



DOING BUSINESS 2019

Training for Reform

Labor Market Regulation



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- I. Why does it matter?**
- II. What does it measure – and what does it not?
- III. What are the main findings in DB19?
- IV. LMR reforms in DB19**



Why does Labor Market Regulation matter?

The regulation of employment is necessary for the proper functioning of labor markets

- ✓ Protect workers from arbitrary or unfair treatment
- ✓ Increase social cohesion and increase economic efficiency

Over-regulation can be an important constraint to business:

- ✓ Minimum wage
- ✓ Complex worker dismissal procedures and high severance payments
- ✓ Restrictions on overtime work

Under-regulation also has negative impacts:

- ✓ Lack of safety standards
- ✓ Lack of unemployment protection

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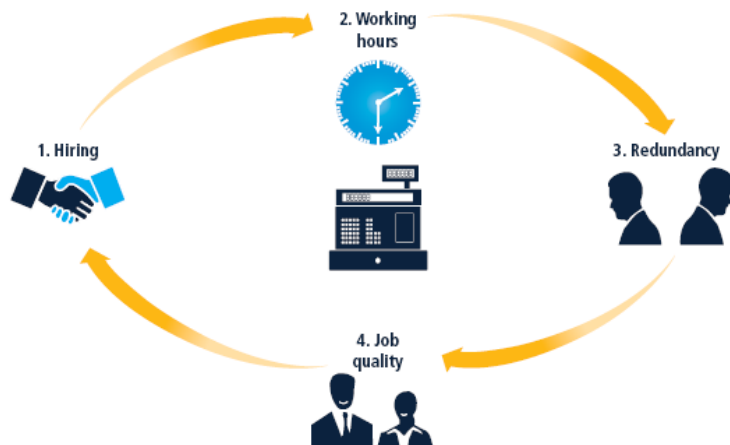
What are the case study assumptions?

The worker

- Is a **cashier in a grocery store**.
- Is a **full time** employee with **1 year of work experience**.
- Is **not a member of a labor union**, unless membership is mandatory.

The business

- Is a limited liability company with **60 employees**.
- Operates a grocery store in the economy's largest business city.
- Is subject to **collective bargaining agreements** if (a) such agreements cover **more than 50% of the food retail sector** and (b) such agreements apply even to firms not party to them.
- **Abides by the law** but does not grant workers more benefits than those mandated by law or collective bargaining agreements.



Areas covered by Labor Market Regulation

Hiring

- Fixed-term contracts availability & duration
- Minimum wage
- Probationary periods

Redundancy rules & cost

- Notification and approval requirements for dismissing 1 or 9 worker(s)
- Rules for retraining, reassignment, reemployment
- Notice and severance payment requirements

Working hours

- Maximum duration of the workweek
- Paid annual leave
- Maternity leave
- Restrictions and premium for night work, weekly holiday work and overtime work
- Restrictions on women's night work

Job quality

- Unemployment protection
- Paid sick leave
- Maternity leave
- Equal treatment of men and women at the workplace

