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Origins of the World Bank's Approach to Old Age Security

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Abstract

Demographic change, the maturing of pay-as-you-go systems, economic recession, and mismanagement amongst other factors have contributed to a growing interest in pension reforms over the past two decades. The World Bank has been a particularly visible actor in the discussion of pension reforms. Its 1994 publication of "Averting the Old Age Crisis", marked a watershed for the Bank's work on pensions and received considerable attention from academics and practitioners in developed and developing countries alike. The report has been criticised as contributing to the Bank's efforts of neoliberal paradigm maintenance. This paper takes a closer look at the production of the report: why did the World Bank pick up the issue of pension reform in the first place? How did the decision to do a flagship report on pensions come about? How was the approach articulated in "Averting the Old Age Crisis" developed? Dynamics within the bank, the role of prominent staff as well as the external environment of the World Bank will be analyzed to draw a more differentiated picture when answer these questions.

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Origins of the World Bank's Approach to Pension Reform

Introduction

In 1994, the World Bank joined debates on how to design pension systems by publishing its much discussed policy research report „Averting the Old Age Crisis – Policies to Protect the Old and Promote Growth“ (“Averting”). Until then, discussions had mainly taken place at the national level of western European countries, searching for ways to contain the costs of their pay-as-you-go systems. The World Bank’s comprehensive discussion of different pensions systems and reform options for countries worldwide changed the nature of the debate. The report can be described to have set up old age security as a *global* social problem as well as to have established the framework and the key issues for the debate at the domestic and international levels.

The report stressed the necessity of reforming existing systems and suggested a three-pillar structure as the most desirable design for pension systems. These pillars are: a publicly managed, mandatory, pay-as-you-go pillar, a privately managed, mandatory funded pillar and a third pillar of voluntary savings. The first pillar should perform a redistribution function, the second and third pillar insurance and savings functions. While the report acknowledged that the mix of these pillars would differ according to preferences and specific country context, it strongly emphasized the importance of the second pillar and discussed the faults of pay-as-you-go-systems in much detail. In reaction to these Bank recommendations, a lively and fierce debate ensued about the merits of funded and pay-as-you-go pension systems, defined contribution vs. defined benefits, private or public management and the effects that different designs had on the economy. During the 90ies, many countries especially in Eastern Europe and Latin America reformed their pension system to introduce or increase a funded pillar. This recent wave of pension reforms is often partly attributed to the World Bank’s engagement with the issue and the ‘Averting’ report. While the content and impact on national policy making of the “Averting” report has thus been widely discussed, the question of why the World Bank engaged in the debate in the first place and how it arrived at the conclusions presented in the report has not yet been addressed. But if the World Bank is such an influential and powerful actor in the development arena, these questions deserve close attention.

Overall, authors from the political left have tended to interpret the Bank’s research activities as a move by the Bank to consolidate ideologically the powerful position it has due to its large resource base. However, while these studies produce detailed critical analyses of the concepts and approaches the World Bank advocates, they do not address the question of how the World Bank arrives at the positions that it propagates. Instead, they presuppose a never-changing economistic and neoliberal bias in the World Bank’s work which predetermines the Bank’s recommendations and analyses (Williams/Young 1994; George 1997; Kiely 1998; Moore 1999; Fine 1999; Samoff/Stromquist 2001). Notable exceptions are the work of Robert Wade and Robin Broad as well as several contributions in a book edited by McNeill and Boas, who actually look at the (re)production of the Bank's neo-liberal outlook, which has to be constantly re-formulated and adjusted and cannot simply be taken for granted (Wade 1996; Berger/Beeson 1998; Miller-Adams 1999; Wade 2001; Bøås/McNeill 2004; Broad 2006). This paper also gives a more nuanced view on the origins of the argument that the World Bank puts forth in "Averting". It is argued that the Bank, as a part of a global discourse on pensions in which different actors establish a dense net of mutual observations, necessarily has to be responsive to its environment. At the same time, the number of perspectives that an organization can incorporate while maintaining its operational capacities is inherently limited. The Bank maintains a particular organizational culture that is predominantly influenced by its identity as a financial institute and is thus rooted in economics and finance. The question of whether this organizational culture should be neo-liberal or neo-keynesian or something else has to be kept separate from the organizational requirements of limiting the heterogeneity of perspectives within the organization.

