in these roles and therefore never a policy on it. Developing a policy and structured pay scale and benefits benchmarking was therefore seen as the first step toward creating a fairer system, built on transparency and consistency between employees. The importance of using job evaluation and reliable benchmarking data in this process was identified.
- 2. Implementing a nationalisation strategy and aligning benefits packages**

The second step toward reward fairness between international and national employees was identified as a nationalisation strategy (i.e. committing to hiring local workers where the skills are available locally) as well as reducing the benefits and allowances paid to international staff. Twelve of the 13 participating organisations independently identified the importance of a nationalisation policy. At this point many organisations talked about the importance of considering their total reward package (see previous section).
- 3. Implementing a single-salary system**

The final stage in the change process is implementing a single salary structure where all staff are paid a local package (possibly with some global data used to weight the top of the scale), but anyone who relocates is offered certain benefits and allowances to facilitate that relocation (often time-limited). Note the strategic consideration discussed in the previous section around whether or not a globally mobile group of employees is needed.

Lessons learned

Various lessons have been shared in terms of managing the process of changing reward system. As with any change process, communication with staff is the most important factor. Strategic thinking is crucial, as discussed in more detail earlier in this report. Senior level support and buy-in for the change at a strategic level is needed, and a recognition from senior levels that some turnover may be inevitable with the change. Developing a transparent system to underpin any new approach is key, and good benchmarking and job evaluation data needs to be used to do this. Participants identified the importance of building in a process for testing the availability of skills in the local labour market. Finally, a transition phase where the old system is slowly phased out is critical – e.g. offering pay protection for 18 months, and slowly reducing allowances offered over this period.



7. CALLING FOR A SECTOR-WIDE APPROACH

A key issue which was repeatedly raised in the interviews was the need for a sector-wide approach to addressing the topic. Interviewees highlighted the need to remain competitive within the sector, while at the same time wanting to reduce international packages so they are more aligned with national packages. Multiple interviewees emphasised their concerns about remaining competitive and being able to recruit talent, and how these concerns create a considerable barrier to change. It was emphasised that if multiple organisations (particularly large and reputable organisations) made changes at the same time there could be the potential for real sustainable change within the sector.

“ for me it's partly about skills capacity building to make sure that there are local people that we can recruit, but it's also about working together as a sector to look at the packages that we give to ensure that we don't drive them up by competing with each other and that we think about whether we do need to provide the level of package that we do and whether, if as a sector we can change the way we operate. That's how it would have to be because of the worries we're constantly competing with each other to secure the right people” - Participant 13

“ INGOs need to move together. So if one INGO does something really bold, implements something really new, which will save them money but will reduce their competitiveness, then that's not going to do anyone any favours. So we need to move together on it” - Participant 8

“ I think it would be useful if there were more organisations making the change more or less at the same time. Not to lose competitiveness” - Participant 4

WORKSHOP WITH HR AND REWARD MANAGERS (APRIL 2017)

Following collection and analysis of the interview data we held a full day workshop in London, to which we invited HR and reward managers from the international NGO sector. An overview of the findings of the project were presented to participants, following which four organisations presented their current and planned approach to reward, and case studies developed collaboratively with interview participants were made available. The full case studies can be obtained on the project website, www.project-fair.org, or by emailing the project lead Dr Ishbel McWha-Hermann on ishbel.mcwha@ed.ac.uk.

After presentation of the project findings, workshop participants were asked to participate in small group discussion around four topics (see below). The group discussions provided a valuable opportunity for additional insights into the possible ways forward for organisations and the sector in terms of reward, and into the challenges to overcome in the process. All participants contributed to all topics, as groups moved around stations facilitated by project team members and built on what was already there.

1. Aligning organisational values and strategy to reward principles and strategy, and how to get senior level support

Topic one explored the link and fit between the principles of the reward structure and the organisational strategy and values, and how to get support and buy-in from senior management. The dominant view was that effective communication was the most important part. Here, participants argued the importance of providing clear definitions, while at the same time keeping the message simple. Furthermore, the importance of constant and consistent communication of the principles to all employees on all levels of the organisation was emphasised. In terms of strategic fit, it was identified as necessary for organisations to recognise HR's strategic role as an enabler and facilitator, with a dedicated place at the table. With clear links to organisational strategy and values, HR should be working with senior management to develop the principles and ethos behind the reward system.

