



European Bank
for Reconstruction and Development

EBRD Performance Requirement 2

Labour and working conditions

Wages and working hours

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The EBRD wishes to ensure that the working conditions in the projects that it finances are in compliance with national labour laws, 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 summarised below. These provisions apply equally to directly employed workers and non-employee workers (namely the employees of third parties, such as contractors and sub-contractors).

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

Key points

All EBRD clients should ensure that:

- wages paid are reasonable and in accordance with minimum thresholds under national legislation, collective agreements and, if there is no such collective agreement, the prevailing rate for the sector
- wages are paid regularly, on time and without any unlawful deductions
- hours are worked in accordance with national legislation and any collective agreements
- equal wages are assured for work of equal value, with no discrimination based on gender, race, age or other discriminatory grounds.

EBRD requirements on working terms and conditions of employment

PR2.5: General

Projects are required to comply, at a minimum, with (i) national labour, social security and occupational health and safety laws; and (ii) the fundamental principles and standards in the ILO conventions.

PR2.14-15: Wages, benefits and conditions of work

Wages, benefits and conditions of work offered (including hours of work) should, overall, be at least comparable to those offered by equivalent employers in the sector in the relevant country/region. Where the client is party to a collective 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.

1. Comparable wages

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

PR2.14 also states that clients should offer wages, benefits and conditions of work that are overall comparable 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. This principle is established in both the OECD Guidelines for Multinational Enterprises and the ILO Multinational Enterprises Declaration. Equally, the FIDIC MDB Harmonised Conditions of Contract for construction also requires contractors to pay wages 'not lower' than those established in the trade where work is carried out.

Where wage levels are set out in a sectoral or enterprise-level collective agreement, this would indicate to the EBRD that wage levels are adequate under the terms of PR2.14.

2. Equal pay for work of equal value

The EBRD requires that all workers should be treated equally in relation to working conditions. This includes pay (including additional payments such as overtime, bonuses, allowances and in kind benefits) as well as social security contributions. Women must be provided with equal pay for work of equal value that is undertaken by men. To pay women less than men for the same work performed under the same conditions is a form of discrimination. As such, a policy on equal pay should be included in an employer's anti-discrimination policy and communicated to their 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 that have been used, such as by ILO, in a whole range of employment situations to satisfy this requirement.¹

¹ See, for instance, International Labour Organisation, [Equal Pay: An introductory guide](#) (2013).

3. Wages: form and frequency

- Workers must receive pay on time and in full for ordinary and overtime hours, as well as paid leave.
- Wages should be paid regularly – that is, 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.
- If wages are being paid in physical form (such as a cheque), they should be paid on a working day so that the employee does not have to make an extra trip and should be paid on work premises.
- Wages must be paid in legal tender, such as by cheque or electronic transfer (see in-kind payments below).
- 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 (such as per article produced, or by weight of product harvested) must be paid at least minimum wage for ordinary hours of work.

Overtime and premium pay

Typically, workers receive extra pay for working beyond their required normal hours (overtime), on public holidays or normal weekly rest days and at night time. The rate for these hours may be set out in national legislation or a 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 it is permitted for employers to provide meals or housing to employees and deduct the cost from the employee's wages ('in-kind payment'). This type of payment is usually strictly regulated by law or collective agreement. Where in-kind payments or deductions are permitted, wages should only ever be paid partly in kind (not usually more than 50 per cent), and workers should always have enough cash to meet their subsistence needs and those of their family. 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, the employer should operate a policy on pricing that is fair and in line with local pricing regimes.

Informing workers about wages

Workers should be informed about how their wages are calculated, their wage payments and any deductions in a language they can understand. 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.

4. Working time

- Employers must respect limits on normal working hours and overtime set by national legislation or collective agreement.
- Employers must respect leave entitlements, including annual leave and parental leave.
- Employers must keep adequate and accurate records of working time.

Working time is a basic working condition with a strong bearing on workers' health, safety and general well-being. To comply with PR2.7, clients must respect provisions in national laws and collective agreements that relate to working hours (including overtime) and leave entitlements.

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| Normal working hours | <ul style="list-style-type: none"> • Most of the EBRD's countries of operations have laws that set maximum daily and/or weekly limits on normal working hours. Typically, this is 8 hours a day or 40 hours per week. Collective agreements (if in place) may also include language on normal working hours. • Respect for limits on normal working hours is important, as this has a direct link to the calculation of overtime hours. |
| Overtime | <ul style="list-style-type: none"> • Conditions for overtime are usually set by national legislation and/or collective agreement. There are usually limits on the amount of overtime that a worker can do (such as 2 hours per day or 120 hours per year). • National laws may allow for normal working hours to be averaged over a longer period than one week (for example, over 3 months) to allow for seasonal fluctuation. This has implications for the calculation of overtime, limiting employer exposure to overtime payments. • In very exceptional cases, particularly in the extractives sector, clients may be granted exemptions on overtime limits by labour authorities. In these cases, clients should be able to produce written proof of this type of exemption. |
| Restrictions for certain categories of workers | <ul style="list-style-type: none"> • 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. • Similarly, certain workers (such as under-18s) may be restricted from undertaking night work, overtime or shift work. |
| Leave entitlements | <ul style="list-style-type: none"> • National legislation and collective agreements usually set out standard entitlements for annual leave, sick leave and parental leave. • In some countries, certain categories of workers may be entitled to additional annual leave (for example, workers in hazardous conditions). |

Employers may have **record-keeping obligations** in relation to working time under national legislation. Even if this is not the case, it is good practice for employers to keep basic records of employees' working time in order to demonstrate compliance with legal requirements on working hours (including payment of correct rates and observance of limits).

5. Employer safeguards on wages and hours

There are a number of actions that an employer can implement to ensure that appropriate policies and procedures are in place to comply with PR2.5 and 2.14-15. These are:

- 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 and in kind payments and limits on working hours.
- Pay all workers at least the minimum wage according to national law or collective agreement and pays rates at least consistent with equivalent employers.
- Pay the correct additional rate for overtime hours and work at night, on weekly rest days or 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.
- Comply with 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.
- Comply with national or sectoral limits on overtime conditions and limits.
- Keep adequate, accurate working time records.