



## Executive Summary

# Championing fair global reward: An investigation into International Non-Governmental Organisations

### Introduction

Reward management is an important human resource management (HRM) function which directly impacts the ability to attract, motivate and retain employees to enable the organisation to achieve its objectives. However, additional layers of complexity come into play for International Non-Governmental Organisations (INGOs) that pursue non-profit, values-driven missions and needs to mobilise people across a global footprint spanning many countries and even continents. Inevitably HRMs are faced with the challenge to employ equitable global reward strategies to uphold the principle of 'equal pay for work of equal value'. The Balance Sheet Approach is still prevalent in most international organisations which research has proven creates a myriad of relational, psychological, and motivational challenges, *inter alia*, between expatriates that often enjoy larger reward packages compared to host-country nationals (HCN). There are arguments that support the differences in reward packages since contexts differs and it remains a complex matter to determine what is fair and what is not. This qualitative study of 11 INGOs explores how HRMs view and approach fair global reward and the factors that influence it. Evidence is provided that Project FAIR (FAIR) has become a catalyst for change through its principles and standards framework and continuous Reward Forum collaboration. Consequently, INGOs are progressively changing their reward approaches towards being more equitable, transparent, evidence-based, and fairer by collaborating with relevant internal- and external stakeholders. Insight is provided into the challenges faced by INGOs in balancing being competitive through designing total reward packages while staying true to their underlying missions and values. This study contributes towards a deeper understanding and appreciation of the role of HRMs in reforming global reward practices in INGOs towards fairness through a collaborative process.

## 1. Research Objective

This research study builds on the foundations of FAIR by recognising that HRM is a strategic stakeholder in ensuring fair reward practices and therefore it explores how HR managers understand and approach fair reward and which factors are influencing fair reward approaches in INGOs. The intention is to explore whether the conceptualisation and practical application of fair reward principles in INGOs has evolved since initial research interviews were conducted during 2016 which culminated in the published research of McWha-Hermann *et al* (2021).

## 2. Research Questions

How do HRM's understand the importance of fair reward and how does this influence fair reward practices? Which factors are influencing fair reward approaches?

## 3. Sample

Twelve interviews were conducted with senior HR reward professionals representing 11 INGOs ranging in size from 62 to 45,000 employees, operating in between four to one 100 countries spanning the globe (refer to Table 1).

INGO	HQ Location	Countries	Employees	Primary Programmes
INGO 1	Europe	16	62	Education
INGO 2	Europe	<100	4000	Conservation
INGO 3	Europe	9	280	Conservation
INGO 4	Europe	<70	45000	Health, Humanitarian
INGO 5	North America	6	240	Health
INGO 6	Europe	<17	475	Humanitarian; Human Rights
INGO 7	Europe	40	9000	Humanitarian
INGO 8	Europe	<90	700	Humanitarian; Developmental
INGO 9	Europe	28	1000+	Water and Sanitation
INGO 10	North America	<100	7100	Humanitarian, Development
INGO 11	Europe	4	100	Sport and Education

