



FROM DOING BUSINESS TO B-READY: HOW THE WORLD BANK CONTINUES TO PUSH LABOUR DEREGULATION

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LIST OF ABBREVIATIONS

- ▶ **B-Ready:** Business Ready report
- ▶ **DBR:** Doing Business Report
- ▶ **DECIG:** Development Economics Global Indicators Group
- ▶ **FDI:** Foreign Direct Investment
- ▶ **GRI:** Global Rights Index
- ▶ **ILO:** International Labour Organisation
- ▶ **ITUC:** International Trade Union Confederation
- ▶ **OECD:** Organisation for Economic Co-operation and Development
- ▶ **SDG:** Sustainable Development Goal

EXECUTIVE SUMMARY

The World Bank's new Business Ready (B-Ready) report states its aim is to assess the business and investment environment worldwide annually and, as such, has released its inaugural rankings of 50 economies. The B-Ready report replaces and seeks to improve on the controversial Doing Business Report (DBR) which focused on measuring business regulations and their enforcement throughout firms' lifecycle. The revamped report re-introduces the contentious labour topic – previously referred to as the *employing workers* indicator in DBR – within a more comprehensive framework. It scores countries on the quality of their labour regulations, labour-related public services, and compliance costs for businesses.

However, while B-Ready claims to balance flexibility for firms with social benefits for workers, it continues the pro-business, deregulatory agenda of its predecessor. By prioritising business perspectives over worker experiences, B-Ready undermines genuine social dialogue and tripartism, ultimately encouraging a race to the bottom in labour standards.

This report provides an analytical framework of the B-Ready's labour topic from a trade union perspective, highlighting three key criticisms:

- **Rewarding countries with poor labour rights records:** A significant discrepancy exists between the ITUC's Global Rights Index (GRI) and the B-Ready labour topic score.

B-Ready evaluates an arbitrary and limited list of labour regulations based solely on their presence in law, without assessing whether these laws are enforced in practice. This allows countries with weak or non-existent enforcement mechanisms to score well, despite sometimes rampant violation of workers' rights existing in practice.

- **Bias against contributory social protection:** The index penalises countries with contributory social protection systems, where both employers and employees share the cost of funding specific social programmes. Instead, it favours shifting social costs from employers to the state. This approach ignores the effectiveness of contributory systems in many countries and undermines the goal of achieving universal social protection.
- **Erosion of working conditions and social dialogue:** By advocating specific labour policies – such as unlimited fixed-term contracts and minimum wage rates that are not 'burdensome' for employers – the B-Ready index not only undermines job quality but also champions policy positions that effectively restrict unions' ability to negotiate better working conditions through collective bargaining.

Case studies from Indonesia, Colombia, and Ghana provide concrete examples of the negative impact the B-Ready index can have on workers.

- **Indonesia:** The 2020 Omnibus Law, which significantly weakened labour protections, was partly driven by the government's efforts to improve its ranking in the previous Doing Business Report.

- **Colombia:** During a period in which Colombia gained notoriety for its bloody repression of trade unions, the country was celebrated as a reforming success of the DBR. However, the Petro government's ambitious plans to reverse decades of labour flexibilisation now conflict with the B-Ready index's focus on reducing labour costs for businesses.
- **Ghana:** Despite its strong tradition of tripartism and social dialogue, Ghana risks undermining its progress on worker protections if it prioritises achieving a high B-Ready score.

The B-Ready's labour topic fails to effectively promote decent work. Its technocratic approach to labour relations reduces workers to mere inputs in the production process, stripping them of their agency and their fundamental right to having a voice in shaping their working lives.

We urge the World Bank to:

1. **Eliminate the labour topic from the B-Ready index:** Labour issues cannot be meaningfully assessed through a narrow, technocratic lens that prioritises business interests over worker well-being.

2. **Promote and engage in genuine social dialogue:** Collaboration with governments, employers, and workers is essential to addressing labour concerns. Social dialogue ensures the development of labour policies that are equitable, effective, and uphold human rights.

3. **Recognise workers as key stakeholders in development:** Workers are not merely subjects of policy but active political and economic participants. Respecting their voices and rights is both morally imperative and a crucial prerequisite for achieving sustainable and inclusive economic growth.

Unfortunately, the B-Ready index diverts attention and resources from the urgent task of building economic systems that benefit both workers and businesses. True development requires more than simplistic metrics and deregulation; it demands policies shaped through genuine social dialogue that uphold workers' rights while promoting sustainable economic growth.

INTRODUCTION

BACKGROUND

In 2002, the World Bank launched the Doing Business Project, building on internal research about the impact of business regulations on economic outcomes. The project consolidated a wide range of regulations affecting firms throughout their lifecycle, into an index that scored and ranked countries based on the “ease of doing business.”

From 2003 to 2021, the Doing Business Report (DBR) rapidly expanded – going from covering five indicator sets in 133 countries to over 290 indicators in 190 countries. The scoring and ranking of countries inevitably spurred competition, prompting governments to enact business reforms aimed at improving their rankings. These rankings were widely reported in the international press and improving on the DBR scores often featured in politicians’ economic platforms.

The DBR was also extensively used by investors and academic researchers and was incorporated into other economic indices, including the World Economic Forum Global Competitiveness Index and the Heritage Foundation Index of Economic Freedom.¹

However, the success of the DBR triggered a deregulatory race to the bottom, with disastrous consequences for workers. The report included a section on *employing workers* which scored countries based on the ease of hiring and firing workers and on

working time requirements.² The project sought to reduce employment regulations to a bare minimum, arguing that flexible employment fosters job creation and productivity growth.

By 2009, however, strong opposition from unions, the International Labour Organisation (ILO), and governments – including the US congress – led the World Bank to suspend the *employing workers* section of the DBR. Despite this suspension, the indicators continued to be calculated and included in an annex.

