

**Mandate of the Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights**

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Dear Mr. Kim,

I have the honour to address you in my capacity as United Nations Independent Expert on the effects of foreign debt and other related international financial obligations of States on the full enjoyment of all human rights, particularly economic, social and cultural rights pursuant to Human Rights Council resolutions 34/3 and 37/11. I am writing to you to express my views about the draft World Development Report 2019<sup>1</sup>. I take the opportunity to provide some general comments from a human rights perspective prior to the report being finalized.

The draft World Development Report 2019 (WDR 2019) identifies some pressing and serious issues facing our world, including labour informality, tax evasion, the breakdown of social contracts, income and gender inequality and inadequate social protection. Many of these problems have been worsened by austerity and earlier labour reforms, including freezing or lowering minimum wages, labour market deregulation, social security privatization and targeted social protection schemes. The draft report includes important priorities for education, effective taxation of transnational and platform companies and the need to rebuild social cohesion. In my view, it would be essential that the World Bank takes up these topics in its operations too.

However, it is crucial that policies which are proven to increase inequality and undermine economic growth are not promoted as a solution to the challenges in the future of work. In this letter, I urge the World Bank to recommend policies that will support inclusive economic growth in a changing world of work, and that are aligned with the right to work and related human rights as provided for in international human rights law.

In my 2017 report to the UN Human Rights Council, focused on structural adjustment and labour rights<sup>2</sup>, I argued that austerity-related labour law reforms have been promoted by international financial institutions on the assumption that they will lead to economic growth and thus prevent or help overcome debt crises. These reforms include measures that restrict collective bargaining, reduce minimum wages, eliminate limits on working hours, expand the use of precarious employment contracts and facilitate dismissals. In doing so, governments and international financial institutions have frequently contributed to an increase in inequality and insecure and informal employment; fostered discrimination in the labour market towards women, youth, older persons and

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<sup>1</sup> <http://pubdocs.worldbank.org/en/816281518818814423/2019-WDR-Draft-Report.pdf>

<sup>2</sup> A/HRC/34/57, <https://www.ohchr.org/EN/Issues/Development/IEDebt/Pages/DebtAndLabourRights.aspx>

individuals belonging to marginalized social groups; and resulted in the reduction of job-related social protection.

In my view, the draft WDR 2019 can be an opportunity to look beyond outdated calls for deregulation, low wages and individual saving plans instead of public social security. These policies negatively impact gender equality, as women are already concentrated in low paying jobs and insecure work, and are often disproportionately impacted by cuts in the public sector<sup>3</sup>. Such policies also generate income inequality, leave workers/employees unprotected and worse-off and hurt the overall economy by reducing spending power. There is a vast economic literature that challenges the link between labour law deregulation and economic growth, productivity, and employment, among other economic measures.<sup>4</sup>

Instead of further erosion of minimum wages<sup>5</sup>, and dismantling of labour market institutions and employment protection legislation, the report should prioritize living minimum wages – which can ensure decent livelihoods for workers and have a positive impact on stimulating productivity, demand and overall economic growth. The benefits of living minimum wages also extend to informal workers, who are positively impacted by minimum wage hikes and inclusive economic growth.

I also wish to underline my deep concerns with the draft WDR 2019 and its proposal to move away from employer/employee-financed public social insurance regimes and to replace them with safety nets and vague minimum income guarantees. The report rightfully points out the low level of social protection coverage in most developing countries, due in large part to high levels of informality. However, it ignores the steps that have been taken by to reverse this trend, notably International Labour Organization Recommendation 202 on social protection floors, and the progress realized in several countries to expand social protection and use it as an instrument to increase formalization. Non-contributory social assistance programmes can play a role, but they tend to have very low benefits and cannot replace the larger and redistributive protection provided by public social insurance systems financed through contributions from workers and employers.

