

*A World Bank Group Flagship Report*



# Doing Business 2018

## Labor Market Regulation - Pakistan



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- I. Why does it matter?**
- II. What does it measure – and what does it not?
- III. What are the main findings in DB18
- IV. Data for Pakistan



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# Why does Labor Market Regulation matter?

Rigid labor laws can be an important constraint to *Doing Business*:

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

Under-regulation also has negative impacts:

- ✓ Lack of safety standards may lead to work accidents.
- ✓ Lack of laws on antidiscrimination and equal pay for equal work can undermine social cohesion.

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# What are the case study assumptions?

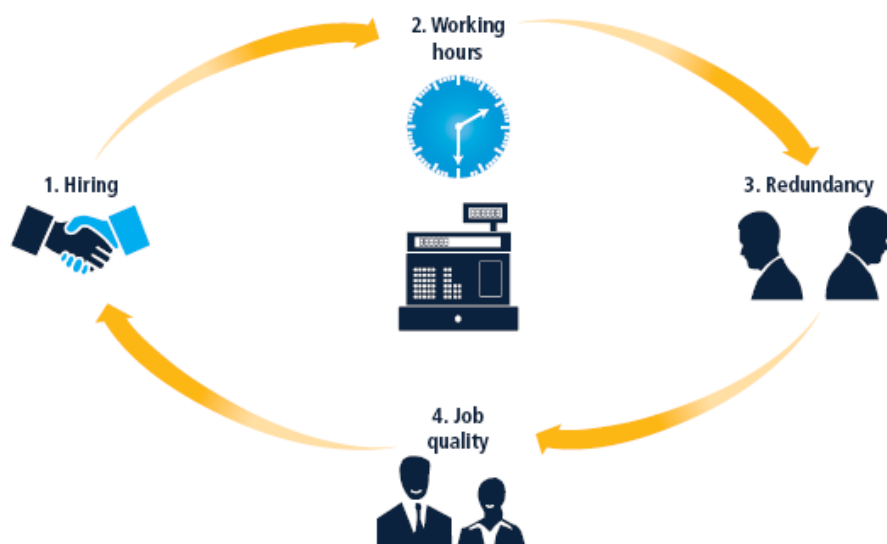
## The worker

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

## The business

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

**Abides by the law** but does not grant workers more benefits than those mandated by law or collective bargaining agreements.



# Areas covered by Labor Market Regulation

## Hiring

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

## Redundancy rules & cost

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

## Working hours

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

## Job quality

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

# Doing Business 2019: Research questions

## **1. Skills development and training**

- Is there a national skills and training fund?
- Are employers required to contribute to the national skills or training fund
- Are there fiscal incentives for firms to provide training to full-time employees vs. part-time or temporary employee

## **2. How are changes in the labor code or labor regulations communicated to Employers vs. Employees vs. General public**

- Does the government provide any training?
- Who funds such trainings?

## **3. Regulation on self-employment**

- Does the law define self-employment?
- Are there incentives (fiscal or non-fiscal) available for self-employed

## **4. Regulation on temporary contracts**

- Does the law define temporary contracts?
- Does the law mandate any time limits on the type of work performed by an employee on a temporary contract?

