

THE WORLD BANK'S BUSINESS READY PROJECT: THE LABOR TOPIC, ILO STANDARDS AND THE ROLE AND IMPACT OF LABOUR REGULATION

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Abstract

The World Bank's new Business Ready (B-READY) project replaces the controversial Doing Business index in assessing global business and investment environments and is intended to galvanise legal reform in countries across the world. The project is driven by a set of indicators that measure and compare key facets of countries' business environments. B-READY includes a 'Labor Topic' that is of considerable significance to future global policy on working life, legal regulation, and economic development. This paper presents a methodological and conceptual evaluation of the labour dimension of B-READY with the aim of gauging the potential impacts on international and domestic labour law and development policy. It applies a legal-comparative method to compare the project's Labor indicators with International Labour Organization standards and trends in domestic laws, revealing significant divergence from these norms and a consequential endorsement of very poor quality jobs. We attribute these outcomes to the Bank's enduring deregulatory model and identify significant, new and longstanding, dimensions of this model: a novel bifurcation of labour standards, reflected in B-READY's scoring system; a continuing failure to recognise the range of laws that shape working life; and a reinforced yet deficient assessment of the *de facto* effects of labour laws.

Key words: Business Ready (B-READY), World Bank, Doing Business, labour regulation, indicators, labour law, labor law

1. INTRODUCTION

In October 2024 the World Bank launched the first annual report on its new Business Ready (B-READY) project.¹ B-READY aims to assess the global business and investment climate and is a central mechanism in the Bank's efforts to promote private investment, create employment, and advance productivity.² The project is driven by a set of indicators that purport to measure and compare various dimensions of the business environment in countries across the world, with the results disseminated annually. B-READY replaces the Bank's discredited Doing

¹ World Bank, *Business Ready 2024* (Washington D.C.: World Bank, 2024).

² *ibid*, 2.

Business project, which lasted from 2003 until it became mired in controversy and was discontinued in 2021.³

Given the Bank's intended use of the B-READY index to encourage policy and legal reforms,⁴ and the considerable influence of Doing Business on global economic policy-making, the B-READY project is of crucial significance to laws and regulatory policy across the world. It is therefore vital to scrutinise and evaluate B-READY, to identify, at this early stage, its potential repercussions for international and domestic labour laws and, more broadly, for development policy.⁵ As a contribution to future debates, this paper assesses the labour dimension of B-READY: the project's 'Labor Topic.'⁶ The labour element of Doing Business - the Employing Workers Index – was subject to widespread criticism, and abandoned as a basis for Bank policy advice and removed from the Doing Business country ranking in 2013.⁷ Now that a labour index has returned as a fully-integrated component of B-READY, as critics of Doing Business⁸ we have a particular interest in the design of the new index and how the two projects' labour indices compare. This analysis is of significance, further, not just for labour law's future, but for broader debates on the role of law in development, the direction of the World Bank, the evolution of global social indicators, and the leximetric study of law.

Section 2 explains the B-READY project, exploring its objectives, design and scholarly and policy significance. In Section 3, we examine the evolution from Doing Business to B-READY, with a particular focus on the labour law dimension. Sections 4 and 5 single out key elements of B-READY's Labor Topic and examine its classification and scoring of labour regulatory frameworks. The remainder of the paper presents our analysis and evaluation of the B-READY labour index. Section 6 draws on a legal-comparative methodology to compare the Labor index with the ILO's International Labour Standards and with global trends in domestic labour law, revealing significant divergence from these norms and the consequential endorsement of jobs of very poor quality. Section 7 explores the conceptual and methodological drivers of these outcomes, attributing them to an enduring adherence by the Bank to a deregulatory

³ See Doing Business Archive at <https://archive.doingbusiness.org/en/about-us> (last visited 19 April 2025).

⁴ 'B-READY Mission,' at <https://www.worldbank.org/en/businessready/about-us/our-mission> (last visited 19 April 2025).

⁵ The 2024 report encompasses 50 economies, with the aim of covering around 180 by 2026, World Bank, *Methodology Handbook* (Washington DC: World Bank, 2024), 4.

⁶ World Bank, *Business Ready 2024*, n 1 above, 70-71; *Methodology Handbook*, *ibid*, Chapter 5 and Annexes (234-282).

⁷ World Bank, *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises* (Washington DC: World Bank, 2013); see Deirdre McCann, 'Labour Law on the Plateau: Towards Regulatory Policy for Endogenous Norms' in Alan Bogg and others *The Autonomy of Labour Law* (Oxford: Hart, 2015) 397.

⁸ Sangheon Lee and Deirdre McCann, 'Measuring Labour Market Institutions: Conceptual and Methodological Questions on "Working Hours Rigidity"' in Janine Berg and David Kucera (eds) *In Defence of Labour Market Institutions: Cultivating Justice in the Developing World* (Geneva: ILO/Palgrave MacMillan, 2008); Sangheon Lee, Deirdre McCann, and Nina Torm (2008) 'The World Bank's 'Employing Workers' Index: Findings and Critiques – A Review of Recent Evidence' 147(4) *International Labour Review* 416; McCann *ibid*; McCann, 'Informalisation in International Labour Regulation Policy: Profiles of an Unravelling' in Diamond Ashiagbor, *Re-Imagining Labour Law for Development* (Oxford: Hart, 2019) 77. On Doing Business, see further Section 3 below.

model of labour market policy. We identify significant, new and enduring, dimensions of the Bank's deregulatory stance: a novel bifurcation of labour standards, fuelled by the project's scoring schema; a continuing failure to grasp the full expanse of countries' labour laws; and a reinforced yet deficient assessment of the *de facto* impacts of labour laws.

2. LABOUR LAW RE-QUANTIFIED: *B-READY* IN RESEARCH AND POLICY

The *B-READY* project is the latest phase in the evolution of two important, linked, trends in labour law policy and scholarship: the design and deployment of legal indexes that quantify and compare legal regimes, across a range of legal sub-fields that include labour law, and the World Bank's incursion into labour regulation policy. The project is therefore a crucial object of enquiry in assessing the drivers and future direction of labour regulation policy, at both the international and domestic levels.

In its methodological dimension, as the latest manifestation of the quantification trend in the policy arena, *B-READY* can be situated within the rise of 'global social indicators'.⁹ Explored by Siems and Nelken among others,¹⁰ these indexes are used to monitor progress towards designated goals by assessing, comparing, and often ranking, a range of entities (countries, organizations, companies), and include the Human Development Index, the Sustainable Development Goals, the UN Global Compact etc.¹¹ In the labour law realm, quantification strategies were initially most prominent in the OECD's Employment Protection Legislation Index,¹² drew heightened global attention through the Doing Business index, and are also a feature of scholarly work that adopts leximetric methods, most notably the University of Cambridge Centre for Business Research Labour Regulation Index (CBR-LRI).¹³

⁹ See eg Kevin E Davis, Benedict Kingsbury, and Sally Engle Merry, 'Introduction: The Local-Global Life of Indicators: Law, Power and Resistance' in Sally Engle and others (eds) *The Quiet Power of Indicators: Measuring Governance, Corruption, and Rule of Law* (Cambridge: Cambridge University Press, 2015); Mathias Siems and David Nelken, 'Global Social Indicators and the Concept of Legitimacy' (2017) 13(4) *International Journal of Law in Context* 436; Amanda Perry-Kessaris 'The Re-co-construction of Legitimacy of/through the Doing Business Indicators' (2017) 13(4) *International Journal of Law in Context* 498.

¹⁰ Siems and Nelken (eds) Special Issue on *Global Social Indicators: Constructing Transnational Legitimacy International Journal of Law and Context* (2017) 13(4).

¹¹ *Ibid.* On the role and purpose of global social indicators, see eg Sally Engle Merry, 'Measuring the World: Indicators, Human Rights, and Global Governance' (2011) 52 *Current Anthropology* S83–S95; United Nations, *The United Nations Rule of Law Indicators Implementation Guide and Project Tools* (New York: United Nations, 2011); OECD *Handbook on Constructing Composite Indicators. Methodology and User Guide* (Paris: OECD, 2008). On UN Development Goals as indicators, see Thomas Pogge, 'Fighting Global Poverty' (2017) 13(4) *International Journal of Law in Context* 512 (on the Millenium Development Goals).

¹² OECD, *Employment Outlook 1999*, Chapter 2, Annex 2.B; OECD Indicators of Employment Protection at <https://www.oecd.org/en/data/datasets/oecd-indicators-of-employment-protection.html> (last visited 19 April 2025).

¹³ eg Simon Deakin and Prabirjit Sarkar, 'Assessing the Long-Run Economic Impact of Labour Law Systems: A Theoretical Reappraisal and Analysis of New Time Series Data' (2008) 39(6) *Industrial Relations Journal* 453; Bhumika Billa et al 2023 'Measuring Labour Regulation: Worker Protections Around The World,' *Digit Data Observatory Data Commentary*, 6 December 2023 at <https://digit->

B-READY can also be situated within a proliferation of sources of transnational labour law guidance, initially highlighted by Rittich, that encompasses the International Financial Institutions.¹⁴ This diversification of policy guidance is further propelled by B-READY, as a new phase in the World Bank's interest in labour/regulatory policy. Earlier work has traced how Doing Business shifted the Bank firmly onto legal policy terrain traditionally occupied by the ILO, characterising this interaction as a dynamic process of institutional convergence and divergence.¹⁵ This paper is interested in the particular resonance of labour indicators in the Bank's assessment of domestic business environments, including the alignment of the B-READY index with the ILO's international labour standards.

