

ICFTU-APRO Regional Dialogue with International Financial Institutions ADB Headquarters, Manila, Philippines, 10-11 October 2002

Highlights

Introduction

On 10-11 October 2002, the ICFTU-APRO Regional Dialogue with International Financial Institutions was held at the ADB Headquarters, in Manila, Philippines. Representatives from World Bank, International Monetary Fund, Asian Development Bank, trade and labor unions from the Asia and Pacific region participated in the meeting. President Tadao Chino of ADB and Chairperson John De Payva of ICFTU-APRO in their welcome address emphasized the importance strengthening the dialogue between IFIs and labor unions.

The conference concluded that conducting regular dialogues between labor unions and international financial institutions (IFIs) will help to bring labor issues to the forefront of development and promote economic and social development.

Issues and Concerns

The ICFTU-APRO raised a key question during the dialogue, that is whether the IFIs participation particularly the poverty reduction program (PRPs) respond to the by-passed, the unemployed and whether they are compatible with the "Decent" Employment objective.

By way of background, ICFTU-APRO also provided an overview of the current development concerns:

- a) the recurring financial crisis in East and Southeast Asian countries;
- b) the global downturn in the United States and Japan and the corresponding consequences to the developing world;
- c) the IFIs policy thrusts such as privatization, market deregulation, openness to foreign investment, etc.; and
- d) employment problems including the loss of job, income and retirement benefits.

In addition, ICFTU-APRO identified a number of concerns that need more consideration and greater attention on the part of IFIs. These are as follows:

- a) The policies of IFIs need to be participatory involving civil society and by duly institutionalizing dialogue with the stakeholders such as the trade unions;
- b) Policies should carry social dimensions in tackling poverty effectively and should also focus on providing employment;
- c) The load and conditionality imposed by IFIs must be bearable and manageable; and
- d) Initiatives taken by IFIs should be clearly defined including the institutions being in place.

The following issues were raised during the IFIs and ICFTU-AFPRO dialogue:

On Globalization

Some concerns were raised on IFIs policies on liberalization, trade competition and its impact on how countries managed to cope with integration. IFIs pointed out that globalization provides enormous opportunities but with risks. There are evidences that opening to trade contributes to overall growth, improved productivity, and higher incomes. Furthermore, it was stressed that stability in a country is the key for growth and job creation. It was further raised that the conditionalities imposed by IFIs are aimed at improving economic viability and sustaining growth.

The role of technology transfer was also emphasized. In order to catch up with the rest of the world, workers need to upgrade skills, education and technology. It was observed that the countries with rapid employment are those who have invested in education, improving skills and adapting to technology.

On Labor Market

Implementation of labor policies of IFIs remains a key concern among the labor union groups. As pointed out earlier, the dialogue between IFIs and ICFTU-APRO basically aims to raise concerns on IFIs policies particularly it impact on the generation of “decent work.” Three areas of concerns on labor market were raised including:

- a) enhancing labor demand;
- b) improving the work place and
- c) providing social protection/safety nets.

First, on enhancing labor demand, developing countries face a permanent oversupply of labor, and current economic growth levels are not sufficient to absorb such supply of labor. As such, it is important to derive labor demand through the promotion of labor absorbing economic activities, sustained or high growth, increases export market and access to markets of developed countries, lower inflation and stable conditions to ensure that wages will not erode.

Second, while the major challenge is to generate employment, better working conditions are likewise essential to the region’s economic and social progress. There is overwhelming evidence that good working conditions help reduce poverty, raise living standards, and enhance productivity. However, the labor groups raised concerns on some policies of IFIs policies on liberalization, privatization, labor market, among others, on the effect on both employment and working conditions.

Third, on providing social safety nets, IFIs have approved Social Protection Strategies during the last couple of years to ensure reduction of workers vulnerabilities, and expanded their portfolio to cover labor market policies, social insurance, social assistance, and other schemes to protect children and the informal sector. The strategies also include social provisions and safeguards to mitigate unwanted possible negative impacts of projects on vulnerable groups, e.g., displaced persons, retrenchment plans. It is important to take an integrative approach in designing well-

targeted social safety nets or social protection systems to protect labor especially during economic downturn. To the extent that some labor market regulations protect only those employed, some regulations can slow down the process of adjustment to changing economic circumstances. These can create some negative effects such as lower wages, increasing unemployment, among others, which tends to be concentrated among the most vulnerable groups. Thus, it was stressed that it is critical to implement social safety net measures to these groups.

