



Decent work, collective bargaining, and universal social protection: The IMF and World Bank at a crossroads

Statement by Global Unions to the Spring Meetings of the IMF and World Bank, April 2022

Introduction

1. Developing countries face a fiscal stimulus gap and workers everywhere are suffering from insecure work, violations of labour rights, and a lack of social protection. Collective bargaining and worker protections are therefore central to an inclusive recovery by helping reduce inequality and create quality jobs. Global Unions¹ call for the International Monetary Fund and World Bank to promote universal social protection and decent work, including the fundamental right to organise and collectively bargain. Strategies and operations should be designed accordingly, including the new IMF trust fund for resilience and sustainability. Debt relief and a permanent multilateral restructuring framework are part of the enabling environment for jobs and recovery.

2. Global Unions encourage the Bank to systematically apply *Balancing regulations to promote jobs* as a manual.² Its content should be fully integrated into relevant Bank strategies including the Social Protection and Jobs Compass, and the Jobs and Economic Transformation approach. *Balancing regulations* is a landmark covering dismissal procedures, employment contracts, minimum wages, and unemployment benefits. The publication established principles and considerations for comprehensive, contextual national policymaking based on social dialogue. The publication was produced by the Bank and ILO with the input of worker and employer associations. This is a model for improving Bank involvement on topics related to social protection and labour including inspectorates, collective bargaining, skills, and active labour market policies. The rebranding of the Doing Business Report and Employing Workers Indicator represents the opposite direction.

IMF support for just transition and sustainable economic transformation

3. There is renewed uncertainty in the global economy as war collides with the ongoing pandemic. For developing countries, unequal access to vaccines and unsustainable sovereign debts create a dangerous situation in which the Fund will need to fulfil its role as the global financial safety net. Support should not be conditioned upon the erosion of labour rights including collective bargaining, nor should it come with regressive loan surcharges. Global Unions support the suspension and elimination of surcharges added to repayments based on the size and length of the loan. This burden on borrower countries is unfair and will worsen the uneven recovery.

4. Global Unions welcome the progress on creating a Resilience and Sustainability Trust Fund to rechannel Special Drawing Rights allocated to high-income countries that already have adequate reserves. The goal of rechanneling 100 billion in Special Drawing Rights to IMF trust funds and multilateral development banks should be seen as a minimum target. The trust is a

¹ The Global Unions group is composed of the International Trade Union Confederation (ITUC); the sectoral Global Union Federations BWI, EI, IAEA, IFJ, IndustriALL, ITF, IUF, PSI, and UNI; and the Trade Union Advisory Committee (TUAC) to the OECD.

² World Bank, *Balancing regulations to promote jobs: From employment contracts to unemployment benefits*, <<http://hdl.handle.net/10986/23324>>.

step forward in recognising that transformative measures are needed to avoid future shocks related to climate, health, digitalisation and other challenges. Inadequate support has been provided to middle-income countries and vulnerable island states for pandemic response as well as climate mitigation and adaptation. The broad eligibility criteria of the proposed trust is therefore welcome. However, accessing the trust should not be tied to having an existing traditional Fund programme. This is at odds with the proactive intent of the trust.

5. The trust must uphold economic transformation that creates quality jobs as part of climate and digital transitions and building healthier societies. The care economy is at the centre, including job-creating investments in health, education, child, and long-term care services. Measures and policies taken when accessing the new trust should be based on tripartism and social dialogue, including just transition taskforces that create a roadmap for equitable transformation. If not in place, taskforces should be established when countries access the trust. Moreover, there should be collaboration with trade unions and the ILO on macroeconomic policies for a just transition as part of the trust and expanding IMF work on climate.

