

DISCUSSION PAPER SERIES

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Some Insights from Quantitative Studies**

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## ABSTRACT

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# Unions and Collective Bargaining in Sub-Saharan Africa: Some Insights from Quantitative Studies

This article reviews quantitative research on unions and collective bargaining in Sub-Saharan Africa. It discusses the consequences of unions for wages, inequality, economic performance and employer-employee relations. The article also highlights the role of unions in society, a role that goes beyond the economic sphere. Moreover, the article discusses evidence on how the specific situation in Sub-Saharan Africa influences unionization and collective bargaining. The informal sector, ethnic divide and globalization entail serious threats to workers' unionization. The increasing influence of China and neoliberal policy prescriptions by the International Monetary Fund and the World Bank are challenging factors, too.

**JEL Classification:** J51, J52, F66, O10, O55

**Keywords:** Africa, industrial relations, political spillover, informal sector, ethnic diversity, globalization

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## **1. Introduction**

Industrial relations research has undergone a methodological change characterized by a shift from qualitative case studies to quantitative analyses (Whitfield and Strauss 2000). A look into standard handbooks shows that quantitative research on unions and collective bargaining is indeed massive (Addison and Schnabel 2003, Bennet and Kaufman 2007). However, quantitative studies appear to overwhelmingly focus on advanced countries. Developing countries and specifically Sub-Saharan African (SSA) countries are largely not considered or mentioned only sporadically. Of course, quantitative analyses require the availability of suitable data. About fifteen years ago, Freeman (2010) argued that data for developing countries are limited and the few quantitative studies examining the outcomes of unionization in these countries use small non-representative samples and suffer from methodological shortcomings.

This article takes a fresh look at quantitative research on industrial relations in SSA. This fresh look is motivated by two aspects. First, the availability and quality of data have improved in the meantime allowing more sophisticated and credible statistical analyses. Thus, the number of studies on unions in SSA have substantially increased during the last years. Second, research on industrial relations in SSA is often published in journals that are typically not read by industrial relations scholars. Thus, if we want to assess the state of the art in research on industrial relations in SSA, we have to expand our perspective and consider a much broader set of outlets. Otherwise, we will underestimate the amount of research conducted and miss important insights.

On the one hand, this article discusses whether unions make a difference in SSA. A series of studies for various SSA countries show that unions have an influence on wage

determination and, hence, play a role in the labor markets of these countries. The studies provide evidence of a union wage premium and a compressed wage structure in the union sector – a pattern similar to the one found for advanced countries. Research on the consequences for employment and firm performance in SSA is still scarce. While there is evidence of monopsony power of employers in some countries, evidence from South Africa suggests negative employment effects. Considering employment relations within firms, there is some modest evidence that unions in SSA improve employer-employee communication and play a protective role. Importantly, even though the number of studies is not large, there is clear evidence that unions play a role in society that goes beyond the economic sphere. Unionization fosters workers' political participation outside the workplace and increases solidarity within society.

On the other hand, this article analyzes how the specific situation in SSA influences unionization and collective bargaining. Colonialization not only determined the legal system and, hence, the type of industrial relations system adopted by the respective country. It also had far reaching consequences for social and economic development. These adverse consequences still play role in workers' unionization. Low institutional quality and poor economic development are factors contributing to a large informal sector in many SSA countries. Informal employment is a serious challenge to workers' unionization. Moreover, SSA is characterized by a high degree of ethnic divide worsening collective action problems. Ethnic divide particularly undermines social cohesion in countries that are less democratic. Finally, like their counterparts in many countries all around the world, unions in SSA face a series of challenges and threats due to globalization. Particularly

challenging factors in SSA are the increasing influence of China and the neoliberal policy prescriptions by the International Monetary Fund and the World Bank.

## **2. Wages**

Collective bargaining over wages is one of the key activities of unions. Accordingly, numerous studies have examined the wage premium of union membership or collective bargaining coverage in Australia, Europe and North America (Brändle 2024). Unsurprisingly, the estimated premium differs remarkably across studies, countries, and time. Nonetheless, the overwhelming majority of studies make clear that there is a substantial premium. Providing an overview of the early literature, Teulings and Hartog (1998) suggest a union wage premium of at least 20% in Canada, 16% in Australia, 15% in the United States, and 9% in the United Kingdom.

At issue is whether a premium also exists in SSA countries. Kingdon et al. (2006) provide evidence of a union wage premium for Ghana, Kenya, Nigeria, Tanzania, and South Africa. The authors show that a union wage premium exists in each of the five countries. Controlling for workers' education, gender, and tenure, the premium ranges from 3% in Kenya to 14% in Nigeria, 21% in Tanzania, 23% in South Africa to 28% in Ghana. Thus, while trade unions in Africa are sometimes characterized as weak (Schillinger 2005), the estimates indicate that they have the potential to play an important role in African labor markets. This suggests to take a closer look at some of the countries.