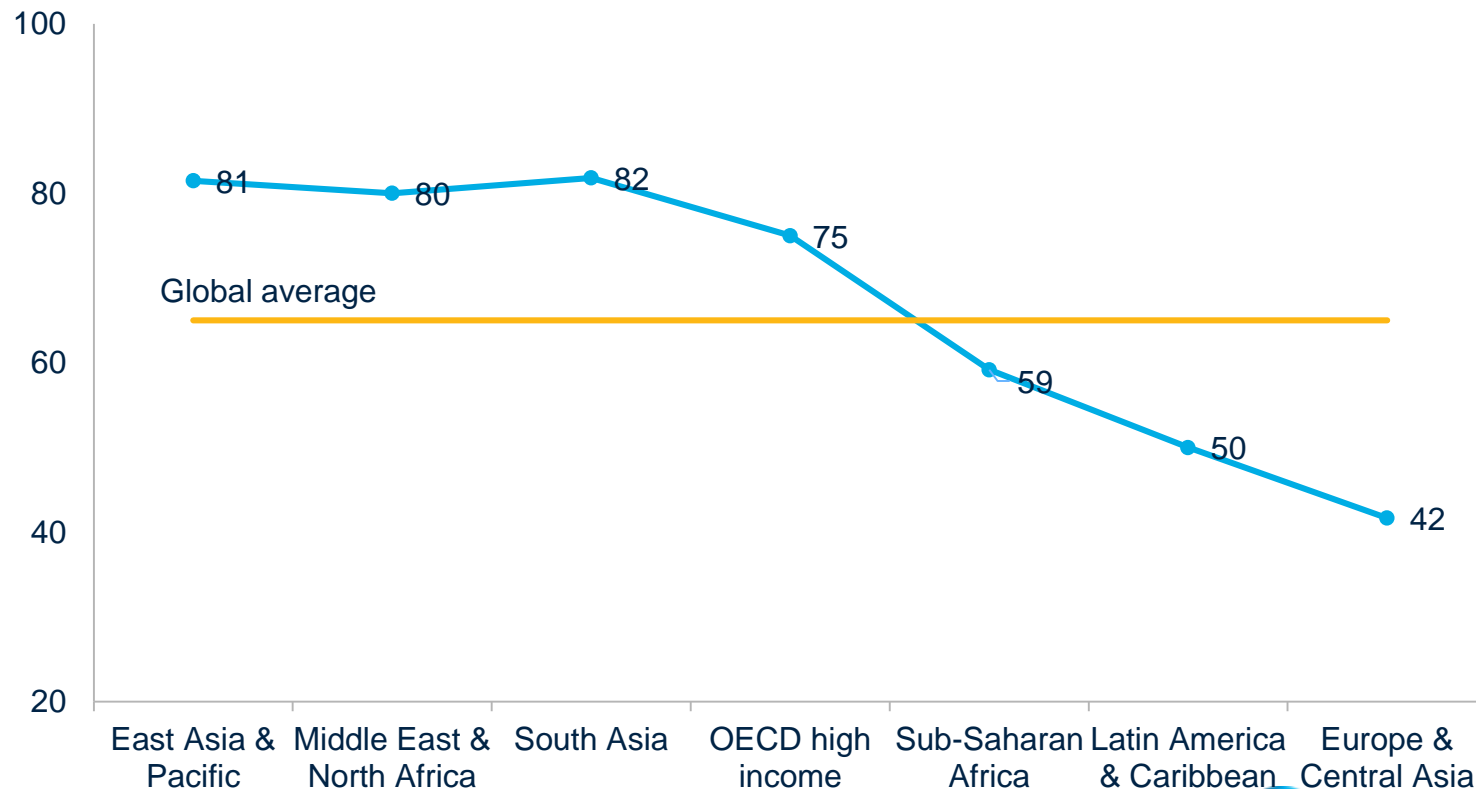
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Main findings in *Doing Business 2019*: Hiring

- 65% of economies allow the use of fixed-term contracts for permanent tasks
- 59% of economies do not limit the duration of fixed-term contracts