Prior contributions, including by the authors, have investigated B-READY's precursor, Doing Business,¹⁶ and the inception of the B-READY project,¹⁷ and assessments of the Labor Topic are beginning to emerge in the policy sphere.¹⁸ This paper offers a linked methodological and conceptual analysis of the B-READY index and its associated literature. Our analysis draws on a legal-comparative method, designed for the evaluation of labour indicators, that compares the index with international and domestic labour laws and supports an assessment of the form and quality of jobs that are framed as optimal by the index. This method, paired with a close reading of the project literature and assessments of the project's scoring and impact methodologies, also contributes to an evaluation of the conception of labour regulation that is embedded in B-READY.

3. FROM DOING BUSINESS TO B-READY

To understand B-READY's potential repercussions, it is worth briefly tracing the design and history of its predecessor, the Doing Business project. Doing Business evaluated labour laws through an Employing Workers Index, which purported to measure the cost of business regulations and scored selected labour law standards (e.g. on hiring, working hours, redundancy).¹⁹ Doing Business, like B-READY, was not exclusively a research project: its aim

research.org/data_commentaries/measuring-labour-regulation-worker-protections-around-the-world/ (last visited 19 April 2025).

¹⁴ Kerry Rittich, 'Fragmented Work and Multi-Level Labour Market Governance: Informality, Crisis Policy and an Expanded "Law of Work"', in Gráinne de Burca, Claire Kilpatrick and Joanne Scott, *Critical Legal Perspectives on Global Governance* (Oxford: Hart, 2014), 185.

¹⁵ McCann 'Labour Law on the Plateau,' n 7 above, 397.

¹⁶ Lee and McCann, 'Measuring Labour Market Institutions,' n 8 above; Lee, McCann and Torm, n 8 above; McCann, 'Labour Law on the Plateau,' n 7 above; McCann 'Informalisation in International Labour Regulation Policy,' n 8 above.

¹⁷ Deirdre McCann, 'Submission to the World Bank Group Consultation for the Business Enabling Environment Project' (15 March 2022) at <https://durham-repository.worktribe.com/output/1117703> (last visited 19 April 2025); International Labour Organization, 'World Bank Group: Business Enabling Environment (BEE) Pre-Concept Note. Comments by the ILO' (2022).

¹⁸ International Trade Union Confederation, *From Doing Business to B-READY: How the World Bank Continues to Push Labour Deregulation* (ITUC, 2025).

¹⁹ World Bank, *Doing Business 2004* (Washington DC: World Bank, 2023) *et seq.* The other sub-indices of the Doing Business project were: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts, and resolving insolvency.

was to influence law and policy. The project's key output was an aggregated 'ease-of-doing business' index, which generated country rankings that were widely-disseminated and highly influential. The Bank's assessment of labour law frameworks, in developing countries in particular, was overwhelmingly negative: the Bank drew on the Employing Workers Index to contend that 'rigid' regulation is significantly responsible for low productivity and high unemployment and informal employment.²⁰ Doing Business was taken seriously in the global and national conversations on business regulation, including on labour law, and was a trigger for legal reform in developing and transition countries in particular.²¹

The labour facet of the Doing Business Index was widely criticised. Its conceptual and methodological foundations were challenged in the research literature²² and in reports by the Bank's Independent Evaluation Group²³ and an Independent Review Panel.²⁴ Of concern was the use of the Employing Workers Index – and in particular the country rankings – to guide legal reform, as a benchmark for measuring progress, and as a basis for Bank financial assistance to developing countries. In response to the Independent Evaluation Group report, the Employing Workers Index was removed from Doing Business aggregate rankings in 2009, Bank units were prohibited from taking the index into account in loan conditionality, and it was relegated to an Annex in the annual reports.²⁵

In 2013, the Bank's World Development Report pioneered a more sophisticated imagery of labour regulation, in which labour regulations may be either too rigid or too lax and both can have detrimental effects.²⁶ Labour regulation, according to this report, should be situated on a 'plateau', neither excessive nor lax: 'labor policies [that] do not undermine job creation and

²⁰ *ibid*; see Lee and McCann 'Measuring Labour Market Institutions,' n 8 above; McCann 'Labour Law on the Plateau,' n 7 above.

²¹ See World Bank *Doing Business 2020* (Washington DC: World Bank, 2019), 25.

²² See Kevin E Davis and Michael B Kruse, 'Taking the Measure of Law: The Case of the *Doing Business* Project' (2007) 32(4) *Law and Social Inquiry* 1095; Deakin and Sarkar, n 13 above; Ross H. McLeod, 'Doing Business in Indonesia: Legal and Bureaucratic Constraints,' Working Paper AED-EAL-2007-3, Economic Attractiveness of the Law Research Program, Nanterre, Université Paris 10 (2007); Janine Berg and Sandrine Cazes, 'Policymaking Gone Awry: The Labor Market Regulations of the *Doing Business* Indicators' (2008) 29(4) *Comparative Labor Law and Policy Journal* 349; Lee and McCann, 'Measuring Labour Market Institutions' n 8 above; Lee, McCann and Torm, n 8 above; United Nations Industrial Development Organization (UNIDO) and Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) 'Creating an Enabling Environment for Private Sector Development In Sub-Saharan Africa' (Vienna: UNIDO, 2008); Peter Bakvis, 'The World Bank's *Doing Business* Report: A Last Fling for the Washington Consensus?' (2009) 15(3–4) *Transfer: European Review of Labour and Research* 419.

²³ Independent Evaluation Group, *Doing Business: An Independent Evaluation* (Washington DC: World Bank, 2008)

²⁴ Independent Review Panel, *Independent Panel Review of the Doing Business Report* (Washington DC: World Bank, 2013).

²⁵ World Bank, 'Guidance Note for World Bank Group Staff on the Use of the Doing Business Employing Workers Indicator for Policy Advice' (3 October 2009); World Bank, 'Revisions to the EWI Indicator' (2009).

²⁶ World Bank, *World Development Report 2013: Jobs* (Washington DC: World Bank, 2012); see McCann, 'Labour Law on the Plateau,' n 7 above.

instead enhance the development payoffs from jobs....²⁷ The Employing Workers Index was subsequently reformed.²⁸ Renamed the Labour Regulation Index, it incorporated questions on protective regulations ('job quality').²⁹ The Doing Business literature also adopted the World Development Report language of a 'balance' between worker protection and flexibility, if poorly absorbed in the index itself.³⁰

In 2021, in the wake of internal reports about data irregularities in the 2018 and 2020 reports,³¹ the Bank discontinued the entire Doing Business project.³² An independent investigation found deficient procedures in the preparation of annual reports, a toxic culture in the Doing Business team, and a risk to data integrity posed by the Bank's Advisory Services programme.³³ In the wake of this report, the Bank announced plans for a new approach to the assessment of the business and investment climate, ultimately embodied in B-READY.

4. LABOUR REGULATION IN B-READY

The B-READY index covers 10 'business environment' topics that include Labor.³⁴ Each topic is structured as three Pillars: Regulatory Framework, Public Services and Operational Efficiency. Within each topic, the Pillars are divided into subcategories that encompass several indicators (see further Section 5 below). Points are assigned to each indicator (0-2)³⁵ and rescaled according to the number of indicators in the relevant sub-category.³⁶ The total topic points for

²⁷ World Bank *ibid*, 22.

²⁸ World Bank, *Doing Business 2017* (Washington DC: World Bank, 2016); see McCann, 'Informalisation in International Labour Regulation Policy,' n 8 above.

²⁹ See World Bank, *Doing Business 2016* (Washington DC: World Bank, 2015), *Doing Business 2017* *ibid*; McCann *ibid*.

³⁰ McCann *ibid*, 87.

³¹ World Bank, *Doing Business 2018* (Washington DC: World Bank, 2017), *Doing Business 2020* (Washington DC: World Bank, 2019).

³² 'World Bank Group to Discontinue Doing Business Report,' (Statement, 16 September, 2021) at <https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report> (last visited 19 April 2025).

³³ Ronald C Machen, Matthew T Jones, George P Varghese and Emily L Stark 'Investigation of Data Irregularities in Doing Business 2018 and Doing Business 2020. Investigation Findings and Report to the Board of Executive Directors' (15 September 2021) at <https://thedocs.worldbank.org/en/doc/84a922cc9273b7b120d49ad3b9e9d3f9-0090012021/original/DB-Investigation-Findings-and-Report-to-the-Board-of-Executive-Directors-September-15-2021.pdf> (last visited 19 April 2025).

³⁴ The others are Business Entry, Business Location, Utility Services, Financial Services, International Trade, Taxation, Dispute Resolution, Market Competition, and Business Insolvency.

³⁵ Data for the Regulatory Framework Pillar are collected through expert consultations with 'lawyers with expertise in labor law and social security law practice and litigation,' World Bank *Methodology Handbook*, n 5 above, 5, 244-245. A set of parameters are used to aim for comparability of data in relation to the law's application to locations, workers and firms. These are: the largest city in population size; a permanent employee of working age in a formal employment relationship with a private sector firm who is a country national and, with some exceptions, works in the service sector; a registered private sector firm with fewer than 250 employees in, with some exceptions, the services sector, 245.