A 2013 internal review by the World Bank’s independent panel further criticised the *employing workers* section of the index for failing to consider the costs to workers deprived of protections. The review also found that the claim that deregulation, as promoted by improving DBR scores, led to better economic outcomes was unsubstantiated. It reminded the Bank that its “own Independent Evaluation Group found no evidence of such a relation, advising ‘a need to be cautious in attributing economic outcomes to changes in [Doing Business] indicators’. In particular, the group found ‘no significant association emerged between [the] *employing workers* [indicator] and employment.’”³

Ultimately, the panel called for the permanent elimination of the *employing workers* indicator from the DBR. It also advised the Bank to develop a labour policy, in consultation with the ILO and other stakeholders. Such a policy should balance the costs and benefits of regulation, aligning with the 2013 World Development Report on Jobs which advocated for a regulation “plateau” and emphasised the importance of compliance with the ILO’s core labour standards.⁴

¹ “The World Bank’s Doing Business Report,” Congressional Research Service, March 7, 2023.

² 2004 Doing Business Report

³ 2013 Independent Evaluation of DBR: <https://pubdocs.worldbank.org/en/237121516384849082/doing-business-review-panel-report-june-2013.pdf>

⁴ Ibid.

The Bank finally removed the employing workers section from the DBR in 2019, but labour indicators have been reintroduced in the ‘Business Ready (B-Ready)’ index, which published its first report in October 2024.⁵ The revamped flagship report on the ease of doing business assesses a country’s business environment across 10 topics, including one on labour.

While the new B-Ready aims to balance measures of flexibility for firms with social benefits for workers, its labour topic provides a superficial examination of countries’ commitment and capacity to effectively protect workers. The index scores countries on whether their national legislation protects fundamental rights at work – such as freedom of association, collective bargaining, non-discrimination, elimination of forced and child labour, and occupational safety and health– but fails to assess whether these protections are enforced.

In contrast, the B-ready captures de facto measures of firms’ experiences with public services and the ease of complying with regulations. Firms are asked whether regulations are too burdensome, while workers are never consulted on whether they can freely exercise their fundamental rights. By excluding workers’ experiences on job quality regulations, the B-Ready conceals governments’ unwillingness or incapacity to protect workers effectively, perpetuating the DBR’s focus on reducing regulatory costs for firms.

More importantly, industrial relations is first and foremost a political, and not a technocratic, process. Labour regulations are specific to national contexts and cannot be effectively scored using a simplified universal matrix. By

prescribing employer-friendly measures – such as a non-burdensome minimum wage rate, unlimited fixed-term contracts, and non-contributory social protection financing – the World Bank is bypassing social dialogue and undermining the very fundamental labour rights it claims to support.

At a time when democracy is under threat globally, the B-Ready’s labour topic undermines human and labour rights in a subtle yet dangerous manner. Consequently, the trade union movement has no choice but to strongly oppose the inclusion of the labour pillar in the B-Ready.

A CRITICAL FRAMEWORK OF THE B-READY REPORT

Despite the data manipulation scandal that led to the discontinuation of the DBR in 2021, the World Bank swiftly began efforts to revive the project, including its labour section.⁶ A final review of the Doing Business project published just 15 days before the announcement to discontinue it recommended a complete overhaul of the project’s methodology. Key recommendations included removing the aggregate index and country rankings, restoring and improving the *employing workers* indicator *without using it for rankings*, and enhancing transparency and oversight of Doing business.⁷

Within weeks, the Development Economics Global Indicators Group (DECIG) began drafting a pre-concept note, which was circulated for public consultation. This process culminated in a concept note that was submitted to the Board of Directors for approval before many details about the proposed index were released.⁸

⁵ While the employing workers indicator was removed completely from the Doing Business indicators in 2019, in 2020 it was made into a separate project with its own separate website (<https://www.worldbank.org/en/research/employing-workers>); For more details, see p.57 (bottom) of “Doing Business: External Panel Review,” Final Report, September 1, 2021. <https://www.worldbank.org/content/dam/doingBusiness/pdf/db-2021/Final-Report-EPR-Doing-Business.pdf>

⁶ “World Bank Group to Discontinue Doing Business Report,” World Bank Statement, September 16, 2021. <https://www.worldbank.org/en/news/statement/2021/09/16/world-bank-group-to-discontinue-doing-business-report>

⁷ “Doing Business: External Panel Review,” Final Report, September 1, 2021. <https://www.worldbank.org/content/dam/doingBusiness/pdf/db-2021/Final-Report-EPR-Doing-Business.pdf>

⁸ See ITUC’s submitted comments here: <https://thedocs.worldbank.org/en/doc/838d63977dd29014e3592115a7adc21f-0540012022/original/BEE-Pre-concept-note-Public-Consultation-Consolidated-Comments-12-14-2022-addendum-updated.pdf>

The *Manual and Guide and Methodology Handbook* for the B-Ready Index were published in May 2023 without further input or oversight, leaving critical questions unanswered regarding data aggregation and rankings. Nevertheless, the ITUC responded with an [analysis of the handbook](#), highlighting the damaging effects of the B-Ready Index on workers' rights and job quality. The B-Ready assesses all 10 topics across three pillars:

- **Pillar I: Regulatory framework**
This pillar evaluates the rules and regulations firms must follow. In the labour topic, the focus is on the quality of labour regulations regarding workers' conditions, employment restrictions, and costs.
- **Pillar II: Quality of public services**
This pillar examines the public institutions and infrastructure that facilitate business activities. For the labour topic, it includes social protection and employment services.
- **Pillar III: Operational efficiency**
This pillar measures the ease of compliance and the effectiveness of public services. In the labour topic, it surveys firms about their experiences with employment restrictions, costs, and employment services.

Pillars I and II include both flexibility and social benefits indicators, whereas Pillar III, designed to reflect firms' perspectives, primarily focuses on flexibility. While social benefits indicators are scored on a *de jure* basis, the index includes enterprise surveys that evaluate the perceived impact of regulations on firms' operations.

In other words, countries earn points for protecting workers in law, even if these laws are unenforced or unenforceable. However, they may lose points if businesses perceive

these laws negatively or as burdensome. For example, countries are awarded points for implementing a minimum wage or for requiring severance payments and notice periods for terminated workers, but equivalent points are given for providing flexibility and then even more are awarded for ensuring that employers do not find these too burdensome. In this setup, business perspectives are prioritised over those of workers.

