



ASSESSMENT OF MSF INTERNATIONAL REMUNERATION SYSTEM (IRP2)

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SHORT VERSION

This publication was produced at the request of MSF International. It was prepared independently by Annie Désilets and Shana O'Brien.

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This is an abbreviated version of the original report. Please note that the full version of this report is available through the Stockholm Evaluation Unit.

Introduction

In July 2014, MSF introduced and implemented a new compensation and benefits system for international field staff. This new system, known as the International Remuneration Project 2 (IRP2) aimed to attract, retain, and motivate staff, with a focus on coordinators, medical specialists, and people with a humanitarian commitment.

The review of the IRP2 system was conducted from February to September 2017 with the goal to measure the relevance, effectiveness, appropriateness, and connectedness of the system. The evaluation also had the mandate to formulate recommendations for adjustments to the IRP2 system where appropriate.

This evaluation used a combination of qualitative and quantitative data collection techniques, with an emphasis on qualitative research methods to better gain an in-depth understanding of sensitive and complex perceptions and behaviours. The methodology used included conducting interviews (75 informants), administering a survey to international staff (5,122 responses) as well as an open-ended questionnaire (35 responses), reviewing key documents, and collecting internal and external data and key indicators.

Some limitations to the evaluation are worth noting. During the evaluation period, MSF made some changes to the compensation and benefits system. Although this proves the flexibility of the system and the willingness of the organisation to fulfil its mandate, it also created some challenges for this evaluation as some of the findings from the survey, questionnaire, and interviews may no longer be completely representative of the current system due to these changes.

A further limitation of the evaluation is the lack of some statistical data, which is required to assess the effectiveness and relevance of IRP2 and trends to forecast human resources' future needs. Data such as gap analysis by mission and position, retention figures, the number of "active" staff in each pool, and so on, were impossible to obtain, or unreliable at an international level.

The system has several advantages and positive attributes, and it is continually evolving in response to expressed needs. First, the system rests within a wider Total Rewards Package framework, which provides an employee value proposition. Second, there have been efforts to simplify the system and address concerns (such as through the creation of a "Global Grid" with top-ups, and ensuring each Operational Centre now has some form of pension scheme for all international staff). Third, the recognition of increased responsibility for managers through salary scales may encourage some staff to stay with MSF. Fourth, the segmentation of various contractual offers (inter-mission, long-term assignment, vocationer, and emergency team contracts) is seen as a very positive component of IRP2. Fifth, the IRP2 achieved one of its goals to harmonise many aspects of compensation and benefits across the movement. Sixth, in a recognition of the difficulty in communications, the International Office recently hired a communication specialist. Finally, in response to a motion passed at the IGA in 2016, a discussion of the rewards principles will be conducted in the coming months through a wide-ranging consultation with MSF associations, the executive, and staff.

However, there are areas of the IRP2 system where MSF would be well served to give some attention.

Relevance - Are IRP 2's objectives relevant to MSF's current operational and human resource needs?

In terms of relevance, the main finding reveals although the profiles mentioned in the objectives of the IRP2 are mostly aligned with the needs of operations, there are additional profiles that should be taken into account as well as consideration for the changing needs of the contexts in which MSF chooses to work. Furthermore, the objectives of the system (to attract, motivate, and retain international staff) are disconnected from the system in its current state as it is not relevant to attract and motivate staff through compensation and benefits.

Attract, Motivate, and Retain

The IRP2 evaluation survey reveals the top three reasons encouraging individuals to join MSF are: doing humanitarian work, MSF values and principles, and the job content (tasks); whereas the top discouraging factor was salary and benefits. In keeping with the findings of the IRP2 evaluation survey, the top three motivators while on mission were: doing humanitarian work, MSF values and principles, and operational relevance of project. The top three de-motivators were: salary and benefits, family considerations, and job security.

This reflects Fredrick Herzberg's motivation-hygiene theory, which argues that compensation and benefits are hygiene factors; while they are rarely the primary motivator, if perceived as insufficient, they can be a demotivator for staff.

A generous compensation and benefits package can attract individuals to join an organisation, but MSF has chosen as part of their compensation philosophy the principle of volunteerism underlined by the policy of modest pay. This includes the indemnity period of one year where the compensation is below MSF's first level salary.