**Table 1: Participating INGOs (n = 11)**

#### 4. Research Findings

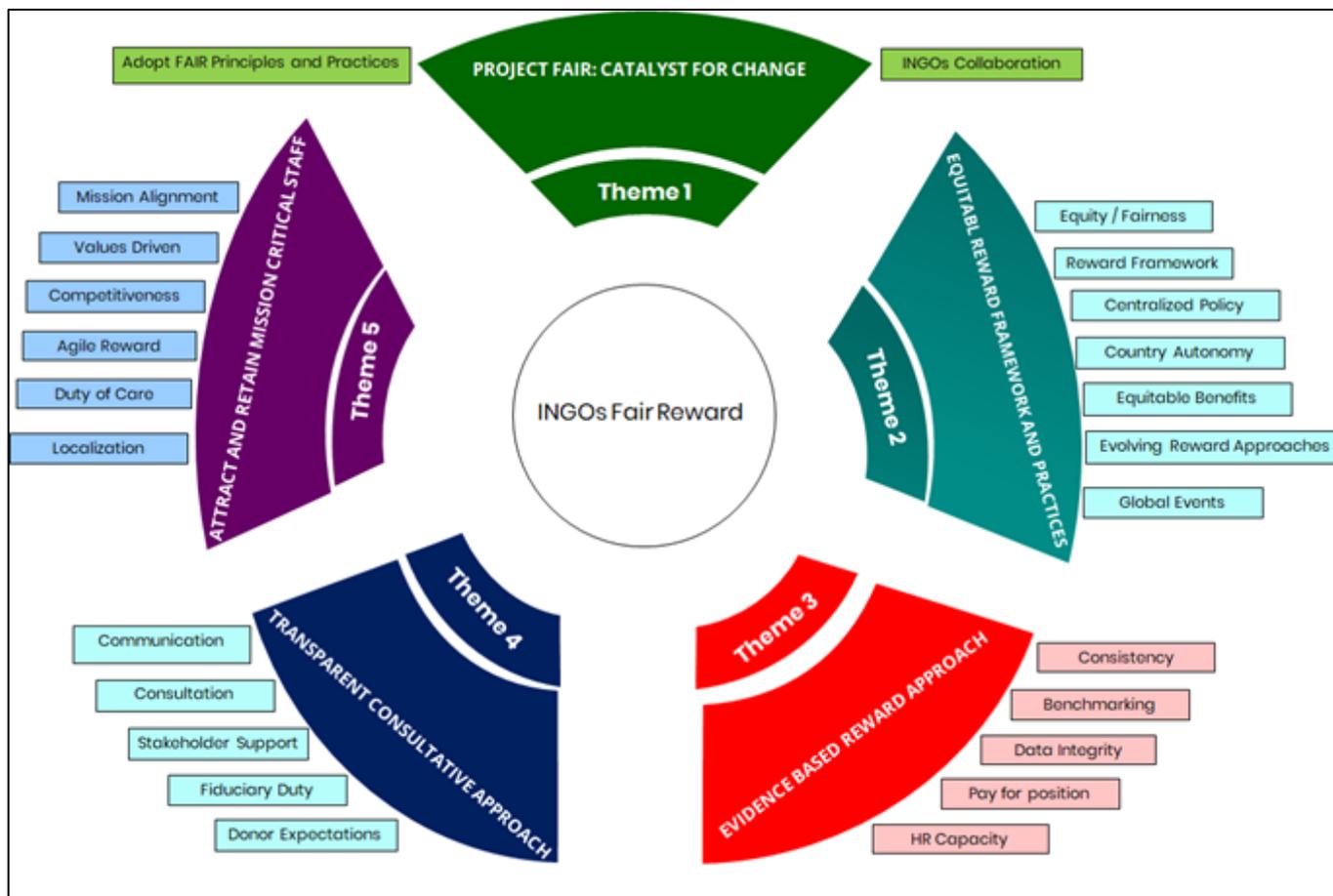
The findings from the interviews, in which participants articulated the complexities of navigating reward management in INGOs to ensure fairness, is presented against the backdrop of five main themes that emerged from the analysis process: (i) **FAIR: catalyst for change**; (ii) **equitable reward framework and practices**, (iii) **evidence-based reward approach**, (iv) **transparent, consultative approach**, and (v) **attract and retain mission critical staff** (refer to Figure 1).

It became evident from the research that HRMs are aligning their reward practices to the FAIR Principles and Standards (FAIR P&Ss) which has 5 foundational principles (**ethical reward, transparency, equity, sustainability, compliance and risk**) with relevant minimum standards under each of the principles. It is therefore no surprise that the themes and codes that emerged from this study directly relates to the FAIR P&Ss thereby confirming that FAIR is indeed a catalyst for change.

##### **Some of the FAIR standards that were echoed during the interviews include:**

- to encourage the use of the FAIR P&Ss amongst all stakeholders;
- that reward decisions should be free from bias and discrimination and based on what is required from the position and not based on personal qualities;
- that reward decisions should be sensitive to the local markets;
- that clearly defined reward policies and practices are present and available to all staff to access;
- that reward policies and practices are applied consistently;
- that positions are graded to determine its value relative to others;
- that reliable salary benchmarking data is used when setting reward;
- that reward policies are reviewed periodically to ensure fairness is maintained;
- to ensure compliance with legal contexts in countries of operation and
- to ensure compliance to tax obligations, *inter alia*.

