An International Perspective of Privatization and Women Workers

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By Ross Prizzia¹

Abstract

Authors provide a comparative international perspective of the relationship of privatization and women in the context of the work force. The methodology is a synthesis and critical evaluation of the impact of privatization on women from an international perspective utilizing a comparative analysis of international case studies and survey data from prominent scholars and international agencies and research firms to explain the adverse effects on women of privatization of the work force. Comparative data on women in the work force collected from 1999-2004 in the privatizing economies of Russia, Poland, Ukraine and Bulgaria, the United States, Canada, China, Hong Kong, Malaysia, Philippines, South Korea, Sri Lanka and Bangladesh. Includes data collected by the United Nations (ILO) and World Bank. Lessons from the privatization of Social Security in Chile, Sweden, Great Britain and the United States are also provided. The authors’ recommend the inclusion of gender variables in designing and implementing policy change for social security and the workforce, in general. Based on the existing survey data and international case studies, recommends strategies to prevent and reduce the adverse impact of privatization on women in the work force and suggests future research on related issues of social security and health care.

Keywords: Privatization, women workers, international

Introduction

Privatization is one of the most critical and politically sensitive government activities. It has led to fundamental shifts in the relationship between the private and public sectors of the jurisdictions of many countries. The role and scope of privatization have increased dramatically in the last ten years both in the form of contracting out of public services and in the outright purchase of government enterprises by the private sector on the national and international levels. The overwhelming concern over the increasing globalization of privatization activities tends to focus narrowly on economic factors for success at the expense of social justice for those most affected. These privatization activities are characterized by short-term economic gains by private sector interest groups without long-term consideration for the least articulate and most vulnerable groups of the affected public sector agencies and community. Moreover, commonly accepted trade-offs that occur throughout the privatization process typically create an imbalance of accrued benefits to various segments of the workforce and members of the community in general (Hodge, 2000, Prizzia, 2001).

Growing concern over the negative repercussions of privatization has spawned research worldwide. For example, a 1995 study of privatization of Brazil described it “as limited, converting public monopolies into private oligopolies with no beneficial impact” (Ayres, 1995). A 1997 worldwide study of privatization by the World Bank revealed the minimal benefit of privatization by concluding that, “although private sector

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expansion may relieve governments from certain tasks, it also imposes new responsibilities” (World Bank, 1997).

In many instances, the sale of state owned enterprises (SOEs) to foreign-based buyers typically left the high risk and poor sectors of the affected community to fend for themselves or created a demand for new government services. Often the foreign-based buyers purchase only the low-risk most financially stable SOEs forcing the weaker, financially unstable SOEs to collapse or be rescued through subsidies from the national government and/or loans from international agencies. Privatization of even critical social services such as health often focuses on attracting the wealthy, healthy, low-maintenance patients while restricting services to the poor, unhealthy and high maintenance patients. *Private Gain, Public Pain: How Privatization Harms Communities*, a community-based report, used data from case studies to criticize the growing practice of social services’ privatization by state and local governments. It concluded that in most cases, the long-term social impact of privatized public programs for health care, corrections, and support of poor children is a failure to meet community needs (Institute for Southern Studies, 2000).

Privatization encompasses a wide range of social consequences. For example, a privatized hospital in the USA, gave rise to “prestige medicine” for the rich and “no care zones” for the uninsured working poor, chronically ill and disabled (Lensing, 1994). The privatization of a water system in Bolivia (Minneapolis Star Tribune, 2000) and an energy system in Thailand (Poopat, 2000) increased unemployment and decreased consumer welfare in both countries, resulting in the sudden rise of prices that culminated in a series of mass protests.

Through careful structuring of the market and regulatory arrangements, communities and citizens stand to gain much through the judicious use of privatization as well as other reforms. However, differences remain between the theory of privatization, on the one hand, and the reality on the other. One size usually will not fit all and the impact of social as well as economic factors on the affected community requires careful consideration to achieve an equitable balance.

