

# Are International Development Projects Unfair to Local Staff ?

## Dynamics of the Dual Salary Scale Question

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### Abstract

*Internationally funded projects typically use two salary scales: one for internationally recruited staff and a lower one for locally recruited staff. The fairness of this approach has been questioned particularly when staff members have the same training and carry out similar tasks. Administrators argue that they pay the appropriate salary, based on local wage scales, and that locally recruited staff are under no obligation to accept the positions offered. Also, higher salaries offered to local staff would drain talent from other local employers. Others argue that such unfair treatment undermines the collegial atmosphere desired in such projects, and that a more equitable salary arrangement should be adopted. Complicating this question are many peripheral factors.*

*A system dynamics model might help clarify the problems created by a dual salary scale system and provides insights which might help formulate a better system.*

### INTRODUCTION

Dual salary scales are commonly used in internationally funded multilateral and bilateral projects. Usually there are nationally recruited and internationally recruited staff. Both are paid somewhat above what they would be paid for similar jobs in their own country and, often, formally defined salary scales exist for each group.<sup>1</sup> In the past, senior and technical positions were filled mostly by international staff because adequately trained local staff were scarce. Lower level managerial and secretarial staff were filled with local personnel.

Nowadays things have changed. National universities may be well developed and national graduates well qualified.<sup>2</sup> National staff may have advanced degrees from internationally recognized universities. National staff are hired both for their technical expertise as well as their, often superior, knowledge of local situations. For this reason a dilemma arises: should well qualified national staff be paid the same as their foreign counterparts, or is a dual salary scale justifiable.

While real differences in ability and training may exist, an underlying basic question needs to be addressed: in theory should identically trained and experienced local and foreign staff of an international project be paid the same salary, or should each be paid a salary acceptable within their respective home countries? While specific situations are rarely, if ever, this well defined, this question characterizes the key aspect of the problem.

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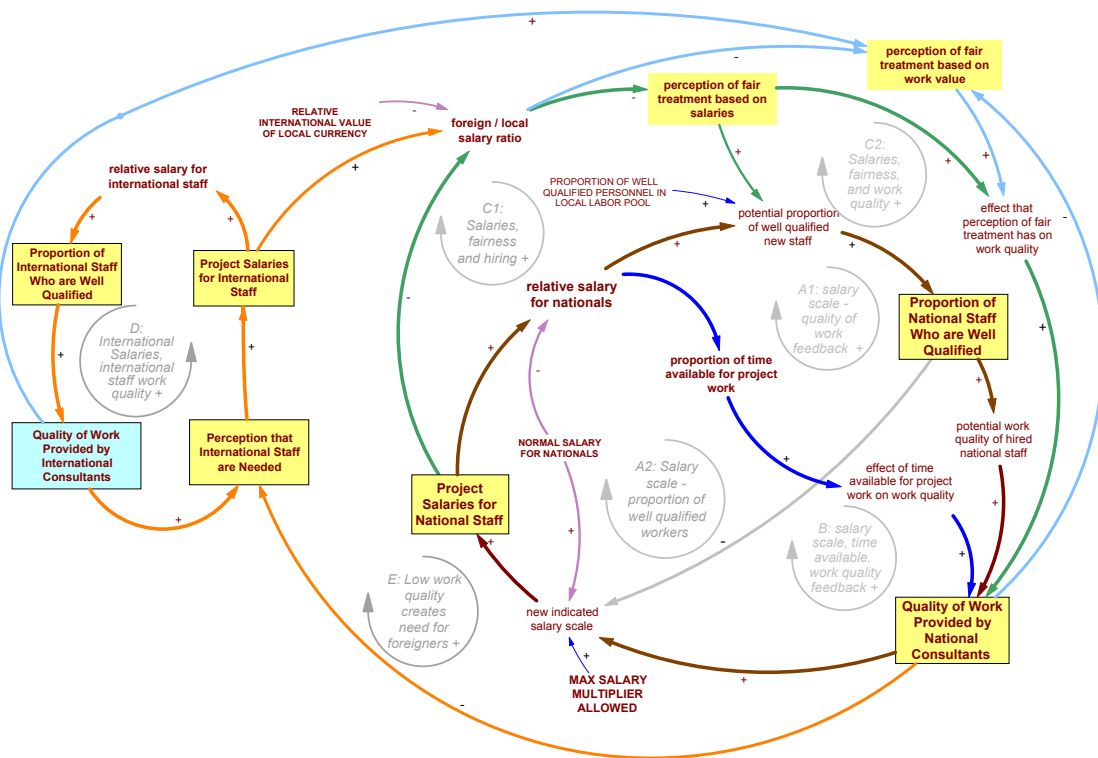
<sup>1</sup> At least in the recent past, for example, Asian Development Bank loan projects carried out in Indonesia, used "billing rates" which were based on schedules specific to an individual consultant's country of origin. These were (are?) used as a basis for salary and benefits negotiation, and the "overhead" fee available to the responsible consulting firm was essentially the remaining fraction of that billing rate.

<sup>2</sup> Interestingly a number of nations have expatriate staff working at national universities paid under special salary scales as discussed here (e.g. see Ila'ava 1999).

Complicating factors are many. Higher salaries for national staff will attract well qualified staff away from national agencies weakening the abilities of those agencies. Often these agencies will be the very ones which the project is trying to strengthen. This "brain drain" is more serious in situation where few well qualified candidates are available (see for example: Emergency Personnel Network 1998; Humanitarian Accountability Project 2001). In a small country with few well trained individuals one may wish to use only international staff for technical positions. If the country in question is large with many well qualified people then the brain drain effect may be less important.

