



WORLD BANK GROUP

**Business Ready (B-Ready)**

# **Methodological Workshop**

**Labor**

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Dorina P. Georgieva, Economist

**Development Economics Global Indicators Group (DECIG)**



# Outline

## Labor

1. Motivation

2. Indicators:

a. Pillar I – Regulatory framework: Quality of labor regulations

b. Pillar II – Public services: Adequacy of public services for labor

c. Pillar III – Efficiency: Efficiency of labor regulations and public services in practice

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# 1. Motivation – why does Labor matter?

- Labor is arguably the most important factor of production in the majority of businesses.
- Regulations and public services related to labor are fundamental drivers of private sector development from the perspective of both enterprises and workers.
- Labor regulations affect the relationship between firms and their employees, as well as other types of workers in the informal sector or those currently unemployed.
- Public services can provide the institutional infrastructure for labor inspections and audits to incentivize compliance.
- Sound and balanced labor regulations are needed for firms and workers to benefit from a dynamic and innovative labor market that does not come at the expense of income security or basic workers' rights.



## 2. Indicators – Outline



### Regulatory framework

Quality of labor regulations

1. Workers' conditions
2. Employment restrictions and costs



### Public services

Adequacy of public services for labor

1. Social protection
2. Institutional framework\*



### Efficiency

Efficiency of labor regulations and public services in practice

1. Non-wage labor costs
2. Employment restrictions and costs
3. Efficiency of public services

The \* symbol denotes components that will cover the **adoption of digital technologies**.

## a. Pillar I – Quality of labor regulations

<b>1.1</b>	<b>Workers' conditions</b>
1.1.1	Minimum wage
1.1.2	Equality, non-discrimination, and freedom of association
1.1.3	Minimum age and forced labor
1.1.4	Occupational safety, health, discrimination, and violence
1.1.5	Notice period and severance payment
<b>1.2</b>	<b>Employment restrictions and costs</b>
1.2.1	Work hours and contracts
1.2.2	Minimum wage rate
1.2.3	Mandated benefits
1.2.4	Requirements for dismissal
1.2.5	Cost of notice period and severance payment

# a. Pillar I – Quality of labor regulations

## What does it cover and why is it important?

### Category 1.1 – Workers' conditions

- This category assesses the regulatory framework related to workers' conditions such as the setting and updating the minimum wage; equality, non-discrimination, and freedom of association; the minimum working age and forced labor; occupational safety, health, discrimination, and violence in the workplace; and finally notice period and severance payment regulations.
- A clear regulatory framework in these areas safeguards good working conditions and enables a more equitable and productive working environment for workers in the private sector.



### Category 1.2 – Employment restrictions and costs

- This category assesses the legal restrictions and costs that firms incur when utilizing labor as a factor of production. The areas measured include work hours and contracts; the minimum wage rate; mandated benefits for workers; requirements for dismissal and the cost of notice and severance pay.
- Excessive social security costs, minimum wage rates, restrictive work hours, and lengthy procedures for dismissals can reduce employment and limit the flexibility of firms to adjust to shocks or increase production.



# a. Pillar I – Quality of labor regulations

## Preliminary Scoring

		No. of indicators	FFP*	SBP*	Total Points	Rescaled Points
<b>1.1</b>	<b>Workers' conditions</b>	<b>16</b>	<b>n.a</b>	<b>16</b>	<b>16</b>	<b>51.6</b>
1.1.1	Minimum wage	3	n.a.	3	3	9.7
1.1.2	Equality, non-discrimination, and freedom of association	3	n.a.	3	3	9.7
1.1.3	Minimum age and forced labor	3	n.a.	3	3	9.7
1.1.4	Occupational safety, health, discrimination, and violence	5	n.a.	5	5	16.1
1.1.5	Notice period and severance payment	2	n.a.	2	2	6.5
<b>1.2</b>	<b>Employment restrictions and costs</b>	<b>13</b>	<b>11</b>	<b>4</b>	<b>15</b>	<b>48.4</b>
1.2.1	Work hours and contracts	3	2	2	4	12.9
1.2.2	Minimum wage rate	1	1	n.a.	1	3.2
1.2.3	Mandated benefits	3	3	n.a.	3	9.7
1.2.4	Requirements for dismissal	4	3	2	5	16.1
1.2.5	Cost of notice and severance pay	2	2	n.a.	2	6.5
<b>Total</b>		<b>29</b>	<b>11</b>	<b>20</b>	<b>31</b>	<b>100</b>

\*Scoring will consider the perspectives of entrepreneurs (firm flexibility points) and broader public interests (social benefits points).

