



# Effects of the Labor Immobility Law (Job Security Law) on the Economic Development of the Private Sector in Venezuela

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## What is Labor Immobility?

According to the Venezuelan Law Dictionary job security is “the right that an employee has over being terminated, transferred, suspended, or demoted .”



## Labor Immobility in Venezuela



Venezuelan Constitution, Article 95:  
 “Any worker without distinction has the right to belong in any union they want in order to defend his or her rights as an employee.”

## Labor Immobility as Presidential Decree

President Hugo Chavez enacted in 2002 a labor immobility decree stating that no employee could be terminated, transferred, or demoted without any previous cause stated under the Organic Labor Law.



## Decree Content

Organic Labor Law, Article 453:

Employees protected by the labor immobility decree cannot be terminated, demoted, or transferred without a previous justified cause (the cause must be qualified as valid by an Employee Inspector).

If there is any failure to comply with the decree, the “terminated” employee can request reenlistment and back pay.

## Protected vs. Unprotected Employees

- |   |   |
|---|---|
| -Promotes a union or is a member of a union                   | -Holds management positions (boss, supervisor, principal, etc.) |
| -During union elections                                       | -Employed less than three months                                |
| -Any employee that earns minimum wage                         | -Government employees   |
| -Employees that are designated labor directors or substitutes | -Temporary, event, and occasional                               |
| -Mothers after birth of a child                               | -Earns more than three times the minimum wage (around \$1,500)  |
| -Handicap employees   |   |



## Immobility Procedures

The labor immobility is not absolute, it is relative, which means that it preserves validity until an imputable behavior has been carried out by the employee. If that happens the employer can request to terminate the employee before the government institutions.



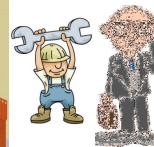
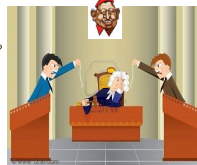
## Layoff Qualifications

The justified causes can be negative actions, behaviors, or failure to complete assigned duties in the workplace. These causes are justified under the Venezuelan legislation and they have three characteristics:

1. Failure to comply by action or omission work duties
2. Breaching the constitution
3. Violence



## Demonstration



## In Reality...

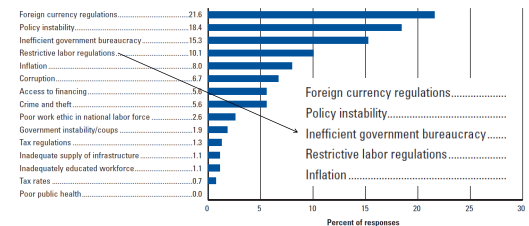


## Impact of the Economic Growth in the Private Sector

	GCI 2009-2010		GCI 2008-2009
	Rank	Score	Rank*
Cambodia	110	3.51	109
Cameroon	111	3.50	114
Zambia	112	3.50	112
Venezuela	113	3.48	105
Ghana	114	3.45	102
Nicaragua	115	3.44	120
Côte d'Ivoire	116	3.43	110

## The Global Competitiveness Report 2009-2010

### The most problematic factors for doing business



### The Global Competitiveness Index in detail

INDICATOR	RANK/133
<b>1st pillar: Institutions</b>	
1.01 Property rights	132
1.02 Intellectual property protection	132
1.03 Diversion of public funds	133
1.04 Public trust of politicians	124
1.05 Judicial independence	133
1.06 Favoritism in decisions of government officials	132
1.07 Wastefulness of government spending	133
1.08 Burden of government regulation	133
1.09 Efficiency of legal framework in settling disputes	132
1.10 Efficiency of legal framework in challenging regs	133
1.11 Transparency of government policymaking	132
1.12 Business costs of terrorism	104
1.13 Business costs of crime and violence	129
1.14 Organized crime	123
1.15 Reliability of police services	133
1.16 Ethical behavior of firms	129
1.17 Strength of auditing and reporting standards	112
1.18 Efficacy of corporate boards	128
1.19 Protection of minority shareholders' interests	121

## Conclusion

Through this investigation it is concluded that the labor immobility decree to avoid unemployment has become an outlet to those employees that do not feel any stimulus to improve production or fulfill employment responsibilities. Employees now realize that they cannot be easily terminated and the private sector is suffering economically from the consequences of the labor immobility decree.

## Acknowledgement

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