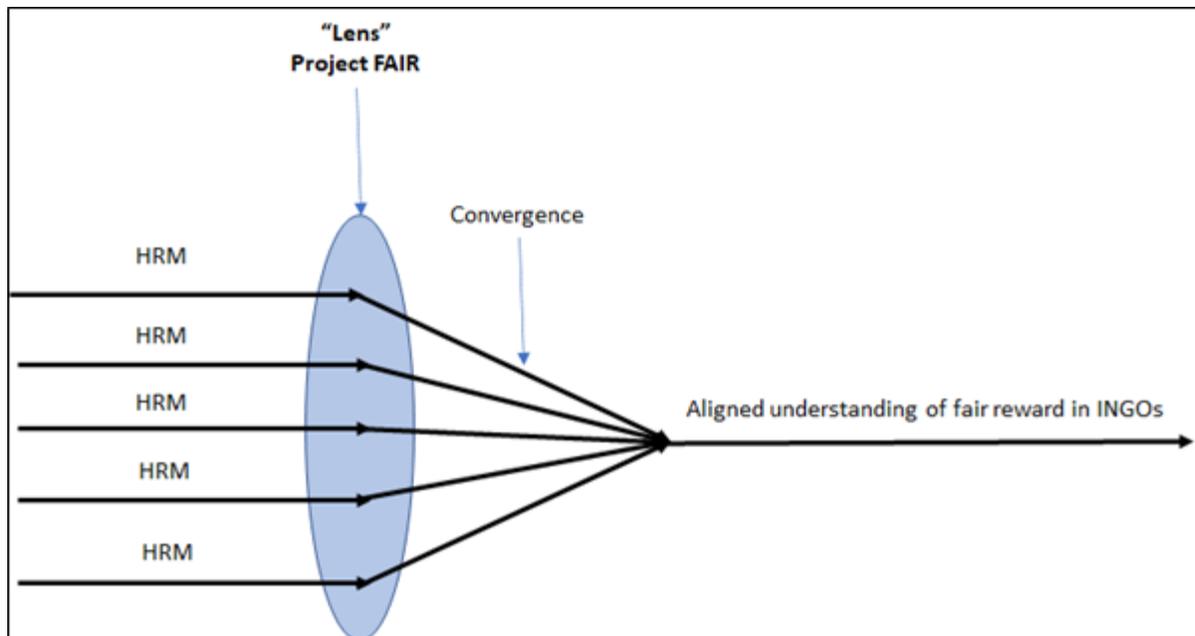
**The remainder of this section will expand on each of the five themes.**



**Figure 1: Open Coding and Themes**

#### 4.1 FAIR: Catalyst for Change

It must be emphasised that none of the interview questions directly referred to FAIR however 11 of the 12 participants referred to the **FAIR P&Ss** and the value derived from participating / collaborating in the Reward Forum. It became clear to the researcher that FAIR materially raises the awareness and general consciousness of fair reward and the consequences related to it (refer to figure 2). This is evident from most INGOs that are reviewing and/or designing new reward frameworks by aligning it to the FAIR P&Ss: “...we’re trying to make sure it does fit within FAIR guidelines”... (HRM5)



**Figure 2: FAIR: Catalyst for Change**

Some participants expressed a fundamental need for INGOs to holistically adopt a common reward framework to enable consistency and equity across the sector.

Many of the HRMs referred to reward challenges that transcends merely focusing on the expatriate versus HCN narrative with an increasing emphasis on diversity and inclusion issues, which was influenced by global events. However, it became clear during the interviews that FAIR plays a key role in advancing the conversation around this topical issue and the potential impact that this has on reward practices.

## 4.2 Equitable Reward Framework and Practices

### 4.2.1 *Equity and Fairness*

All participants agreed that fair reward was essential to their organisations and held similar views of what fair reward means:

“As in equal pay for equal work. So that's the first principle for your fair reward. That's the basis. If you don't have that, don't even bother going any further. So, I would say 'equal pay for equal work'” (HRM9).