This bias is embedded in the methodology, as there are no provisions to balance the views of the business community with those of other stakeholders. Social protection is further undermined by penalising countries with contribution-based financing systems. The B-Ready promotes universal social protection only when it is financed through general tax revenues, disregarding the recognition by international institutions – including the ILO and the Global Partnership on Universal Social Protection (of which the World Bank is a member) of the importance of combining contributory and tax-financed systems for effective social protection systems.⁹

Since the publication of the methodology, the B-Ready project has embarked on the implementation phase of the index. Data is being gradually collected over three years, with the first pilot report launched on October 3, 2024, covering 50 economies. Countries are preparing years in advance, reforming policies to align with the index and secure favourable rankings.

In India, where the assessment is scheduled to take place in 2026, officials under the Ministry of Commerce are evaluating the country's performance against the B-Ready criteria and holding bi-monthly meetings with key ministries.¹⁰

⁹ 2021 [Resolution and Conclusions of the International Labour Conference on Social Security](#), which was unanimously adopted by governments, employers and workers' organisations, calls on Member States to "complement social protection floors, ensuring adequate and higher levels of contributory social security based on solidarity financing and a fair division of contributions between employers and workers." See also [Joint Statement on Principles of Financing Universal Social Protection](#) by the Global Partnership on Universal Social Protection.

¹⁰ "India gears up for World Bank's B-Ready report, aims to showcase business environment reforms," KNN India, April 22, 2024. Accessed on August 29, 2024.

In this report, we examine three countries – Colombia, Ghana, and Indonesia – that were scored in the first phase and are undergoing significant labour reforms. By analysing these cases we highlight the varied and problematic ways the B-Ready may influence labour reform processes. These examples provide a framework for critically analysing B-Ready's labour pillar as future scores are released.

Our analysis is divided into three parts. First, we evaluate how effectively the B-Ready report promotes fundamental rights at work and good working conditions. While we acknowledge the inclusion of social benefits indicators in the index, particularly in Pillar I, we find them insufficient for assessing worker protections, as they evaluate rights and conditions only in law (*de jure*), not in practice (*de facto*).

In fact, we find a stark discrepancy between country scores in the B-Ready labour topic and their performance on the ITUC's [Global Rights Index](#). We argue that encouraging the enactment of worker protection laws and policies without promoting and monitoring their enforcement distorts incentives for governments seeking to improve their B-Ready scores.

Second, we examine the B-Ready's treatment of the quality of public services in the labour topic (Pillar II). In particular, we critique the indicator on social protection, which penalises countries with contribution-based social protection systems. Most countries with extensive social programs have established both contributory and tax-financed systems. International Labour Standards, including Convention 102 on Social Security and Recommendation 202 on Social Protection Floors, provide agreed internationally agreed frameworks that support both contributory and non-contributory systems.

For many countries facing debt and fiscal challenges, financing social protection solely

through taxes is unattainable. Given the significant global gaps in social protection financing, penalising contributory systems undermines SDG 1.3, which calls for building comprehensive social protection systems, including floors, to ensure no one is left behind.

Third, we discuss how the World Bank's prescriptions on work arrangements – including fixed-term contracts, dismissals, and the minimum wage rates – restrict democratic space by limiting unions' scope of negotiations. To illustrate this, we dive into detailed aspects of labour reform in each of our case studies.

- Indonesia: The 2020 Omnibus Law aimed to improve the country's business environment with the goal of climbing the Doing Business rankings, but it resulted in disastrous consequences for workers.
- Colombia: We analyse the Petro government's ambitious worker-friendly labour reform agenda, despite creating potential friction with the B-Ready index.
- Ghana: The government is negotiating a new labour law with unions and employer representatives, which is expected to introduce key protections for workers, potentially yielding mixed results under the B-Ready assessment.

In essence, this report argues that the B-Ready Index, in attempting to make labour market deregulation appear more palatable and "worker-friendly", superficially scores countries based on an arbitrary and limited list of international labour standards. This approach sets a ceiling, rather than a floor, for what workers should expect and demand from their governments. Such a flattening of labour relations in an index primarily serves the privatisation and deregulation agenda of the World Bank, which is fundamentally incompatible with workers' interests.

EVALUATING THE IMPACT OF B-READY ON FUNDAMENTAL HUMAN AND WORKERS' RIGHTS

Human and workers' rights legislation is the result of hard-fought struggles by trade unions, and its implementation demands constant vigilance and monitoring. Across the globe, workers and their unions risk their livelihoods, and even their lives, to demand better conditions. In recent years, workers' rights have come under relentless attack.

Any serious assessment of workers' conditions cannot, therefore, be limited to *de jure* considerations of an arbitrary list of labour standards. The B-Ready's indicators on workers' conditions fail to present a full picture on the status of workers' rights in each country. As such, its findings must be contrasted with more comprehensive measures of how well governments fulfil their duty to uphold fundamental rights at work.

For example, the ITUC's Global Rights Index (GRI) provides a more complete assessment by rating countries on a scale from 1 to 5+ based on their respect for workers' rights. The GRI evaluates both national legislation against international standards and human rights laws, as well as documenting detailed violations of workers' rights.¹¹

In 2024, almost 9 out of 10 countries worldwide violated the right to strike, and approximately 8 out of 10 countries denied workers the right to bargain collectively for better terms and conditions. Moreover, 49% of countries arbitrarily arrested or detained trade union members, a rise from 46% in 2023, while more than 4 in 10 countries denied or constrained freedom of speech or assembly.¹²

Table 1. Global Rights Index Score for the top 10 countries on the Labour topic of the B-Ready

Country	GRI 2024	B-Ready Labour Topic Score scored (out of 100)	B-Ready Labour Pillar I score	B-Ready Labour topic rank
Georgia	3 – Regular violation of rights	83.46	84.20	1
Hungary	4 – Systematic violations of rights	81.87	80.20	2
New Zealand	2 – Repeated violations of rights	79.95	68.18	3
Mauritius	3 – Regular violations of rights	76.60	75.06	4

¹¹ The Global Rights Index explained, ITUC. <https://www.ituc-csi.org/the-global-rights-index-explained>