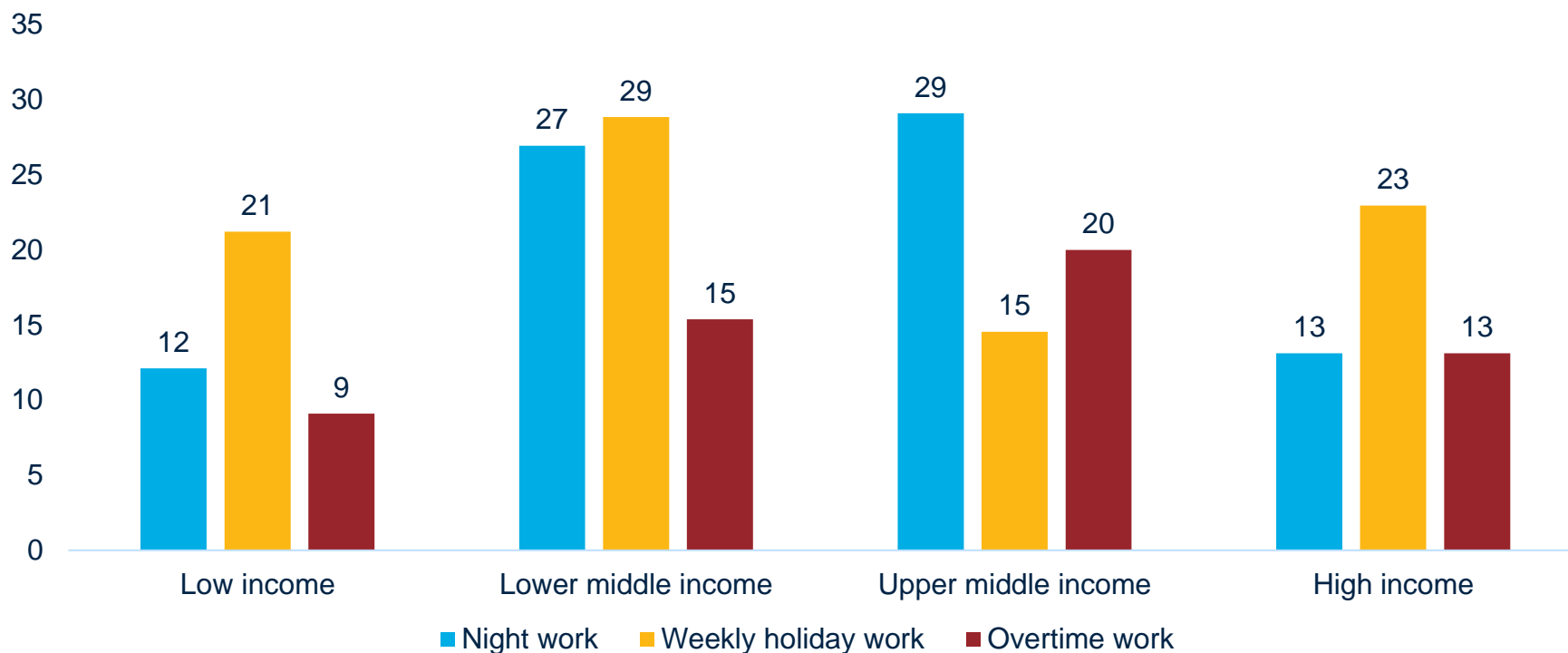
Fixed-term contracts allowed for permanent tasks (% of economies)



Main findings in *Doing Business 2019*: Working hours

- All but 30 economies do not restrict overtime work.
- 22% of economies restrict work during weekly rest day.
- 20% of economies have restrictions on night work.