## b. Pillar II – Adequacy of public services for labor

<b>2.1</b>	<b>Social protection</b>
2.1.1	Availability of government-provided unemployment insurance
2.1.2	Funding for unemployment insurance from general tax revenues
2.1.3	Availability of universal healthcare
2.1.4	Funding for healthcare from general tax revenues
2.1.5	Availability of government-provided retirement pension schemes
2.1.6	Funding for non-contributory retirement pension from general tax revenues
<b>2.2</b>	<b>Institutional framework</b>
2.2.1	Employment services
2.2.2	Labor dispute resolution mechanisms
2.2.3	Labor inspectorates



## b. Pillar II – Adequacy of public services for labor

### What does it cover and why is it important?

#### Category 2.1 – Social protection

- This category assesses the availability of three social protection instruments: government-provided unemployment insurance, universal healthcare coverage, and government-provided pension schemes. It also measures whether each instrument is funded by general tax revenue.
- Social protection helps to enhance human capital and productivity as well as reduce inequalities in the labor market. If funded by general revenues, rather than labor taxes, social protection makes labor less costly, more flexible, and more attractive to firms.



#### Category 2.2 – Institutional framework

- This category assesses the institutional framework available to firms and workers, including employment services, dispute mechanisms, and labor inspectorates.
- A well-designed set of public services addresses the needs of both employers and workers. Public employment services, functioning and impartial alternative dispute resolution mechanisms for labor disputes, and good practices for labor inspectorates protect workers, improve the efficiency of hiring, and ensure a fair and cost-effective resolution to disagreements arising at the workplace.



## b. Pillar II – Adequacy of public services for labor

### Preliminary Scoring

		No. of indicators	FFP*	SBP*	Total Points	Rescaled Points
<b>2.1</b>	<b>Social protection</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>33.3</b>
2.1.1	Availability of government-provided unemployment insurance	1	n.a.	1	1	5.6
2.1.2	Funding for unemployment insurance from general tax revenues	1	1	n.a.	1	5.6
2.1.3	Availability of universal healthcare	1	n.a.	1	1	5.6
2.1.4	Funding for healthcare from general tax revenues	1	1	n.a.	1	5.6
2.1.5	Availability of government-provided retirement pension schemes	1	n.a.	1	1	5.6
2.1.6	Funding for non-contributory retirement pension from general tax revenues	1	1	n.a.	1	5.6
<b>2.2</b>	<b>Institutional framework</b>	<b>7</b>	<b>5</b>	<b>7</b>	<b>12</b>	<b>66.7</b>
2.2.1	Employment services	2	2	2	4	22.2
2.2.2	Labor dispute resolution mechanisms	2	2	2	4	22.2
2.2.3	Labor inspectorates	3	1	3	4	22.2
<b>Total</b>		<b>13</b>	<b>8</b>	<b>10</b>	<b>18</b>	<b>100</b>

\*Scoring will consider the perspectives of entrepreneurs (firm flexibility points) and broader public interests (social benefits points).

## c. Pillar III – Efficiency of labor regulations and public services in practice

<b>3.1</b>	<b>Non-wage labor costs</b>
3.1.1	Social contribution cost
<b>3.2</b>	<b>Employment restrictions and costs</b>
3.2.1	Proportion of vacancies filled
3.2.2	Regulatory constraints to hiring
3.2.3	Time and cost for dismissal
<b>3.3</b>	<b>Efficiency of public services</b>
3.3.1	Time and cost to resolve a labor dispute
3.3.2	Labor inspectorates



# c. Pillar III – Efficiency of labor regulations and public services in practice

## What does it cover and why is it important?

### Category 3.1 – Non-wage labor costs

- This category assesses the burden of social contribution costs on firms. Specifically, it collects data from firms on their total annual costs of social security payments and employment-based taxes.
- A lower burden on firms improves private sector performance, thereby contributing to more job creation and economic growth.