³⁶ On the allocation and weighting of points in the Labor Topic, see further Sections 5.2 and 7.3 below.

each Pillar are further rescaled to values from 0 to 100.³⁷ Topic scores are calculated as the average of the three topic-specific Pillar scores.³⁸ There is no overall aggregate index or country ranking, which was a central feature of *Doing Business*. The *B-READY* 2024 Report presents the project's initial evaluation, of 50 economies.³⁹

The substantial complexity of weighting and aggregation makes it challenging to fully comprehend and accurately evaluate the B-READY scoring strategy. Such complexity is to some extent due to the Bank's ambition for the Labour index, which is to recognise and reward 'balanced' labour markets that ensure both flexibility and protection: '[L]abor regulations and labor market institutions must strive to achieve a fair balance between the need to protect workers' rights and labor market flexibility that fosters a conducive environment for the creation of productive employment opportunities.'⁴⁰ The Labor topic aspires to assess both 'regulatory burden' on enterprises and 'quality of regulations.'⁴¹ Points are allocated to each indicator ostensibly to recognise its contribution to 1. firm flexibility ('ease of business from a firm's perspective') and/or 2. social benefits (impact on the private sector as a whole).⁴²

It is worth noting also that in B-READY the controversies over the Employing Workers Index and the Doing Business project are conspicuously underplayed. The Report observes that Doing Business 'sometimes omitted critical areas such as labor'⁴³ and notes the demise of the earlier project⁴⁴ but does not provide further explanations. Given the concerns about the incentives for governments to weaken labour laws to ascend the Doing Business rankings, it is notable that 'advocating for policy reform' remains a central objective of B-READY.⁴⁵ An aim of the project is to '[guide] specific policy change ... [by] showing how and by how much each economy lags in international good practice,'⁴⁶ although it is stated to be designed to discourage 'a "race to the bottom" or simplistic solutions that were the unintended by-product of Doing Business.'⁴⁷

5. THE LABOUR INDICATORS

The particular interest of this paper is the *B-READY* project's treatment of labour laws. The key site for this assessment of labour regulations is Pillar I of the Labor topic - Quality of Labour

³⁷ World Bank, *Methodology Handbook*, n 5 above, p 246.

³⁸ *ibid*, Appendix 1.3 – Summary of Preliminary Topic Scoring, 13, Labor – Methodology Note, 246.

³⁹ Bangladesh, Barbados, Bosnia and Herzegovina, Botswana, Bulgaria, Cambodia, Central African Republic, Chad, Colombia, Costa Rica, Côte d'Ivoire, Croatia, El Salvador, Estonia, The Gambia, Georgia, Ghana, Greece, Hong Kong SAR, China, Hungary, Indonesia, Iraq, Kyrgyz Republic, Lesotho, Madagascar, Mauritius, Mexico, Montenegro, Morocco, Nepal, New Zealand, North Macedonia, Pakistan, Paraguay, Peru, Philippines, Portugal, Romania, Rwanda, Samoa, Seychelles, Sierra Leone, Singapore, Slovak Republic, Tanzania, Timor-Leste, Togo, Vanuatu, Viet Nam, West Bank and Gaza.

⁴⁰ World Bank, *Business Ready 2024*, n 1 above, 70, citing Arvo Kuddo, 'Labor Regulations throughout the World: An Overview' (Jobs Working Paper Issue No. 16) (Washington, DC: World Bank, 2018).

⁴¹ World Bank, *ibid*, Box 1.1, 2.

⁴² *Ibid*, Box 1.2, 7.

⁴³ *Ibid*, Box 1.1, 3.

⁴⁴ *ibid*, Box 1.1, 2.

⁴⁵ *ibid*, 61.

⁴⁶ *ibid*, xxii; see also Box 1.1, 3.

⁴⁷ *ibid*, Foreword (Gill), xi.

Regulations.⁴⁸ This Pillar is composed of two of the six Labour topic categories: Category 1.1 ‘Workers’ Conditions’ and Category 1.2 ‘Employment Restrictions and Costs.’ In this section, we outline the classification of domestic labour standards in the Labor index (Section 5.1) and the project’s scoring strategy (Section 5.2).

5.1 Pillar I - Quality of Labour Regulations

Category 1.1 - Workers’ Conditions

Category 1.1 encompasses 3 subcategories:

Subcategory 1.1.1 Labor Rights

The Labor Rights subcategory is described as encompassing ‘the basic rights and protections that workers should be granted in the workplace.’⁴⁹ This subcategory encompasses 13 indicators, primarily associated with the ILO’s Declaration on Fundamental Rights and Principles at Work, although also encompassing violence and harassment, annual leave and sick leave:

- equal remuneration or work of equal value
- prohibition of discrimination
- freedom of association and assembly
- the right to collective bargaining
- the prohibition of forced labour
- minimum legal age for employment
- the prohibition of child labour
- the existence of health and safety legislation
- the periodic review of health and safety legislation
- law on workplace violence, discrimination, harassment and bullying
- protection against workplace violence, discrimination, harassment, bullying through grievance mechanisms, information and training
- legally mandated paid annual leave
- legally mandated paid sick leave.

Subcategory 1.1.2 Minimum Wage Attributes

This subcategory measures the existence of:

- a minimum wage in the private sector
- criteria for determining the minimum wage level

⁴⁸ Pillar II – Adequacy of Public Services for Labour is composed of Category 2.1 Social Protection and 2.2 Employment Services. Pillar III - Operational Efficiency of Labor Regulations and Public Services in Practice is composed of Category 3.1 Employment Restrictions and Costs and 3.2 Employment Services, World Bank *Business Ready 2024*, n 1 above, 234. For details see 235-239. On Pillar III, see Section 7.5 below.

⁴⁹ World Bank, *Methodology Handbook*, n 5 above, 235.

- a minimum wage update process
- ‘social consultation’ in setting and updating the minimum wage.

Subcategory 1.1.3 Termination of Employment

Subcategory 1.1.3 measures the presence of regulations (laws or collective agreements) that mandate:

- a notice period
- severance pay
- a ‘third party’ notification for collective dismissal (to workers’ representatives and/or state authorities).

Category 1.2 – ‘Employment Restrictions and Costs’

Subcategory 1.2.1 Terms of Employment

Terms of Employment is an unusual classification that encompasses indicators linked to a diverse range of labour laws, on fixed-term contracts, working time, social protection and dismissal:

- No restrictions on the use of fixed-term contracts for any task
- No restrictions on the use of fixed-term contracts for permanent tasks
- No legal mandate to pay a wage premium for night work
- No restrictions on overtime work within a 56 hour weekly limit
- No legal mandate for firms to pay directly for unemployment protection
- No legal mandate for firms to pay directly for health care
- No legal mandate for firms to pay directly for pensions
- Lawful grounds, including business needs, for individual dismissal.

Subcategory 1.2.2 Minimum Wage Rate

Subcategory 1.2 contains only one indicator: the level of the minimum wage set by law or collective bargaining in the manufacturing and services sector.

Subcategory 1.2.3 Termination of Employment

This subcategory covers the same set of labour standards covered by Subcategory 1.1.3 but assigns points to:

- the length of the notice period (for a worker with 1-5 years’ employment)
- the amount of severance pay (for a worker with 1-5 years’ employment)
- no third-party approval required for an individual dismissal
- no third-party approval required for collective dismissal.

5.2 Scoring

The scores allocated to the B-READY indicators are classified as recognising either benefits to the firm (Firm Flexibility Points) or benefits to ‘society’s broader interests’ (Social Benefits Points).⁵⁰ In the words of the Report,

An indicator is scored under firm flexibility if it increases the benefits or reduces the costs of running a business. An indicator is scored under social benefits if its effects go beyond the firm and extend to socially desirable outcomes, such as environmental protection, workers’ welfare, market competition, consumer protection, fiscal sustainability, equal access to business opportunities, and information externalities.⁵¹

The Category of most interest to this paper - Category 1.2 - is allocated a maximum of 15 points – 13 Firm Flexibility Points (FFP) and 2 Social Benefits Points (SBP). The scoring assumes that legal frameworks aligned with the B-READY indicators benefit firms, but society only ‘marginally,’ and therefore does not equally assign points to both categories.⁵² As noted earlier, the combined Firm Flexibility and Social Benefits Points are rescaled and aggregated into categories and sub-categories to determine the total points for each Pillar, which are further rescaled to range from 0 to 100,⁵³ and Topic scores are the average of the three topic-specific Pillar scores.⁵⁴

B-READY does not, in contrast to Doing Business, construct an aggregate country ranking. The 2024 Report acknowledges the use of the Doing Business rankings to ‘drive public interest and motivate reforms,’⁵⁵ while the Bank’s former Chief Economist has acknowledged that the rankings had incentivised countries to ‘game the system.’⁵⁶ Instead, B-READY aggregates scores only by Topic and Pillar.⁵⁷ It has, the present Chief Economist notes in the Foreword to the Report, been ‘designed expressly to discourage a “race to the bottom” or simplistic solutions that were the unintended by-product of Doing Business ...’⁵⁸ The intention remains, however, to encourage legal and policy reforms at the national level. As the Report explains, the aggregation of points into Topic and Pillar scores ‘identifies specific areas for reform and encourages reforms without overhyping economy wide rankings.’⁵⁹ The project’s goal is ‘to accelerate smart development by encouraging healthy competition among businesses—and

⁵⁰ World Bank, *Methodology Handbook*, n 5 above, 246-248; Annex A, 253.

⁵¹ World Bank, *Business Ready 2024*, n 1 above, Box 2.1, 36.

⁵² World Bank *Methodology Handbook*, n 5 above, 247; see further Section 7.1 below.

⁵³ *ibid*, 246.

⁵⁴ *ibid*, Appendix 1.3 – Summary of Preliminary Topic Scoring, 13; Labor – Methodology Note, 246.

⁵⁵ World Bank, *Business Ready 2024*, n 1 above, Box 1.1, 3.

⁵⁶ Andrea Shalal, ‘World Bank Aims to Replace Cancelled “Doing Business” Report in Two Years’ *Reuters* 10 November 2021 at <https://www.reuters.com/business/world-bank-aims-replace-canceled-doing-business-report-two-years-2021-11-10/> (last visited 19 April 2025).

