EQUITABLE COMPENSATION PLAYBOOK

A resource for organizations in the global humanitarian and development sectors ready to rethink compensation policies and practices

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PROJECT **FAIR**™

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THE CHANGING NATURE OF INGOs

Reward plays a crucial role in an organization's success. It influences how we attract and retain talent, motivate employee performance and engagement, provide a competitive advantage, and create an organizational culture in tune with our mission and values.

Within the international non-governmental (INGO) sector, three trends are emerging as significant drivers of change.

1

A DRIVE FOR EQUITY

There is an increasing drive for equity in reward structures, with a particular focus on compensation.

2

CHANGES IN HIRING PRACTICES

Traditional headquarters are evolving from a geographic framework to a functional framework.

3

CHANGING POWER DYNAMICS

The movement for greater social justice; more competition from market shortages as burnout increases turnover; and the need to engage more with global talent, are changing staff expectations towards employers and the culture they want to be part of.

PURPOSE

This Equitable Compensation Playbook is intended to help HR and Reward Professionals at INGOs create fair reward solutions by reducing pay inequality and increasing transparency.

Our hope is that this publication supports individuals and organizations to:

- Engage and examine reward strategies to incorporate fairness.
- Consider the concepts of fairness and equity in overall organization design — through organizational structure, decision-making, policy development, and staff consultation.
- Increase understanding of the changing nature of reward approaches, and apply it to their own approaches, policies, and procedures.

It is important to note that just as there is no single solution to fair pay, this resource doesn't claim to hold definitive or easy answers. Instead, using a combination of perspectives, our goal is to shine a light on the complexity of equitable compensation and to offer a way forward.

METHODOLOGY

This toolkit was developed by Humentum member practitioners and academic experts from the University of Edinburgh. We intend this to be an iterative document.

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Recognizing that existing compensation approaches are no longer fit for purpose, Humentum hosted three working group cohorts over 18 months. The goal of the groups was to provide insight and resources to the Humentum community, including HR subject matter experts, executive teams, and development professionals.

Technical experts from more than 20 INGOs came together to:

- Identify underlying issues related to compensation.
- Create a definition for equitable compensation and a framework for understanding compensation approaches.
- Co-create the *Approaches Framework and Worksheet* found later in this document.

PROJECT FAIR™

Since 2016 Project Fair has engaged in academic research on INGO fair reward, drawn from surveys, qualitative interviews, and case study analysis.

Working closely with 200+ HR and Reward experts in their global network, Project Fair shares learning and co-develops resources to support fairer reward policies and practices.

This includes:

- Co-creation of Project Fair principles and standards as a roadmap for INGO fair reward.
- Development of an INGO fair reward self-assessment tool.
- Published INGO case studies sharing ethical reward practices.

A NATURAL PARTNERSHIP

We decided to come together when the synergies between our work and focus areas became clear. Both Project Fair and Humentum believe in creating practical solutions and pathways toward greater global equity and accountability within the NGO sector.

Humentum's work with member practitioners on operationalizing equitable compensation approaches dovetails with Project Fair's academic research and expertise around the psychological impact of dual salary systems within the development sector.

It seemed natural to work together to create a resource with best practices for organizations to use as they review and update their compensation policies and practices.

And so, the Equitable Compensation Playbook was created. We hope you find value in this joint project.

Note: This document reflects the work of a committed set of working groups as of December 2023. The world of reward approaches is ever-changing, and the mindsets, approaches, and frameworks that underpin it will need to evolve accordingly. As necessary, this document will be updated based on sector changes, new thinking, and community feedback.