The paper is part of a larger research project that analyzes the origin, dissemination and reception of, and changes in the Bank's approach to old age security since the publication of the Averting report. The focus of the present paper will be on the origin only.

After an introduction of this paper's inspirational background in literature on global social policy, pension reforms and organization research especially as it pertains to the World Bank (I), the origins of the World Bank's engagement in pensions will be analyzed. Starting from the Bank's first projects and papers on pension reform in the 80ies and the reasons why the Bank got involved with pensions (II), I will investigate the decisions taken by the Bank in the process of producing the Averting report: the decision to do a flagship report (III), the decision on the composition of the author team and reviewers, decisions on the content and title of the report (IV). Some articles analyzing the Bank's role of generating and producing knowledge for development sound as if the Bank operates in a vacuum when articulating its approaches to development issues. In contrast, this article will focus on the global origins of the report, i.e. on the extent to which the Bank draws on pre-existing external ideas and resources for its publications.

In addition to using the World Bank's publications on pensions; publications of academics and other international organizations on pension reform and on the World Bank, this article will use data collected during a six months research stay at the World Bank's Social Development Department in 2005 and interviews conducted with World Bank staff from the Social Protection Team (including some of the authors of the "Averting" report) during that period.

I Theoretical background

This article is developed against the background of three different albeit partly overlapping areas of inquiry: global social policy, organizational research, especially as it pertains to the World Bank, and the literature on pension reforms.

First, this paper makes use of and aims to contribute to the emerging field of research on global social policy. Over the past two decades, social policy has become a new focus in the field of development theory and practice. While development economists traditionally considered social services a luxury that 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.[1] This inclusion of developing countries in the social policy discussion playes an important part for the conceptualization of social policy issues as *global* social problems. Moreover, scholars of Social Policy increasingly analyze global structures to explain national social policy decisions. This new body of literature on ‘Global Social Policy’ no longer treats social policy as an exclusively domestic phenomenon. Instead, it emphasizes that external factors play into national policy decisions and that international actors take over more and more regulatory and provision functions in the field of social policy (e.g.Deacon/Hulse/Stubbs 1997; Yeates 2001; Deacon 2003; Orenstein 2005; Deacon 2005). This global perspective on social policy opens a wide field of new lines of inquiry for social policy research and has included insights from various other disciplines like Development Studies, International Relations, globalization research etc. For example, policy diffusion and policy transfer approaches have been fruitfully employed in social policy analysis (Abbott/DeViney 1992; Deacon 2000; Peck/Theodore 2001; Leisering 2005).

Another very prominent field of research in the field of global social policy focuses on the role of international organizations in different policy fields, their impact on national policies, on social outcomes directly etc. And this is the second field of literature that my research is based on. The literature on organizational decision-making, and especially on the World Bank, are of obvious importance for analyzing the origin of the World Bank’s approach to pension reform. Of the vast body of literature on the World Bank, publications that address the ‘Knowledge Bank’ activities of the World Bank, i.e. the ideational impact of the World Bank, as well as studies that discuss the World Bank’s involvement with pensions are of particular interest for our discussion.

The literature on international organizations has tended to take up mainly questions concerning their effects on nation-states, either by asking whether international organizations undermine state sovereignty, or in terms of international organization influence on national policy decision-making processes or in terms of the impact of projects of international organizations on the ground. Studies that focus on the dynamics at the global level such as knowledge diffusion between international organizations are lacking. This is also true for research on the World Bank which has mainly addressed Bank’s lending activities and impact on its member states. More recently, analysts have started to argue that the World Bank has multiple roles: it functions as a development bank, a major research institute and a policy advisor. In 1996, the Bank itself also emphasized its non-banking activities when it declared itself a ‘knowledge bank’ that generates and disseminates knowledge for development. The attention of researchers thus shifted to also analyzing the publications and the ideational

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[1] This was argued most notably in the World Bank Development Report 2000/2001 on Attacking Poverty

impact of the Bank. These studies argue that the World Bank plays a dominant role in the international community both due to the projects and programmes it implements on the ground and by shaping policy discourses and practice. The prominent position in debates is attributed to the overwhelming number of Bank publications which constitute important sources of information for high-level policy makers, academics (Stern/Ferreira 1997; Squire 2000) - and, I would add, for other development organizations. This kind of research emphasizes the importance of including aspects like the Bank's hiring and promotion practices, the role of 'internal champions', the fit with the Bank's organizational ideology or changes in academic thinking and world affairs etc. in research on the Bank's approaches to development issues. These factors will be discussed critically in the analysis of the production processes of the "Averting" report. The new interest in the Bank's research activities can be seen as part of a larger trend in development studies, where the theme of ideas and knowledge for development and the role international institutions play in this have gained currency in general.

