LABOR MARKET REGULATIONS IN SUB-SAHARAN AFRICA, WITH A FOCUS ON SENEGAL

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DPRU WORKING PAPER 201505
DECEMBER 2015

DEVELOPMENT POLICY RESEARCH UNIT

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Working Paper 201505
ISBN 978-1-920633-31-8

December 2015

Abstract:
Disappointing job creation in Sub-Saharan Africa (SSA), despite improved economic growth, is drawing greater attention to the labor market. Recent research has highlighted the paucity of formal employment and large disparities between formal and informal sector incomes. Formal private sector wage employment has grown too slowly to offset declines in public sector employment and to keep up with labor force growth, so employment remains overwhelmingly informal, with very low wages, no benefits or job security, and hazardous working conditions. The question arises as to whether labor market regulations play a role in limiting formal sector employment creation. We combine quantitative and qualitative assessments of labor-market regulations in SSA, and compare them to countries in other regions, particularly Asia, using indicators of labor market restrictions around the world, and conducting case studies of selected countries. We carried out an in-depth study of Senegal based on interviews and original data collection, and less detailed studies of Ethiopia and Ghana in SSA and Bangladesh and China in Asia. Our main conclusion is that labor market regulations are a less important obstacle than lack of infrastructure and general weaknesses in the business climate, but do contribute to holding back formal employment growth in Senegal and other SSA countries.

Keywords: Labor market regulations, Sub-Saharan Africa, informal & formal employment, relative unit labor costs, manufacturing

Acknowledgements:
The authors thank Haroon Bhorat for inviting this contribution, via a paper prepared for the "Labour Markets in Sub-Saharan Africa" workshop, held on November 26-27, 2015, hosted by the University of Cape Town's Development Policy Research Unit, for the World Bank's Network on Jobs for Development (NJD) programme.

Working Papers can be downloaded in PDF (Adobe Acrobat) format from www.dpru.uct.ac.za. A limited number of printed copies are available from the Communications Manager: DPRU, University of Cape Town, Private Bag X3, Rondebosch, Cape Town, 7700, South Africa. Tel: +27 (0)21 650 5701, email: sarah.marriott@uct.ac.za

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Recommended citation
Golub, S.S., Mbaye, A.A., and Chwe, H. (2015). "Labor Market Regulations in Sub-Saharan Africa, with a Focus on Senegal". Development Policy Research Unit Working Paper 201505. DPRU, University of Cape Town.

CONTENTS

1. INTRODUCTION

Disappointing job creation in Sub-Saharan Africa (SSA), despite improved economic growth, is drawing greater attention to the labor market. Recent research has highlighted the paucity of formal employment and large disparities between formal and informal sector incomes (Golub and Hayat, 2015; Benjamin and Mbaye, 2015; Mbaye et al., 2015; and Roubaud and Torelli, 2013). Formal private sector wage employment has grown too slowly to offset declines in public sector employment and to keep up with labor force growth, so employment remains overwhelmingly informal, with very low wages, no benefits or job security, and hazardous working conditions. Formal wage employment is much lower for women than men. Furthermore, African manufacturing sectors tend to suffer from high relative unit labor costs, i.e. elevated wages relative to productivity in Africa compared to other regions (Ceglowski, Golub, Mbaye and Prasad, 2015). The question arises as to whether labor market regulations play a role in limiting formal sector employment creation.

While labor market regulation has been studied extensively in developed countries, and more recently in India and Latin America, few studies have examined the nature and consequences of labor-market regulation in SSA.

We combine quantitative and qualitative assessments of labor-market regulations in SSA, and compare them to countries in other regions, particularly Asia, using indicators of labor market restrictions around the world, and conducting case studies of selected countries. In Asia we analyze labor markets in a few countries that have been particularly successful in creating manufacturing employment (China and Bangladesh), and in SSA we carried out an in-depth study of Senegal based on interviews and original data collection, as well as less detailed analyses of Ethiopia and Ghana.

Section 2 reviews previous literature on labor market regulations, section 3 computes and analyzes indicators of labor market restrictions for 189 countries, section 4 presents the findings from the Senegal case study, section 5 discusses other case studies, and section 6 concludes.

2. LITERATURE REVIEW ON LABOR MARKET REGULATIONS IN DEVELOPING COUNTRIES

2.1 Objectives and Types of Labor Market Regulation

Virtually all countries – even the poorest ones – have legal statutes regulating some aspects of employment relations. In fact, as we will show, some of the lowest income countries have the most stringent labor-market regulations. The intention is to protect workers, under the implicit assumption that employers wield excessive power and can abuse employees. While these regulations are well intentioned and in some cases beneficial, protection of existing jobs can deter creation of new jobs and impede productivity growth. In developing countries, where formal employment is scarce, particularly for younger people and women, the trade-off between protecting incumbent workers versus generation of employment opportunities is particularly acute.

Two general types of concerns motivate labor market regulations: 1) “Moral” imperatives to safeguard workers’ fundamental human rights; and 2) “Economic” goals of promoting well-being of workers (Golub 1997). The former are covered by the International Labor Organization’s (ILO) core Conventions, which ILO member nations can opt to ratify and enforce. ILO Conventions include rights to collective bargaining and bans on forced labor, child labor and discrimination. Economic considerations on the other hand, refer to minimum wages, mandated benefits, and some aspects of working conditions. The levels of minimum wages, fringe benefits and paid vacations in a country necessarily depend on overall labor productivity in that country, unlike fundamental rights that ought not vary with economic circumstances. There are some hazy areas of overlap between these two goals. For example, banning all forms of child labor may be unrealistic or even impossible for some poor countries. Ensuring workplace safety likewise, is a matter of degree. While there is no excuse for locking fire exits, as infamously occurred recently in Bangladesh, reducing workplace hazards is expensive and the level of acceptable risk depends on the ability to pay for safety and health improvements. Ultimately, given labor productivity, there is a trade-off between safety and remuneration of employees. Nevertheless, moral and economic considerations are clearly separable in principle. In this paper we focus mostly on economic rather than human rights aspects of labor market regulation.

A related debate concerns the effectiveness of labor market regulations. Do they constitute market distortions, impeding employment and productivity, or do they create institutions that overcome market failures (Freeman, 2009)? In this paper we address the nature and benefits of labor market regulation through quantitative analysis and case studies.

Labor-market regulations take several forms, including:

- Minimum wages;
- Restrictions on temporary hiring and contracts;
- Stipulations on working conditions including paid vacations, fringe benefits, and occupational health and safety;
- Restrictions on layoffs;
- Protections for unions and collective bargaining.

Previous studies usually focus on some subset of these categories of regulations, with minimum wages and restrictions on layoffs, also known as employment protection legislation (EPL), the two topics receiving the most attention.

2.2 Quantifying Labor Market Regulations

Since the 1990s, the Organization for Economic Cooperation and Development (OECD) has computed a measure of employment protection legislation (EPL). The OECD EPL index is limited to restrictions on layoffs for OECD members and selected other non-member emerging economies. Botero et al. (2004) were among the first to formulate and implement a comprehensive quantitative index of employment laws for countries around the world. Botero et al. (2004) identified and compiled detailed data for a large group of countries on four categories of employment regulation: contracts; cost of increasing working hours; cost of firing workers; and dismissal procedures. These sub-indices each in turn aggregated several indicators. Botero et al. (2004) studied the sources of differential regulations and found that countries with French and Scandinavian legal heritages tend to have more stringent regulations, supporting the hypothesis that countries' regulatory styles are based on the "transplantation of legal systems".

The Botero et al. (2004) measures were the foundation for the World Bank's Doing Business (DB) indicators of labor market restrictions called "Employing Workers Indicator" (EWI), providing information on and ranking countries by the extent of their labor market restrictions. The EWI measures are in some respects quite similar to those of Botero et al. (2004), but more comprehensive in terms of country coverage, types of restrictions considered, and time period. The EWI measures and our use of them are described in section 3 below. The EWI measures came under strong criticism from the International Labor Organization (ILO) and labor unions, who argued that labor market legislation should be viewed from the angle of protecting worker rights, rather than a cost of doing business and an impediment to labor market flexibility. After considerable debate, in 2011 the World Bank removed the EWI indicator from its system of rankings, but continued to publish the underlying data on labor market restrictions, with some modifications to the set of sub-indicators presented (Murphy, 2013).

Aleksynska and Schindler (2011) also created a database of labor regulation covering 1980-2007 for the International Monetary Fund (IMF). While the longer time series of the IMF database relative to the DB measure is an advantage, this database is more circumscribed than Botero et al. (2004) and DB's EWI in terms of content of the indicators, limited to minimum wage and employment protection, and only including advance notice requirements and severance payments in the latter[1]. Furthermore, the IMF database has not been updated to include more recent data, and there are missing data for some countries.

2.3 Effects of Labor Market Restrictions

The effects of labor market regulations in OECD countries have been studied extensively. Ramalho and Djankov's (2009) survey of the effects of labor market regulations notes that studies of developing countries' labor market regulations largely began in 2004, making use of the newly available World Bank DB data. Recently, studies on developing countries have multiplied. We focus on three recent reviews of the literature: Ramalho and Djankov (2009), Natarj et al. (2012), and Betcherman (2014). All three of these literature reviews are limited to articles in refereed professional journals.

Ramalho and Djankov (2009) discuss studies of India, Latin American countries, and cross-country comparisons. They find that the majority of studies reviewed support the hypothesis that labor market regulations have adverse effects on employment and productivity. These effects are particularly strong for India and more mixed for Latin America. Cross-country studies also tend to find labor-market regulations reduce investment and employment. Ramalho and Djankov (2009) also present their own cross-country analysis, which shows statistically-significant positive correlation between the DB EWI indicators with both the share of the informal economy in total GDP and the level of unemployment. Vandenberg (2010) also used the DB EWI measures to examine labor regulations, finding little effect on unemployment. Vandeberg's study was limited to 90 countries, of which only seven were African.

Natarj et al. (2012) limit their review to low-income countries (LICs) and former LICs. They note that few studies of labor-market regulation of LICs have been conducted. Their combination of qualitative and quantitative analyses finds that minimum wage increases contribute to heightened self-employment and informal employment, and decrease formal employment, particularly for women, with little net effect on overall employment.

Betcherman (2014) conducts a more recent literature review of the effects of minimum wages and employment protection legislation (EPL), and arrives at more ambiguous conclusions than Ramalho and Djankov (2009) and Natarj et al. (2012). Betcherman (2014) finds that the negative impact of both minimum wages and EPL on unemployment is usually more muted than previous surveys indicated—if efficiency effects are found, they are modest at best. In the case of India, for example, Betcherman (2014) supports previous research that EPL reduces employment but argues that other constraints such as electricity, tax administration, and corruption, are more important.