### *2.1 South Africa*

A larger number of studies have examined the union wage premium for South Africa. These studies unanimously find a union wage premium. However, the estimated magnitude

varies strongly across studies. It ranges from 6% to more than 100% (Ntlhola et al. 2019). This may be due to different datasets or methods. A general theme in the union literature is that estimates might be biased if there is a (self-)selection of workers on unobserved skills into union membership.<sup>1</sup> One way to tackle this issue is to use panel data and run fixed effects regressions that account for unobserved time-invariant factors. Kerr and Teal (2015) show for workers in the private sector of South Africa that the estimated premium is substantially reduced when controlling for fixed effects. Ntlhola et al. (2019) also obtain a smaller union wage premium once fixed effects are accounted for. However, a limitation of the fixed effects studies is that they (implicitly) assume a constant union wage premium that does not change over time. This assumption is obviously not very realistic. Indeed, Banerjee et al. (2008) and Kerr and Wittenberg (2021) provide evidence that the premium exhibits substantial variation across time.

Available evidence suggests that unions also have an influence on the wage structure. The literature usually decomposes the influence of unions on economy-wide wage inequality into within and between effects (Freeman 1980). The within effect is the extent to which unions reduce wage inequality among workers within the union sector. The between effect is the extent to which unions increase wage inequality between workers in the union and workers in the non-union sector. Using quantile regressions, a series of studies for South Africa confirm that unions compress the wage structure among their members and, hence, reduce wage inequality within the union sector (Butcher and Rouse 2001, Kerr and Wittenberg 2021, Moll 1993, Schultz and Mwabu 1998).<sup>2</sup> These studies show that the union wage premium is larger at the bottom and smaller at the top of the wage distribution.

Of course, it is important to relate the within effect to the between effect. Conducting a variance decomposition, Kerr and Wittenberg (2021) find that the between effect tends to slightly dominate the within effect implying an economy-wide increase in wage inequality. In a similar vein, Ntuli and Kwenda (2014) conclude that unions contribute to more inequality as the between effect is stronger than the within effect.

An alternative way to examine the influence on inequality is to estimate the union wage premium for different groups of workers. Kerr and Wittenberg (2021) show that the premium is higher for lower skilled occupations and for public sector employees. They also find that the premium is higher for blacks. The latter finding supports other studies (e.g., Azam and Rospabé 2007). This suggests that unionization reduces discrimination against black workers. Even in post-apartheid South Africa, black workers tend to earn less than white workers. The higher premium for black workers implies that the wage gap is smaller among unionized than among non-unionized workers.

Findings on unions and the gender wage gap are mixed. Kerr and Wittenberg (2021) find some evidence of a higher union wage premium for women than for men. This implies a smaller gender wage gap in the union sector. However, the authors also show that the wage premia for men and women have narrowed over time. Casale and Posel (2010) find that the gender wage gap is larger in the union than in the non-union sector when occupational sorting by gender is controlled for.

Most studies on the union wage premium only consider the individual union membership of workers, but do not account for the broader institutional framework. South Africa has both centralized and firm-level collective bargaining. Industrial councils are the key institution of centralized bargaining. An industrial council is established for a specific



sector and area when one or more registered employers' associations voluntarily agree to negotiate with one or more registered unions. The Minister of Labor decides whether the outcome of the negotiations is extended to non-parties (i.e. employers and employees who are not party to the council) within the area, industry or occupation for which the industrial council is registered. Firm-level negotiations can play a role for two reasons. On the one hand, they may reflect a second tier of negotiations improving the wages and working conditions agreed upon the industrial council level. On the other hand, firm-level negotiations may occur outside the industrial council system.

Only a few studies take the industrial council system into account. Borat et al. (2012) find both a wage premium of industrial council coverage (that applies to the private and the public sector) and a wage premium of union membership. They do not find significant interactions of industrial council coverage and union membership. Altogether, their findings have two important implications. First, the wages negotiated through industrial councils are extended to non-union workers in the private and the public sector. Second, there are plant-level negotiations and the outcome of these negotiations does not appear to depend on industrial council coverage.

Butcher and Rouse (2001) make clear that the influence of industrial council coverage differs between black and white workers. For black workers, they find that coverage by an industrial council agreement also increases the wages of non-union workers. Moreover, there is a wage premium of union membership with the premium being higher outside than inside the industrial council sector. For whites, there appears to be no extension of council agreements to non-union workers. However, white union members

receive a wage premium. This premium is smaller than the one for black union members and it is the same inside and outside the industrial council system.

## *2.2 Benin, Cameroon, Ghana, Kenya, and Senegal*

Studies for a series of other SSA countries also provide evidence of a union wage premium. Soglo and Assouto (2023) find a union wage premium of about 33% for Benin. This results holds in an endogenous switching regression accounting for a possible (self-)selection of workers into union membership.

Tsafack-Nanfosso (2002) provides evidence of a union wage premium for private sector workers in Cameroon. Using an endogenous switching regression, he finds a premium of 51%. Interestingly, this estimate is higher than the one obtained from simple OLS regressions that do not account for (self-)selection. A recent study for Cameroon by Boumsong (2024) makes clear that it is important to distinguish between the presence of a union at the workplace and the individual worker's union membership. The author shows that union presence involves a wage premium in the private, but not in the public sector. Boumsong does not find that the individual worker's union membership is associated with higher wages. Quite the contrary, the estimates provide some indications that union membership in Cameroon is even associated with a wage penalty. This finding may reflect hostility of employers towards union members.

