



# Market Monitor - 1 October 2022

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Emerging Conditions Which Indicate Potential Volatility

Birches Group conducts salary surveys and monitors labor market conditions in more than 150 countries. The salary survey program updates and publishes changes in employer compensation three times per year (April, July and October).

On a continuing basis, Birches Group monitors economic indicators that highlight potential volatility. These indicators are largely based on examination of exchange rate movement against the US Dollar.

Birches Group publishes the Market Monitor to keep our clients and collaborators informed about emerging conditions which may require closer monitoring. The Market Monitor is published twice a month and is available at no cost. [Sign up](#) to continue receiving updates.

Each organization needs to determine for itself the appropriate triggers within labor market conditions which will warrant a change/update of salaries and benefits and how these changes will be applied to individual staff. In the vast majority of locations a planned annual review of labor market movement is sufficient to sustain dynamic compensation.

Where economies begin to experience volatility, organizations should have policies and measures in place to respond to these conditions to sustain dynamic pay systems and provide for business/operational continuity to the extent possible. How aggressive these measures can and should be is dependent upon the volatility which is occurring. For the most part exchange rate movement/inflation which remains under ten percent per year will normally be captured in standard labor market movement. Where these indicators begin to exceed ten percent movement over a period of six months or less, additional monitoring becomes prudent with anticipation of the need for more rapid adjustment.



## Why Exchange Rates?

Many clients are wondering why we are tracking exchange rates to monitor markets instead of inflation. Here's why:

Employers set salaries using cost of labor – how much other employers in the market pay for the same or similar roles. During normal economic times, cost of labor is the only indicator you need to ensure your compensation program is competitive. When volatility in the market occurs, currency devaluation and inflation increase. While we have found that devaluation, inflation and labor market movement are not correlated – i.e., they often move independently from one another – during periods of high volatility, employers often use devaluation or inflation as one of the considerations in reacting to the volatility in the labor market.

Exchange rates are a *leading* indicator of volatility. Rates are widely available and anchored in fact, not estimates. On the other hand, inflation is a *lagging* indicator of volatility. Accurate inflation rate data is difficult to obtain and is often estimated. For example, the latest global inflation data published by the OECD, effective April 2022, includes inflation rates for 156 countries around the world. 45% of the data is estimated after 2020. In other words, 70 of the 156 countries did not report actual inflation data for any period in 2021 or 2022! OECD data is useful, and is probably the best data that is publicly available, but the data is based on estimates and projections, not facts! In addition, inflation impacts employees differently depending on their standard of living and individual circumstances.

Birches Group uses currency exchange rates as the most reliable measure of volatility. Inflation often follows devaluation in the market, so devaluation is a decent indicator of the inflation impact. Employers who monitor devaluation and apply consistent and proactive actions in response will emerge as the leaders in the market and will be well equipped to maintain a competitive market position despite challenging economic conditions.

Having examined the impact of exchange rate movement on salaries, it has been observed that the impact can be profound but not entirely correlated to the full movement. Following the current data on volatility, a table of six levels of volatility is presented. These six levels provide guidance to organizations as to the degree of volatility and indicate that heightened levels of attention are required to plan for any additional measures to sustain competitiveness of the local pay system.

Of the thirty-eight countries appearing in this update, Brazil, China, and the Philippines are new additions showing exchange rate movement exceeding ten percent over the last six months. Cape Verde, North Macedonia, Poland, and Thailand have also re-entered the list at Level One. Six countries have now been removed from our levels of volatility including Egypt, Haiti, Iran, Mongolia, Sierra Leone, and Sudan. Exchange rate movement for these six countries are now below ten percent, but we will continue to monitor and report on these six for the time being.






























For those organizations subscribing to Birches Group labor market data, updated market data for July is now available where organizations can possibly examine movement.