A problem with these studies is that they often focus on unemployment. In Africa, especially, unemployment statistics are of poor quality and the distinction between unemployment and underemployment is very hazy. In many low-income African countries, recorded unemployment is low. This reflects the fact that most Africans are simply too poor not to work. The problem is not so much unemployment as underemployment in the informal sector (Golub

[1] The IMF database also includes unemployment insurance generosity, but that is not an indicator of labor-market regulation.

and Hayat, 2014). It would be desirable to assess the effects of labor-market restrictions on formal versus informal employment, but there is insufficient data to carry out systematic studies within and between countries.

Indeed, very few African countries are included in the above-described literature reviews. Fallon and Lucas (1991, 1993), which included Zimbabwe along with India, and Andalon and Pages (2009) on Kenya, are among the few exceptions. The few available cross-country studies of African labor market regulations (Rama, 2000; Fox and Oviedo, 2013) suggest that minimum wages and labor market restrictions are not a major constraint on employment creation in Africa, unlike in other regions, despite often highly restrictive statutory provisions.

Rama (2000) found that formal-sector wages in Francophone African countries (those using the CFA franc) are very high relative to the level of per capita GDP, and about double wages in comparator countries with similar levels of per capita GDP. Minimum wages in CFA countries are also higher than in other countries at similar levels of development, but “only” by about 50 percent--not high enough to account fully for the very high wages in these countries. Fox and Oviedo (2013) use the DB EWI data along with firm-level data from World Bank Enterprise Surveys. They find that the DB indicator is not strongly correlated with employment creation within SSA. This finding accords well with results from the World Bank Enterprise Surveys, that labor market regulations are viewed as much less onerous than other aspects of the business environment such as infrastructure, access to finance, and corruption. On the other hand, Fox and Oviedo (2013) also point out that firms say that they would boost hiring if labor market regulations were relaxed.

These findings of Rama (2000) and Fox and Oviedo (2013) suggest that labor market conflicts may be of lesser importance than other obstacles such as infrastructure or corruption, but could still matter. Furthermore, some domestic firms, particularly in the informal sector, may be able to routinely disregard labor market statutes. Formal firms, especially foreign investors, however, may feel compelled to abide by local laws, due to lesser recourse to authority in the host country as well as pressures from labor-rights activists at home, and thus may simply eschew investing in countries with such laws even if they are not much enforced. Moreover, these laws may be enforced more vigorously for large formal firms or those lacking in political or kinship group connections.

Bhorat and Cheadle (2009) use the DB indicators to compare South African labor-market regulations to other countries, and combine this quantitative analysis with an in-depth qualitative study of South African laws. Our approach is quite similar, but focusing on Senegal rather than South Africa. In our previous work (Golub and Mbaye, 2002), we found that large formal firms in Senegal cite legal conflicts with labor unions over dismissals and work rules as a significant problem. It is therefore worthwhile to review in greater detail statutory regulations and the way they are enforced, and perceptions of firms regarding these regulations.

Labor market regulations apply to the formal sector and wage employment. In low-income SSA countries (including Senegal) the labor market is dominated by self-employment and family work where there is no employer subject to regulation. Formal contractual labor market relationships between an employer and employee account for 10 percent or less of employment in many SSA low-income countries (Golub and Hayat 2015). Thus the effects of labor market regulations are not applicable to most workers. Nevertheless, the effects of these regulations may be very important in deterring the creation of more formal sector employment opportunities. To assess the extent of this deterrent effect on formal sector growth we use a combination of quantitative and qualitative analysis.

3. INDICATORS OF LABOR MARKET REGULATIONS IN AFRICAN COUNTRIES

3.1 Comparisons of Regulations across Countries

Given that it is more comprehensive and up to date than other databases, we used the World Bank DB EWI indicators to compare levels of labor market regulations across countries. As noted above, the World Bank no longer ranks employment regulation and has modified its labor market indicators over time, but still publishes the raw data. The raw DB EWI data cover five major categories of labor market regulations: Difficulty of hiring; Rigidity of Hours; Difficulty of Redundancy; Redundancy Cost; and Research Questions (the latter referring to availability of social insurance and courts specializing in labor disputes). Each of these categories contains multiple sub-indicators. We reclassified the DB data into four categories: Minimum wages; Hiring; Working Conditions; and Dismissal; each of which was given equal weights of 0.25 in the overall labor market index we constructed. We considered variations in this “baseline” equal weights scenario. Table 1 presents the sub-indicators and their weights within each of the four categories. Despite the rather large number of sub-indicators covered, the DB database does not include some important labor market features such as mandated social insurance contributions of employers and protection of unions and collective bargaining. As noted above, however, the DB database is the most comprehensive available. Indicators of labor market restrictions are available from 2006 to 2014 for 189 countries.

All sub-index scores were adjusted to a 0 to 1 scale, where 0 represents no regulation and 1 the highest level of ranking in any country and then aggregated using the weights in Table 1. Thus composite scores close to zero indicate less stringent regulations and scores close to 1 indicate more stringent regulations.

Table 2 shows our comprehensive score on the DB labor market indicators in 2014, using the weights shown in Table 1, for selected countries. We experimented with alternative weights on the four main sub-indicators but this did not alter greatly the country rankings or the statistical correlations of the rankings with other economic variables.

Table 1: Construction of Labor Market Restrictions Index

Indicator	Weight
Minimum Wage	**0.25**
Ratio of minimum wage to value added per worker	1
Hiring	**0.25**
Fixed-term contracts prohibited for permanent tasks	0.5
Maximum length of fixed-term contracts, including renewals	0.5
Working Conditions	**0.25**
Standard workday	0.250
Maximum working days per week	0.250
Premium for night work (% of hourly pay)	0.063
Premium for weekly holiday work (% of hourly pay)	0.063
Major restrictions on night work	0.063
Major restrictions on weekly holiday work	0.063
Paid annual leave (average*)	0.250
Dismissal	**0.25**
Maximum length of probationary period	0.143
Dismissal due to redundancy allowed?	0.143
Third party notification if 1 worker dismissed?	0.036
Third party approval if 1 worker dismissed?	0.036
Third party notification if 9 workers dismissed?	0.036
Third party approval if 9 workers dismissed?	0.036
Retraining or reassignment obligation before redundancy?	0.143
Priority rules for redundancies?	0.071
Priority rules for reemployment?	0.071
Notice period for redundancy dismissal (average[a])	0.143
Severance pay for redundancy dismissal (average[a])	0.143

Source: Authors' modifications of World Bank *Doing Business* database.
Notes: * Average of 1, 5, and 10 year tenures.

Table 2: Indexes and Rank of Labor Market Regulation, Selected Regions and Countries*

	Index	Rank		Index	Rank
Developed Countries			**Asia**		
France	0.58	185	Pakistan	0.53	177
USA	0.18	24	Indonesia	0.51	175
United Kingdom	0.16	12	India	0.28	71
			China	0.27	68
Africa			Bangladesh	0.24	55
Central Afric. Rep.	0.60	188	Malaysia	0.18	21
Senegal	0.60	187	Myanmar	0.11	5
Angola	0.54	180			
Zimbabwe	0.51	173	**Latin America**		
Kenya	0.37	130	Panama	0.51	174
Cameroon	0.36	123	Argentina	0.48	160
Ethiopia	0.34	114	Brazil	0.46	155
South Africa	0.33	108	Mexico	0.34	116
Ghana	0.25	59	Chile	0.26	65
Uganda	0.14	7	Colombia	0.19	28

Notes: * Indicator on a 0-1 scale, with 0 being least regulated; rank is out of 189 countries with 1 being least regulated.

Table 2 shows that there is a great deal of variation in the scores and rankings within regions. Among developed countries, Anglo-Saxon economies such as the United States and the United Kingdom have very low scores and rankings, whereas France has a very high ranking, suggesting that France is one of the most tightly regulated labor markets in the world (185th out of 189 countries). Overall, labor regulations in Africa and Latin America are more restrictive than in Asia and in developed countries, but individual country rankings vary widely within each region.

African countries were divided into three groups by language/colonial legacy: Anglophone, Francophone and Other. This division reflects the finding of Botero et al. (2004) that legal origin is an important determinant of labor market regulations, as is suggested by the wide disparity between France's and United Kingdom's scores, reported in Table 2.

Table 3: Indexes and Rank of Labor Market Regulation, and Share of Firms Rating Labor Market Regulations as a Major Constraint, African Countries*

	Labor Regulation Index	Labor Regulation Rank	Firms Identifying Labor Regulations as a Major Constraint (Percent)		Labor Regulation Index	Labor Regulation Rank	Firms Identifying Labor Regulations as a Major Constraint (Percent)
		Anglophone				**Francophone**	
Botswana	0.21	41	14	Benin	0.35	121	15.6
Gambia	0.24	58	3.5	Burkina Faso	0.28	74	26
Ghana	0.25	59	3.6	Burundi	0.20	39	2
Kenya	0.37	130	20.8	Cameroon	0.36	123	21.5
Lesotho	0.22	46	11.3	Central Afr. Rep	0.60	188	8.5
Liberia	0.30	91	2.6	Chad	0.42	146	28.4
Malawi	0.33	105	4.6	Congo, Dem. Re	0.55	181	10.4
Mauritius	0.30	92	8.8	Congo, Rep.	0.57	184	24.5
Namibia	0.16	15	4.3	Côte d'Ivoire	0.37	128	6.1
Nigeria	0.21	43	3.4	Djibouti	0.43	149	14.5
Rwanda	0.29	82	8.9	Equatorial Guinea	0.55	182	NA
Sierra Leone	0.29	84	11.4	Gabon	0.34	112	16.4
South Africa	0.33	108	5.9	Guinea	0.31	94	2.5
South Sudan	0.28	72	10.9	Madagascar	0.53	178	4.6
Sudan	0.33	111	13.5	Mali	0.44	151	6.4
Swaziland	0.19	29	9.9	Niger	0.54	179	5.3
Tanzania	0.37	127	31.7	Senegal	0.60	187	4.5
Uganda	0.14	7	18.5	Togo	0.48	164	3.1
Zambia	0.33	107	6.2				
Zimbabwe	0.51	173	9.6	**Average**	**0.44**	**143**	**11.8**
Average	**0.28**	**79**	**10.2**			**Other**	
				Angola	0.54	180	26.1
				Ethiopia	0.34	114	1.6
				Guinea	0.31	94	2.5
				Guinea-Bissau	0.48	163	3.5
				Mauritania	0.41	145	29.4
				Mozambique	0.56	183	6
				Rwanda	0.29	82	8.9
				Average	**0.42**	**137**	**11.1**

Source: World Bank Doing Business Indicators, Enterprise Surveys, and authors' calculations.
Notes: *Indicator on a 0-1 scale, with 0 being least regulated; rank is out of 189 countries with 1 being least regulated; firms identifying labor regulations as a major constraint as a ratio of all interviewed firms.