6. Conditionality that erodes working conditions, wages, and collective bargaining will not strengthen resilience and sustainability. Global Unions note with great concern the recent Fund paper on climate and transformation in South Africa, part of the annual country report.³ Under the heading of climate, it promotes decentralising collective bargaining, reducing worker protections, and lowering wages for energy workers. Decentralisation of bargaining systems has unfortunately been pushed by the Fund in the country for many years despite the benefits of sectoral bargaining in South Africa and the negative effect of decentralisation and wage reductions on employment and growth in the European programmes after the global financial crisis.⁴ These policies would produce an unjust transition and undermine growth through higher inequality.

Policies for quality jobs, not a rebranded Doing Business labour indicator

7. The long-term decline of the labour share of income and the massive pandemic related job loss are among the many issues the Bank can help countries address. It is a dead-end to revive a labour indicator as part of a rebranding of the Doing Business Report as the Business Enabling Environment report after the former was ended last year when data manipulation and workplace abuses capped years of controversy. Earlier, the Employing Workers Indicator was suspended in 2009. A subsequent proposal to pair an indicator on hiring and dismissal regulations with an indicator on worker protections was abandoned. Instead, the Bank began improving its approach to jobs separately from Doing Business. The recommendation of the 2013 independent panel review reinforced this path. Nonetheless, Doing Business continued to use its profile to advocate for labour market deregulation and gathered data on the suspended indicator. The Bank then committed to ending data collection in 2020, but promptly separated the indicator from Doing Business to enable the work to continue. Global Unions call for the Employing Workers Indicator project to be immediately shut down, and for no form of the indicator to appear in the Business Enabling Environment report.

³ IMF, South Africa: Selected issues, February 2022,

<<https://www.imf.org/en/Publications/CR/Issues/2022/02/10/South-Africa-Selected-Issues-513004>>.

⁴ See: ITUC, The IMF's renewed supply-side push, <<https://www.ituc-csi.org/imf-renewed-supply-side-push>>; ITUC, Reforming the IMF for a resilient recovery, <<https://www.ituc-csi.org/reforming-the-imf>>.

8. Significant harm to workers has been done since the inception of Doing Business. The Bank should be focused on repairing this damage through a comprehensive approach to labour guided by the objectives of sustainable development. Pairing a harmful indicator with one that claims to value worker protections does not address the core problem of promoting deregulation. The proposal is based on the illusory promise of flexicurity, pairing reduced regulations with improved social protection. First, labour regulations and social protection have distinct and complementary roles. Second, the Business Enabling Environment proposal maintains the total tax and contribution rate used in Doing Business. This indicator combines employer contributions to social protection alongside taxes, undermining both. Continuing this approach, first created by a private accounting firm to lobby for lower taxes, would undermine recent commitments on international corporate taxation.

9. The labour indicator in the Business Enabling Environment proposal is based on inaccurate and outdated claims that labour regulations are harmful to improving formality and employment. The report's foremost aim will be promoting policy reforms, and the rankings approach will continue in some form. Like the Doing Business report, the new proposal relies heavily on the views of law firms that represents employers, and would uncritically accepts data submitted by businesses with regards to labour law compliance. Engagement on labour market regulations and institutions should be handled separately from a report only concerned with the business environment. Labour policies are complicated to measure, dependent upon national circumstances, and must be dealt with through social dialogue.

Upholding international labour standards in World Bank Group projects

10. Global Unions urge the swift remediation of the severe labour violations on the IFC's Sheraton Palma Guinea and Karot Hydropower projects. There were 2,410 workers at Karot in Pakistan subjected to an unfair mass dismissal that disregarded the retrenchment requirements of the labour safeguard in December 2020. Many are still owed money, just months before construction on the project will conclude. The IFC's Compliance Advisor Ombudsman is moving ahead with an investigation, finding that issues raised in a trade union complaint including occupational health and safety, discrimination, and freedom of association "have persisted through the life of IFC's investment".⁵ For over a year, workers at the Sheraton Grand Conakry experienced a scorched earth anti-union campaign including retaliatory firings before, in December 2021, the hotel was abruptly closed due to mould issues that have not been independently corroborated. Retrenchment again coincided with violations of trade union rights.