On the other hand, if many well qualified local candidates are available then would it best to hire more national staff at local salaries? What would be the effect of this approach? Well qualified local staff may be a cheaper alternative to international staff, but if there is a desire to maintain a mix of international and local staff this is a problem too. On the other hand, raising salaries would result in fewer positions or higher project costs or both. Low wages paid to local staff may require these individuals to seek second jobs, perhaps lowering their overall work quality.

Alternatively paying lower salaries for internationally recruited staff would fail to attract the best candidates. Recruitment of substandard international staff may harm project operations and may limit motivation of local staff.



**Figure 1.** A causal loop diagram of the dual salary scale question. Quality of work of national consultants on cooperative “development projects” is affected by salary relative to prevailing normal salaries (loop A1) which affects the ability of the project to hire well qualified locals. This is complemented by balancing loop A2 which reflects the attitude of personnel directors who feel that salaries need only be high enough to attract good staff. If salaries are very low, local staff also cannot afford to spend full time on the project lowering their work quality (loop B). The relative salaries international consultants also affects work quality of nationals via the effect of perception of fairness on hiring and on work quality (loops C1 and C2). If work quality of locals is low, the perception that foreigners are needed remains high maintaining high international salaries (loop E). This allows continued hiring of well qualified international staff which further reinforces the idea that foreigners are needed (loop D). It is also possible that some aspects of fairness are based on relative work value of national and international consultants rather than salaries (upper right).

Of special importance is the issue of fairness and the effects which it may have on work quality of national staff, the recruitment and retention of well qualified national staff, and the overall work environment for both national and international staff.

## MODEL DEVELOPMENT

### A Basic Conceptual Model

Figure 1 presents a simplified conceptual model of the dual salary scale problem formulated as a causal loop diagram. Each pair of components is linked by an arrow with a sign which indicates how a change in one component will affect the other (other things being equal).

The *quality of work of provided by national consultants* is a concern within internationally funded cooperative projects. Projects will normally try to recruit the best available people by offering competitive salaries higher than those paid for similar work within the host country. The assumption is that paying a higher than average salary will attract the best available candidates and this will result in an increased quality of work. This idea is illustrated by loop A1 (Figure 1). In this loop increases in *project salaries for national staff* will ultimately cause increases in the *proportion of national staff who are well qualified*. It is assumed that this leads to better quality of work on the project which justifies, up to a point, further increases in *project salaries for national staff* depending on salary policy which here is indicated by the *max salary multiplier allowed*. This further reinforces the ability of projects to hire well qualified staff. In the view of a personnel office loop A2 may be more accurate: salaries need only be high enough to attract good staff. Better work quality will automatically follow.

However, *project salaries for national staff* may still be low compared to income needs. This is because the *normal salary for nationals* is often very low. If *project salaries for national staff* are sufficiently low than national staff will need other sources of income, probably via second jobs, to maintain their livelihood. However, such additional employment will lower the amount of time they have for project work and will thus lower the overall quality of their work.<sup>3</sup> Decreased time available for project work, which may very well be caused by a legitimate need for additional employment, will nevertheless decrease the quality of work performed and will adversely affect *project salaries for national staff* (loop B).

If the *quality of work provided by national consultants* is perceived to be poor then the *perception that international staff are needed* increases tending to maintain high *project salaries for international staff*.

A large *international/national salary ratio* may erode any *perception of fair treatment* that national staff have. This weakened perception may limit a project's ability to attract and hold good national staff, and often creates situations whereby *quality of work provided by national consultants* already hired is adversely effected. For example, if national staff perceive that they are treated poorly, they may, depending on the local situation, resort to questionable financial methods<sup>4</sup> (loops C1, C2 and E Figure 1).

An increased *perception that international staff are needed* will support high *project salaries for international staff*. This will allow a project to recruit a larger *proportion of international staff who are well qualified*. This, in turn, helps to support the idea that *quality of work*

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<sup>3</sup> This is a serious problem on many projects as local consultants listed on project documents as full-time are, in real work terms, less than half time.

<sup>4</sup> Such as requesting *per diem* for travel not taken, and fees for meetings not attended.



sufficiently high to attract the best candidates and no higher. Project salaries will determine, to a large extent, the proportion of well qualified national staff hired.

Because prevailing salaries are low, the *relative salary for nationals* is an important determinant of time that local consultants can spend on a project. A lookup function used here assumes that at prevailing national salaries national consultants typically spend only 40% of their assigned work time on a project, largely because a project assignment is typically viewed as an additional part-time job. This would lead to an overall decline in both work quality, and will ultimately lead to low salaries for national consultants.

Perception of fairness is influenced by two sources: that related to salaries, and that related to value of work provided.<sup>6</sup> As modeled, only salary based fairness influences ability to attract high quality candidates. On the other hand, work quality of national staff can be influenced by both salary, and work value, based, fairness. Fairness of both types drops to 0.3 as salaries for foreigners approach 10 times that of nationals or work value of nationals approaches 10 times that of foreigners. If the salary or work value ratios are 1 then either perception of fairness is also 1.

Herein fairness is related solely to salary ratios and to relative value of work provided, but ultimately there are a number of other issues which might influence the perception of fairness (see Ellsworth 1998 pages 31-33).

This model deals with the question of whether international staff are needed on a project via the perception that they are needed. This is perception is determined, in the real world, by the work quality of national staff. The model determines this perception using the ratio of international to national work quality as input to a simple look-up function. I have assumed here that, because of their nature, international projects have some underlying requirement for international staff regardless of work quality differences. Even if work quality of international and national scientists is the same, the perception of the need for international staff is lowered by only 50, not 100 percent, but may continue to drop over time. The remainder of the international staffing loop is fairly obvious and is not detailed here.

## **Some Example Outcomes**

### *The effect of salary scales*

In the following brief examples I have assumed that international salaries are about 20 times local salaries for equally well qualified personnel. That would not be unusual. What would be a \$6000 per month job for a “westerner” might be \$300 for a local consultant. Here I have started with a salary of 100 for local, and 2000 for international, staff. The work quality of typical local consultants is 40 but 10% of the workforce are well qualified and have a basic work quality of 100. Values of other key components are given in Table 1.