Finally, literature on pension reform constitutes an important element of this research, both as a source of information as well as part of the data. Articles that were used as a source of information for, or that comment on, the "Averting" report are of particular interest. As a major policy research report, "Averting" draws extensively on previously existing publications but the author team also undertook and commissioned new research on areas where it felt further investigation was necessary. In response to the wave of pension reforms during the 1990ies and to "Averting", some studies have also discussed pensions as a global social policy issue which for example look at policy transfer (Orenstein 2005).
Other issues of debate in this context include: demographic change, the maturing of pay as you go systems, defined benefit or defined contribution, mismanagement of pension funds, impact on domestic saving rates, the retirement age, public or private management, impact of pension systems design on the labour market or the economy as a whole amongst other factors contributed to financial shortfalls of national pension programs.

Having introduced the different fields of inquiry that form the basis of this research, the second part of this paper will analyze the production of the "Averting" report.

II Reasons for the Bank's involvement in pensions

This section will summarize and compare the reasons for the Bank's involvement in pensions as they are reflected in the "Averting" publication itself, in the Bank's Social Protection Sector Strategy, by the staff of the Social Protection Unit and in the secondary literature on the World Bank.

The "Averting" report emphasizes the importance of pension reforms by predicting a "looming old age crisis" due to rising life expectancy, declining fertility, weakening of traditional forms of care taking and the unsustainability of formal systems due to bad design or mismanagement. Without reforms, the argument continues, current arrangements will

adversely effect employment, inflation, growth and poverty. Moreover, existing systems often lead to regressive distribution where resources are transferred from the poor to the rich. Awareness on the magnitude and complexity of the problem is insufficient and answers to the pressing problems are hard to find. In light of this scenario, "Averting" is then depicted as a timely response to the demand for information and advice on how to design or reform old age security systems (World Bank 1994p. xiii).
The 2001 Social Protection Sector Strategy[2] (World Bank 2001) depicts the Bank's involvement in social protection as a response to current events[3]. According to this document, the debt crisis in the 80ies, the crisis of social security systems in Eastern Europe after the End of the Cold War in the early 90ies, and the collapse of social security systems following the financial crises in Asia, Latin America and Russia in the late 90ies required the World Bank to address social security issues. The sector strategy further states that due to the urgent need to respond to the demographic transition, "…the World Bank took the lead in the field with the production of a seminal book on pension reform, *Averting the Old Age Crisis*." (p.2)

The reasons for the Bank's involvement with pensions given by the staff of the social protection unit and authors of the "Averting" in interviews conducted in 2005 can be summarized along the following three lines of arguments. First, one staff member emphasized that the Bank's involvement in pension reform had arisen out of organizational necessity when the former communist countries joined the Bank after the end of the cold war:

> typically prior to this [the end of the cold war] the Bank didn't have a huge number of elderly people I mean if you work in Africa, the elderly population is pretty small, in Asia it's fairly small.... I mean in Latin America you might get a few more elderly but generally they tend to be fairly young countries but suddenly with the market transition the Bank inherited a lot of old countries and needed to come up with a strategy for how do you deal with ageing and then once you start to get into it you realize well wait a second, all of our younger clients are ageing as well[4]

Second, all of the staff I interviewed argued that the Bank's engagement with pension was problem/demand driven since client countries were facing fiscal problems as a result of their unsustainable public pension systems:

> one of the main incentives ... to think about this issue [pension reform] is the fiscal problem. Most of the pay as you go systems are simply not solvent ... the way they have been designed - and I always asked the question why is it that they were designed that way - they are not

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[2] The Social Protection Sector Strategy included here as a document that can be seen as representing an official World Bank position since Sector Strategies are approved by the Board of Directors.
[3] While the Sector Strategy points to these developments in world affairs as reasons for the Bank to engage in social protection activities in general, the same reasons were given two years earlier for the Bank's involvement in pension reforms in a Discussion Paper (Holzmann 1999).
[4] The citations in this paper are drawn from interviews conducted with Bank staff in the months of May-August 2005. It would have been interesting to distinguish the positions the different people held but this was not done for reasons of anonymization.