Owusu-Afriyie (2023) estimates the union wage premium for Ghana. His regressions show that the presence of union at the workplace is associated with a wage premium. The premium is higher in the public than in the private sector – a pattern that sharply contrasts with the one found for Cameroon. Union presence is associated with a premium of 13.7% in the public and a premium of 8.8% in the private sector. Owusu-

Afriyie et al. (2023) use quantile regressions to analyze the presence of unions on the wage structure. Their regressions show that the wage premium associated with union presence is larger at the bottom and smaller at the top of the wage distribution. Thus, evidence from Ghana also suggests that unions compress the wage structure. An earlier study by Blunch and Verner (2004) confirms the evidence of a compressionary effect of unionization in Ghana. Both individual union membership and union density at the industry level are particularly associated with a wage premium at the bottom of the wage distribution. The study finds that the influence of unionization is stronger if workers receive training.

Further evidence comes from male employees in the manufacturing sector of Kenya. Manda et al. (2005) estimate a union wage premium of about 4 to 5%. Interestingly a positive union wage premium can only be found in endogenous switching regressions that account for (self-)selection into union membership, but not in simple OLS regressions.

While most studies use employee data, Ngom (2021) uses firm data to examine link between unions and wages in Senegal. She finds that intra-firm union density has a positive influence on the average wage level within a firm.

### *2.3 Summary and discussion*

Altogether, evidence from Benin, Cameroon, Ghana, Kenya, Nigeria, Senegal, South Africa, and Tanzania suggests that unions make a difference in SSA. This evidence shows that there is a positive union wage premium in the various countries. There is also evidence from Ghana and South Africa that unions are associated with a compressed wage structure. This is broadly in line with what has been found for advanced countries (Brändle 2024). However, the magnitudes estimated in some studies for SSA remain a matter of debate.

Some magnitudes appear to be extremely high. Thus, further research is definitely required to examine the credibility of the estimated magnitudes.

Relatively little research has been conducted on the question of whether unions reduce ethnic and gender wage differentials. Evidence from South Africa suggests that unionization is associated with a smaller black-white wage gap. However, the South African evidence on unions and the gender wage gap appears to be mixed. This corresponds to the mixed evidence provided for advanced countries. For example, Budd and Na (2000) find for the United States that the union membership premium is larger for men than for women implying a larger gender wage gap among unionized workers. By contrast, Jirjahn and Stephan (2006) show for Germany that collective bargaining coverage is associated with a lower gender wage gap. In the end, the institutional framework is very likely to play an important role in the link between unionization and the gender wage gap (Rowthorne 1992, Rubery and Fagan 1995). Thus, paying more attention to institutional differences within and across countries could be a fruitful avenue for future research on unions and wages in SSA.

### **3. Economic performance, employment relations, and society**

#### *3.1 Labor market performance*

The wage effects of unions immediately lead to the question of what consequences unions have for employment. This question is particularly urgent for SSA as a series of countries have the highest unemployment rates worldwide. In the political discussion, it is often assumed that higher wages unequivocally have a negative influence on employment. However, the consequences of higher wages depend on the structure of the labor market. Higher wages have negative employment effects in perfectly competitive labor markets.

By contrast, if labor markets are characterized by monopsony power of employers, higher wages do not inevitably cost jobs or may even increase employment (Alderman and Blair 2024). Examining the labor market structure of the manufacturing sector in Cameroon, Ghana, Kenya and Zimbabwe, Haque and Delgado (2024) provide evidence of labor market monopsony power. Bassier (2023) finds evidence of monopsony power for South Africa. These findings may cast some doubt on the wide held view that unions negatively affect employment.

Furthermore, it has to be taken into account that Africa suffers from high poverty (Sala-I-Martin 2006, Smith 2005) and higher wages may help reduce poverty (Bassier and Ranchhod 2024, Feder and Yu 2020). In particular, sharing of income plays an important role in Africa. Workers tend to support many individuals who are not working (Butcher and Rouse 2001). Thus, higher wages may reduce poverty not only among workers, but also among those who are supported by them.

Considering the high poverty in developing countries, efficiency wage reasoning suggests that higher wages can lead to better nutrition and, hence, increase labor productivity (Leibenstein 1957, 1958). Based on this insight, Basu and Felkey (2009) present a theoretical model showing that there exists a superior labor market equilibrium with higher wages and a higher level of employment in developing countries.

In the end, only empirical research can answer the question of what consequences unions have. While there is an extensive literature on the labor market consequence of unions in advanced countries (Brändle 2024), the number of studies for SSA is small. Evidence mainly comes from South Africa. Von Fintel (2017) finds that higher wages are associated with lower employment at the regional level. He shows that employment

reductions can be particularly attributed to regions with high union density. Magruder (2012) finds that centralized bargaining through industrial councils decreases employment with employment losses concentrated among small firms. Flowerday et al. (2017) show that the issue of a new council agreement has a negative influence on employment. Rankin (2016) examines the determinants of firm exit. He shows that low firm performance, a low-skilled workforce, and high import competition particularly lead to a higher risk of exit in sectors covered by industrial council agreements.