If normal salary levels are initially offered work quality is initially limited by lower staff qualifications, by proportion of time available for project work, and by perception of fairness. Thus, even though average workers can do work of quality 40 this is degraded by the fact that they can only, in reality, work part time, and are bothered by the inequities in the national:international labor system. Work quality of hired national staff gradually rises as salaries improve and new staff are hired (Figure 3).

With salary scales tripled the situation is only marginally better (Figure 4). Although the proportion of well qualified staff starts at a point three times that in the labor pool, initial quality of work is still degraded by a low perception of fairness and to some extent by time constraints caused by inadequate income. The initial potential work quality of hired

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<sup>6</sup> Value of work here is defined simply as quality of work provided divided by salary.

personnel is 60, but degrading factors lower it to 40. As above salaries gradually rise as employers attempt to improve staff qualifications and work quality.

An initial salary scale 5 times the base national salary is sufficient to hire only well qualified workers, so that the potential work quality of employees is 100. But even at this salary level there is an effect of perception of fairness which lowers actual work quality somewhat. This causes a small long term decline in salaries. Nevertheless, at this salary level the relationship of salaries to prevailing local salaries is dominant, and work quality is not overpowered by effects of unfairness. National salaries are roughly 40% of international salaries which drop somewhat as the perceived need for international consultants drops from 1.0 to 0.5. As the need for these consultants declines so do international salaries helping to improve the perception of fairness. Although work quality of international consultants drops slightly (due to lower salaries) work value of international consultants actually increase somewhat. Although work quality of nationals rises, their rising salaries cause their work value to drop. Nevertheless, even after it drops, work value of nationals is still more than 3 times that of international consultants.

### ***Effect of Qualifications of Workers in the Labor Pool***

We might expect that a labor pool with many well qualified workers would raise work quality. However, at low to moderate initial salaries an increasing proportion of well qualified workers in the labor pool can have a depressing effect on salaries and on consequently on work quality, particularly if worker qualification is a large influence for setting salaries. If employers set salaries only high enough to attract the best employees, these salaries will be lower if there are many good potential employees available. At such salaries the effects of unfairness and limited work time will adversely influence work quality (Figure 5) and, depending on the weightings used, this may feed back to further lower salaries (Figure 6). If initial salaries are high enough to prevent an excessive decreased perception of fairness, then higher proportions of well qualified workers in the labor pool will increase work quality as expected.

### ***The Effect of Fairness on Work Quality***

In the model perception of fairness is used in two ways: to determine success in hiring well qualified staff and to determine work quality. The national:international salary ratio effect on fairness is used in calculating the effect on hiring qualified staff, although this, to a large extent, is overpowered by the effect of the ratio of the project salary scales compared to typical local salaries (i.e. the *relative salary for nationals*).

I have also included a concept of fairness based on work value. National staff may realize that value of their work in comparison to the value of work carried out by international consultants is what is important, rather than absolute salary scale differences. For example, they may realize that a project cannot pay a higher salary if workers can not show up for work regularly, regardless of the reason. As work quality of nationals approaches that of international staff this second measure of fairness, the work value ratio, will approach the salary ratio. If work quality is the same and a salary differential remains, the relative value of national staff work will be higher than that of international staff. This maintains a feeling of unfairness even if project salaries are significantly higher than typical national salaries.

The perception of fairness which influences work quality includes this second measure. In the model, fairness as it influences work quality can be affected by both national:international salary ratio and national:international work value ratio. The relative weighting of these two influences on perception of fairness can significantly changes the work quality of national staff especially at intermediate salary levels (Figure 7).

A lot depends on the perception of fairness, and the model lookups which determine it. As presented here, fairness based on salary approaches 1.0 when local and international salaries are equal. Salary based fairness drops to a minimum of 0.3 when international to national salaries are in a ratio of 10:1 or above.

If fairness is influenced primarily by the ratio of relative work value, then national workers are more willing to work at reduced wages understanding that such wages are lower because they are unable to work full time, for example. But as work quality approaches that of international staff the feeling of unfairness will increase unless national wages also rise.

## **DISCUSSION**

These preliminary ideas about the dual salary scale question and its effect on the work situation within international projects brings up a number of interesting questions.

We may wish to consider, for example, how employees' concept of fair treatment is influenced by the fairness of other employers competing for high quality staff. Herein this issue is modeled as a constant, but in reality might involve feedbacks influencing salaries and fairness due to competition for good staff. This in turn may affect inter-project collegiality if excessive "stealing" of good staff occurs.<sup>7</sup> Another issue not addressed here is the difficulty which might be faced by highly paid national staff when attempting to work cooperatively with national staff paid normal salaries at governmental or other cooperating agencies. The concept of inter-institutional inequity can influence inter-institutional cooperation.

Detail as to the effects on workplace collegiality and related interactions might also be investigated. Are underpaid national staff less or more likely to be fired if work quality is not good? What effect might this have on their work quality? Might promising junior level staff be promoted too quickly by well meaning international colleagues attempting to help them obtain a higher salary? How would this affect the perception of their work quality, and work value?

It is possible also that different levels of staff might perceive fairness differently. Senior level national staff might be less willing to put up with perceived inequity than entry level staff, who may be happy to have a job.<sup>8</sup> Would such a situation imply that a graded salary system is appropriate: one where large national : international differentials exist for low level jobs and smaller differences at more senior levels?