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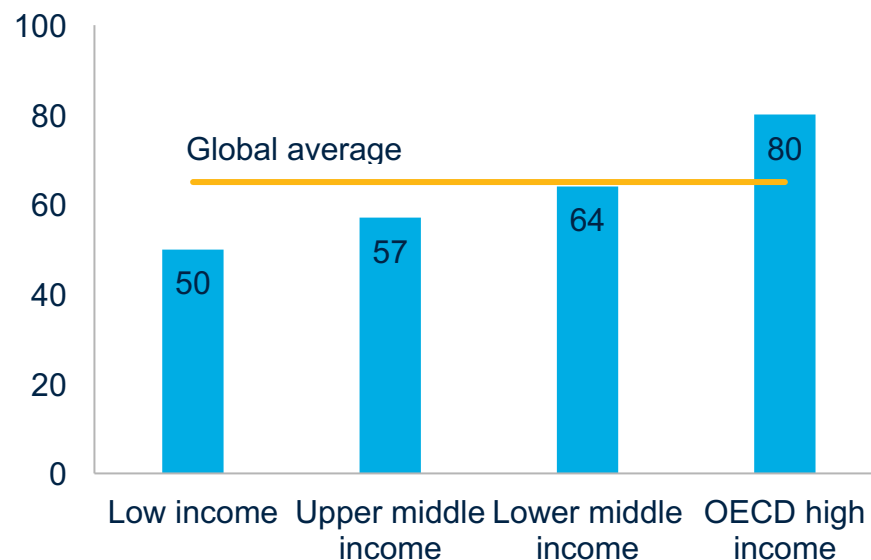
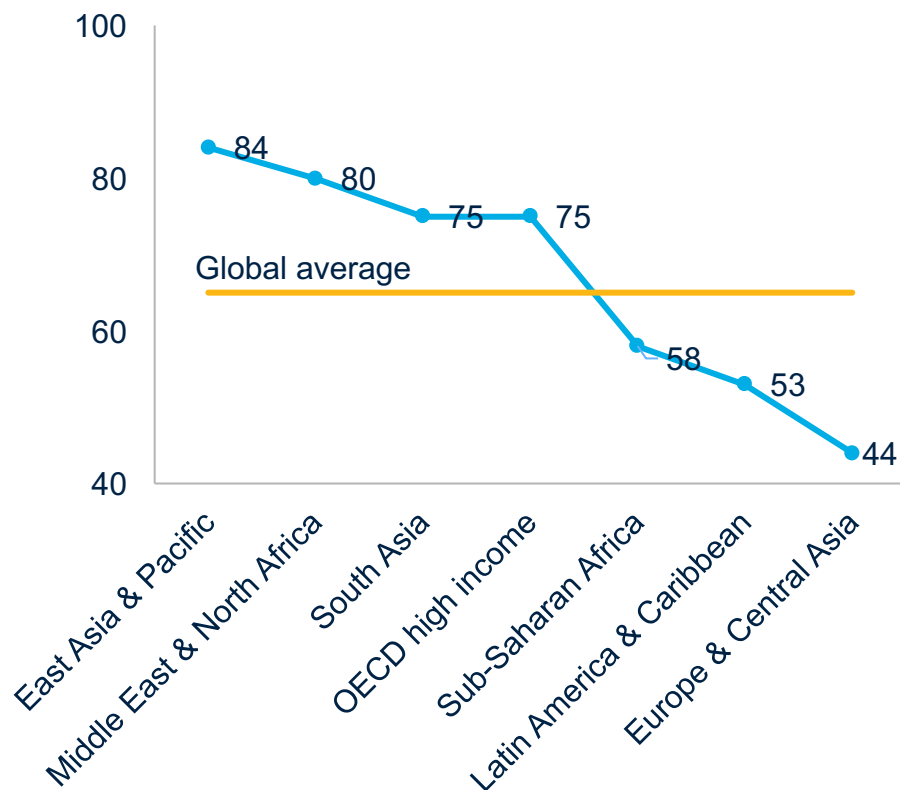