2. Developing creative reward solutions

The second topic focused on developing creative solutions to reward issues and how to make space for them. Participants agreed on the importance of confidence and risk-taking while tackling policy-level challenges. Organisational politics were also represented in the discussions, with participants arguing the importance of gaining organisational support before pushing for changes. Furthermore, organisations should allow failures and reduce the fear which HR professionals might feel when proposing new ideas to senior managers or the Board.

3. Mechanisms for monitoring reward practices and how they fit within the organisational strategy

The third topic discussed during the workshop was how to monitor reward practices, and how they fit into the organisational strategy. Here, the primary focus was on how to improve monitoring practices. Participants agreed on the necessity for suitable HR information systems that would allow HR professionals to gather and analyse qualitative and quantitative data using different methods. Furthermore, participants argued for the importance of targeting particular moments and situations for data collection, which would inform the performance of the reward policies. This would include interviewing job applicants who turned down a job offer from the organisation, and conducting exit interviews with employees who are voluntarily leaving the organisation. More broadly, the participants agreed on the importance of looking outside their organisations and their sector for new approaches to monitoring, as well as exploring the intrinsic values specific to the organisation and the sector, and held by employees.

4. Identifying the gaps in resources, training, service and partnership, and how research can assist with filling them.

When discussing the gaps in resources, training, service and/or partnership, practitioners raised concerns about the lack of evidence-based practice in international NGO reward. A potential solution for this would be forming partnerships with universities, who would be able to provide methodological rigour, a fresh outsider view, time and space for organisations to discuss the issues (potentially anonymously), and would be able to conduct medium to long term research on reward related issues. Such partnerships would provide evidence-based research through which academia can support NGOs to make change.

CONCLUSIONS AND FUTURE DIRECTIONS

The aim of Project FAIR was to explore different approaches to reward in the international NGO sector, as well as to contribute to and support a sector-wide discussion on fair and transparent pay. This report provides an overview of the research findings, and should be read in parallel with the various case studies developed as part of the project.

The results of the project emphasise that the process of change itself is not simple. International NGOs work in different economic, social, and cultural contexts, and this can impact their approach to reward. There are also a variety of strategic differences underpinning the way reward is structured, and these strategic issues must be considered before change can be made. The results also highlight that there is no one best way to structure reward. Organisations utilise a range of different approaches to reward, including using a single salary approach, using a dual salary approach, or a variety of 'hybrid' approaches in between.

There is a fairly universal process of incremental change underlying the development of reward systems within international NGOs. The process begins with the development of transparent and consistent systems and policies, and then considers at least five key strategic decisions that need to be considered prior to making any changes to the reward system: 1) nationalisation policy, 2) mobility policy, 3) total reward package, 4) market comparison groups, and 5) centralised vs. decentralised reward decisions.

A strong message emerged from the data that there is a need for organisations to work together toward a sector-wide change, in order to develop fairer systems while at the same time remaining competitive. This includes gathering and sharing strong evaluation data of existing and new systems.

Looking ahead, the project team intends to continue working with INGOs to make changes to their policies and systems. This includes supporting organisations who wish to make change, to better understand what would be appropriate in their organisation, and also includes ongoing evaluation with interested organisations of the impact of changes on key HR metrics, so that we can expand our understanding of what works, how and why. Further research is also needed to understand the reward expectations and needs of employees, and the impact of different reward systems on employee engagement, retention, and behaviour. Research that includes the perspectives of both national and international employees is crucial.

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PROJECT FAIR



CASE STUDY: CAFOD

OVERVIEW OF THE ORGANISATION

Catholic Agency for Overseas Development (CAFOD) is an international development charity and the official aid agency of the Catholic Church in England and Wales. The organisation runs a variety of different projects in 50 countries mainly through partnerships, focusing on a range of activities from livelihoods, health, water, sanitation and emergency response. Apart from the head office in London, CAFOD operates four regional offices in the UK, as well as 13 overseas offices, mainly in Africa. The organisation employs 458 staff, largely in the UK. 167 staff are nationally contracted in one of the 13 offices, and up to 20 staff are on international contracts.



