

How have IMF and World Bank policies impacted the development of social protection systems in Latin America?

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"FINANCING UNIVERSAL SOCIAL PROTECTION TO PROMOTE INCLUSIVE DEVELOPMENT AND REDUCE INEQUALITY".

Wednesday, April 18th, 2018 from 4:00 – 5:30 pm

The Latin American and Caribbean countries experienced structural adjustments promoted by the International Monetary Fund (IMF) and the World Bank (WB) during the 80's and 90's. At that time, the foreign debt crisis that affected the region entailed local governments to assume a commitment with market reforms, implementing policies like the privatization of the public pension systems. During the 90's, credit rating agencies included regressive structural pension reforms as a positive point in their evaluations.

The consequences of those policies are seen in social indicators: poverty, for example, increased 3,3% between 1980 and 2000 in 18 countries of Latin America and Haiti (according to ECLAC). Furthermore, the predictions made by IMF and WB have not been confirmed: competitiveness has not increased, nor the employment or the creation of formal jobs. The privatization of pension systems has not enlarged the coverage or decreased evasion. On the contrary, it has generated a considerable number of workers who do not have a sufficient pension to maintain themselves at the end of their working livesⁱ.

In Chile, the laboratory of neoliberalism, the failure of the AFP model – the private pension system - was demonstrated. According to the "Opinion and perception poll about the Chilean pension system" 2014: 71% of the retired declare that the pension they receive is not enough to meet their needs, what is more evident when the household income is lower. The level of discontent of the retired is 76%. Moreover, the research "Pensions at a Glance" (2015), elaborated by OECD, shows that the replacement rate in Chile is between 39 and 28%, while in Brazil is between 97 and 52%.

Until during the 90s, the World Bank internalized the idea of "fight against extreme poverty" in the neoliberal agenda, through punctual programs of compensatory alleviation and, after, in the 2000, conditional cash transfers, that are auxiliary mechanisms of liberalization and privatization of national economies. There is no contradiction, to the Bank, in defending the application of the neoliberal prescription, and, at the same time, advocate the fight against misery. In reality, it is in the name of the fight against poverty – which programs are extremely cheap, if compared to universal social protection policies – that the hard economic adjustment moves forward.

During the first decade of the 21st century, some Latin American countries, like Brazil, were living a decade of progressive centre-left-wing governments, and combined a period of economic growth with redistributive policies, such as strengthening employment regulation and creating conditional cash transfers. Due to the magnitude of the social fracture found in Latin American countries, those programs had an important impact in the reduction of poverty and indigence, but cannotⁱⁱ limit the idea of social policies, as a substitute to the universal social protection systems.

This progressive cycle has stopped since 2013: justified by the fall of commodity prices and the necessity of **“financial sustainability of public accounts”**; regressive pension, labour, salary and subsidy reforms are being implemented in Latin America with IMF and WB support. Several countries are also increasing consumption taxes and establishing limitations to public expenditure. In addition, privatizations are being considered in many sectors, such as energy and water (ILO, 2015).

Concerning pension systems, the current reforms recommended by IMF and WB in Latin America, are not exactly the same as the ones from the 80s and 90s, in general terms they are oriented to parametric adjustments:

- reduction of replacement rates,
- increasing the reference period for calculating the replacement rate,
- raising:
 - retirement ages,
 - contribution time and
 - the value of workers’ contributions;
- unifying female and male retirement age,
- as well as urban and rural workers criteria,
- untying the value of the benefits from the minimum salary,
- in addition the flexibilization of labor laws.

Parametric reforms with some of those characteristics mentioned where recommended by IMF to several Latin American countries, such as Argentina, Brazil, Colombia, Nicaragua, El Salvador and Panama.

Using manipulation of actuarial data to create the impression of a deficit - in countries like Brazilⁱⁱⁱ, where there is a surplus -; those IFIs say that the public social security funds are unsustainable and will be depleted in a short-medium term, terrifying the people who rely upon their retirement pensions. Furthermore, there were bad earlier reforms in countries like Panama 2001, that are being used nowadays to justify the fallacious argument of public inefficiency and private efficiency.

In the Brazilian case, many documents were produced by IMF and WB in the last 3 years. The IMF have recommended and supported the freezing in social expenditure during 20 years, regressive reforms of labor laws and unlimited outsourcing. One of the documents was the report entitled **“A fair adjustment: efficiency and equity of public spending in Brazil”** launched in November 2017 by the World Bank launched, this documents have many prescriptions about what Brazilian authorities should do in terms of fiscal adjustment.

One of the chapters is entitled **“Pensions: An Unaffordable Bill”** - employing the same discourse used in the reports for another countries of the region - the WB states that Brazil **“spends a lot”** on pension benefits, subordinating the social rights to the **“fiscal space”** and presenting as unique solution: urgent austere cuts, instead of progressive fiscal reforms that could guarantee the sustainability of comprehensive policies.

The report supports the pension reform proposed by Temer’s administration, declaring it necessary.

The kind of research made by the WB has the appearance of a high quality technical research, but actually is highly biased and prescriptive about what the governments should do or not in terms of public policies. The research activity is frequently used to proselytise about the political agenda of the Bank, without a balanced vision based on evidences and without express the adequate skepticism.

For countries like Brazil, that don't depend on the WB loans, those recommendations are not unilateral impositions, its used by Temer's administration to justify its political choices, unpopular measures, like regressive reforms to the vast majority of the population. Certainly, there were an alignment between the Temer's counter-reform and the political agenda of the World Bank.

The discourse and practices used by the bank provide arguments and resources to consolidate positions of power and ideological convictions. In this sense, nothing better to a government, to use the recommendations or the loan's conditionality, as an argument from authority to defend the implementation of an unpopular reform.