UNDERSTANDING EQUITABLE COMPENSATION
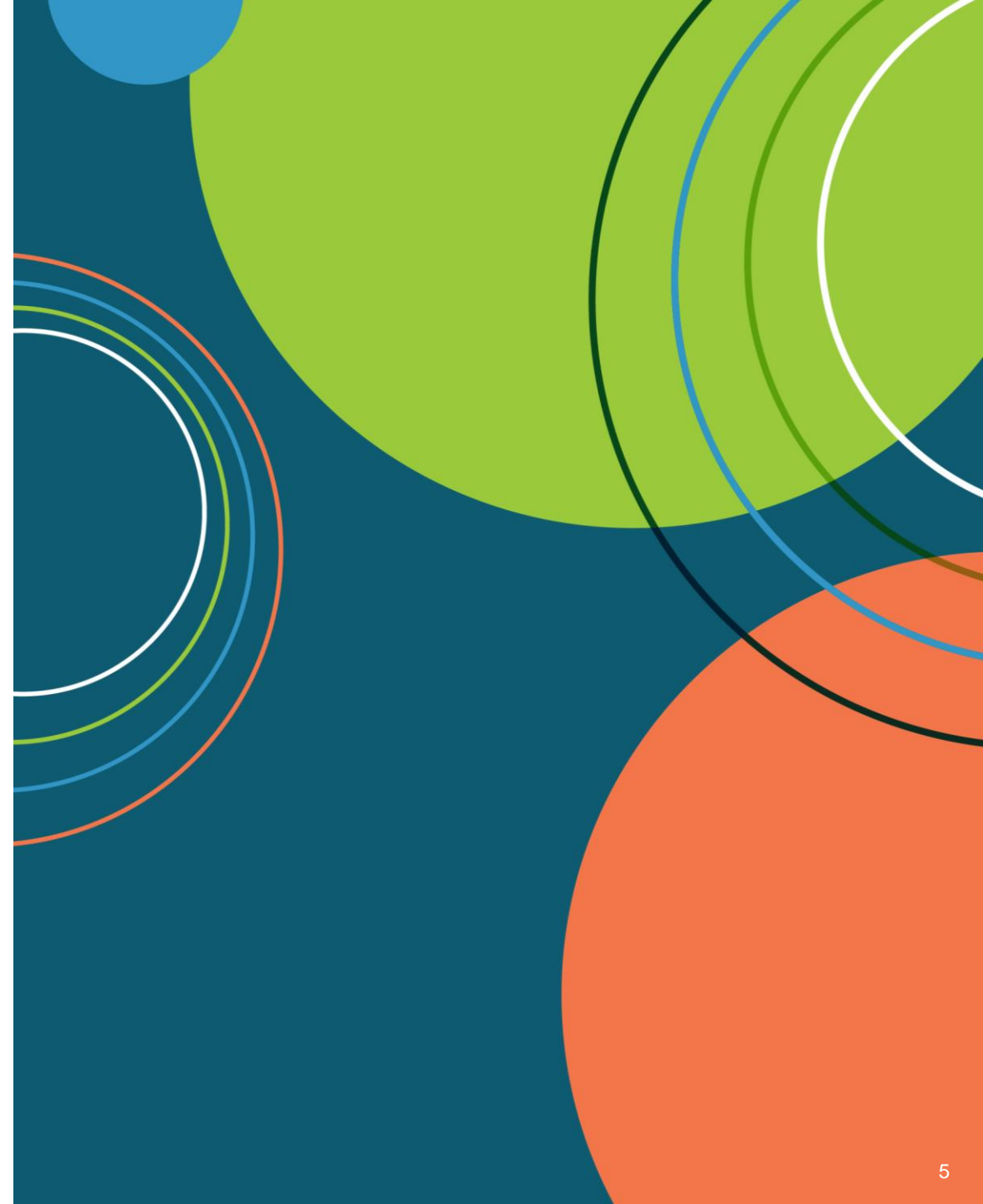
THE IMPORTANCE OF TERMINOLOGY

Words hold and convey power. When engaging on a topic as personal as compensation, acknowledging the practical AND emotive power of language is essential.

Here are a few other key considerations to keep in mind when choosing your words:

OUTDATED AND PROBLEMATIC

Words reflect the principles we believe in. Some words are outdated and problematic for individuals and organizations striving to increase equity and shift or share power. Organizations should carefully consider the history and impact of the words they use.

