April 2024

Global Unions statement to the Spring Meetings of the IMF and World Bank

In its January *World Economic Outlook* update, the International Monetary Fund (IMF) predicted a "soft landing" for the global economy after a severe cost-of-living crisis and aggressive financial tightening. However, for workers globally, the crisis persists, with austerity, under-investment and increasing precarity becoming the new normal.

2024 presents opportunities for a new approach. The World Bank's IDA replenishment could provide vital concessional financing to low-income countries and, if properly measured, its focus on Jobs and Economic Transformation could deliver quality jobs and tackle growing inequality. The upcoming review of the International Financial Corporation's (IFC) sustainability framework could enhance accountability for the Bank and its clients through consultations with unions in due diligence processes and in performance standards design and implementation. Amid the ongoing debt crisis and efforts to reform the international financial architecture, the IMF could lead a comprehensive, global solution to sovereign debt, offering swift relief and enabling countries to invest in development. But unfortunately, despite significant momentum for reform globally and within each institution, we see the same frustrating results in their activities.

The global labour movement remains unwavering in its demands for a New Social Contract centred on decent work, equality, and inclusion to meet the Sustainable Development Goals (SDGs) and defend democratic institutions. In a year during which billions of people will vote in national elections and the multilateral system itself is in jeopardy, we call on the IMF and the World Bank to change course and seize this moment to make these possibilities a reality.

A crossroads for labour market policy: shared growth or precarious growth

Two major global trends — the digital transition and the energy transition — could either foster inclusive growth and shared prosperity or increase divergence and inequality between individuals and between countries. Without adequate policies in place, these transformations will further divide the world between those who benefit from new technologies and greater productivity and those that see their livelihoods destroyed with no replacement nor hope on the horizon.

Strong employment protections with a guarantee of freedom of association, adequate wages, collective bargaining, social protection and a safe workplace are necessary for new technologies to support shared prosperity. Unfortunately, as employers leverage their capital and political weight to prevent workers from exercising their labour rights, the policy recommendations of the World Bank and IMF often follow the same logic, leading to a more precarious and exploited workforce.

Platform labour companies claim that worker flexibility and independence benefit traditionally marginalised workers, but these work arrangements exacerbate precarity, increase the incidence of dangerous working conditions, and typically fail to deliver flexibility and independence. Moreover, the widespread use of digital tools in the workplace and algorithmic management heightens productivity demands, raising concerns over worker privacy violations, data ownership, intensified work, unsafe conditions, and growing inequality. As AI threatens to displace workers and alters the nature of work, unions must have a say on the way digital tools are deployed and used in the world of work.

Similarly, the energy transition provides an opportunity to build sustainable and resilient energy grids and systems that create decent work, enhance productivity, and preserve our planet for future generations. However, in numerous countries, the energy transition has meant privatisation, precarity, and a net loss of decent work. Due to insufficient investment and planning, workers and their families are frequently expected to bear the costs of relocation and reskilling into sectors that may be unstable and uncertain.

The World Bank and the IMF stress the importance of jobs for stimulating economic growth, eliminating poverty, and tackling inequality. However, many of their interventions have weakened job quality by cutting vital public sector work and eroding workers' rights. The upcoming B-Ready Index from the World Bank, which promotes a race-to-the bottom in labour standards and social protection, is emblematic of this approach. Decent work can deliver sustained growth and shared prosperity, but only if these trends are reversed. This necessarily requires strong labour market institutions, universal social protection, and strategic public investments, including in public services.

Comparability of treatment? Workers pay the price of fiscal consolidation and debt trouble

Recent overlapping crises have left many governments cash-strapped and burdened by unpayable debts, demonstrating the limited breadth of the "soft landing". The IMF estimates that 60 per cent of low-income countries and many middle-income and emerging market countries currently face debt distress. Countries such as Argentina, Pakistan, Ghana, Sri Lanka, and Costa Rica are forced to cut social spending, raise taxes, reduce public sector wages, increase labour flexibility, and privatise industries in exchange for bailout loans. Such a punitive approach risks a lost decade, threatening SDGs and democratic legitimacy. Since many debt-distressed countries are also extremely vulnerable to climate change, disparities between countries will likely increase as its effects are more broadly felt. The IMF and World Bank must use their global leadership to support a comprehensive solution to the sovereign debt crisis, enabling countries to finance future investments and build resilience.