⁵⁷ World Bank, *Business Ready 2024*, n 1 above, Box 1.1, 3.

⁵⁸ *ibid*, Foreword (Gill), xi.

⁵⁹ *ibid*, 3.

countries.⁶⁰ The Bank, then, continues to use its regulatory-quantification project to send a ‘message to law’ to domestic legal policy actors.⁶¹

The project and Report, moreover, indicate the quintile of an economy’s Topic and Pillar scores, to ‘[allow] readers to identify the specific topics where economies should improve.’⁶² The data are available on the B-READY website⁶³; a welcome transparency, but also permitting aggregated rankings to be easily generated. The project has, perhaps unsurprisingly, been received as a ranking: at the global level, for example, by identifying top performers in each Pillar⁶⁴ and by domestic governments through the creation of bespoke aggregated rankings (in Georgia for example, characterised as a ‘Business Readiness rating’⁶⁵). Finally, the Report itself includes Topic rankings.⁶⁶

6. B-READY, INTERNATIONAL LABOUR STANDARDS, AND DOMESTIC LAWS

The B-Ready Report does not substantially engage with international labour law. The sole reference to the international norms is to the ILO’s 1998 Declaration on Fundamental Principles and Rights at Work⁶⁷ and the Report does not further refer to the ILO. Subcategory 1.1.1 (Labour Rights) (see Section 5 above) reflects the Declaration’s fundamental principles, if imperfectly in some elements. The existence and periodic review of health and safety legislation (Indicator 9), for example, does not grasp the Declaration’s emphasis on the requirements of the fundamental Conventions (the Occupational Safety and Health Convention, 1981 (No. 155) and the Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187)).

It is crucial, however, in gauging the potential impact of B-READY, to explore the extent to which the labour indicators reflect internationally-agreed and country-level legal norms. To this end, in Table 1 we compare the B-READY indicators with the related ILO standards and with global practice in domestic labour law. This analysis draws on a legal-comparative method

⁶⁰ *ibid*, Foreword (Gill), xi.

⁶¹ See Deirdre McCann, ‘New Frontiers of Regulation: Domestic Work, Working Conditions and the Holistic Assessment of Non-Standard Work Norms’ (2012) 34(1) *Comparative Labor Law and Policy Journal* 167; ‘Labour Law on the Plateau,’ n 7 above, 401. See further Section 7.1 below.

⁶² World Bank *Business Ready 2024*, n 1 above, 24; on Labor, see Table A.4, 133.

⁶³ Business Ready <https://www.worldbank.org/en/businessready> (last visited 19 April 2025).

⁶⁴ David Lawder, ‘World Bank Launches New Business Climate Survey with Hungary, Estonia, Singapore in Top Spots’ *Reuters* 3 October 2024 at <https://www.reuters.com/business/environment/world-bank-launches-new-business-climate-survey-with-hungary-estonia-singapore-2024-10-03/> (last visited 19 April 2025).

⁶⁵ Svetlana Alimova ‘Georgia Ranks Third in WB’s New Business Readiness Index, Economy Minister Hails it as Strong Message to Investors’ *Georgian Public Broadcaster* 14 October 2024 at <https://1tv.ge/lang/en/news/georgia-ranks-third-in-wbs-new-business-readiness-index-economy-minister-hails-it-as-strong-message-to-investors/> (last visited 19 April 2025).

⁶⁶ For the Labor Topic, World Bank *Business Ready 2024*, n 1 above, Table A.4, 133. In the Labor Topic, the top quintile is composed of Georgia, Hungary, New Zealand, Mauritius, Croatia, Philippines, Portugal, Viet Nam, Seychelles, and Indonesia. In the Topic’s Pillar I - Regulatory Framework - the top-ranked economies are Portugal, Croatia, Georgia, Slovak Republic, Samoa, Bosnia and Herzegovina, Bulgaria, Cambodia, Côte d’Ivoire and Montenegro.

⁶⁷ *ibid*, 49.

for the evaluation of labour indicators that was initially designed to assess the Doing Business project.⁶⁸ This method gauges the legal standards and regulatory processes explicitly or implicitly reflected in the individual indicators, identifies the cognate international labour standards and national laws, and assesses the degree to which these envisaged and actual legal instruments converge.⁶⁹ It also permits an elaboration of the form and quality of jobs that are sanctioned by the index's optimal regulatory model. The details of the index are drawn from the project's *Methodology Handbook*⁷⁰ and the first B-READY report.⁷¹ In the international comparison, we select and analyse the primary sources, the international standards that are linked to each of the indicators. Our comparison with domestic laws draws on our own analysis of the most recently available data from an ILO dataset of employment protection laws, the EPLex Database,⁷² and secondary analyses drawn from three sources: two ILO General Surveys⁷³ and a comparative analysis of social protection regimes in advanced and emerging economies.⁷⁴

Our analysis sustains and extends our enduring interest in the evolution of 'non-core' labour laws: those that lie beyond the ILO's Declaration of Fundamental Principles and Rights at Work.⁷⁵ These laws regulate central facets of working life (wages, security, working hours etc.) and are intrinsic to key policy challenges in contemporary employment (e.g. job quality, casualisation) yet can nonetheless be overlooked in the international debates on labour regulation. We have therefore selected the B-READY Labor Topic category that is most substantially linked to non-core ILO standards: Pillar I, category 1.2 'Employment Restrictions and Costs.'⁷⁶

Table 1: Category 1.2 'Employment Restrictions and Costs': a comparison of the B-READY indicators and the International Labour Standards

B-Ready Indicators. Pillar I Quality of Labour	ILO International Labour Standards	Global practice
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⁶⁸ This method was developed in Lee and McCann 'Measuring Labour Market Institutions,' n 8 above.

⁶⁹ *ibid.*

⁷⁰ World Bank, *Methodology Handbook*, n 5 above.

⁷¹ World Bank, *Business Ready 2024*, n 1 above.

⁷² <https://eplex.ilo.org/en> (last visited 15 May 2008).

⁷³ ILO *Minimum Wage Systems*, General Survey of the Reports on the Minimum Wage Fixing Convention, 1970 (No. 131) and the Minimum Wage Fixing Recommendation, 1970 (No. 135), Report of the Committee of Experts on the Application of Conventions and Recommendations, Report III (Part 1B), International Labour Conference, 103rd Session, 2014, (Geneva: International Labour Office 2014; ILO); *Ensuring Decent Working Time for the Future*, General Survey concerning Working-Time Instruments, Report of the Committee of Experts on the Application of Conventions and Recommendations, Report III (Part B), International Labour Conference 107th Session, 2018 (Geneva: International Labour Office, 2018).

⁷⁴ Antonia Asenjo and Clemente Pignatti, 'Unemployment Insurance Schemes around the World: Evidence and Policy Options' (Geneva: ILO Research Department, Working Paper No. 49, 2019).

⁷⁵ Lee and McCann, *Measuring Labour Market Institutions*, n 8 above; McCann 'New Frontiers of Regulation,' n 61 above, 'Labour Law on the Plateau,' n 7 above, 'Informalisation in International Labour Regulation Policy,' n 8 above.

⁷⁶ See Section 5 above.

Regulations, Category 1.2 Employment Restrictions and Costs		
<p><u>Subcategory 1.2.1 - Terms of Employment</u></p> <p><i>Fixed-term contracts</i></p> <p>No restrictions on the use of fixed-term contracts for (1) any type of task or (2) permanent tasks (Indicators 1 and 2) (1 FFP for each indicator; no SBP).⁷⁷</p>	<p>Recommended: e.g. (1) limiting recourse to fixed-term contracts to where the employment relationship cannot be of indeterminate duration (because of the nature of the work or the circumstances in which it is performed) or (2) deeming fixed-term contracts that are renewed on one or more occasions to be contracts of indeterminate duration, Termination of Employment Recommendation, 1982 (No. 166), Paragraph 3.⁷⁸</p>	<p>The vast majority – 89% - of countries regulate the use of FTCs.⁷⁹</p> <p>The EU Fixed-Term Work Directive, for example, requires EU Member States to introduce a limit on successive fixed-term contracts (by specifying reasons for renewal, a maximum total duration, or the permitted number of renewals). EU Fixed-Term Work Directive, Framework Agreement on Fixed Term Work, Clause 5.</p>
<p><i>Night work</i></p> <p>No legal mandate for firms to pay a wage premium for night work (Indicator 3) (1 FFP; no SBP).</p>	<p>Compensation for night workers is required in the form of working time, pay or similar benefits, which recognises the nature of night work, Night Work</p>	<p>The majority of countries – approximately 66% - have legal provisions that recognise the nature of night work through some</p>

⁷⁷ It is clear from the *Methodology Handbook* that this distinction is between 1. the type of work performed and 2. the performance of permanent/ongoing tasks, World Bank *Methodology Handbook*, n 5 above, 238, Table 6.

⁷⁸ Domestic workers on fixed-term contracts are entitled to have information on the contract's duration included their terms and conditions of employment, Domestic Workers Convention, 2011 (No. 189), Article 7(c).

⁷⁹ Calculation based on data from the ILO EPLex database, 'Fixed-Term Contracts (FTCs)' at <https://eplex.ilo.org/en/fixed-term-contracts-ftcs> (last visited 19 April 2025). The database contains data on laws on fixed-term contracts from 114 countries.