¹² 2024 Global Rights Index

Croatia	2 – Repeated violations of rights	75.60	87.39	5
Philippines	5 – No guarantee of rights	75.54	70.53	6
Portugal	2 – Repeated violations of rights	73.66	88.23	7
Vietnam	4 – Systematic violations of rights	73.19	68.70	8
Seychelles	n/a	72.71	67.38	9
Indonesia	5 – No guarantee of rights	72.20	67.36	10
Ghana	2 – Repeated violations of workers' rights	68.57	60.46	21
Colombia	5 – No guarantee of rights	62.08	67.44	34

Note: Ratings are on a scale from 1 (sporadic violations of rights) to 5+ (no guarantee of rights due to the breakdown of the rule of law) and violations are recorded each year from April to March. The ITUC methodology is grounded in standards of fundamental rights at work, based on international human rights law, and in particular ILO conventions Nos. 87 and 98, as well as the jurisprudence developed by the ILO supervisory mechanisms. Legal researchers analyse national legislation and identify sections which are not adequately protecting internationally recognized collective labour rights. Questionnaires are sent to 340 national unions in 169 countries to report violations of workers' rights. For more details, refer to the publication: https://www.ituc-csi.org/IMG/pdf/2024_ituc_global_rights_index_en.pdf

Pillar I of the B-Ready's labour topic evaluates the quality of labour regulations, aiming to ensure that the regulatory framework safeguards workers' rights. It measures whether laws mandate freedom of association and assembly and the right to collectively bargain, as well as whether discrimination in hiring, employment and dismissal is prohibited by law. Additionally, it examines whether there is a minimum legal age for employment and the prohibition of child and forced labour.

Pillar I seeks to balance labour rights with employment restrictions and costs. For example, it awards points for the existence of a minimum wage rate that includes clear criteria and an update process involving social

consultation, while also assessing whether the minimum wage rate is overly burdensome for firms. Similarly, it evaluates legally mandated notice periods and severance pay in cases of terminations but also considers whether their length and amounts are excessive for employers.

However, the overall ranking of the B-Ready report ultimately favours business interests by incorporating firm surveys to assess the de facto impact of regulations on firms, without ensuring that workers' rights are respected in practice. Governments can bypass the implementation of basic workers' rights and still achieve a strong performance in the overall labour topic.

Since B-ready only measures worker conditions on a *de jure* basis, a country that severely impedes fundamental rights in practice but that has some worker protections present in law could obtain a high score on the labour pillar by maximising flexibility points. This imbalance is further exacerbated by the data collection process for Pillar I and Pillar II, which relies on consultations with private sector experts, defined by the World Bank as lawyers with expertise in labour and social security law practice and litigation.

This practice not only hinders data collection in the many countries where lawyers are not the primary players in labour contracts and disputes, it also introduces bias by failing to balance employer- and employee-side perspectives in labour law expertise.

Table 1 presents the GRI ratings for the top 10 scoring countries in the B-Ready labour topic, alongside the countries analysed in this report. Unfortunately, but unsurprisingly, the scores on Pillar I do not align with their GRI scores.

For example, while Ghana scores relatively well on the GRI, it receives a much lower score in Pillar I of B-Ready labour topic. In contrast, both Colombia and Indonesia obtain higher scores than Ghana in Pillar I, despite their poor track record in guaranteeing workers' rights (see below: No guarantee of rights in Colombia and Indonesia). Most strikingly, Indonesia ranks among the top 10 countries in the labour topic despite receiving the lowest possible score of 5 on the GRI, signifying a complete absence of guaranteed workers' rights. This dynamic mirrors the trend observed in the DBR, where countries with poor labour rights records were celebrated for their business-friendly reforms.

For example, in 2017, 8 of the top 10 improvers on the DBR, including Kazakhstan, Kenya,

Belarus, Serbia, Georgia, Pakistan, the United Arab Emirates, and Bahrain, recorded poor and at times worsening workers' rights according to the GRI. Similarly, the B-Ready ranks some of the worst offenders of workers' rights among its top performers in the labour topic. These include the Philippines (GRI 5), Indonesia (GRI 5), Hungary (GRI 4) and Vietnam (GRI 4). Most notably, Georgia, ranked first in the labour topic has a GRI score of 3, indicating that workers' rights are regularly violated in the country.

In addition to failing to properly evaluate the social benefits of labour regulations, it is unclear whether the labour topic, as currently structured, contributes meaningfully to the B-Ready's mission of improving the business environment. Among all the topics assessed, the labour topic is one where countries generally perform the best. It has the highest minimum score and the lowest standard deviation, indicating that all countries meet a regulatory baseline on labour legislation, with little variation between them.

As with most other topics, countries tend to perform best in the regulatory framework (Pillar I) portion of the labour topic, reflecting the widespread adoption of basic labour regulations. However, this adoption of a subset of labour standards offers little insight into their implementation and enforcement, or indeed the actual conditions faced by workers.

Because of the lack of variance in the labour topic, it is unsurprising that labour scores show the weakest correlation with the average topic score for the overall business environment.¹³ The superficial examination of workers' conditions serves to legitimise the promotion of labour flexibility while failing to make a strong case for the inclusion of labour altogether in the B-Ready index's methodology.

¹³ The B-Ready report admits that "a possible explanation of the weakest association of Labor and Taxation with the average topic score is that regulations and public services in the areas of Labor and Taxation stem from broader policy considerations—for example, of workers' rights—that go beyond the business environment itself." (91)

NO GUARANTEE OF RIGHTS IN COLOMBIA AND INDONESIA

Colombia is the deadliest country in the world for trade unionists with a staggering 3,323 trade unionists murdered and 7,884 receiving death threats between 1971 and 2023. Decades of endemic violence in the country have had a severe impact on the safety of workers and their representatives, with trade union leaders frequently targeted for attacks and killings. Between 2023 and 2024, 11 trade unionists were assassinated.

While many deaths of unionists remain unexplained and uninvestigated, the government launched a process of reparation on 14 September 2023, recognising the trade union movement as a collective victim of the armed conflict. As part of this process, assassinated trade union members and leaders will be included in the Single Registry of Victims.

