INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS

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Fundamental changes are needed in the pensions policy of the World Bank

Brussels, 10 February 2006 (ICFTU) : The ICFTU has written to the President of the World Bank, Paul Wolfowitz, calling on him to re-think the forms of assistance provided by the Bank on pensions, taking into account the study by the WB's own Independent Evaluation Group and the recommendations of the trade union movement (http://www.icftu.org/displaydocument.asp?Index=991223392&Language=EN). This new report by the Bank's Evaluation Group endorses the views of the trade union movement, particularly as regards the fact that the privatisation of pensions systems advocated by the Bank is creating some major problems.

With Michelle Bachelet, the new President of Chile, currently acknowledging the dismal state of her country's privatised pensions system, which had long been held up as the best model to follow by the pensions experts of the World Bank, a new report by the IEG confirms trade unions' studies pointing out major gaps in the Bank's assistance with reforming pensions systems. The report's arrival also coincides with Georges Bush's recent decision to give up his plan of privatising part of the US "Social Security" system through a project mirroring the Bank's approach, following the America-wide debate and the clear rejection of the project by a majority of the US population.

The ICFTU and Global Unions have analysed the IEG report, which is called "Pension Reform and the Development of Pension Systems: An Evaluation of World Bank Assistance". The report criticises many aspects of the work of the World Bank on reforming pension systems. Several of those criticisms are totally in line with the criticism and recommendations on the subject made by trade unions throughout the world.

Since 2001, the ICFTU has been conveying the national unions' concerns regarding the World Bank's desire to promote the partial privatisation of pension systems. The trade union international facilitated dialogue by organising meetings in Washington between the WB and trade union delegations. All along the international union movement has emphasised the consequences of the privatisation policy within developing and transition countries. In countries where it has been applied the system has led many retired people to lose benefits, particularly due to the extremely high cost of private accounts, and this has led to a stagnation in coverage levels, despite the Bank's claims that its policy would solve the problems relating to older people's lack of access to retirement pensions.

Despite this promotion of dialogue between the unions and the World Bank, the latter turned a deaf ear to the calls of the union leaders. On the contrary, the Bank exerted considerable efforts in convincing the owners of private financial institutions that the reforming of the pension system would be in their interests. Another point stressed in the report is that the Bank apparently took little heed of the impact that the reforming of pension systems could have on workers in the informal economy and gender issues. Convinced that privatisation was the only answer, other options that might have protected informal economy workers, for instance, were simply ignored. The IEG report also stresses that the World Bank has encouraged several countries to engage in privatisation of their pensions systems despite having totally unstable macro-economic situations and financial systems incapable of handling private funds effectively.

Some other issues mentioned in the report, including the problem of corruption or the lack of evidence supporting the Bank's assertion that the privatisation of pensions is needed for developing capital markets, endorse the ICFTU's own views. The ICFTU maintains that the World Bank has all the means needed to help many countries develop and modernise their public pension systems. In September 2005, the ICFTU and its Global Unions partners stated that it was vital to focus on the right objectives when establishing a new system or modernising an existing one; that meant improving the system for workers and retired persons and not forcing them to cut back on their pensions on the pretext of strengthening the financial industry.

For the full study, please see:
http://www.icftu.org/www/PDF/pension.ieg-wb.analysis.0206.pdf

The ICFTU represents 155 million workers through its 236 affiliated organisations in 154 countries and territories. The ICFTU is also a member of Global Unions: http://www.global-unions.org

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