In Argentina^{iv}, the IMF Article IV report for 2017, states that "Argentina's pension system is actuarially unbalanced [...], with high replacement rates, low retirement age for women, and an indexation formula that increases benefits above inflation." And calls for the rationalization of social assistance spending. Reports like this served as argument to the suspension of payment of 70,000 disability pensions. Additionally, the parliament, even facing strong popular opposition, halted expected retirement pension and child allowance (AUH) increase, by modifying the formula of calculation.

In the same way, in El Salvador, the IMF Article IV report recommends a deep parametric reform. And in Panama, the Article IV report indicates that the defined benefit part of the pension system (the public column), would be depleted in 2024, it states that the IVM (invalidity, old age and death) subsidies are too generous, and the solution would be to raise of retirement ages, unifying female and male retirement age and reducing in replacement rates.

When IMF and WB recommends those austere and regressive reforms to the Latin American and Caribbean social protection systems, they act against the guarantee of a "social protection for all", violating the human rights, moreover, they lead to the increase of socioeconomic inequality, poverty, indigence, informal labor and entail a process of gradual privatization that diminishes the possibility of the neediest to have access to a protection. This means violating the guarantee of a social justice, decent work; and of a universal and comprehensive social protection; distance the Latin America, the most unequal region of the world, from achieving the SDG, especially the Goals 1 and 8.

The Trade Union Confederation of the Americas (TUCA) defends comprehensive, solidarity-based, redistributive and universal social protection under the responsibility of the State, and that IFIs should respect the self-determination of the countries concerned.

ⁱ Según la "Encuesta de Opinión y Percepción del Sistema de Pensiones en Chile" (STATCOM, 2014), el 71% de los pensionados declara que la pensión que recibe no les alcanza para satisfacer sus necesidades, lo que se hace más evidente cuando el ingreso del hogar es menor.

El nivel de insatisfacción de los pensionados por vejez alcanza un 76%; (pg. 7). "Respecto al conocimiento de cobros por comisión que realizan las AFP, sólo el 11% de los afiliados encuestados afirma conocer cuánto cobra su AFP por este concepto. En general la desinformación es generalizada, independientemente del sexo y del nivel educacional.

El estudio “Pensions at a Glance” (2015) de la OCDE demuestra que la Tasa de reposición en Chile está entre 39,4 y 28,8%, mientras en Brasil está entre el 97,5 y 52,9%.

Asimismo, el estudio cualitativo “Sistematización de audiencias y estudio cualitativo sobre estrategias de previsión y perspectivas ante la tercera edad” (Consultora Socialis, 2014), que utilizó grupos focales, apunta la mala percepción de los trabajadores y las trabajadoras chilenas sobre el actual sistema de pensiones, la percepción apunta que:

☒ o [las AFP ganan][mientras][nuestras pensiones son bajas];

☒ o[el sistema fue impuesto][y][las pensiones son miserables];

☒ o[el sistema no es transparente][y no tenemos idea de porque][las pensiones son tan malas] Pg. 112.

Debido al comprobado fracaso del sistema privado, la CSA, en su Plataforma Sindical Continental sobre Seguridad Social (PLACOSS), defiende que la protección social es un derecho humano y que el Estado debe ser garante, gestor y administrador de los Sistemas de Seguridad Social.

ⁱⁱ The problem is the substitution of universal social protection policies for poverty policies, focalized only in ones in extreme poverty, while the rest of the population would have to pay for social services.

On behalf of governability and of some economic canons, considered as universals, the design of social policies according to those references ignores the discussion about how the wealth is produced and appropriated, in a radically unequal way, by groups and social classes. In the discussion about wealth distribution, the reference of the Bank is the poverty line, but never the “richness line”, reason for which its prescription address the diminution of salaries and social, economic and labor rights. It seems like if the richness world, in particular the extreme financial and assets richness, have nothing to do with the poverty world.

ⁱⁱⁱ En el caso brasileño, durante la discusión de la reforma previsional PEC 287, el gobierno ilegítimo del Presidente Michel Temer presentó datos de déficit en el Instituto Nacional de Seguridad Social de Brasil (INSS) como forma de justificar la necesidad de una reforma austera, entretanto, lo que se comprobó en la Comissão Parlamentária de Inquérito (CPI, una Comisión Parlamentar creada para investigar el supuesto déficit), es que no hay déficit, sino un superávit – y que la cuestión es el desvío de los recursos de la protección social (salud, seguridad y asistencia), para gastos financieros: exoneración, incentivos fiscales, renegociación de deudas empresariales, incumpliendo la Constitución de 1988.

^{iv} Un ejemplo de falta de diálogo está en Argentina, adonde el gobierno Macri ha suspendido el pago de 70.000 pensiones por discapacidad, alegando que esta medida busca corregir irregularidades creadas previamente.

Adicionalmente, en la madrugada del 19 de diciembre de 2017, en un contexto de caos social y violenta represión de las fuerzas policiales y militares que dejó centenas de manifestantes heridos y detenidos, y no obstante el rotundo y masivo rechazo popular, el Congreso Nacional aprobó de forma sumaria una ley que perjudica los/as jubilados/as, a los/as ex combatientes de Malvinas, a los/as beneficiarios de la Asignación Universal por Hijo y a los discapacitados, al no aumentar, como esperado, el valor de las pensiones y beneficios, a través de cambios en la fórmula de cálculo.

La CSA condena esta reforma regresiva y la forma como se dio, a través de represión a la manifestación social, esto no puede repetirse, es preciso respetar los espacios de diálogo y el derecho de protesta.