On the issue of core labor standards (CLS), there were concerns on how CLS are integrated on IFIs policies. It was pointed out that the World Bank has prepared a Core Labor Standards Toolkit designed to assist staff in analyzing core labor standards during the preparation of Country Assistance Strategies. Meanwhile, ADB, in collaboration with the International Labour Organization (ILO), is developing a Handbook on Labor Standards to provide advice and best practices on core labor standards and other labor standards. Since the approval of ADB's Social Protection Strategy last September 2001, all ADB interventions should comply with the CLS and country labor/welfare legislation.

On Privatization

Major concerns and questions were raised on the issue of privatization. While a number of benefits of privatization were cited, there are necessary steps that are required to make it work. The labor groups shared a number of concerns on privatization. In some particular countries, there is the problem of uncollected proceeds and for some countries, privatization even resulted to the closure of firms, and consequently, loss of jobs and income.

On the part of the IFIs, it was raised that privatization brings financial returns and increased efficiency gains in firms. However, the short-term economic and social losses should be properly dealt with, including proper regulation of prices to ensure affordability of goods and services, expanded coverage, and, if necessary, retrenchment plans for displaced workers. As such, appropriate policy choices should be in place and that the sequencing and phasing of reforms should be in order to ensure that the benefits from privatization are generated and accrue to the poor.

Coordination Issues

The labor groups raised some concerns on the need for coordination on the preparation of PRSP at the country level. It was pointed out that in some cases, it was not clear which agencies or departments to coordinate with. In addition, the Labor Ministry is not part of the PRGF preparation. Thus, it was recommended that preparation of both PRSP and PRGF should involve broader consultation.

In response to this concern, the IFIs noted that the preparation of PRSP calls for a wider participation particularly on program design. In the next steps, the IFIs suggested to the labor organizations to consider submitting to their respective governments their assessment of the progress of PRSP and the impact of policy reforms on their members including using the channels available to them such as collection of relevant data.

On Conduct of the Dialogue/Consultation

There is a consensus among the participants to continue the dialogue between IFIs and ICFTU-AFPRO.

The labor and trade union groups proposed the following:

- a) IFIs should take the initiative in engaging government to also hold regular dialogues with trade and labour unions at the country level in order to clarify issues at the local level.
- b) During the dialogue, the participants cited the importance of open disclosure of information. IFIs should provide specific and concrete data and information on their activities in order for labor groups to understand the initiatives undertaken by IFIs and for them to become better social partner.
- c) IFIs can assist in training, educating labor groups and civil society in order to properly implement their programs.
- d) During IMF mission, there should be dialogue with civil society, labor unions in all countries with lending programs
- e) There should be a system to institutionalize the dialogue beyond one-time limited consultations at PRSPs.
- f) Future dialogues should produce a document that translate the discussions/recommendations into concrete proposals such that the parties involved are aware of what actions need to be taken and further, to use this document to assess the implementations of the recommendations.
- g) It was suggested to ADB to invite during the dialogue, representatives from ADB's operational departments, the NGO center, Executive Directors from Japan, US, Nordic countries and also consider establishing labor desk to focus on labor concerns.
- h) It was also recommended to engage the participation of women during dialogues;

The IFIs offered the following suggestions:

- a) IFIs agreed on the conduct of regular dialogues, as already had been initiated, although they did not see need for a formal protocol.
- b) Prior to the dialogue, representative of labor unions are enjoined to come up with issues common to the countries in the region. These issues should be prepared ahead of time and be circulated to provide a meaningful discussion at a fairly high-level consultation.
- c) Labor unions can play a role in the analysis of public policy for appropriate choices of policies.
- d) IMF can also facilitate training courses although the training scope is quite narrow; e.g., training to run the budget.
- e) On improving the dialogue, IFIs agree to consult labor groups and civil society at the start or conceptualization of a lending project or technical assistance programs.

- f) While IFIs provide policy analysis and advise to all countries e.g., linkage of macroeconomy, growth and poverty, etc. labor organizations can also exercise their political influence to promote good governance and fight corruption and to pressure their governments to adopt good policies given that resources are limited. Moreover, increase in pro-poor growth budget is possible only if tax is administered efficiently and unproductive spending is eliminated.