



**European Bank**  
for Reconstruction and Development

# EBRD Performance Requirement 2: Labour and working conditions

# Guidance note on wages and working hours

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## Key points

All European Bank for Reconstruction and Development (EBRD) clients should ensure that:

- wages paid are reasonable and in line with minimum thresholds under national legislation, collective agreements or, in the absence of such a collective agreement, the prevailing sector rate
- wages are paid regularly and on time and without lawfully unsanctioned deductions
- hours are worked in accordance with national legislation and any collective agreements and all overtime work is carried out voluntarily
- equal wages are assured for work of equal value (that is, that there is no discrimination based on gender, race, age or other discriminatory grounds)
- migrant workers are engaged on substantially equivalent terms and conditions to non-migrant workers carrying out the same work.

This information is intended to assist EBRD clients in their capacity as employers.

The EBRD wishes to ensure that the working conditions on projects it finances comply with national labour laws and health and safety regulations and international good practice. The EBRD's specific requirements are summarised in its Performance Requirement 2 (PR2) on labour and working conditions. The specific provisions that relate to working terms and conditions of employment are stated below. These provisions apply equally to all project workers (those who work on a project site or perform work directly related to the core functions of a project), including full-time, part-time, temporary, fixed-term, seasonal and migrant workers, whether engaged directly by the client or by a third party.

## EBRD requirements on working terms and conditions of employment

**PR2.7:** "Projects are required to comply, at a minimum, with (i) national labour, employment and social security laws, (ii) the fundamental principles and standards embodied in the ILO core conventions, and (iii) this PR."

**PR2.16:** "Wages, benefits and conditions of work offered (including hours of work) will, overall, be at least comparable to those offered by equivalent employers in the relevant country/ region and sector concerned. Overtime work will be voluntary and will be performed and compensated in accordance with national laws."

**PR2.17:** "Where the client is a party to a collective bargaining agreement or is otherwise bound by it, such agreement will be respected. Where such agreements do not exist, or do not address working conditions and terms of employment, the client will provide reasonable working conditions and terms of employment that are consistent with national law."

**PR2.18:** "The client will identify migrant workers and ensure that they are engaged on substantially equivalent terms and conditions to non-migrant workers carrying out the same work."

# 1. Comparable wages

EBRD clients are expected to comply with national legislation in the jurisdictions where they operate, as well as with any collective agreements that may apply. Consequently, clients should be aware of specific obligations under national labour law and any collective agreements and be able to demonstrate compliance.

Furthermore, EBRD investments should not undermine wage levels – and living standards – in the economies where they are made. PR2.16, therefore, also states that clients should offer wages, benefits and conditions of work that are comparable overall to those offered by “equivalent employers in the relevant region of that country and sector”. In other words, clients should not undercut

established wage levels in the local labour market. Equally, the International Federation of Consulting Engineers (FIDIC) Multilateral Development Bank (MDB) Harmonised Conditions of Contract for Construction<sup>1</sup> also requires contractors to pay wages “not lower” than those established in the trade where work is carried out.

Where wage levels are set in a sectoral or enterprise-level collective agreement, this would indicate to the EBRD that wage levels are adequate under the terms of PR2.16.

# 2. Equal pay for work of equal value

The EBRD requires all workers to be treated equally when it comes to working conditions, including pay (also additional payments such as overtime, bonuses, allowances and in-kind benefits) and social-security contributions. Women must be paid the same as men for work of equal value. To pay women less than men for the same work performed under the same conditions is a form of discrimination. Consequently, a policy on equal pay should be included in an employer’s anti-discrimination policy and communicated to the workforce.

**Note: The issue of equal pay for work of equal value for women is a persistent and complex challenge that requires a proactive approach. Employers are advised to brief themselves on initiatives, such as those of the International Labour Organization (ILO), that have been used in a range of employment situations to satisfy this requirement.<sup>2</sup>**

# 3. Migrant workers

PR2.18 requires clients to identify migrant workers on a project (including those engaged through third parties) and take steps to ensure that their terms and conditions of employment, also in relation to wages, working hours and overtime, are “substantially equivalent” to those of non-migrant workers carrying out the same work. This does not

mean that the terms and conditions of employment should be exactly the same – for example, there may be instances where migrant workers are provided with accommodation and receive lower cash wages than non-migrant workers – but the key point is that migrant workers should not be at a disadvantage.

1 See FIDIC (n.d.), “[Harmonised Conditions of Contract for Construction](#)”, Geneva, Switzerland.

2 See, for instance: ILO (2013), [Equal Pay: An introductory guide](#), Geneva, Switzerland.

## 4. Wages – form and frequency

- Workers must receive pay on time and in full for ordinary and overtime hours and paid leave.
- Wages should be paid regularly – weekly, bi-weekly or monthly – and there should be no change to the regular payday. Where exceptional circumstances necessitate a change in the regular payday, employees should be given adequate notice.
- Wages must be paid in legal tender, for example, by cheque or electronic transfer (see in-kind payments below).
- All workers should be provided with a written contract that describes, among other things, their entitlement to wages and overtime compensation.
- Employers should tell workers about their wages and any deductions.
- Deductions should be made only on conditions and within the limits prescribed by law or collective agreement.
- Workers paid by piece rate (for example, per article produced or by weight of product harvested) must be paid at least the applicable minimum wage for ordinary hours of work.

