Quality jobs and sustainable economic transformation: Recommendations for the 20th replenishment of the World Bank's International Development Association

During the pandemic crisis, low-income countries have been unable to respond proportionately to job and income loss. This fiscal stimulus gap, alongside insufficient debt relief and vaccine access, could trigger a divergent recovery.

The International Development Association (IDA) of the World Bank can help avoid a lost decade by financing a just recovery that puts low-income countries on the path to achieving the Sustainable Development Goals. Across countries and the multilateral system, the ITUC calls for five key elements of a resilient recovery with a new social contract:

1. Creation of climate-friendly jobs, with just transition and quality public services
2. Rights and a labour protection floor for all workers, regardless of their employment arrangement
3. Universal social protection
4. Ending discrimination and increasing shared prosperity
5. Inclusive economic, social, and health policies

The 20th replenishment (IDA-20) can strengthen World Bank strategies and gather the resources needed for highly concessional loans, grants, and debt relief. Trade unions urge the IDA deputies and World Bank leadership to include these action items:

- Employment results measurement of lending at the project and portfolio levels
- Jobs and economic transformation, with just transition and international labour standards
- Full implementation of the labour safeguard, with occupational health and safety disclosure
- A debt relief window to help overcome the pandemic and rapidly respond to future shocks
- Specific commitments to help countries achieve universal social protection including floors

Measuring and improving the contribution of loans to quality job creation

The crisis has compounded the urgent need for more and better jobs in low-income countries. It is time to squarely track and improve the results of IDA lending in terms of quality job creation, particularly post-project employment. The IDA-19 Results Measurement System tracks the number of people with new or improved electricity access. Similarly, IDA-20 should track the number of people with new or improved jobs. An overall indicator can be complemented by project-level employment impact assessments.

Jobs-themed lending, such as active labour market policies or public employment programmes, is currently the main area of measurement. "Beneficiaries in IDA countries of job-focused interventions" is part of the Results Measurement System. Job creation can be an important outcome even when it is not the primary aim of a project. Since 2012, the Bank has tracked climate co-benefits to measure the contributions of loans that are not primarily focused on climate. Jobs are likewise a benefit of a wide range of other projects, and this impact should be measured.

Loans contribute to direct and indirect job creation. Through project workforces and the post-project operation of assets or systems, jobs are directly created. Project supply chains and the myriad of project interventions, such as improving transportation or education, have indirect effects. Both channels deserve measurement. Likewise, quality and quantity should be balanced, and impact assessments need to consider job loss, such as displacement or reductions of existing workforces.

The labour safeguard of the Environmental and Social Framework contributes to job quality for project workers. Results measurement can focus on the numbers of jobs created, disaggregated for gender, and the overall and per-worker contribution to labour income. The latter examines the channel between Bank lending and its goal of shared prosperity. Information collected as part of safeguards oversight can also be utilised to look at job quality above the floor of compliance.

Post-project direct employment impact deserves greater attention as a measurable and longer-term outcome of IDA lending. Results measurement should not only happen at project completion, but revisit outcomes after an appropriate amount of time. IDA loans that finance construction of schools, public transport, power generation, or hospitals make a lasting contribution to jobs for education, transport, energy, and health workers. Besides the broader development outcomes such as energy access, these direct post-project jobs should be assessed for quantity and quality. Shortcomings in these areas, such as understaffing and poor working conditions, can blunt both development and jobs impact.

Loans contribute to jobs through indirect means. For example, healthcare enables labour force participation and transport improves access to jobs. Projects can also directly or indirectly cause job and income loss, such as displacement of informal workers that provided transport in the absence of an effective public system. Direct job and income loss should be addressed as part of projects, including by transitioning workers to the new system. Indirect job loss needs to be accounted for in modelling to provide a full picture of outcomes. Modelling of indirect employment impact assessments should be designed under IDA-20.

It is imperative to track the development outcomes of the Private Sector Window. This newer approach uses IDA resources to finance individual companies, rather than more systemic interventions. The IFC's employment indicators under the Anticipated Impact Measurement and Monitoring system should be utilised in all Private Sector Window projects to ensure a robust contribution to development.

Jobs and Economic Transformation underpinned by just transition and international labour standards

IDA-20 rightfully places Jobs and Economic Transformation (JET) as a special theme. Previous versions emphasised raising productivity as a central goal and the pathway to better jobs. Greater attention can be paid to promoting international labour standards, including those on collective bargaining and labour market institutions. These have an important role in boosting productivity and ensuring that it converts to higher wages, working conditions, and investments in the workforce. Virtuous cycles are possible to escape the trap of precarious, low-wage, and high-turnover jobs in the formal economy and a large informal economy where workers have few rights or social protection. Responses include plugging regulatory gaps, strengthening collective bargaining and social protection, and IDA lending that demonstrably creates sustainable jobs.