INCONSISTENCY AND MISCOMMUNICATION

Some language has been in use for so long we forget why and how it came to be. When words are used as shorthand for complex and nuanced concepts, or terms are used interchangeably but mean different things, these can lead to miscommunication and misunderstanding. Every organization should have a deliberate set of commonly understood terms. Share and use those consistently and transparently.

CHANGE BEHAVIOR

Words have the power to change behavior by stirring discussion, influencing thinking, and provoking us to do things differently. Organizations who are committed to living their values say what they mean, and then do what they say.

* View more on terminology in the Annex at the end of this document.

A NOTE ON EQUITABLE COMPENSATION AND FAIR REWARDS

Equitable compensation is an essential piece of a fair Total Reward package.

- **Compensation** refers to the financial payments given to an employee during their period of employment, such as salary, wage, and allowances. Sometimes benefits are also included.

- **Reward** is the full package of financial and non-financial payments provided to employees. Sometimes the terms **Total Reward** or **Total Compensation** are used to refer to all forms of pay and benefits an employee receives, including non-financial benefits such as training and development opportunities. Total Reward is more inclusive and can include reputation of the organization and other components of the Employee Value Proposition.

So, what do equitable compensation and fair reward systems look like?

- **Equitable compensation*** means providing staff with compensation in a way that is comparatively fair, consistently applied, and transparently communicated.

- **Fair reward** means providing staff with a full reward package that takes into consideration five principles*: ethical reward, equity, transparency, sustainability, and compliance and risk.

Because individual definitions of fairness can depend on personal experience and culture, it is especially important for international organizations to clearly communicate a philosophy on fairness and to develop a shared internal understanding that is reflected in policy AND practice.

Thoughtfulness, clarity, and consistency are key when it comes to communicating about compensation and rewards.

TOTAL REWARD CASE STUDY
Water for People

* The Equitable Compensation definition comes from the 2023 Humentum Compensation Working Group while the Fair Reward principles come from Project Fair's Principles and Standards of INGO Fair Reward.

PRINCIPLES AND STANDARDS OF INGO FAIR REWARD

What does fair reward really mean in practice? While the answer will look different within each unique organization, understanding and adopting a set of principles and standards can help to guide discussions and decisions. This set of Principles was developed by Project Fair alongside 25 INGOs to create a shared understanding of what fair reward means in our sector.

1 ETHICAL REWARD

Reward policy is fully aligned with the organization's mission and values

Standard 1a:
reward policies are free from bias and discrimination, and decisions made irrespective of personal characteristics

Standard 1b:
reward policies and practices should not undermine or distort the local market

Standard 1c:
the INGO sector should be leading the way in good reward practice, and as such encourages and promotes the use of the Principles and Standards of Fair INGO Reward amongst all stakeholders

2 TRANSPARENCY

Reward is offered in a way that is transparent, evidence-based, and easy to understand

Standard 2a:
reward policy is present

Standard 2b:
reward policies and practices are available for all staff to access

Standard 2c:
process behind, and components of, reward policies and practices are clearly explained with a commitment to being applied consistently

3 EQUITY

Reward given to different employees is fair, consistent, and justifiable

Standard 3a:
all jobs are appropriately graded to reflect required technical knowledge, skills, and experience

Standard 3b:
reward policies are designed to enable necessary variation depending on local contextual factors, such as in hardship locations, fragile states or absence of necessary skills

Standard 3c:
there is a commitment to policies being applied systematically

4 SUSTAINABILITY

Cost of reward reflects stewardship of donor funds, and as such is justifiable to donors while ensuring long-term organizational financial viability and reward levels provide sufficient wages for all employees in all countries

Standard 4a:
reliable salary benchmarking data are used when setting reward

Standard 4b:
reward policies and external factors are reviewed periodically to ensure fairness

5 COMPLIANCE AND RISK

All reward policies and practices meet local and international legal and regulatory requirements, while also respecting broader organizational social responsibility

