

Asian Labor Network on International Financial Institutions (ALNI)

A Call for A Responsible Economic Restructuring Framework

Workers and their families are now bearing the brunt for the ADB's misguided approach to privatization of basic utilities and their so-called public sector reform initiatives.

They promised that privatization and other economic restructuring initiatives will result to lower rates. Water rates in Metro Manila jumped by more than 200% since the privatization of water utilities. Services and efficiency rate, they said will improve. Current figures show that non-revenue water is still pegged at 67%.

We hear echoes of the same promises now that the power sector is about to be privatized. And we see the same pattern – debts and losses being passed on to consumers, service obligations being reneged, contracts and agreements being revoked as soon as private contractors find out that they will be making less profits.

The current approach to economic restructuring has also affected the struggle of workers for improved conditions of work. Hard-won rights such as the right to organize and bargain collectively are being set aside as soon as privatized company changes hands. Workers are being retrenched without safety nets.

This, certainly, is in direct conflict with the ADB's avowed aim to combat poverty and improve the quality of lives.

Moratorium on all Economic Restructuring Initiatives

ALNI is not entirely against privatization, economic restructuring, or making public utilities and basic services more efficient. However, we are against the specific model being espoused by our government and the ADB.

We believe that the current approach failed to take into account all possible options. Furthermore, it failed to take into account the administrative and regulatory capacity of government.

Hence, we call for:

- 1) A moratorium on all privatization projects supported by the Bank*
- 2) A review of the impact of past privatization initiatives*
- 3) Resumption of privatization initiatives only upon compliance with the following conditions:*

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- a. Strengthening of Anti-Trust Laws and other mechanisms to prevent monopoly*
- b. Study on approaches that would democratize ownership of public utilities and services, specifically feasible models for consumer-equity*
- c. Implementation of Technical Assistance Programs to strengthen the regulatory framework*
- d. Reform in the ADB Inspection Policy, Anti-Corruption Unit, and other mechanisms to strengthen ADB accountability and transparency*

Learning from Mistakes

Our experience with economic restructuring can be used to develop a more effective approach to reforming public utilities and basic services. It is imperative that the ADB develop a Responsible Public Sector Reform and Economic Restructuring Framework to make sure that we will not make the same mistakes again.

ALNI proposes that the following components be integrated in the Framework:

Impact Assessment

Prior to deliberations on whether to privatize or not, an impact assessment should be conducted with focus on these aspects:

- Size of directly affected workers
- Effect on living standards
- Unemployment rate
- Social Costs
- Impact to consumers
- Conflicts between agencies and institutions
- Contribution to deterioration of labor relations
- Signals and precedence (i.e. as a result of this program/policy, will it encourage companies to engage in activities that would lead to violations of labor standards like contractualization and casualization)

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Why Restructure?

From the results of the impact assessment, IFIs, government, and representatives of workers and consumers should jointly determine and clearly state whether there is indeed a need to privatize.

How do we restructure?

How economic restructuring decisions made? Was it done in consultation with genuine representatives of workers (unions) and consumers/clients? How long was the consultation process? What aspects of privatization were open to consultations with the public? Were all options accommodated and considered?

Who Decides Eventually?

Is the process transparent? Are there impersonal, independent, and efficient retrenchment machinery? Are clear rules established? Who set such rules?

Once the decision to privatize or reform the structures and functions of public utilities and services has been reached ...

How were the retrenchment decisions made: Is there a committee composed of representatives of all stakeholders? Are decisions made on the basis of a rationale or based on a functional assessment? Is the retrenchment done through voluntary retirement or mandatory retirement?

Are there Safety nets such as ...

Retraining and re-tooling

Pension fund

Self-employment programs

Re-deployment of enterprise development programs

Once the decision to privatize has been reached, are workers assured of preferential hiring privileges?

Mechanisms to ensure that buying company will respect the existence of labor unions and collective bargaining agreements

Mechanisms to ensure that buying companies will respect international labor standards

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Machinery for Implementation

Establishment of clear rules and administration

Tri-partite nature (oversight)

Involvement of stakeholders

Creation of data-base and tracking system for those retrenched

So Much At Stake

The decision whether to restructure or privatize a public utility or entity providing basic services involves so many people, with so much at stake, that we can't take any chances. ALNI believes that it was a mistake to rush headlong into privatization schemes just because such practice fits neatly into the neo-classical equation. While we may be making headway into our micro-finance programs and other anti-poverty programs, the adverse impacts of our economic restructuring programs forces us to take backward steps.

Hence, ALNI calls for a moratorium on all privatization initiatives pending a thorough review of past approaches and enactment of measure that would ensure protection of workers, their families, and other marginalized segments.

The Asian Labor Network on IFIs is a coalition of trade unions, non-governmental organizations, people's organizations, the academe, and individuals who are committed to a constructive engagement with IFIs like the Asian Development Bank, World Bank, and the International Monetary Fund. ALNI's main objective is to help ensure that IFI programs, policies, and strategies are beneficial to workers and their families.