### Category 3.2 – Employment restrictions and costs

- This category assesses the burden of regulations related to hiring and dismissal on firms, by measuring the proportion of filled vacancies, regulatory constraints to hiring, and the time and cost to dismiss a worker in practice.
- Fewer employment restrictions and lower hiring and dismissal costs enable firms to focus on more productive activities, including to hire workers formally as opposed to informally.



### Category 3.3 – Efficiency of public services

- This category assesses how effective public services are for the resolution of a labor dispute and reporting on labor inspections.
- Efficient public services such as labor courts and labor inspectorates enable firms to use their resources more effectively by not being tied up in lengthy judicial processes and ensuring accountability after inspections.



## c. Pillar III – Efficiency of labor regulations and public services in practice

### Preliminary Scoring

		No. of indicators	Rescaled Points*
<b>3.1</b>	<b>Non-wage labor costs</b>	<b>1</b>	<b>33.3</b>
3.1.1	Social contribution cost	1	33.3
<b>3.2</b>	<b>Employment restrictions and costs</b>	<b>4</b>	<b>33.3</b>
3.2.1	Proportion of vacancies filled	1	8.3
3.2.2	Regulatory constraints to hiring	1	8.3
3.2.3	Time for dismissal	1	8.3
3.2.4	Cost of dismissal	1	8.3
<b>3.3</b>	<b>Efficiency of public services</b>	<b>3</b>	<b>33.3</b>
3.3.1	Time to resolve a labor dispute	1	11.1
3.3.2	Cost to resolve a labor dispute	1	11.1
3.3.3	Labor inspectorates	1	11.1
<b>Total</b>		<b>8</b>	<b>100</b>

\*Scoring on Pillar III will consider the perspectives of entrepreneurs (firm flexibility points) only. For each indicator, scoring is calculated using the distance-to-frontier approach. Each category in Pillar III has the same weight. Within each category, each subcategory also has the same weight.

# 3. Preliminary Topic Scoring

Pillar	Title	No. of indicators	FFP	SBP	Total Points	Rescaled Points	Weight
I	Regulatory framework: Quality of labor regulations	29	11	20	31	100	0.33
II	Public services: Adequacy of public services for labor	13	8	10	18	100	0.33
III	Efficiency: Efficiency of labor regulations and public services in practice	8	100	n.a.	100	100	0.33



# 4. Data Sources

## Data collection sources:

### Pillar I and II

- **Private sector experts:** lawyers with expertise in employment and social security law and practice.

### Pillar III

- **Enterprise Surveys:** data on time and cost to dismiss employees, the cost of social contributions, the time and cost to resolve labor disputes and labor inspections as experienced by businesses in practice, the proportion of vacancies filled, and the reported effect of regulations on hiring.

## Data validation sources (for expert questionnaires):

- **Public sector experts:** ministries of labor, chambers of commerce, and labor inspectorates.

# 5. Parameters for Expert Consultations

## General Parameters

### Business location

#### Largest city



Business location determines the applicable laws pertaining to firms and workers, in addition to the availability and effectiveness of public services.

### Firm profile

The firm is a registered private sector firm with fewer than 250 employees in the services industry, unless otherwise indicated.



The type of firm determines its interaction with the applicable law, as many economies have different regulations depending on the size and sector in which the firm operates.

### Type of worker

An individual, over 25 years old, hired as a permanent employee, engaged in a formal labor relationship in a private sector firm. The worker is a country national working in the services sector, unless otherwise indicated.



The type of worker determines their interaction with the applicable law. There is also a large variety of contractual arrangements that have different impacts on workers.

# 6. Expert Screening and Selection

## Relevant expert professions:

- Labor lawyers, social protection experts.

## Relevant areas of specialization:

- Labor law specific areas (inter alia); dismissal procedures, discrimination in the workplace, labor complaints, labor dispute resolution, labor inspections.

## Assessment of experts' knowledge and experience related to labor regulations and public services in practice

- Knowledge of the applicable labor code, as well as laws and regulations affecting firms and workers, knowledge of laws and regulations on social protection, experience with labor complaints, experience using labor dispute resolution mechanisms, knowledge of the functioning of labor inspectorates and employment services.





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Thank you

Q&A

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