Standard 5a:
compliance with legal context in all countries of operation and responsiveness to any changes to that context
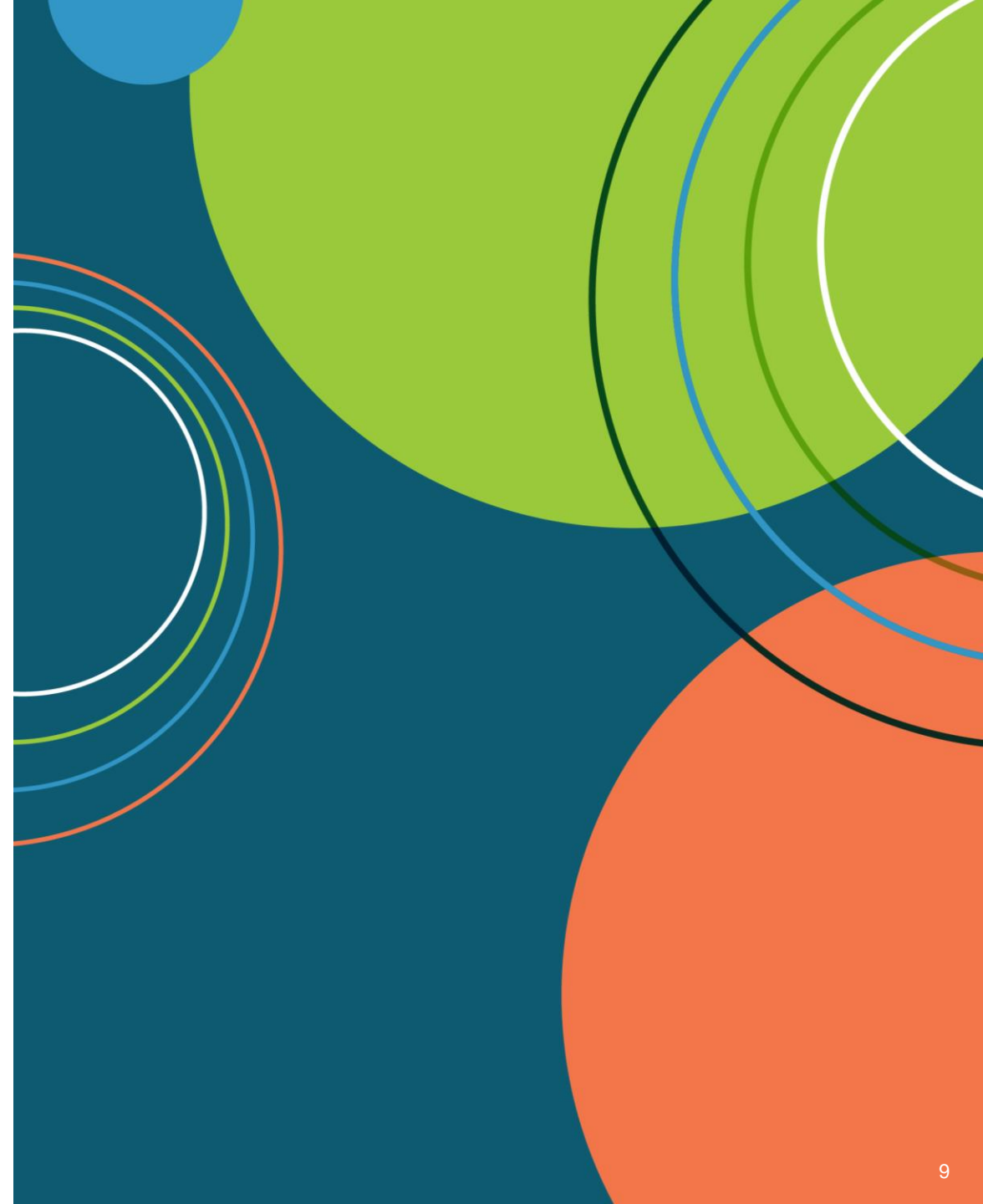
Standard 5b:
commitment to understanding tax obligations and providing mechanisms for workforce compliance

PRINCIPLES AND STANDARDS CASE STUDY
Last Mile Health

TAKE ACTION

Practical tools to assess and update your compensation and reward approaches

A SELF-ASSESSMENT TOOL
DESIGNED BY PROJECT FAIR

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Connecting your people strategy to your reward approach

Project Fair's self-assessment tool will help you identify the strategy underpinning your reward system. Doing so will help you connect your compensation approach with your organization's people strategy.

