



## Labor institutions, labor-management relations, and social dialogue in Africa<sup>1</sup>

Most studies of labor market institutions and their influence on wages, employment, and basic workers rights have not examined the experiences in Africa, focusing instead on the mature labor relations systems of industrial countries. Nonetheless, African labor market institutions, including those that ensure labor-management relations and support social dialogue, are generally thought to be weak.

### The regulatory framework

Even though a huge majority of African countries have ratified the core International Labor Conventions, substantial gaps remain both between these formal commitments and national laws to imple-

ment them and between the national laws and their enforcement in practice. The right to organize is often limited to a small portion of workers, because in some countries labor laws prevent civil servants from organizing into a union or limit their bargain-

<sup>1</sup> This note is based on a research paper by the same title written by Philippe Alby (University of Toulouse and ARQADE), Jean-Paul Azam (Institut Universitaire de France and IDEI) and Sandrine Rospabé (University of Rennes, CREM). The full report provides additional documentation of recent firm-level survey results and statistics on labor conditions and relations across Africa, including detailed case studies of conditions in Côte d'Ivoire, Kenya, South Africa, and Ghana.

African labor markets are among the most rigid in the world.

Figure 1. Indexes of employment laws, by region



ing power. In most countries workers in agriculture or in the informal economy—a significant part of the labor force in every African country—do not benefit from the right to organize. Although workers' civil rights span a wide range of issues in Africa, from the elimination of discrimination to the abolition of child labor, abuses persist in practice, especially in the informal sectors. To address these problems, collaborative interventions—such as increasing access to good schooling or making schooling compulsory—may be more effective than legal mandates.

Most African governments appear not to enforce strict compliance with minimum wages. If the government's aim is to reduce poverty by ensuring basic revenue to low-paid workers, then the implementation and strict enforcement of a reasonably low minimum wage (far below the average wage) in all economic sectors could succeed.

Employment laws, which regulate hiring and firing practices, working hours, and other individual employment relation, are more rigid in Africa than in any other region (figure 1). In countries where these rigidities occur, firms perceive them to be worrying obstacles that reduce economic opportunities. Formal employment laws are not widely observed in the informal sector. Employment flexibility may be a possible reason for firms to operate in the more informal sectors.

## Workers' organizations

Union membership is far lower in Africa than in many developed countries. Given the costs of organizing workers in geographically dispersed rural areas, the locus of unionism is in urban areas and, within urban areas, in the formal economic sector of wage-paying private firms and the public sector. This "modern" sector has been much eroded by the economic reforms and the liberalization process that has taken place since the 1980s across the African continent.

As a result of this low unionization rate, the influence of trade unions on labor market outcomes is weak throughout Africa. The few available estimates of the union wage premium show that union power

is highest in the countries experiencing a strong level of union membership. Besides, there is some evidence of spillover effects to nonunion members in a few countries. In some African countries, unions seem to play a substantial role in reducing wage inequality, as well as wage discrimination, by gender and by racial group. Furthermore, some large trade unions have been involved in the Poverty Reduction Strategy process that is taking place in many African countries.

African workers' organizations are facing two major challenges. First, to counter the erosion of their membership, made up mainly of blue-collar workers, they have to unionize senior staff and professional workers. Second, enlarging their sphere of influence also requires organizing the informal sector. Indeed, the urban informal sector grew tremendously during the past few decades but remains largely unorganized, because employment activities and status are heterogeneous and because most informal firms operate on a small scale and often unstable basis. However, in many countries, informal workers' associations have been established, sometimes with the support of formal trade unions. In addition, a number of African trade unions are developing policies to enhance the recruitment and organization of informal sector workers.

## Employers' organizations

In most African countries the common wisdom was that only the state could mobilize an "organized total effort" as a compelling development need. This notion of development implied the co-optation of employers' organizations. Under such an arrangement, employers' organizations forgo their legitimate right to protect their interests, and in return the government grants them certain privileges. Moreover, following the predominant role of the state, the largest employer in most African countries is the government itself, decreasing the weight of private entrepreneurs' organizations in most negotiations and decision-making. However, the 1990s have brought an emerging consensus that conditions of political liberty are essential for enhancing economic opportunity. Furthermore, the current trend toward privatization and market liberalization is reducing the role of government.