While multilateral institutions such as the OECD and the United Nations (UN) discuss tax reform, IMF and World Bank policy recommendations often lead to regressive measures, burdening workers unfairly and undermining key public services. Their stubborn emphasis on indirect taxes, such as value-added tax, disproportionately affects lower-income individuals, and even progressive approaches, such as income taxes, penalise formal workers while leaving the assets of the wealthiest untouched. Although most countries face significant fiscal challenges, balancing budgets by impoverishing workers has severe long-term consequences. Regressive taxes, coupled with cuts to pensions and fuel subsidies, undermine economic growth, social cohesion and trust in government. As capital has captured a larger share of the gains of economic activity relative to labour in recent decades, instability and opacity have made economic governance much more difficult and workers and governments have paid the price.

Instead of promoting short-sighted austerity measures which jeopardise long-term planning and stability, we urge the IMF and World Bank to offer technical assistance, in consultation with trade unions, for fairer taxation systems, including corporate taxes, wealth taxes, capital and dividend taxes, and financial transaction taxes. Furthermore, in this moment of global momentum for tax reform, the IFIs must collaborate with multilateral partners to establish a robust international legal framework that counteracts tax base erosion through downward competition on corporate taxes and combats tax evasion.

Labour standards are crucial for development impact, not in tension with it

Multilateral development banks face pressure to scale up investment, especially in fragile and conflict-affected zones. Although this increased demand complicates due diligence and oversight, it makes accountability even more important. The additionality of development financing lies not in speed or scale but in the delivery of a development agenda: long-term focus, willingness to take risks, and the implementation of project investment safeguards that ensure international labour standards, such as the ILO's fundamental principles and rights at work, are consistently applied. Projects that violate labour standards harm workers, undermine decent employers and sustainable companies, and divert resources from projects that uplift communities; by undermining governance and weakening supply chains they bring economic costs that spread far beyond the project itself.

The World Bank Group must strengthen its collaboration with unions to ensure its projects promote decent work. In the IFC's upcoming review of its Sustainability Framework, it should strengthen its policies to ensure that fundamental rights, such as freedom of association, collective bargaining, and occupational safety and health are respected. Without fundamental rights like freedom of association, effective project oversight is impossible. Additionally, without accountability for borrowers that fail to meet investment standards, the development impacts of Bank projects suffer, especially in fragile and conflict-affected zones where the rule of law may be weak or changing. Upholding international labour standards and project monitoring is crucial, as the World Bank cannot fulfil its development commitments — including the elimination of forced and child labour — without workers exercising their rights.

Advance workers' rights to restore the democratic legitimacy of development finance

The IMF and World Bank were established during the Bretton Woods conference with the aim of creating a new global economic order in the wake of democracy's triumph over militarized fascism. However, as nations seek new models to replace failed paradigms, these institutions are falling short. Their policy recommendations and lending conditionalities have led to austerity, labour flexibility, rising prices, and weakened labour oversight globally. As governments tackle complex global issues, such as climate change and supply chain resilience, tools like the B-Ready Index compel them to lower their standards to compete.

The trade union movement is the largest democratic movement in the world and, through organising and social dialogue, trade unions promote democracy in their workplaces, in their societies, and around the globe. In a time of underinvestment, conflict and rising anti-democratic extremism, workers demand a New Social Contract from their governments for a hopeful future. In this we concur with the call from IMF Managing Director Kristalina Georgieva and other for a "new Bretton Woods moment"; as leaders in the international financial system with resources and a global development mandate, we believe that the IMF and World Bank must change course to fulfil their commitment to equitable and sustainable development through decent work.

Recommendations for the International Financial Institutions (IFI):

1. Join the international movement to reform the international financial architecture to meet the unique development challenges of the moment, tackle inequality and address the burden of unpayable debts by:
   - Committing to multilateral debt relief.
   - Promoting a fair and binding mechanism to restructure sovereign debt in accordance with UN Resolution A/RES/69/319.
2. Cooperate within multilateral processes for international coordination on progressive taxation and support the implementation of progressive tax systems while tackling tax evasion at the national level.
3. Collaborate with trade unions in social dialogue to ensure that all climate financing supports just transition measures, aligning with a fair transition for workers. This includes:
   - Incorporating social dialogue, impact assessments, worker-led formalisation, measures of occupational safety and health and social protection to guarantee decent work and provide economic security for workers.
   - Ensuring that policy advice and financing do not add to undue debt burdens.

