

ITUC/Global Unions' Campaign for a World Bank Labour Safeguard: Summary Note December 2012

What is the current status of labour standards in World Bank lending?

The World Bank has acknowledged the positive role of core labour standards to its mission to eradicate poverty, but it has not committed to monitor or uphold these standards in a comprehensive way. Except for private-sector investments and – to a more limited degree – large-scale construction projects, the World Bank Group does not currently require compliance with the ILO's core labour standards (CLS).

In 2006, the International Finance Corporation, the private-sector lending arm of the World Bank, adopted Performance Standard 2 which explicitly references the eight ILO core conventions and makes observance of the CLS obligatory for all client companies. In 2010, the multilateral development banks, including the World Bank, agreed to incorporate CLS in their harmonized Conditions of Contract for major construction works, but the Bank has yet to adopt the kind of implementation mechanisms that IFC has.

Why a labour safeguard?

Since the 1990s, the World Bank has relied on its system of safeguards to identify and control social and environmental risks and to improve development outcomes. While almost all Bank projects affect workers in some way, the safeguards do not currently address labour and working conditions. Trade unions have witnessed and documented incidents of sub-standard employment practices in some Bank-funded activities. The World Bank's own Internal Evaluation Group (IEG) report of 2010 identifies lack of labour safeguard as a gap.

Most importantly, a labour safeguard would help to harmonize the approach of the World Bank Group. The WBG's harmonized approach should reflect the highest standards for international lending. Currently the European Bank for Reconstruction and Development and the African Development Bank are ahead of the WBG on this issue. The EBRD adopted Performance Requirement 2 on labour and working conditions in 2008 and applies them to all its investments, while the AfDB is currently drafting a labour safeguard.

Trade union recommendations:

The World Bank's approach to the safeguards revision should identify the area of labour standards and working conditions as one that the policy must finally address. The safeguards policy that the Bank submits for Board review and for public consultation should include a robust labour standards policy consistent with the progress made in other divisions of the WBG, noting the following:

1. The policy should require compliance with all four CLS and properly adapted requirements for other basic working conditions (namely, provision of information to employees and occupational safety and health, retrenchment procedures, grievance mechanisms and supply chain standards). It should be developed through communication with trade unions and the International Labour Organization.
2. The policy should require adequate monitoring of compliance by World Bank staff and the Inspection Panel must be an avenue of recourse to examine complaints about possible non-compliance.
3. As with other safeguards provisions, corrective action should be taken promptly to correct incidences of non-compliance, and failure to take corrective action would result in loss of financial support.