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World Bank's Doing Business Makes Unsubstantiated Assertions, Rewards Countries That Have Not Ratified ILO Conventions

Brussels, 10 September 2008 (ITUC OnLine): The 2009 edition of World Bank's highest-circulation publication, Doing Business, which the Bank launched earlier today in Washington, rewards countries that have not ratified ILO conventions for being the world top performers for "Employing Workers". Doing Business 2009 also repeats the practice of making unsubstantiated claims of causality between its "Employing Workers" indicator, which gives the best ratings to countries having the lowest level of mandated workers' and social protection, and positive economic outcomes, even though the Bank's own internal watchdog unit found no evidence of any relation between the two. Last June, the Bank's Independent Evaluation Group declared that, "no significant association emerged between … [the Doing Business indicator on] employing workers and employment" and blamed the publication for making "overstated claims of the indicators' explanatory power".

Doing Business 2009 falsely asserts that, "An economy can have the most flexible labor regulations as measured by Doing Business while ratifying and complying with … the ILO core labor standards". In reality, none the countries designated by Doing Business 2009 as the top four for employing workers ratified all of the International Labour Organization's core labour standards (CLS) conventions. Two of the top four countries ratified not a single one of the eight CLS conventions and a third ratified only two of out of eight.

"By declaring countries with the lowest level of workers' protection to have the best labour regulations, the World Bank makes a mockery of its claim to respect workers' right and to support improved living standards for working people in developing countries," said ITUC general secretary Guy Ryder. "The Bank should draw the appropriate lessons from its own evaluation unit, which found the methodology of Doing Business to be flawed in identifying labour standards and contributions to social programmes as nothing more than obstacles to investment. The mandate to determine the Bank's policy recommendations for developing countries' labour regulations and social protection should be taken away from Doing Business," said Ryder.

The World Bank and IMF have used the Doing Business indicators in numerous country-level policy reports to advise governments to dismantle workers' protection or reduce funding for social safety nets. In some cases, countries have been forced to comply with the recommendations through loan conditions, even if such measures work at cross-purposes with the Bank's stated goal of eliminating poverty.

For example, Doing Business supports the reduction of the minimum wage in Brazil because increases applied by the current government have meant that it exceeds the low threshold that Doing Business deems acceptable for business owners. However, the World Bank's 2008 Country Partnership

Strategy for Brazil highlights “increases in the minimum wage” as one of the causes of a significant decline in poverty and of the fact that Brazil’s income inequality, which used to be among the highest in the world, “is finally eroding”. At the same time that the Bank recognizes that Brazil has succeeded in making strides towards reduction of poverty, which the Bank formerly described as its “overarching goal”, the institution’s highest-circulation publication promotes measures that would increase poverty in the country.

On the other hand, Doing Business has lauded Belarus for its top-ranking “Employing Workers” indicator, even though the ILO has condemned the authoritarian regime’s curtailing of workers’ rights as a violation of the CLS. The violation led to the European Union withdrawing trade preferences under the Generalized System of Preferences. “By endorsing unacceptable labour standards that have resulted in reduced access for Belarus exports to the world’s largest market, one wonders how much of a service Doing Business and the World Bank are actually rendering to those who wish to ‘do business’ in the country,” said the ITUC’s Guy Ryder.

Doing Business 2009 continues the practice of the first five editions in making unsubstantiated assertions linking the Doing Business labour indicators to positive economic outcomes, using as references unpublished studies and internal “working papers” prepared by Doing Business staff, none of which can be verified by credible researchers or the ILO. Stated Ryder: “It is surprising that, even after the Bank’s own evaluation unit found no links of causality between the indicators and employment and criticized Doing Business for making such claims, the Bank’s highest circulation publication continues repeating the same assertions. This will do nothing to enhance the World Bank’s aspiration to be a global ‘depository of knowledge’ on development issues.”

The ITUC represents 168 million workers in 155 countries and territories and has 311 national affiliates.

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