Funding the Future

World Bank changes its tune on tax and regulation

Published: January 13, 2026, 5:17 am

As the US House Committee on Financial Services has noted:

In an important shift in the World Bank's approach to development, today the Bank announced the suspension of the controversial "Employing Worker" Indicator (EWI) and a commitment to reexamine and revise both the EWI and the "Paying Taxes" Indicator in its annual country-ranking exercise called Doing Business.

As it notes:

The World Bank's highest-circulation annual flagship publication, Doing Business measures the cost to firms of selected business regulations in 181 countries and then ranks each country with a global Doing Business Rank based on each country's ease of doing business.

While the Report rates governments on a number of constructive topics, it also includes an "Employing Workers" Indicator (EWI), which gives the best scores to countries that have the least amount of labor regulation in areas such as minimum wage levels, maximum hours per work week, requirements for advanced notice for layoffs, and severance pay. The Report also incorporates a "Social Contributions and Labor Taxes" indicator that actively discourages the provision of social protection programs by rewarding countries with the lowest level of mandatory employer contributions to non-wage benefits such as pension plans, healthcare, unemployment insurance, and maternity leave.

And it continues:

According to an announcement posted on its Doing Business website, Bank Management yesterday sent a memo to Country and Sector Directors informing them that staff are to be notified 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."

This is a massive change in approach. It is extraordinarily welcome.

But lets also be clear: there is a massive rebuff in here for PWC. It is their â€šÃ„Ã²Total Tax Contribution' methodology that drives the Paying Tax Indicator. They co-brand it with the WB. And the WB has made clear that this too is to be re-examined. Quite right too. I have long been a big critic of this indicator and methodology, which is fundamentally flawed, and horribly biased to VAT — which is deeply regressive and wholly unsuitable for the uses PWC propose for it through the World Bank.

There may be light at the end of the tunnel!