Indeed, as found in Fox and Oviedo (2013), Table 3 confirms that Anglophone African countries tend to have much lower scores and ranks in labor market regulatory stringency than Francophone countries. "Other countries" are in between although closer to Francophone countries. Again, however, there is considerable variation, with some Anglophone countries with high scores (e.g. Zimbabwe) and some Francophone countries with low scores.

Table 3 also presents a subjective measure of labor market regulatory pressure, the proportion of firm managers that rank labor market regulation as a major constraint on their business. In most cases, the share of such firms is very low, about 10 percent of all firms interviewed. This ratio is slightly higher in Francophone African countries at about 12 percent than Anglophone countries (10 percent) with other countries in the middle at 11 percent. Within each subgroup of African countries, however, there is consideration variation. In addition, examination of Table 3 suggests that the subjective measures of labor market restrictiveness do not correlate well with statutory measures of regulation. For all countries in the sample the correlation coefficient between our statutory and subjective measures of regulation is only about 0.12.

3.2 Effects of Labor Market Regulations on Exports

It would be desirable to assess the effects of labor market regulation on the creation and existence of formal sector jobs. Measuring formal or informal employment is very difficult, however. Instead, we examined the effects of labor market regulations on exports of manufactured goods and more specifically exports of clothing, on the grounds that export-led growth is a proven path to formal job creation (Golub and Hayat, 2015). We scaled exports by working age population. The independent variables were our measures of labor market regulation controlling for: per capita GDP; the overall Doing Business indicator of the business climate covering all aspects of starting and operating a business other than labor regulations; a measure of real exchange rate over- or under-valuation[2]; and a dummy variable for Africa.

Table 4 presents the results of the regressions. All the control variables were correctly signed and significant for both total-manufacturing exports and clothing exports, except for the Africa dummy variable in the former. However, the labor regulation variable was incorrectly signed and insignificant in both cases. These results did not change using alternative weights on the various components of the labor regulation variable. The regression analysis therefore provides no evidence that tighter labor market regulations impede export-led growth.

Table 4: Regression Analysis of Exports of All Manufactured Products and Clothing, As a Ratio of Working Age Population, Developing Countries*

	Total manufacturing exports divided by working age population, in 2013 dollars, in logs	**Clothing manufacturing exports divided by working age population, in 2013 dollars, in logs**
Labor regulation index (in logs)	0.08 (0.22)	0.30 (0.34)
Per capita GDP (in logs)	1.24*** (6.93)	0.95* (0.23)
Doing Business rank (in logs)	-0.73*** (3.60)	-1.21*** (2.70)
Real exchange rate overvaluation**	-2.66** (3.14)	-8.15*** (4.28)
Africa dummy (=1 if country is in SSA)	-0.34 (0.96)	-2.69*** (3.30)
Constant	1.27 (0.66)	6.10 (1.41)
R-squared value	0.74	0.54
N	84	82

Notes: Statistics in parentheses: * = p<0.05, ** = p<0.01 *** = p<0.001
***** Only for non-OECD countries and countries with working age populations greater than 1,000,000.
****** PPP exchange rate divided by the nominal exchange rate (2013) based on data from World Bank *World Development Indicators*.

[2] The exchange rate variable was obtained as the residual of a regression of per capita GDP on the deviation of the exchange rate from its Purchasing Power Parity (PPP) level. All data were obtained from World Bank World Development Indicators.

4. CASE STUDY: SENEGAL

The complexity of this issue suggests that a close study of particular countries' institutions and policies would complement a cross-country comparison. Senegal is chosen as a case study both because it is an important and interesting case, and one in which the authors have familiarity and contacts that enabled us to obtain a better understanding of the nature and enforcement of regulations. Despite a favorable geographic location, ethnic harmony, and a lack of natural resources and their "curse", Senegal has been unable to generate much formal employment growth in industry and services. Consequently, poverty remains very high: estimated at 47 percent in 2011 (Ministère de la Jeunesse, 2014).

In our earlier research on Senegal's investment climate (Golub and Mbaye, 2002), we found some indications that labor-market regulations were an important obstacle to Senegalese investment, but did not investigate this issue in depth. This section provides an updated and more thorough investigation of Senegalese labor market performance and the role of regulation therein. Our analysis is based on documents and interviews conducted in June 2015 with a wide range of stakeholders in the Senegalese economy to obtain their perspective on barriers to employment in industry and services. The interviewees included representatives from large domestic and foreign businesses, small and medium enterprises, government agencies and labor unions. Appendix 1 contains the list of persons interviewed.

Senegal's Labor Code ("Code du Travail") begins in article L.1 with its overarching objectives:

> *The right to work for each citizen is sacred. The state pledges its full efforts to assist citizens in finding employment and maintaining it once they have obtained it.*

Unfortunately, Senegal's Labor Code and institutions focus on preserving a small and stagnant pool of existing formal sector jobs, and the country has failed dismally in creating remunerative employment opportunities for the vast majority of its labor force.

4.1 Demographics, Labor Force and Employment in Senegal

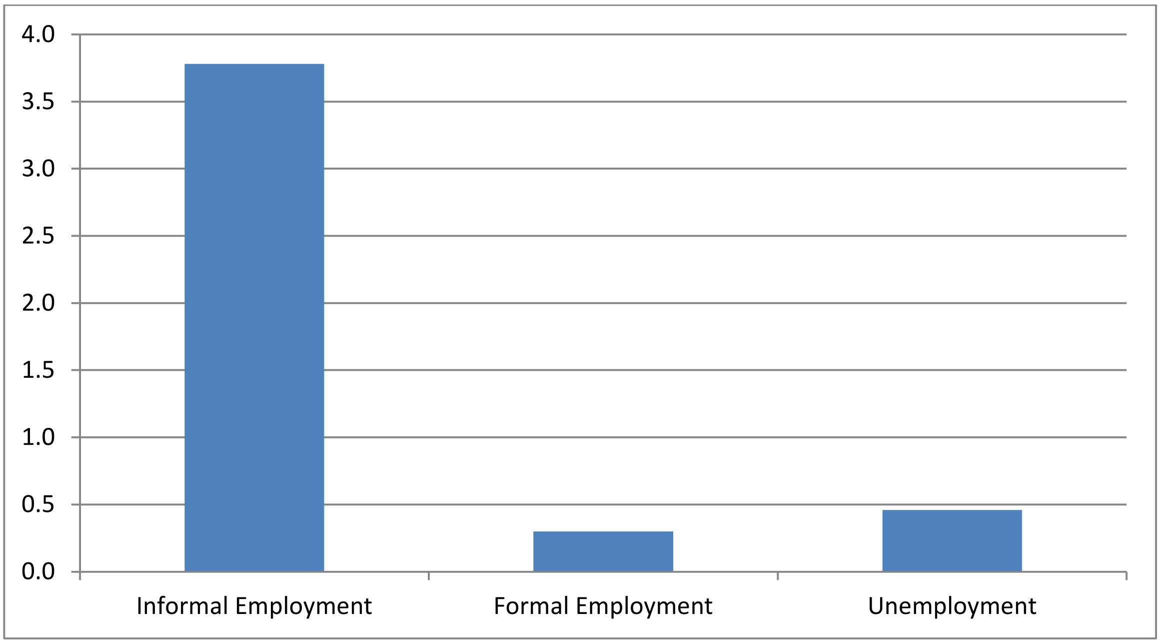
Rapid population growth is having a major impact on Senegal's labor supply. The growth rate of the population between 2010-2015 averaged 2.9 percent, similar to other countries in Sahelian West Africa, and among the highest in the world. Senegal's population is quite young with a median age of 19 in 2011 (Ministère de la Jeunesse, 2014). The surging numbers of young people entering the labor market, along with sluggish labor demand, is creating a situation of massive unemployment and underemployment. In 2005, an estimated 35 percent of urban youth (ages 15-24) and 50 percent of rural youth, were not employed or in school.

The working-age population numbers approximately 9 million. In developing countries, it is difficult to separate the working age population into those out of the labor force, employment and unemployment, given that much of the adult population is engaged in informal sector work which is often a form of disguised unemployment. ANSD (2011b) estimates that the labor force numbers approximately 5 million, of which slightly more than half is rural. The low participation rate of below 60 percent reflects the fact that many people, particularly women, work without pay in the household. The particularly high dependency on intra-household transfers within the extended family is characteristic of Senegalese society (World Bank, 2007; and Pfefferman, 1968). The participation rate for women of 45 percent is far below the average in Africa, whereas the participation rate for men of about 78 percent is close to the average for the continent.

Less than 10 percent of the labor force is employed in the formal sector, although estimates vary depending on the definition of formal employment (Benjamin and Mbaye, 2012). For example, Ministère de la Jeunesse (2014) lists formal modern-sector private employment at

109,000 (p.27) and urban informal employment at 2.2 million (p.42) in 2011. Elsewhere in the same document, the number of employees covered by social insurance is estimated at 245,000 (p.93). About half the working age population resides in rural areas where employment is overwhelmingly (98 percent) informal. Figure 1 shows the approximate breakdown of the labor force into formal employment, informal unemployment, and unemployment. Unemployment, defined as those without work but actively seeking it, amounts to about 10 percent of the labor force or about 500,000 people. Formal employment is roughly 400,000, and about 4 million are in informal employment. A large proportion of the 4 million remainder of the working population, mostly women, is engaged in unremunerated household work.

Figure 1: Breakdown of Senegal's Labor Force into Informal Employment, Formal Employment and Unemployment, millions of people, 2011

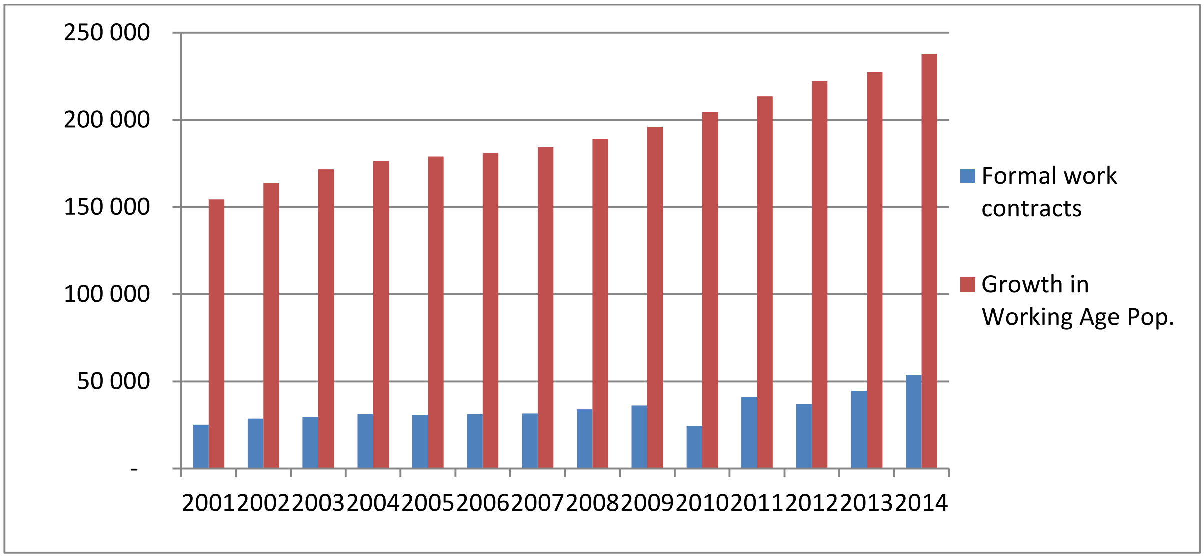


Sources: ANSD (2011b) and authors' calculation.