## Early October 2022 Conditions

For the Market Monitor Report No. 8, examination of exchange rate movement over the prior six months now identifies thirty-eight countries which warrant heightened monitoring. The table of exchange rate movement for these thirty-eight are presented below: We have continued to add an additional table tracking exchange rate movement against the US Dollar for the Euro, British Pound, CFA Franc, and Japanese Yen (exchange rate values are in USD):

### Birches Group Exchange rate alert, 1 October 2022

Country	Currency	ISO Code	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22		6 mo movement
Argentina	Argentine Peso	ARS	112.724	117.064	122.286	127.79	134.21	142.57	147.104		30.5%
Bangladesh	Taka	BDT	86.018	86.38	93.12	93.53	94.936	95.693	101.213		17.7%
Botswana	Pula	BWP	11.429	12.18	12.225	12.674	12.346	12.953	13.316		16.5%
Brazil	Real	BRL	4.64	5.116	5.099	5.404	5.073	5.152	5.405		16.5%
Cape Verde	Cape Verde Escudo	CVE	101.421	104.447	105.587	109.837	106.444	110.001	113.208		11.6%
Chile	Chilean Peso	CLP	809	862	865	1015	880	912	965		19.3%
China	Renminbi	CNY	6.368	6.716	6.749	6.728	6.736	6.921	7.126		11.9%
Colombia	Colombian Peso	COP	3712	4072	3956	4566	4232	4413	4544		22.4%
Egypt	Egyptian Pound	EGP	18.458	18.361	18.673	18.845	19.09	19.306	19.473		5.5%
Eswatini	Lilangeni	SZL	14.504	16.058	16.134	16.997	16.142	17.346	18.032		24.3%
Ghana	Ghana Cedi	GHS	7.386	7.384	7.793	7.96	8.842	9.91	10.15		37.4%
Haiti	Gourde	HTG	106.57	108.206	110.783	114.547	121.794	115.61	115.522		8.4%
Iran	Iranian Rial	IRR	252032	255134	265036	279784	264730	267318	267896		6.3%
Korea, Republic of	South Korean Won	KRW	1235.97	1275.3	1284.04	1306.65	1303.02	1373.8	1438.9		16.4%
Lao, People's Dem. Rep.	Laos Kip	LAK	11887	12769	14397.36	15040	15231	15758	16485		38.7%
Lesotho	Loti	LSL	14.504	16.058	16.134	16.997	16.142	17.346	18.032		24.3%
Malawi	Malawi Kwacha	MWK	825	825	1031.25	1036.25	1036.249	1036.249	1036.249		25.6%
Mongolia	Tugrik	MNT	3021	3099	3113	3144	3173.82	3223.74	3302.89		9.3%
Morocco	Moroccan Dirham	MAD	9.814	10.027	10.018	10.288	10.236	10.751	11.032		12.4%
Myanmar	Kyat	MMK	1850	1850	1850	1850	2100	2100	2100		13.5%
Namibia	Namibian Dollar	NAD	14.504	16.058	16.134	16.997	16.142	17.346	18.032		24.3%
North Macedonia	Macedonia Denar	MKD	56.54	58.176	58.642	61.192	59.213	61.115	63.008		11.4%
Pakistan	Pakistani Rupee	PKR	181.34	189.88	203.695	209.99	217	231.936	229.539		26.6%
Philippines	Philippine Peso	PHP	52.1	52.275	53.29	56.249	55.28	56.775	58.97		13.2%
Poland	Zloty	PLN	4.275	4.416	4.454	4.806	4.516	4.696	4.985		16.6%
Sao Tome and Principe	Dobra	STN	22.475	23.312	23.372	23.825	24.023	24.786	24.788		10.3%
Sierra Leone	Leone	SLL	12150	12705	13040	13540	13890	14210	15.5		cut 3 zeros
South Africa	Rand	ZAR	14.504	16.058	16.134	16.997	16.142	17.346	18.032		24.3%