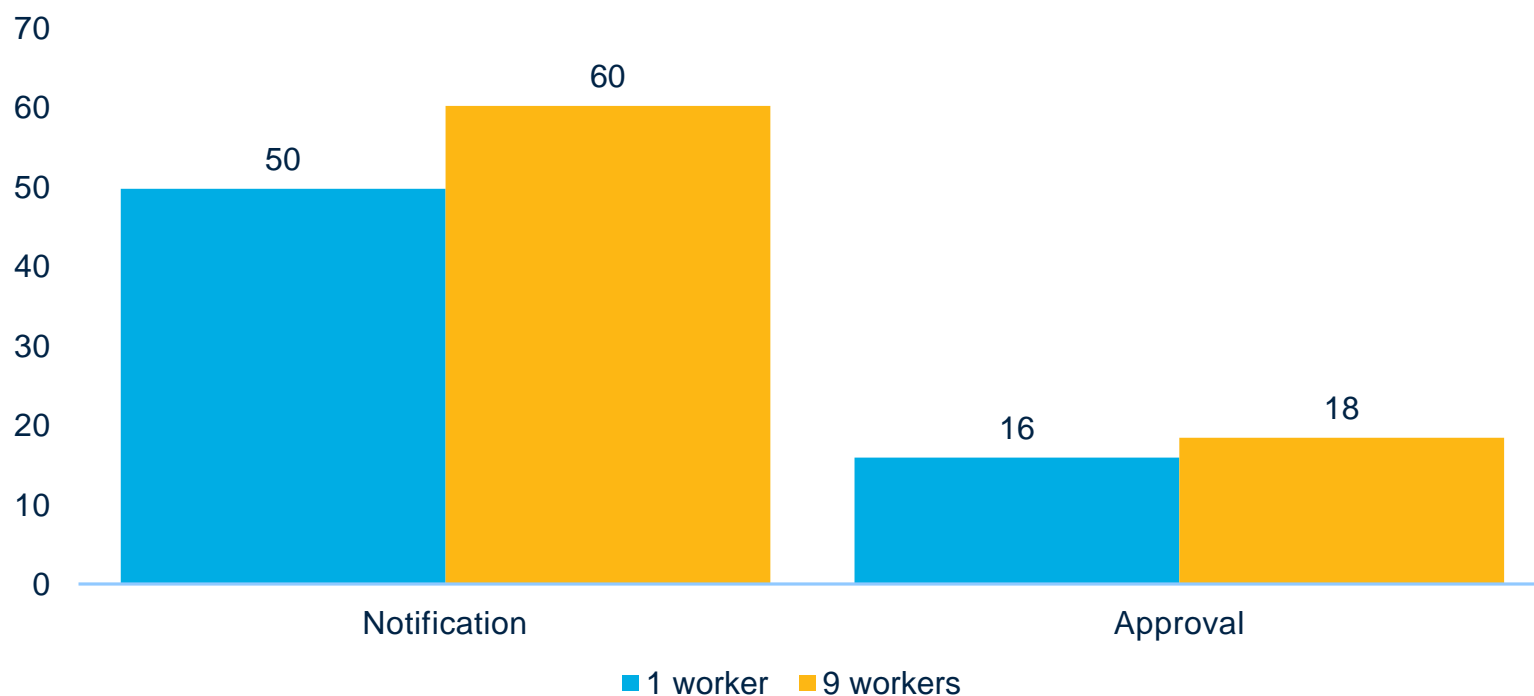
Share of economies with type of work restriction (%)



Main findings in *Doing Business 2019*: Redundancy rules

- Only Bolivia, Oman, Tonga and Venezuela, RB do not allow redundancy dismissals
- 60% of economies do not have priority rules for redundancies

Share of economies with notification and approval requirements for dismissing 1 or 9 workers (%)