# Main findings in *Doing Business 2018*: Hiring

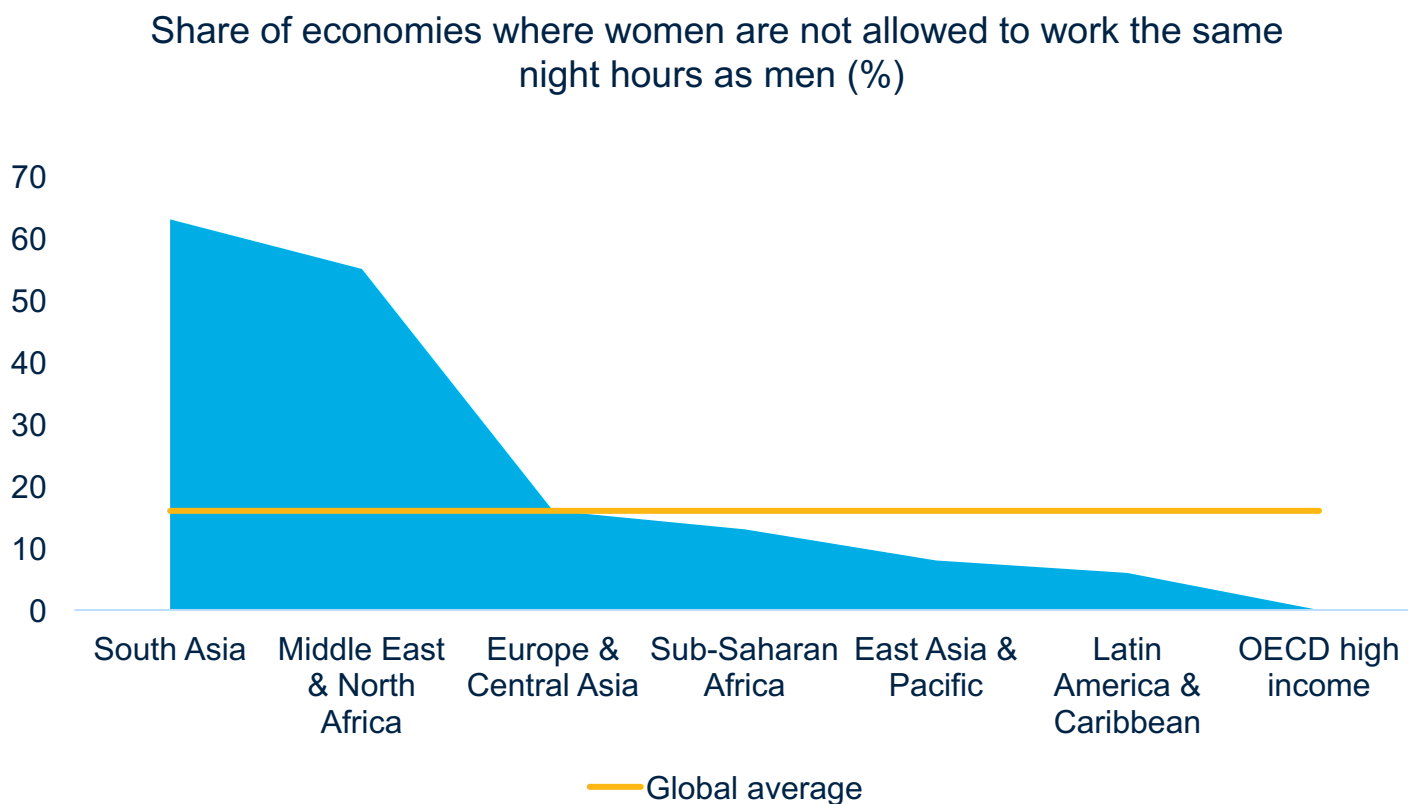
- All but 26 economies provide for a statutory minimum wage
- 55% of economies do not limit the duration of fixed-term contracts
- 65% of economies allow the use of fixed-term contracts for permanent tasks