> sustainable so it is very interesting to realize that these pay as you go systems are like a humongous government bond

Third, several persons I interviewed stressed the potential for economic development as a reason for the Bank to put pensions on its agenda:

> we could see the role that these institutions [pension funds and insurance companies] were playing in the financial system so I came purely speaking as a financial expert, looking at the potential that this fund had for contributing to financial sector development and economic growth.

As stated above, secondary literature is often more concerned with the impact of rather than reasons for the Bank's involvement in pensions. One of the few articles that address this issue summarize the Bank's interest in pensions as resulting from a) the need to resolve the current deficits of client countries, restore immediate payment capacity, and also to ensure long-term financial viability, b) the beneficial effects of pension funds for developing capital markets and c) the problem of regressive distribution outcomes (Queisser 2000, p. 32).

Overall, the three story lines of the documents and staff from within the World Bank as well as the secondary literature all point in similar directions but each but a different emphasis. They all describe the Bank's involvement as a response to problems on the ground (especially fiscal deficits) and thus to a certain extent demand driven. The Sector Strategy refers to very general historical events as triggering this process (debt crisis, financial crisis, end of the cold war), the "Averting" report identifies the trends that cause these problems in further detail (demographic change, urbanization, mismanagement). The Averting report is stressing the urgency of the problem. The staff and secondary literature add the potentially beneficial effects of pension reform for economic growth as a further argument. This latter argument is not explicitly mentioned in "Averting" or the Sector Stragey, although the impact on the economy is clearly an important agenda for "Averting". This can be seen in the subtitle of the report – "Policies to protect the old <u>and</u> promote growth" (emphasis in original) as well as the content: the chapters on public pension plans (chapter 4), occupational plans (chapter 5) and personal saving plans (chapter six) as well as the issue briefs include subchapters concerning the impact that the different ways of pension financing have on the economy and on saving. The reasons that are given are just as interesting as what is left out. Arguably, one could also add that Social Protection is an attractive new area to do business for the World Bank in a time where it is increasingly difficult to identify profitable projects and programs.[5] As the Sector Strategy points out, World Bank lending for Social Protection has grown sevenfold during the between 1992-1999 adding up to an overall social protection portfolio of $14.9 billion in 1999, 20% of which are devoted to pensions and social insurance (World Bank 2001, p. 4).[6]

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[5] For a discussion of the Bank's difficulties of identifying good projects and its constant need to broaden its agenda in its search for new lending possibilities see (Miller-Adams 1999; Gilbert/Vines 2000, pp. 20)

[6] These $14.9 billion amount to 12.6% of the total Bank portfolio of $118.631 billion in 1999 (World Bank Annual Report 1999)

This section has presented the motives for the Bank to engage in pension issues. It is important to keep in mind that while these may partly be the same reasons like the ones for producing the "Averting" report, the two are different matters: the Bank's operational activities, to the extent that they reacted to problems perceived to exist in client countries would probably have been undertaken regardless of the decision to write the "Averting" report. On the other hand, to the extent that the "Averting" report contributed to constructing the problem of pension reforms and rising awareness on the issue, it has stimulated demand for Bank advice and loans in the area of old age security.
Before discussing the decision on the actual Averting report, the next paragraph will first summarize the Bank's previous work on pensions.

The Bank's first involvement in pensions and the decision to produce the "Averting Report"

The first Bank publications on pensions date back to the early 80ies, when Christine Wallich published a two articles on the Chilean social security system reforms and included chapters on the Chilean pension reform (Wallich 1981; Wallich 1983), followed by articles on contractual savings and again Chile by Dimitri Vittas in the early 90ies (Wallich 1981; Wallich 1983; Vittas/Skully 1991; Vittas 1992; Vittas/Iglesias 1992). The first World Bank loans that had pension components were issued during the late 80ies, early 90ies in Latin America: Mexico (1989) and Argentina (1990) and partly involved consultants that had also worked on the Chilean reform.
However, these were dispersed activities arising from the interests of particular staff members or the situation in countries where the World Bank was issuing loans. Higher-level bank staff involvement (the social protection department was only created in 1996) and efforts to streamline the Bank's position did not occur until Lawrence Summers joined the bank as chief economist in 1991 and became an "internal champion" for social security issues in the Bank. He identified pensions as the topic for the next flagship report in the Bank's policy research report series. Decisions on these reports seem to be taken in this top-down fashion and do not emerge from work in the operational and anchor units. As one Bank staff commented:

> the decision to do this Averting have nothing to do with all this [previous work related to pensions]. The decision started from Larry Summers who came here to be the chief economist... Larry Summers wanted to do something with social security because he was already interested in this, if you look at his academic papers, so they started from the top but they were totally unaware of the work, which is not hm unusual I mean, why would the chief economist or the senior vice president know all the work that goes on? I mean that's impossible.