For these reasons, it is not relevant for MSF's compensation and benefits system to have as objectives to attract and motivate staff. One solution may be for MSF to shift from a Compensation and Benefits System discourse to one of Total Rewards Package. Total Rewards, which already exists in MSF as a rewards strategy, includes both tangible (pay and benefits) as well as those elements that are intangible (such as work culture and climate, career/growth opportunities, and recognition). Intangible rewards, while more difficult to see and touch, are real enough to affect the level of employee engagement and satisfaction. In addition, these intangibles have a real impact on attracting, motivating, and retaining talent.

Staff Profiles

The somewhat narrow objectives of the IRP2 that specify medical specialists and coordinators may not serve the organisation well. Some interviewees have suggested that the current human resources management system is not aligned with operational growth or objectives, describing a human resources system that is inward-looking, conservative, valuing a "home-grown" approach to filling management positions, and having a short-term view.

As the humanitarian contexts in which MSF works change and as the organization evolves, so does the nature, size, and complexity of operations. The 2016 Typology Report states that projects characterised by conflict, instability, and displacement have seen the biggest increase as well as a surge in MSF "core activities" (such as hospitalization, consultations, malaria treatment, post-natal care, and so on). In addition to advances in medical and non-medical technology, these factors all have enormous repercussions on human resources. This means MSF has a need for increasing numbers of specialists and professionals, both in medical and non-medical fields, and need of more coordinators / managers / leaders.

While the needs for specific profiles are changing, the overall need for more staff is not. Given the clear upward trend of increasing need for human resources and the continued gaps in positions, MSF may need to consider strategies which will attract and retain significantly higher numbers of staff.

In the five current Strategic Plans, each OC refers to the need to increase staff diversification. As the workforce grows and becomes more diverse (in terms of regions, age, and so on), so do the needs and interests of employees. MSF will also need to change and adapt to the shifting workforce.

Recommendation 1: Alter the objectives of the compensation and benefits system.

MSF should capitalise on the existing intangible rewards by shifting the discussion with potential and current employees from compensation and benefits to providing them with an employee value proposition that includes a dynamic and relevant Total Rewards Package.

In addition to shifting the discourse about rewards in MSF (by ensuring a consistent message) and changing the objectives of the compensation and benefits system, MSF should rename the system since the term "IRP2" does not incorporate the intangible rewards, and has a negative connotation among staff.

Effectiveness - Is IRP2 effective in realising its objectives?

No observations can be made conclusively regarding the effectiveness of the system because no indicators of success were established at the onset of the system, nor baseline data that could be used to monitor and assess the system.

Recommendation 2: Set clear system objectives, define key concepts, link key indicators of success, establish targets, and develop a data collection plan.

Setting clear system objectives is the first step towards being able to concretely measure the success of the system. It is important that MSF also has a clear definition of key concepts to best inform how to measure them, such as retention, diversity, gaps, specialists, and so on. Linking key indicators of success to the objectives will allow the organisation to determine which data to collect and be able to concretely measure the impact of their compensation and benefits system. Aligned with these indicators, MSF should set short-, medium-, and long-term targets for the indicators. Ideally, data for these indicators would be collected by the Operational Centres and Partner Sections on a movement-wide level with the specifications and guidance centralised through MSF Luxembourg in order to ensure consistency, reliability, and validity. Once indicators are established, baseline indicators should be collected immediately to provide a comparator for future system evaluations.

Appropriateness - Is IRP 2 appropriate for meeting its objectives today?

Analysing the appropriateness of the IRP2 system demonstrates the system does not attract nor motivate MSF staff. However, compensation and benefits may discourage staff from joining and demotivate staff while on mission. IRP2 is not appropriate in contributing to retaining staff. The salary appears to contribute to staff attrition. However, the benefits are generally perceived as adequate. It is important to also understand that different staff groups have different expectations and needs regarding the compensation and benefits system, and the system impacts staff differently, which IRP2 does not fully address. The system is not flexible and adaptable enough to meet MSF's needs.

Attraction and Motivation

While the IRP2 evaluation survey showed that salary and benefits scored lowest for encouraging staff to join MSF, it scores the highest among factors that discourage staff from joining. It appears that MSF's compensation and benefits is not a "pull factor" for attracting individuals to join. Furthermore, salary and benefits was the factor most often reported to be demotivating in the survey.