Consolidating peace and reducing inequalities are key priorities of the Petro-Marquez government. Although the road to healthy labour relations will be long, there is an understanding that the full realisation of the fundamental rights at work, including freedom of association and collective bargaining, is essential to the economic development of the country and will require the codification and formalisation of job sectors that employ vulnerable workers.

In Indonesia, unions are facing a push for labour flexibilisation that threatens to increase precarious work and erode workers' capacity to exercise their fundamental rights. In 2020, President Joko Widodo signed the Omnibus Law on Job creation, a sweeping bill aimed at increasing foreign investment to stimulate economic growth. The move was met with strong opposition from a broad coalition of Indonesian trade union organisations and civil society groups.

The bill eliminates minimum wage protections for the majority of Indonesian workers, undermining the tripartite wage negotiations that determine minimum wages and weakening unions' capacity to negotiate wages at the enterprise level. It also exempts micro and small enterprises from the obligation to engage in collective bargaining in a country where around 97 per cent of workers are employed by micro, small or medium firms. Additionally, the law erodes protections for workers to form unions, organise their activities, and collectively bargain by fostering more precarious forms of employment.

Key reforms include changes to fixed-term contracts, outsourcing, and termination policies that promote greater reliance on insecure employment arrangements. Severance pay has been reduced from 32 months of wages to 25 months, weekly rest periods have been shortened, and employers' authority to hire and fire at will has been expanded. These changes exacerbate economic and social instability, leaving workers increasingly vulnerable.

The Indonesian labour movement strongly opposed the Omnibus law since its inception, successfully convincing the Constitutional Court to strike down the law initially due to the lack of adequate consultation. However, the government reintroduced the law with only minor administrative revisions. Despite this setback, trade unions remain steadfast in their demands for a revision of the law, prompting the Constitutional Court to order the government to draft a new and separate employment law.¹⁴

¹⁴ "Indonesia: Trade unions achieve milestone victory as Constitutional Court restricts controversial Omnibus Law." ITUC, 5 November 2024. <https://www.ituc-csi.org/indonesia-trade-unions-achieve-victory?msdyntrid=N8DDaojdPvshDC39X3meC45PxwuRgbXzIIEGiwmh5jM>

B-READY UNDERMINES SOCIAL PROTECTION

Pillar II of B-Ready evaluates the quality of public services, focusing on social protection and employment services within the labour topic. Although the B-ready appears to support the public provision of unemployment insurance, healthcare, and pension schemes, it penalises countries that finance these systems through employer contributions.¹⁵ In its attempt to shift social costs from employers to the government, the B-Ready's approach to social protection undermines the goal of universal social protection as enshrined in SDG 1.3.

According to the ILO's most recent World Social Protection report, 52.4% of the global population is covered by at least one social protection benefit.

Approximately 35% are covered through contributory systems, while 17% rely on tax-financed systems. Even in high-income economies, where over 86% of the population is covered by at least one social protection benefit, a mix of contributory and tax-financed schemes remains the norm.¹⁶ In these countries, about 70% of the population benefits from contributory systems, while 16% rely on tax-financed systems.

Out of 88 high income countries, only one has a fully non-contributory old-age pension system, while 21 have fully contributory schemes, and 44 use a mix of contributory and non-contributory schemes. Similarly, for unemployment protection, only 3 countries have a fully non-contributory scheme for unemployment, 18 rely on fully contributory schemes, and 30 implement a mix of both.

Table 2. Effective social protection coverage and financing systems

Country	Effective coverage, excl. healthcare (% , baseline)	Effective coverage, excl. healthcare (% , latest)	Effective healthcare coverage (% , latest)	Contributory scheme (% , latest)	Tax-financed scheme (% , latest)	B-Ready Social protection score (out of 50)
Colombia	40.8	54.3	94.3	30.8	23.6	16.67
Ghana	18.3	25.2	32.9	6.3	18.9	12.50
Indonesia	27.8	54.3	90.3	14.2	40.1	41.67

Note: Effective coverage refers to the share of the population receiving at least one social protection benefit in 2023 or the latest year available, excluding healthcare. The baseline year is 2015 for most countries.

Source: World Social Protection Data Dashboard, International Labour Organization. <https://wspdb.social-protection.org/gimi/gess/WSPDB.action?id=19>

¹⁵ Indicator 1.2.3 on mandated benefits rewards countries for not having a legal mandate for firms to pay for unemployment, healthcare and pensions directly. Indicator 2.1 on social protection provides one social benefit point each for the availability of government provided unemployment insurance, universal healthcare and pensions, as well as one flexibility point each if they are financed from general tax revenue. Finally, indicator 3.1.1. measures the share of firm taxes that are social contribution payments, penalising countries that have a high ratio of social contribution payments.

¹⁶ World Social Protection Report 2024-2026, International Labour Organization. <https://www.ilo.org/resource/article/world-social-protection-report-2024-26-figures> and <https://wspdb.social-protection.org/gimi/gess/WSPDB.action?id=19>

Table 2 highlights the share of the population benefiting from at least one social protection benefit by type of coverage in Colombia, Ghana and Indonesia, as well as their score on the social protection indicator of Pillar II of the B-Ready’s labour topic.

Both Colombia and Indonesia have achieved effective coverage rates slightly above the global average and have healthcare coverage on par with that of high-income countries. However, the two countries differ significantly in the way they finance their schemes:

- In Colombia, 30.8% of the population is covered by contributory schemes, while 23.6% are covered by tax-financed schemes.

- In Indonesia, only 14.2% of the population is covered by contributory schemes while 40.1% rely on tax financed schemes.

Despite Indonesia’s rapid increase in effective coverage from 27.8% to 54.3%, its ratio of contributory to tax-financed schemes (0.35) remains much lower than that of high-income countries (4.33). This raises concerns about the sustainability of closing the remaining gap solely through tax-financed schemes.

Indonesia’s reliance on tax-financed social protection aligns with the B-Ready’s recommendations and is reflected in its Pillar II score.

