The Survey of Special Measures in Ethiopia undertaken in December 2017 is intended to inform participating organizations on how the local labour market is responding to current economic conditions in the country. Fifty-seven (57) employers responded to the study conducted by Birches Group during the month of December 2017.

The National Bank of Ethiopia announced a devaluation of the country's local currency, Ethiopian Birr, by 15% and increased the interest rate from 2% to 7% on October 11, 2017. These steps were taken in order to control inflationary pressures and to improve the growth of the export sector in the country, which has been stagnant for the past three years at approximately three billion US Dollars. Additionally, it is expected to decrease the shortage of Foreign Exchange.

While it has only been two months since the announcement of the devaluation, a lot of employers are keen to know what actions should be considered in response to the economic condition affecting their local staff. The survey summarizes actions that have been taken as well as potential actions that are planned in the next six months.
One of the most frequently asked questions in volatile markets is “should employers denominate pay in hard currency?” The response is, generally, no, this is a bad practice. The survey results consistently support this position.

The graphs below summarize in which currency employers in Ethiopia denominate and pay their local staff:

**Currency Used to Denominate Pay**
- 77% Local Currency, Birr (ETB)
- 18% Others
- 5% US Dollars (USD)

**Currency Used to Pay Staff**
- 96% Local Currency, Birr (ETB)
- 4% US Dollars (USD)
Executive Summary – Page 3

• Actions Taken or Planned

Employers were asked if they took any actions beyond their normal pay administration practices to address volatility in the Ethiopian market. Here is what they said:

<table>
<thead>
<tr>
<th>Employer Actions in Response to Ethiopian Devaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific actions have been taken in the past 6 months.</td>
</tr>
<tr>
<td>Specific actions will be implemented in the next 6 months.</td>
</tr>
<tr>
<td>No action taken or planned</td>
</tr>
</tbody>
</table>
Survey participants cited many different actions taken or contemplated. Here are some examples:

<table>
<thead>
<tr>
<th>Actions Taken in last 6 Months</th>
<th>Actions Contemplated in next 6 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>• One-time lump sum payment</td>
<td>• One-time lump sum payment</td>
</tr>
<tr>
<td>• Ad-hoc out-of-cycle pay increase</td>
<td>• Ad-hoc out-of-cycle pay increase</td>
</tr>
<tr>
<td>• New temporary allowance</td>
<td>• Regular, multiple increases per year</td>
</tr>
<tr>
<td>• New benefits</td>
<td>• Ad-hoc revision to salary scale</td>
</tr>
<tr>
<td></td>
<td>• New temporary allowances</td>
</tr>
<tr>
<td></td>
<td>• New benefits</td>
</tr>
<tr>
<td></td>
<td>• Changing pay denomination currency</td>
</tr>
<tr>
<td></td>
<td>• Emergency loans</td>
</tr>
</tbody>
</table>
• Salary Increases

49% of the respondents reported information on pay increases

During the period from October 2017 to April 2018, most indicated increases in a range from 11% to 15% of base pay

Increases of less than 5% are expected from May to October 2018

• Compensation Policies

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 Ethiopia, just 39% of the employers surveyed report that they have a formal policy established to mitigate the impact of market volatility during an economic crisis
Recommendations

How employers manage compensation and benefits while remaining competitive when a country goes through an economic crisis remains a challenge. Inflation rates and abrupt devaluation of the local currency require constant market monitoring and frequent actions to retain staff.

It is important to assess the situation carefully in order to identify if special measures should be applied or if the issue may be addressed through normal compensation management. The establishment of thresholds based on multiple and reliable data sources is key in the implementation of special measures. Monitoring market movement regularly is helpful.

Birches Group strongly recommends establishing a formal “Special Measures Policy” describing the specific actions an employer will take when certain events occur. The policy should include specific triggers, and a clear way to transition any temporary allowances as conditions improve.

How Birches Group Can Help

Our market survey in Ethiopia is updated three times a year, in April, July and October, providing participants with the most up-to-date information about market movement.

Our consultants can assist your organization in developing a Special Measures Policy. Projects typically last six weeks.

*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 in every African market.
Survey Participants

- Abt Associates
- ACDI/VOCA
- Action Against Hunger
- ADRA Ethiopia
- African Development Bank
- Agence Française de Développement
- CARE Ethiopia
- Carter Center, The
- CBM
- Center for Victims of Torture
- Christian Children's Fund of Canada
- Compassion International
- Concern Worldwide
- Cuso International
- DAI
- Danish Refugee Council
- Dashen Breweries
- Development Fund of Norway
- DIAGEO Meta
- Digital Opportunity Trust
- Donkey Sanctuary, The
- East African Bottling Share Company (EABSC)
- FHI360
- Foreign Affairs & Trade (Australia)
- German Embassy Addis Ababa
- Global Affairs Canada
- GOAL Ethiopia
- Habitat for Humanity International
- Heineken Breweries SC
- HEKS-EPER (Swiss Church Aid)
- ICAP-Columbia University
- Program in Ethiopia
- Institute for International Education
- Institute for Healthcare Improvement
- Intrahealth International Inc.
- IRC
- John Snow Inc
- Light for the World
- Management Sciences for Health
- NRC
- PATH
- Pathfinder International
- Pestalozzi Children's Foundation
- Population Council
- Project Concern International
- Protestant Agency for Diakonia and Development
- RTI International
- SOS Children's Villages Ethiopia
- Tearfund Horn of Africa Regional Office
- Total Ethiopia S.C.
- US Pharmacopeia
- VSF Germany
- Water.org
- WD Capital
- WEEMA International
- World Learning Inc
- World Vision Ethiopia
- World Resources Institute
- Christian Children's Fund of Canada
- Global Affairs Canada
- HEKS-EPER (Swiss Church Aid)