

# Mind the gap in local and international aid workers' salaries

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*An audio documentary by co-author Anna Strempel explores the effects of a gap in wages between local and expatriate workers in the development and aid sector.*

*Anna Strempel is a graduate of Monash University Master of Journalism and International Relations and recipient of the Australian National University Indonesia Project's Research Travel Grant and the Victorian government's Hamer Scholarship.*

*Listen to the podcast based on her Master's research thesis below:*

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Imagine finding out that your colleagues earn five times more than you. Not only that, but they get all sorts of benefits you're not eligible for.

They take a month of leave; you get 12 days. Your employer pays for their accommodation, health insurance and even their children's school fees; you don't get any of that.

But you have comparable skills and qualifications. You do the same work. In fact, you understand the context of your work better than your higher-paid colleagues.

So why are they earning so much more than you? What if you found out it was simply because of your nationality?

In the humanitarian aid and development sector, this is the reality. Local staff are paid far less and receive fewer benefits than their expatriate colleagues, even when they do similar work and have similar qualifications.

## **Making aid ineffective**

We've studied the effects of the wage gap between local and international staff working in lower-income countries in an ESRC-funded project called [ADDUP](#) (Are Development Discrepancies Undermining Performance?). We call this differential treatment the dual salary system.

Expatriates are often quick to dismiss dual salary systems as a non-issue. But local workers told us a different story. They said disparities created significant feelings of workplace injustice. They felt less valued than their expatriate colleagues.

Wage disparities are often a taboo topic, especially when power relations are involved. Socially responsive and accountable research like the ADDUP project can "speak truth to power". This is especially important because differential treatment between international and local aid workers may undermine international aid programs.

Ishbel McWha-Hermann, now based at the University of Edinburgh, who is a co-author of this article, found that the fall-out from pay disparities can damage relationships in the workplace and thereby interfere with aid effectiveness. Employees “form work groups and alliances based on observed differences and similarities”. A likely source of comparison is socioeconomic status linked to salary.

She warns that large pay gaps “may be undermining poverty-reduction initiatives before they even reach the community”.

The OECD wants wealthy countries to spend 0.7% of their Gross National Income on foreign aid. While the UK met this target two years ago and enshrined it in law, Australia’s aid budget has been slashed. The Lowy Institute says the former Abbott government’s cuts to foreign aid were the largest ever and will mean Australia’s aid expenditure falls to just 0.22%.

With the aid program already under pressure, the negative effects of pay disparities may be making it even more difficult for programs to achieve their goals.

## **Causes of the wage gap**

The wage and benefits gap cannot be explained by differences in experience or skills. ADDUP compared local and expatriate workers doing similar work with equivalent skills and experience. Rather, dual salaries exist because expatriates originate from higher-income economies and labour markets.

Appropriately enough perhaps, dual salaries are popularly referred to in some Pacific countries as “economic apartheid”. Having this kind of nomenclature in the aid sector is ironic considering its poverty-reduction aim.

The dual salary system is a difficult structural inequity that makes it hard for many workers in aid and development – both local and international staff alike – to work together, support each other and achieve project goals.

## **How big is the gap?**

Our research measured the size of the wage gap and its effects on workers in six lower-income countries: India, China, Malawi, Uganda, Solomon Islands and Papua New Guinea.

We surveyed nearly 1300 local and expatriate workers from around 200 organisations. These organisations were drawn from the aid, education, government and business sectors of the six countries. Participants worked in a range of job roles, from teachers, to engineers, to doctors and managers, with expertise in areas like microfinance, child labour, program administration and much more. The organisations draw aid funding from governments and donors around the globe.

Across the ADDUP sample, local staff were paid four times less on average than their international counterparts. This was despite having similar education and experience. In Papua New Guinea and the Solomon Islands, the average rose to nine. In individual cases the difference was far greater. Alarming, 80% of local workers said that their pay was not sufficient to meet their everyday needs.

Disparities are not limited to salaries. They include accommodation allowances, vehicles, household staff, school fees, insurance and other benefits. These commonly form part of expatriate packages that are not available to local staff.

## **Similar findings in the corporate sector**

While ADDUP is to date perhaps the most detailed study of pay disparities in the humanitarian sector, research from the corporate sector has had similar findings. A [study of local and expatriate managers](#) in multinational companies in Singapore, for example, found salary disparities were causing resentment and dissatisfaction among local managers.

The Singaporean study found that dissatisfaction relating to disparities ultimately reduces productivity and encourages high staff turnover.

## **Local ‘brain drain’**

Our research also found that dual salary systems were contributing to a “brain drain”.

Talented local staff often leave their home countries for higher-paying jobs overseas.

This may make it hard for the humanitarian sector to achieve its goals of building capacity in aid recipient countries and increasing local ownership of development initiatives.

## **A search for a solution**

Many NGOs are aware of the issue and concerned about it. Together with NGO umbrella organisation [CHS Alliance](#) (formerly known as People in Aid) and [Birches Group](#), we are working to develop evidence-informed good practice in the domain of sustainable livelihood and living wages for aid and humanitarian workers.

This [partnership](#) hopes to identify wage policy options that align with local workforce aspirations and can ensure sustainable human services in the aid and development sector.

The new round of global development goals – the Sustainable Development Goals (SDGs) – has highlighted the importance of decent work, reducing inequality and enabling sustainable livelihoods for the eradication of poverty everywhere.

If the SDGs are to avoid the criticisms of their predecessors, the Millennium Development Goals, we will need to vertically integrate global goals with local, everyday workplace practices.

This project, focused as it is on everyday workplaces and organisational policies, is an example of that kind of process, in an area where we can all make a difference.