The responsibilities of employers should not be left aside, and individual workers should not have to shoulder much of the risks and costs inherent in the future of work. In my view, dispensing employers and corporations from social security contributions will only increase the already dire levels of inequality. Alongside the obligations of states, (including ILO Conventions and Recommendations, approved by all countries)

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<sup>3</sup> See my upcoming report to the UN General Assembly on the impact of economic policies on women's human rights, A/73/179, to be available in September 2018

<sup>4</sup> See "World Development Report 2013," Washington, D.C., World Bank Group, 2015; Kuddo, Arvo; Robalino, David A.; Weber, Michael, 2015, "Balancing regulations to promote jobs: from employment contracts to unemployment benefits," Washington, D.C., World Bank Group, 2015.

<sup>5</sup> See some relevant articles with regard to the right to work: International Covenant on Economic, Social and Cultural rights, article 6; Convention on the elimination of all forms of discrimination against women, Article 11 and Art 14 d, e, and g), Convention on the Rights of Persons with Disabilities, article 27 and International Convention on the Elimination of Racial Discrimination, article 5.e.i).

corporations have a responsibility to provide adequate pay and benefits, safe and non-discriminatory workplaces, and to be active in facilitating equitable workforce transitions.

The draft WDR 2019's vision of very minimalist guaranteed income schemes would result in beneficiaries of social assistance losing out in many countries, as the report's own simulations show. It would also directly impact on the enjoyment of the right to social security, as provided for in article 9 of the International Covenant on Economic, Social and Cultural Rights among other relevant instruments. Equally problematic is the draft report's proposals that they would be financed through highly conjectural sources such as taxation of digital platforms, which would require extensive new international tax cooperation. The only part of the WDR's tax proposals that seem applicable in the foreseeable future are increasing value-added taxes, which the report acknowledges is a regressive form of taxation. All in all, the policy proposals would cancel part of the burden of providing working people a decent income and social protection that is currently assumed by firms, and concentrate it entirely on the shoulders of workers and the State. All this shows how important it is to carry out a robust social and human rights impact assessment of the proposed labour reforms.

The concept of expanding social protection in order to cushion against the effects of labour market flexibility, or measures such as reducing employment contracts to a low baseline, misses how effective worker protections and social protection can be mutually reinforcing tools to reduce poverty, create quality jobs and build a productive workforce. Attempts to use education or social protection as substitution and mitigation for weakened labour protections are misguided. Past experiences suggest that such recipes entail a significant risk that workers find themselves with neither labour protection nor sufficient alternative protection through social security.

The World Bank's twin goals of ending poverty and boosting shared prosperity should be aligned with the realization of all human rights, particularly economic and social rights. The draft WDR and the operations of the World Bank should not undermine those twin goals nor should they go against the comprehensive implementation of the Sustainable Development Goals. Amid stagnant wages and falling labour income shares, high inequality and increasing non-standard employment across both the developing and developed world, policies are needed to increase workers' bargaining power, support wage increases, reduce the gender pay gap, and realize universal public social security/protection.

I strongly concur with the World Bank that a new social contract is needed. However, a new social contract should be built upon the protection and promotion of international human rights principles and standards, notably equality and non-discrimination with regard to the right to work and other related human rights. It is also important that the World Bank rigorously analyse the impacts of proposed policies on shared prosperity, inequality, decent work and economic growth. It seems that the draft WDR 2019 fails to engage with the large body of literature that does not find negative associations – or indeed finds positive associations – between labour law and economic growth.

As independent expert appointed by the United Nations Human Rights Council, I would like to reiterate my willingness to engage with the World Bank in a dialogue on this issue. For example, the development of Guiding Principles for assessing the human rights impact of economic reform programmes in which I am currently embarked,<sup>6</sup> may be an opportunity to continue engaging in a constructive a dialogue on the issue of social protection and overall human rights. As independent human rights expert, it is my task to speak out. This should not prevent us from working together towards a world in which nobody is left behind.

I would like to inform you that this letter will be made public on my webpage at <https://www.ohchr.org/EN/Issues/Development/IEDebt/Pages/IEDebtIndex.aspx>. Your response will also be made available on the same website upon reception, unless indicated otherwise.

Please accept, Mr. Kim, the assurances of my highest consideration.

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<sup>6</sup> Human Rights Council resolutions 34/03 (2017) and 37/11 (2018), as well as the report submitted to the Council in March 2018, A/HRC/37/54.