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



## Main findings in *Doing Business 2018*: Working hours

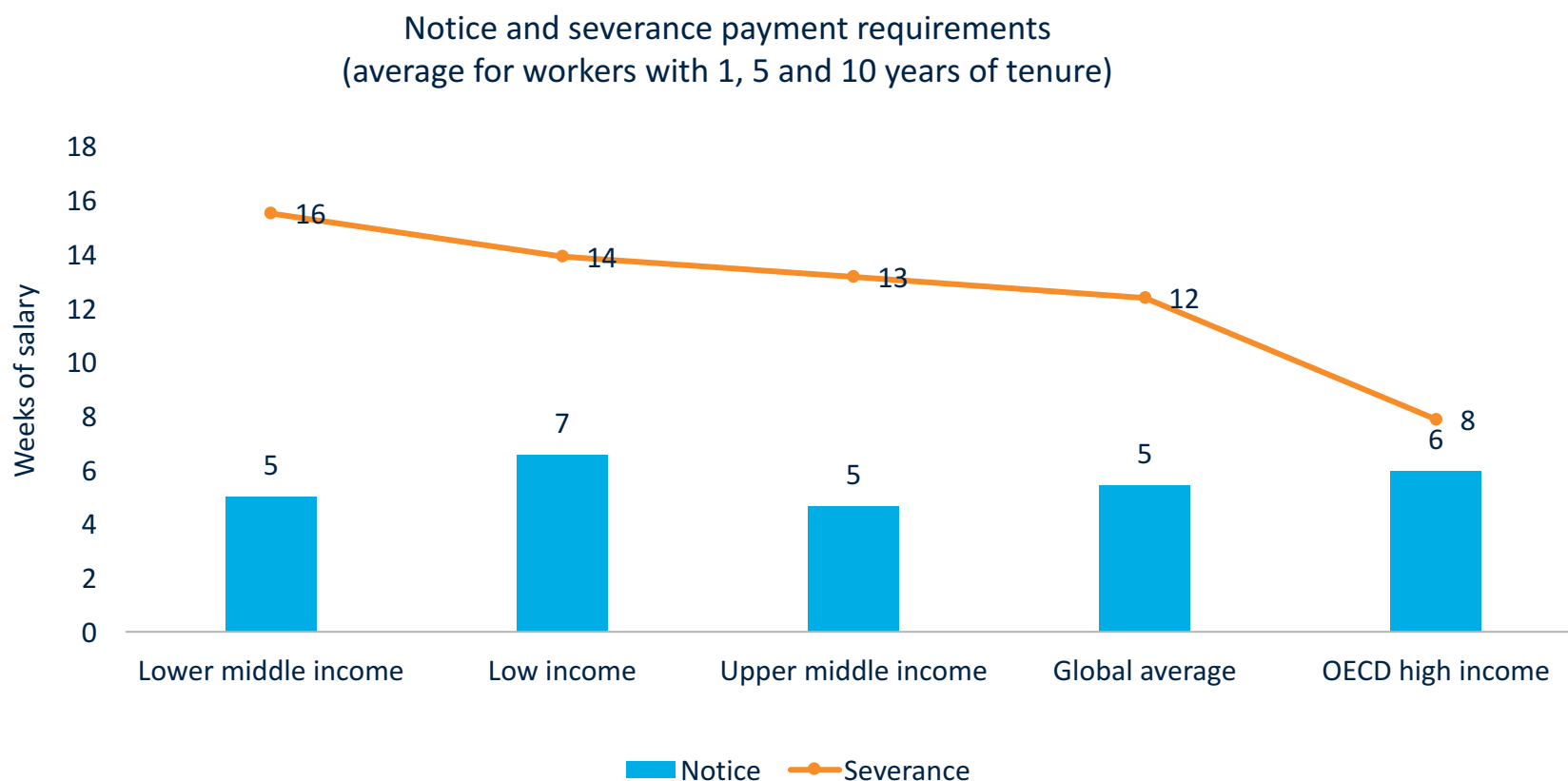
16% of economies have restrictions on the working hours of nonpregnant and non-nursing women



Source: *Doing Business 2018*.

## Main findings in *Doing Business 2018*: Redundancy cost

- 13% of economies do not require any notice period for redundancy dismissals
- 19% of economies do not mandate that employers provide severance pay