Thus, despite the evidence of monopsony in South Africa (Bassier 2023), a series of studies suggest that there are negative employment effects of unions. Of course, not all employers have monopsony power. This particularly holds for small firms and firms with a low-skilled workforce. Altogether, the available studies indicate inflexibility of centralized collective bargaining in South Africa. Centralized bargaining appears to impose adverse wage or working condition restrictions on small and low-performing firms, firms with a less skilled workforce, and firms facing increased international competition. Thus, these firms employ less workers or, in the extreme, even have to exit the market.

Examining the wage curve, Kingdon and Knight (2006) challenge the view of an inflexible labor market in South Africa. They find that wages respond to the local labor market conditions; i.e., a higher regional unemployment rate leads to lower wages. This response appears to be similar to what have been found for other countries. However, distinguishing between short-term and long-term responses, von Fintel (2015) provides a more differentiated view. He shows that wages respond to unemployment in the long run, but not in the short run. In particular, there appear to be no short run responses to local

labor market conditions for unionized workers. This suggests that unionization inhibits labor market flexibility mostly in the short run, but less in the long run.

### *3.2 Firm performance and employer-employee relations*

Inspired by collective voice theory (Freeman 1976), a large bulk of studies have examined the impact of unions and collective bargaining on firm performance for advanced countries (Doucouliagos et al. 2018, Laroche 2021). Research for SSA countries remains in its infancy.

Croucher et al. (2014) find no direct link between unionization and firm performance in Mauritius. However, their results indicate that there is an indirect link. Unionization leads to improved communication between employees and management. Such improved communication is, in turn, associated with increased firm performance. Interestingly, evidence that unions improve communication can only be found for domestically owned, but not for foreign-owned firms.<sup>3</sup>

Ngom (2021) provides evidence from Senegal. Her estimates suggest that the link between unionization and productivity is moderated by firm size. No significant link between unionization and productivity can be found for smaller firms whereas there is a negative link for larger firms.<sup>4</sup>

Kangasniemi and Pirttilä (2016) analyze survey data from workers in unionized firms in Zambia. They find that workers who have trust in unions have lower quit intentions, a finding that is supportive of collective voice theory. Landy et al. (2017) examine whether the provision of training for union representatives in the firms makes a difference. The authors find some modest evidence that unions provide better information to employees and discrimination within firms is reduced if union representatives receive

training. However, their analysis does not provide evidence that the training intervention has an influence on a series of other outcome variables such as occupational health.

Bhorat et al. (2021) examine the determinants of labor law violations in South Africa. They show that union members are less likely to face labor law violations. The finding suggests that unions play a protective role. This fits theoretical models analyzing unions as an institution that increases economic performance by overcoming employers' commitment problems (Eguchi 2002, Hogan 2001).

### *3.3 Unions and society*

Unions may have consequences for society that go far beyond economic issues and the narrow boundaries of the firm. Political spillover theory suggests that workplace democracy fosters workers' political engagement outside the firm. Indeed, a series of studies show that union and nonunion worker representation in advanced countries is associated with more political participation (Budd and Lamare 2020, Jirjahn and Le 2024a, 2024b).

Studies for Africa point into the same direction. Using survey data from 18 SSA countries, Karreth (2018) finds that union membership is positively associated with the frequency of workers' participation in political activities such as voting, demonstrating, or contacting members of parliament. The author stresses that unions can act as schools of democracy. This is important as many of the emerging democracies in SSA feature citizenries with limited civic knowledge and political literacy. Interestingly, Karreth's study shows that the link between union membership and workers' political participation is particularly strong when unions maintain independence from ruling parties.



Political spillovers require that workers are exposed to democratic principles at work and unions promote the diffusion of democratic norms among their members. Buhlungu et al. (2008) provide evidence from the Congress of South African Trade Unions – South Africa’s largest and most active union federation. A survey of union members shows that a large majority of the members attend union meetings at least monthly and believe that union representatives must consult members. The authors suggest that this indicates internal union democracy.

Ravetti et al. (2019) examine the influence of unionization on worker solidarity among coal miners in South Africa. Their experimental study is based on a series of dictator games. One participant (the dictator) receives an endowment and then decides to what extent he or she wants to share the endowment with another participant (the recipient). In Ravetti et al.’s study, union members tend to be more generous. Interestingly, they tend to be more generous not only toward other union members, but also toward nonmembers. This suggests that unions create a sense of working class identity and solidarity that transcends union membership. Fostering solidarity and prosocial behavior is particularly important for African countries with their fragmented societies and deep ethnic division.

### *3.4 Summary and discussion*

Evidence of a negative employment effect of unions and collective bargaining comes from South Africa. This may fit studies that tend to find a negative link between unionization and employment in advanced countries (Brändle 2024). However, it is an open question of whether the South African experience carries over to other SSA countries. The findings for South Africa may be due to specific inflexibilities in the country’s collective bargaining system. Moreover, there is evidence of employer monopsony power in some other SSA

countries. This indicates that wage increases in these countries do not necessarily have a negative influence on employment. Further research is certainly warranted.