These very preliminary findings, based on reasonable assumptions incorporated into look-up functions, indicate the importance of relative salary (salary compared to the prevailing national rate) rather than salary differential (compared to foreign salaries) in the hiring of, and quality of work by, local consultants. This is consistent with the know ability of projects and organizations to hire good people away from local employers, without paying international salaries. Questions remain however as to the work environment and collegial atmosphere within dual salary scale projects. If fairness can be reinforced with other non-salary benefits,

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<sup>7</sup> Often projects funded by international donors use some agreed upon quasi-standard for fixing a general ceiling on national staff salaries, or survey each other to determine typical project salaries.

<sup>8</sup> In one interesting case a very well qualified senior national consultant refused to work at all, but nevertheless received his, very low, national salary.

then a collegial atmosphere may prevail in spite of large salary differentials, particularly if workers views of fairness are based on work value, and if good work quality can significantly improve salaries. Employers need to be aware of equity issues if maximum possible work quality is to be expected from national staff.

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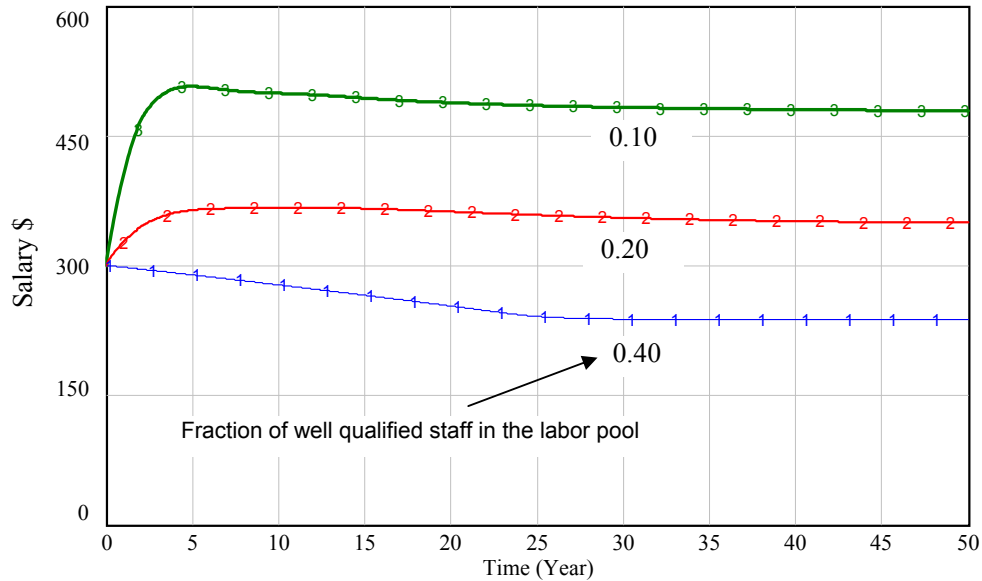
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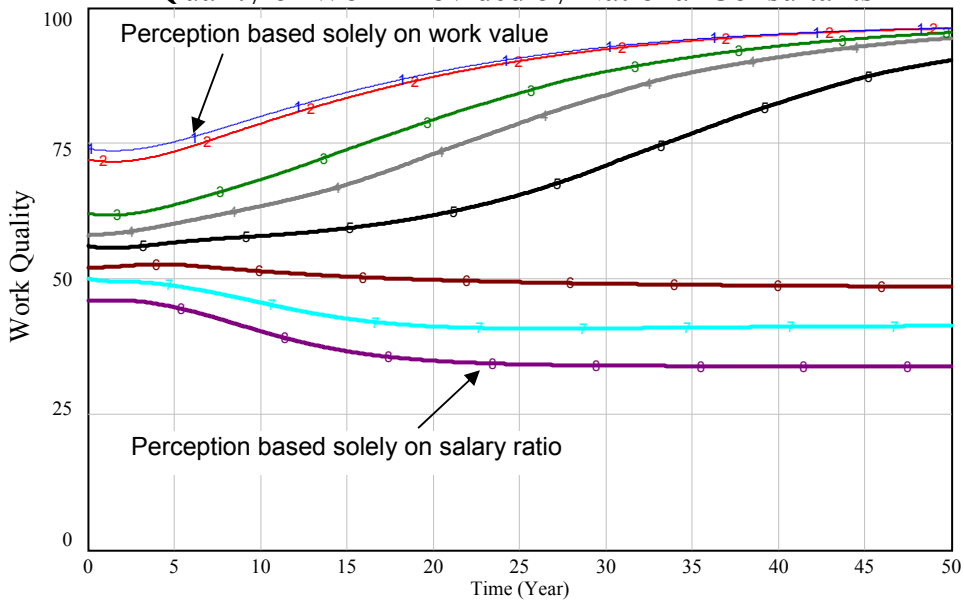


### National Staff Salary Trajectories for Different Fractions of Well Qualified Staff in the Labor Pool



**Figure 6.** Increases in well qualified staff in the labor pool will tend to lower salaries. This effect will be more severe if hiring practices merely focus on ensuring that hired staff have excellent qualifications and ignore issues of fairness that might emerge to hinder work quality. In this example starting salary is three times the normal salary for nationals.

### Effect of Mode of Perception of Fairness on Quality of Work Provided by National Consultants



**Figure 7.** Two factors affect perception of fairness: international:national salary ratio and international:national work value ratio. If workers base this perception primarily on salary ratio then there is a stronger adverse effect on work quality (lower line). Starting at the top the fraction of effect caused by work value ratio is 1, 0.9, 0.5, 0.4, 0.3, 0.2, 0.1, and 0.0. Starting salary was 4 times the normal national salary and employers based their hiring 10% on worker qualifications and 90% on observed work quality of existing workers.