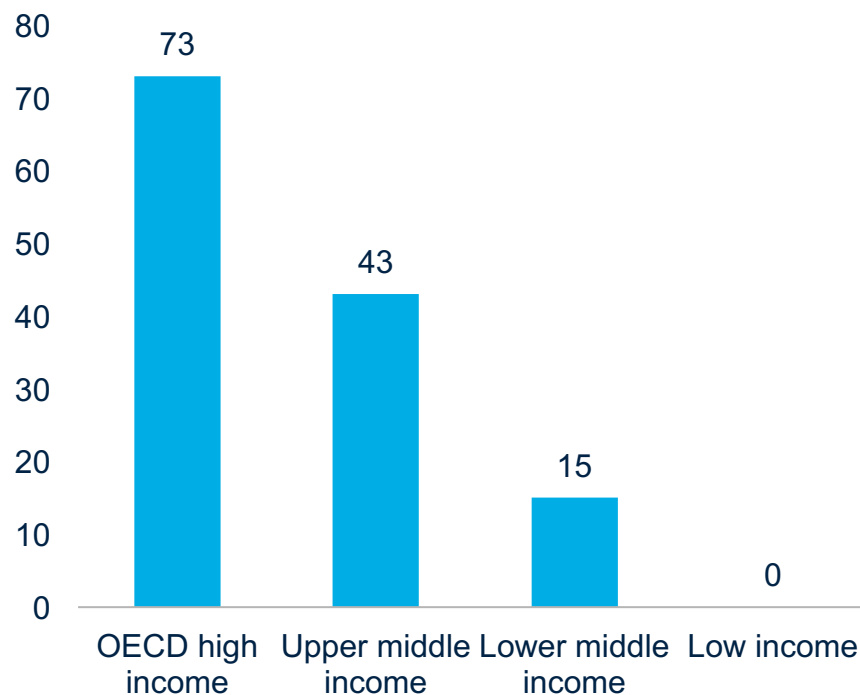
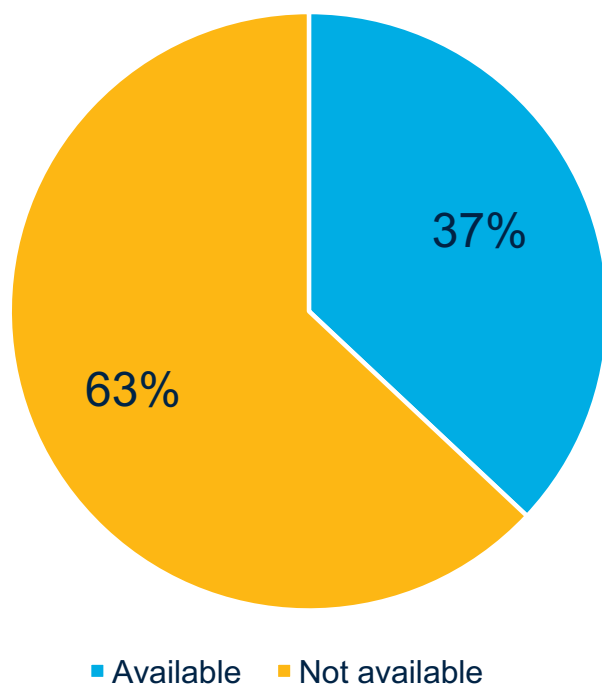


Source: *Doing Business 2018*.

# Main findings in *Doing Business 2018*: Job quality (1)

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

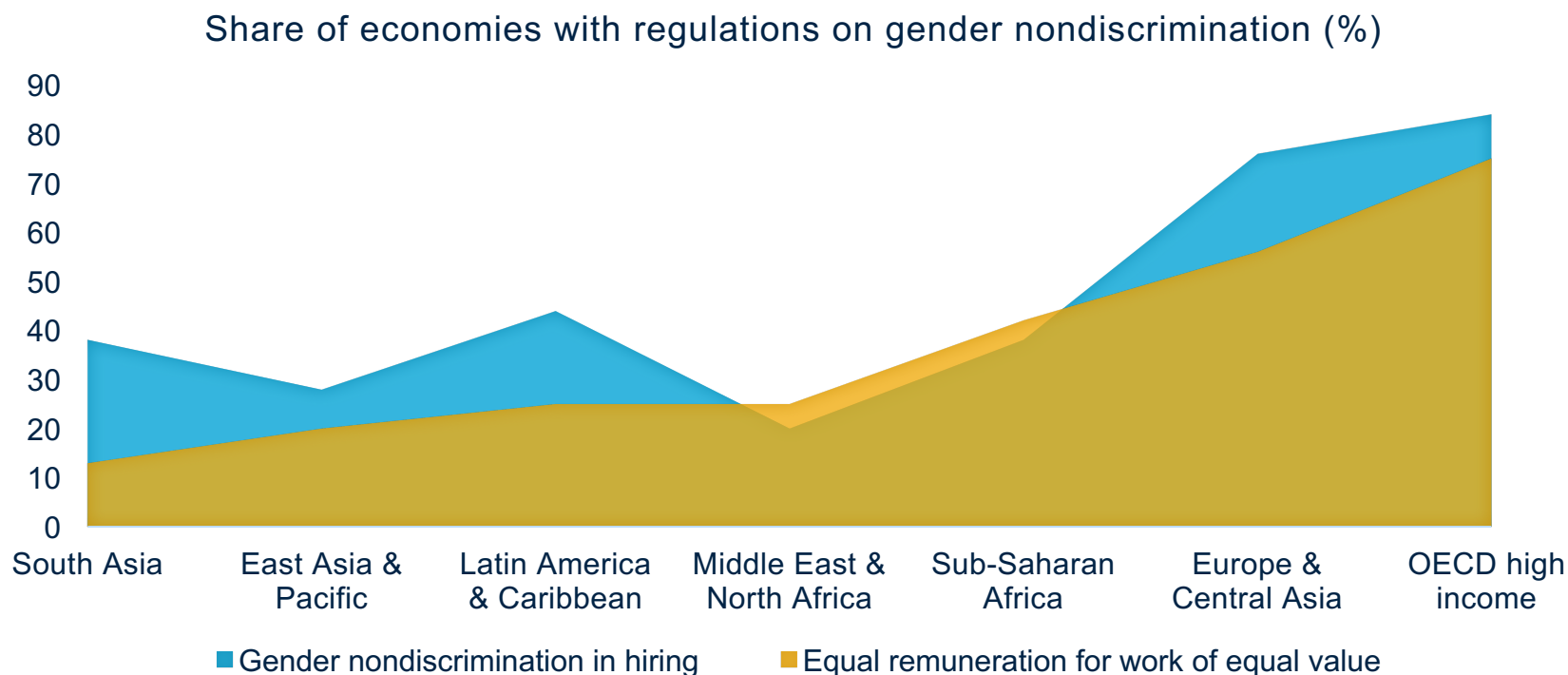
Availability of unemployment protection after 1 year of employment (% of economies)