Research on unions and firm performance in SSA is so scarce that it is not possible to draw any conclusions. So far there appears to be no clear evidence that unions have a positive influence on firm performance. This contrasts with findings for advanced countries. Even though the evidence is somewhat mixed, studies for these countries tend to find a positive link between unions and firm performance (Doucouliagos et al. 2018, Laroche 2021). However, there are some indications that unions in SSA are associated with improved employer-employee communication and play a protective role.

While the role of unions in firm performance remains unclear, the evidence for SSA suggests that unions have important consequences for society that go beyond the boundaries of the workplace. Unions foster worker solidarity and workers' political engagement outside the workplace. This is in line with findings obtained for advanced countries (Budd and Lamare 2020, Jirjahn and Le 2024a, 2024b).

#### **4. The specific African situation**

##### *4.1 The colonial roots of legal systems*

Clearly, a deeper understanding of industrial relations in SSA requires considering Africa's specific situation. This situation is related to its history of extraction characterized by two events: the slave trades and colonialization (Acemoglu et al. 2001, Acemoglu and Robinson 2010, Bertocci and Canova 2002, Nunn 2008). These events led to long lasting detrimental consequences including social and ethnic fragmentation, low-quality institutions, corruption, political instability and a weakening of states. I will discuss the

implications of poor institutional quality and ethnic fragmentation for industrial relations below.

To begin with, I will focus on another aspect – the legal systems of SSA countries. Most of the countries received their legal systems involuntarily through colonization. While common law was implemented in East Africa, civil law spread out in West Africa.<sup>5</sup> Common law countries tend to rely more on markets and freedom of contracts (Botero et al. 2004). By contrast, civil law countries tend to rely to a larger degree on regulation.

Using linked employer-employee data from the manufacturing sector in nine SSA countries, Alby (2007) examines if wage determination differs between common law countries (Eritrea, Ethiopia, Kenya, Nigeria, Tanzania and Uganda) and civil law countries (Benin, Mali and Senegal). The author is specifically interested in the question of whether the legal system influences workers' ability to capture the rents generated by the good firm performance and investments in a firm's equipment. Alby finds that rent capture (in terms of higher wages) is more pronounced in common law than in civil law countries. While a higher productivity of the firm leads to higher wages in both common law and civil law countries, investments in the firm's equipment entail higher wages only in common law countries. Alby argues that wage negotiations at the firm level play a larger role in common law countries whereas wage negotiations are more centralized in civil law countries. Wage negotiations at the firm level enable the local workforce to capture parts of the rents generated by capital investments in the firm. Put differently, the hold-up problem appears to be more severe in common law countries in SSA. Potential investors may be more likely to be deterred from providing financial resources to firms in these countries. Altogether, Alby's research makes clear that it is important to account for historically determined

institutional differences among countries when examining the consequences of industrial relations in SSA.<sup>6</sup>

#### *4.2 The informal sector*

The analysis of industrial relations systems in advanced countries usually focuses on the countries' formal economies (e.g., Hall and Soskice 2001). However, considering developing countries including those in SSA, such focus is far too narrow as only a minority of workers have formal employee status (Williams 2018). The ILO (2018) estimates that more than 60% of the world's employed population are working informally – mostly in the informal sector of unregistered firms and own-account work, some as undeclared workers in registered firms in the formal sector.

Williams and Horodnic (2019) analyze informal employment in 112 developing and advanced countries (comprising 90% of the global workforce). Their analysis shows a remarkable variation in the extent of informal employment. The prevalence of informal employment ranges from about 95% of total employment in Burkina Faso to roughly 1% in Luxembourg. The authors show that the intensity of informal employment is much higher in countries that are characterized by low economic development (low GDP per capita), a high level of poverty, high income inequalities, and a high degree public sector corruption.

Examining the determinants of the informal economy specifically for countries in SSA, Ouédraogo (2017) confirms that corruption has a positive impact on the size of the informal sector. Other political and institutional factors play a role, too. The informal sector is larger in SSA countries where military is involved in political affairs and there is a higher

risk of loss of investment due to political or economic factors. Furthermore, social tensions and political and civil violence contribute to the size of the informal sector.

Using a dataset of 143 countries, Visser (2019) demonstrates the adverse role of the informal economy in workers' unionization with some simple, but very intriguing calculations. Union density and GDP per capita correlate poorly when considering only workers with formal employment status. By contrast, there is a strong positive relationship between economic development and union density when the total employed labor force (including those who are informally employed) is considered. This implies that the lowest unionization rates can be found in the poorest regions of the world (Sub-Saharan Africa, South Asia). The driving force behind Visser's calculations is that poor regions have a very large informal sector and union density in the informal sector is much lower than the one in the formal economy. Visser emphasizes that the informal sector is a challenge to unions as informally employed workers have fewer resources and opportunities to organize. Informality means vulnerability, insecurity and less access to social protection.