11. IFC should work with trade unions to improve due diligence and project monitoring regarding freedom of association and collective bargaining, taking an approach with clear prevention, identification, and remediation procedures. This should include systematic consultation with relevant trade unions throughout a project. Other recent hotel investments have shown that relying on borrower self-reporting during project preparation and oversight will fail to identify risks and uncover violations. In the context of routine and aggressive violations of freedom of association and collective bargaining, binding pre-project measures should be used to ensure neutrality toward union formation and access for worker representatives.

⁵ CAO, Compliance appraisal report, <<https://www.cao-ombudsman.org/cases/pakistan-karot-hydro-03jhelum-river>>.

12. There is no way to monitor and guarantee that goods made in the Xinjiang Uyghur Autonomous Region are free from forced labor. The World Bank and IFC should ensure no project supply chains involve goods from the region, and closely monitor for goods produced through labour transfers of Uyghurs to other regions of China. For solar panels, which are heavily linked to forced labour in Xinjiang, there should be a full spectrum response using safeguards, procurement, investments in responsible solar supply chains, and upstream research and development financing on solar technology that is not reliant on polysilicon.⁶ This should culminate in only permitting borrowers and contractors to purchase solar panels from a pre-screened list of suppliers that undergo a rigorous review process to prove they have no connection to forced labour. The Bank has taken the first step with procurement measures for solar, with Bank review of all eligible purchases and declarations from contractors and suppliers on forced labour.⁷

13. The Bank should accompany the procurement measures with enhanced due diligence and monitoring that does not rely solely on self-reporting. The Bank procedures for debaring firms that commit fraud or obstruction in procurement should be vigilantly used in solar procurement and the declarations. Attention is needed to solar purchasing that falls outside the purview of the procurement rules or the Bank labour safeguard. IFC should create procurement procedures, particularly for large purchases of goods on infrastructure and energy projects. Updates are needed to the IFC labour safeguard guidance note. First, there is no basis in the safeguard for excluding construction materials from the supply chain requirements. Second, a useful clarification was made to the guidance note on environmental and social risks regarding the definition of a primary supplier. This should also be reflected in the labour guidance.

Promoting decent work and universal social protection

14. Social spending floors are now a regular part of Fund loan programmes, however the scope of the floors are often limited to a handful of social assistance benefits. The Fund should develop standardised design procedures so that these floors cover all elements of the ILO social protection floors recommendation and Convention 102 on minimum standards of social security. IMF social spending floors must also ensure adequate public sector staffing at living wages to help reach the Sustainable Development Goals, including those on health and education.

15. The World Bank's 2012-2022 Social Protection and Labour strategy made important steps forward. It recognised the core labour standards, social protection floors, and the role of trade unions while emphasising gender equality and building social protection systems in low-income and fragile countries. Together with the 2013 World Development Report on Jobs, the strategy was part of moving beyond pension privatisation and labour market deregulation. After the pandemic, the urgency of building universal social protection systems, accelerating job creation, and supporting transitions from the informal to the formal economy are more evident than ever.

16. The Bank is creating the Social Protection and Jobs Compass to update and build upon the strategy.⁸ The Compass is an opportunity for the Bank to operationalise its commitment to

⁶ Murphy & Elimä, In broad daylight: Uyghur forced labour and global solar supply chains, <<https://www.shu.ac.uk/helena-kennedy-centre-international-justice/research-and-projects/all-projects/in-broad-daylight>>.

⁷ <https://www.worldbank.org/en/projects-operations/products-and-services/procurement-projects-programs>

⁸ For further recommendations, see: ITUC,

universal social protection and redouble attention in Bank operation to core labour standards, involvement of trade unions, and other key elements of the strategy. The Compass should also align with international labour standards and the Sustainable Development Goals. The commitments of the 63rd Session of the UN Commission on the Status of Women, and the 2021 International Labour Conference Resolution and Conclusions on Social Security are important reference points for alignment.