	<p>Convention, 1990 (No. 171), Article 8.</p> <p>Recommended: night work incurs financial compensation additional to the remuneration for day work, which, by agreement, can be converted into reduced working time, Night Work Recommendation, 1990 (No. 178), Paragraph 8.</p>	<p>form of compensation.⁸⁰ In approximately 44% of countries, the compensation is financial.⁸¹</p>
<p>Working Time</p> <p>No restrictions on overtime work within a limit of 56 hours (Indicator 4) (1 FFP; 1 SBP).</p>	<p>Recent standards: 40 hour limit on normal hours (pre-overtime), Forty-Hour Week Convention, 1935 (No. 47) and Reduction of Hours of Work Recommendation, 1962 (No. 116).</p> <p>Earlier standards: 48 hour limit (with overtime expected to be exceptional), Hours of Work (Industry) Convention, 1919 (No. 1) and Hours of Work (Commerce and Offices) Convention, 1930 (No. 30).</p>	<p>The majority of countries impose a statutory limit of at least 48 hours on normal hours and approximately half of 40 hours or less.⁸²</p>
<p>Social Protection</p> <p>No legal mandates for firms to pay directly for unemployment protection, health care and pensions</p>	<p>Mandatory employer contributions are foreseen: the cost of benefits is to be borne collectively through</p>	<p>Both employers and workers contribute to unemployment insurance schemes in most countries.</p>

⁸⁰ ILO, *Ensuring Decent Working Time for the Future*, n 73 above, Figure 4.10, 183. ILO calculation based on data from 111 ILO member States (approximate calculation). See also para 488.

⁸¹ *ibid.* ILO calculation based on data from 111 ILO member States.

⁸² *ibid.* Figure 1.5, 19. ILO calculation based on data from 'reporting countries' (countries that provided reports on national law and practice under article 19 of the ILO Constitution for the preparation of the General Survey, see *ibid* 1) - 124 countries (*ibid*, 1).

(Indicators 5-7) (1 FFP for each indicator; no SBPs).	insurance contributions, taxation or both, with no more than 50 per cent to be borne by employees, Social Security (Minimum Standards) Convention, 1952 (No. 102), Article 71.	These contributions are usually compulsory. ⁸³
<i>Dismissal</i> Lawful grounds, including business needs, for individual dismissal (Indicator 8) (1 FFP; 1 SBP).	No termination without a 'valid reason', including the operational requirements of the employer, Termination of Employment Convention, 1982 (No. 158), Article 4.	87% of countries specify reasons for which an employee can be dismissed, and 43% permit dismissals on the basis of economic reasons. ⁸⁴
<u>Subcategory 1.2.2 - Minimum Wage Rate</u> The amount of the minimum wage as set by law or collective agreement in the manufacturing and services sector (Indicator 1) (1 FFP; no SBP). To calculate economy scores, GDP per capita is used to establish a minimum-wage-to-GDP per capita ratio. A Cumulative Density Function (CDF) transformation is then applied to assign a score based on this ratio. Economies with a ratio	Minimum wage levels to be fixed by taking into account 1. the needs of workers and their families (taking into account wage levels in the country, the cost of living, social security benefits, and the relative living standards of other social groups) and 2. economic factors, including the requirements of economic development, levels of productivity, and the desirability of attaining and maintaining a high level of employment, Minimum Wage Fixing	Widely-used criterion for determining minimum wage rates include cost of living, workers' needs, the economic situation, and productivity. ⁸⁶

⁸³ Asenjo and Pignatti, n 74 above, Figure 3, 14-15; authors' analysis of 31 countries.

⁸⁴ ILO EPLex database, n 72 above. The database contains data on dismissal laws from 113 countries.

⁸⁶ ILO, *Minimum Wage Systems*, n 73 above, 122-134. ILO calculation based on data from 129 member States that provided reports on national law and practice under article 19 of the ILO Constitution together with data from reports submitted under articles 22 and 35, 17, Appendix II.

below the 5 th percentile are assigned a score of 100. Those with a ratio above the 95 th percentile are scored at 0. ⁸⁵	Convention, 1970 (No. 131) .	
<p><u>Subcategory 1.2.3 - Termination of Employment</u></p> <p>The length of the notice period and amount of severance pay mandated by law for a worker with more than 1 year but less than 5 years of employment (Indicators 1-2) (1 FFP; no SBP for both indicators).</p>	<p>A reasonable period of notice, or compensation in lieu, and severance pay calculated on the basis of criteria that include length of service and level of wages, Termination of Employment Convention, 1982 (No. 158), Articles 11, 12(1).</p>	<p>The vast majority of countries specify a notice period (90%), primarily of 1 month (50% of countries) or longer (30% of countries).⁸⁹</p> <p>A substantial majority of countries – 74% - require redundancy pay.⁹⁰ Most of</p>

⁸⁵ World Bank, *Methodology Handbook*, n 5 above, 239; Dorina Georgieva and Dagmara Maj-Swistak, 'Minimum Wage Policies through the Lens of Data-Driven Insights,' World Bank Data Blog, 30 January 2025 at <https://blogs.worldbank.org/en/opendata/minimum-wage-policies-through-the-lens-of-data-driven-insights> (last visited 19 April 2025).

⁸⁹ ILO EPLex database at <https://eplex.ilo.org/en/procedures-for-individual-dismissal>. The database contains data on legal requirements on notice period from 104 countries. The figures are based on a set of assumptions about the worker and the dismissal: permanent engagement (reflecting the worker assumed in the B-READY methodology, *Methodology Handbook*, n 5 above, 245), tenure of 4 years, aged 45 or younger, white-collar, monthly-paid, non-supervisory role. Where the relevant legal instrument mandates a different notice period for economic dismissals and termination without cause, economic dismissal was selected.

⁹⁰ Calculation based on data from the ILO EPLex database at <https://eplex.ilo.org/en/redundancy-and-severance-pay>. Data on 'redundancy payments' was selected, defined in EPLex as 'termination payments that arise from terminating a worker on economic grounds, such as redundancy or restructuring.' These data were selected to match the B-READY definition of 'redundancy' ('[d]ismissal allowed by law that is justified by economic, operational, or structural reasons (not by other causes, such as personal grounds or faulty worker's behaviour)'), World Bank, *Methodology Handbook*, n 5 above, Glossary, 268). The *Methodology Handbook* indicates that the severance payments relevant to Indicator 1.2.3 relate to 'cases of redundancy,' 239). There is a degree of ambiguity in the indicator (ibid, Table 8, 239) and the related question in the Labor Questionnaire (ibid, Question 49, 275), which refer to 'severance pay' and a 'severance payment' respectively without specifying redundancy dismissals (the broader term of 'severance payment' generally encompasses both economic dismissals and those related to the capacity or conduct of an employee); see ILO EPLex, at <https://eplex.ilo.org/en/redundancy-and-severance-pay> (last visited 19 April 2025); Termination of Employment Convention, 1982 (No. 158), Article 4). The EPLex database contains data on legal requirements on redundancy payments from 106 countries. A 4-year tenure

<p>To calculate economy scores, a Cumulative Density Function (CDF) transformation is applied to assign a score on a scale of 0 to 100, where 0 and 100 represent the lowest and highest possible scores. Economies with a ratio below the 5th percentile are assigned a score of 100. Those with a ratio above the 95th percentile are scored at 0.⁸⁷</p> <p>No third-party approval required for either individual or collective dismissals (Indicators 3-4) (1 FFP for each indicator, no SBPs).⁸⁸</p>	<p>Recommended: consultation with workers' representatives before an individual dismissal.</p> <p>Termination of Employment Recommendation, 1982 (No. 166), Paragraph 11.</p>	<p>these countries (57%) specify a payment of between 1-2 months' wages (for employees of 4 years' tenure).⁹¹</p> <p>The vast majority of countries do not require third party approval (by public administration/judicial bodies or workers' representatives) for either individual dismissals (90% of countries) or collective dismissals (78% of countries).⁹²</p>
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The comparison in Table 1 demonstrates that the Category 1.2 indicators substantially diverge from the linked international labour standards and prevailing practice in domestic laws. As a result, countries whose laws best reflect the internationally agreed standards will be penalised in the *B-READY* scoring. To single out one regulatory sub-field as an illustration, the index's upper limit on working hours - 56 hours - is notably excessive. While not as high as the open-ended ('66 hours or higher') limit in the initial iteration of the *Doing Business* index,⁹³ a 56 hour week is far out of line with the modern standard, the 40 hour week. Even the earliest international standard from 1919 – prior to equitable work/life balance as a goal of working

was selected to align with the personal scope of the B-READY Indicator 1.2.3: a worker with 1-5 years' employment (*ibid*, 234).

⁸⁷ World Bank, *Methodology Handbook*, n 5 above, 239.

⁸⁸ Subcategory 3.1.3 of Pillar II – Dismissal Time and Cost - also measures 'weeks paid in severance': the amount paid in practice to dismiss a permanent full-time worker in the past 3 years, World Bank *ibid*, Table 19, 243.

⁹¹ EPLex database, *ibid*.

⁹² Calculation based on data from the ILO EPLex database: individual dismissals – <https://eplex.ilo.org/en/procedures-for-individual-dismissal>; collective dismissals ('employment terminations of several workers on the grounds of economic, technological, structural or similar reasons') - <https://eplex.ilo.org/en/procedures-for-collective-dismissal> (last visited 19 April 2025). The database contains data on legal requirements on dismissal procedures (individual and collective) from 113 countries.

