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
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
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.
<table>
<thead>
<tr>
<th>Areas covered by Labor Market Regulation</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hiring</strong></td>
<td><strong>Redundancy rules &amp; cost</strong></td>
</tr>
<tr>
<td>- Fixed-term contracts availability &amp; duration</td>
<td>- Notification and approval requirements for dismissing 1 or 9 worker(s)</td>
</tr>
<tr>
<td>- Minimum wage</td>
<td>- Rules for retraining, reassignment, reemployment</td>
</tr>
<tr>
<td>- Probationary periods</td>
<td>- Notice and severance payment requirements</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Working hours</strong></td>
<td><strong>Job quality</strong></td>
</tr>
<tr>
<td>- Maximum duration of the workweek</td>
<td>- Unemployment protection</td>
</tr>
<tr>
<td>- Paid annual leave</td>
<td>- Paid sick leave</td>
</tr>
<tr>
<td>- Maternity leave</td>
<td>- Maternity leave</td>
</tr>
<tr>
<td>- Restrictions and premium for night work, weekly holiday work and overtime work</td>
<td>- Equal treatment of men and women at the workplace</td>
</tr>
<tr>
<td>- Restrictions on women’s night work</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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
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)**

- East Asia & Pacific: 81%
- Middle East & North Africa: 80%
- South Asia: 82%
- OECD high income: 75%
- Sub-Saharan Africa: 59%
- Latin America & Caribbean: 50%
- Europe & Central Asia: 42%

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.

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 (%)**

- 50% notification requirement for 1 worker
- 60% notification requirement for 9 workers
- 16% approval requirement for 1 worker
- 18% approval requirement for 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)

- **OECD**: 74%
- **Upper middle income**: 44%
- **Lower middle income**: 15%
- **Low Income**: 3%

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

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 (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD high income</td>
<td>25</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>21</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>20</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>15</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>11</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>7</td>
</tr>
<tr>
<td>South Asia</td>
<td>1</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Feature</th>
<th>Economies</th>
<th>Some highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altered hiring rules</td>
<td>Benin; Nepal</td>
<td>Benin increased the <strong>maximum length of fixed term contracts</strong>. Nepal allowed fixed term contracts and reduced probationary periods.</td>
</tr>
<tr>
<td><strong>Amended regulation of working hours</strong></td>
<td>Brazil; Canada; Haiti; Israel; Lithuania; Luxembourg; Mali; Mozambique; Nepal; Norway; Slovenia; Unites States (New York); South Sudan</td>
<td>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. <strong>Nepal eliminated restrictions on night work for non-pregnant and non-nursing women.</strong></td>
</tr>
<tr>
<td>Changed redundancy rules and cost</td>
<td>Azerbaijan; Brazil; Costa Rica; France; Lithuania; Nepal; South Sudan</td>
<td>Lithuania decreased notice period and severance payments in case of redundancy; France increased severance payments; <strong>Nepal eliminated third party approval in case of redundancy</strong></td>
</tr>
<tr>
<td>Reformed legislation regulating worker protection and social benefits</td>
<td>Bulgaria; Canada; Costa Rica; Israel; Luxembourg; Malaysia; Mali; Mozambique; Nepal; South Sudan; United States (New York)</td>
<td>Canada increased paid annual leave and introduced two days of paid sick leave. Israel, Luxembourg, <strong>Nepal and South Sudan increased the duration of paid maternity leave.</strong></td>
</tr>
</tbody>
</table>

*Source: Doing Business 2019.*