17. In the recent replenishment of the International Development Association, the Bank's arm for low-income countries, the policy roadmap includes decent work, boosting job quality, and universal social protection.⁹ Embracing the promotion of decent work is a significant step forward. The Compass should do the same. Policy coherence must be substantive, not merely semantic. The Bank's interpretation of 'progressive realisation' of universal social protection has allowed a focus on narrowly targeted social assistance to remain unchanged. Elsewhere in the Bank, the strategy and international labour standards have been undermined by measures that undermine labour inspectorates in the name of the business environment. The Compass should move toward full and substantive operational alignment with international labour standards and the SDGs.

18. The ILO Centenary Declaration for the Future of Work calls for "Strengthening the institutions of work to ensure adequate protection of all workers, and reaffirming the continued relevance of the employment relationship" through: respect for fundamental workers' rights; an adequate minimum wage, statutory or negotiated; maximum limits on working time; and safety and health at work. Together with universal social protection, this should be the magnetic pole for the Compass. This will require action on several fronts including tackling precarious work and disguised employment, expanding collective bargaining, and raising wages. This will contribute to the Bank's twin goals of shared prosperity and poverty reduction, as well as help to reverse the decline in labour share of income. The Compass should support countries in financing social protection, including through progressive and corporate taxation. The Compass can move ahead on gender equality by supporting the recognition, reduction, and redistribution of care work, including through investments in the care economy that create quality jobs.

Initial ITUC contribution to the World Bank's Social Protection and Jobs Compass, <<https://www.ituc-csi.org/contribution-spi-compass>>.

⁹ World Bank, IDA20 Final replenishment report - Building back better from the crisis: Toward a green, resilient and inclusive future, <<https://ida.worldbank.org/en/replenishments/ida20-replenishment>>.

Recommendations to the International Financial Institutions

- Enable universal vaccine access by financing expanded production, fair distribution among countries, and equitable rollouts.
- Convene dialogues with social partners and governments to plan coordinated public investment for recovery, including strategies to boost job creation and strengthen labour market institutions.
- Institutionalise social dialogue and input from international organisations on loans, country and sector strategies, policy advice, and on relevant subjects including just transition.
- Support progressive revenue streams for financing universal social protection, the care economy, and quality public services to boost gender equality and living standards.
- Reform conditionality and policy advice on labour, ending promotion of deregulatory reform, discouragement of social dialogue, and decentralisation of collective bargaining.
- Assist countries in reaching building public workforces to achieve the SDGs, ending policy advice and loan conditions that suppress the public wage bill.
- Support a multilateral framework for negotiating binding international debt restructuring agreements debt, and incorporate sustainable development in debt analyses.

The IMF should:

- Address the structural threats to recovery and stability through financial regulation, especially of non-bank financial institutions, and a financial transactions tax.
- Encourage and facilitate transfers of Special Drawing Rights by high-income countries to trust funds, multilateral development banks, and directly to developing countries.
- End surcharges permanently, continue rapid emergency lending, and redouble crisis response with a suspension of fees.
- Upgrade the approach to economic and gender inequality from guidance to standard procedure, including analysing the effect of possible policies and conditions on inequality.
- Create guidelines on designing social spending floors in loans, aligned with ILO standards on social protection and the SDGs on health and education.
- Convene dialogue among central banks on full employment and climate in frameworks.

The World Bank Group should:

- Adopt a Social Protection and Jobs compass that is conducive to international labour standards, decent work, and universal social protection.
- Omit the labour and total tax and contribution indicators from the proposed *Business Enabling Environment* report.
- Systematically integrate employment into results measurement frameworks at the project and institutional level, measuring the quality and quantity of job creation.
- Verify that the conditions and advice in Development Policy Loans align with relevant international labour standards.
- Improve labour safeguard implementation with pre-project trade union dialogue, anti-retaliation measures, better disclosure, and deadlines to investigate and remedy.
- Publish annual data on worker fatalities and incidents on projects, and use the information to improve outcomes. Prohibit the use of asbestos-containing materials.
- Adopt a Board-approved strategy to reduce inequality and boost shared prosperity.