

Geneva, 24 November 2008

Dear Colleagues!

Welcome to Geneva and the Public Sector Forum.

We are pleased to see such a big interest in participating in the Forum and we take this as a sign of the growing importance pension issues play around the world.

More than ever it is clear that workers and their unions must have a strong voice in all aspects of pension plan governance, particularly on investment decisions.

A dramatic drop in the value of the assets of many pension plans is a direct result of the financial crisis.

One of the biggest pensions funds CALPERS, in United States has taken a \$50 billion hit in the last 6 months, a 20% drop in asset value. Workers covered by direct contribution plans will see the value of their plans decline significantly, which potentially will result in cuts in their retirement income.

I think this could be the right time to examine the greater security and protection in retirement of defined benefit pension plans.

There are more challenges when it comes to the pensions issues. Employers and governments are demanding increases in retirement age, cuts in pension income and benefits or higher worker contributions. Increase in employer's pension contributions will be met by cutbacks in wages and working conditions.

But let us take a look at the development over the past months.

Could we have foreseen that the pension forum would take place in the middle of one of the biggest financial crisis in history? Well, indeed we did see the dark clouds in the horizon already when the PSI Executive Board met in April

this year. Rising prices on food and fuel indicated that the global economy was out of balance. But a crisis with such enormous impact has been a shock to all.

In PSI we have closely followed the development of the financial crisis. How would governments and the international financial institutions react? What kind of measures would they take? How would they recognise the role governments should play?

As we all have witnessed much attention is given to rescue plans to save the banks and insurance companies. We have seen legislative responses to provide sufficient liquidity, regulatory measures such as bankruptcy protection and tax policies and government bailouts.

While all this is necessary and crucial for the short term, I would like to ask:

- What is it that we as trade unions can do and should demand from our governments?
- What is it that we can do together - through - PSI?
- What can we together bring to the table?

At this stage it is not too much to claim that we are in the middle of a battle. A battle between those who blindly believe that free market forces still is the answer to almost every challenge in the world, towards those who see the crisis as a sign that regulation is necessary. That free market forces has failed and that more initiatives should be taken by the state in order to stabilise the economy and prevent massive job losses in the coming years.

Maybe you had the opportunity to see outgoing president George Bush in his address to the APEC meeting in Peru this weekend - He said countries need to *"resist the temptation to overcorrect by imposing regulations that would stifle innovation and strangle growth"*.

In PSI we have a slightly different picture of what regulation can bring and should bring. We need to compensate for the abuse we have witnessed in deregulated environments. One could ask how much innovation and growth deregulation has brought?

One of the main reasons for the crisis is the failed oversight in the financial sector and I have no better person to support that conclusion than Alan Greenspan, the former chairman of the US Federal Reserve. In a hearing by the US Congress he admitted, and I quote: *“Those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief,”* well this is some kind of a confession from the former head of the Federal Reserve.

In times when the vocabulary is extended with new phrases, like “stimulus package” PSI has strongly advocated for solid investment in public infrastructure in developed and developing countries.

Even OECD countries will need to invest massively in infrastructure, to compensate for years of neglect. In times with such a pessimistic outlook as today this offers a unique opportunity to incorporate environmental sustainability into long termed plans and investment. This has become difficult in sectors where short-term profits have been the key driver. And just think about the opportunity to give a giant push to investment initiatives that can reduce the CO2 emission.

A major push to build public infrastructure must not repeat the past mistakes of imposing privatisation. Governments need to borrow, to finance and to manage the public infrastructure such that it meets the needs of all citizens and the environment.

Artificial spending limits must be relaxed so that governments can invest in workers training to bring decent jobs to help us through the global recession. PSI and its affiliates are not alone in calling for these measures. Eminent economists, such as Nobel Prize winners Paul Krugman and Joseph Stiglitz do also call for this.

As world leaders seek to redesign the Bretton Woods institutions, they must take the time to engage with developing countries and with their own citizens.

Now is the time for the bankers, the G8 and the OECD to face the audience instead of hiding and try to make crucial decisions in the secret. Now, more than ever, we need transparency, accountability and participation to set the

world back on course and to help eradicate poverty through Decent Work and Quality Public Services.