## Model Equations

- (01) average international staff turnover time = 2  
Units: Year  
Average time an international consultant remains on a project.
- (02) BASELINE PERCEPTION = 1  
Units: dmn1  
The underlying perception that foreign staff are needed on a project. Herein the project is assumed to be an -international- one by definition having some international staff.
- (03) changing international consultant work quality = ( indicated int work quality  
- Quality of Work Provided by International Consultants ) / time needed for int work quality to change  
Units: work quality/Year  
Changes in the actual quality of work provided by international consultants.
- (04) changing international salary scale = international salary difference  
/ TIME NEEDED FOR INT SALARY SCALES TO CHANGE  
Units: \$/Year  
change in international salaries
- (05) changing perception of need for international consultants = ( new perception that int staff needed  
- Perception that International Staff are Needed ) / TIME NEEDED FOR PERCEPTION OF NEED TO CHANGE  
Units: dmn1/Year  
The change in the perception that international consultants are needed to accomplish the goals of the project.
- (06) changing proportion of well qualified int staff = quality difference  
/ average international staff turnover time  
Units: dmn1/Year  
changes in the proportion of well qualified staff
- (07) changing proportion of well qualified staff = difference in staff quality  
/ TIME NEEDED FOR STAFF TURNOVER  
Units: dmn1/Year  
The gradual change in staff quality .
- (08) changing salary scales = ( salary difference / TIME NEEDED FOR SALARY SCALES TO CHANGE  
)  
Units: \$/Year  
Gradual change occurring to the salary scales over time.
- (09) changing work quality = difference between new and existing work quality  
/ TIME NEEDED FOR WORK QUALITY TO CHANGE  
Units: work quality/Year  
The change occurring in work quality do to quality of staff hired and other practices.

- (10) difference between new and existing work quality = new realized quality of work  
 - Quality of Work Provided by National Consultants  
 Units: work quality  
 The difference between the existing work quality and the new expected work quality.
- (11) difference in staff quality = potential proportion of well qualified new staff  
 - Proportion of National Staff Who are Well Qualified  
 Units: dmnl  
 The difference between new possible well qualified employee proportion and the current proportion.
- (12) effect fair treatment ratio on recruitment of nationals LK ( [(0,0)-(5,5)  
 ],(0,0.5),(1,1),(2.47059,1.56584),(3.69412,1.88612),(5,2.2)  
 )  
 Units: dmnl  
 A graphic relationship describing how a perception of fair treatment by an organization might affect the pool of qualified applicants. \!perception of fair treatment ratio\!effect on recruitment of qualified personnel
- (13) effect of fair treatment on work quality LK ( [(0,0)-(1,1)],(0,0.2)  
 ,(0.223529,0.270463),(0.385882,0.395018),(0.515294,0.569395)  
 ,(0.618824,0.779359),(0.682353,0.864769),(0.743529,0.928826)  
 ,(0.828235,0.975089),(1,1) )  
 Units: dmnl  
 A graphical relationship describing the effect that perception of fair treatment due to salary has on work quality. \!perception of fair treatment\!effect on work quality dmnl
- (14) effect of other factors = 1  
 Units: dmnl  
 Link point in model for effects of other factors on the quality of work provided by international consultants. Implication that salary is not the only factor. Currently this variable is not used.
- (15) effect of perception of fair treatment on recruitment of nationals  
 = effect fair treatment ratio on recruitment of nationals LK ( Perception of Fair Treatment  
 Based on Salaries  
 / typical perception of fairness )  
 Units: dmnl  
 The effect that the perception of fairness has on the ability of the project to attract and employ well qualified employees.
- (16) effect of perception of need for int staff on int salary scale ( [(0,0)-(6,3)],(0,0.5),(1,1),(1.63765,1.32384),(2.17412,1.54804)  
 ,(2.56941,1.6548),(3.00706,1.74021),(4.16471,1.88968),(5.61882,2)  
 )  
 Units: dmnl  
 If the perception that international staff are needed increases, then efforts to attract international staff will cause an increase in international salary scales. \!perception that international staff are needed\!effect on

salary scale dmnl

- (17) effect of relative salary on potential proportion of well qualified nationals in positions  
( [(0,0)-(10,10)],(0,0.5),(1,1),(1.90588,1.70819),(3.01176,2.95374),  
(4.35294,5.08897),(5.24706,6.72598),(6.42353,7.93594),(8.14118,9.32384),(10,10) )  
Units: dmnl  
A graphic relationship describing how relative salary might effect the pool of potential well qualified candidates for national positions. \relative salary for nationals\!effect on proportion in hired staff
- (18) "effect of relative salary on success of recruitment & retention of international staff"  
( [(0,0)-(4,2)],(0,0),(0.254118,0.476868),(0.451765,0.718861),(0.743529,0.939502),  
(1,1),(1.99529,1.11744),(3,1.2) )  
Units: dmnl  
A graphical relationship showing the effect of the salary scale ratio on success of recruitment of well qualified international staff \relative salary for international staff\!effect on proportion of well qualified ints being hired
- (19) effect of relative salary on time spent on project ( [(0,0)-(4,1)],  
(0,0.1),(0.555294,0.213523),(0.790588,0.295374),(1,0.4),  
(1.26118,0.544484),(1.55294,0.704626),(1.81647,0.782918),(2.07059,0.839858),  
(2.57882,0.932384),(3.07765,0.975089),(4,1) )  
Units: dmnl  
A graphical relationship of the effect that salary level (salary ratio) will have on the amount of time available for project work. \salary ratio\!Portion of time available for project work Dmnl
- (20) effect of salary level on recruitment of nationals = effect of relative salary on potential proportion of well qualified nationals in positions( relative salary for nationals )  
Units: dmnl  
Effect that salary has on the recruitment of well qualified nationals from the national labor pool.
- (21) effect of salary on staff turnover time ( [(0,0)-(10,10)],(0,0),(1,1),  
(2.75294,2.02847),(5,3),(7.38824,3.66548),(10,4) )  
Units: dmnl  
A graphic relationship describing how current salary levels effect the average length of time national staff remain on the project. \salary ratio \effect on staff turnover time Dmnl
- (22) effect of salary ratio on perception of fair treatment ( [(1,0)-(10,1)],  
(1,1),(2.16471,0.939502),(3.15294,0.854093),(3.81176,0.758007),  
(4.32941,0.661922),(5.06588,0.508897),(5.84941,0.395018),  
(6.42118,0.355872),(7.10588,0.327402),(8.09412,0.30605),(10,0.3) )  
Units: dmnl  
A graphical function describing the effect that salary ratio has on the perception of fair treatment. \Foreign to national salary ratio\!Effect on perception of fair treatment Dmnl

- (23) effect of time available for project work on work quality = effect of time available on work quality LK  
( proportion of time available for project work )

Units: dmn1

The effect that time available for project work will have on work quality. If full time is available for the project then the work quality will be based on the abilities of the worker. otherwise the work quality will be lessened by the fact that the workers are effectively part time.

