

Revisions to the EWI Indicator

Doing Business is one of the World Bank Group's flagship publications, and over the years it has proven to be a powerful tool in the hands of governments determined to improve the climate for business. The business climate is one aspect of development policy, and the WBG emphasizes that other development goals must also be given appropriate weight. These include issues as diverse as political stability, social safety nets to shield vulnerable parts of society from intolerable levels of risk and protection of rights for workers and households as well as for firms.

In the current global economic crisis, the WBG is looking at the advice, policy instruments, strategies and other tools at our disposal to ensure that we help governments meet this array of development policy challenges. It is important that government actions focus on the needs of the labor force and lower income households as well as those designed to help businesses to survive and grow. During this period of economic crisis, we are also scaling up our work on social safety nets through lending and analytical work. Issues of access to benefits such as unemployment insurance and social security are a key part of this work.

In light of these challenges, unprecedented in their scale, and building on the changes we signaled in last year's Report, both immediate and longer-term actions will be taken with regard to the Employing Workers Indicator (EWI) in *Doing Business*. In the short-term:

- Adjusting the scoring in the *Doing Business* 2010 report (to be launched in September 2009) regarding provisions for fixed term workers and standards for severance payment, mandatory days of rest and night work and holidays, and minimum wage levels, in order to accord favorable scores to worker protection policies that comply with the letter and spirit of the relevant ILO Conventions, recognizing that well-designed worker protections are of benefit to the society as a whole.
- Removing the Employing Workers Indicator (EWI) as a guidepost in the Country Policy and Institutional Assessments (CPIA). A guidance note will be issued clarifying that the EWI does not represent World Bank policy and should not be used as a basis for policy advice or in any country program documents that outline or evaluate the development strategy or assistance program for a recipient country. The note will emphasize the importance of regulatory approaches that facilitate the creation of more formal sector jobs with adequate safeguards for employees' rights and that guard against the shifting of risk from firms to workers and low-income families.

This year's *Doing Business* 2010 will include a commentary explaining these steps.

In addition, we will convene a working group including representatives from the ILO, as the international standard setting body, trade unions, businesses, academics and legal experts. This group can serve as an important source of advice on revising the EWI and on the establishment of a new worker protection indicator, as well as offering broader ideas on labor market and employment protection issues – with a view to creating regulations that help build robust jobs with adequate protection in the formal sector that can withstand future crises.

The following thoughts provide a basis for more detailed terms of reference for the working group:

- An evaluation of the first round of the revisions to the EWI set out above and discussion of further revisions.

- The development of a new worker protection indicator (WPI). This indicator could cover such matters as how a country is adhering to core labor standards and using law, regulation and other instruments of government to ensure that workers are adequately protected, including in the event of unemployment.

- Broader labor market, employment and social protection issues, including an examination of the Paying Taxes Indicator (PTI).

This dialogue and review of a flagship publication in light of these changed circumstances can enable *Doing Business* to increase its development impact at a time of economic strain for both businesses and employees worldwide.

A memo outlining these actions regarding the Employing Workers Indicator of the *Doing Business* Report was sent by World Bank Operations Policy and Country Services Management to Country and Sector Directors this week.

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