Furthermore, the situation has if anything deteriorated over the last 30 years. According to Terrell and Svenjnar (1990), private modern sector employment was about 100,000 in 1980, suggesting that private formal sector employment has stagnated over the past 30 years. This finding is consistent with the demise of large industrial enterprises such as textiles, groundnut oil processing and tuna canning in the 1990s and 2000s (Golub and Mbaye, 2002), roughly offset by growth in services.

Most recently improved economic growth in Senegal, led by non-tradable sectors such as construction, commerce, communications, and information technology, has moderately boosted formal employment. Figure 2 shows an increasing trend of new registered employment contracts signed over 2001-2014. However, about 2/3 of these contracts are temporary. In contrast, in 1980, about 60 percent of employment contracts were indefinite (Terrell and Svejnar, 1990). Moreover, the number of gross new contracts substantially overstates net employment creation, because some new contracts are renewals of existing contracts, and some of the existing contracts may be terminated.

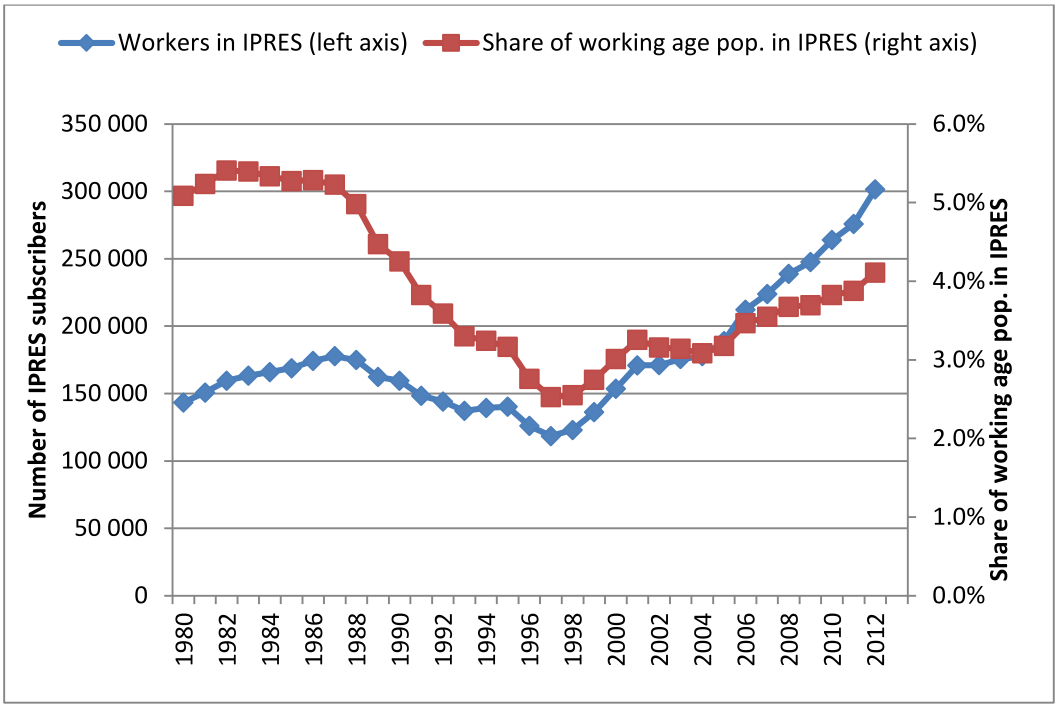
Figure 2: Number of New Registered Employment Contracts and Labor Force Entrants in Senegal



Source: Senegal Office of Labor Statistics, World Bank World Development Indicators and authors' calculations.

Figure 3 shows the total number of workers enrolled in the Institution de Prévoyance Retraite du Sénégal (IPRES) retirement program; in principle mandatory for formal sector firms, both in levels (left axis) and as a ratio of the working age population (right axis), for 1980-2012. In the early and mid-1980s, the number of IPRES participants rose from about 140,000 to 180,000, and then dropped steadily for about a decade. In the late 1990s, the number of enrollees started rising again, reaching an estimated 300,000 in 2012. As a ratio of the working age population (15-64), the level of IPRES participants is very low, as also shown in Figure 3. This share peaked in the mid-1980s at a little above 5 percent, fell sharply over the next decade to a low of 2.5 percent, and then rose steadily over the 2000s, reaching about 4 percent in 2012 – still very low and well below the ratio of the 1980s peak. In the mid-2000s, according to World Bank (2007), only 14,000 of some 175,000 IPRES participants were covered by the more generous supplemental plan. At that time, access to family allowances and disability compensation, managed by the Caisse de Sécurité Sociale (CSS), was slightly higher at 245,000. The vast majority of workers have no official social security coverage of any kind, relying instead on informal and traditional family and religious networks.

Figure 3: Number of Workers Enrolled in the IPRES Retirement Program, Level and as a Ratio of the Working Age Population



Source: IPRES reports, World Bank World Development Indicators and authors' calculations.

Only about 15 percent of workers receive a regular salary, the rest being self-employed, paid in kind or by the task. In short, the current stock and new supply of formal sector jobs with regular wages and benefits are far below the level and growth of the labor force, respectively.

There are marked disparities in pay between formal and informal jobs in Senegal as well as other West African countries (Golub and Hayat, 2015; Benjamin and Mbaye, 2012; and Roubaud and Torelli, 2014). As illustrated in Table 5, informal sector workers' earnings average one quarter of those in the public sector workers and one third of the formal private sector. The vast majority of the labor force is engaged in the informal sector, with low pay, minimal benefits, no union representation or job security and often dangerous working conditions. Opportunities and working conditions for women are even worse than for men. While a small number of larger informal firms pay better than their smaller counterparts, most workers are in small informal enterprises. Thus, having a formal job with prerequisites such as paid vacation, protection against abusive treatment, access to retirement programs and health insurance can be considered a rare privilege.

Table 5: Senegal: Monthly earnings, by sector (in Euros)

Government	228
Public Enterprise	205
Formal Private Sector	169
Informal Sector	59

Source: Adapted from Roubaud and Torelli (2013, Table 1.14).

For young people, especially, the labor market situation is very difficult. While education levels have been rising, in 2011, 46 percent of young people (ages 15-35) still had no formal education. Even those with higher levels of education are rarely able to secure formal sector jobs. Recorded unemployment actually rises with the level of education, with university graduates having an unemployment rate of 31 percent in 2011, up from 16 percent in 2005. Due to a combination of school attendance, lack of employment opportunities and lack of skills of many young people, the labor force participation rate for young people is well below the national average at only 42 percent in 2011 (54 percent for men and 33 percent for women). Forty percent of young people classified as outside the labor market are “discouraged workers” who have ceased looking for work due to poor prospects. Those that do have jobs are overwhelmingly in the informal sector. However, the classification of workers as out of the labor force or in the informal sector is often quite arbitrary, as noted above. The key point is that prospects of formal employment are even bleaker for young people than the rest of the workforce. As Ministère de la Jeunesse (2014, p. 69) notes, the Labor Code and Collective Agreements disregard or even impede employment opportunities for young people.

4.2 Senegalese Labor Market Institutions

Senegal’s Labor Code, as in many francophone African countries, is modeled after France’s. The 1961 Code, adopted upon Senegal’s independence, was very similar to the 1952 French Overseas Labor Code that governed labor regulations in France’s African colonies. Pfefferman (1968, p.94) observes that the 1952 Code was in some respects even more restrictive than France’s. “Social concern almost always predominated over economic considerations with French MP’s who were often ill-informed about colonial matters…”. “Rigid and complex administrative regulations” were implemented, which he rightly noted are difficult to modify once put in place.

Despite several partial liberalizations, most notably in 1997, Senegal’s Labor Code retains quite stringent provisions on employment contracts, layoffs and working conditions. Using the measure of restrictiveness of labor market institutions discussed above, Senegal ranks as the 187th most restrictive country in the world in the severity of labor market regulations, with a nearly identical score to France’s. Table 6 shows a breakdown of the overall restrictiveness score into the four main categories of our indicator: minimum wages relative to labor productivity; hiring; working conditions; and layoffs. Senegal ranks as very highly regulated on all sub-indexes and particularly so on the level of the minimum wage and hiring regulations.

Table 6: Senegal’s Rankings on DB Labor Regulation Indicators, (1 = least restrictive, 189 = most restrictive)

Overall	Minimum Wage	Hiring Difficulty	Working Conditions	Layoffs
187	181	170	140	136

Source: Doing Business Indicators and authors’ calculations.

Hiring:

The 1961 Code stipulated that hiring be centralized through the Service de la Main D’Oeuvre, a government employment agency (Terrell and Svejnar, 1990). While that requirement was not fully enforced and was removed in 1988, Senegal retains among the highest level of restrictions on hiring in the world according to our index, and the restrictiveness of these provisions was confirmed in nearly all of our interviews. One of the most significant provisions of the Labor Code, covered in Chapter III, concerns restrictions on contracts. The Code specifies several permissible forms of contracts, the most important of which are fixed-term, seasonal, and open-ended. The overall objective of the provisions on contracts is to limit the extent to which firms can hire on a temporary basis and lay off workers so as to promote long-term job security. Therefore, limitations are placed on use of seasonal and especially fixed-term contracts and termination of these contracts. Seasonal contracts must be limited to very short and non-consecutive time periods for tasks that are seasonal in nature, and in principle, workers should get a new contract every day they work. Likewise, fixed-term contracts are to be confined to situations where the tasks involved are temporary in nature (Article 44). If the provisions of fixed-term and seasonal contracts are violated, the worker is automatically defaulted to an indefinite-term contract.