While Summers' interest in social security issues probably relates back to the same observations of worrying trends in member states, it is interesting to see how these external events are observed and processed by World Bank staff at different levels and units, triggering off a range of different activities: World Bank staff in anchor units start writing working papers, staff in operations include pension components in their loans, the Development Economics Vice-Presidency (DEC) takes the decision to publish a flagship report.

III A note on the World Bank's flagship reports

Before analyzing the production process of the "Averting" report, it is useful to clarify what kind of publication this report represents in the Bank's 'hierarchy' of different kinds of publications. As alluded to in the section on the "Knowledge Bank", the World Bank plays an important role in the development arena, not just as the most important source of finance for development projects but also as the largest development research institution of the world commanding a budget of $35-50 million each year for DEC alone (i.e. excluding more operational type of research). (Broad 2006)

The huge amount of publications produced by the Bank each year can be ranked according to their importance from discussion papers which are published on the Bank's website to highly publicised and widely known flagship reports like the annual World Development Reports and World Development Indicators. "Averting" was published in the Policy Research Report series which also falls into this latter category of flagship reports or "key products" of DEC.[7] The reports of this series are certainly less visible than the World Development Report - the World Bank's "major analytical publication [that] has the largest circulation of any international economic report in the world" - but they are also high level publications that are often translated in various languages and widely disseminated and publicised. The series is described on the Bank's website as bringing

> to a broad audience the results of World Bank research on development policy. The reports are designed to contribute to the debate on appropriate public policies for developing economies. Policy Research Reports help us take stock of what we know and clearly identify what we do not know, and they contribute to the debate in both the academic and policy communities on appropriate public policy objectives and instruments for developing economies. Because they summarize research, the Policy Research Reports provoke further debate, both within the Bank and outside, concerning the methods used and the conclusions drawn.[8]

The series started in 1992 and has since then covered a broad range of issues, including infrastructure, land policies, conflict, globalization and growth, gender, HIV/Aids, the Asian Miracle etc. Another widely discussed and cited report in this series was "Assessing Aid: What Works, What doesn't and Why" in 1997.

Another aspect that is interesting about the 'status' of Bank publications is whether they are published as representing official Bank views or whether they contain a disclaimer stating that the publications are the "product of the staff of the World Bank and the findings, interpretations and conclusions expressed do not reflect the views of Board of Executive Directors of the World Bank or the governments they represent." The publications in this series did not contain the World Bank's disclaimer until 2000, which means that until then, these report can be regarded as articulating the official World Bank view on the issue.[9]

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[7] see the Bank's Data&Research site at http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,menuPK:476823~pagePK:64165236~piPK:64165141~theSitePK:469372,00.html

[8] ibid

[9] In comparison, the disclaimer was added to the World Development Reports five years earlier, in 1995

IV The Production of the "Averting" Report

This following section will discuss the steps involved in the production of the report: the composition of the author team, the drafting process, the decision on the title.

THE REPORT TEAM

Once the decision to do the report was taken, the author team had to be put together. At that time (1991), the World Bank still had a research department called "Policy Research and External Affairs" (PRE) that was separate from DEC (they were joined in 1992) and Summers told the director of PRE, Johannes Linn, to start the project. They also identified Vittas and Wallich as people who had some experience and hired them on the team. Wallich had first been asked to lead the work but when Nancy Birdsall took over from Johannes Linn, she put Estelle James in charge. The reasons for this change in personnel are unclear but one interviewee observed:

"Now, I don't know the history behind it, it maybe that Christine wanted to move on to do other stuff. It is a fact that Nancy and Estelle knew each other very well, they have worked together before."