We know that the financial crisis will mean even more global poverty in the coming years. This is all the more reason to push for a universal social security scheme, such as the Basic Social Security Floor promoted by the ILO. This will protect retired workers in the many developing countries that have no public pension schemes, and minimal private pensions.

Governments should also take a much larger responsibility when it comes to create an active labour market policy – investing in the development of new skills to people who risk losing their jobs in industries under attack.

The International Monetary Fund (IMF) foresees rising job losses for almost every country in the world. The ILO expects an increase of world unemployment by an estimated 20 million workers, from 190 million in 2007 to 210 million in late 2009. The position of the poorest in the world will deteriorate.

ILO director general Juan Somavia recently said that the number of working poor living on less than a dollar a day could rise by some 40 million – and those at 2 dollars a day by more than 100 million.

What has PSI concretely done till now?

PSI is working with Education International to combine our voices. Last May, we agreed a joint programme on infrastructure and pensions that will allow us to speak with one voice on these issues. Recently we also agreed common positions to be included in the ITUC presentation to the G20 meeting in Washington.

PSI is now working with our affiliates and with the powerful teachers' unions in the USA to ensure that Obama's eventual infrastructure stimulus package will not be only about privatisation or, even worse, private equity financiers running public infrastructure.

We want the public and private sector unions to agree on an approach which will help create better jobs and better public services. Both are essential to rebuilding our communities.

PSI is seeking to develop a set of materials for our affiliates to help them decide which actions to take in response to the financial crises.

We are working on a short version analysis of cause and effect and developing a number of options.

In the middle of January we will meet with the heads of the World Bank and IMF in the context of the Global Unions and discuss options with them.

We will emphasise that on the global level there is a need for a new structure to govern the global economy. Global Unions must have a place at the table and when it comes to public services and public institutions PSI needs to be there to defend public sector workers rights. We will demand a formalised role that gives us a real say in the future restructuring of the financial and economic system. We need to ensure that future systems are based on the principles of Transparency, Accountability and Participation.

At the local and national level Public Service Unions should demand a structured and formal role so that they can participate in the oversight of companies, financial institutions and other bodies. This would help to increase transparency within these institutions and such an idea was supported by the PSI Executive Board in April 2008.

Each of our affiliates should work with their legislators and governments to reform national laws and regulations and demand that their governments put pressure on IFI's such as the World Bank and the IMF to change their policies.

Our policy options will also be integrated into the climate change negotiations.

We will be consulting with our affiliates to find out how else we can help, to draw together more stories of successful resistance and impact on government's decisions.

I will also instruct all of our regional staff to take time in their various meetings to discuss this crisis and the actions that we can take to find people-friendly solutions.

Another issue worth mentioning today is about upholding trade union values which is equally important.

Many countries both industrialised and developing, will be tempted to use the current crises to ignore or limit workers rights. We must be vigilant and support each other on this issue. Governments and employers should welcome the participation of workers in finding solutions to resolve the crisis at the national, community and workplace levels.

We must not forget that in the end we are talking about real people's lives. As trade unions we must stand up for those who need support the most. Whilst this global crisis will affect the vast majority of us, it will hit much stronger the minority ethnic groups like women, young workers, migrants and the disabled. They suffer the most from the drops in standards of living and from cuts in public spending such as services, pensions, social protection etc.

And last but not least they should ensure that their policies put real money in real people's pockets. In the end that is the only way that is going to help dig us out of this global financial crisis, rather than the illusion of wealth based on a credit bubble!

But what can we do here in these days?

I see this meeting is of having great importance. We would like to collect your ideas and suggestions. We need to adopt common policies and priorities with our affiliates, so that we can better coordinate actions aimed towards global and regional institutions.

Secondly, we need to develop better coordination between our unions to enable us to communicate our messages and share information with and between affiliates, in a planned and concerted manner.

I look forward to and will welcome the outcomes of this conference, and we will integrate these into our messages.

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I am looking forward to a fruitful meeting.

Let us get the work started!