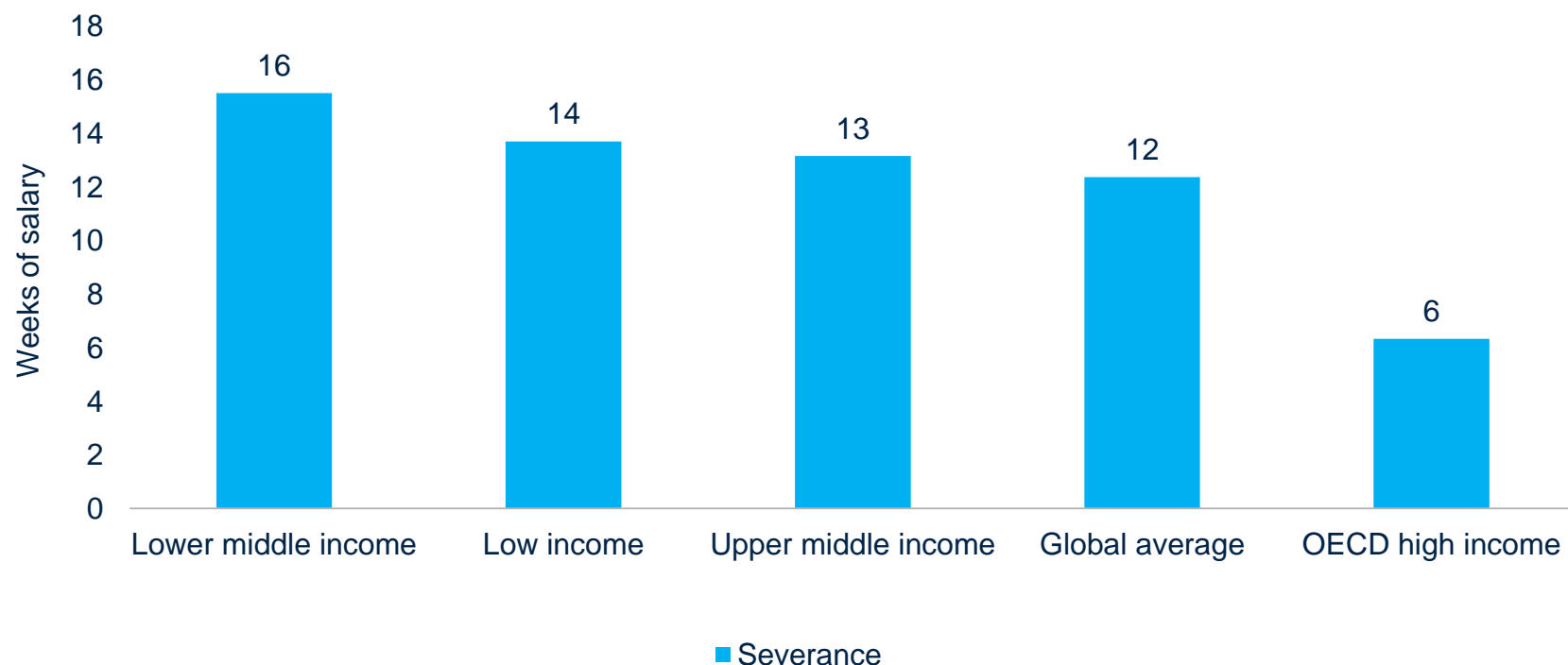


Source: *Doing Business 2019*.

Main findings in *Doing Business 2019*: Redundancy cost

- 12% of economies do not require any notice period for redundancy dismissals
- 15% of economies do not mandate that employers provide severance pay
- Workers in low-income economies must be employed the longest to obtain severance pay

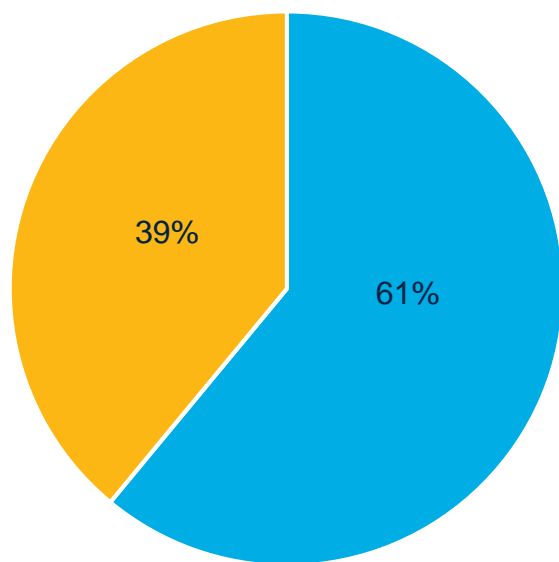
Severance payment requirements
(average for workers with 1, 5 and 10 years of tenure)



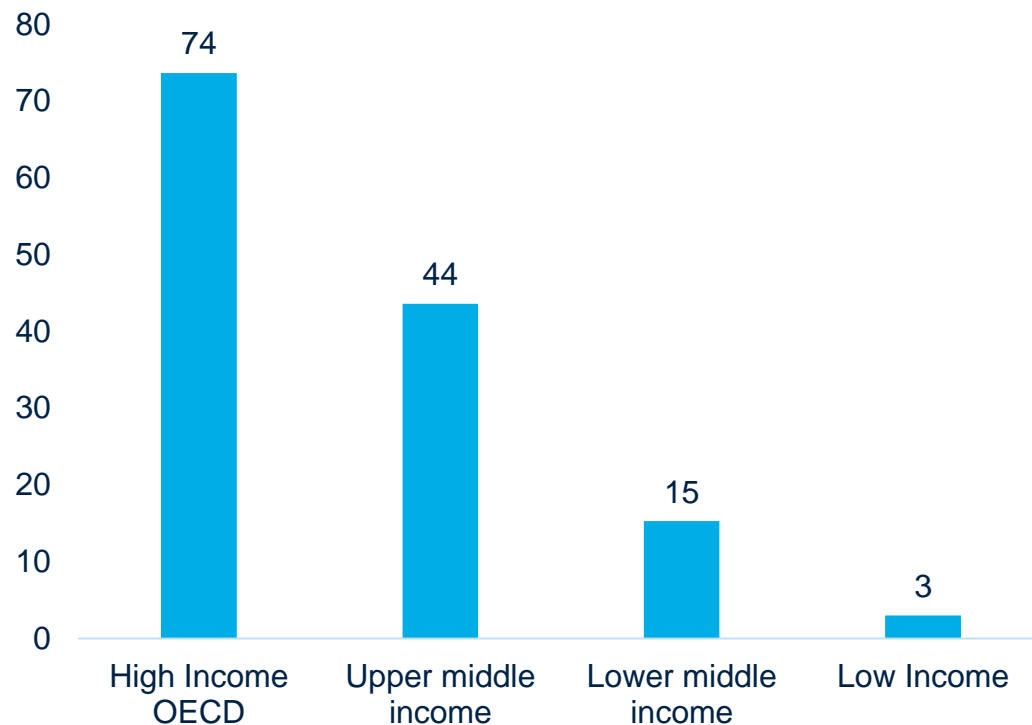
Main findings in *Doing Business 2019*: Job quality