- (24) effect of time available on work quality LK ( [(0,0)-(1,1)],(0.0988235,0)  
,(0.164706,0.145907),(0.232941,0.27758),(0.301176,0.377224)  
,(0.378824,0.501779),(0.468235,0.619217),(0.569412,0.718861)  
,(0.658824,0.811388),(0.745882,0.879004),(0.837647,0.932384)  
,(0.910588,0.967972),(1,1) )

Units: dmn1

A graphical relationship describing the effect that the proportion of time available for project work has on work quality. \!proportion of time available for project work!\effect on work quality Dmn1

- (25) effect of well qualified proportion on salary scale multiplier ( [(0,0)-(1,10)],(0,10),(0.12,7.65125),(0.235294,5.80071),(0.36,4.23488)  
,(0.5,3),(0.743529,1.6726),(1,1) )

Units: dmn1

The effect that current proportion of well qualified staff has on offered salaries. As proportion of well qualified staff approaches 1 the salaries should stabilize. \!Proportion of staff well qualified!\effect on salary scales

- (26) effect of work quality on salary scale ( [(0,0)-(1,1)],(0,0.7),(0.136471,0.772242)  
,(0.244706,0.825623),(0.367059,0.875445),(0.501176,0.914591)  
,(0.741176,0.97153),(1,1) )

Units: dmn1

A graphical relationship describing the effect that work quality has on the salary scale. \!work quality ratio!\effect on salary scale

- (27) effect of work quality ration on new perception ( [(0,0)-(2,2)],(0.0282353,0)  
,(0.192941,0.0284698),(0.5,0.1),(0.621176,0.163701),(0.757647,0.27758)  
,(1,0.5),(2,1.5) )

Units: dmn1

\!international to national work quality ratio!\effect on perception that foreigners are needed dmn1

- (28) effect of work value on fairness LK ( [(0,0)-(10,1)],(1,1),(2.16471,0.939502)  
,(3.15294,0.854093),(3.81176,0.758007),(4.32941,0.661922),  
(5.06588,0.508897),(5.84941,0.395018),(6.42118,0.355872),(7.10588,0.327402)  
,(8.09412,0.30605),(10,0.3) )

Units: dmn1

A graphical description of the effect that the work value ratio has on the perception of fair treatment. \!relative value of national staff work!\effect on perception of fairness

- (29) effect that perception of fair treatment has on work quality = (

- 1 - fair treatment type weighting ) \* effect of fair treatment on work quality LK  
 ( Perception of Fair Treatment Based on Salaries ) + fair treatment type weighting  
 \* effect of fair treatment on work quality LK ( Perception of Fair Treatment Based on Work Value  
 )  
 Units: dmnl  
 Effect that the perception of fair treatment will have on workers' work quality. As modeled here, the typical fairness in typical employers is not a factor, only the fairness of the current employer.
- (30) EXPECTED BEST WORK QUALITY = 100  
 Units: work quality  
 The work quality that is expected by good, hard working national consultants.
- (31) fair treatment type weighting = 0.5  
 Units: dmnl [0,1,0.1]  
 proportion of perception of unfairness due to value of work rather than to salary differential. (0 to 1)
- (32) FINAL TIME = 50  
 Units: Year  
 The final time for the simulation.
- (33) "foreign / local salary ratio" = Project Salaries for International Staff  
 / ( Project Salaries for National Staff \* RELATIVE INTERNATIONAL VALUE OF LOCAL CURRENCY  
 )  
 Units: dmnl  
 The ratio of the current international to the current national salary
- (34) indicated int work quality = work quality of hired international consultants  
 \* effect of other factors  
 Units: work quality  
 Work quality expected with the new current proportion of well qualified consultants.
- (35) indicated proportion of well qualified international staff = MIN ( proportion of well qualified staff in international labor pool  
 \* "effect of relative salary on success of recruitment & retention of international staff"  
 ( relative salary for international staff ) , 1 )  
 Units: dmnl  
 The proportion of well qualified international staff that can be expected to be hired using the current international salary scale
- (36) INITIAL INTERNATIONAL SALARY = 2000  
 Units: \$
- (37) initial quality of work = 50  
 Units: work quality [0,100,2]
- (38) INITIAL TIME = 0  
 Units: Year  
 The initial time for the simulation.