Table 3. Colombia, Ghana and Indonesia’s B-Ready scores in Pillar II of the labour topic

B-Ready Labour Pillar II score (out of 100)									
		Social protection (out of 50)							Employment services (out of 50)
			Availability of unemployment insurance	Funding for UI from general tax revenue	Availability of universal healthcare	Funding for health-care from general tax revenue	Availability of government provided retirement pension scheme	Funding for non-contributory retirement pension scheme from general tax revenue	
Colombia	55.95	16.67	0.00	0.00	4.17	8.33	4.17	0.00	39.29
Ghana	54.17	12.50	0.00	0.00	0.00	8.33	4.17	0.00	41.67
Indonesia	83.33	41.67	8.33	8.33	4.17	8.33	4.17	8.33	41.67

Table 3 provides an overview of scores in the public services pillar (Pillar II) of the labour topic for our three case studies, with a specific focus on social protection. While Colombia, Ghana, and Indonesia all perform relatively well in the employment services portion of Pillar II, Indonesia's score is significantly boosted by its high performance on social protection.¹⁷

The B-Ready awards Indonesia full points for its government-provided unemployment insurance scheme, and half points for its healthcare coverage and retirement pension schemes. Additionally, Indonesia receives full points for financing these social protection schemes partially through general tax revenue. According to expert responses collected by the B-Ready team, all three of Indonesia's social protection schemes – unemployment insurance, healthcare, and pensions – are funded through a combination of general tax revenue and employer contributions, including mandatory labour taxes or social security contributions.

By contrast, the scoring matrix of the labour topic penalises countries that solely finance unemployment insurance, healthcare, or retirement pensions through contributory systems, as is the case with Colombia's retirement pension scheme.

Despite providing more social services than Ghana and Colombia that are partly funded by employers, Indonesia's firms have a lower ratio of social contributions. In Indonesia, only 7.58% of taxes paid by employers are labour taxes, compared to 18.29% in Colombia and 17.67% for Ghana.¹⁸ The Indonesian government has strategically shifted costs away from employers while maintaining the appearance of contributory systems, exemplified by the country's newly established unemployment insurance scheme (JKP).

On the surface, the JKP is financed by government and employers. However, this is achieved without increasing employers' social costs. To enhance Indonesia's economic competitiveness, employer contributions to unemployment insurance are reallocated from existing funds, specifically the employment injury insurance (JKK) and death benefit (JKM). Although workers do not directly contribute to the JKP, unions argue that workers effectively bear the cost due to reductions in their entitlement to severance pay.

Shifting unemployment insurance costs from employers to the state results in an underfinanced scheme, with contributions set at 0.46% of workers' wage instead of the ILO recommended 1.35%. The scheme is further constrained by Indonesia's limited fiscal space. Moreover, its design restricts payouts to workers through various provisions, including:

- Excluding workers at a high risk of unemployment.
- Disqualifying workers whose fixed-term contract has ended.
- Limiting the number of claims a worker can make over their career.

These provisions undermine the goal of providing unemployment insurance for all and weaken the scheme's effectiveness.¹⁹

The coverage gap in social protection is striking – only 9.7% of the population in low-income countries receive at least one social protection benefit. For these economies, which are already struggling to allocate sufficient funds for social spending and are already facing debt distress, the expectation to forego contributory systems and rely solely on general taxation to fund

¹⁷ Colombia loses 2.38 points compared to Indonesia and Ghana for legally mandating that firms pay for employment center services.

¹⁸ Indicator 3.11 assesses whether social contributions pose an excessive financial burden for firms by calculating the total annual costs of social security payments and employment-based taxes (excluding employee taxes that were withheld) divided by the total annual cost of labour – including wages, salaries, bonuses, and social security payments – during the last fiscal year. According to the B-Ready's methodological handbook "high social contribution costs could deter firms from hiring formally or 'force' them to seek informal labor [sic]."

¹⁹ "Unemployment insurance in Indonesia, challenges and recommendations," International Labour Organization, 2023.

social protection represents an abdication of responsibility to provide quality jobs and social protection for all.

In Ghana, only 25.2% of the population is covered by at least one type of social protection, with most benefiting from tax-financed schemes due to the prevalence

of the informal economy.²⁰ In a country undergoing debt restructuring and spending 26.2% of net revenues on interest payments, relying exclusively on tax revenue to fund social protection poses a significant barrier to attaining SDG 1.3, which calls for social protection for all.

B-READY ERODES WORKING CONDITIONS AND SOCIAL DIALOGUE

The B-Ready index offers harmful recommendations on labour flexibility, low wages and more broadly undermines social dialogue processes. A country's labour regulatory framework is the product of industrial relations, and critical questions about working conditions – including with respect to national policies – should be addressed through social dialogue.

By mandating specific policies on fixed-term contracts, minimum wages, termination notices, and severance pay and explicitly tying these recommendations to firm preferences, the World Bank delegitimises fundamental issues that should be resolved through collective bargaining and democratic processes. What should remain the purview of social dialogue is instead reduced to technocratic, one-sided rankings.

Furthermore, flexibilisation policies such as unlimited fixed-term contracts disrupt the employment relationship,

create precarious working conditions, and make it more difficult for workers to form unions and engage in collective bargaining. As it stands, the B-Ready index promotes low labour costs for employers by limiting minimum wages to levels below a living wage, restricting appropriate benefits for workers, and favouring the ease of hiring and firing over job stability and security. Overall, it promotes employers' preferences at the expense of workers' rights.

Indonesia, Colombia and Ghana offer three distinct examples of the political economy of labour reform.

- In Indonesia, workers have been systematically sidelined in the labour reform process.
- In Colombia, the Petro government is working to reverse decades of flexibilisation policies.
- Finally, Ghana's ongoing labour reform process highlights the importance of tripartism in advancing workers' protections.

