

# Salaries of CEOs of international NGOs: Ensuring fair compensation while avoiding populist rage

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**Daniel Pollack**

Yeshiva University, USA

## **Abstract**

We have all seen studies showing how the divergence between executive compensation and that of regular employees has grown dramatically. Does the international social work community need to look in the mirror? Do some NGOs have discrepancies between top and bottom salaries that are just as stark as those in the banking world? What kinds of perquisites are bestowed upon the top executives and department heads of some of the larger international NGOs? In the name of being ethically and fiscally responsible, is there a need to explore these remuneration packages or are they a private matter?

## **Keywords**

CEO, law, legal, NGO, salaries

In the UK, banking salaries and bonuses are under attack due to the perception that they may have exacerbated the financial crisis. A proposal to impose a windfall supertax on bankers' bonuses may curb their perceived excessive rate of compensation. France has begun a similar discussion. The US may follow suit, but Germany is tepid to the idea (Parker et al., 2009).

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**Corresponding author:** Daniel Pollack, Yeshiva University, USA.

Email: [dpollack@yu.edu](mailto:dpollack@yu.edu)

We have all seen studies showing how the divergence between executive compensation and that of regular employees has grown dramatically over the past few decades (Economic Policy Institute, 2006). In the international social work sphere, headlines such as these emphasize the perception of inflated NGO executive salaries:

*Top charities defend 'fat cat' CEO salaries:* Two of Ireland's leading charities have denied they are mis-spending donated money by paying their senior management fat cat salaries, insisting they are "value for money" ... Concern spent almost €13m on staffing costs alone and several of its key staff are on annual salaries in excess of €90,000. Chief Executive Tom Arnold is on a salary of just under €140,000, but insisted that he and others can justify their wages ... Despite the high salaries being paid to their top people, they are minuscule to the kind of money being paid by the United Nations and UNICEF to their top people. Many of the UN chiefs are on annual salaries of over €500,000 with some being paid close to a €1m a year. (Independent.Ie, 19 August 2007)

*Charlotte United Way chief asked to resign:* The board of United Way of Central Carolinas called on Gloria Pace King, the group's 14-year president and CEO, to resign or be fired after a scandal erupted over her salary and benefits package – \$1.2 million. (Philanthropy Journal, 27 August 2008)

While Wall Street and "the City" may be the most visible recipients of large compensation packages, they are not alone. Does the international social work community need to confront these same issues?

As a general observation, the public often has little real understanding of the value that can be created by and the difficulties faced by the CEO of an NGO. For this reason, attracting a senior executive to a large international NGO who is capable of motivating staff, communicating the agency's vision, and leading the NGO towards its goals can be challenging. Generally such candidates are swayed by unique opportunities, not just attractive compensation packages. But overall compensation is still important. Even in today's job market, highly qualified candidates enjoy considerable bargaining power. There is however no simple answer to the executive compensation issue. How much is enough; how much is too much? Like CEOs of multi-national for-profit enterprises, CEOs of major NGOs are not just striving for compliance measured against a single year's business plan; they should be looking out to a 10- or 15-year horizon that entails stewardship of the agency's long-term mission. Moreover, a CEO's compensation contract should be based on the agency's success relative to similar situated agencies, not only on its own internally set benchmarks. We need effective strategies to optimize the executive's value and to minimize the employer's cost.

The challenge in designing a reasonable system that can be applied in most circumstances can be met.

The present conventional wisdom is that in some commercial spheres, and perhaps in some human service sectors as well, the public feels that executive compensation is too generous. Nonetheless, NGO executive salaries are not designed by popular opinion. They are designed by boards of directors who hire the executive to do a job in which a desire for a perception of success looms large. Often the board bases executive compensation by looking at the compensation of similarly situated agencies. If this was done in a more transparent way, boards of directors might be quicker to scale back some of the compensation packages that too often make the headlines. Consequently, if there is any finger pointing about excessive CEO pay, the NGO board members who determine CEO compensation could be the object of some displeasure.

