

# How the World Bank edits out workers' rights from its reports

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## **The World Bank's new annual World Development Report focuses on labour --- and almost ignores workers' rights.**

The World Bank decided last year to devote the 2019 edition of its flagship annual policy review publication, the World Development Report, to the theme of the future of work. Preparation of the WDR 2019 encountered some delay after the ouster in late January of the report's first director, the Bank's chief economist Paul Romer. However, he was promptly replaced by Simeon Djankov, who was the founding director of Doing Business while working at the World Bank from 1995-2009 and subsequently became Bulgaria's finance minister (2009-2013).

The Bank moved forward quickly with its new WDR director to produce a working draft that, in its latest form (it changes from week to week), almost completely ignores workers' rights, asymmetric power in the labour market and phenomena such as declining labour share in national income. It puts forward a policy programme of extensive labour market deregulation, including lower minimum wages, flexible dismissal procedures and UK-style zero-hours contracts. The resulting decline of workers' incomes would be compensated in part by a "basic level of social insurance" to be financed largely by regressive consumption taxes. The *WDR 2019: The Changing Nature of Work* calls this an upgraded social contract:

<http://pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Concept-Note.pdf>

Perhaps to avoid having to expose this disturbing vision of the future of work to an open discussion with workers' representatives, the WDR 2019 team refused to meet with a 38-strong international delegation of trade union economists and policy officers that travelled to Washington in March for two days of meetings with the World Bank and IMF. The ITUC had solicited the meeting for several weeks in advance, wishing to be included in the "consultations with ... international organizations, civil society organizations and leading researchers" that the WDR 2019 team has claimed to be carrying out since November.

The working draft of WDR 2019 examines the changing nature of firms and the impact of digitalization and other technological innovations, and essentially concludes that existing labour market institutions and social protection systems dependent on employer-employee relationships have run their course. Labour regulations "protect the few who hold formal jobs while leaving out most workers" and Bismarckian social security schemes (financed by workers' and employers' contributions) are passé because they cover only about one-third of developing-country populations.

The draft report does not examine options for incentivizing the formalization of work, despite the considerable efforts the ILO has made toward that goal and the real progress that has taken place in some developing countries to deliver the benefits of formalization: legal protection of workers' rights, including their right to safe workplaces, and access to social security. Instead, the WDR takes informality as an inevitable state and, worse, implies that it should even be promoted. Nor does it

examine how the undermining of labour market institutions through deliberate corporate strategies such as outsourcing and disguised working relations (for example, classifying Uber drivers as independent contractors) can be countered by providing legal protections for these categories of workers. Workers in the platform economy who have engaged in campaigns for recognition of their rights have encountered fierce resistance from their companies. WDR 2019 insinuates support for the latter by agreeing that these workers are not employees but “are emerging as a separate labor category”.

With a few welcome exceptions, described below, any measure that would entail employers assuming obligations such as contributing to workers’ social security is unacceptable because it makes “workers more expensive”. Similarly, “labor regulations of today” are to be rejected because they represent “a high cost for firms”. The WDR draft states that “one of the tools that merits rethinking is minimum wages ... [whose objective] is to ensure a fair remuneration to workers that protects them against ‘abuse’ from employers”. Minimum wages should be reduced and employers should be able to opt out of paying them if, for example, they have profit-sharing schemes. Protections against dismissal should also be weakened or eliminated because they create “structural rigidities” for firms and workers.

The deregulatory perspective of the draft WDR 2019 reflects early editions of the Doing Business report issued in the mid-2000s, which promoted large-scale elimination of labour regulations because, supposedly, they stifled investment and employment growth. After strong criticism from the labour movement, the ILO and some governments, the World Bank suspended the Doing Business labour market flexibility indicator in 2009 and, two years later, began an extensive review of the economic literature on the claimed link between labour regulations and employment. The overall finding, published in the Bank’s *World Development Report 2013: Jobs*, was that the link was practically non-existent: “most estimates of the impacts [of labour regulations] on employment levels tend to be insignificant or modest” (<https://openknowledge.worldbank.org/handle/10986/11843>, page 261). It is disappointing to see the draft WDR 2019 resurrect the myth without even attempting to refute the voluminous evidence on which the WDR 2013’s finding was based.

After rejecting social protection financed by employer-employee contributions, the draft discusses various forms of universal basic income (UBI) and negative income taxes but states that the fiscal burden would be “problematic” and that “other taxes would have to be increased dramatically”. The report puts forward the need to increase revenues from carbon emissions and undertaxed digital platforms, especially those that use tax havens. While the proposals are welcome, this section of the report is devoid of any quantification of what these taxes would generate in developing countries where social protection coverage is weakest. One suspects that the third option put forward in the WDR 2019 is in effect the default option: regressive value added taxes that finance measures far more modest than a UBI but instead would selectively target basic social assistance to the poorest, as is described in the section on “Reforming Social Insurance”.

In WDR 2019’s future world of work where firms have been relieved of the burden of contributing to social security and have the flexibility to pay wages as low as they want and fire at will, the report insists that trade unions “would continue to play a role”. However, it will not be in “tri-partite” dialogue models (quotation marks in original) because these don’t include the informal sector. In addition to bringing informal firms into dialogue structures, the report advocates “new arrangements for expanding workers’ voice”. The latter would include NGOs that don’t necessarily work on labour issues and social media where workers dissatisfied with their employers could express complaints, to be duly compiled by Cambridge Analytica one presumes.

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**P.S.**

Original title The World Development Report produced by the World Bank almost completely ignores workers' rights

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