²⁰ UNCTAD World of Debt Dashboard, <https://unctad.org/publication/world-of-debt/dashboard>

INDONESIA AND THE OMNIBUS LAW ON JOB CREATION

The Indonesian labour law system was established in the late 1990s and early 2000s as the country transitioned from the Suharto regime. In 1998, Indonesia ratified key ILO conventions and, two years later, passed a trade union law that allowed for free unionisation and provided protections for unions and their members.²¹

The 2003 general labour law laid the foundations for industrial relations in Indonesia, addressing issues such as decentralised minimum wage setting, working time, leave rights and dismissal procedures and associated payments.²² However, labour flexibility quickly became a key rallying point for employers who judged the law too rigid in its protections for permanent workers. As soon as 2005-2006, President Susilo Bambang Yudhoyono attempted to introduce flexibilising reforms but was met with massive worker protests.

Learning from the failure of his predecessor, President Joko Widodo took advantage of the Covid-19 pandemic to limit public consultation and rush the passage of the Omnibus Law on Job Creation through the legislative process. The Omnibus Law exploits Indonesia's complex hierarchy of laws to consolidate executive control of labour regulations.

In Indonesia, national laws (*Undang-Undang*), passed by the national legislature, tend to be general in nature. The details are implemented through regulations, often drafted by the relevant ministry and signed by the President. While national laws are subject to review by the Constitutional court, regulations fall under

the jurisdiction of the Supreme Court, which has historically been less inclined to perform judicial reviews than its counterpart.

These legal changes increasingly place crucial labour norms and regulations in the hand of the executive, raising concerns about further erosion of worker protections in the future.²³

The Omnibus law, and its flexibilisation agenda, has been praised by both the IMF and the World Bank. In its 2023 Article IV report, the IMF recommended the “prompt implementation of the presidential decrees reforming the labor market and easing the regulatory burden of doing business [...] to facilitate the continued recovery of the labor market and boost long-term investment [...]. The new regulations would help reduce informality by easing labor market restrictions in the formal sector, reformulate the calculation of minimum wages and introduce unemployment benefits, establish new working hours arrangement to accommodate jobs in the digital economy, and simplify licensing requirements to make it easier to start businesses.”

The World Bank's Country Partnership Framework 2021-2025 also outlines several technical projects designed to implement the Omnibus Law to attract private investment, especially foreign direct investment (FDI). While the World Bank does not explicitly require or implement labour flexibilisation policies through its policy operations and technical assistance projects, B-ready plays a crucial role in incentivising and normalising labour deregulation. In fact, the design of the Omnibus Law was partly motivated by Indonesia's ambition to improve its Doing Business ranking.²⁴

²¹ Law no 21/2000 on Trade Unions

²² “Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments,” Petra Mahy, *Asian Journal of Comparative Law* (2022), 1–25 doi:10.1017/asjcl.2022.7

²³ Ibid

²⁴ Ibid

The distinction between what is enshrined in the law and what is subject to regulation demonstrates the nuances lost when reducing the complexities of labour policies into a simple index. Under the 2003 labour law, minimum wages were set by provincial governors, advised by tripartite wage councils. In the years 2010-2013, union consolidation enabled workers to successfully negotiate wage increases. This prompted the central government to attempt to regain control of wage setting and in 2015 President Widodo mandated a national-level minimum wage formula through government regulation.

With the Omnibus law, the Indonesian government elevated the requirement for governors to adhere to the central government's minimum wage policy to the status of law, with administrative sanctions imposed for non-compliance. The formula for setting the minimum wage is determined by government regulation, placing it under the control of the executive branch. In this new system, while governors technically set the minimum wage and wage councils continue to exist, their influence on the minimum wage rate is minimal.

The law further undermines unions' power by allowing sectoral minimum wages in labour-intensive industries to be set below provincial or district-level minimum wages. This exception applies to industries such as textiles, footwear, agriculture, and electronics, which operate on thin profit margins, ostensibly to maintain their competitiveness.

The B-Ready's superficially reviews the wage-setting mechanism, awarding Indonesia full points for having a process that includes social consultation for setting and updating its minimum wage. However, in practice, minimum wages are effectively determined by executive decree, sidelining meaningful input from social partners.

LABOUR REFORM IN COLOMBIA

Organised labour is a key part of the economic transformation envisioned by the Colombian government. President Petro appointed long-time union leader Gloria Inés Ramírez as labour minister to advance an ambitious labour reform to reverse decades of anti-worker and anti-union policies. The reform seeks to lay the foundation for a more equitable economy, through formalising and enhancing protections for domestic care, agricultural and platform workers.

This focus on workers' fundamental rights is long overdue in a country considered one of the deadliest for those exercising their rights. The US embassy has expressed support for the reform, citing its alignment with ILO international labour standards and OECD recommendations.²⁵

Colombia is reckoning with decades of deregulation. In 1990 and 2002, the government introduced aggressive reforms aimed at reducing non-wage costs, ostensibly to lower unemployment and promote the internationalisation of the economy. In Colombia labour costs include:

- Wages.
- Extra charges (overtime, holiday work).
- Social contributions or “parafiscales”, i.e., payroll taxes to finance welfare programs for the general population.
- Health and social security contributions.
- Firing and other contractual costs.

In 1990, reforms focused on reducing the costs of firing workers by reducing severance payments, facilitating dismissals, and extending

²⁵ US Embassy Press Release, 13 December 2023. <https://co.usembassy.gov/es/comunicado-de-la-embajada-sobre-las-discusiones-de-la-reforma-laboral-en-colombia/>

the use of temporary contracts. These measures reduced the share of non-wage costs in labour expenses from 47.2% in 1989 to 42.9% in 1992.²⁶

To further reduce costs, the government later shifted its attention to tackling social contributions, which represented 8% of labour costs, as well as extra charges. They introduced exemptions from social contributions and apprenticeship contracts with a lower minimum wage.

Another innovation of the 2002 reforms saw the introduction of the regular working shift (RWS) which allowed employers and employees to agree on a work schedule covering any time or day of the week, provided it did not exceed 48 hours per week. It meant Sundays and holidays could be compensated with another day of rest rather than being remunerated at double the rate of pay. This arrangement bypassed the need for overtime and holiday pay. The 2002 reforms also established a social security system that targeted the most vulnerable populations.