Unemployment protection is offered primarily in high and upper middle income economies

Availability of unemployment protection after 1 year of employment (% of economies)

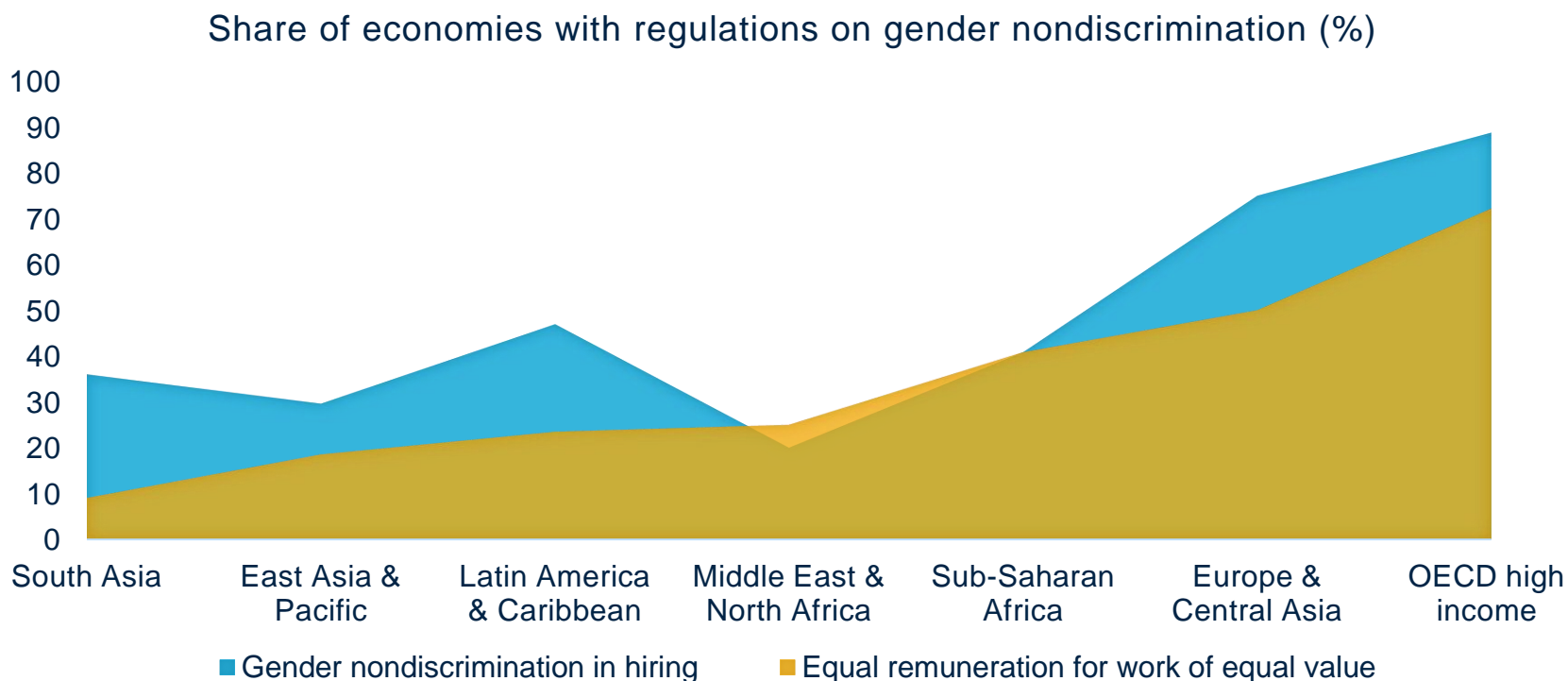


■ Not available ■ Available



Main findings in *Doing Business 2019*: Job quality