DESCRIPTION OF THE REWARD SYSTEM

Until recently, CAFOD operated three distinct salary scales. One scale was dedicated for staff working in the UK. For overseas operations, CAFOD previously operated a national and an international salary scale, however, recently the organisation decided to discontinue the use of the international scale and instead have just one scale for UK and international staff and one scale for national staff.

International benefits have also been reviewed and reduced. Currently, international staff receive the same benefits as UK staff members. In addition, international staff receive a mobility package to support relocation, which amounts to 10% of base salary for unaccompanied employees, and 20% for accompanied employees. Another important benefit is education, which is separate from the mobility package, and is capped. The allowance is non-consolidated and paid in addition to the agreed annual salary for the purpose of providing compensation for costs related to relocation and maintaining one's self in the location of the post. The allowance is paid in intervals at the same time as monthly salary.

Where possible the organisation attempts to recruit nationally, and aims to minimise the number of staff on international contracts. While most international staff are on two or three year contracts, permanent international contracts also exist. International contracts need senior management authorisation and are only agreed if there is no likelihood of recruiting the right skills nationally.

During emergency response, CAFOD adheres to the principles set out in its Ethical Recruitment Statement which supports a commitment to the Charter4Change.



PROS AND CONS OF THE CURRENT SYSTEM

Positive aspects of the reward system in place at CAFOD are:

- ▶ Reducing the number of salary scales from three to two simplifies the reward system
- ▶ The organisation maintains a relatively small number of international staff, and aims to recruit nationally
- ▶ As a general principle, the organisation ensures all employees receive a living wage
- ▶ There is a mobility package for international staff to assist with relocation costs

CHALLENGES OF THE EXISTING SALARY SYSTEM INCLUDE:

- ▶ Though reduced, differences between international and national staff reward remain both in terms of salaries as well as benefits.
- ▶ Some concerns have been raised within CAFOD about the package for international employees not being competitive enough in the international job market.

REASONS FOR REVIEWING THE REWARD SYSTEM

CAFOD operates under the principles of fairness, solidarity and financial stewardship, and aims to strongly reflect these values in its reward system. In 2016 CAFOD reviewed its national salary structure and grading system, maintaining a general principle to pay the living wage to all its staff.

In terms of international salary scales, the organisation accepts that their international package may be less than other international NGO's. However, recruitment at CAFOD is facilitated by the shared values of the staff and the organisation.

Websites

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CASE STUDY: CONCERN WORLDWIDE

OVERVIEW OF THE ORGANISATION

Concern Worldwide operates in 27 countries worldwide, employing approximately 4,000 staff. The organisation runs country programmes related to both long-term development including health, agriculture and education, as well as emergency response including shelter, water, and food provision. The head office is situated in Dublin, Ireland, with subsidiaries in the UK and South Korea, and an affiliate organisation in the United States. Concern Worldwide is largely funded by government funding, as well as public donations, UN institutions and corporate donors.

CONCERN
worldwide



DESCRIPTION OF THE REWARD SYSTEM

Concern Worldwide operates a dual salary system, differentiating between national and international pay scales. The national pay scale is calculated based on the 50th percentile of the national country market data. Policy allows, in some exceptional cases, for national pay scales to be pitched between the 50th and the 70th percentile. The international pay scale is calculated based on a combination of the 50th percentile of the Birches EMEA data, and the results of Concern's own bespoke survey of 18 peer organisations that are considered as recruitment competitors. Contract length for international employees varies. Country Directors are typically offered a three year contract, with an option to take another 3-year contract. There are high levels of mobility among international staff.

The system is set up in a way that the salary of national staff in executive positions (such as country director positions) match the salary of international staff in similar positions. Significant differences are still present in terms of benefits, with international staff receiving support for housing, health insurance and education for children, as well as hardship allowances and country allowances.