Two participants (from the same INGO) however felt that even though they absolutely support the principles of fair reward that it is in ‘the eye of the beholder’ and relative. They argued that there will always be differentiation between different types of contracts and associated reward packages.

There is however convergent understanding of the meaning of ‘fair reward’ amongst all the participants, especially against the context of viewing it through the FAIR lens.

### 4.2.2 *Reward Framework*

The research explored whether INGOs currently have formal reward frameworks in place and whether these are evolving. It should be emphasised that the terms ‘reward framework’ and ‘reward policy’ are used interchangeably, even though the question was framed by using the term, ‘framework’. The responses received echoed the terminology with some HRMs interpreting it as ‘policy’, however none of the participants sought clarity and hence it was assumed that there was alignment in understanding the question. The evolving reward approaches, linked to the reward policy, is presented in the subsequent section (refer to Table 2).

Participant	INGO	HQ Location	Countries	Employees	Primary Programmes	Defined/Approved Reward Framework	Current Practice	Future
HRM 1	INGO 1	Europe	16	62	Education	No	Global Balance Sheet	Reward Framework based on Project FAIR.
HRM 2	INGO 2	Europe	<100	4000	Conservation	Yes (Under Review)	Hybrid Approach: Removed expats from Policy 2 years ago – in transition	Single-salary.
HRM 3	INGO 3	Europe	9	280	Conservation	No	Global Balance Sheet	Single-Salary based on Project FAIR P&Ss.
HRM 4	INGO 4	Europe	<70	45000	Health, Humanitarian	Yes (Under Review)	Global Balance Sheet	Rewards Review Project: One set of minimum standards globally however differentiation is inevitable. Improve benefits.
HRM 5	INGO 5	North America	6	240	Health	Yes (2021)	Hybrid Approach	Hybrid (Bands 1-4 Local Benchmarked scales and 5-7 International in US\$)
HRM 6	INGO 6	Europe	<17	475	Humanitarian; Human Rights	Yes (Under Review)	Global Balance Sheet	External review to assess against best practices and fairness. Country managers needs more flexibility; Localisation Agenda.
HRM 7	INGO 7	Europe	40	9000	Humanitarian	Yes (Under Review)	Global Balance Sheet	Single-salary with equitable benefits, based on Project FAIR P&Ss.
HRM 8	INGO 4	Europe	<70	45000	Health, Humanitarian	Yes (Under Review)	Global Balance Sheet	Rewards Review Project to inform.
HRM 9	INGO 8	Europe	<90	700	Humanitarian; Developmental	Yes (Under Review)	Local Plus	Retain Single Pay. Move to Birches' 15 Bands. Improve from 7 bands to 15 bands.
HRM 10	INGO 9	Europe	28	1000+	Water and Sanitation	Yes	Local Plus	Retain Single Pay system with centralised grading
HRM 11	INGO 10	North America	<100	7100	Humanitarian, Development	Yes (Under Review)	Global Balance Sheet	Global Compensation Programme 2.0 – Address Inequities and D&I issues; Hybrid model.
HRM 12	INGO 11	Europe	4	100	Sport and Education	Yes (Under Review)	Global Balance Sheet	Base it on Project FAIR. Localisation focus.

**Table 2: Current and future reward framework and approaches at INGOs**

All participants expressed the importance of being guided by a reward framework with clearly defined principles and guidelines. Presently, two INGOs have no reward framework, seven INGOs' frameworks are under review, one new framework was published in 2021 and one INGO is comfortable with only slight adjustments required to their framework.

Eight INGOs follow a more *centralised reward framework* and policy approach, while allowing *autonomy for countries* to align reward practices to local statutory requirements, *inter alia*, while not compromising on the overall INGO reward principles. However, certain practices such as pay scale design, job evaluation and benchmarking are done centrally to ensure consistency and standardisation.