This 11-question quiz is based on research into INGO reward strategy and will offer an individualized overview of key areas for change.

After you complete the self-assessment, review strategic considerations you might make when you evaluate existing reward systems.

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Key Strategic Considerations

🔑 Our research suggests there are at least **five key areas** you need to think through as you review your reward system.

1. The purpose of having globally mobile employees within your workforce

2. Your organisation's approach to localisation, and how feasible that is depending on your scope of work

3. The total reward package you offer your employees, beyond compensation and benefits, and including things like development opportunities, organisational reputation, and so on

4. Thinking about what organisations you are competing with to recruit the employees that you need

5. How centralised or decentralised the decision-making structure underpinning your organisation is

Find out more: 'https://www.project-fair.business-school.ed.ac.uk/resources/toolkit

www.project-fair.org

THE UNIVERSITY of EDINBURGH

Download the tool

APPROACHES FRAMEWORK AND WORKSHEET TOOL

DESIGNED BY HUMENTUM

A process for change

Humentum's *Approaches Framework and Worksheet* tool will help you develop a clear picture of your current compensation, benefits, and allowance practices. This practical exercise will help you assess if your current approach is fit-for-purpose and fair and identify areas for change.

While there is no right way to use the tool, what is most important is the process of reflection and transparency about what decisions you have made and why you have made them.

Here are a few suggestions to get you started:

- ✓ Complete the worksheet alone to gain greater perspective and clarity on your organization's current approach.

- ✓ Use the four-step process to facilitate a group assessment, generating deep discussions with decision-makers on how best to align your organization's values, principles, and strategic objectives with how you compensate and reward your global workforce.

Download the tool

Developing the tool

Humentum's Compensation Working Group realized early on that because each organization is different in size, geographical representation, funding mix, regulatory requirements, and staffing categories, there will never be one equitable compensation approach that works for everyone.

The group committed to develop a resource to help organizations as they review and update their compensation policies and practices.

They identified three main approaches to compensation, benefits, and allowances that are most commonly in use today.

Then they devised the *Approaches Framework and Worksheet* tool, a four-step exercise that guides individual HR practitioners and teams through the process of identification, assessment, and reflection necessary for thoughtful transformation.

WHAT YOU CAN DO

INDIVIDUALS

Be an internal champion of fair reward and equitable compensation.

Use the self-assessment tool and *Approaches Framework and Worksheet* to generate and guide important conversations.

ORGANIZATIONS

Commit to reflection and then action on more equitable locally-led compensation. Come together with other organizations to share ideas and develop best practices together.

SECTOR

Advocate for change. Be vocal about the importance of fair, transparent, and consistent compensation approaches.

TOP TIPS

- Remember that there is no one-size-fits-all approach for equitable compensation.

- Start with your reward philosophy. Consider how it should relate to your organization's strategy and values. Use the Project Fair Principles and Standards of Fair INGO Reward as a starting point.

- Take a stand on key strategic decisions, such as using international contracts (or not). The self-assessment tool can help you think through strategic decisions and be able to justify your decisions.

- Make sure your approach reflects your organization's concept of fairness and recognize that this may or may not align with individual ideas of fairness.

- Communicate clearly and openly with your people throughout the process. Take feedback on board.

- Set pay according to the job, not the person.

- Consider fairness of the total reward package, not only cash components.

- Use the *Approaches Framework and Worksheet* to consider your status quo, as well as your ideal future.

- Change is incremental. Expect that this process will take time.

