Change and Continuity in the World Bank's Approach to Old Age Security

Globalization processes have changed the fundamental parameters of political decision making. This is also true for the field of social policy and is increasingly acknowledged by academics and practitioners alike. Contributions from different disciplines - political economy, development studies, global social policy research - have drawn our attention to important developments in the world of welfare: First, the crisis of social security systems and corresponding reform efforts in the 'old' European welfare states has led to a new division of labour between actors in terms of responsibilities for provision, regulation and redistribution. Moreover, new welfare strategies like the partial or wholesale privatisation of social security systems has brought forward a new set of social policy actors and created new choices and obligations for the consumer/citizen and public institutions. Second, the emergence of new welfare states in the so-called global south and changes in approaches to development have increased the varieties of welfare systems. While development economists traditionally considered social services a luxury countries could afford only *after* they had reached a certain level of development, social provision has recently come to be regarded as a *precondition* for development to take place. Third, researchers include factors beyond the nation state to explain processes of national social policy decision making. Policy learning or policy transfer, the role of international organizations as well as international competitive pressures are important aspects for the national design of social security systems.

My research takes a closer look at these supra-national factors that influence Social Policy decision making by taking the example of the World Bank's role in the global debate on old age security. Apart from the typical methods of document analysis and expert interviews, this study also includes data from citation analysis and is also based on participant observations conducted during a stay of six months at the World Bank’s Social Development Department as a consultant in 2005. Starting from the finding that the World Bank as the development organization with the largest project volume and the highest number of publications each year is a very influential actor in policy debates both in the North and South, I argue that it is important to gain a better understanding of how international organizations develop the recommendations that they give and how their position changes over time.

The topic of old age security has received a lot of attention over the past 15 years – both in academic and political debates. The World Bank and particularly its 1994 publication “Averting the Old Age Crisis” has played a crucial role in positioning the issue prominently on the agenda of international policy debates, in coining the terminology for the debate and in promoting a certain framework: the three-pillar model. This model advised states to design their pension systems by providing a minimal social pension, a privately managed, compulsory, fully funded pension insurance and additional income in old age through voluntary savings. This initial World Bank position as articulated in the Averting report was perceived to be hard-core pro-privatization and perfectly in line with the World Bank's general neo-liberal outlook. It received widespread criticism for not taking the livelihoods of the poor, the administrative capacity of developing countries, the risks of financial market volatility and the cost of the transition sufficiently into account. Recently, in 2005 the World Bank has published another report that responds to the criticism and was written in order to “clarify” the Bank's position on pensions. The new report recommends a multipillar system, arguing that diversification is beneficial but the exact number and size of the pillars depends on the country context. However, the publication suggests five pillars, adding a PAYG pillar and informal provisions (like financial and non-financial support from family members etc.) to the original three pillars. Overall, the second report is written in a very conciliatory language, emphasizing lessons learned and changes in the Bank's position. Other recent Bank publications like a conference report on Notional Defined contribution systems as well as a Working paper on social pensions in the Bank's pension primer series also suggest that the Bank's views have shifted over the past decade. Bank critics however still see many of the previous problems persist. Others argue that these changes are merely changes in rhetoric but that Bank advice and conditionality in its client countries has not changed. As a matter of fact, even the Bank's staff in the Social Protection department state that there have not been any major changes in the Bank's approach to pension reform.

This paper takes a closer look at these claims about the changes and the continuity in the World Bank positions and disentangles the contradicting interpretations. First, it is important to distinguish between the activities of the World Bank's anchor units, where the conceptual work is done and the Bank's positions are elaborated and the operational units, that are involved in the Bank's lending activities. While the staff in operations will usually have a preference to act according to the general guidelines, these are often dealt with in a very pragmatic way when it comes to drafting a loan proposal, by the end of the day, the disbursement imperative also creates a lot of space for countries to formulate their own preferences rather than having to accept the loan conditionalities as dictated by the World Bank. This explains, why the Social Protection staff sees little change over the past years: from the very beginning, their take on pensions was more flexible and differentiated than the position articulated in the Averting report. This can be seen in the pension projects implemented by the Bank in over 50 countries over the past 15 years: many of them (more than one third) suggested parametric reforms of the PAYG system rather than a shift to a funded system.

Second, it is important to distinguish between different types of publications and different views within the Bank. While the outside perception of the Bank is often that of a monolithic neo-liberal organizational culture, one can actually find a vibrant heterogeneity of views within the Bank. However, this is not easily detectable from the outside since some ideas and publications are promoted more prominently within the Bank than others. Thus, almost everybody working in the area of old age security will have heard about or read the Averting report, in contrast far less people have read a report by Nicholas Barr on pension reform in transition countries, also written for and published by the World Bank where he argues that poverty alleviation comes first and privatization is, if at all, a medium term priority.

Third, it is a mistake to think that changes in the Bank's positions articulated in its publications are changes in rhetoric *only*. Bank publications typically have a vast readership and the influence the Bank exerts through its publications arguably equals or exceeds that of its projects. Overall, only few countries will receive loans from the Bank on some priority issues, however the publications are read by academics, policy makers and the public in general. The Bank's impact on the public opinion in many countries is hard to measure but may be substantial.

Having said that, it is interesting to have a closer look at what changed in the positions articulated in the two reports and what did not. The two most important findings when comparing the positions are that on the one hand, the new report takes on board a lot of the criticism concerning the alleged merits of funded systems. It gives a far more balanced account of the advantages and disadvantages of both PAYG systems or funded systems. On the other hand, despite the long list of problems with funding stated in the new report, it still concludes with a recommendation that favours funded systems although analytically, this does not follow from the arguments before. It remains up to the reader to see this contradiction in the logic of the report – which makes a huge different to the “Averting” report which – while admitting some caveats – draws an overall picture of funded systems as solving all the problems of coping with demographic change, deepening capital markets, triggering economic growth and providing sustainable adequate pensions.

The paper concludes by saying that, of course, one can find both changes and continuities in the Bank's position on pensions and that the more recent publications leave more space for debate than previously. These positions however, must not be confused with the Bank's lending operations which follow a very different logic.