STRATEGIC ACTIVITIES REPORT

PSI Strategic Activities Report on Washington IFI Meeting

Every second year the International Financial Institutions - World Bank (WB) and the International Monetary Fund (IMF) - hold joint high level engagements with the global labour movement. The most recent occurred on 12 – 15 February 2013 including a meeting with the IMF to discuss country reforms in selected European countries. Conducted under the Chatham House Rule the views presented in the discussions are not necessarily the official view of the organisations represented and should not be used in public statements.

PSI attended and along with the International Trade Union Confederation (ITUC), Trade Union Advisory Committee (TUAC) of the OECD, other Global Union Federations (GUFs) and national peak union councils presented the global labour movement's views to the IFIs on a range of matters. Key matters that were raised included:

- The need for the WB Safeguard Review to ensure that labour rights are safeguarded and in particular that the public sector safeguards for core labour standards are raised to at least the level of the WB's private sector lending safeguards.
- The need for the IFIs to have a clear action plan for the implementation of the Social Protection Floor (SPF).
- The importance of job creation and the need to deal with climate change related structural adjustment.
- The problems with the continued imposition of conditionalities on loan arrangements
- Particularly the attacks on labour rights and the one size fits all advice to countries on the need to always promote further labour market flexibility, lower wages and a smaller public sector.
- Our strong opposition to the imposition of structural reform – and the need for structural reforms to be undertaken with the inclusion and agreement of the labour movement .
- The urgent need to deal with the crippling social and economic consequences of increasing economic inequality.
- The importance of tax reform to ensure that the wealthiest individuals and companies pay their fair share.
- The problematic mismatch between many positive IFI policies and public statements and country level action that in practice is harmful.

IMF

The IMF indicated that they had previously misunderstood the financial markets' ability to escape regulation and the voracity in which the markets would successfully attempt to do so. Their current focus includes ensuring growth in the real economy, better regulating the financial market and job creation. They claimed to be open to consultations with labour on country programmes but rely in part on home government advice and facilitation. This highlighted the need for PSI affiliates in affected countries to provide early warning to PSI if they are concerned they are not being consulted on IMF programmes.

The IMF indicated that they believe that the problems in Europe differed significantly in each country and therefore more differentiated approaches were needed, for example some of the solutions to date have focused overly on fiscal consolidation at all cost. They felt there was room to delay implementation of fiscal consolidation in some countries until the economies stabilised. The labour delegation made strong representations about the harmful effects of 'troika' austerity policies in European and other countries.

The IMF indicated a preference in labour market reform to protect workers rather than jobs and flagged that without the ability to devalue the currency to suit the needs of individual countries, labour productivity becomes more important.

The discussion with the IMF Executive Directors revealed a diversity in their approaches to PSI issues with some quite pro-market and others keen to discuss issues such as the effects of inequality on growth, financial market taxation and regulation and the need for active review of IMF positions on these and other matters. This diversity of views may provide opportunities for PSI lobbying in future.

PSI pressed both the IFIs on their views of private versus public provision of the Social Protection Floor and the representatives of the IMF were clear that the SPF is not contributory or insurance based but is all public funded. Although not committing to universal public provision, they indicated that providing for the needs of the most disadvantaged requires strong public involvement in provision.

Staff from both IFIs made it clear that creating sustainable recurrent fiscal space through taxation, fiscal redirection and reducing corruption would be important ways of funding the SPF. Their emphasis on the importance of sustainable recurrent fiscal space meant they did not support a global fund for the social protection floor.

World Bank

The WB's core mandate is to end extreme poverty and in the current climate sees job creation, climate change and youth unemployment as important priorities.

The phrase 'preferential option for the poor' was used to indicate that they had a focus on using the best means available to create better outcomes for the poor and implied that they would promote evidence-based policy. This may mean a mix of public, private and community service provision based on specific circumstances.

If this approach is translated into action, it provides opportunities for the labour movement and progressive actors as it will shift policy and action away from some of the more ideological assumptions previously held. For example, they were very clear about the problems of private health provision, particularly in US style models. It does however place the burden on unions to demonstrate that public provision is the best option available. PSI presented to the WB the importance of public provision and labour involvement in health care provision; the notes of that presentation are attached.

However the World Bank's approach to the 'preferential option for the poor' has worrying implications for the way the WB views any implementation of the Social Protection Floor, which in PSI's view should be provided exclusively through public finance and public provision. The WB's actions in country programmes would tend to bear this out.

The 2013 World Bank Global Development Report this year focused on jobs. Usefully, the report, in Chapter 8, reviews the economic literature to debunk the myth that economies with completely deregulated labour market have substantially higher employment growth than those that regulate minimum wages, hours of work, use of short-term contracts, etc. This is in contrast to the long promoted view that deregulation creates growth, which in turn creates jobs.

However the report refrains from supporting the International Labour Organization's decent work concept and instead replaces it with its own vague concept of 'good jobs for development' which it says do not include 'bloated' public sector entities. Similarly, the report uses the term 'social insurance' instead of the widely accepted 'social protection floor' implying that market based solutions, where individuals purchase protection and pool risk, is an acceptable universal alternative to social protection. When questioned by PSI, staff from the WB reiterated support for the preferential option for the poor implying that all options where to be considered when identifying the necessary fiscal space for 'sustainable programmes'.

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