4. Provide countries with investment and technical assistance to guarantee the provision of quality public services such as education, healthcare and transport, and bring an end to damaging opportunistic privatisation in services and strategic sectors.
5. Ensure that investments in social services and social protection, in line with international labour standards, are protected and expanded according to development needs, and not cut in times of crisis.
6. Meaningfully consult with trade unions as democratically elected workers' representatives, in the formulation of their economic, social and labour policies, as well as the technical advice provided to countries, including social impact assessments.

Trade unions recommend that the IMF should:

1. Promote debt sustainability and just restructuring by:
    - Updating methods for analysing debt sustainability in a way that incorporates labour market analysis as well as the needed investments for meeting the sustainable development goals.
    - Protecting workers and their retirement funds from the unfair effects of domestic debt restructuring, and work with debtor countries to find constructive alternatives that do not harm workers and citizens.
    - Eliminating regressive surcharges that penalise countries that are already in significant debt.
2. Strengthen implementation of social spending floors with the goal of protecting and expanding universal social protection.
3. Increase transparency of negotiations between the IMF and countries, and include trade unions so that sustainable agreements with greater legitimacy can be reached through social dialogue.
4. Support progressive tax reforms, such as corporate taxes, wealth taxes, taxes on capital and dividends, and financial transactions taxes that strengthen public finances and governance capacity, reduce inequality and avoid disproportionately burdening ordinary workers.
5. Safeguard and support investments in jobs and working conditions for public sector workers, including teachers, nurses and transport workers, with special attention to the gendered impacts of public services and public sector employment, which are crucial for reducing inequality between genders and within society.
6. Issue additional Special Drawing Rights (SDRs) in response to global needs and assist in the reallocation of existing SDRs from high-income countries to developing countries via dedicated trust funds or direct transfers with no conditionalities attached.

Trade unions recommend that the World Bank should:

1. Remove the labour pillar from the B-Ready Index, which promotes a dangerous race to the bottom in terms of labour standards and will undermine social protection around the world.
2. Incorporate more robust protections for fundamental labour rights in the revised Sustainability Framework of the International Finance Corporation (IFC), allowing for meaningful consultation with workers representatives at every stage from project design to monitoring and exit. This includes timely management of complaints, firm deadlines for responses and negotiated corrective action plans. It also means notifying relevant trade unions about projects before board-level approval and facilitating dialogue and binding agreements between clients and labour to resolve potential issues.
3. Strengthen independent oversight of the IFC to ensure timely, impartial investigations by the Compliance and Accountability Ombudsman and meaningful accountability for upholding the institutions' standards.
4. Strengthen the impact of the International Development Association (IDA) with robust concessionary lending and careful attention to the quality of jobs created, with the goal of decreasing inequality through the creation of decent work.
5. Prevent platform work and generative AI from further exacerbating informality and precarity by ensuring strong labour protections that, among other things:
    - Combat employment status misclassifications.
    - Regulate and limit algorithmic management.
    - Safeguard workers' freedom of association and collective bargaining
    - Ensure adequate wages and access to social protection.
    - Protect workers' data, privacy, and occupational safety and health.
6. Back labour market policies that promote decent work — founded on freedom of association and social dialogue — instead of flexiblisation and precarity, including within its forthcoming statement on labour policy.
7. Enhance gender equality by:
    - Aligning the Bank's gender strategy with other multilateral institutions such as the ILO.
    - Ensuring the Bank's investments support public sector work, where women are heavily employed, and provide robust public services that allow the expansion of gender-equal employment.
    - Including women workers and their unions in decision-making, project design, implementation and evaluation.

8. Support investments in truly universal social protection in line with international labour standards to fight poverty and promote equity effectively. This includes addressing the lack of social protection for workers in the informal economy and atypical forms of employment while collaborating with trade unions to promote worker-led formalisation.
9. Collaborate with trade unions to ensure that climate investment truly promotes a just transition and ensure the investment necessary to tackle climate change and protect workers affected by it, incorporating rigorous collaboration with labour and other stakeholders at the sectoral level to ensure decent work.
10. Address structural challenges to equality by incorporating the need for robust labour market institutions in the Bank's strategy for improving conditions for women, migrant workers, young workers, informal workers and other marginalised populations who are more likely to engage in informal and precarious work.