- (39) international salary difference = new expected international salary scale  
 - Project Salaries for International Staff  
 Units: \$  
 Difference between current and new expected international salaries
- (40) international to national work quality ratio = Quality of Work Provided by International Consultants  
 / Quality of Work Provided by National Consultants  
 Units: dmnl  
 Ratio of international consultant work quality to local consultant work quality.
- (41) new expected international salary scale = NORMAL INTERNATIONAL SALARY  
 \* effect of perception of need for int staff on int salary scale  
 ( Perception that International Staff are Needed )  
 Units: \$  
 The work quality we should be able to get if we could hire all new staff right away using the current salary scales.
- (42) new indicated salary scale = new indicated salary scale based on proportion of well qualified staff available  
 \* WEIGHTING FOR DETERMINING SALARY SCALE + new indicated salary scale based on work quality  
 \* ( 1 - WEIGHTING FOR DETERMINING SALARY SCALE )  
 Units: \$  
 weighted new salary scales based on both proportion of qualified personnel already working and on the quality of work being carried out.
- (43) new indicated salary scale based on proportion of well qualified staff available  
 = Project Salaries for National Staff \* effect of well qualified proportion on salary scale multiplier  
 ( potential proportion of well qualified new staff )  
 Units: \$  
 New salary scale based on the proportion of well qualified staff currently available for hire at given salary scales. This is t an indicator of salaries which would have to be paid to attract good workers. If potential proportion is already 1 then salary scales are view as adequate by this measure.
- (44) new indicated salary scale based on work quality = Project Salaries for National Staff  
 \* effect of work quality on salary scale ( work quality ratio )  
 Units: \$  
 A proposed new salary scale as modified by work quality of consultants currently on the job.
- (45) new perception that int staff needed = BASELINE PERCEPTION \* effect of work quality ration on new perception  
 ( international to national work quality ratio )  
 Units: dmnl  
 The immediate perception that international staff are needed, now accounting for the fact that this perception needs time to develop.
- (46) new realized quality of work = potential work quality of hired national staff

\* effect of time available for project work on work quality \* effect that perception of fair treatment has on work quality

Units: work quality

The quality of work that new workers can contribute given both their innate work abilities as well as the amount of time they will have for project activities.

(47) NORMAL INTERNATIONAL SALARY = 2000

Units: \$

Salary that international consultants have come to expect on similar projects. The going rate.

(48) NORMAL SALARY FOR NATIONALS = 100

Units: \$ [0,1000,50]

Typical salary for local consultants in similar jobs.

(49) NORMAL TIME NEEDED FOR STAFF TURNOVER = 3

Units: Year

The typical amount of time staff remain with the project at prevailing local salary levels.

(50) perceived fraction of international staff needed = Perception that International Staff are Needed

\* typical fraction of international staff

Units: dmnl

The revised idea as to how many international staff are needed to do the project.

(51) Perception of Fair Treatment Based on Salaries = SMOOTHI ( effect of salary ratio on perception of fair treatment

( "foreign / local salary ratio" ) , time needed for perception to change

, effect of salary ratio on perception of fair treatment (

"foreign / local salary ratio" ) )

Units: dmnl

This is the perception that workers have of there treatment, based on the relative salary level. Other factors could also affect this perception. This perception takes some time to develop as salary scales change, so it is calculated as a delay.

(52) Perception of Fair Treatment Based on Work Value = SMOOTHI ( effect of work value on fairness LK

( relative value of national staff work ) , time needed for perception to change

, effect of work value on fairness LK ( relative value of national staff work

))

Units: dmnl

The current perception of fair treatment by national staff if only the comparative value of work of national and international staff is considered.

(53) Perception that International Staff are Needed = INTEG( changing perception of need for international consultants

, BASELINE PERCEPTION )

Units: dmnl

The current perception that international staff are needed to achieve project goals.

(54) potential proportion of well qualified new staff = MIN ( PROPORTION OF WELL QUALIFIED PERSONNEL IN LOCAL LABOR POOL

\* effect of perception of fair treatment on recruitment of nationals

\* effect of salary level on recruitment of nationals ,

1)

Units: dmnl

The proportion of well qualified staff who could be hired under current circumstances. Cannot be greater than 1.0.

(55) potential work quality of hired national staff = ( EXPECTED BEST WORK QUALITY - WORK QUALITY OF AVERAGE WORKERS IN LABOR POOL ) \* Proportion of National Staff Who are Well Qualified

+ WORK QUALITY OF AVERAGE WORKERS IN LABOR POOL

Units: work quality

The quality of work expected given current staff quality and work habits as affected by perception of fair treatment. This is a straight line relationship where x is proportion of national staff who are well qualified.

(56) Project Salaries for International Staff = INTEG( changing international salary scale , INITIAL INTERNATIONAL SALARY )

Units: \$

Typical current project salaries for internationally recruited project staff

(57) Project Salaries for National Staff = INTEG( changing salary scales , STARTING SALARY MULTIPLIER \* NORMAL SALARY FOR NATIONALS )

Units: \$

The current salary levels for local consultants.

(58) Proportion of International Staff Who are Well Qualified = INTEG( changing proportion of well qualified int staff , indicated proportion of well qualified international staff)

Units: dmnl

The current proportion of international staff who are considered well qualified.

(59) Proportion of National Staff Who are Well Qualified = INTEG( changing proportion of well qualified staff , potential proportion of well qualified new staff )

Units: dmnl

The proportion of staff who are well qualified.

(60) proportion of time available for project work = effect of relative salary on time spent on project ( relative salary for nationals )

Units: dmnl

The proportion of time that is actually available for project work, given the current salary levels that may require people to look for other work or consultancies.

(61) PROPORTION OF WELL QUALIFIED PERSONNEL IN LOCAL LABOR POOL = 0.1

Units: dmnl [0.1,0.9,0.1]

Fraction of the local labor pool who are considered well qualified. We might further define labor pool as people who apply or might apply for open positions and who could conceivably be hired. Further the labor pool is considered as composed of normal or average workers and "well qualified" workers.