A third pay scale is also utilised in some positions, such as for employees in roles which have been nationalised, but who have significant responsibility for multiple offices at a regional level. These staff are placed on a Head Office salary scale, which is higher than a national scale thereby enabling attraction of skilled employees, but is less than an international salary.



CHALLENGES FACING THE SALARY SYSTEM IN CONCERN WORLDWIDE

Concern Worldwide face a number of challenges with their reward system, which they are actively working to address:

- ▶ Some national staff, particularly senior level staff have raised concerns regarding fairness of the reward system and the organisation is exploring options for addressing this.
- ▶ Concern Worldwide tends to operate in high-risk, remote areas, making the recruitment for these roles challenging, so any change to the reward system needs to take this into consideration.
- ▶ Remaining competitive in the sector.

PROS AND CONS OF THE SYSTEM

Though still utilising a dual salary system, Concern Worldwide has made some important steps toward a fairer and more equitable system. National and international country directors are on comparable pay scales, despite benefits differences, and national employees in regional level roles are paid at a level that recognises their added responsibilities.

The organisation recognises some ongoing issues with the reward system including that the alignment of national and international salary scales exists only at a senior level, and that there remain significant differences between international and national staff in terms of benefits.

REASONS FOR MAKING THE CHANGE

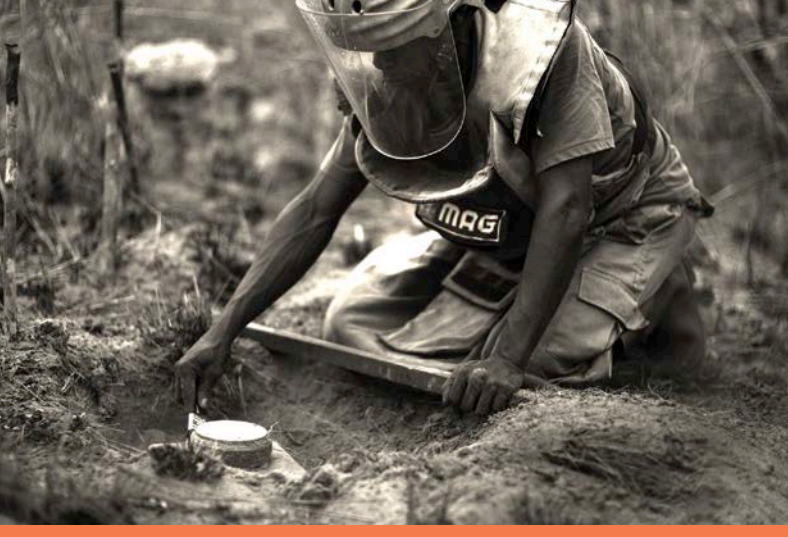
Changes in the reward system reflect Concern's attempts to make the pay system fairer through the introduction of a third salary scale for regional positions occupied by national staff, and through matching the national country director pay scales to the international pay scale. In addition to concerns of fairness, the organisation is also concerned with the competitiveness and cost-effectiveness of their current pay system.

Websites

www.concern.net
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DESCRIPTION OF THE REWARD SYSTEM

Due to the highly technical nature of their operations, MAG operates two salary scales for its International staff: one for technical staff, and the other for programme support staff- logistics, finance, HR, administration. In addition, each programme country has its own scale for national staff, and there is a scale for staff at Headquarters. All MAG's salary scales are designed around the 50th percentile of the market.

The organisation recognises the specialist nature of recruiting staff into technical positions due to the highly technical nature of the roles (mine clearance, bomb disposal and training), and the strong competition for skilled staff in the labour market, predominantly from commercial organisations. As a result, MAG has had to develop a separate scale for technical staff, which is higher than for non-technical staff (but still lower than commercial organisations offer). Highly skilled managerial technical roles are filled internationally.

MAG has developed a global national staff reward framework which includes the following principles: Fair, Competitive, Accountable, Responsible, Affordable, Flexible and Simple. Each programme uses these principles to guide and develop their own distinct framework and policy appropriate for the local context. Benchmarking of salaries is undertaken on a regular basis, usually every three years, using Birches data, where available. When benchmarking for national technical salaries MAG uses knowledge and information from its competitors and other actors in the mine action sector operating locally. MAG attempts to recruit staff nationally, wherever possible, and only recruits international staff into roles that cannot be filled nationally. As a result, most roles are filled by host country national staff.