Fixed term contracts are for a maximum of two years and can be renewed only once (Article 42). All fixed-term term contracts of more than three months must be notified to the Office of Labor and Social Security Inspections.

Recently, hiring provisions have been partially relaxed. In 2008, a government decree granted exceptions to the number of renewals of fixed term contracts for certain job classifications and specific sectors[3]. The general exceptions include activities related to: maintenance and repair; security; sports, theater and other public shows; surveys and polling; forest exploitation; ship repairs; and anything which depends on short-term financing. In addition, fixed term contracts are liberalized for some types of work within construction, agriculture, telecommunications, and tourism. However, this decree specifies that any such waivers of the Labor Code's provisions cannot be intended to or have the effect of displacing permanent jobs, subject to penalties. Furthermore, managers assert that these exceptions to the Labor Code's provisions on fixed-term contracts are not in practice usually upheld when challenged at the Labor Tribunal.

In 2009, a decree permitting "Temporary Contracts" for workers provided by temp agencies was established but again with numerous restrictions and limitations[4]. In February 2015, President Sall signed law 2015-14 modifying the Labor Code to introduce provisions on internships, and announced that specific regulations on internships will be laid out in a forthcoming decree.

Layoffs:
Terminations of fixed-term contracts before their term ends are not permitted except for flagrant violations, mutual agreement of employer and employee, or unusually severe external circumstances. Failure of firms to adhere to these stipulations results in liability for damage claims by workers. Although restrictions have been eased on terminations of indefinite-term contracts for "economic reasons" since the 1990s, layoffs of workers on indefinite term contracts remain subject to complex procedures, advance notice, review by labor inspectors and challenge, in many cases, often leading to litigation at the employment tribunal. Layoffs of shop representatives ("délégués du personnel") require authorization from the Minister and firings of these representatives are subject to particularly tight restrictions and heavy fines for violations.

Many managers decry the lack of flexibility in layoffs even in cases of gross incompetence, preventing hiring more qualified or motivated workers. Inability to sanction poor performance undermines productivity.

Working Conditions:
The Labor Code also provides numerous specific prescriptions on working hours, overtime pay, paid vacation, compensation for relocation costs, health and safety, and many other workplace conditions. For example, Senegalese workers are entitled to nearly ten more leave days than in France, and 20 more than in the United States and China (World Bank, 2007). In addition to national holidays, employers must provide two paid vacation days per month to any employee with a year of seniority of more (Articles, 148-150).

[3] Arrêté Ministériel no. 1887 of March 2008 listing the sectors in which it is not usual to have indefinite term contracts.
[4] Décret no. 2009-1412 specifying the protections accorded to employees of temporary staffing agencies and the obligations of these agencies.

In addition to strict limitations on temporary contracts and complex recruitment procedures, the Labor Code imposes restrictions on altering workers' job classifications and employment locations. Employers are required to provide nutrition to workers and their families in the event that the worker is unable to procure food (Article 107). Where collective bargaining has not superseded national regulations, the government is entrusted with setting minimum wage scales, differential pay for overtime, holiday and night work, and seniority and merit bonuses (Article, 109).

Labor inspectors ("inspecteurs du travail") from the Directorate of Labor Inspection and Social Security (DLISS) are authorized to carry out unannounced visits to firms to assess compliance with the Labor Code (Article 197). Although officials say the number of inspectors and vehicles is insufficient to adequately monitor compliance, the number of inspections rose sharply in 2014 to nearly 1600, up from about 600 in the previous years. Officials from DLISS claim to oversee the informal sector but the bulk of inspections and disputes concern formal sector firms and workers.

Compliance with the provisions of the Labor Code are highly variable, even among foreign investors. According to some of our interviews, Chinese and Lebanese investors usually completely ignore labor market regulations whereas European firms tend to comply quite scrupulously. Firms also resort to temp agencies for some tasks despite the 5-10 percent higher cost, to avoid intrusive regulatory oversight.

Minimum Wages:
As in many African countries, Senegalese formal sector wages are high relative to per capita GDP and levels in countries with similar income levels in other regions (World Bank, 2007; Golub and Hayat, 2015; and Ceglowski, Golub, Mbaye and Prasad, 2015). The differentials between formal and sector labor incomes are very large. The World Bank (2007) reports that median formal sector salaries were about 100,000 FCFA per month ($200) whereas for informal workers it is 34,000 FCFA per month.

Senegal's overall minimum wage for non-agricultural work is set at 209.10 FCFA per hour, or about 40,000 FCFA (about $80) per month. Thus the minimum wage is generally not binding for the formal sector but would be for the informal sector if it were applied which it is not.

However, collective agreements ("Conventions Collectives") at the industry level set minimum wages that generally exceed the national minimum wage, with a grid of step-ups based on experience and skills. These wage and salary scales are supposed to be updated regularly but the current rates were established in 2009. For most industries, for the lowest level of experience, the collective agreements establish minimum monthly of around 60,000 FCFA per month and/or hourly rates of about 350 FCFA[5].

Most of the managers and human resource personnel we interviewed did not view the national minimum wages as a constraint but opinion was more divided on the pay scales set by collective bargaining agreements. Some managers stated that minimum wages were too high in some sectors but surprisingly, in a few instances, others argued that they were too low and that firms had to pay bonuses and supplements ("primes" and "sursalaires') over the specified grids to retain their skilled workers. Several suggested that the collective conventions were out of date and should be renegotiated.

Mandatory Social Insurance Contributions:
Mandatory social insurance contributions, more so than wages, are particularly elevated in Senegal. The main levies are for 1) retirement, managed by a private agency under

[5] Ministère de la Fonction Publique, du Travail, de l'Emploi et des Organisations professionnelles, "Nouveaux Barèmes des Salaires", 2009.

government supervision, Institution de Prévoyance Retraite du Sénégal (IPRES), 2) family allowances and disability compensation, managed by the Caisse de Sécurité Sociale (CSS) and 3) health insurance. For firms that comply with all required payroll contributions, the cost can amount to 25 to 30 percent of base salary (Table 7). Counting employee contributions, the ratio rises to about 40 percent.

Table 7: Senegal Social Insurance Mandatory Payroll Contributions (Percent of Gross Wages)

	Overall Rate	Employer Share	Employee Share
Retirement (IPRESS)			
Public Pension Plan	14	8.4	5.6
Supplementary Plan	6	3.6	2.4
Social Security			
Family Allowances	7	7	
Occupational Injury	1 to 5	1 to 5	
Health Insurance	6	3	
Vocational Training Tax	3	3	
Total	37 to 41	26 to 30	11

Source: World Bank (2007), Interviews.

Most managers we talked to viewed these payroll taxes as very onerous. However, only a small number of formal sector firms participate, so few workers are covered by any of these social insurance programs, and even fewer are covered by all of them, as indicated earlier.

Labor Unions and Collective Bargaining:
Most of the formal workforce is unionized. Most industries have their own unions. A few umbrella organizations group industry-level unions into larger entities. The Confederation Nationale des Travailleurs du Senegal (CNTS) and the Union Nationale des Syndicats Autonomes du Senegal are the most important. CNTS encompasses 65 industry-level unions and has some 65,000 members. The corresponding figures for UNSAS are 56,000 members from 54 unions.

The major umbrella unions are politically powerful. They constitute an important component of the tripartite social dialogue along with business representatives and government officials. The situation has not fundamentally altered since the 1980s at which time "trade unions are, and have been, generally aligned with powerful political groups and somewhat divorced from the workers' interests" (Terrell and Svejnar, 1990, p. 50).

Unions recognize the paucity of employment opportunities but rather than deregulation, they favor increased import protection and crackdowns on informal firms that flout regulations, undermining employment protections. Many firms cheat, failing to declare the majority of employees. Union representatives claimed that Chinese- and Lebanese-owned firms were far less compliant in respecting the labor Code than European investors.

Conflicts Between Labor and Management:
Many firm managers made clear that they recognized the necessary role of unions, but decried their politicized and confrontational functioning in Senegal. Strikes have become increasingly infrequent in Senegal, but conflicts between labor and management are quite common and

according to some firms, increasing in frequency and severity. Several firm managers deplored the confrontational attitude of unions, although some also said that good relations with workers could be attained through cooperation with unions.

The Labor Code prescribes procedures and compensation in the event of violations of labor protections. Workers can bring alleged abuses to the attention of labor inspectors at the DLISS. Before taking legal action, workers and employers can attempt to find agreement through arbitration procedures, with the oversight of inspectors, or workers can opt to take the case directly to the Labor Tribunal. If arbitration fails, cases are usually referred to the Tribunal, although a few cases are dropped by the plaintiffs. Many cases do go to the Tribunal but even if they do not, the threat of costly litigation hangs over the arbitration process.

Table 8 shows the number of cases going to arbitration and to the tribunal, in 2008 and 2011-2014, the years for which information is available. The total number of arbitration cases has varied in the range of 1000-2000 annually in this period, with the highest level in 2014. Of these arbitration cases, approximately half have been resolved successfully and slightly less than that were not resolved, with most of the latter referred to the Tribunal.

Table 8: Indicators of Labor Market Conflict

	2008	2011	2012	2013	2014
Activities of Labor Inspectors					
Organizations inspected	452	458	592	644	1587
Number of arbitration cases	930	866	634	983	1078
Cases not successfully arbitrated	526	780	417	619	983
Cases forwarded to the Tribunal	NA	NA	457	526	806
Payments to Workers					
Severance payments (thousand USD)	NA	1304	4911	8315	9456
Arbitration payments (thousand USD)	578	339	669	685	674
Social Dialogue					
Election of Worker Representatives Overseen	128	119	NA	125	137
Authorized layoffs of worker representatives	18	9	29	28	12
Refused layoffs of worker representatives	NA	11	25	27	13

Source: Directorate of Labor Inspections and Social Security

According to most of the managers we spoke to, the Labor Tribunal is biased towards the interests of labor, and workers win the overwhelming majority of cases. Several managers stated that the proportion of labor victories was 98 percent, although a few firms claimed that careful documentation of cases led to better outcomes. Labor unions and government officials agreed that workers won the vast majority of cases at the Labor Tribunal, but attributed that to the fact that the unions only took on strong cases or that the workers were almost always in the right.

Firms cite the high costs of these cases. Firms are often hit with damage awards of about 5 million CFA francs (about $10,000) to individual workers, and sometimes to many workers at once, resulting in payments of as much as 70 million FCFA (over $100,000). For wrongful firing of a staff representative, fines have reached 200 million FCA ($400,000). Unions collect a percentage of these fines (around 20 percent), providing a strong interest in pursuing firms.