- (62) proportion of well qualified staff in international labor pool =  
0.8  
Units: dmnl [0,1,0.1]  
Proportion of international consultants who are well qualified
- (63) quality difference = indicated proportion of well qualified international staff  
- Proportion of International Staff Who are Well Qualified  
Units: dmnl  
Difference between the potential proportion of well qualified staff and the current proportion of well qualified staff.
- (64) Quality of Work Provided by International Consultants = INTEG( changing international consultant work quality  
, indicated int work quality )  
Units: work quality  
Actual quality of work provided by international consultants.
- (65) Quality of Work Provided by National Consultants = INTEG( changing work quality  
, initial quality of work )  
Units: work quality  
Current level of work quality of local consultants on the project.
- (66) RELATIVE INTERNATIONAL VALUE OF LOCAL CURRENCY = 1  
Units: dmnl [0,2,0.1]  
Relative value of local currency compared to international currency. Local currency is used to pay national staff. International currency is used to pay internationally recruited staff. A value of one means the units used are the same. This variable can be used to simulate a devaluation of local currency for example.
- (67) relative salary for international staff = Project Salaries for International Staff  
/ NORMAL INTERNATIONAL SALARY  
Units: dmnl  
The ratio of current international salaries to what is considered a normal international salary
- (68) relative salary for nationals = Project Salaries for National Staff  
/ NORMAL SALARY FOR NATIONALS  
Units: dmnl  
The ratio between current project salary ratios and the typical values for similar jobs in the national economy.
- (69) relative value of national staff work = value of national staff work  
/ value of international staff work  
Units: dmnl  
The relative value of work of national staff compared to international staff
- (70) salary difference = ( new indicated salary scale - Project Salaries for National Staff  
)

- Units: \$  
Difference between the new salaries and the old salaries.
- (71) SAVEPER = TIME STEP  
Units: Year  
The frequency with which output is stored.
- (72) STARTING SALARY MULTIPLIER = 1  
Units: dmnl [1,6,0.25]  
The maximum local salary level allowed in terms of multipliers of the standard local salary level.
- (73) TIME NEEDED FOR INT SALARY SCALES TO CHANGE = 3  
Units: Year  
Mean time for salary scales to be changed
- (74) time needed for int work quality to change = 1  
Units: Year  
The time needed for changes in well qualified nationals to actually have an impact on overall work quality.
- (75) TIME NEEDED FOR PERCEPTION OF NEED TO CHANGE = 5  
Units: Year  
Time needed for the changed perception of the need for international consultants to become a general perception.
- (76) time needed for perception to change = 3  
Units: Year  
Typical time needed for a change in perception to take place
- (77) TIME NEEDED FOR SALARY SCALES TO CHANGE = 4  
Units: Year  
The time needed for proposed salary changes to be implemented.
- (78) TIME NEEDED FOR STAFF TURNOVER = NORMAL TIME NEEDED FOR STAFF TURNOVER  
\* effect of salary on staff turnover time ( relative salary for nationals )  
Units: Year [1,15,1]  
Time needed for potential changes in staff quality to be realized. Measures how long existing staff remain in place on the average. Higher salary levels make this longer.
- (79) TIME NEEDED FOR WORK QUALITY TO CHANGE = 1.5  
Units: Year  
The time needed for work quality to absorb changes cause by new hiring and other practices.
- (80) TIME STEP = 0.0625  
Units: Year  
The time step for the simulation.
- (81) typical fraction of international staff = typical number of international positions / ( typical number of international positions + typical number of national positions )  
Units: dmnl

fraction of initial staff in international positions

- (82) typical number of international positions = 5  
Units: staff [0,20,1]  
The number of international staff initially planned for the job.
- (83) typical number of national positions = 15  
Units: staff [0,20,1]  
Initial number of national staff planned for the job
- (84) typical perception of fairness = 0.25  
Units: dmnl [0,1,0.05]  
Typical fairness of employers as perceived by employees in the labor market.
- (85) value of international staff work = Quality of Work Provided by International Consultants / Project Salaries for International Staff  
Units: work quality/\$  
work value for international staff
- (86) value of national staff work = Quality of Work Provided by National Consultants / Project Salaries for National Staff  
Units: work quality/\$  
The work value for national staff
- (87) WEIGHTING FOR DETERMINING SALARY SCALE = 0.5  
Units: dmnl [0,1,0.1]  
Relative importance of worker qualification vs quality of work carried out in setting of new salary scale policy. A value of 1 indicates that salary scales sufficient to attract a staff of 100 percent well qualified regardless of work quality is sufficient, and that work quality is an unrelated factor. Zero implies that work quality of staff alone should determine salary scales. Range should be from 0 to 1.
- (88) WORK QUALITY OF AVERAGE int WORKERS = 80  
Units: work quality  
Work quality of typical international consultants on a scale of 0 to 100
- (89) WORK QUALITY OF AVERAGE WORKERS IN LABOR POOL = 40  
Units: work quality [0,100,10]  
The work quality of average workers in the labor pool on a scale of 0 to 100. This value excludes the well qualified workers.
- (90) work quality of hired international consultants = ( EXPECTED BEST WORK QUALITY - WORK QUALITY OF AVERAGE int WORKERS ) \* Proportion of International Staff Who are Well Qualified  
+ WORK QUALITY OF AVERAGE int WORKERS  
Units: work quality  
Typical work quality of randomly selected international consultant in labor pool

(91) work quality of typical national consultants = ( EXPECTED BEST WORK QUALITY  
- WORK QUALITY OF AVERAGE WORKERS IN LABOR POOL ) \* PROPORTION OF WELL  
QUALIFIED PERSONNEL IN LOCAL LABOR POOL  
+ WORK QUALITY OF AVERAGE WORKERS IN LABOR POOL  
Units: work quality [0,100,10]

This is the typical work quality of average local consultants compared to the best available which would be 100. This might be considered the work quality of workers selected at random including both average and well qualified workers. This measure does not take into account the problem of working part-time. This value reflects only the absolute quality of work they will do while on the job.

(92) work quality ratio = Quality of Work Provided by National Consultants  
/ EXPECTED BEST WORK QUALITY  
Units: dmnl

The ratio between the current work quality and the typical work quality of local consultants. (Not accounting for the fact that sometime local consultants cannot work full time.)