Such trends have opened the door for independent, representative, and economically influential employers' organizations.

Indeed, the examination of the membership of employers' organizations in the manufacturing sector of a few African countries shows that, on average, membership rates are quite high and strongly correlated with the firms' size, as well as with their ownership structure. The percentage of firms belonging to employer organizations is near 80% in Kenya and between 60% and 70% in Tanzania, Ethiopia, and Zambia. Member firms report that the most important service provided by employers' organizations is the supply of information concerning current or new government regulations.

### Social dialogue, collective bargaining, and labor-management relations

Bipartite social dialogue between workers and employers takes place first through collective bargaining institutions. In many African countries, public policy designs had tacitly promoted sectoral or industry-level bargaining, ostensibly to create stability in labor relations. Hence, bargaining at the industry level has been a major feature of the collective bargaining system. Despite this support of public policy for centralized bargaining, the dominant level of collective bargaining in some African countries remains the enterprise level. Collective bargaining coverage rates are quite low and largely dispersed across countries (table 2). Bipartite social dialogue also occurs through labor-management cooperation, although workers' involvement in joint decision-making schemes has been observed in only a few countries. Furthermore, in many African countries, dispute resolution processes have been dominated by the state through the Ministry of Labor, usually through its conciliation and mediation services. Labor Courts have been established to resolve disputes that could not be settled by the government machinery. During the past decade, when figures are available, strike activity seems to be significant in only a small number of countries.

Many African countries have introduced a tripartite cooperation framework with the government, workers, and employers as an essential mechanism for

**Even in the formal sector, most workers are not covered by collective bargaining.**


**Table 2. Collective bargaining coverage in selected African countries, mid 1990s**

Country	Percentage of employees in the formal sector covered by collective agreements
Ghana	25
Kenya	35
Mauritius	40
Nigeria	40
Swaziland	25
South Africa	37
Uganda	25
Zambia	30
Zimbabwe	25

reaching good labor relations, increasing productivity, and building consensus on socioeconomic issues. As a result, Labor Advisory Councils or similar institutions have been created in practically all English-speaking African countries since Independence. These labor advisory bodies have been effective in dealing with the ratification of international standards, as well as the review of national legislation. However, their scope is often limited: their advisory nature tends to discourage effective participation among the social partners; and there is a tendency to confine consultation to predetermined labor issues. Furthermore, in some African countries, tripartite consultations have been a kind of state-controlled arrangement where the social partners were co-opted into the socioeconomic decision-making process.

### Conclusions and policy implications

Labor institutions in Africa still seems unrealistic. Such institutions concern only the formal sector, which employs less than 5 percent of the workforce in most African countries. Organized labor is mainly active in highly protected sectors, such as the civil service and public utilities, or in local branches of foreign firms. Most African labor works in the rural sector and in the urban informal sector.



Survey data presented in the full report demonstrate a tradeoff between labor market regulation and union density. The more extensive involvement of the government in the labor market seems to have undercut organized labor. Casual observation suggests that this government involvement tends to make labor market outcomes more predictable, with a positive impact on productivity. Further research is needed to check this point and to determine its impact on the development of the formal economy.

If indeed there is a tradeoff between labor market regulation and union density, deregulating the labor market may not improve labor market flexibility in Africa. Thus, there is not likely to be a quick fix through labor market liberalization. Benefits of

labor market flexibility could thus be undone by increasing union density. Further research should aim at identifying the other determinants of this tradeoff, to identify better the scope for an institutional policy aimed at improving labor market outcomes.

In the informal sector, the rules of the game are imposed neither by the government nor by the unions, but by the traditional institutional framework of kinship and ethnicity. The recent economic history of African countries does not suggest that the traditional framework provides the most favorable conditions for attracting large investment, particularly foreign direct investment. Hence, the challenge of African growth in the coming decades is certainly pointing to the formalization of the labor market as a desirable path to follow.

This note was commissioned by the World Bank for the project, Job Creation, Core Labor Standards, and Poverty Reduction in Africa. The project was generously funded by Germany's Federal Ministry for Economic Co-operation and Development (BMZ) and benefited greatly from the participation of the BMZ as well as the International Labour Organization on its Steering Committee.

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