Other members of the team included Anita Schwarz who was working on banking issues, Klaus Schmidt-Hebbel who was a macro-economist, Asli-Demirguc-Kunt who was a financial expert and Robert Palacios was hired as a research assistant. Further authors listed in the report but who in my impression played a less decisive role were Louise Fox, Donald Kneesing and Salvador Valdès-Prieto.

The composition of the team was surprisingly homogenous: the background of the people was very similar, they were all trained in finance or economics and none of them was a social security or pension expert or had previous experience with pension reform apart from the limited work described above. Also, they all came from the same department in the Bank and had only recently joined the Bank.

One person I interviewed commented critically on this and argued that more heterogeneity in terms of the organizational affiliation of the team members would have been better:

> when they took on Estelle James, they also took the decision which in my own opinion was a mistake, to only do it with people working in the department instead of the original idea, which was to have all departments. In fact, I myself argued very strongly to have someone from the IMF in the team, and I knew this because that's what we did when we had the World Development report … And it's good to have this because then this person has access to all the people in the Fund. Anyway, they decided against this. So it was a group that was based in the unit.... we never involved say, people from ISSA, from Geneva or from ILO.

In terms of the lack of experience in the field, this was not considered a problem but rather seen as an advantage:

> Averting was really sitting back and it was a group of researchers who had not spent a lot of time at the Bank who had not spent a lot of time looking at pensions systems before and just saying yeah, from a newcomer's perspective, if you had to start over again, what would you do about pension systems? And because no-one came from a social security background there was no, it didn't come with a lot baggage so it was kind of a fresh start

While the Bank is known for its emphasis on expert knowledge, in this instance expertise and experience in dealing with social security issues seem to have been regarded as “baggage” rather than an asset and the hiring of financial and economic experts was the preferred choice.

THE DRAFTING PROCESS

It took roughly two years to write the report. According to the people I interviewed, Estelle James as the lead-author performed a key role in putting together the different inputs into a homogenous whole which involved re-writing contributions and chapters several times:

> She is a person I have tremendous admiration because of the stomach. I mean the effort she put into the report it’s unbelievable. I could never do this myself, I would have ended this work 6 months before, enough is enough, but she wanted to improve so she kept rewriting every chapter and improve it.

However, there was also a down side to this perfectionism of the lead author since it delayed the completion of the report so that there was not much time for writing the conclusion and executive summary:

> you could see the benefit [of the revisions] but the result was that the executive summary and the concluding chapter did not receive as much attention because then there came a point where this report had to be ready for the annual meetings in Spain because it was going to be launched then and there was not enough time to then do this

Since a lot of people do not read the entire report but the summary and conclusion, this was perceived to be a problem for the reception of “Averting”:

> you are not going to read carefully chapter 5 and see, ah yeah, here whoever wrote this ... points this out, and what this article or not, they will just focus on the summary, the press release, what was written in the Financial Times ... the journalistic report paints it in a more specific colours and people get influenced by that, you know... classics end up by not being read by anyone, everybody knows them but no one reads them.

In the drafting process, one topic that received particular attention was the relative importance of the first and second pillar as well as the questions of whether the public pillar should be income related and if that crowds out the mandatory private pillar. This of course was also one of the main debates in the social policy community following the publication of the report. E-mailing was pointed out by the people I interviewed as an important medium for exchanging ideas on controversial issues like this and I have been shown the detailed memos on this matter with arguments from both sides that were exchanged at the time. These internal discussions show that the content of the report was not prejudged by the Bank’s neoliberal bias but resulted from lengthy discussions that carefully weighed the pros and cons. In fact, many of these arguments were also incorporated in the “Averting” report which is more nuanced than some secondary literature makes it sound (Merrien 2001; Madrid 2005).

World Bank critics often argue that the Bank’s internal discussions –and the resulting publications - lack heterogeneity and are thus inherently limited. This is attributed to the hiring and promotion practices in the Bank which prejudge outcomes to fit with the (neoliberal) organizational ideology (George/Sabelli 1994; Stern/Ferreira 1997; Miller-Adams