The IMF, World Bank and the Inter-American Development Bank supported Colombia's reform process, often including labour reform as part of letters of intent or as loan conditionalities.²⁷ In the first edition of the DBR, Colombia was highlighted as a country where reducing the scope of employment regulation yielded positive results. The following year, Colombia was ranked as the second leading reformer – despite these changes occurring amid notoriously bloody labour repression.

The Petro government is committed to improving workers' rights and reversing the labour flexibility reforms outlined above. Its labour reform agenda includes reducing the work week and increasing wage premium

for night and overtime work. Additionally, the government has mandated significant minimum wage increases – 16% in 2023 and 12% in 2024 – to help workers cope with economic challenges amid high inflation.²⁸

However, this reform agenda, designed to bring Colombia into compliance with international labour rights norms, risks negatively impacting the country's standing in the B-Ready index by increasing social costs to employers.

TRIPARTISM AND LABOUR POLICYMAKING: GHANA'S 2024 LABOUR BILL

The Ghanaian government is drafting a new labour bill to address the significant transformations in the economy and labour market since the Ghana Labor Act 2003. The new bill tackles the complexities of modern work environments, improves provisions for fair wages, reasonable working hours, and leave entitlements.

The draft 2024 Ghana Labour Bill standardises working hours and enhances leave provisions to promote fair treatment and work-life balance. Additionally, it enforces stricter workplace safety standards and mandates health insurance coverage for workplace injuries and diseases.²⁹

To address slow and ineffective dispute resolution mechanisms under the 2003 Act, the new bill strengthens mediation and arbitration services and establishes specialised labour courts. It also aims to integrate informal sector workers into the formal economy, providing them with access to social security, training, and support services.

The bill emphasises gender equality and non-discrimination, enforcing equal pay for work

²⁶ [The Political Economy of Labor Reform in Colombia](#), World Bank, March 2004

²⁷ Ibid

²⁸ "Colombia to hike minimum wage by 12% in 2024," Reuters, December 29, 2023

²⁹ This section is based on the revised draft labour bill, March 28, 2024

of equal value and enhancing maternity and paternity leave provisions. It also expands social security coverage and introduces unemployment insurance schemes to support workers who lose their jobs involuntarily.

Nevertheless, the progressive nature of the bill reflects the strength of tripartism and the health of social dialogue institutions in Ghana. While the 2003 Labour Act was vague on specific provisions to promote labour rights – potentially contributing to Ghana’s relatively low score on Pillar I (regulatory framework) of the B-Ready’s labour topic – the union movement remains a key force in protecting workers’ rights in practice.

The upcoming 2024 labour bill is being developed through extensive stakeholder involvement, supported by the establishment of the Labour Legislation Review Technical Committee. This committee, tasked with reviewing and drafting the bill, includes 12 representatives from various key organisations, including:

- 3 representatives of the Ministry of Employment and Labour Relations
- 1 representative of the National Labour Commission
- 1 representative of the Office of the Attorney General
- 1 representative of the Ministry of Justice
- 1 representative of the Labour Department
- 3 representatives of the Ghana Employers Association
- 3 representatives of organised labour

This structured approach to social dialogue allows workers’ concerns to be reflected in the draft bill, some of which conflict with the B-Ready report. For example, the draft bill mandates employers to contribute to social security, health insurance, and retirement pension schemes, specifying employer contributions to various employee benefit schemes. This approach is at odds with the B-Ready’s preference for financing social protection through general taxes and minimising social contribution costs for firms.

In addition, Ghana’s tripartism is penalised in the B-Ready.³⁰ The National Tripartite Committee (NTC), established by Ghanaian labour law, is responsible for tasks such as determining the national daily minimum wage and “[advising] on employment and labour market issues, including labour laws, international labour standards, industrial relations and occupational safety and health.” It does so as per the recommendation of a technical sub-committee which considers factors such as inflation, economic growth, productivity, and the need to preserve employment.

Despite a robust consultative and technical process for determining the minimum wage, Ghana scores a low 4.17 out of 16.67 in the minimum wage attributes sub-category of the B-Ready and surprisingly, receives zero points for social consultation or specifying criteria for determining the minimum wage level. This discrepancy casts doubt on the accuracy of the survey responses. Furthermore, Ghana scores zero on several indicators despite clear evidence of legal compliance, highlighting that not only is the index inadequate but also unreliable.

³⁰ Part XIII of the 2003 Labour Act establishes a National Tripartite Committee composed of members of government, employer representatives and trade unions

CONCLUSION

The World Bank positions the private sector as the central linchpin of its mission to end extreme poverty and foster shared prosperity on a liveable planet. It promotes B-Ready as a tool for governments to unlock private sector potential in a sustainable and inclusive way. However, in its approach to labour, B-Ready fundamentally misses the mark.

By overlooking the inherently political and often contradictory nature of industrial relations and the critical importance of social dialogue, B-Ready fails to strike a meaningful balance between firm flexibility and workers' rights. It reduces workers to mere inputs in production or passive recipients of benefits, disregarding their historical role as agents of change whose struggles have shaped the international standards that underpin inclusive and dignified development.

The World Bank's technocratic approach to labour regulations is not only inadequate, but also potentially harmful.

It undermines the critical role of organised labour in crafting policies that genuinely benefit workers and foster sustainable development. Workers and their unions demand more. They call on the World Bank and governments to:

1. **Recognise labour issues** as distinct from general business metrics by eliminating the labour topic from the B-Ready index.
2. **Address labour concerns** through a tripartite process that respects and upholds social dialogue.
3. **Acknowledge workers** as key stakeholders in development, not merely subjects of policy.

Only by moving beyond the narrow confines of the B-Ready index and embracing a more holistic, dialogue-driven approach can the World Bank achieve its goals of poverty reduction and shared prosperity. The path to truly inclusive development lies not in scorecards and rankings, but in respecting workers' voices and rights.

³¹ Ghana scores zero on "Equal remuneration for work of equal value" despite Article 24 (1) of the 1992 Constitution stating that "Every worker has the right to work under satisfactory, safe and healthy conditions and shall receive equal pay for work of equal value without distinction of any kind." Similarly, Ghana scores zero on legally mandated severance pay even though it is covered in section 65 of the 2003 Labour Act.

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