Seven participants placed significant emphasis on reviewing *benefits to be more equitable* as part of the reward framework review process to make it more equitable and fairer between expatriates and HCN's. Examples of areas mentioned that is viewed as requiring urgent attention include medical benefits / health insurance, retirement benefits, life insurance, mental health (psychological) support, coaching, children's educational assistance, bereavement benefit, *inter alia*.

It is noteworthy that the reward framework and policy review processes are managed by the HRMs thereby cementing their important role in influencing and ensuring fair reward.

#### **4.2.3 Evolving Reward Approaches**

Seven INGOs currently follow a Global Balance Sheet Approach, two a Hybrid Approach and another two the Local Plus Approach ('Single Salary Approach'). The INGOs that follow the Global Balance Sheet Approach are reviewing their reward frameworks with four intending to align their frameworks to the FAIR P&Ss, one that will be informed by data that emerges from an existing reward review project, one that will approach it pragmatically by first having an external review done and one that will move to a Hybrid model.

It is evident from the data that reward approaches in INGOs are evolving from the Global Balanced Sheet Approach to eventually the Local-Plus Approach (Single Salary).

#### **4.2.4 The impact of global events**

Participants indicated that the COVID-19 pandemic had an impact on certain human resources processes with only three participants indicating some impact on reward approaches.

INGOs were also sensitive to provide relevant benefits to enable employees to engage productive work amidst the pandemic.

On the other hand, 11 participants indicated that the Black Lives Matter Movement (BLM) opened-up conversations about fairness and equity, which impacted / will impact their reward approach going forward.

### **4.3 Evidence-Based Reward**

The point-of-departure for reward decisions by all twelve HRMs was that it needs to be based on data and information that can be substantiated. A fundamental principle is that the value of a position must be determined based on some equitable, defensible mechanism and that reward is based on *the value of a particular position and not the person*.

Specific emphasis was placed on the importance of *benchmarking* with relevant markets, the importance of reliability and validity of data and in following a *consistent approach* of determining the value of a position within a particular structure and to guard against subjective reward decisions based on individual, personal qualities.

*Data integrity* was mentioned by most of the participants. The participants expressed their appreciation for the current service provider which is providing invaluable reward data pertaining to the INGO sector however they expressed a desire for additional service providers to cross validate data.

One participant was especially vocal about the possibility of benchmark data perpetuating inequity since traditionally some professions, for example, finance positions were paid more than HR professionals and therefore the benchmark information includes these alleged biases. Reference was also made to gender differences in pay which are presumably inherently present in the data.

The HRMs embrace the FAIR P&Ss however nine participants referred to either the lack of HR expertise or capacity to sustainably implement and manage evidence-based fair reward practices going forward and are in the process of either motivating, recruiting, or considering additional capacity.

HRMs also felt that mission countries lack relevant *HR capacity* and expertise which complicates matter.

It was also argued by one HRM that reward policies and processes must not become too complicated to manage and therefore this INGO's particular focus is on simplifying reward, but not by compromising fair reward principles.

#### **4.4 Transparent, Consultative Approach**

All 12 participants recognise the value of transparency in the reward process and committed to enhancing it. Some INGOs have taken the bold approach to disseminate their reward policy and structure to the wider public.

##### **4.4.1 Communication and Consultation**

Most HRMs expressed the importance of developing proactive and continuous communication and feedback mechanisms regarding reward practices with staff. This is to ensure a common understanding amongst employees and to mitigate risks of uninformed perceptions impacting behaviour. The INGOs that are presently engaged in reward framework or policy reviews follow a consultative approach through reward working groups to explore and debate current practices:

Some HRMs reported that a critical success factor in progressively changing to a single-salary approach would require continuous consultation and change management with all relevant parties, and especially the expatriates.

##### **4.4.2 Stakeholder Support**

Participants agreed that leadership support and continuous managing of *donor expectations* are critical during the conceptualisation and implementation processes to ensure that the fair reward paradigm is understood and supported.

Donors would often attempt to influence reward processes for expatriates working on programmes that they are funding, which poses a unique, yet challenging task, for reward managers to diplomatically assert fair reward practices.

