

THE WORLD BANK AND WORKERS' RIGHTS

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Background: The international community has endorsed the core labor standards as fundamental building blocks of equitable, democratic, and sustainable development. The International Labor Organization (ILO) defines core labor standards to include freedom of association and the right to organize and bargain collectively, the elimination of child labor and forced labor, and a prohibition on discrimination in employment. Research has shown that countries that respect the core labor standards tend to have higher economic growth, more equitable distribution of income, and stronger democratic institutions. These core worker rights are qualitative, human rights principles – not quantitative minimum standards – that countries are obliged to respect regardless of their level of development. According to the UN Summit on Social Development, international economic institutions are also supposed to play a positive role in promoting compliance with these standards.

Problem: Despite this broad recognition of the importance of core workers' rights, the World Bank has no systematic way to measure the impacts its programs have on these rights. Many World Bank loans require countries to weaken their domestic labor and employment laws, privatize public enterprises and downsize the civil service, privatize the pension system, and freeze or reduce wages. Yet the World Bank has no screening mechanism or safeguard policies to ensure that these loans do not facilitate the violation of core workers' rights in borrowing countries. Failure to guarantee these rights leads to the poor performance of, and political opposition to, Bank programs in borrowing countries. Weakening of worker rights also contributes to the high inequality and unemployment that results from many Bank programs.

World Bank labor law reform programs, often designed to promote “labor market flexibility”, can undermine workers' rights in a variety of ways. Some programs require governments to decentralize their collective bargaining systems so that workers are only able to bargain at the enterprise level rather than at the company or industry level.¹ This was a central piece of Argentina's adjustment program, even though many Argentine trade unionists argued that such decentralization would effectively leave many workers unable to exercise their right to bargain collectively. The ILO requires governments to take measures to “encourage and promote the full development and utilization of machinery” for collective bargaining, and recommends that these measures make collective bargaining possible “at any level whatsoever,” including at the industrial, regional, or national level.² World Bank loan conditions fly directly in the face of these ILO standards, by dismantling the centralized machinery necessary to fully promote bargaining for all workers, and by restricting the level at which bargaining may take place.

World Bank labor market flexibility reforms can also give employers new freedoms to practice anti-union discrimination by reducing restrictions on the employers' right to fire employees. In

¹ Very little information about these programs is public, since they are often part of adjustment loans, which are subject to the least information disclosure under World Bank policies. Some of the examples in this piece draw on IMF loan documents, which sometimes reference the World Bank as the implementing agency for structural measures such as labor law reform.

² See ILO Right to Organize and Collective Bargaining Convention No. 98 (a core convention of the ILO that all ILO members are obliged to respect) and ILO Collective Bargaining Recommendation No. 163.

some cases, labor market flexibility reforms also undermine workers' rights by creating more freedom for employers to hire part-time, temporary, and contract work – even where these workers are legally denied the right to organize and bargain collectively under domestic law. For example, Ecuador promised as part of its adjustment program to create new categories of temporary contract workers and part-time workers, and to create longer probation periods for workers. Ecuadorean trade unionists report that employers use this new flexibility to circumvent existing collective bargaining agreements through individual temporary and part-time contracts.

World Bank privatization programs also lack a consistent mechanism for ensuring that workers' rights are respected. Many public enterprises are unionized in borrowing countries, and yet World Bank loans that require a fixed number of enterprises to be privatized by date certain do not regularly contain guarantees that this process will be conducted in consultation with affected unions, that collective bargaining agreements will be respected, and that newly created private entities will fully respect workers' rights and not interfere with union organization. As a result, mass privatizations in countries like Russia by-passed established worker representatives. This not only violates workers' right to bargain over their conditions of employment and resulted in massive layoffs, but it also led to fire sales of public assets with little or no public oversight – oversight that an independent union could have helped provide – and thus created opportunities for unbridled corruption and theft of public assets.

Proposed Reform: The World Bank must create a screening mechanism for all of its lending to ensure that loan conditions do not undermine core worker rights. The Bank should also assess the impacts their loans will have on employment, wages, and income inequality in order to eliminate any negative impacts identified and ensure that adjustment measures truly contribute to broad-based economic development. Enforceable safeguard policies for workers' rights will ensure that workers whose rights have been violated can complain to the Bank's inspection panel. Closer cooperation with the ILO and with trade unions on the ground can help the Bank keep track of the impact its programs are having on workers' rights. Trade unions must be able to participate meaningfully in World Bank programs, and can only do so if full information about Bank lending is available to the public under vastly improved disclosure procedures.

Role of U.S. in Achieving Reform: The U.S. representative to the World Bank is already required under U.S. law to use her voice and vote to ensure that World Bank policies do not have a negative impact on workers' rights, to press for the World Bank to create a screening mechanism for its loans, and to press for closer cooperation with the ILO. While U.S. advocacy at the World Bank has had some positive results, much more can be done. Treasury is required to report to Congress each year on its advocacy of workers' rights at the World Bank. No report was made for 2001, but previous reports made claims of U.S. advocacy that were difficult or impossible to independently verify, both because Bank Board records are secret and because few tangible results in the content of Bank lending and policies were evident. No real progress has been made on a screening mechanism for loans, and cooperation with the ILO is still not a routine part of Bank programs affecting labor. The U.S. should use the IDA replenishment process to require the Bank to adopt enforceable and comprehensive policies to protect core workers' rights. As IDA is approved, Treasury must be made stronger advocate for workers' rights, and should consistently and forcefully oppose any Bank program that threatens to undermine these fundamental human rights.