⁹³ See World Bank, *Doing Business 2006* (Washington DC: World Bank, 2005); Lee and McCann, 'Measuring Labour Market Institutions,' n 8 above, 43.

time regulation - mandates a 48 hour limit on normal hours (permitting overtime only exceptionally). Indeed, the *B-READY* limit is at a level that, regularly performed, working hours become dangerous to health⁹⁴ and are associated with a higher incidence of occupational injuries and accidents.⁹⁵

This analysis also reveals B-READY to be a departure from the Bank's post-reform ambition for the *Doing Business* project, to fully reflect the international labour standards.⁹⁶ Indeed, the index as currently constructed reflects a notable shift from the initial plans for B-READY outlined in the Bank's Pre-Concept Note, which, if narrow in its conception of protection and working conditions, cites measuring international labour standards, including specifically on employee protection and decent working conditions, as among the project's objectives.⁹⁷ A central aim of B-READY is to establish 'international good practice.'⁹⁸ Yet the International Labour Standards are generally understood to represent international good practice, adopted through tripartite agreement within the UN's Specialist Agency on labour.⁹⁹

Finally, our analysis reveals that by virtue of the Employment Restrictions and Costs category, a top-scoring country in the *B-READY* Index will extend a conspicuously low level of worker protection under its labour laws. Drawing on the above analysis of the Employment Restrictions and Costs indicators, it is possible to construct the type of job that the Index tolerates in an optimal labour law regime (Figure 1).

⁹⁴ Frank Pega and others, 'Global, Regional, and National Burdens of Ischemic Heart Disease and Stroke Attributable to Exposure to Long Working Hours for 194 Countries, 2000–2016: A Systematic Analysis from the WHO/ILO Joint Estimates of the Work-Related Burden of Disease and Injury' (2021) 154 *Environment International* 154.

⁹⁵ Anne Spurgeon, *Working Time: Its Impact on Safety and Health* (Geneva: ILO, 2013); Allard E Dembe and others, 'The Impact of Overtime and Long Work Hours on Occupational Injuries and Illnesses: New Evidence from the United States' (2005) 62(9) *Occupational and Environmental Medicine* 62; Pega and others *ibid*; see also ILO, Pre-Concept Note Comments, n 17 above, 3-4.

⁹⁶ World Bank, *Doing Business 2012* (Washington, DC: World Bank, 2011), 58. See McCann, 'Labour Law on the Plateau,' n 7 above.

⁹⁷ World Bank, 'Pre-Concept Note. Business Enabling Environment (BEE)' (4 February 2022) at <https://www.worldbank.org/content/dam/doingBusiness/pdf/BEE-Pre-Concept-Note---Feb-8-2022.pdf> (last visited 19 April 2025), 23; see ILO, Pre-Concept Note Comments, n 17 above; McCann, Business Enabling Environment Pre-Concept Note Submission, n 17 above. The shift was signalled in the project's *Concept Note*, in which a 'workers' rights' v 'employment protection legislation' dichotomy was already present, World Bank, 'Concept Note. Business Enabling Environment' (June 2022, revised December 2022) at https://www.worldbank.org/content/dam/doingBusiness/pdf/BEE%20Concept%20Note_December%202022.pdf (last visited 19 April 2025), 48. See further Section 7 below.

⁹⁸ World Bank, *Business Ready 2024*, n 1 above, xxii; Box 2.1, 35.

⁹⁹ See eg World Bank, *World Development Report 2013*, n 26 above, 156.

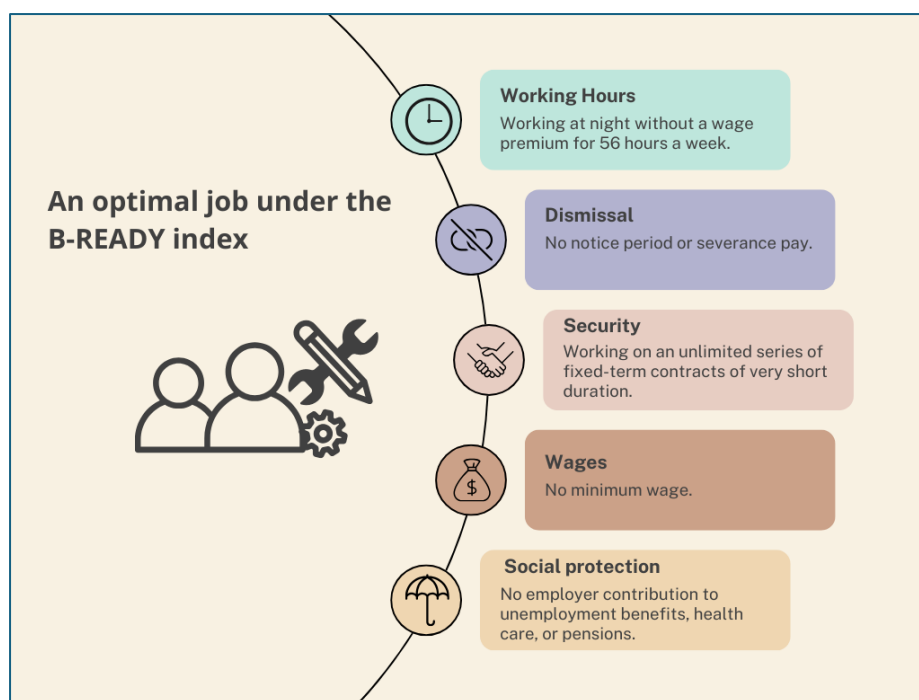


Figure 1

7. THE ROLE OF LABOUR REGULATION: ‘WORKERS’ CONDITIONS’ OR ‘EMPLOYMENT RESTRICTIONS AND COSTS’

Given the B-READY indicators’ prompts for labour standards and regulatory design, it is worth further investigating the broader conception of labour regulation that is embedded in the project. To this end, in this section we draw on the above legal-comparative analysis of the indicators, a close reading of the B-READY literature, and further analyses of the project methodology, of the index scoring strategy and the assessment of the effects of labour regulations. We interrogate the project’s assumptions about both the substantive scope of labour laws and the operation and effects of regulatory frameworks. We find B-READY to sustain a longstanding, if evolving, deregulatory orientation (Section 7.1), which is driven by and drives a bifurcation of labour rights (Section 7.2) reflected in and shaping the index’s scoring system (Section 7.3), and which does not capture key elements of labour law frameworks (Section 7.4) or the empirical impact of domestic labour regulation regimes (Section 7.5).

7.1 B-READY’s model of labour regulation

The B-READY project, as noted above, is characterised as seeking a fair balance between workers’ rights and labour market flexibility.¹⁰⁰ In the 2024 report, a reference to the regulatory plateau proposed in the 2013 World Development Report¹⁰¹ promises a sophisticated model of labour regulation: ‘[s]ound, balanced labor regulations are needed for

¹⁰⁰ World Bank, *Business Ready 2024*, n 1 above, 70.

¹⁰¹ World Bank, *World Development Report 2013*, n 26 above.

firms and workers to benefit from a dynamic, innovative labor market that does not come at the expense of income security or basic workers' rights.'¹⁰²

Yet the B-READY report otherwise overwhelmingly draws on literature that has found labour regulations to inhibit job creation.¹⁰³ It neglects the wealth of research that has found no association between labour market regulation and higher unemployment or informal work, or explore the potential benefits of regulation.¹⁰⁴ The report is in contrast with the 2013 World Development Report, which referenced a range of literature, noting alternative explanations for poor employment outcomes and recognising the benefits of legal regulation, including social objectives such as improved living standards and social cohesion.¹⁰⁵ B-READY therefore prolongs the legacy of Doing Business in its fidelity to orthodox economic theory, offering an account of the expanse and intensity of labour law diminished from frameworks/regulatory techniques of international norms and most domestic-level regimes.

As a result, the project's conceptual framework neglects the policy objectives that underpin significant labour laws. Returning to the illustration of the working time indicators,¹⁰⁶ for example, B-READY's prompts for laws on daily and weekly working hours and night work are in conflict with the policy objectives of most working time regimes, with the result that the optimum model reflected in B-READY would have negative consequences for workers' health, safety, and family lives. This deregulatory model is channelled through the index's 'message to law' role.¹⁰⁷ In B-READY, like Doing Business, the role of global social indicators as a form of governance¹⁰⁸ is intensified by indicators that are tailored to legal reform by conveying detailed prompts for legislative design. In B-READY, the deregulatory impulse is conveyed through a new classificatory system for labour law regimes, examined in the following section.

7.2 A novel bifurcation of labour rights

Building on these conceptual foundations, B-READY relays a bifurcated model of labour law, in which the demands of some international standards are recognised and others disregarded. The bifurcation is not novel: an early criticism of Doing Business was that the fundamental rights were treated as the central features of acceptable labour regulation while other

¹⁰² World Bank, *Business Ready 2024*, n 1 above, 70; on the *World Development Report*, see Section 3 above.

¹⁰³ Rita Almeida and Pedro Carneiro, 'Enforcement of Labor Regulation and Informality' (2011) 4(3) *American Economic Journal: Applied Economics* 64; Norman V Loayza, 'Informality in the Process of Development and Growth' (2016) 39(12) *World Economy* 1856; Gabrile Ulyssea, 'Informality: Causes and Consequences for Development' (2020) 2(1) *Annual Review of Economics* 525; Sarur Chaudhary and Siddharth Sharma, 'The Impact of Lifting Firing Restrictions on Firms: Evidence from a State Level Labor Law Amendment' (Washington, DC: World Bank, 2022); all cited in World Bank *Business Ready 2024*, n 1 above, 70.

¹⁰⁴ ILO, Pre-Concept Note Comments, n 17 above, 1.

¹⁰⁵ World Bank, *World Development Report 2013*, n 26 above; see McCann, 'Informalisation in International Labour Policy', n 8 above, 87. It is notable also that the B-READY Report does not mention the UN's Sustainable Development Goals.

¹⁰⁶ See Section 6 above.

¹⁰⁷ McCann, 'New Frontiers of Regulation,' n 61 above; 'Labour Law on the Plateau,' n 7 above, 401.

