briefing

**International Finance Institutions**
**Trade Union Meetings**
**Washington, December 2006**

# World Bank backs core labour standards

Responding to the announcement by World Bank President Paul Wolfowitz yesterday (13 December 2006) that World Bank funded infrastructure projects would have fully to respect the core labour standards of the International Labour Organisation (ILO), TUC General Councillor **Paul Talbot** said:

"This is a major step forward for workers' rights. The ILO's core labour standards are fundamental human rights, and this recognition by the World Bank means that workers' rights are no longer a dirty word in the debate over globalisation.

"Globalisation can benefit everyone if it has a social dimension that ensures the gains are spread widely, and the losers are protected.

"Trade unions will continue to press the case for a social clause in trade negotiations, and acceptance that workers' rights are part of the solution to global poverty and economic growth, not part of the problem."

Wolfowitz conveyed the decision at a meeting with international trade union officials in Washington DC at which Paul Talbot, Amicus Assistant General Secretary, represented the TUC. Some US$8 billion worth of projects funded each year will come under the new requirements, which are aimed at ensuring workers' rights to trade union organisation and collective bargaining, freedom from discrimination in the workplace and the elimination of child labour and forced labour.

The same standard has been applied by the World Bank's private-sector lending arm, the International Finance Corporation (IFC), since May 2006. The union delegation also met with the Executive Vice-President of the IFC, Lars Thunell, to discuss implementation of the labour standards.

The union delegation included representatives from 35 countries from all regions of the world, including ITUC affiliates, Global Union Federations and the Trade Union Advisory Committee to the OECD. They took part in three days of meetings with IMF Managing Director de Rato, Wolfowitz, IMF/World Bank Executive Directors and various other officials, to discuss the impact of the institutions' programmes on decent work and on labour conditions. The trade union delegation pointed out serious inconsistencies at the World Bank concerning its treatment of Core Labour

Standards and other labour issues. These included a World Bank report submitted last month to the government of China in which the Bank advised the government that it should not take seriously the question of "so-called "labour standards"". The union delegation reminded the Bank that wide-scale violation of the right to organize was taking place in China and was one of the root causes of the burgeoning inequality in that country. By advising China, an important Bank client, that it should avoid paying attention to the Core Labour Standards, the Bank was contributing to continued violation of the standards. The delegation also pointed to the negative impacts of Chinese lending overseas, since it is done in the absence of social and environmental standards, and in certain cases even involves forms of indentured labour.

ITUC General Secretary Guy Ryder criticized the World Bank and IMF for their continued use of the Bank's Doing Business publication as the template for its country-level policy advice and conditionality on labour market reform. "Doing Business defines almost all labour regulations - such as hours of work, minimum wages, advance notice of mass dismissals and protection against discriminatory practices - as undue impediments to "doing business"", he emphasised. "We call on the Bank to remove labour regulation from the mandate of the Private-Sector Development department responsible for the publication."

In response, World Bank Wolfowitz agreed that the methodology of the Doing Business publication would be reviewed, particularly with regard to the debatable proposition that firing workers easily was a positive element of business regulation. He undertook to look into the China report, and agreed that any suggestion that China need not respect workers' basic human rights was unacceptable.

Further discussions with the IMF and World Bank concerned the recently-expanded debt cancellation initiative for low-income countries, Bank support for workplace HIV/AIDS programmes and the steps both institutions claim to have taken to reduce economic policy conditions attached to loans and debt relief on questions such as privatization, trade liberalization and public expenditure limits. The union representatives welcomed progress in these areas and called on the institutions to accelerate the reduction of conditionality that, in some cases, had led to the Bank and Fund working at cross-purposes with the UN system and impeding attainment of the Millennium Development Goals, for example when governments are obliged to constrain social expenditures so as to respect IMF-imposed public-spending caps.

This showed the need for the IMF and World Bank to work with the ILO and other UN agencies in policy coherence initiatives, as proposed by the World Commission on the Social Dimension of Globalization, which both institutions have welcomed as have the ILO and other UN agencies. Additionally, the ITUC presented the IMF a paper showing how inappropriate policy prescriptions had driven several developing-country governments, with the support of trade unions in these countries, to avoid further borrowing from the Fund.

Wolfowitz and de Rato concurred with trade union condemnation of corruption as an impediment to development, and spoke of the role that trade unions can play in exposing and fighting such corruption.