- 49% of economies do not have laws mandating non-discrimination based on gender in hiring
- 61% of economies do not have laws requiring equal remuneration for work of equal value

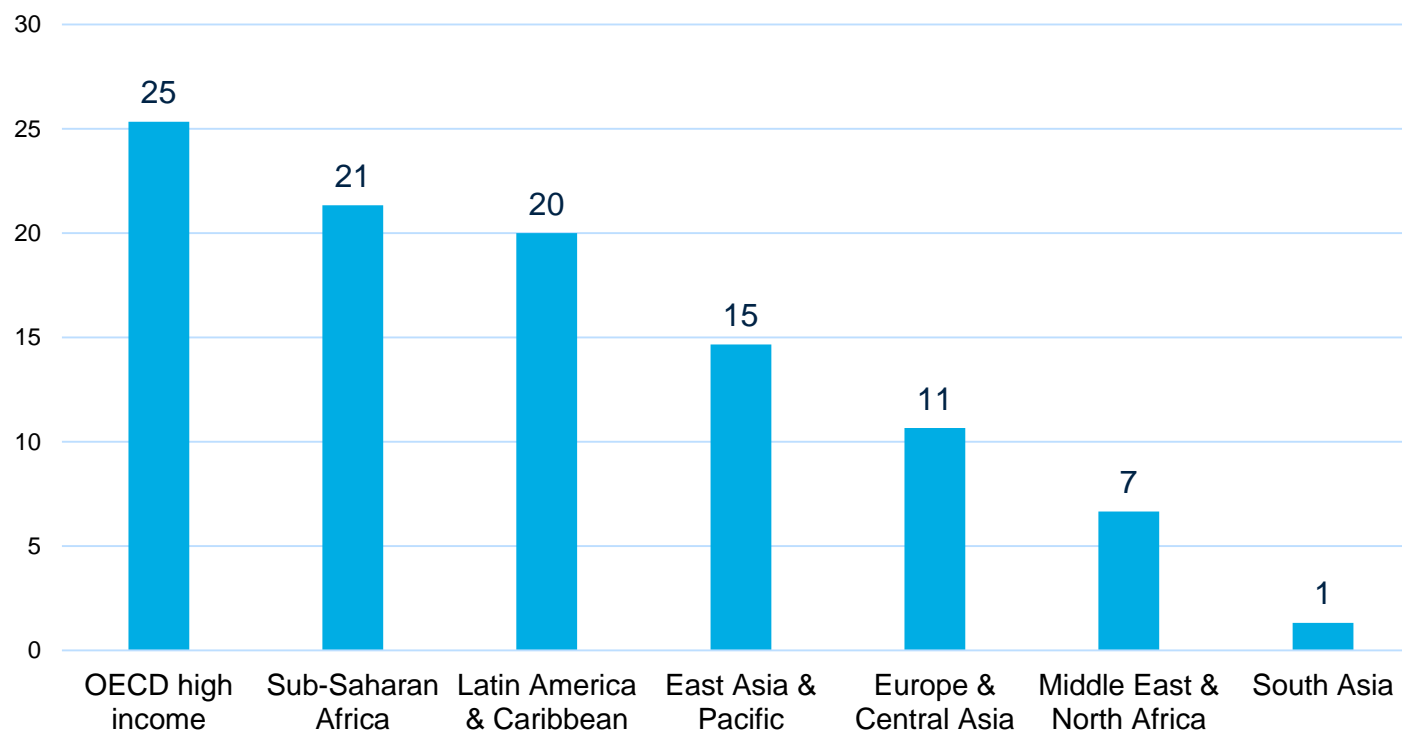


Source: *Doing Business 2019*.