However, Visser (2019) also acknowledges recent attempts by unions to expand their domain to the informal sector and initiatives by informal sector workers to form their own union-like associations or cooperatives. Tsafack-Nanfosso (2016) discusses such attempts and initiatives in more detail for Cameroon, a country where about 90% of people work in the informal sector. The author emphasizes that two categories of informal sector workers need specific attention, women and children. Like in many other SSA countries, women are disproportionately employed in Cameroon's informal sector and child labor is widespread in that sector. Remarkably, despite the many hurdles of organizing informal sector workers, there are even initiatives of children to organize themselves, in particular

through the National Association of Street Children and the Association of Working Children and Youth of Cameroon.

#### *4.3 Ethnic diversity*

Another characteristic of SSA is the high degree of ethnic diversity. SSA, along with East and South Asia, hosts the most ethnically unequal countries (Alesina et al. 2016, Fearon 2003). Compared to other regions in the world, coups and other forms of political violence are especially frequent in SSA (Ackermann et al. 2024). Many of these conflicts have their origins in ethnic divisions.

Ethnic diversity is widely considered as a factor that reduces trust, solidarity and social cohesion within a society. Ethnic diversity lowers peoples' willingness to contribute to the provision of public goods and worsens collective action problems (Alesina and La Ferrara 2005, Habyarimana et al. 2007, Lassen 2007, Miguel and Gugerty 2005). Bennos and Kammass (2023) show that this has also implications for workers' unionization. Considering 90 developing and advanced countries, they find a negative link between ethnic diversity and union density. Moreover, using individual data, Bennos and Kammass analyze the unionization of immigrants in Europe. A high degree of ethnic diversity in the birth country of an immigrant negatively affects the decision to be member of a trade union in the country of residence.

It should be noted that the informal sector is also a possible transmission channel through which ethnic diversity negatively affects unionization. Awaworyi Churchill and Danquah (2022) find for Ghana that individuals living in ethnically diverse neighborhoods exhibit less trust and are more likely to engage in informal work. Using data from 31 African countries, Dada et al. (2024) show that ethnic diversity is positively associated

with the size of the informal sector. Thus, ethnic diversity leads to employment relationships where it is difficult for workers to unionize.

Clearly, the adverse consequences of ethnic diversity may be moderated by political and societal circumstances. Using data from 16 African countries, Robinson (2020) finds that diversity is particularly detrimental to intergroup trust when ethnic groups are spatially segregated. Put differently, under appropriate conditions, contacts and interactions between members of the different groups may help reduce prejudices and build interethnic tolerance and trust (Allport 1954). Findings by Alesina and La Ferrara (2005) suggest that democratic structures play an important role in mitigating the adverse consequences of ethnic diversity.<sup>7</sup>

#### *4.4 Globalization*

A discussion on employment relations in SSA has also to consider the influence of globalization. Globalization optimists argue that international trade and foreign direct investment contribute to economic and social development. However, the African experience with globalization is mixed. Chenaf-Nicet (2020) shows that international trade confines countries in SSA to low-value-added production. Low quality of institutions and resource-based specialization inhibit structural change and prevent SSA countries from benefiting from the positive effects of international trade. Wako (2021) finds that foreign direct investment involves positive growth effects in SSA, but contributes to premature deindustrialization and has detrimental consequences for the quality of institutions (use of voice and accountability, rule of law, increased corruption).

A particularly important aspect of globalization in SSA is the increased influence of China as a trading partner, investor and donor (Calabrese and Tang 2023, Chen et al.

2018, Gehring et al. 2022, Gold 2022). This influence has spurred a debate over whether the Chinese involvement adheres to a neocolonial pattern of resource extraction and labor exploitation (Jauch 2011, Ofori and Sarpong 2022, Oya and Schaefer 2023). While China portrays itself as an attractive alternative to both the West and the Soviet Union, its interest in Africa is often suspected to be driven by securing energy, resources and minerals for its own industrialization program. China backs its economic relations with aid, loans and provision of expertise. Infrastructure projects in Africa are often carried out by Chinese firms, some of which use a large number of Chinese workers.

Globalization can affect employment relations and unions in various ways. One important channel is the influence of international trade. Shendy (2010) provides evidence that increased import competition limits the ability of unions to negotiate high wages. The author examines the consequences of tariff cuts on manufacturing wages in South Africa. Her analysis shows that tariff cuts negatively affect wages in industries with a high share of unionized workers, but not in industries with a low share of unionized workers.

Other studies focus on the influence of export activities on labor standards. Examining 90 developing countries, Greenhill et al. (2009) suggest that there is a positive “California effect” of international trade serving to transmit superior collective labor standards from importing advanced countries to exporting developing countries. However, analyzing the role of exports to China, Adolph et al. (2017) find evidence of an adverse “Shanghai effect” for 49 African countries. Increased exports to China have a negative influence on labor practices in these countries. This suggests that the low labor standards in China are transmitted to Africa through international trade. Adolph et al. argue that there are several factors explaining their findings. First, the Chinese government does not exert



any pressure on African governments to uphold any form of labor standards. Second, China does not have independent labor unions; i.e. unions are controlled by the state party. Third, there are no activist groups in China putting pressure on African firms exporting to the country. Fourth, there is no free press in China reporting about violations of labor standards in Africa.