1999, p. 27; Wade 1996 and 2000; Broad 2006). This criticism of the World Bank's operating procedures has several weaknesses. First, organizational sociology describes the laying down of certain organizational goals and ideas that are framing the work of the organization's members as constitutive of *any* organization. Just as Amnesty International will have a preference to hire lawyers that share a certain view on political prisoners, the World Bank – as a bank – has a preference to hire experts in economics and finance that share certain views on banking and other economic issues. To a certain extent, this is also true for Universities and research institutes that have preferences for certain schools of a given discipline and will hire people accordingly. Rather than a weakness, it is a key achievement of organizations to limit the heterogeneity of perspectives of its staff. It is a necessary condition for the operation of an organization that it can stipulate a common orientation along the organizational interests among its staff that abstract from personal or other preferences. For the staff to be able to proceed with its work, it operates with the assumption that these organizational interests are relatively fixed. Each unit has to be able to consider the decisions taken in other units as stable, as a given (Luhmann 2000). Of course this does not mean that organizational cultures do not change. However, change occurs slowly – and as a result of the organization's decisions.

Second, challenging the Bank on the grounds lacking heterogeneity in the academic backgrounds and perspectives of the staff is distinct from criticizing that this background and perspective is too uniformly based in economics and finance. Even when accepting the argument that organizations inherently develop organizational cultures and strive for a certain level of homogeneity and the perspectives of their staff, the question could be still be raised what justifies a neo-liberal bias in the case of the World Bank. This paper does not want to contribute to this discussion about whether a different outlook of the Bank would be desirable, it just wants to point out that calling for more heterogeneity is a different matter from arguing for a change of the Bank's organizational culture.

Third, if the staff engages not in banking activities but in producing publications that are of scientific quality and aim at contributing to public debates on current social problems, it cannot ignore opposite views and counter-arguments to its position. Arguably, the World Bank's publications are widely read not because of their parochial roots in the organizational culture but because they resonate with ideas and convictions of academics and practitioners outside the Bank. Moreover, the staff that I talked to at the Bank across the units was acutely aware of the external 'monitoring' that the Bank is exposed to and the need to engage with this criticism. As one interviewee said: "before joining the institution I never knew that we were such a, a target for, everything you do is under a microscope and...scrutiny". The awareness that Bank activities will be examined and criticised can be expected to influence the Bank's articulation of policy recommendations since this would be an additional incentive for the Bank to anticipate counterarguments. There is no doubt that each of the World Bank units relating to different policy fields closely observe and participate in the discussions of the corresponding policy communities.

In the case of “Averting”, efforts to become familiar with views outside the Bank are most visible in the Acknowledgements of the report. In addition to Bank staff from other units, people that provided feedback and comments or contributed otherwise to the production of “Averting” include academics and practitioners from outside the Bank: Anthony B. Atkinson (Cambridge/Oxford), David Cole (Georgetown University), Peter Diamond (MIT), Nicholas Barr (London School of Economics), James Schluz (Yale/Brandeis), Michael Hurd (Michigan Retirement Research Centre), Colin Gillion (ILO), Dalmer D. Hooskins (ISSA), Monica Queisser (OECD) to name but a few. It is open to speculation to what extent external views actually influenced the content of the report. Nobody among the people I interviewed mentioned that external input had played a role for the compilation of the report on their own accounts. However, I would argue that the impact of other organizations works more subtle than that. The important point here is that the organization is forced to at least get familiar with the views articulated in its environment before deciding on its own position. When asked whether there had been any input from or cooperation with people from other organizations the authors did not consider external contributions as overly important for producing “Averting”. At the same time it seems to be regarded as a matter of course to keep up-to-date with what is happening in the development community at large as someone else stated:

> I mean we’ve always kept track and we’ve exchanged information with ILO we’ve exchanged information with ISSA and a lot of the bilateral organizations like DFID and you know they’ve always been involved with the work and EU and depending on which region we were working in, with Asian Development Bank.

Of course, the World Bank not only observes its critics and other organizations in the development community but also and perhaps most importantly keeps informed on the latest academic discussions in the field. The World Bank disposes of a substantial library in the headquarter building and provides a broad range of online subscriptions for academic journals to its staff. Exchange with academia is also institutionalized in the Bank’s lecture series, workshops, conferences and staff trainings which always include academic experts. Overall, the Bank’s publications are considered a reliable source of information and to reflect the state of the art of each of the relevant disciplines. Averting is no exception in this respect, it claims to be “the first comprehensive, global examination of this ... set of issues” and “synthesize what is known” (p. xiii). And the authors certainly aspired to cover all the relevant aspects across the board:

> one thing which is missing from Averting the Old Age Crisis, which is really a glaring omission and I don’t know how many people have noticed it: there is no discussion of NDC, the notional defined contribution. Even though the Swedes were already developing it. I mean the ideas in Sweden probably were first prepared in the late 60ties and then they were actually by ... the late 80ties, by 91, 92 they were probably ready to start implementing. By 94 when Averting was written or finalized, there must have been out in the world 10 or 20 papers about NDC - they never clicked

This quote reflects the expectation that the World Bank’s publications are all-inclusive: the team should have known about NDCs and written about it because it was out there and they could have known.