¹⁰⁸ Perry-Kessaris, n 9 above, 499.

international labour standards, and the domestic labour laws that reflect them, were assumed to be inefficient.¹⁰⁹

In B-READY, however, the parameters of acceptable and detrimental labour rights have shifted. The new bifurcation is rendered through the distinction between Workers' Conditions (Category 1.1) and Employment Restrictions and Costs (Category 1.2) (see further Section 5 above). The language of 'restrictions and costs' is telling. It frames the associated legal instruments - on security, working hours, social protection, minimum wage rates - as distinct from conditions of work. Yet accounts of Category 1.2 laws, in policy and legal discourses, tend to centre on their social objectives: protecting health, ensuring security, or improving the quality of life of workers and their families. Nor does the B-READY classification match conventional labour law typologies.¹¹⁰ 'Conditions of work' is generally understood to encompass key elements of the Employment Restrictions and Costs category: the minimum wage rate, working time protections and, often, non-standard work laws.¹¹¹

B-READY's rendition of labour rights is also odd. The index confines the Labor Rights subcategory (Subcategory 1.1.1) primarily to the fundamental rights. Yet the Employment Restrictions and Costs category encompasses celebrated labour rights: the Declaration of Philadelphia called for a minimum living wage,¹¹² for example, and working hours limits were first mandated by the ILO in 1919¹¹³ and are enshrined in the Universal Declaration of Human Rights.¹¹⁴ It is notable that the deregulatory impulse is not as expansive as it was in *Doing Business*. The vision of acceptable labour laws in B-READY extends beyond the core rights to include laws on violence and harassment, annual leave, and sick leave. The span of disfavoured labour laws has consequently narrowed. Yet it encompasses a set of significant labour standards - those that support job security, acceptable wages, and working hours limits. Laws on these topics that align with international labour norms are excluded by the design of the indicators. Those that do not are included and also magnified by the scoring system, as explored in the next section.

¹⁰⁹ Lee and McCann, 'Measuring Labour Market Institutions,' n 8 above; McCann, 'New Frontiers of Regulation,' n 61 above. See also McCann 'Labour Laws on the Plateau,' n 7 above, 399-400.

¹¹⁰ See also ILO, Pre-Concept Note Comments, n 17 above, 11.

¹¹¹ See, for example, the remit of the ILO's working conditions branch: wages, working time, working conditions, collective bargaining/labour relations, contractual arrangements, labour market security, formalisation, domestic workers, 'Inclusive Labour Markets, Labour Relations and Working Conditions Branch' at <https://www.ilo.org/inclusive-labour-markets-labour-relations-and-working-conditions-branch>; and the European Commission's rendition of working conditions laws to include working time, part-time and fixed-term work, temporary agency workers, and the posting of workers, 'Working Conditions' at https://employment-social-affairs.ec.europa.eu/policies-and-activities/rights-work/labour-law/working-conditions_en (both last visited 19 April 2025).

¹¹² Declaration concerning the Aims and Purposes of the ILO 1944 (Declaration of Philadelphia), III(d).

¹¹³ Hours of Work (Industry) Convention, 1919 (No. 1); Hours of Work (Commerce and Offices) Convention, 1930 (No. 30).

¹¹⁴ Universal Declaration of Human Rights 1948, Article 24.

7.3 Quantified deregulation: the scoring strategy

B-READY's conceptual model of labour regulation is also reflected in, and fuelled by, its scoring strategy. The model is revealed, first, in the allocation of Firm Flexibility and Social Benefits Points.¹¹⁵ That 'restrictions and costs laws' are considered to have minimal social benefit becomes starkly explicit: the related indicators overwhelmingly attract only Firm Flexibility Points.¹¹⁶ The social objectives are largely disregarded (worker wellbeing and security, quality of life for workers and their families etc.) As our comparative analysis in Table 1 has demonstrated, the B-READY indicators are not designed to value the security/working conditions laws of the majority of countries across the world. As a result, these laws will mainly attract a zero score or, in the case of minimum wage rates, notice of dismissal and severance pay, at best a low score. Most non-core labour laws will therefore inevitably risk being assessed as in need of reform due to their lagging international good practice.

Nor do the *B-READY* indicators capture the economic benefits of protective labour laws. The project literature occasionally recognises this association: for example, that inadequate worker protection can lower living standards, creating 'an unhealthy, unmotivated workforce that could lead to poor firm productivity.'¹¹⁷ But this genre of economic risk is not uniformly captured by the index: all of the Labour Rights indicators (Subcategory 1.1.1) attract Social Benefits Points but no Firm Flexibility Points. The Report explains that these laws 'do not directly contribute to firm flexibility and are thus not scored under that category.'¹¹⁸ The Labor index, then, embodies assumptions about how labour regulations advance economic objectives. Deregulation is framed as the path to positive economic effects. Yet, as we pointed out in relation to the *Doing Business* indices, flexibility – defined in *B-Ready* as a firm's 'ease of business' – can be advanced by dimensions of labour laws other than their repeal.¹¹⁹

Secondly, subtle biases emerge in such a complex scoring system. This point can be illustrated by examining the relative importance of the six Labor topic categories in determining countries' overall Topic scores. Figure 2 presents the distributions of the six Labor categories for the 50 countries covered by the 2024 report and compares them to the distribution of the countries' overall topic scores. As the Figure shows, the more dispersed indicators are, the more influential they become in shaping country-level scores and, consequently, in setting reform priorities. Unsurprisingly, scoring distributions vary significantly. Indicators in categories that equate to direct costs for firms, including Category 1.2, tend to have more skewed distributions. As a result, while the core-plus rights of Subcategory 1.1.1 are recognised in the index, the scoring strategy effectively minimises their impact. The binomial scoring assigns the same score to the vast majority of countries. In contrast, laws with direct financial implications for firms, including those encompassed by Category 1.2, are subject to

¹¹⁵ On the project's scoring system, see Section 5.2 above.

¹¹⁶ The exceptions are Indicator 4 - no restrictions on overtime work within a 56 hour weekly limit and Indicator 8 - grounds of dismissal - which are allocated both a Firm Flexibility and a Social Benefits Point, World Bank, *Methodology Handbook*, n 5 above, Annex A – Labor-Scoring Sheet, 254-255.

¹¹⁷ World Bank, *Business Ready 2024*, n 1 above, 70.

¹¹⁸ *ibid*, Box 2.1, 37.

¹¹⁹ Lee and McCann, 'Measuring Labour Market Institutions,' n 8 above, 44-45.

more nuanced scoring methods, leading to wider variations. This strategy, in effect, makes the latter laws more influential in the country topic scoring.¹²⁰

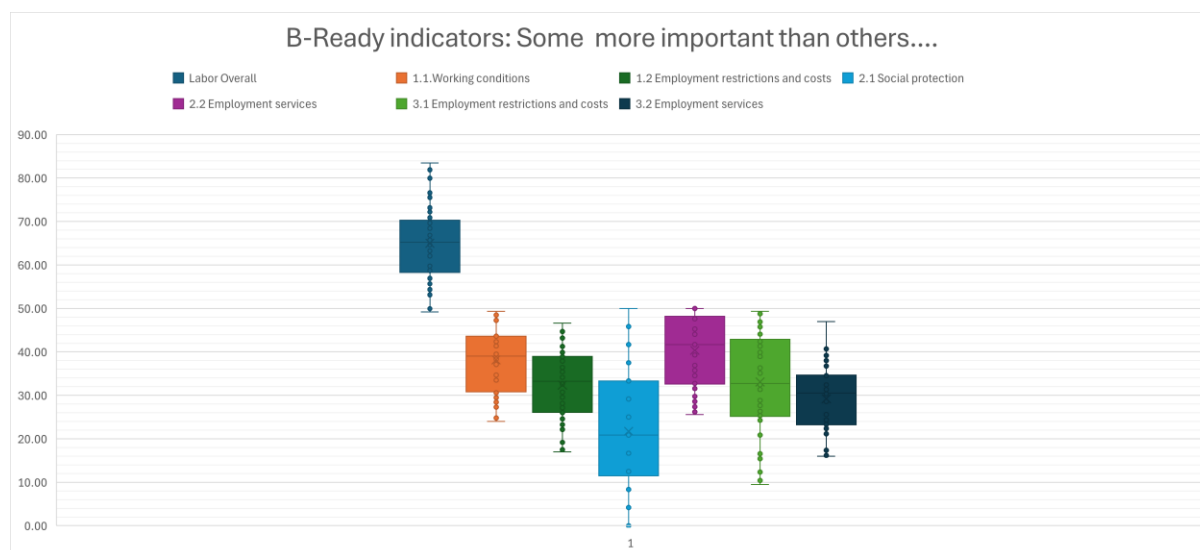


Figure 2

7.4 Regulatory gaps and conduits to informality

The Labor indices, finally, take into account only certain elements of labour law regimes. A whole range of regulatory mechanisms, missing from the indicators, profoundly shape working lives, firm performance, and economies. This point can be illustrated by examining the project's grasp of informality. B-READY attributes informality to labour regulations that 'make hiring costs too high and rules too cumbersome.'¹²¹ Discrete formal and informal sectors are envisaged, then, with labour regulations inhibiting workers in the informal sector from entering the formal workforce.¹²² Informality is not envisaged as spanning a continuum; the rendition of dichotomous informality and formality is another continuity from *Doing Business*.¹²³

As a result, the regulatory conduits to informalisation are overlooked. B-READY's conceptual model misses that informality is also driven by labour regulation regimes: that the *de jure* or *de facto* legal exclusion that denotes informality¹²⁴ encompasses exclusion from labour laws. The Labor indicators therefore do not capture key mechanisms through which labour law regimes trigger and sustain informality. They miss the drivers of exclusion: 'personal scope' provisions (which workers are covered by a given labour law) and mechanisms that exile 'non-standard' workers from labour law coverage. B-READY's fixed-term work indicators are most conspicuous in this regard (Subcategory 1.2.1, see Section 5 above). In these indicators, the benefits of fixed-term contracts are assumed. There is no recognition of the risks of short-

¹²⁰ On the B-READY scoring model more broadly, see Simon Deakin, and Kamelia Pourkermani, 'The B-Ready Labour Index: A First Look,' Paper for the International Labour Organization, 2025.