Failure to recognize the inequities and social costs brought about by a growing global economy dominated by privatization is not only politically dangerous, it is socially irresponsible. International studies show that social factors such as job security, occupational stress, equity, social services, the welfare of consumers, and responsibility to all stakeholders in the affected community and its natural environment should be serious considerations in privatization activities (World Bank, 1998, Hodge, 2000, Prizzia, 2001, 2002, 2003, 2004). Studies by the International Labor Organization (Martin, 2000) and World Bank (World Bank, 1996, 1998) support the inclusion of social factors and the participation by all stakeholders in the privatization process and view it as especially important in the transition economies of Europe and the economies of developing countries. Martin (2000) concluded that, “if privatization is to yield strong benefits to society as a whole, it needs to be managed to ensure transparency, equity, and fairness and consideration must be given to its impact on workers, employers, owners and investors, consumers, management and all other stakeholders.” Moreover, privatization’s promised benefits of private ownership for the affected communities appear to have exceeded the measured gains to date. Perhaps the message from measured outcomes or past privatizations is the need for thoughtful consideration of qualitative factors. With
regard to scale, while it is now possible to privatize just about anything, it is not necessarily sensible to do so. The recurring theme of “winners and losers” that seems to follow privatization reforms and the speed and sense of inevitability with which such reforms are extended to the community and particularly to women, need to be reexamined (Hodge, 2000; Prizzia, 2001).

Privatization and Women in the Workforce

One of the most vulnerable stakeholders of the privatization process is women workers. In 1999, Women, Law and Development International (WLDI), a non-governmental human rights organization conducted a research project entitled Women’s Empowerment in the Process of Privatization. The objective of the project was to improve women's legal rights and economic status in the privatizing economies of Russia, Poland, Ukraine, and Bulgaria by encouraging the full utilization of human resources and working to ensure the legal protection of labor rights (Kissover, 1999). A brief review of the results of national workforce surveys for each country in Eastern Europe provided in Table I (Kissover, 1999) shows the disadvantaged status of women relative to men in the workforce. It should be noted that market reforms driven by privatization increased the disadvantaged status of women relative to men with regard to workplace conditions cited in Table I.
Table I. Post-Privatization Survey Results by Country of Women in Workforce in Eastern Europe

<table>
<thead>
<tr>
<th>Bulgaria</th>
<th>Russia</th>
<th>Ukraine</th>
<th>Poland</th>
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<td>Women are at a structural labor disadvantage because they are increasingly crowded into low-mobility, low pay, low security service sector positions and often are subjected to inappropriate sexual propositions.</td>
<td>Case studies revealed that men are more likely to retain positions and priority in receiving wages, and women as shareholders are more susceptible to being forced to sell their shares to management.</td>
<td>Managers tend to lay off women disproportionately to men and hire men in greater numbers and case studies reveal cases of violations of basic labor rights such as the laying-off of women on maternity leave.</td>
<td>Women are more likely to suffer from long-term unemployment, which means they lose skills and don’t keep up with technical changes in the work place (computers, etc.). This further prohibits their work force re-entry.</td>
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<td>There is no national law or legal enforcement regarding discrimination against women and the legal system is not sensitive to current discriminatory gender practices.</td>
<td>50% of surveyed managers stated that they fired “mostly” or “only” women; Furthermore 39% of managers intend to lay off women in the future. Hiring trends reveal that 45% of surveyed managers are inclined to hire “only” or “mostly” men and 16.7% “only” or “mostly” women.</td>
<td>Women are more vulnerable to certain negative practices such as sexual harassment, work without contracts, and poor work conditions and the private sector tends to discriminate against women above 30 seeking work.</td>
<td>Managers believe that there is no employable age for women. When they are immediately out of university and in their twenties they are not hired because they are of child-bearing age and when they are in their thirties they are considered too old.</td>
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<td>Case studies in the textile industry show that women are particularly susceptible to foreign investors’ practices of non-contractual work and violations of work conditions and hours.</td>
<td>There are many cases of unlawful firing of pregnant women, women on maternity leave, and women with small children as a result of privatization.</td>
<td>Despite the fact that Ukrainian women are both better educated and have more skill training on average than men, they are increasingly “deprofessionalized” and pushed into low-wage, service sector positions.</td>
<td>50% of managers from the enterprise survey asked women employment candidates additional questions and 1/3 of this group of managers asked women about pregnancy and family obligations as well as family obligations and marital plans.</td>
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<td>There exists a tendency to lay off women at a greater rate than male employees (even when sex as a variable is controlled for by industrial sector).</td>
<td>Women are increasingly crowded into “crisis sectors” of the economy that are low paid and unstable; the trend is for women to serve as a supplementary labor force.</td>
<td>Experiences of sexual harassment in the work environment most likely in the developing private sector. Young women in trade, service, and administrative sectors are most affected by this phenomenon.</td>
<td>A new pension law that reduces the retirement age of women to 60 and maintains it as 65 for men discriminates against women. The retirement age is not compulsory, but managers, particularly those in private sector, use it to justify women’s forced retirement. Legal research suggests that existing gender neutral laws are not effective against discriminatory hiring and redundancy practices. Numerous cases exist of pregnant women being unlawfully released and not being aware of their labor rights.</td>
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(Note: Table I was developed by the authors from data in Kissover)
In 2002, a team of researchers from the Center on Wisconsin Strategy reported that privatization of government services hurts workers, especially those employed in low-end occupations. The study, *Why Privatizing Government Services Would Hurt Women Workers*, was funded by The American Federation of State, County, and Municipal Employees (AFSCME). The data analysis showed that women disproportionately depend on the public sector for jobs that pay decent wages and offer benefits. This is especially true for African American and Hispanic women, and for women who do not have a college education. In part, higher wages and better access to health and pension benefits in the public sector can be attributed to higher rates of union coverage which is lost in privatization. The evidence suggested that privatizing government services will have a negative impact on women workers, especially those workers who are most vulnerable (Institute for Women’s Policy Research, 2002).