Using individual data from 18 SSA countries, Isaksson and Kotsadam (2018) provide evidence that China's development projects in Africa negatively affect unionization. China is often heavily involved through-out the implementation phase of the projects and maintains control over them. It explicitly states that its development projects are supposed to result in a win-win situation for both sides. China mixes its economic interests with concessional flows. For example, it may condition the funds on the use of Chinese contractors and staff for work performed in the recipient country. Altogether, this suggests that the Chinese development projects can exert an influence on local labor market institutions. Indeed, Isaksson and Kotsadam show that individuals living close to a Chinese project site are less likely to be union members. The authors do not find evidence that other donors discourage union membership in the local area. Thus, the findings suggest that specifically Chinese development projects are associated with local union avoidance activities in SSA.

Of course, even if other donors do not directly engage in local union avoidance activities, they may affect unionization in other ways. Using data from 123 low- and middle-income countries Blanton et al. (2015) examine whether programs of the International Monetary Fund (IMF) and the World Bank affect collective labor rights in recipient countries. IMF and World Bank programs often involve neoliberal economic

policy prescriptions aiming at increased labor market flexibility and lower labor costs. Blanton et al. find that participation in IMF and World Bank programs negatively affects collective labor right laws and actual labor practices in the recipient countries.

The activities of foreign multinational companies (MNCs) are a further factor influencing industrial relations within countries (Jirjahn 2024). A series of international studies show that foreign MNCs tend to avoid worker representation. Clearly, foreign investors may be not always able to avoid unions. In case they have to deal with unions, conflictual industrial relations are more likely to occur than in domestically owned firms. Foreign multinational companies (MNCs) may face difficulties in adjusting to the institutional and cultural framework of the host country. They bring different firm strategies and management practices to the host country. This entails a high degree of uncertainty for workers in foreign-owned firms. Unions may show resistance to change if a foreign MNC tries to unilaterally implement its practices without taking workers' interests into account. In a similar vein, the activities of a foreign MNC results in increased conflict if the MNC tends to take advantage of the local subsidiary by violating labor standards. Moreover, it has to be taken into account that the decision processes within MNCs suffer from a high degree of information asymmetry and lack of transparency leading to increased distrust and antagonism.

Chu and Fafchamps (2022) provide evidence from Ethiopia. Foreign-owned firms in Ethiopia experience more complaints, strikes and protests than domestically owned firms. While foreign ownership in general is associated with increased labor conflict, Chinese-owned firms report particularly high rates of conflict. The experience of a positive link between foreign ownership and labor conflict is not confined to Ethiopia. Robertson

and Teitelbaum (2011) use data from 84 developing economies to show that higher inward foreign direct investment entails an increased number of strikes within a country.

While globalization provides a series of threats and challenges to the unionization of workers, unions are particularly important for protecting workers in a globalized world (Jirjahn 2024). This also holds for SSA. Yang (2022) uses data from 49 African countries to show that Chinese foreign direct investment increases the number of low-skilled Chinese expatriate workers in countries with weak collective labor rights, but not in countries with strong collective labor rights. Strong collective labor rights appear to prevent that Chinese MNCs hire expatriate workers at the expense of native workers.

#### *4.5 Summary and discussion*

Colonialization had far reaching consequences for the social and economic development in SSA. This also applies to employment relations. One aspect is that the various SSA countries inherited their legal systems from the respective colonial power. Common law was implemented in East and civil law in West Africa. There is some evidence that the legal system plays a role in the process of wage determination in SSA. However, research on this topic remains in its infancy. In-depth studies on the role of the legal system in industrial relations within the various SSA countries stand as an important avenue for future research.

Of course, the implications of colonialization go far beyond the inheritance of a legal system. Colonialization had extremely detrimental consequences for institutional quality, social cohesion, political stability, and economic development in SSA countries. These long lasting consequences still affect industrial relations and the unionization of workers. Many SSA countries are characterized by a large informal sector. Poor economic

development, high inequality, corruption, social conflict, and political instability contribute to the size of the informal sector. Informal employment is a serious challenge to unions. Workers in the informal sector are difficult to organize. Thus, union density in that sector is much lower than the one in the formal sector. Future research could fruitfully examine whether unions' attempts to expand their domain to the informal sector and the initiatives of informal sector workers to form their own union-like associations can be successful.

The high degree of ethnic diversity in many SSA countries provides a further challenge to unions. Ethnic diversity negatively affects peoples' willingness to contribute to the provision of public goods and worsens collective action problems. Thus, it lowers workers' propensity to unionize. The adverse consequences of ethnic diversity appear to be particularly pronounced in less democratic countries.