National staff at MAG are paid either in USD or in the local currency depending on the local context and labour law. They also receive benefits and allowances in accordance with the local legal context. A cost of living allowance is given to national staff who work away from their home location, but still in the same country. International staff receive a number of allowances and benefits, including cost of living allowance and, in some countries, hardship allowance.

PROJECT FAIR

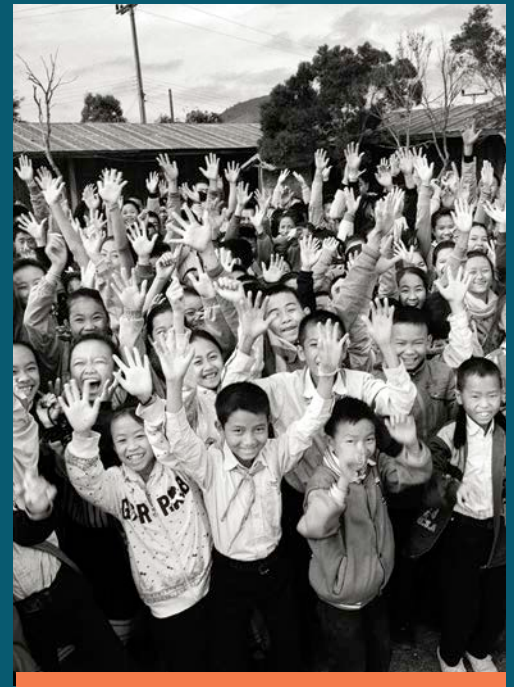
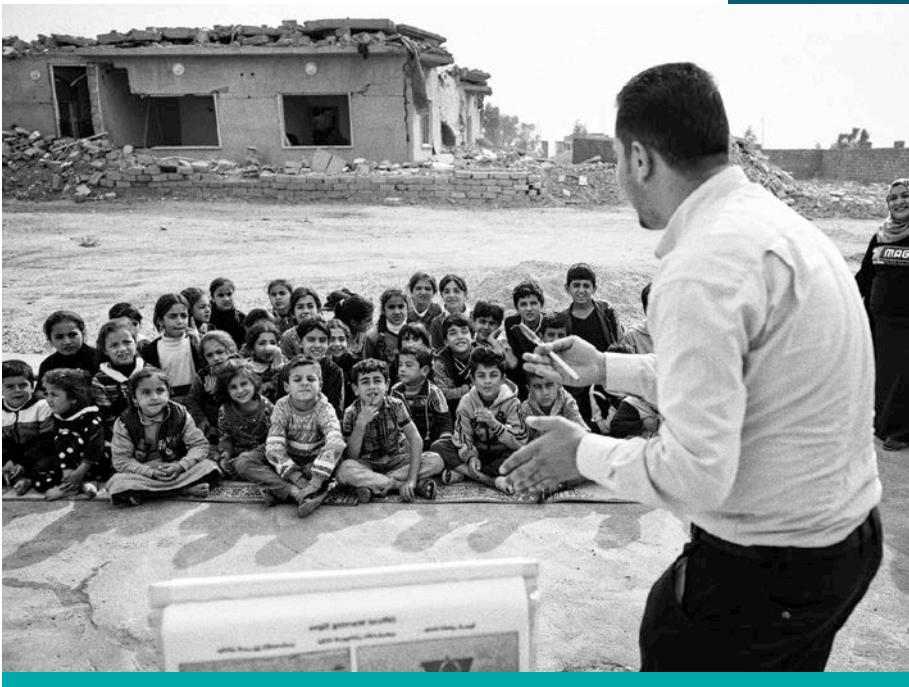


CASE STUDY: MINES ADVISORY GROUP

OVERVIEW OF THE ORGANISATION

Mines Advisory Group (MAG) is a non-governmental organisation aiding people affected by landmines, unexploded bombs and other small weapons. The organisation is involved in mine clearance, unexploded bomb clearance, improvised landmines clearance, emergency response and risk education. The organisation operates in 20 countries worldwide, employing around 2,700 staff. MAG's headquarters are in Manchester, United Kingdom. It operates one regional office in Jordan.