In another example, Simon Fraser University economist and professor of political science and women’s studies, Marjorie Griffin Cohen, warned in 2003 that private and public-sector wages for women in the province of British Columbia (B.C.) would drop because of provincial legislation that allows hospitals to privatize cleaning and other health-care support jobs. Cohen made this prediction after releasing a study that concluded that the passage of the B.C. Health and Social Services Delivery Improvement Act that allows for the privatization of health and social services delivery would turn the clock on women's wages back to levels not seen since the 1960s (Bohn, 2003). Cohen argued that the act sets back pay-equity achievements that took decades for the mostly female members of the Hospital Employees’ Union (HEU) to reach (Bohn, 2003). For instance, at Vancouver Hospital, Compass Group Ltd. had an agreement with another union, International Workers Association (IWA) Canada that would decrease wages for hospital cleaners by almost half, to $9.50 an hour. Cohen noted that the IWA master agreement gave male cleaners in other workplaces such as sawmills a wage of $21.92 an hour -- more than twice the wage female hospital cleaners would earn under the new contract. Cohen also noted that B.C. is one of the few provinces in Canada without pay-equity legislation to ensure that women and men who perform the same work are paid equally. She further stated at a news conference organized by HEU that "the government is giving a signal that pay equity is something that employers don't have to pay any attention to at all. . . . The government is attacking what it thinks is the weakest link, which is the women who are historically the worst treated in the labour force -- immigrant women and older women (Bohn, 2003).” According to the HEU, in March of 2003, about 500 people had already lost their jobs, mostly in the Lower Mainland, and another 5,000 people were scheduled to be released from their housekeeping, laundry, food service and security jobs because of government requests for proposals from private-sector contractors. As a result, the 46,000-member HEU launched a constitutional challenge of the new legislation in March 2003.

**Women in the Workforce in Asia**

Women's labor constitutes a foundation of the international economic competitiveness of most Asian countries. The forces of a swiftly growing global economy and privatization expose women in Asia to diverse mechanisms of exploitation. There is no single pattern but rather an array of complex ways in which gender hierarchy,
national capital, foreign capital, and the state negotiate and adapt to privatization, at the expense of women workers.

Women's labor plays a crucial role in the contemporary restructuring of Asia's industrializing economies. Women are becoming increasingly active in both the rural and the urban economy. It is their labor that provides the ultimate basis of international competitiveness of most Asian countries. Women are a direct source of cheap labor, especially in export manufacturing industries, whether as formal, informal, or casual labor. Among the workers of the world, women are all too often the most vulnerable and the most exploited during the adjustment and/or restructuring processes dominated by privatization.