¹²¹ World Bank, *Business Ready 2024*, n 1 above, 70.

¹²² World Bank, *Methodology Handbook*, n 5 above, 234.

¹²³ See McCann, 'Informalisation in International Labour Regulation Policy,' n 8 above, 88.

¹²⁴ Transition from the Informal to the Formal Economy Recommendation, 2015 (No. 204), Para 2(a).

term or casual work – for either workers or employers – nor any attempt to quantify the laws enacted in recent decades to protect fixed-term workers. Again, this model contrasts with the World Bank literature on which B-READY ostensibly builds. The 2013 World Development Report explored *de jure* routes to informality¹²⁵ and a 2015 Bank report on Balancing Regulations to Promote Jobs also recognised the significance of nonstandard work regulation.¹²⁶

7.5 Labour regulation in context: measuring *de facto* effects

Finally, a key limitation of the World Bank’s revived quantification project is that B-READY, like the Doing Business Employing Workers Index, cannot assess the empirical impact of labour law regimes. In the indicators, both indexes have implicitly assumed that legal standards are comprehensively applied then further assumed their impacts on working life.¹²⁷ Yet the influence of a regulatory norm on working relations cannot be assumed: this relationship can be complex, especially in low-income countries, and primarily an empirical question.¹²⁸

B-READY claims to gauge the impact of economies’ labour regulations. The project purports to convey ‘a balanced view’ of *de jure* and *de facto* regulation.¹²⁹ The assessment of the *de facto* impact of legal norms is pursued in Pillar III - Operational Efficiency of Labor Regulations and Public Services in Practice – which aims to measure ‘ease of compliance with the regulatory framework.’¹³⁰ Category 3.1, which, like Category 1.2, is framed as measuring Employment Restrictions and Costs, is composed of three Subcategories:

- **Social Contribution** (Subcategory 3.1.1): the total annual costs of social security payments and employment-based taxes divided by the total annual cost of labour.
- **Obstacles to Hiring** (Subcategory 3.1.2): the share of firms that perceive labour regulations as a “major or very severe constraint” on their operation.
- **Dismissal Time and Cost** (Subcategory 3.1.3): (1) Weeks to Dismiss Full-Time Permanent Worker (the number of weeks taken to dismiss an employee in the past

¹²⁵ Exclusions of domestic workers, small enterprises and export zones; regulation of multilateral working relationships; constraints on access to adjudication mechanisms.

¹²⁶ Arvo Kuddo, David Robalino and Michael Weber, *Balancing Regulations to Promote Jobs: From Employment Contracts to Unemployment Benefits* (Washington, DC, World Bank, 2015), 2-3; see further McCann, ‘Informalisation in International Labour Regulation Policy,’ n 8, 90, McCann, Business Enabling Environment Pre-Concept Note Submission, n 17 above, 5. This report advocates protective regulatory frameworks for non-standard workers: entitlements for temporary and part-time workers to protections equivalent to full-time workers; restrictions on the use of fixed-term contracts; legislation to combat disguised employment; and mandatory written employment contracts.

¹²⁷ On Doing Business, see Lee and McCann, ‘Measuring Labour Market Institutions,’ n 8 above.

¹²⁸ *ibid*, 33; see also Sangheon Lee and Deirdre McCann, ‘New Directions in Labour Regulation Research’ in Sangheon Lee and Deirdre McCann, *Regulating for Decent Work: New Directions in Labour Market Regulation* (Basingstoke and Geneva: Palgrave Macmillan and ILO, 2011) 1, ‘Regulatory Indeterminacy and Protection in Contemporary Labour Markets: Innovation in Research and Policy’ in Deirdre McCann and others, *Creative Labour Regulation: Indeterminacy and Protection in an Uncertain World* (Basingstoke/Geneva: Palgrave Macmillan/ILO, 2014) 3.

¹²⁹ World Bank, *Business Ready 2024*, n 1 above, Box 1.1, 3.

¹³⁰ *ibid*, 6.

three years) and (2) Weeks Paid In Severance (the amount paid in severance in the past three years).¹³¹

The most significant, and expansive, element of the Category 3.1 is Subcategory 3.1.2: Obstacles to Hiring. This Subcategory's sole indicator measures the percentage of firms that identify labour regulations as a constraint.¹³² It is assigned only Firm Flexibility Points.

Three points can be made about the Obstacles to Hiring Subcategory. First, this category, and therefore the characterisation of labour laws as employment restraints or costs, encompasses the *entirety* of countries' labour law regimes, including the core norms. The question is open-ended in its reference to labour regulations ('to what degree are labor regulations an obstacle to the current operations of this establishment?'¹³³). The reach of this indicator, then, is in contrast to the *de jure* assessment of labour laws under Pillar I, which carefully distinguishes the core-plus rights from security/conditions laws.

Second, the data for Pillar III are provided solely by employers. These data are derived through the Bank's Enterprise Surveys: firm-level surveys of top-level managers or owners in a representative sample of registered firms.¹³⁴ No data is collected from workers or workers' organisations.¹³⁵

Third, Subcategory 3.1.2 gauges the *perceived* impact of labour regulations. B-READY conducts no rigorous analysis of the influence of laws on working life. It does not generate or draw on empirical data on working relationships or conditions.¹³⁶ It is not surprising that a regulatory-quantification project does not capture the *de facto* influence of labour norms. It is concerning, though, when it purports to do so, especially when the data gathered is impressionistic and derived from only one of the parties to the working relationship, and when policy reform is a core objective.

8. CONCLUSION

Having replaced the controversial Doing Business index, the World Bank's new Business Ready project can be expected to exercise a substantial influence on the global and national policy debates on working life, legal regulation, and economic development. As a contribution to these debates, this paper has assessed the labour regulation dimension of B-READY.

We first situated the project within two associated research and policy trends - the proliferation of global social indicators and the diversification of international-level labour law

¹³¹ World Bank *Methodology Handbook*, n 5 above, 242-244.

¹³² *ibid*, 248.

¹³³ Question 72, World Bank, *Business Ready 2024*, n 1 above, 280.

¹³⁴ World Bank, *Methodology Handbook*, n 5 above, 7, 244. On the survey methodology, see World Bank, *Enterprise Surveys. Manual and Guide* (Washington, D.C.: World Bank, 2023) at https://www.worldbank.org/content/dam/enterprisesurveys/documents/methodology/Enterprise%20Surveys_Manual%20and%20Guide.pdf (last visited 19 April 2025).

¹³⁵ See also ILO, Pre-Concept Note Comments, n 17 above, 8.

¹³⁶ For a version of this kind of model, see the Effective Regulation Index proposed in Lee and McCann, 'Measuring Labour Market Institutions,' n 8 above.

narratives - and traced the evolution from Doing Business to B-READY. We then pursued a methodological/conceptual analysis of B-READY, with a focus on the project's Labor Topic and a particular interest in the index's classification and scoring of labour laws that embody 'non-core' labour standards. Drawing on a legal-comparative method, we compared these indicators - on security, working hours, the funding of social protection, and minimum wage rates - with the allied ILO international labour standards and domestic labour laws. We found these indicators overwhelmingly to diverge from international and domestic laws, with the result that countries whose laws best reflect the internationally-agreed norms are penalised in the B-READY scoring. We further found that a maximum score in the B-READY index can accommodate jobs that are characterised by excessive working hours, night work without additional remuneration, short notice periods, unlimited and/or fragmented fixed-term contracts, low minimum wages, limited severance pay, and social protection systems that do not require employer contributions.

These outcomes, we have argued, are grounded in B-READY's conceptual framework, which, in a continuity with Doing Business, embodies a deregulatory orientation that configures a swathe of labour laws as inevitably generating unemployment and informality. We highlighted that the index has introduced a novel bifurcation of labour laws. This contrasts an expanded set of 'core-plus' rights with security/working conditions laws that are conceived of almost exclusively as restrictions on/costs to employment and, through the project's scoring system, are disproportionately influential on a country's overall Labor Topic score. The scoring neglects both the social objectives of security/working conditions laws and the economic benefits of core-plus labour laws, and also reflects an enduring failure to grasp the range of laws that shape labour markets, such as those that channel or curb informality. Nor is the project's method convincing in gauging the actual effects of labour laws. Impacts are ex-ante assumed in the classification schema and scoring, and the only mechanism for an empirical assessment is an evaluative question that is directed solely to employers.

It is striking, then, how constrained B-READY is in its engagement with the forceful criticisms of the Doing Business project. Little appears to have been learnt from the substantial research and advocacy efforts that led to the removal of the Employing Workers Index from the Doing Business country ranking. B-READY, then, is a retreat. It heralds the end of an era, following the 2013 World Development Report, of more sophisticated engagement by the World Bank with the complexities of regulation and the demands of international labour standards. B-READY continues to disregard that labour regulation should be evaluated holistically, to capture how legal rights and obligations are articulated within the policy contexts, legal regimes, and labour markets in which they are embedded.¹³⁷ The consequences for the global workforce remain to be seen.

¹³⁷ Lee McCann and Torm, n 8 above.