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[Humentum](#) unlocks the strategic power of operating models for social good organizations. We focus on practical solutions to improve the effectiveness of finance, people, risk, and compliance processes. Equity, resilience, and accountability are at the center of our approach.

Our years of experience working with hundreds of global development organizations translates into deep understanding and better results. We strengthen your organization through:

- Individual, group, and organization training
- Expert consulting delivered by professionals with years of global experience
- A robust membership community for peer-to-peer networking, resources, and problem-solving
- Dynamic advocacy to address the sector's most pressing operational issues
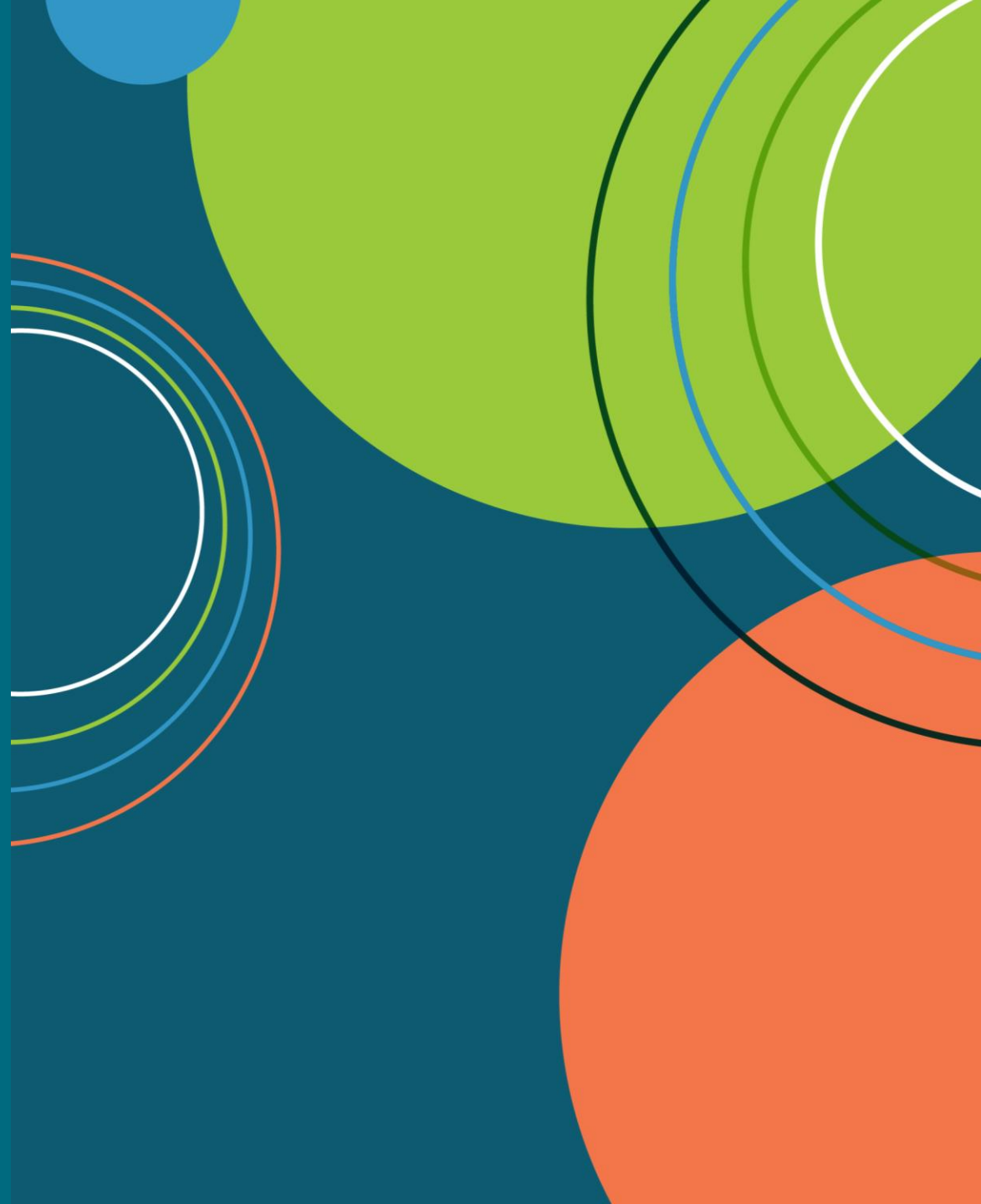
Interested in membership? Learn more [here](#).