A participant emphasised the importance of aligning donors to fair reward principles, thereby changing their expectations in support of a single-salary system.

One participant felt particularly strong that HRMs exercise a *fiduciary responsibility* by being ethical and fair in their reward practices:

#### **4.5 Attract and Retain Mission Critical Staff**

Participants reported on a myriad of considerations (total reward) that HRMs need to balance to ensure that reward practices enable the attraction, motivation, and retention of required expertise to assist in furthering the mission of the organisation. However, it is clear from the interviews that the mission and values of INGOs are critical in reward considerations and that it remains the intention to attract those employees that identifies with the cause and their values.

##### **4.5.1 *Balancing Mission alignment with competitiveness***

Four participants reported that people are joining INGOs for the cause and understand that reward might not be as competitive as in other sectors however that other factors, like the working environment and working for the cause is valued as part of the total reward offering.

Some participants reported that external equity matters even though people are dedicated to the cause.

Nine HRMs referred to a “*duty of care*” and the responsibility to offer at least living wages to employees however many confessed that there is limited information available on living wages, apart from the “shopping basket exercise”, for relevant countries: “...for me, it’s important that we provide a decent living standard, but we still need to define what that is” (HRM4).

HRM12 raised the issue about the complexities around benchmarking living wage and offering decent salaries for employees working in countries devastated by war.

A view was expressed that INGOs need to be cautious not to be too competitive with their salaries since they will then attract employees that are not necessarily *mission and values aligned*.

The majority of HRMs expressed the importance of having reasonable *competitive salary scales*, not only to attract the required skills, but also to retain the expertise. Some INGOs are even benchmarking at the 60<sup>th</sup> and 70<sup>th</sup> percentile of the sector.

Participants reported that when incumbents identify with the mission and values of the organisation, they do not necessarily have to sacrifice on being rewarded for the value they bring to the table. In fact, there is a greater responsibility on INGOs to be exemplary when it comes to fairness and justice due to their values.

Some INGOs also tend to adopt *agile and flexible salary scales* to allow for premium payments to attract the required competencies.

Some participants believe that there is a shift in employment patterns with international employees staying for shorter periods of time and then moving on. It might not necessarily be a reward issue, but could be attributed to funding, changing interests, uncertainty in conditions of employment, *inter alia*. This might signal a change in how INGOs view and define the 'expatriate' going forward.

In fact, some HRMs emphasised that semantically they prefer to no longer use the term 'expatriate' due to the complexities and dynamics associated with international assignments. They prefer the terms 'non-locals', 'mobiles' or 'internationals'.

The location and contextual factors where employees are based also impacts the mobility and retention of staff.

Eight HRMs emphasised the importance of employing a *localization* agenda where preference is given to recruiting local talent. HRMs agreed that localisation is essential however that it takes time to develop required management capacity.

HRMs reported that expatriate rotation should not merely be habitual. Rather, localisation should be an intentional strategy. A strategy employed is to increasingly convert international contracts eventually to national contracts after a certain time period has lapsed. In some instances, it was reported that leadership made a strategic decision to reduce expatriates.

#### **4.5.2 Funding**

A major factor that influences reward decisions is the availability of funds: “It was based in a lot on how much was in the budget for that grant” (HRM1).

HRMs felt strongly that the INGO sector has a responsibility to align its reward practices to mitigate risks of inflating market values to unsustainable levels.

There was one INGO that indicated that they are not concerned about funding due to their excellent reputation and brand, which implies the importance of having a good reputation and brand to continue to enjoy stakeholder support.

**In summary:** The FAIR Reward Forum is catalysing change within the INGO sector through facilitating the exchange of information, ideas, and practices through collaborative platforms, thereby building fair reward awareness, building capacity and inspiring reward reform. The ‘fair reward’ debates are evolving to include diversity and inclusion aspects, against the context of recent global events, which ensures FAIR remains relevant and responsive to evolving INGO realities.