Main findings in *Doing Business 2019*: National training funds

- OECD high income region has the highest share of economies with national training funds

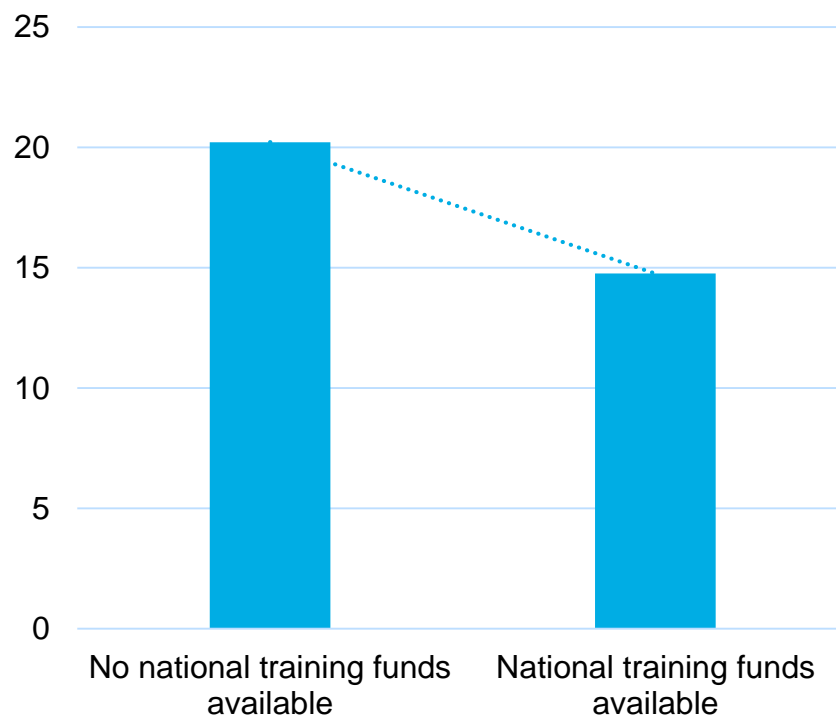
Share of economies with national training funds (%)



Main findings in *Doing Business 2019*: National training funds

Availability of national training funds is associated with lower levels of youth unemployment

Total youth unemployment
(% of labor force)



Source: *Doing Business* database.

Note: The relationship is significant at the 5% level after controlling for income per capita. The sample includes 116 economies.

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How and where did economies change labor laws in 2017/2018

- **19 economies** made changes to labor laws in 2017-18

Feature	Economies	Some highlights
Altered hiring rules	Benin; Nepal	Benin increased the maximum length of fixed term contracts . Nepal allowed fixed term contracts and reduced probationary periods .
Amended regulation of working hours	Brazil; Canada; Haiti; Israel; Lithuania; Luxembourg; Mali; Mozambique; Nepal; Norway; Slovenia; Unites States (New York); South Sudan	India (Mumbai) eliminated restriction on weekly holiday work and introduced 100% wage premium for work on day of weekly rest . South Sudan and Israel reduced maximum number of working days per week . Nepal eliminated restrictions on night work for non-pregnant and non-nursing women.
Changed redundancy rules and cost	Azerbaijan; Brazil; Costa Rica; France; Lithuania; Nepal; South Sudan	Lithuania decreased notice period and severance payments in case of redundancy; France increased severance payments ; Nepal eliminated third party approval in case of redundancy
Reformed legislation regulating worker protection and social benefits	Bulgaria; Canada; Costa Rica; Israel; Luxembourg; Malaysia; Mali; Mozambique; Nepal; South Sudan; United States (New York)	Canada increased paid annual leave and introduced two days of paid sick leave . Israel, Luxembourg, Nepal and South Sudan increased the duration of paid maternity leave .

Source: Doing Business 2019.

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