Retention

Compensation and benefits are more influential in retention than in attraction and motivation. While it is unlikely that staff will stay with MSF just for the compensation and benefits, they may decide to leave because of it.

Based on numerous surveys and interviews, a conclusion can be reached that the salary provided by MSF is an important contributor to staff attrition. In the IRP2 evaluation survey, 45.7% of respondents reported the level of salary was discouraging them from undertaking another mission, making it the most-reported reason for discouraging retention. Additionally, almost half (49.2%) of respondents reported that they are not satisfied with their salaries. In the IRP2 evaluation survey, the second most reported need for MSF international field staff was "providing higher salaries to international staff" (after "better career management"). These statistics match what was found in the questionnaire and interviews.

MSF's policy of paying below market rates is based on the reward policy of "modesty" to ensure the organisation employs staff with a humanitarian commitment. Reportedly, this creates tension between two of MSF's HR goals: to retain staff, and to employ staff with a humanitarian commitment. Many question whether modesty in pay is the only way to ensure staff have a humanitarian motivation. Another issue regarding the policy of modest pay is the lack of clarity in its definition. In fact, not all countries receive "modest" salaries. This demonstrates how IRP2 is experienced differently by staff based on their country of domicile.

The compensation and benefits system includes an indemnity period (*l'année du desert*) in which staff, for the first 12 months of employment, are on a decreased salary. Indemnity is rooted in tradition within MSF. Its intended objectives include to "remove economic barriers for people to volunteer with MSF," to differentiate between staff who want to volunteer for a short time and those who wish to work with MSF as a career, and to ensure staff have a non-lucrative, humanitarian motivation. There are very mixed views regarding the impact of indemnity. While some people think it is effective in ensuring MSF hires people with a humanitarian motivation, others think it is an outdated system that is

harmful to the organisation. Some think its impact on attraction is limited as people mostly do not look at the salary when they first join and salary only becomes important later in their MSF career.

Benefits are generally perceived to be satisfactory within MSF and are not reported to be a major reason for attrition. According to an MSF study of 15 similar INGOs, MSF appears to be mostly aligned with similar organisations in the benefits they provide in the field and above average for some benefits.

Different Staff Groups

Given the diversity that makes up MSF's workforce, it is important to understand the differences between types of staff and their expectations and needs regarding salary and benefits, as well as the different ways they are impacted by the system. MSF should ensure the compensation and benefits system is aligned to the corresponding profiles required by operational needs, which may require further studies regarding specific groups. The following groups currently have strategic importance for MSF: specialists (both medical and non-medical), medical staff, coordinators, staff in certain stages of life/generations, and staff from non-European and non-North American countries.

The IRP2 evaluation survey demonstrated that respondents on the Guaranteed Grid and NCR staff were more likely to report that the salary and benefits impacted their decision to undertake another mission than respondents on individual country grids or from contracting countries.

One interesting finding is that while MSF salaries for some positions are generally more competitive in countries with low-income economies than in countries with high-income economies (compared to other jobs available in-country), MSF staff from lower income countries nonetheless tend to be more dissatisfied with their salary in the IRP2 evaluation survey. It is therefore important to understand that the level of competitiveness of an MSF salary compared to similar positions in the home country is not the only factor determining whether staff are satisfied with their salary.

Benchmarking exercises based on market data may not be appropriate in countries with lower-income economies. Benchmarking data is simply a reflection of the market reality, which says nothing of the standard of living that can be achieved from the average market salaries because it is a relative rather than an absolute data point. According to a recent report from the International Office, "It is not entirely clear whether the benchmarks of local wages we [MSF] use to determine our pay truly reflect local cost of living. In other words, whether local employers' salaries are enough for what MSF would consider 'adequate', especially compared to 'Western' standards". While MSF relies on benchmark data to create salary scales, they may inadvertently perpetuate inequality.

Additionally, salary does not account for the ability to access state-sponsored social services. In many high-income countries, social services are available from the government, while in many low-income countries they are very expensive to access or very poor in quality. This issue was brought up in more than half the interviews conducted for this evaluation. The main social services discussed were health care and education costs for dependents remaining at home.