Toward this end, joint work with the International Labour Organization should be expanded. This can foreground Development Policy Financing, ensuring it is aligned with international labour standards and addresses gaps. Consistency with international labour standards should be made part of the screening process for loans and conditions, including those related to pensions, minimum wages, labour regulations, and inspectorates. Making tripartite social dialogue part of designing development policy loans and integrating JET into Country Partnership Frameworks will ensure responsiveness to local needs and full involvement of the social partners.

Under IDA-20, the Bank should commit to help countries integrate JET investment plans into Country Partnership Frameworks. These plans should support a just transition toward net-zero carbon and transitions from the informal to the formal economy. These transitions are fundamental to JET.

Investments in the care economy, quality public services and transportation, climate mitigation and adaptation, sustainable infrastructure, and more have the potential for job creation and far-reaching development results. JET should be arranged around helping these transformative investments and ensuring that the expanding sectors – from long-term care to renewable energy – have decent working conditions and pay. Strategies are also needed to move underemployed, informal, and displaced workers into these jobs. Growth, workers, and inequality have been damaged by past claims that labour market deregulation and wage suppression will move workers, increase investment, and create jobs. Such an approach significantly contributed to the weak and uneven employment recovery after the global financial crisis and should not be repeated.

Ensuring labour rights and safety for project workers

In IDA-13, trade unions called for "enforceable safeguard policies for workers' rights that allow affected workers to complain to the Bank when a project violates their rights". This came to fruition with the new Environmental and Social Framework that began implementation in 2018. The challenges to implementing the labour safeguard of the Framework are most significant in IDA countries, which frequently lack inspectorate capacity and grapple with routine violations of labour rights.

The Bank reports that the labour safeguard has been "one of the most challenging Standards for staff and Borrowers to implement", and further attention is needed to staffing on labour, occupational health and safety, and working conditions. Particular attention should be given to due diligence and remedy of violations.

IDA-20's contribution to a green, resilient, and inclusive recovery should be executed through projects that fully respect the rights of workers. Replenishment should include commitments from management on safeguard implementation, with attention to the unique needs in IDA countries. This can include providing resources in loans to help borrowers ensure fair working conditions, collaboration with trade unions and the International Labour Organization, and the necessary staffing at the World Bank to monitor and support borrowers.

Trade unions specifically call for the hiring of dedicated occupational health and safety experts. There is no replacement for such expertise, and the risks from projects can be significant. To better identify, prevent, and address these risks, the Results Measurement System of IDA-20 should track the number of safety incidents and worker fatalities on projects.

Rapid response and resilience: a debt-relief window

IDA resources played a more crucial role in the early response to COVID-19 than the Pandemic Emergency Financing Facility, the bonds designed after the Ebola outbreak for such situations. The International Monetary Fund's Catastrophe Containment and Relief Trust performed well as an immediate means of cancelling repayments to free up fiscal space in borrower countries. The example of the successful IMF relief trust is worth following. On multilateral debt relief, Bank management has raised concerns that using current resources to cancel repayments would endanger its bond rating and posits that net-positive flows are the better route. Multilaterals, including the World Bank, represent a significant share of debt burdens for IDA countries with little access to capital markets.

The Debt Service Suspension Initiative is winding down after providing moratoriums on official but not private debt repayments. The Common Framework on debt treatments is seeing slow uptake and does not address multilateral debt. Debt relief is still desperately needed to protect lives and livelihoods. The pandemic continues, and it takes time to move from World Bank loan commitments to disbursement. Resources for response and recovery can be freed up immediately by debt relief.

IDA-20 can create a debt relief window to provide cancellations for the continuing health crisis in many developing countries, and in the event of future catastrophic shocks. By creating a window as part of a package that assures adequate resources for the coming years, concerns about credit downgrades can be avoided. This will match inflows with fair and necessary cancellation in the context of a debt burdens that detract from health, social, and stimulus spending.

IDA-20 as a pillar of global funding for universal social protection

Social protection is the frontline of resilience. The pandemic exposed the danger of having 71 per cent of the world's population without access to comprehensive coverage. The ITUC calls for the creation of a global fund for universal social protection to immediately create social protection floors in low-income countries and provide technical assistance to replace external support with revenue mobilisation over the medium term. IDA-20 should be fully aligned with this approach and be prepared to collaborate with, or contribute to, a global fund.

Social protection is a necessary tool across the focus areas of IDA-20, including gender, climate, and inclusive economic growth. IDA-19 recognised this with a commitment that "At least 20 IDA [fragile and conflict-affected situation] country portfolios will support improvements in social sector service delivery (i.e., health, education, and social protection)", and to "Support at least 25 IDA countries to reduce the risks of climate shocks on poverty and human capital outcomes by supporting programs that incorporate Adaptive Social Protection (ASP)". IDA-20 should provide specific commitments on universal social protection, including floors.