South Sudan, Republic of	South Sudanese Pounds	SSP	425.973	431.543	483.434	524.96	640.083	651.332	625.399		46.8%
Sri Lanka	Sri Lanka Rupee	LKR	315.13	361.19	355.27	354.12	357.6	358.79	359.16		14.0%
Sudan	Sudanese Pound	SDG	563	567	566	567.5	568	574	577		2.5%
Suriname	Surinamese Dollar	SRD	21.25	21.4	21.7	22.4	24.025	26.794	28.85		35.8%
Syrian Arab Republic	Syrian Pound	SYP	2500	2800	2800	2800	2800	2800	3000		20.0%
Thailand	Baht	THB	33.53	34.58	34.89	36.26	35.09	36.26	38.06		13.5%
Türkiye	Türkiye Lira	TRY	14.659	15.308	17.257	17.418	17.955	18.247	18.537		26.5%
Ukraine	Hryvnia	UAH	30	30	30	30	37	37	37		23.3%
Venezuela	Bolivar Digital	VES	4.422	4.584	5.253	5.612	5.851	8	8.1		83.2%
Zimbabwe	Zimbabwe RTGS dollar	ZWL	142.225	270.101	317.198	375.522	459.037	567.511	598.911		321.1%

Euro	EUR	0.92	0.947	0.958	0.996	0.965	0.997	1.027		11.6%
U.K. Pound	GBP	0.767	0.808	0.821	0.842	0.817	0.866	0.91		18.6%
CFA Franc	XOF	603.345	621.348	628.131	653.409	633.224	653.799	673.467		11.6%
Yen	JPY	125.25	130.17	133.88	137.63	132.1	144.07	144.54		15.4%

#### Legend

Movement greater than 10% in 6 months

Movement greater than 20% in 6 months

Movement greater than 30% in 6 months

Movement greater than 40% in 6 months

Movement greater than 50% in 6 months

Based upon UN official exchange rates

## Early October 2022 Conditions

Based on the above data, the recommended monitoring and response level is as follows:

Level One		Level Two	Level Three	Level Four	Level Five
Bangladesh	Myanmar	Argentina	Ghana	Venezuela	Zimbabwe
Botswana	North Macedonia	Colombia	Laos		
Brazil	Philippines	Eswatini	South Sudan		
Cape Verde	Poland	Lesotho			
Chile	São Tomé and Príncipe	Malawi			
China	Sri Lanka	Namibia			
Korea, Republic of	Syria	Pakistan			
Morocco	Thailand	South Africa			
		Suriname			
		Türkiye			
		Ukraine			

Three new countries have been added to this update, Brazil, China, and the Philippines, all three entering at Level One. Cape Verde, North Macedonia, Poland, and Thailand have also re-entered the list at Level One. Sri Lanka dropped from Level Four to Level One. Colombia, Eswatini, Lesotho, Namibia, and South Africa moved from Level One to Level Two, while Ghana and South Sudan both moved from Level Four to Level Three. Egypt, Haiti, Iran, Mongolia, Sierra Leone, and Sudan now show exchange rate movement below ten percent and are removed from our levels of volatility.

Where organizations decide to proceed with a response to economic developments beyond Level One where standard pay management policies still typically remain in place, consideration should be given to close monitoring and a determination as to when the organization will revert pay management to Level One.

Zimbabwe remains at Level Five. All comparator employers in our Zimbabwe survey are confirmed to now denominate salaries in US Dollars. We will continue to monitor this exceptional situation closely

Birches Group has developed a range of response scenarios which organizations may consider to address the conditions found for each level of volatility. We are happy to work with individual organizations to examine the context of current pay approaches to help design an appropriate response.

Birches Group presents this information for the sole purpose of providing data on emerging conditions. The decision to proceed with any response to changing conditions is entirely within the purview of each organization. Having policies in place that identify possible volatile conditions, define possible “triggers” for supplemental action and provide guidance as to the steps an organization will pursue to sustain stability to a partial extent brings a great degree of transparency to compensation management.

The analysis and response level anticipates compensation established in local currency. Denomination of compensation in currencies other than the national currency should be highly exceptional. The conditions warranting the possible consideration of this response are detailed in Response Level Five.