Mechanisms to Encourage Retention

When IRP2 was designed, several mechanisms were put in the system to try to encourage retention. Primary among these was the segmentation of contracts (intermissioners, LTA, and vocationer), the loyalty bonus, and salary bands/levels. The introduction of long-term contracts, both LTA and vocationer, is seen as a major "win" for IRP2 by many of those interviewed. However, many perceive these contracts have been underutilised. MSF should consider how to eliminate barriers for staff to take vocationer contracts, which may mean considering the flexibility of staff to decline or postpone mission assignments. Furthermore, it is recommended that MSF better advertise vocationer contracts to staff so that interested staff may proactively seek these out. The loyalty bonus and salary band systems are very unlikely to be effective in retaining staff.

Adaptability/Flexibility of the System

The system is not adaptable and flexible enough to meet MSF's HR needs. There are several factors which may make the system hard to adapt to changing contexts. One is that the system is inter-sectional, which means any changes require significant discussion and buy-in. Another reason is the complexity of the system, which makes it hard to understand the implications and the technical details behind any change, no matter how minor. Additionally, the system was designed to meet the objectives, which specified three main profiles (medical specialists, coordinators, and

humanitarians), whereas changes in MSF's context result in changes in the types of profiles needed, and therefore the salary and benefits appropriate to retain those profiles.

Another effect of the inflexibility of the system is that it is not able to serve individual staff personally. Several stories were also shared during the interviews demonstrating how the lack of flexibility impacts the retention of highly-needed staff. Compensation and benefits can be a powerful tool in acknowledging that MSF appreciates individual staff members and values them as individuals, not only as resources.

Recommendation 3: Conduct a thorough analysis and discussion (including at the associative level) of what salary means to the organisation in order to align policies, practices, and processes.

Should salary: ensure a standard quality of life for employees? be a means of showing appreciation to employees? retain employees or ensure employees have a humanitarian commitment? invest in human resources or control costs? serve to improve the world or to ensure equity? This discussion should include:

- The concept of modest pay. Assess the policy's positive impacts on its goal of employing people with a humanitarian commitment, as well as weighing the negative impacts, namely the (operational) impacts of poor retention.
- The principle of volunteerism and the policy of indemnity, along with its contribution towards the objective of ensuring staff have a humanitarian commitment and any negative consequences regarding attraction.
- HR's standing in MSF's overall strategy.
- The concepts of professionalisation and volunteerism, specifically how much importance MSF gives to these concepts, and how, or if, a balance should be struck between them.
- The policy of utilising domicile in determining salary.

Recommendation 4: Consider ways to further simplify the system to make it easier to communicate, understand, and implement.

Recommendation 5: Establish mechanisms for the system to proactively adapt to changing needs, specifically operational needs regarding required profiles and the individual needs of staff.

It is recommended that MSF considers how the compensation and benefits system can be more flexible in order to accommodate for individual needs, both in order to show staff appreciation and to better retain the most challenging and needed profiles.

- On a regular basis, MSF operational departments should determine which staff profiles are of particular importance, and HR should align their strategies to quickly adapt to the needed profiles.
- Potential strategies could include: 1) an "à la carte" (or cafeteria style) policy for benefits, in which staff can choose from a selection of different benefits depending on what is most important for them; 2) incentive programmes for much-needed profiles; 3) developing a policy and providing funds for contracting sections to enable "consultancy-type" contracts; 4) broadening the policy linked to the Flexibility Envelope to include more contract types; and / or 5) a working group focused on compensation and benefits for specific profiles (changing as per operational needs).
- MSF should consider ways to expand decision-making regarding compensation and benefits.

Connectedness - What is the level of understanding and perceptions of IRP2 among stakeholders?

As for the connectedness of the system, the evaluation finds that the system suffers from a poor perception on the part of many stakeholders, especially staff from countries with low-income economies or using the Guaranteed Grid, largely due to the issue of domicile in determining salary. Many participants to the evaluation expressed that the system is Eurocentric (12 times in interviews), discriminatory (18 comments in the questionnaire, 33 mentions in interviews, and 101 comments from the survey), or even racist (22 comments in the survey).

This can be understood through the perception of organizational justice based on three components: distributive justice entails how individuals react to the amount and make-up of compensation they receive and influences their attitudes (positive or negative) toward the results of decisions; procedural justice is how individuals react to the procedures used to determine compensation; and interactional justice refers to the quality of the relationship between employees and the organisation.