### Overtime and premium pay

Typically, workers receive extra pay for working beyond the required normal hours (overtime) on public holidays, normal weekly rest days and at night. The rate for these hours may be set out in national legislation or collective agreement (whichever is higher) and there may be a higher rate for overtime worked at night or on public holidays or rest days.

### In-kind payments and deductions

Sometimes employers are permitted to provide meals or housing to employees and deduct the cost from employee wages ('in-kind payments'). This type of payment is usually strictly regulated by law or collective agreement. Where in-kind payments or deductions are allowed, wages should only ever be paid partly in kind (usually no more than 50 per cent) and workers should always have enough cash to meet their subsistence needs and those of their families. Similarly, where an employer operates a store, which may or may not be the only option for the employees to purchase household or basic provisions, they should have a pricing policy that is fair and in line with local pricing practices.

### Informing workers about wages

PR2.9 requires that all workers be provided with a written contract and that this include, among other things, their entitlements to wages and overtime compensation. Workers should be informed about their wage payments and any deductions in a language they can understand and in a way that explains how their wages are calculated. The practice of issuing a written note detailing the calculations (a pay slip or wage statement) is a useful and transparent method of communicating with employees.

## 5. Working time

- Employers must respect the limits on normal working hours and overtime set by national legislation or collective agreement.
- All overtime work must be voluntary and must be performed in accordance with national law.
- Employers must respect leave entitlements, including annual leave and parental leave.
- Employers must keep accurate, adequate records of working time.
- Employers must provide written employment contracts containing workers' entitlements with regard to hours of work and rest periods, overtime arrangements and leave.

Working time is a basic working condition with a strong bearing on workers' health, safety and general wellbeing. To comply with PR2.16, clients must respect provisions in national laws and collective agreements that relate to working hours (including overtime) and leave entitlements.

<p><b>Normal working hours</b></p>	<ul style="list-style-type: none"> <li>• Most of the economies in which the EBRD invests have laws that set maximum <b>daily</b> and/or <b>weekly limits</b> on normal working hours. This is typically 8 hours a day or 40 hours a week. Collective agreements, if present, may also include provisions on normal working hours.</li> <li>• It is important that employers respect limits on normal working hours, as this is directly linked to the calculation of overtime hours.</li> </ul>
<p><b>Overtime</b></p>	<ul style="list-style-type: none"> <li>• Conditions for overtime are usually set by national legislation and/or collective agreement. There are usually limits on the amount of overtime a worker can do (for example, 2 hours per day or 120 hours per year).</li> <li>• National laws may allow normal working hours to be averaged over a period longer than one week (for example, three months) to allow for seasonal fluctuations. This has implications for the calculation of overtime, limiting employer exposure to overtime payments.</li> <li>• In very exceptional cases, particularly in the extractives sector, clients may be granted exemptions on overtime limits by the country's labour authorities. In these cases, clients should be able to produce written proof of such an exemption.</li> </ul>
<p><b>Restrictions on certain categories of worker</b></p>	<ul style="list-style-type: none"> <li>• National laws or collective agreements may reduce normal working hours for certain workers, such as those who work in hazardous conditions, pregnant women, shift workers or under 18s.</li> <li>• Similarly, certain workers (such as under 18s) may be restricted from undertaking night work, overtime or shift work.</li> </ul>
<p><b>Leave entitlements</b></p>	<ul style="list-style-type: none"> <li>• National legislation and collective agreements usually set out standard entitlements for annual leave, sick leave and parental leave.</li> <li>• In some countries, certain categories of worker may be entitled to additional annual leave (for example, workers in hazardous conditions).</li> </ul>

PR2.9 requires that up-to-date **employment records** are kept that respect workers' rights to privacy and data protection. This should include basic records of employees' working time that demonstrate compliance with legal requirements on working hours (including payment of correct rates and observance of restrictions). National legislation may also contain specific record-keeping obligations in relation to working time.

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## 6. Employer safeguards on wages and hours

There are a number of things an employer can do to ensure that appropriate policies and procedures are in place to comply with PR2.7 and PR2.16-2.18:

- Provide all workers with a written contract that describes, among other things, entitlement to wages, hours of work and rest periods, overtime arrangements and overtime compensation.
- Check national legislation and relevant collective agreements for requirements in relation to the minimum wage, correct rates of pay (ordinary hours, overtime, night work, leave payments, etc.), restrictions on deductions, in-kind payments and limits on working hours.
- Pay all workers at least the minimum wage under national law or collective agreements and pay rates that are at least consistent with equivalent employers.
- Pay the correct additional rates for overtime hours and night work, work on weekly rest days or on public holidays.
- Pay workers regularly and on time.
- Inform workers about their wages and how they are calculated in a language they understand.
- Give workers clear wage statements.
- Ensure that workers are free to choose how they spend their wages.
- Ensure that any deductions are reasonable and in line with national legislation and collective agreements.
- Pay all relevant annual, sick and parental leave and paid public holidays.
- Keep clear and accurate payroll records.
- Pay and collect all relevant social-security contributions.
- Ensure that workers work within national working-time limits.
- Ensure that all overtime work is carried out voluntarily.
- Comply with national or sectoral limits and conditions on overtime.
- Keep adequate, accurate working-time records.

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Five Bank Street  
London E14 4BG  
United Kingdom

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