



ITUC - ASIA PACIFIC

***A Comprehensive Labour Safeguard
to Guarantee ADB's Investments and
to Create Decent and Quality Jobs
towards Vibrant, Inclusive and Sustainable Asia and Pacific***

A Policy Proposal by

the International Trade Union Confederation – Asia Pacific

June 2016

***A Comprehensive Labour Safeguard
to Guarantee ADB's Investments and
to Create Decent and Quality Jobs
towards a Vibrant, Inclusive and Sustainable Asia and the Pacific***

1. The ITUC - Asia Pacific (ITUC-AP), effectively representing over 60 million workers from 59 free, independent and democratic national trade union centres in 34 countries and territories of the region, has supported the overarching goals of the ADB as spelled out in its various policy papers. We also appreciate the ADB's commitment to the promotion of international core labour standards in its operations to achieve the goals.

2. Recognising the important role of the ADB in Asia and the Pacific and our shared concern over inclusive and sustainable growth in the region, there have been a long-established dialogue and working relationship since 2001 between the ADB and the ITUC-AP in order to exchange policies for national and regional development in a constructive manner to pursue our common goals.

3. Amid a fragile recovery of the world economy from the crisis in 2008, it is Asia and the Pacific that has been playing the role of a locomotive with steady and strong growth to support the global economy. However, sustainability of its growth and realisation of the region's long-term potential, especially with relatively more young population, have been challenged today by immense problems, which the ADB had identified in its various publications; such as rising income inequality, slow pace of poverty reduction with persistently high vulnerable population, and institutional deficits with growing informality.

4. The ITUC-AP has long urged the ADB to take a more balanced approach to its investment policy in order to address those problems, in particular, rising inequality hindering poverty reduction and sustainable economic growth, through strengthening labour market institutions specified in the ILO Decent Work Agenda.

5. Findings of flagship reports and research papers published by international organisations and financial institutions, support our demand by demonstrating the important role of strong labour market institutions in reducing inequality, for example,

- Some labour market regulations and institutions contribute to reducing inequality, and there is no evidence for strong and systematic negative relationship between levels of regulation and employment (World Bank, "World Development Report 2013: Jobs", 2013).
- "Labour market flexibility benefits the rich and reduces the bargaining power of lower-income workers" (IMF, "Causes and Consequences of income inequality: A Global Perspective", June 2015).
- Declining rates of trade union density and collective bargaining coverage are the main drivers of increased inequality in many countries (IMF, "Inequality and Labour Market Institutions", July 2015).

6. The latest ILO report ("World Employment Social Outlook 2016: Transforming jobs to end poverty", June 2016) also proves that promoting decent work, the transition to the formal economy and formal employment arrangement, are necessary for ending poverty. The report reaffirms that high income inequality weakens the impact of growth on poverty reduction, and identifies poverty as the product of weak institutional set-ups, including limited workers' rights and insufficient progress in setting up solid labour market institutions.

7. It is well acknowledged that the ADB has been working closely with the ILO on the promotion of core labour standards, especially for the eradication of child labour and forced labour which are still prevailing in our region. Occupational Health and Safety has already been included in ADB's safeguard requirements. Also, various publications have reflected the ADB's commitment to the promotion of core labour standards, especially in its 'Social Protection Strategy (2001)' and 'Core Labour Standards Handbook (2006)'.

8. However, it is a fact that core labour standards are not included in ADB's obligatory lending requirements and in the policy guidelines offered to governments. In the absence of clarity, consistency and coherency in terms of the implementation of ADB's commitment on core labour standards, ADB funded projects and conditionalities are vulnerable to non-compliance with core labour standards at all levels of the ADB's operations. Further, Occupational Health and Safety is an integral part of labour market institutions, however, without a proper and effective mechanism to observe core labour standards, health and safety at work cannot be ensured.

9. In ADB's 'Social Protection Strategy', the labour market is identified as one of the social protection components. As pointed out in the 'Strategy', it is true that "improving labour market operations is an important element of strategies to reduce poverty, facilitate human capital development, and address gender discrimination". Also, it is right to say that "All Asian and Pacific DMCs, by virtue of being member of the ILO, are held to respect, promote, and realise the fundamental Core Labour Standards".

10. However, the reality which we can observe on the ground today is quite different as illustrated in various literatures; international core labour standards have not been fully complied with. Weakening labour market institutions and surging precarious and vulnerable employment in most countries in the Asian and Pacific region perpetuate income inequality, discrimination at work and working poverty. In short, the base for a "Vibrant, Inclusive and Sustainable Asia and the Pacific" is regrettably lacking.

11. Furthermore, in order to improve the quality of investment outcomes with efficient and productive operations of the ADB, enhancing quality of labour should be of one of our primary concerns. We are of the opinion that such quality of labour or better and productive human resources can only be realised through strong labour market institutions with fundamental workers' rights at its core, especially the freedom of association and the right to bargain collectively. For this reason, major multilateral investment banks have already adopted labour safeguards.¹

12. Against this backdrop, it is an opportune time for the ADB to review its safeguard policy to include core labour standards with effective enforcement mechanisms, including an improved complaints procedure. As a leading multilateral investment institution in Asia and the Pacific, ADB's comprehensive labour safeguard would give positive impact on labour market policy and its implementation across the region.

¹ IFC, the World Bank's private-sector lending arm, adopted a labour safeguard in 2006, the European Bank for Reconstruction and Development did in 2008, and the African development Bank did in 2013. In addition, the World Bank's public-sector branches will soon adopt a new safeguards policy, including a labour safeguard.

Therefore, the ITUC-AP puts forward the following recommendations, for inclusion of core labour standards in ADB's operations, to ensure its investments in creating quality jobs and to realise the long-term potential for a “Vibrant, Inclusive and Sustainable Asia and the Pacific”, with a clear manifestation to redress the prevailing inequality:

- I. The ADB should establish a comprehensive labour safeguard, in ADB's Safeguard Policy Statement (2009), which should incorporate ILO's Decent Work Agenda, especially core labour standards with effective enforcement mechanisms in it by its internal and external groups together with all stakeholders, including the ILO, trade unions and employers' representatives.
- II. In establishing such a labour safeguard,
 - a) The ADB should conduct a labour market and labour market policy assessment, together with relevant tripartite bodies in each country, in order to develop a consistent and coherent labour safeguard in the region. This may also lead to a revision of the ADB Core Labour Standards;
 - b) The ADB should consult the ILO for technical support and social partners should also be invited; and
 - c) The ADB should hold a regional consultation forum with social partners.

Ends