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ITUC calls on World Bank to complete overhaul of “Doing Business”

Brussels, 4 November 2010 (ITUC Online): The 2011 edition of the World Bank’s “Doing Business” report, released earlier today, includes a welcome first step for revising the report’s past practice of encouraging countries to dismantle labour and social regulations, which it did by granting its best ratings to countries with the lowest levels of workers’ protection.

Doing Business 2011 has removed the “Employing Workers Indicator” (EWI) from the “Ease of Doing Business Index” and country rankings, although the basic data from which the EWI is calculated remains in an annex to the report. The Bank has furthermore, according to Doing Business 2011, “instructed staff not to use the [EWI] indicators as a basis for providing policy advice or evaluating country development programs or assistance strategies”.

ITUC general secretary Sharan Burrow invited the Bank to complete the process of overhauling Doing Business. “By considering labour regulations only from the view of whether they are deemed to be good for business, the World Bank has caused enormous damage to workers by advising borrowing countries through its highest-circulation publication that labour standards should be dispensed with,” said Burrow. “The global economic crisis has made clear that well-designed and enforced labour regulations and social protection are essential for securing employment and for providing adequate income for those who lose their jobs. The Bank should carry through on the positive step it has made in Doing Business 2011 by removing the EWI from all future editions and, instead, adopting policies on labour issues that recognise and reward the importance of adequate labour regulations and comprehensive social protection.”

The ITUC noted that even though Doing Business’s annex on “Employing Workers” speaks positively of countries that provide financial support for reduced working time programmes designed to prevent lay-offs or that have increased unemployment benefits, the report penalizes countries that require any sort of contribution by employers for unemployment insurance, workmen’s compensation, old-age pensions, maternity leave or other social protection programmes.

Through its “Paying Taxes Indicator”, which has not been modified in Doing Business 2011, the Bank continues to advocate that business should be exempt from all forms of taxation, whether it be corporate income tax, property tax, social security contributions, property tax, capital gains tax or financial transactions tax. Doing Business 2011’s top ten best performers for their very low total tax rate on business include Timor Leste, Vanuatu, Maldives, Macedonia, United Arab Emirates, Saudi Arabia and Georgia.

“At a time when countries around the world are facing huge fiscal crises as a result of the global recession even though corporate profits have surged back, it is not just retrograde but simply irresponsible for the World Bank’s highest-profile report to be promoting the idea that companies should not have to pay one cent of tax or social contribution,” said Burrow.

The ITUC also noted that Doing Business mentions countries that have sought to respond increased threats of job loss since the 2008-2009 recession by introducing advance notice periods for dismissal or, as in the case of Australia, severance pay requirements. Burrow observed that, even with the changes in methodology for the EWI that the Bank has announced, these countries would still be downgraded in their Doing Business ranking if the EWI were reincorporated in the Ease of Doing Business index: “The Bank would be sending the wrong message to countries, namely that they should refrain from protecting workers facing dismissal and from providing adequate compensation to those who lose their jobs. That is why it is important that the EWI be permanently removed from Doing Business.”

The ITUC represents 176 million workers in 151 countries and territories and has 301 national affiliates. <http://www.ituc-csi.org> and <http://www.youtube.com/ITUCCSI>

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