HRMs have embraced the FAIR P&Ss and consequently are developing and reviewing their existing reward policies, approaches to ensure that it is fairer, thereby progressively migrating from the Global Balance Sheet approach to the Local-Plus (Single Salary) Approach. INGOs are actively pursuing the localisation agenda by building capacity in the field and by recruiting ‘local first’. However, INGOs acknowledge that this requires transparent, consistent processes and continuous consultation with relevant internal- and external stakeholders to secure support and buy-in, especially given the unique, values-driven nature of INGO’s in service of humanity. INGOs are also aware that it is competing for talent with the larger NGO sector as well as the private sector and therefore needs to ensure relevant and appropriate benchmarking, while considering a total rewards structure, to retain a competitive position to attract, motivate and retain talent. However, INGOs are aware of their fiduciary duty to maintain financial prudence since donor funding is limited while the humanitarian crisis is increasing, globally.

Human resource professionals, mandated to oversee reward in INGOs, have convergent understanding of fair reward and are equally aligned in their commitment to progressively reforming existing approaches and practices aligned to FAIR P&Ss. This means that INGOs are increasingly adopting total reward frameworks and policies that are objective, responsible, non-discriminatory, and evidence-based to substantiate and communicate fair reward decisions in a transparent manner thereby promoting and retaining valuable stakeholder support.

## 5. Recommendations

It becomes evident from the research findings that FAIR is a catalyst for change through the FAIR P&Ss and the Reward Forum. It creates the platform for practitioners to collaborate, share practices, enjoy access to reliable and valid research information, build capacity, aspire towards meeting the FAIR P&Ss, reflect and challenge contemporary reward models and develop new ideas to infuse in their INGOs. Project FAIR has the potential not only to catalyse change in INGOs but also beyond.

Pyrko *et al* (2017, p. 390) argues that it is important for communities of practice (COPs) to remain focused on its core purpose: “thinking together allows for developing and sustaining an invigorating social practice over time”... “about real-life problems that people genuinely care about”. The spontaneity of COPs contributes to its success in many instances.

It is against this context that it is recommended that the Reward Forum members, in collaboration of key stakeholders, define and executes a medium- to long term sustainability strategy to build the brand of FAIR, thereby increasing its membership, and finding a mechanism to effectively and efficiently administer a process whereby members become voluntary signatories to the FAIR P&Ss and inspire fairer reward in their organisations. Specific focus areas to be considered in this strategy could include, *inter alia*:

- Leadership continuity / succession.
- Capacity plan to ensure administrative and other support functions can be executed. However, guarding against developing a too structured and formalised FAIR which could become too bureaucratic and could inhibit spontaneity.
- Marketing and stakeholder engagement plan that explores various channels such as an annual Fair Reward Conference, frequent Webinars, YouTube videos, social media messages, and targeted visits to INGOs, *inter alia*.
- Collaborating with tertiary institutions to incorporate references to FAIR P&Ss into relevant modules in degree programmes.
- Collaborating with CIPD to incorporate linkages and references to FAIR P&Ss on their Websites and programmes.
- Developing conditions and guidelines for the use of Project FAIR brand / logo.
- Developing a document repository and archiving system.
- Developing a few key outcome indicators to measure and report on progress.
- Formulating a funding plan for executing the strategy.



The strategy could be developed in phases over a period through short on-line meetings and by identifying working groups to work on parts of the strategy and then to report back to the larger forum where final deliberations and agreements should be reached. Each working group, assigned with a specific topic, should also consider cost implications, and submit it for consolidation into a final funding plan.

## **6. Conclusion**

This research study essentially supports the findings of McWha-Hermann *et al* (2021) which is the result of interviews conducted in 2016 with different FAIR members and INGOs from this study. Evidence was also provided that INGOs *are thinking differently about expatriates* by redefining the global workforce, becoming more evidence-based by linking reward to positions, not persons and by considering total reward arrangements (McWha-Hermann *et al*, 2021). This means that FAIR has been consistent in their approach since its inception and that it continues to catalyse change towards fair reward in INGOs.

## **7. Acknowledgement**

A special word of appreciation is extended to Dr Ishbel McWha-Hermann for her guidance, mentorship, and wisdom throughout the research project. Her sincere interest in, and contribution to, global reward management is inspirational.

**Rudi Koekemoer**

**September 2021**