## Levels of Volatility

To guide an organization on appropriate measures against timeframes for managing the updating of salary scales, the table below has been prepared aligning the measure against the market condition.

Level of Volatility	Market Condition
Level One	Standard Market Conditions 0 to 20% market movement in 12 months
Level Two	Dynamic Market Conditions 20+% movement in 12 months
Level Three	Rapid Evolving Market Conditions 40+% movement in 12 months Multiple reviews and revisions typical amongst comparators
Level Four	Sudden, Unexpected Social/Economic Event Currency devaluation of 50% or more in six months or less Disjointed and unclear comparator response
Level Five	National currency aligned Dollars/Euros Wide prevailing practice to denominate national salaries in Dollars or Euros Legal for staff to have Dollar/Euro bank accounts
Level Six	Labor market collapse Departure of most comparators from the market Absence of reliable data on currency and inflation





## Responding to Volatility

This table of categories of volatility should be discussed and agreed as a basis to develop aligned responses. Measures organizations choose to develop to sustain market competitiveness and business continuity in response to economic and social volatility should be widely disseminated so everyone in the organization knows the basis beyond the founding principles upon which pay will be reviewed and revised. Provisions need to be made in advance to ensure arrangements are in place to support the needed action as conditions evolve. There needs to be close coordination with the data provider. Again, Birches Group is prepared to work with organizations to develop responses and help communicate these policies with staff and management.

With appropriate organization and planning, the creation of a flexible framework for sustaining compensation during periods of volatility is quite possible. Most importantly, having a policy framework in place guided by market information ensures sustaining the goal and integrity of the salary system while remaining in the context of local market conditions.

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## We're here to help you integrate your workforce management



### COMMUNITY™ INTEGRATED WORKFORCE MANAGEMENT

At Birches Group, we believe in a holistic approach to managing your workforce, from the initial structure to the capacity of your people, through skills development and performance. The Community™ platform is Birches Group's methodology that integrates critical areas of human resources: job design and evaluation, compensation management, skills measurement, and performance management. Community™ uses a simple, clear, and consistent approach across all areas of HR, all built on the foundation of *Jobs*.



### SIMPLE AND CONSISTENT JOB EVALUATION

Birches Group Community™ Jobs is a simple and transparent job evaluation approach easily understood by HR, managers and even staff. We believe that job evaluation forms the fundamental underpinning of everything HR does – from compensation and recruitment to development and performance. Every area of HR is impacted by job evaluation and job levels.



### DESIGNING AND MAINTAINING YOUR SCALE

Our Scale Design Specialists have extensive experience in creating and maintaining salary scales for different types of organizations, as well as providing updated labor market data to help sustain your desired market position.



### MANAGING INDIVIDUAL PAY USING COMMUNITY™ SKILLS

At Birches Group, we believe that pay movement should reflect one's experience. As an employee gains more experience in their job, they develop a deeper understanding of their role and accumulate the necessary skills that enable them to be more effective and produce higher quality results. Birches Group Community™ Skills provides a framework for measuring experience. Companies can link their compensation administration to the progression of Skills in any number of ways, and provide increases based on employee growth in their jobs rather than performance.



### REWARDING ACHIEVEMENT THROUGH COMMUNITY™ PERFORMANCE

Birches Group believes that performance should be used for one-time recognition, not salary increases. Birches Group's Community™ approach to performance management centers the expectations on performance to the actual definition of the job level and celebration of the good. Using an approach that measures achievement by linking it back to the job evaluation factors, purpose, engagement, and delivery, Community™ provides organizations with a performance management system that is standardized, simplified, and can easily align with objectives across different grade levels and teams.

### READY TO DEVELOP YOUR SPECIAL MEASURES POLICY?

[Contact us](#) to learn how Birches Group services can help your organization take the next steps toward developing your own special measures policy. You can also learn more about Community™ and how it can further align the foundations of your organization.