The threat of costly litigation leads firms to pay out large settlements. Table 8 shows voluntary severance payments to employees by firms and payments agreed at arbitration. Data on fines paid resulting from convictions at the Tribunal are not available. The figures show that severance payments are quite large, reaching nearly $10 million in 2014, up sharply from 2011, amounting to about 2 percent of total labor formal sector labor compensation. The level of fines imposed by DLISS is considerably smaller but still quite onerous for some firms, according to our interviews.

As noted above, the DLISS must approve layoffs of workers' representatives. Table 8 shows that about half of employer requests are granted, and the other half rejected.

Employers generally call for reforms of certain provisions and more flexible implementation rather than complete overhaul. Unions fiercely resist liberalization of the Labor Code, claiming that it leads to job insecurity. Incremental reforms may be all that is feasible under present circumstances.

Some firms argued that good managerial practices, treating employees as "social partners" and regular communication with them, minimized conflicts. In this view, the problems associated with the Labor Code were manageable if employers gain workers' trust. This view was in the minority, however, with most decrying the lack of flexibility and high costs the Labor Code imposes. Nevertheless, the point that managers can do their part to move towards more cooperative labor market relations is important.

4.3. Overall Assessment

In our interviews, labor relations were not usually cited as the main obstacle to greater formal sector employment in Senegal, but are widely viewed as a significant problem. Generally, labor relations are ranked as less important than infrastructure, particularly power, access to finance, corruption and red tape, and access to land. Two main factors explain the relative lack of concern about labor market rigidities: a) other constraints are even more onerous, and b) many firms disregard or violate the rules. Nevertheless, a majority of the firms interviewed were frustrated by the rigidity of labor regulations and the antagonistic relations between unions and management.

Many firm managers decried the archaic nature of the Code, with a need for more flexibility to adapt to modern realities. While the provisions of the Labor Code are frequently flouted, for larger formal firms the risks of doing so can be significant. As discussed above, workers can sue employers, with the assistance of unions, at the Labor Tribunal, generating substantial costs and adverse publicity. The Code enshrines a confrontational dynamic between labor and management, with conflicts often litigated at the Labor Tribunal, resulting in high costs to firms. The functioning of labor unions also contributes to the often-adversarial relationship between workers and employers.

Based on our interviews, the largest concerns of firms are the inflexibility of contracts and the confrontational tactics of unions. Mandatory social insurance contributions are also high. Many firms claim they are constrained by their inability to renew fixed term contracts, and as a result, curtail hiring and training of workers. Firm managers cite low profitability, fluctuating revenues, changing consumer preferences, and rapid technological change as factors that require more flexible labor structures. Some firms also view the restrictions on layoffs and other regulations as impediments, but these were less widely cited than the rigidities associated with contracts. In addition to the restrictions imposed by some provisions of the Labor Code, the way that alleged violations of these rules are used by unions to take or threaten legal action is equally important. On the other hand, some managers observed that enlightened practices by employers to treat workers fairly and engender a spirit of cooperation, reduced conflicts.

The inflexible and adversarial nature of formal labor market functioning is in the end harmful not only to business profitability, but also to the creation of employment. As some of our interviewees pointed out, there is an absence of creation of large formal firms. Domestic manufacturing factories have largely disappeared. While there are multiple causes of the dismal performance of the Senegalese labor market in creating remunerative employment opportunities, our interviews left no doubt that labor relations are a contributing factor. The excessive focus on preservation of existing jobs and employee privileges has contributed to the near absence of formal jobs.

Human resource managers with experience in other countries reported that problems with rigid regulations and confrontational unions occurred in other Francophone countries, but are worse in Senegal. The situation was much better in Anglophone African countries such as Ghana and Tanzania, in their view. Our indicators of labor market restrictions confirm this assessment.

A complete overhaul of the Labor Code is not feasible, but increased flexibility in hiring is essential. Some reforms easing the use of fixed-term contracts have occurred, but these are not really applied. Lack of trust between labor and employers is equally salient. Government should undertake a new social dialogue to create a less confrontational attitude by unions, as well as management, and one that is more welcoming to new investments.

5. OTHER CASE STUDIES

5.1 Ethiopia

Despite very strong economic growth, agriculture still accounts for 85 percent of total employment (Johansson, 2010) and formal sector employment was under 10 percent of the labor force as of the mid 2000s (Golub and Hayat, 2015; Broussard et al, 2014). Since 2010, Ethiopia's government has been attempting to emulate East Asian export led growth through promotion of manufacturing. A few Chinese investments in industrial parks have attracted a great deal of attention. So far, however, manufacturing remains minuscule and Ethiopia's growth has been driven largely by public investment, construction and agriculture (World Bank, 2015).

In 2014, out of 189 countries, Ethiopia was above average in labor market restrictiveness at 114th (Table 9). Ethiopia has no minimum wage for private sector workers and its restrictions on working conditions are limited, but it imposes rather stringent conditions on hiring and especially firing.

Table 9: Ethiopia's Rankings on DB Labor Regulation Indicators, 2014
(1 = least restrictive, 189 = most restrictive)

Overall	Minimum Wage	Hiring Difficulty	Working Conditions	Layoffs
114	1	123	50	160

Source: Doing Business Indicators and authors' calculations.

Minimum Wage:
A minimum wage only exists for the public sector, where the wage depends on occupation and experience. It ranges from 420 birr ($20) a month for low-level guards to 4343 birr ($209) for experienced professionals[6]. In part due to the absence of a minimum wage and very low

[6] "Salaries Labour Law Wage Indicator Foundation @ HomeSalariesMinimumWagesEthiopia Minimum Wages in Ethiopia with Effect from 01-01-2011". WageIndicator.org. 16 Sept, 2013.

unionization, private sector wages are very low, roughly similar to those in Bangladesh (Ceglowski et al., 2015).

Hiring Difficulty:
Ethiopia has a high hiring difficulty score because it forbids fixed-term contracts for permanent tasks. At the same time, there are no limits on fixed-term contracts. In a survey of Ethiopian businesses, Minas and Berhe (2011) found that 31.2 percent of Ethiopian companies thought that hiring labor was inexpensive, 25 percent found it slightly expensive, another 25 percent found it expensive, and 18.6 percent found it very expensive.

Working Conditions:
The 2003 Labor Proclamation forbids more than eight hours of work a day or forty-eight hours a week. Workers are supposed to get weekly rest days, but employers can circumvent that restriction if “there is urgent work to be done”[7].

Layoffs:
Ethiopian employers can only fire employees for specific reasons described in the Ethiopian labor law (these reasons aren’t atypically strict—they include tardiness, absence, lower productivity, and crime). Layoffs require advance notice of 1-3 months (Broussard et al, 2014). Workers can appeal layoffs to a labor dispute settlement tribunal. Minas and Berhe (2011) report that these “ad hoc labour relations boards” are major headaches for Ethiopian businesses.

Eighty-one percent of companies recently have faced court cases when firing workers. An inadequate number of labor courts and judges makes for long and costly court proceedings. Minas and Berhe (2011) note that an average labor court judge “hears about forty labor cases a day and takes from two months to two years to decide cases”. Businesses complain that inexperienced judges misinterpret the law as evidenced by many cases of reversal upon appeal. Moreover, 43.7 percent of employers see labor courts as biased against employers.

Labor courts greatly contribute to the cost of firing workers— Minas and Berhe (2011) report that 12.5 percent of companies found firing labor to be inexpensive, 12.5 percent slightly expensive, 37.5 percent expensive, and 31.2 percent very expensive. In this regard, the situation is similar to Senegal.

Assessment:
The Ethiopian government is prioritizing industrial development mimicking the East Asian model. Low labor costs are a source of manufacturing competitiveness for Ethiopia, as they have been for East Asia. Unlike most African countries, there is no minimum wage in Ethiopia and industrial labor costs are comparable to those in low-wage countries in Asia such as Bangladesh. However, in other regards Ethiopia’s labor market regulation inhibits labor-intensive investment. Restrictions on hiring and firing are burdensome, particularly the labor courts. However, labor regulations are only one of many deficiencies in the Ethiopian business climate. Fewer than 2 percent of firms cite labor regulations as a major constraint, in comparison to 31 percent who do so for access to finance and 23 percent for electricity. Likewise, in describing the obstacles to manufacturing competitiveness, the World Bank (2015) prioritizes skill development, improving access to finance and electricity, and simplifying taxation and regulation. Reducing labor market regulations is one of many steps that can be taken in the latter direction even if not one of the most significant.

[7] *Proclamation No. 377/2003*. 26 Feb. 2004. Federal Negarit Gazeta, Addis Ababa.

5.2. Ghana

Retrenchment of the public sector under structural adjustment programs led to a 60 percent decline of public sector employment between 1985 and 1991. Formal private sector employment growth has been insufficient to offset the decline in public sector jobs. Consequently, the share of formal employment in total employment fell from 16 percent in 1984 to 12 percent in 2013. Agriculture's share of total employment fell from about 60 percent in 1984 to 45 percent in 2013 but still accounts for some three quarters of informal workers (Aryeetey et al, 2014); Aryeetey and Baah-Boateng 2015; Haug, 2014; Osei-Boateng and Ampratwum, 2011). Women are overrepresented in the informal sector; in urban areas 65 percent of women are informal workers compared to 44 percent of men (Budlender, 2011).

On our index of labor regulation severity, Ghana is ranked relatively favorably. It is the 59th least restrictive out of a sample of 189 countries. This is due to a low minimum wage and absence of restrictions on temporary contracts. Ghana's regulations on working conditions and layoffs, on the other hand, are quite stringent (Table 10).

**Table 10: Ghana's Rankings on DB Labor Regulation Indicators, 2014 and 2006
(1 = least restrictive, 189 = most restrictive)**

Overall	Minimum Wage	Hiring Difficulty	Working Conditions	Layoffs
59	70	1	124	122

Source: Doing Business Indicators and authors' calculations.

Minimum Wage:
In 2015, the official national daily minimum wage stood at 7 Ghana cedi per day ($1.89). The wage is set by the National Tripartite Committee made up of representatives from the national government, organized labor, and the Ghana Employers' Association. The minimum wage is not enforced for the informal sector (Aryeetey et al., 2014).

Hiring Difficulty:
There are almost no stipulations on hiring new workers, save that if a worker is employed for more than six months, the employer must create a written contract.

Working Conditions:
The Labour Act, of 2003 (Act 651) guarantees every worker at least fifteen days of paid leave in any calendar year of "continuous service". Continuous service is defined as working for more than 200 days in one year. Paid overtime is mandated for more than 40 hours a week. Workers are entitled to a thirty minute break in a continuous workday, a rest of twelve hours between workdays, and a rest period of 48 hours every seven days[8].