PROS AND CONS OF THE EXISTING SALARY SYSTEM

Positive aspects of the reward system in place at MAG include:

- ▶ The current reward structure, with specific technical and non-technical scales, enables the organisation to compete for experts in a market dominated by commercial organisations
- ▶ Through its efforts to recruit nationally whenever possible, MAG maintains a low number of international staff, and makes sure that international staff are recruited only into positions that cannot be filled nationally
- ▶ The system recognises and compensates national staff for difficulties they face in their home country, including providing an allowance for working outside their home location

There are a number of challenges to the existing reward system including the somewhat wide gap between national and the international pay scales in some countries. However with some senior support positions being nationalised, the prevalence of this is reducing. In addition, due to the demand for technical skills in other countries, staff can be moved to another country where they receive an international salary. This can provide challenges when they return to a national package in their home country.

Websites

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CASE STUDY: NORWEGIAN REFUGEE COUNCIL

OVERVIEW OF THE ORGANISATION

Norwegian Refugee Council is an independent humanitarian organisation aiding refugees by providing sanitation, food and water, shelter, legal aid, and education. The organisation operates in 30 countries worldwide, employing nearly 6,000 staff. NRC's headquarters are in Oslo, Norway.

The organisation operates four regional offices, each supporting five to ten country offices. Middle East region is operated from the regional office in Jordan, and Horn of Africa from the regional office in Kenya. Other two regions – Asia and Europe, and Central and West Africa and South America – are operated from the headquarters in Oslo. Apart from the headquarters, the regional and the country offices, NRC operates smaller representative offices that are responsible for advocacy, fundraising, and representation with key stakeholders. These offices are located in Geneva, Brussels, Addis Ababa, Dubai, and Washington, DC. In addition, NRC's expert deployment capacity – NORCAP – supports other organisations and institutions, particularly the UN, in all stages of a crisis with around 200 NORCAP experts on mission at any time.



**NORWEGIAN
REFUGEE COUNCIL**



DESCRIPTION OF THE REWARD SYSTEM

Recently, NRC developed a new global reward strategy and policy which aimed to introduce a set of global principles in support of a new unified approach to reward. This policy includes a new grading structure, which is clearer than in the past, though staff are still remunerated based on their country of origin (national or international). All staff are placed on the same job grades if they do the same job, regardless whether they are on national or international contracts. Changes have so far been rolled out in 80% of NRC's offices.

NRC employs around 400 staff on international contracts. The international pay scale is informed by the global pay survey of Birches Group, and the organisation sees itself as being competitive on the international markets. International contracts are usually not longer than two years, and can be normally extended for a further two-year period, thus providing limited opportunities for staying on an international contract in one country for more than four years. The recent developments in global reward strategy and policy have resulted in a new international pay structure and compensation package, rolled out on January 1st 2017, which notably includes reduced allowances for international staff.

The Norwegian Refugee Council's largest group of employees are on national contracts. NRC actively focuses on employing national staff where possible, with a particular focus on increasing the number of national staff in managerial positions. National pay scales are calculated individually for each country, and are informed by Birches Group and other relevant sources of pay market benchmarking data for each country.



PROS AND CONS OF THE EXISTING SALARY SYSTEM

REASONS FOR MOVING TO THIS SYSTEM

The previous reward system in NRC contained inconsistencies, and was not sustainable given the high growth the organisation has experienced in recent years. Furthermore, the international compensation and benefits system was not informed by any relevant pay market benchmarking data. The new system introduces consistency and coherency to the system by introducing clear and transparent scales for staff on national and international contracts. Furthermore, pay is perceived as key for attracting talent, and a transparent system is therefore important for maintaining competitiveness in the international market.

CHALLENGES TO OVERCOME

- ▶ The transfer of staff to a new pay structure requires effective communication, involvement and consultation with staff.
- ▶ In some countries, challenges arise from the different remuneration for staff on national and international contracts who are doing the same job, despite being on the same global pay grade. However, the increased transparency of the new system enables the organisation to be clear and consistent about what the differences are and why.
- ▶ Some international staff reacted negatively to the reduction of their allowances. As a result of consultation, the transition period was extended from nine to 18-months.