Given the present emotional global backlash against perceived exorbitant banking salaries, and viewing a dozen salaries of CEOs of international charities (see Figure 1), it is perhaps prudent to think that a potentially similar situation could be brewing in the NGO world. If this is the case, let us

Name of organization	Title of Chief Executive Officer	Salary in US dollars
Amnesty International	Executive Director	\$215,000
Asia Foundation	President	\$262,986
CARE	President, CEO	\$397,000
ChildFund International	President	\$261,231
Episcopal Relief and Development	President	\$183,307
HealthRight International	Executive Director	\$170,000
Human Rights Watch	Executive Director	\$335,000
International AIDS Vaccine Initiative	President, CEO	\$489,406
International Rescue Committee	President, CEO	\$379,346
Program for Appropriate Technology in Health (PATH)	President	\$406,053
Samaritan's Purse	President, CEO	\$356,494
World Vision	President	\$376,799

**Figure 1.** A sample of salaries of the chief executive officer of some well-known international charities (all data retrieved from Charity Navigator, 2010)

hope there is time to anticipate concerns and respond before they become crises. Indeed, once adverse news is printed, it is too late to avoid the fall-out. At that point there is nothing left to do but weather the populist rage and duck for cover. Somehow, we need to address the issue of executive compensation so that the public has no thought that an NGO is self-serving or otherwise acting improperly.

### **Substance and process**

The main goals of compensation are to attract the best possible candidates, to remunerate staff fairly, and to retain the best staff. Having said this, we must admit that salaries within an agency are not distributed in a perfectly equitable fashion. While agency staff do not in general deserve an explanation regarding another person's salary, they should have an explanation of the decision-making process pertaining to their own salary. Regarding executive compensation, the board of directors should be fully prepared to justify to the public the duties and responsibilities assigned and exercised by the executive. Here are some suggestions to further this effort:

- At the very least, the international social work community should consider endorsing the idea that before an executive compensation package is offered to a candidate of a large international NGO, the board of directors should solicit the advice of an outside independent committee. In today's atmosphere, boards of directors might welcome the opportunity to have their own inclinations endorsed by an objective third party. Such a policy also has the legal advantage of helping to keep the relationship of the board and the executive at arm's length.
- Just as shareholders are expecting there to be a direct relationship between CEO pay and profit performance, compensation for senior NGO executives should be explicitly linked to long-term operating performance. Maximum effort should be made to ensure that criteria are not vague, subjective, display favoritism, or are inequitably applied. In its 2009 CEO Compensation Study, Charity Navigator reported 'insight into how a charity's mission, size, and location impact its CEO's salary. It also highlights some questionable salaries, such as those that approach and exceed a million dollars, and suspect compensation policies, such as charities that have multiple highly-paid family members on staff' (Charity Navigator, 2009).
- NGOs should fully disclose to the maximum extent possible the scope of the compensation package of its senior executives and what events will trigger or deny such awards. Such disclosure needs to be

tempered by normative personal privacy rights that exist in the relevant geographic area. Criteria for senior compensation raises should be consistent from year to year and should be finalized well in advance of the fiscal year in which they are going to take effect.

This brief note touches only the surface of concerns the international social work community may wish to ponder. A host of questions just as important as those already mentioned looms large: Do some NGOs have discrepancies between top and bottom salaries that are just as stark as those in the banking world? What kinds of perquisites are bestowed upon the top executives and department heads of some of the larger international NGOs? To what extent do they include housing allowances, upgraded air travel, memberships, retirement, disability and health benefits, etc.? In the name of being ethically and fiscally responsible, is there a need to explore these remuneration packages or are they a private matter? If stiff limits on remuneration packages were proposed, would we see a talent drain? In general, increased disclosure, while generating more information for the public is desirable, it cannot guarantee resolution of the foregoing concerns, and naturally these concerns persist for complex reasons.

## Conclusion

High ethical standards are the cornerstone of social work. The IFSW *Ethics in Social Work, Statement of Principles* (4.2.3) (2004) states that 'Social workers have a responsibility to promote social justice, in relation to society generally, and in relation to the people with whom they work. This means: ... distributing resources equitably – Social workers should ensure that resources at their disposal are distributed fairly, according to need.' In section 4.2.4, it further articulates this to mean 'challenging unjust policies and practices – Social workers have a duty to bring to the attention of their employers, policy makers, politicians and the general public situations where resources are inadequate or where distribution of resources, policies and practices are oppressive, unfair or harmful.'

Building on our longstanding efforts to uphold high professional standards, the international social work community may want to formally discuss how we can promote improved transparency regarding executive compensation so the public receives clear and consistent information. Doing so will enhance the public's confidence in the work we do and in the reputation of the NGOs undertaking those efforts.

There is no single universal compensation philosophy. There are only some well-regarded elements, some of which we have noted, that have

traditionally been considered to be important. The debate over executive compensation will not be resolved to everyone's satisfaction. Some advocates want there to be outside regulation, while others contend the market forces of supply and demand should be allowed to reign undisturbed. As moral, ethical, social work ideological debates go, this one is not going away anytime soon.

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## Author biography

Daniel Pollack is Professor, School of Social Work, Yeshiva University, New York City, USA.