Source: *Doing Business 2018*.

## Main findings in *Doing Business 2018*: Job quality (2)

- 52% of economies do not have laws mandating non-discrimination based on gender in hiring
- 59% of economies do not have laws requiring equal remuneration for work of equal value



Source: *Doing Business 2018*.

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## Data for Pakistan and Comparator economies

Hiring	Pakistan (2)	India	Malaysia
Fixed-term contracts prohibited for permanent work	Yes	No	No
Maximum length of fixed term contract, including renewals (months)	9	No limit	No limit
<b>Working hours</b>			
Maximum number of working days per week	6	6	6
Premium for night, weekly holiday or overtime work	0 % (night); 100% (weekly rest); 100 % (overtime)	0 % (night); 0% (weekly rest); 100 % (overtime)	0 % (night); 100% (weekly rest); 50 % (overtime)
Major restrictions on night, weekly holiday or overtime work	Yes (night); Yes (weekly rest), No (overtime)	Yes (night); Yes (weekly rest), Yes (overtime)	No (night); No (weekly rest), No (overtime)
Paid annual leave (average for workers with 1,5,10 years of tenure)	14 working days	18 working days	13.3 working days
Non-pregnant and non-nursing women permitted to work same night hours as men?	No	No	Yes
<b>Redundancy rules and cost</b>			
Notification and/or approval if 1 worker is dismissed	No (notify); No (approval)	Yes (notify); No (approval)	No (notify); No (approval)
Notification and/or approval if 9 workers are dismissed	No (notify); No (approval)	Yes (notify); No (approval)	Yes (notify); No (approval)
Priority rules for redundancies	Yes	Yes	No
Priority rules for reemployment or retraining	Yes	Yes	No
Notice period for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	4.3	4.3	6.7
Severance pay for redundancy dismissal (average for workers with 1, 5 and 10 years of tenure)	22.9	11.4	17.2
<b>Job Quality</b>			
Equal remuneration for work of equal value/Gender nondiscrimination in hiring	No (equal remuneration); No (gender nondiscrimination)	No (equal remuneration); Yes (gender nondiscrimination)	No (equal remuneration); No (gender nondiscrimination)
Maternity leave: duration and whether 100% of wages is received	84 calendar days; Yes (100% wages)	182 calendar days; Yes (100% wages)	60 calendar days; Yes (100% wages)
Five fully paid days of sick leave a year?	Yes	No	Yes
Unemployment protection after one year of employment?	No	No	No

# THANK YOU!

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