Positive aspects of the reward system in place at NRC are:

- ▶ Increased consistency, coherency and transparency in pay and reward
- ▶ Introduction of global pay grades makes jobs comparable throughout the organisation
- ▶ Limited length of international contracts supports the high mobility of international staff
- ▶ A conscious balance between what is affordable for the organisation, and what will maintain competitiveness in the market
- ▶ Positive reactions from country directors and regional HR staff, who see the new system as more consistent, tidy and systematic

Cons of the existing reward system include:

- ▶ Despite the introduction of global pay grades, the new global reward strategy and policy maintains the differentiation between staff on national and international contracts
- ▶ Significant discrepancies between national and international pay in some markets for staff doing the same job.
- ▶ Reduction of allowances for international staff may potentially affect retention and recruitment
- ▶ NRC's approach to international host location income tax remains a challenge to maximise global mobility of NRC's international workforce

Websites

www.nrc.no
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CASE STUDY: SAVE THE CHILDREN INTERNATIONAL

OVERVIEW OF THE ORGANISATION

Save the Children International (SCI) programmes focus on giving children a healthy start in life, the opportunity to learn, and protection from harm. Programmes emphasise transforming children's lives – every day and in times of crisis. In 2015, 17,000 SCI employees reached 62 million children across 120 countries.

The organisation operates five regional offices, in Jordan, Panama, Singapore, Kenya and Senegal. As well as the headquarters, regional, and country offices, the organisation operates additional offices focused singularly on advocacy efforts in Geneva, Brussels, Addis Ababa and New York.



Save the Children



DESCRIPTION OF THE REWARD SYSTEM

SCI currently operates a relatively traditional system whereby the reward package is linked to mobility; an employee would be offered:

- ▶ A national package if they were based in their 'home' country or did not relocate to the work country to take on their position.
- ▶ An international package – if the employee relocated to take on their position and they are not based in their 'home' country.

The Global Reward and Engagement Team uses the Birches Global Pay Survey data set to manage the international pay ranges. Management of national pay ranges has been devolved to countries and regions who manage them independently (seeking advice from Regional Reward Leads and the Global Reward and Engagement Team when required). Different approaches are used, including Birches Local Pay Survey data, local surveys and other local data, or a combination of these.

International benefits packages are considered by the organisation to be in-line with market practice, and national benefits are set around minimum standards and duty of care but depend on the specific countries and the local legal context.



A MOVE TOWARDS A NEW REWARD SYSTEM

CHALLENGES OF THE CURRENT SYSTEM

SCI has identified a number of challenges in their current system, including the cost associated with international packages, perceived inequalities between staff groups, difficulties in attracting diaspora, low global mobility rates, and longer-term retention of some key positions. As a response to this, the organisation is implementing a nationalisation 'where possible' policy as well as building in some additional flexibility to the current model.

As part of this, international contracts are usually limited to two or three years, with a maximum of five years. At this point the international staff member would be encouraged to either move to a different country as part of a planned move (and hand the role over to a national staff member they have been developing) or to accept a renewed contract on a national package.

Another challenge is that due to complex business needs and recruitment challenges, there are several variations of the national and international packages in play. Additionally, SCI recognises that the assumptions that the current system is built on are based on a historical notions that employees from the global 'north' will be relocated to the 'south' and that relocated employees will be covering extensive ongoing costs in a 'home' country.

In a response to identified challenges, as well as advancing a nationalisation agenda, SCI will in 2017, start the process of assessing alternative reward systems. The aim is to provide a more coherent, consistent and transparent approach to reward, which meets the needs of the organisation today.

To avoid creating issues within the market, SCI intends to work with other INGOs to develop a new system together. One option which will be considered is the blended model. This involves national pay ranges for each country, but at senior levels the pay ranges include a mix of local and international pay market data – with different blends depending on the complexity of the country, seniority of the post, and level of development of the senior local labour market. In addition to pay, relocating employees would receive a location allowance, which would incorporate reward elements traditionally paid as allowances or reimbursed, but the allowance would be at a lesser level to traditional expatriate allowances. This and any other allowances would be phased out over five years. The employment contract would clearly lay out the package across the five years, at the end of which the package would be equivalent of a national package. Over time, as the national labour market develops, the blend of national and international pay data would be changed to move towards a pure national pay range.

