Survey of Special Measures in Venezuela

Summary of Results
March, 2017
Executive Summary

• **Introduction**
The prolonged economic crisis in Venezuela has impacted the labor market in a dramatic way. The effects on compensation and benefits practices has been profound. This survey looks at steps employers have taken to manage their compensation and benefits during this period. We also examine the impact of the crisis on turnover. Twenty-two (22) employers participated in the study during the month of February, 2017.

• **Currency**
One of the most frequently asked questions we receive as consultants is “should we denominate pay in hard currency?” Our response is, generally, that this is a bad practice, so no. The survey results consistently support this position. Among the respondents, 17 of 22 (76%) *denominate* their salaries in local currency. Ninety-one percent pay their salaries in local currency. Only two employers pay in a currency other than Bs.

• **Policies**
We have found that having a well-defined policy to outline the steps the employer will take during a crisis of any kind (referred to as a “Special Measures Policy”) is a good practice. In Venezuela, among the survey respondents, we found only three employers (14%) have such a policy. In addition, only four employers (18%) have an “automatic trigger” in place to adjust salaries during a crisis.
Executive Summary (continued)

- **Actions Taken**
  The survey examined what specific actions were taken during 2016 and planned for 2017 in response to the crisis.

  The most common actions taken during the last six months of 2016 were:
  - Introduction of regular, multiple pay increases during the year (64%)
  - Ad-hoc out-of-cycle pay increase (50%)
  - One-time lump sum payment (36%)

  In 2017, the most frequently mentioned actions planned are:
  - Introduction of regular, multiple pay increases during the year (68%)
  - Ad-hoc revisions to update salary structure (45%)
  - Introduction of temporary allowances (32%)
  - Ad-hoc out-of-cycle pay increase (32%)
Executive Summary (continued)

- **Salary Increases**
  Increases in salaries in Venezuela are among the highest anywhere in the world. For 2017, half of the respondents are budgeting 200% or more for increases. Respondents reported the following ranges for salary increases:

<table>
<thead>
<tr>
<th>Salary Increase Range</th>
<th>% of Respondents</th>
<th>Salary Increase Range</th>
<th>% of Respondents</th>
<th>Salary Increase Range</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% - 74%</td>
<td>44%</td>
<td>75% - 99%</td>
<td>26%</td>
<td>200% or more</td>
<td>53%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>25%</td>
<td>50% - 74%</td>
<td>21%</td>
<td>100% - 149%</td>
<td>21%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>25%</td>
<td>75% - 99%</td>
<td>32%</td>
<td>200% or more</td>
<td>53%</td>
</tr>
<tr>
<td>50% - 74%</td>
<td>21%</td>
<td>50% - 74%</td>
<td>21%</td>
<td>100% - 149%</td>
<td>26%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>17%</td>
<td>75% - 99%</td>
<td>39%</td>
<td>200% or more</td>
<td>56%</td>
</tr>
<tr>
<td>50% - 74%</td>
<td>39%</td>
<td>50% - 74%</td>
<td>22%</td>
<td>100% - 149%</td>
<td>17%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>15%</td>
<td>75% - 99%</td>
<td>25%</td>
<td>200% or more</td>
<td>50%</td>
</tr>
<tr>
<td>50% - 74%</td>
<td>20%</td>
<td>50% - 74%</td>
<td>20%</td>
<td>100% - 149%</td>
<td>15%</td>
</tr>
<tr>
<td>25% - 49%</td>
<td>15%</td>
<td>50% - 74%</td>
<td>15%</td>
<td>50% - 74%</td>
<td>15%</td>
</tr>
</tbody>
</table>

*The table above reflects the two most frequently reported responses in each category*
Executive Summary (continued)

• Turnover
Retention of staff is a challenge in the current environment in Venezuela.

In particular, *emigration of key talent* accounted for 10% or more of turnover in over half of the responding organizations.

Survey respondents reported turnover as follows:

<table>
<thead>
<tr>
<th>Overall Turnover Rate</th>
<th>% of respondents</th>
<th>Emigration Turnover Rate</th>
<th>% of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5%</td>
<td>32%</td>
<td>Less than 5%</td>
<td>42%</td>
</tr>
<tr>
<td>5% - 9%</td>
<td>16%</td>
<td>5% - 9%</td>
<td>5%</td>
</tr>
<tr>
<td>10% - 19%</td>
<td>26%</td>
<td>10% - 19%</td>
<td>11%</td>
</tr>
<tr>
<td>20% - 29%</td>
<td>16%</td>
<td>20% - 29%</td>
<td>5%</td>
</tr>
<tr>
<td>30% or more</td>
<td>10%</td>
<td>30% or more</td>
<td>37%</td>
</tr>
</tbody>
</table>

• Additional Information
Detailed survey results are included in the following pages.
Conclusions

• **In Summary**
  Managing compensation and benefits in Venezuela continues to be a challenge for employers. Rampant inflation and devaluation require constant market monitoring and frequent actions to retain staff. Talent migration to other countries is becoming a concern for many organizations.

We encourage employers to develop a *Special Measures Policy* to document actions to be implemented during a crisis situation, rather than relying on ad-hoc approaches.

Regular survey participation is highly desirable. The Birches Group survey in Venezuela is updated three times a year, providing participants with the most timely market data.

• **About the Sponsors**

  **Birches Group LLC** is a global consulting firm which conducts salary and benefits surveys in over 150 developing country markets. Headquartered in New York, the firm has a large operations center in Manila, Philippines. Surveys are conducted throughout the Latin America/Caribbean region.

  **Job Price Consulting**, based in Caracas, is a Venezuelan HR consulting firm, specializing in compensation and benefits and talent management. JPC provides customized solutions towards a 360° vision of total rewards, as well as conducting salary and benefits training, organizational climate surveys and total compensation services.
Survey Participants

- AbbVie
- American Bureau of Shipping
- Aspen Technology
- Bancaribe
- Banesco Seguros
- British Council, The
- Colgate-Palmolive
- Dutch Embassy
- Empresas Polar
- Flowserve Corporation
- HBO Ole Servicios, SA
- Ingersoll Rand
- Lenovo
- Optica Caroni
- Paradigm Geophysical
- Pfizer Venezuela S.A.
- Plumrose Latinoamericana, C.A.
- Productos Roche S.A.
- Ron Santa Teresa
- Seguros Caracas de Liberty Mutual
- Supermercados Unicasa, C.A.
- Syngenta