[Project Fair](#) is part of the University of Edinburgh Business School. It is built on a strong body of their research and practice over more than a decade into the psychological impact of dual salaries in the INGO sector impacting employee motivation, performance, retention, learning and teamwork.

Underpinning their work is in-depth expertise around social justice, fairness and the role organizational policies and practices play to address challenges relating to inequality and poverty.

Leading an active Reward network of 80+ INGOs, including those in its membership, Project Fair provides research, case studies, masterclasses, webinars, and tools supporting fair reward.

Interested in membership? Learn more [here](#).

ANNEX

COMPENSATION AND REWARD TERMINOLOGY

BENEFITS	Those aspects of Reward that employees receive through their employer, e.g., health insurance, pension plans, annual leave, etc. Benefits are incentives provided over and above wages/salaries.
COMPENSATION	Compensation typically refers to the financial/cash payments given to an employee during their period of employment, such as salary, wage, and allowances. Sometimes benefits are also included.
EQUITABLE COMPENSATION	Equitable compensation* means providing staff with compensation in a way that is comparatively fair, consistently applied, and transparently communicated. *From the 2023 Humentum Compensation Working Group
FAIRNESS	Fair reward is based on five principles*: ethical reward, equity, transparency, sustainability, and compliance and risk. Fairness as a concept is subjective. Different approaches to fairness can include equality of treatment, equality of outcome, and allocation based on need. It can also be based on more meritocratic ideals, i.e., the idea that reward should be based on skill and hard work. Because individual definitions of fairness can depend on personal experience and culture, it is especially important for international organizations to clearly communicate a philosophy on fairness and to develop a shared internal understanding that is reflected in policy and practice. * From the Project Fair Principles and Standards of INGO Fair Reward
REWARD	Reward is the full package of financial and non-financial payments provided to employees.
TOTAL REWARD / TOTAL COMPENSATION	The terms Total Reward or Total Compensation are used to refer to all forms of pay and benefits an employee receives, including non-financial benefits such as training and development opportunities. Total Reward is more inclusive and can include reputation of the organization and other components of the Employee Value Proposition.

EXAMPLES OF EMPLOYEE CATEGORIES

EXPAT/EXPATRIATE	An employee who is temporarily or permanently assigned to work in a foreign country (usually with family).
FIELD STAFF	Employees who work outside the main office of the organization in a given country.
GLOBAL SERVICES	Employees who have a global scope to their role, including responsibility for work or operations at a global level.
GLOBALLY MOBILE	An employee who relocates from one country to another (sometimes with family). Usually (but not always) timebound.
HEADQUARTERS (HQ) EMPLOYEE	Employees working in the headquarter office of the organization.
HOST COUNTRY NATIONAL (HCN) / LOCAL	Employees who are citizens of the country where the organization's office is located – which is not the country where the organization is headquartered.
INTERNATIONAL ASSIGNEE	An employee who is sent between organizational units to take on a timebound assignment (usually short term).
PARENT COUNTRY NATIONAL (PCN)	Employees who are citizens of and hired from the nation where an organization has its original and current headquarters.
REGIONAL EMPLOYEE	Employees who have a regional scope to their role, including responsibility for work or operations at a regional level (e.g., within MENA, Asia, Africa).
SENIOR LEADERSHIP	Employees who hold upper management positions and provide high-level leadership and direction for the organization. Roles are complex in nature. While historically these roles have been located in the HQ location, they are increasingly able to be location agnostic.
THIRD COUNTRY NATIONAL (TCN)	Employees not from the headquarter country or the country in which the office is located.