Globalization appears to worsen the situation of unions in SSA. Like in many other countries all around the world, globalization entails serious threats to unions. However, for SSA, one specifically challenging factor is the strong influence of China negatively affecting labor rights and unionization. Altogether, the available evidence for SSA suggests that there appears to be a serious dilemma. On the one hand, unions are particularly important for protecting workers' interests in a globalized context. On the other hand, globalization undermines the functioning of unions.

## **5. Conclusions**

Quantitative research on unions and collective bargaining in SSA has definitely made some progress. The research is multidisciplinary and spreads across diverse outlets – often not the typical industrial relations journals. In particular, the number of studies on unions and wages has increased. However, the amount of research for SSA is still far smaller than the

one for advanced countries. In particular, examinations on unions, employment and firm performance remain scarce. Closing this research gap stands as an important task for future research. It would be fruitful to account for the specific institutional frameworks within the various SSA countries when examining the consequences of unions and collective bargaining. This could yield insights into those factors that contribute to cooperative employer-employee relations. Such insights are important as the quality of industrial relations plays a crucial role in the performance of labor markets in developing countries (Feldmann 2009).

However, the role of unions is not confined to their economic consequences. Research for SSA confirms that unions have an influence on society as a whole that goes beyond the economic sphere. Unionization stimulates workers' political participation outside the workplace and increases solidarity. The positive influence on political engagement and solidarity appears to be particularly important for SSA where the quality of democratic processes is low in many countries and ethnic divide contributes to conflict within society. While this suggests that unions have the potential to improve social conditions in SSA countries, the social and economic conditions in these countries make a unionization of workers difficult. Low institutional quality and poor economic development are factors contributing to a large informal sector. Workers in the informal sector are not easy to organize as they face more insecurity and vulnerability. Ethnic diversity is a further challenge to unionization as it tends to undermine social cohesion and, hence, worsens collective action problems. There are indications that the adverse effects of ethnic diversity are particularly strong in less democratic countries.

In light of the interdependencies between unionization and societal factors, it would be interesting to examine if there exist traps of low unionization. First, a large informal sector and a high degree of ethnic diversity may result in a low-solidarity, low-unionization trap in SSA. While unions have the potential to contribute to more solidarity within society, informal employment and ethnic diversity undermine the solidarity that is required to organize workers. Thus, a low degree of trust and solidarity leads to low union density. Low union density, in turn, results in a low degree of solidarity within society. Second, there may be a bad-democracy, low-unionization trap in SSA. While unions have the potential to improve democracy within a country, poor quality of democracy reinforces the negative impact of ethnic diversity on unionization. Thus, a poor quality of democracy entails low unionization and low unionization, in turn, implies that democracy within the country does not improve.

Finally, evidence from SSA confirms that globalization is a dilemma for worker representation. On the one hand, unions play an important role in protecting workers' interests particularly in a globalized world. On the other hand, international trade and foreign direct investment make workers' unionization more difficult and contribute to more conflictual industrial relations. For SSA, one specifically challenging factor is the engagement of China negatively affecting labor rights and unionization. However, IMF and World Bank programs also have adverse effects on collective labor rights.

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## Endnotes

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<sup>1</sup> For example, Becher and Stegmueller (2019) find for the United States that union members have higher cognitive abilities than non-members. However, alternatively, one may argue that particularly workers with poor economic prospects may prefer protection by worker organizations (Jirjahn 2010, Machin and Wadhvani 1991).

<sup>2</sup> Using pooled quantile regressions, Ntlhola et al. (2019) also find that unions compress the wage structure. However, they do not find a compressionary effect once fixed effects are taken into account. It should be noted that the fixed effects quantile approach used by the authors has been heavily criticized for methodological reasons (Besstremyannaya and Golovan 2019). Thus, in the end, Ntlhola et al.'s pooled quantile regressions appear to be more credible.

<sup>3</sup> In a similar vein, Jirjahn and Mueller (2014) find for Germany that worker representation is associated with increased firm performance in domestically owned, but not foreign-owned establishments.

<sup>4</sup> As confirmed by email conversation with the author, there is a crucial typo in Table 5 of the discussion paper. The coefficient on the interaction of unionization and the firm size dummy is positive in the table is positive. However, it should be negative. The interpretation in the text of the discussion paper is correct and is based on the negative interaction.

<sup>5</sup> Legal theory distinguishes between two major families of legal systems – common law and civil law. Common law was first developed in England. Civil law originated in Roman law and was reinvigorated by Napoleon and Bismarck.

<sup>6</sup> Note that variables for the worker's union membership and the presence of union in the firm enter Alby's (2007) regressions only as controls. His estimates suggest that union presence is associated with higher wages in common law countries while union membership plays a role in civil law countries. Unfortunately, Alby does not interact the union variables with the variables for firm performance and capital investments to obtain more insights into rent capture. Moreover, the dummy variable for union presence has to be treated with caution. It is equal to 1 if at least one

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worker in the firm is a union member. A study by Fox and Ouedo (2008) with an expanded sample of Francophone and Anglophone countries in SSA shares the same limitation.

<sup>7</sup> In a similar vein, Bedaso and Jirjahn (2024) show for Germany that the unionization gap between migrants and natives is smaller when migrants are integrated into the workplace through workplace democracy.