Layoffs:
The labor law stipulates that when a business "contemplates the introduction of major changes in production, programme, organization, structure, or technology of an undertaking that are likely to entail termination of employment of workers in the undertaking", the employer has to provide the relevant trade union with all information pertinent to the process, including the number of employees likely to be laid off. Laid-off workers are entitled to redundancy pay, the amount of which is decided in negotiations between the labor union and the national labor commission. Workers who believe that their termination is unfair can present a complaint to the national labor commission, which can order the employer to reinstate or compensate the employee. It is unclear how often this occurs.

[8] Labour Act 651, *et seq*. (2003).

Before terminating a contract, either the employee or employer must give one month's notice or pay (in the case of a contract lasting three years or more) or two weeks' notice or pay (in the case of a contract less than three years). Weekly contracts only require seven days' notice. It's unclear how strictly these regulations are enforced. In April 2015, the government promised to boost enforce redundancy compensation laws, apparently in the face of increased layoffs.

Fringe Benefits:
The Social Security and National Insurance Trust (SSNIT) was created by the National Pensions Act in 2008 (Act 766). It mandates that employers must contribute at least 13.5 percent of the monthly minimum wage every month, and the worker 5 percent. The Labour Act does not require employers to provide employee health insurance. However, Ghana does have national health insurance, albeit at a basic level. 2.5 percent of the 18.5 percent contribution to Social Security is used for the National Health Service. The Workmen's Compensation Act (1987) mandates that employers are responsible for injuries incurred when in the workplace. It's unclear whether these regulations are enforced; for example, public servants rarely get compensated for workplace injuries (Agyepon, 2007).

Unionization:
The right to unionize is enshrined in the Labour Act of 2003. There are two main national labor centers in Ghana—the Ghana Trades Union Congress (Ghana TUC) and the Ghana Federation of Labor (GFL). According to the TUC's website, 500,000 Ghanaian employees belonged to the TUC in 2012, while the GFL has 48,000 workers (Ghana's working age population is approximately 15 million). Blunch & Verner (2004) find that there exists a union wage premium for the poorest formal sector workers.

Organized strikes occur frequently in Ghana. Large labor unions tend to strike not to combat or support specific labor policies, but to express general outrage over Ghana's economic state. These workers protest frequent power shortages, inflation, high fuel costs, and usually the general state of the Ghanaian economy. In July 2014, 5000 members of the TUC, hailing from industries as varied as mining and healthcare, went on strike to protest inflation and high gas prices[9].

Usually, smaller and more specialized unions strike to protest conditions in their specific industry. For example, in 2013, the Civil and Local Government Staff Association of Ghana, the Coalition of Concerned Teachers Association, the Teachers and Educational Workers Union, the Government and Hospital Pharmacists Association, and the Ghana Medical Association all went on strike. Many of these strikes revolve around negotiations in the National Tripartite Committee, the organization responsible for determining minimum wages and benefits by industry.

Assessment:
Labor laws are less restrictive than in Senegal but the adversarial relationship between unions and firms are similar, and strikes are if anything more frequent. Also as in Senegal, labor relations are less important than deficient infrastructure, especially lack of reliable electricity[10].

[9] "CLOGSAG Says Strike Action Still in Force", *Ghana Business News* 16 Oct 2013; and "Ghana's Public Doctors Call-off One Month Strike", *Ghana Business News* 08 May 2013. Also: Dontoh, Ekow: "Ghana's Biggest Labor Union to Hold Strike Over Economy", Bloomberg Business 24 July 2014; Domfeh, Kofi Adu: "Pharmacists Cost Impact of Strike on Health Service Delivery", Joy Online Luv News 22 May 2013; and "TEWU Halts Strike Action", *Ghana Business New*s, 21 Oct 2013.

[10] According to Enterprise Surveys, 61.2 percent of firms in Ghana identify electricity shortages as a major constraint; 18.7 percent of firms cite electricity shortages as their largest constraint, second only to access to capital at 44.5 percent, while 3.6 percent of firms identify labor regulations as a major constraint.

Nevertheless, it is clear that labor regulations and conflicts with management adversely affect the business climate (Seniwliba, 2013).

At the same time, the Ghanaian government has been criticized for doing too little to eliminate child labor. NGOs such as Human Rights Watch decry the use of children in gold mines, fishing in Lake Volta, and other systematic abuses. Although child labor is explicitly forbidden in the Labour Act (2003), the Children's Act (1998), and numerous other international treaties, the Ghanaian government has completely failed to enforce these regulations.

5.3. China

China's meteoric export-led growth has entailed a massive expansion of urban employment, particularly in manufacturing. Formal sector manufacturing wages have increased by 12 percent annually since 2001, reaching an average of about $600 per month in 2015, 10 times Bangladesh's level (Economist, 2015). Poverty has declined sharply as low-income rural workers have shifted to much more remunerative urban jobs. Although many urban residents are employed in smaller and more informal firms (Huang, 2013) there is no question that China's rapid growth has led to a massive improvement in living standards and decline in poverty for many millions of workers. These rapid increases in wages reflect rising productivity growth (Ceglowski and Golub, 2012) as well as some strengthening of labor laws and pressure on businesses to raise wages in response to unions and tightening labor market conditions.

China introduced its first labor law, The Labor Law of the People's Republic of China, in 1995. However, enforcement was weak[11]. Worker unrest and popular outcries against reports of abuse of workers led to the 2008 Labor Contract Law. The 2008 law mandates written contracts for workers, tighter layoff restrictions and facilitation of collective bargaining. In 2013, the national labor law was amended to strengthen enforcement of labor regulations. Nevertheless, enforcement, while improved, is still often weak.

China is ranked 68th out of 189 countries, indicating that its labor regulations are somewhat less stringent than in most other countries (Table 11). Although its Layoffs and Minimum Wage provisions are quite restrictive, Hiring Difficulty and Working Conditions are more permissive.

Table 11: China's Rankings on DB Labor Regulation Indicators, 2014
(1 = least restrictive, 189 = most restrictive)

Overall	Minimum Wage	Hiring Difficulty	Working Conditions	Layoffs
68	107	1	27	181

Source: Doing Business Indicators and authors' calculations.

Minimum Wages:
Minimum wages are much higher in major urban centers than in rural areas: 1720 RMB ($277) per month in Beijing, 2020 RMB ($325) in Shanghai, but only 850 RMB ($136) in Guizhou, a mountainous rural province (Yao, Rainy and Rosettani, 2015).

In 2004, the Ministry of Labor and Social Security (now Ministry of Human Resources and Social Security) created guidelines for regional governments to set minimum wages, taking into account average wages, living costs, social security contributions, and supply and demand for labor; previously, local governments were only directed to consider living costs.

[11] *China Employment Law Guide*. Rep. Baker & McKenzie, 2013.

From 2008-10 the national government froze all minimum wages but from 2010 to 2012 minimum wages increased by 22 percent annually. From 2012 to 2014, minimum wages increases averaged 13.1 percent and the 12th Five Year Plan calls for continued annual increases of 13 percent.

Hiring Difficulty:
China's low hiring difficulty score stems from two factors: China does not prohibit or limit the duration of fixed-term contracts. However, the 2008 Labor Contract Law required every employee to have a written contract, either fixed-term or permanent, to regularize employment status. If an employer fails to provide a contract after thirty days, the employee is entitled to double the monthly wage. Freeman and Li (2013) find that workers with new employment contracts are indeed more likely to obtain legally-mandated employment benefits.

Working Conditions:
The Labor Contract Law left working conditions untouched—labor reformers attempted to improve access to protections through contracts instead of adopting more regulations about working conditions.

Under the standard working hours system, employees cannot work more than eight hours a day and forty hours a week. However, employers can opt for alternative systems: the "Comprehensive" or the "Flexible" hours systems. Under the "Comprehensive" system, "employers may require employees to work longer hours without paying for overtime so long as the average hours worked in a certain period do not exceed the limit on total hour for that period" (Baker and McKenzie, 2013). Under the "Flexible" system, employers can require certain staff to work more than forty hours a week with no overtime pay. Otherwise, workers are entitled to 150 percent of normal wages for overtime on workdays, 300 percent on rest days, and 300 percent on holidays. Before requesting overtime work, employers are supposed to consult with the labor union. Workers get at least one rest day, usually on Saturday or Sunday, with the employer selecting the day.

Layoffs:
According to our index, China has some of the strictest regulations on layoffs in the world. Employees can only be fired with no notice or severance if the employee violates rules, commits a crime, or is hired by another employer. Otherwise, the employer must provide 30 days' notice and severance as well as notifying the labor union. In certain circumstances, employers are prohibited from laying off employees: if the employee is pregnant, becomes injured or sick due to work, or has been working continuously for the employer for at least fifteen years.

For collective dismissals (defined as 20 or more employees or 10 percent or more of the workforce), the employer must prove that the business "has serious difficulties in terms of production or operation" (Baker & McKenzie, 2013), is reorganizing, or in bankruptcy proceedings. Even in these cases, the employer must provide 30 days of notice.

Employees are almost always entitled to severance—except when the employee is fired during the probationary period, the employee violates rules, or commits a crime. Severance pay is one average month's wages for each year of service.

Enforcement of Regulations:
In addition to new enforcement provisions, the 2008 Labor Law widely disseminated information about workers' rights and benefits (Wong, 2010). Nevertheless, it appears that weak enforcement of regulations is the norm at least for domestic firms (Guo Baogang, 2013). Some claim that the authorities enforce regulations more vigorously for foreign firms than domestic firms (Harris, 2007).

Fringe Benefits:
Employers and employees pay in to the five Chinese social insurance funds (retirement pensions, medical, occupational accident, unemployment, and maternity insurance) at different rates. Workers contribute eight percent of their wage to pension funds and employers contribute 20 percent (male workers become eligible for retirement at 60, female workers at 50, except for females in administrative positions, who must wait until 55). Workers pay one percent and employers pay two percent for unemployment benefits, workers pay two percent and employers pay six to 12 percent for health insurance, and the employer is supposed to pay 0.5 to two percent for occupational accident and maternity insurance (China Labour Bulletin, 2015).

Employees that have worked more than one year but less than ten years get five days of paid annual leave. Workers that have worked more than ten but less than twenty years get ten days of paid annual leave. Workers that have worked for twenty years or more get fifteen days of annual leave.

According to the China Labor Bulletin these regulations are rarely enforced. In April 2014, 40,000 workers at the Yue Yuen shoe factory in Dongguan went on strike for two weeks when it was discovered that the company had been underpaying into pension accounts. In 2013, only 242 million of 770 million workers had pensions (China Labour Bulletin, 2015).

Unions:
Technically, there is only one union in all of China—the All-China Federation of Trade Unions (ACFTU), an arm of the Communist Party. The ACFTU has never started a strike. The Party tolerates workers' strikes but does not explicitly support them; most labor organizers do not target Party-controlled firms (Meyerson, 2014).