The long-term vision for SCI is for a much smaller number of employees to be on a full traditional international packages – these would be humanitarian response positions (which are deployed to countries for short periods during the year) and business critical positions filled with top talent who are regularly deployed around the globe based on business need.

Websites

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CASE STUDY: WATERAID UK

OVERVIEW OF THE ORGANISATION

WaterAid UK operates in 24 countries in four regions, and is part of a global federation employing 1000 staff worldwide. Two regions, South Asia and East Africa are supported from the London office along with regionally based specialists. The other two regions, South Africa and West Africa, are supported by regional offices in Pretoria, South Africa and Dakar, Senegal, respectively. WaterAid UK's vision and mission are focused on water, sanitation, and hygiene. While the organisation decides on the priorities and provides financial and other support, the projects in individual countries are predominately managed through local partner organisations.



DESCRIPTION OF THE REWARD SYSTEM

Over the past several years WaterAid UK has made a shift towards the single salary system, under which all employees are paid in local currency, and receive local benefits. Each country's salary scale is constructed using local salary benchmarking data, while the data for some high-level grades is supplemented in part by international data in order to remain competitive in the international market. Both scales are designed to range between the 50th and 75th percentile of the market.

In addition to the single salary approach, the organisation has an active nationalisation policy, where it strives to hire local staff where possible, while recognising that some roles require skills that can only be found outside the country. Benefits differ from country to country, and are based on local survey data, local policies, and practices of other NGOs in the market. Employees who are relocated internationally fall under the international relocation policy and are provided additional allowances to ease their transition to the new country, but only for a set period of time or up to a fixed maximum. WaterAid has a cost neutrality policy in place to ensure that employees neither gain nor lose financially from working in a country other than their home country. For instance, they receive a one-off lump sum relocation allowance at the time of relocation, and the organisation covers half of child education fees, up to a maximum per year. WaterAid also has an economic turmoil policy in place, which protects salaries in times of high inflation/rapid deflation. This policy applies to all staff, and if it is triggered in a country programme all staff will receive the allowance.



CHALLENGES OVERCOME IN THE CHANGE PROCESS

The main challenge the organisation faces is that of competitiveness with other INGOs offering more generous expatriate packages. While WaterAid has been successful in attracting talent, the pool of talent to draw on is reduced because many expatriate workers can attain a more substantial package with other employers.

An important challenge for WaterAid UK's reward system is the impact of exchange rates on salary scales for the high-level grades, which are created using a combination of local and international survey data. Since the international surveys are reported in EUR, USD or GBP (the typical pay currencies of international staff), the design of a salary scale created and paid out in local currency necessitates currency exchange calculations. This puts the organisation in a vulnerable position with regards to volatile currency changes. Furthermore, having different salary scales in different countries for high-level positions can be challenging in the context of recruitment and salary negotiations, as well as day-to-day HR practices, as staff could compare their salaries to those working in the same high-level roles in other countries. Finally, WaterAid sometimes find that job candidates are focused only on their base salary, ignoring the competitive benefits and allowances that WaterAid provides as part of a total reward package.

PROS AND CONS OF THE SYSTEM

WaterAid UK's reward system allows the organisation to balance their values of equity and fairness with the need for attracting candidates with key skills, even when they are recruited from the international pool of candidates. Here, WaterAid UK also relies on its brand value to help attract employees.

REASONS FOR MAKING THE CHANGE

WaterAid UK's intentions behind the change were driven by their values and the original founders' ethos to treat people equally. Furthermore, the organisation felt that having a dual salary system was detrimental to the organisational message of the importance of equality and equity and to the motivation of locally appointed staff. The redesigned reward system attempts to take these issues into consideration and to provide a competitive salary for people who believe in the values and the mission of WaterAid UK.

Websites

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www.project-fair.org

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