THE DECISION ON THE TITLE

Another controversial issue in the production process of "Averting" was the title: some members of the report team thought that the title was not accurate since the report was more focussed on the question of how to deal with the fiscal crisis resulting from unsustainable pension systems design. There was disagreement about whether it was appropriate to talk about an old age *crisis* at all: "It [longer life-expectancy] is an achievement, but they presented it as a problem, old age crisis presented as a problem, not as an achievement." And to the extent that the demographic change and the ageing of societies was considered a problem, the report did not come up with solutions for this since funded systems are also affected by demographic change:

> the one thing I objected very strongly was the title I think the title is wrong because there is no way you can advert the old age crisis. We are already become old and even if our health improves there will come a time when we will have to face the crisis. And this is also relevant to the idea that whether you have a funded scheme or an unfunded scheme, ageing has the same problem, you don't solve the problems of demographic ageing by funding. That's just a misconception. Because supposing you do fund and...as the society continues to age, you end up having more old than you have young....They will have to sell - who is going to buy?...I wanted them to say averting the financial security, eh the crisis of the financial security for old age, something more descriptive but more accurate. But they wanted to capture the; in the end they went along with this idea that we want to have a splash.

This dispute is interesting as it is indicative of a phenomenon that has often been observed in relation to political processes in general and reform debates in particular: a problem has to be identified and described – *constructed* – before solutions for it can be advocated (Luhmann 1989;Escobar 1995). The decision of the title can thus be interpreted as first constructing the problem as urgent by choosing emergency terminology like "crisis" to mobilize awareness on an alleged need to address the issue.

Conclusion

Studies in the field of Global Social Policy have produced evidence that international organizations are important actors in the field of social policy because they shape national policy decisions and because they directly regulate and provide social services. Compared to their considerable influence, we know little about the ways in which the strategies and policy prescriptions of these organizations are determined. This paper aims at enhancing out understanding of how international organizations develop their strategies by analyzing how the World Bank arrived at the policy recommendations for pension reforms articulated in its seminal research report "Averting the Old Age Crisis".

The paper shows that in the case of old age security, the Bank staff first started to address the issue sporadically as they perceived problems in the design of pension system in client countries. But in order to be added to the World Bank's overall agenda, the problem had to be advocated by high level staff – Lawrence Summer, the chief economist.

In terms of developing a consistent perspective on pension reform, which did not exist in the Bank before the publication of "Averting", but was well established in the Bank afterwards (Orenstein 2005), the findings of this article point in two somewhat contradictory directions. On the one hand, the World Bank, as any organization, has its organizational culture which is influenced by its identity as a financial institution, its mandate, its organizational goals and its previous decisions. And, as in any organization, the Bank's organizational culture is maintained by hiring people and socializing the staff accordingly. As a result, this organizational 'bias' is likely in one way or another to play into the Bank's publications as well. These features of organizations are often described as organizational inertia and have been criticised to constitute obstacles of badly needed reforms. As a criticism of this view, the paper points out that organizations are only able to act at all if they are able, through providing incentives like wages and promotions, to commit their staff to pursuing the organizational (rather than personal or external) goals.

On the other hand, simply pointing to the Bank's neoliberal organizational culture when analyzing how the Bank arrived at the conclusions articulated in its publications cannot explain the overwhelming success of Bank publications satisfactorily. The paper argues that the content of the publications is also influenced by the Bank's responsiveness to its environment. In order to be read and to be perceived as credible, the Bank inevitably has to keep informed about its critics and the activities of other organizations as well as to engage current academic debates.

In sum, World Bank activities can therefore only be adequately understood and described if both of these aspects – organizational necessity and the Bank's enmeshment in the global net of mutual observations among policy actors - are taken into account. The World Bank is parochial in that it commits its staff to its previous decisions and its organizational goals but at the same time, it is sensitive to developments outside and constantly observes its relevant environment to keep up with the latest events.

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