As for how indemnity is perceived, many still believe it is at the heart of MSF's identity and truly demonstrative of humanitarian commitment. On the other hand, as the organisation changes, and grows, more and more individuals perceive indemnity to be outdated and elitist.

In terms of the principles on which the MSF compensation and benefits rests (equity, mutuality, volunteerism, coherence, and being a responsible employer), several stakeholders expressed during interviews that these are quite difficult to disagree with as they are general concepts, and that their practical application within the system is more contentious. For example, while equity is generally accepted as a suitable principle, one translation of equity within IRP2 is utilising country of domicile as a factor in determining salary, which many stakeholders disagree with.

Furthermore, the system is not well understood, which can be explained by several factors. First, the complexity of the system and its overly technical aspects makes it very difficult to explain in an expedient and efficient manner. Second, there may be a lack of interest to understand, which may also be due to the complexity. Third, the lack of appropriate and comprehensive communication about the system during the implementation phase, and throughout its administration. Fourth, the negative perception itself may be a barrier to understanding the system, as people who see the system as unfair may disregard any communication. Further, some mid-level human resources professionals who must communicate the system to field staff have expressed they feel uncomfortable explaining the system as they themselves view it as unfair.

Recommendation 6: Focus on three areas to help improve the climate of justice and equity within the organisation; these are: decoding organisational values; balancing employer and employee perspectives; and measuring effectiveness.

Decoding organisational values

The upcoming review of the principles is a good step towards bridging the perception gap and addressing the fundamental divergence of views about the principles and the policies which are currently hindering the compensation and benefits system.

To make sure the International Human Resources Vision comes and stays alive within MSF, senior leaders and human resources would be well served to articulate and communicate how this vision impacts the purpose and design of the Total Rewards Package.

Balancing employer and employee perspectives

With the increasing diversity of MSF staff, employee participation is a critical aspect of the design and development of employee rewards. MSF should build on this momentum and continue to ask employees what their needs are, how MSF can best answer them, and whether they are satisfied. Ideally, this would not only be through surveys, but through focus groups, associative debates, and other platforms.

Measuring Effectiveness

MSF should also adopt a more systematic and comprehensive process for evaluating the fairness and effectiveness of the rewards programmes.

Beyond IRP2

The IRP2 system does not function in isolation, it is part of a wider system. Although these findings span beyond international staff compensation and benefits, they are nonetheless linked to IRP2. These topics include staff categories, centralisation / decentralisation, and the role of human resources within the organisation.

While IRP2 is used to determine international staff compensation and benefits, the National Staff Intersectional Remuneration and Benefit Policy Framework (“Common Frame”) is used for national staff, and there is no intersectional policy for HQ staff. Several interviewees questioned the differences in policies between these three groups, and some questioned the acceptability of categorizing staff into these groups. The compensation and benefits policies for these three groups are very different. Recent trends among INGOs show a move away from the traditional dual salary system (with one salary for international staff and another for national staff) due to the inequity experienced within them.

MSF should consider which processes of the Total Rewards system can be more efficient and effective if they are centralised or decentralised to/from Operational Centres, partner sections, and field. A more in-depth discussion on the centralisation or decentralisation of each step could support a more flexible and adaptable system with more inclusive decision-making. For example, centralising the contracting of NCR staff (perhaps by region: Brazil, Japan, Kenya, Jordan) could be an advantage as the staff would receive consistent information about their package, while their feedback, concerns, and ideas for improvement would also be held in one place and more easily communicated to the Operational Centres.

Several interviewees expressed that human resources currently operate independently of other departments, whereas human resources should be an integral part of decision-making at all levels; human resources should be a strategic partner, not only a service provider.

Recommendation 7: Have an open discussion regarding compensation and benefits within MSF from a global perspective, considering the possibility of significantly changing the structure of the system.

Such a discussion would include:

- challenging the acceptability of differences between national, international, and HQ staff;
- determining which processes of the Total Rewards Package could be more effective and efficient if they were centralised or decentralised;
- ensuring human resources is more integrated among all departments.

A first step in this process would be an analysis of what comparable organisations are doing regarding compensation and benefits (such as the Project Fair research and other research coming out of the CHS Alliance), how humanitarian aid is changing in general, and how the role of human resources is changing in organisations (both NGOs and others).

Stockholm Evaluation Unit

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