Assessment:
China's meteoric export-led growth and resulting employment creation was founded on abundant and inexpensive labor. As labor shortages emerge, wages are rising rapidly and labor regulations are becoming stricter. Even now, however, enforcement is weak, yet incomes continue to rise rapidly. China's experience indicates that labor regulation and wage increases should follow rather than precede growth and employment generation.

5.4. Bangladesh

Several recent factory disasters have made Bangladesh notorious for dangerous working conditions. Industrial wages are among the lowest in the world. From another point of view, however, Bangladesh has been highly successful in creating formal sector jobs in the garment industry: 3.6 million people work in the garment industry of which 80 percent are women (Freedman, n.d). Garment workers are mostly women from rural areas who seek a better life in urban factories, and are otherwise excluded from most formal sector or urban jobs (United States Department of State, 2014). Despite the deplorable working conditions and low wages of the garment factories, these jobs allow a substantial improvement in living standards, in particular boosting educational attainment for girls (Heath and Mobarak, 2015). Despite the rapid growth of manufacturing employment, 87.5 percent of workers remain in the almost completely unregulated informal sector (Bangladesh Bureau of Statistics, 2010).

Surprisingly, Bangladesh's overall labor regulation ranking (Table 12) is close to the median, and rose slightly between 2006 and 2014, reflecting the provisions of a new labor law enacted in 2013 that raises minimum wages, tightens regulations, and is more favorable to unionization. In practice, however, enforcement of regulations remains quite lax.

Table 12: Bangladesh's Rankings on DB Labor Regulation Indicators, 2014 (1 = least restrictive, 189 = most restrictive)

	Overall	Minimum Wage	Hiring Difficulty	Working Conditions	Layoffs
2014	83	171	1	42	138

Source: Doing Business Indicators and authors' calculations.

Minimum Wages:
Bangladesh sets its minimum wage by sector. In 2013, the Bangladeshi government nearly doubled the monthly wages of garment workers from 3000 taka (about $38) to 5300 taka ($66.25) ((United States Department of State, 2014). Wages of garment workers are at or below the minimum wage—almost no factory owners pay more than required and some pay less (Brinded, 2013; and Chowdhury, 2006). While minimum wages are high relative to Bangladesh's very low per capita income, garment wages remain very low in absolute terms at under $3 per day.

Bangladeshi factory owners claim that wage increases will harm international competitiveness and reduce Bangladeshi exports. According to Reuters, several garment factories are now recording losses and factories are losing orders to Cambodia, Vietnam, Indonesia, and Pakistan (Quadir, 2014). According to the Bangladesh Garment Manufactures and Exporters Association (BGMEA), however, 40 percent of Dhaka factory owners are simply paying their workers old rates. In Chittagong, as of 2014, 95 percent of factories have yet to implement the wage increase. The BGMEA explains that these factories are slowly transitioning into the new wage system, but it's unclear when, if ever, the new minimum wage will be fully implemented.

Hiring Difficulty:
There are no restrictions on fixed-term contracts or other regulations.

Working Conditions:
According, to the 2006 Labor Act, no adult worker can work more than 48 hours a week without overtime. Overtime requires doubling the usual pay and cannot exceed twelve additional hours a week, and eight additional hours a week on average. Every worker is entitled to ten days of casual leave, 11 days of holiday leave and 14 days of sick leave with full wages. Workers who believe that their employer is violating rules can appeal to the labor court. However, these rules are almost always flouted. According to various labor groups, employers often required workers to work twelve hours a day without overtime, delayed denied full pay and leave (United States Department of State, 2014).

Prior to the 2013 law, workers needed the permission of factory owners as well as signatures of 30 percent of factory workers to form unions, in effect ruling them out. The new law rescinded these stipulations, but also established additional sectors in which unionization is prohibited, including export-processing zones, which *de facto* rules out unions in the garment sector. Babul Akhter, the president of the Bangladesh Garment and Industrial Workers Federation, says, "The government says this will make it easier for workers to organize. That's not true." Similarly, factory owners must now contribute 5 percent of profits into worker safety funds. However, "export-oriented" factories are exempt, in effect exempting the garment sector (Al-Mahmood, 2013). Despite its limitations, it appears that the law has had some effect. In 2010, there were only seven active garment unions—now, 200 unions represent approximately 150,000 garment workers. Still, that's only 5 percent of all Bangladeshi garment workers (Yee, 2015).

After the Rana Plaza disaster, the ILO reports that the Department of Inspections of Factories and Establishments was upgraded in January 2014, adding 199 new inspectors and increasing the budget from $900,000 dollars to $3 million. In addition, as of July 3 2015, international retailers and the government have inspected 1,100 of the 1827 garment factories. However, it's unclear whether these actions and the 2013 law will have a lasting impact on the enforcement of regulations.

Layoffs:
Bangladesh has a strikingly high layoffs score, reflecting several provisions: first, no worker who has been working for at least one year can be fired unless the worker has been given one-month notification or the equivalent severance pay; in addition, the Inspector or collective bargaining agent must be notified. Furthermore, if an employer hires any new workers within a year of laying off redundant workers, he or she has to give priority to previously laid-off workers. It's unclear whether these restrictions are actually enforced, but given factories' lack of compliance with working conditions regulations, it's likely that these regulations are also largely ignored.

Assessment:
Some provisions of Bangladeshi labor law are quite restrictive, but they are largely unenforced. Although conditions in Bangladesh's garment sector are poor, these jobs are still a significant improvement for many workers, particularly women with few options. Without low labor costs, the Bangladeshi garment industry wouldn't be able to compete in the global marketplace and provide jobs for millions of Bangladeshis. Enforcement of basic safety standards should be stepped up but wage increases should not outpace productivity growth, or risk destroying job opportunities for millions of rural workers.

6. CONCLUSIONS

Labor market regulations can be justified as protection of worker rights but can also dissuade employment creation. We have used a combination of quantitative and qualitative approaches to describe and analyze labor market regulations in Africa. The quantitative analysis used the World Bank Doing Business indicators to develop a synthetic measure of labor market regulation with four sub-indexes on: minimum wages, hiring, firing and working conditions. We found that African countries tend to have high levels of regulation relative to Asian developing countries, with Francophone countries generally more regulated than Anglophone countries. There is considerable variation within these groups, however. A regression analysis failed to uncover any effect of labor market regulations on export competitiveness in manufacturing. Instead, we found that measures of the general business climate and exchange-rate overvaluation had strong and statistically significant influences on manufactured exports.

To delve deeper into the nature and effects of labor market regulations, we carried out case studies of several Asian and African economies: China, Bangladesh, Ethiopia, and Ghana, with a more in-depth study of Senegal where we carried out interviews with employers, unions, and government officials. According to our indicator, Senegal has one of the most heavily regulated labor markets in the world, so if these regulations matter at all, their effects should be discernible in Senegal.

Senegal's Labor Code and labor unions focus on protecting existing jobs rather than creating new ones, creating disincentives for hiring and lowering productivity. Thus, Senegal's institutions support a small fraction of the work force to the detriment of a vast number of unemployed or underemployed. As such, the Labor Code is a manifestation of and contributor to the marked dualism of Senegal's labor markets: a small minority of workers in formal enterprises benefit from detailed protections about benefits, paid vacations, working hours, relocation restrictions etc., on a par with those in France, while the vast majority in the informal sector have no protection at all.

Our interviews in Dakar confirmed that many firm managers do view inflexible labor market regulations and confrontational labor relations as a significant problem. The most problematic aspects of the Labor Code and its enforcement involved limitations on temporary contracts. The ability of disgruntled workers to bring cases to the Labor Tribunal is also an important source of costs and frustration for employers. Beyond legal statutes, the confrontational character of labor relations undermines productivity and competitiveness. It is incumbent upon both employers and unions to foster a more cooperative approach to labor relations that will ultimately benefit both groups.

While managers in Senegal consider labor market regulation an impediment, few ranked it as among the most important obstacles to investment and employment creation. Poor infrastructure, lack of access to finance, corruption and land use, dominated labor market issues. In this regard, the case study helps explain why there is no statistical relationship between labor market regulations and export competitiveness, despite the nearly universal complaints about the Labor Code.

Case studies of other countries support these general findings from Senegal. In Ghana and Ethiopia, as in Senegal, other aspects of the business climate, particularly infrastructure, are more pressing than labor regulations but regulations of labor markets are also quite detrimental in some respects, although less so than in Senegal. Bangladesh and China are two Asian countries that have had considerable success in exporting manufactured products. Surprisingly, some aspects of labor legislation in these two countries are also rather intrusive, although it appears that the laws are not much enforced. In China, enforcement has recently been strengthened and minimum wages have increased sharply, but this is occurring in an environment where China has established itself as a manufacturing power.

In summary, labor market regulation is not among the most important impediments to competitiveness and employment creation in Africa. Nevertheless, the case studies show that it does matter. Too often, these regulations protect incumbent workers and unions, rather than fundamental labor rights, to the detriment of investment and employment creation.

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APPENDIX

List of Interviews in Senegal

Government		
LAMINE BA	APIX	Investment Promotion
M. MABOUSSO THIAM	ADEPME	SME Promotion
MMARIE SECK SEYE	DIRECTION DE L'EMPLOI	Labor Economist
IBOU DIOUF	BUREAU MISE A NIVEAU	Investment Promotion
OUMAR FALL	MINISTÈRE DE L'EMPLOI	Labor
M. LOUM	Inspection du Travail	Labor Inspector
Private Sector		
M. EUGENE NIOX	OPTIC	Telecoms
KEMO TOURE Jr.	OPTIC	telecoms
CHEIKH NGANE	Coopérative des acteurs de l'horticulture	Horticulture
PAPE ABDOULAYE DJIGAL	GRANDS MOULINS	Flour manufacturing
ALIOUNE BA	CNP	Employers Association
SEKOU DRAME (DG)	SONATEL	Telecoms
AMADOU DIOP	SERVAIR AEROPORT	Airport Catering
ABDOULAAY DIARRA DIOP	LAAY DIARA COUTURE	Apparel
BADARA SENE	SOBOA	Drinks
MOUNIR FILFILI	SAFINA	Horticulture
YASMINE CISSE DAGASSAN	SANDOZ WC Africa Cluster	Pharmaceuticals
ABDOULAYE SY	SOPASEN	Fishing
FATOU D. DIENG	SOPASEN	Fishing
MAME BIRAME MBODJ	SIMES LOGISTIC	Information Technology
IBRAHIMA SARR	AFRICABLE	Telecoms
Tonton Amoul Coly	ACCOR	Hotels
Labor Union		
SALIOU NDIAYE	CNTS	Union
PAPE BIRAME DIALLO	UNSAS	Union
MOUSSA SOW	CNTS/SNTMGM	Union

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