In the global economy, transnational companies are the main agents for 80 percent of foreign direct investment and are the main employers in the free Export Processing Zones (EPZ). There are 850 EPZs in developing countries, with a workforce that has been estimated at around 27 million (United Nations Conference on Trade and Development, 1994; International Labor Organization [ILO], 1998). Women's labor is central to these export factories that produce or assemble commodities for the global market. In many developing economies female employment in EPZs is significantly higher than national average female employment. In major exporting countries in Asia, for example, in Malaysia, the Philippines, South Korea, and Sri Lanka, the share of women in employment in EPZs is more than 70 percent while women account for only 30 to 40 percent of overall employment in these countries (Kasugo and Tzannatos, 1998). According to a study of nine electronics factories in one industrial park in Thailand, among the well-paid managerial-level employment, only 4 percent is female, while 88 per-cent of shop-floor workers are women (Theobald, 2001). In China, women constitute an average of 85 percent of the total workforce in state-owned cotton mills in the export sector (Zhao and West, 2001). According to data from the Bangladesh EPZ Authority, in 1996, 70 percent of the employees in the Chittagong EPZ were women. These figures illustrate the point that in the context of globalization of production through privatization, national industrial development is being sustained by a predominantly female labor force in many Asian countries.

Women's Labor and Foreign Capital

The way in which women's labor is adopted in global production in Asia differs from the situation of women workers in core developed countries. Asian women workers are subjected to a particular set of social relations that is related to the distinctive nature of global factories and the political economies of industrializing Asian countries. To a large extent, the labor experiences of many Asian women can be explained by the particular nature and role of foreign capital (mostly transnational companies) in Asia. Core capital, in the form of foreign direct investment, as it operates in developing countries, is not strictly comparable to its role within the core states from which this capital originates. Accordingly, the social relations of capital and labor in the developing countries are quite different from those prevailing in the core countries. Therefore, Asian women workers in global production are a special category of labor that is not only different from men in general but also different from women workers in the developed economies.
Usually, foreign direct investment brings jobs and therefore prosperity and progress for labor and especially for women. However, while the expansion of the export manufacturing sector through foreign capital investment does provide further opportunities to increase employment and exports for many countries in Asia, it also involves excessive competition to attract and maintain foreign direct investment. This in turn creates a tendency toward increasing the levels of labor exploitation, via lower wages and longer working hours, with very little job security. In some cases, the minimum wage in the EPZs is lower than the national minimum wage, and many EPZs are excluded altogether from the scope of national labor laws. According to an ILO report, "the classic model of labor regulation is extremely rare in EPZs" (ILO, 1998). In other words, workers in EPZs have little leverage and cannot negotiate binding agreements that regulate their interaction "with a `floor' or framework of minimum labor standards, and free trade unions and employers (individually or collectively) coming together" (ILO 1998).

Moreover, the flexible, globally mobile capital tends to move away from the countries where wages and working conditions have improved. For example, capital from South Korea, Hong Kong, and Malaysia has moved to less developed economies such as Vietnam, Sri Lanka, Bangladesh, and China. This in turn creates a tendency toward increasing downward pressure on wages, as expressed in the race-to-the-bottom syndrome. Thus, in the process of globalization of production in many Asian countries, the capital-labor relations for women are becoming more exploitative and oppressive. The flip side of the race to the bottom is the corporations' incessant search for ever-cheaper labor. As a consequence of these two profit-driven practices, the labor conditions of many women workers in contemporary Asia are coming to resemble those of an earlier era of industrialization in the West, characterized by sweatshops and high levels of exploitation.

Under the present environment of a male-dominated structure of organized labor in Asia, feminization of the workforce tends to weaken labor power in general and female labor conditions in particular. The feminization of labor occurs as a part of the process of flexibilization of labor, which increasingly pushes women out of the core workforce and into a marginalized group of workers consisting of part-time, temporary, casual, and subcontracted labor. The direct and immediate result of this process of economic marginalization, which affects perhaps the majority of women workers in Asia, is an intensified exploitation of their labor. Empirical evidence indicates that economic globalization, in particular globalization of production through privatization, brings increasing exploitation and impoverishment of women rather than their empowerment and emancipation. This is unfortunate since labor, especially women's labor, is an important social force that can check the power of capital and resist the global trends that encroach on labor rights.

Although women's rights have progressed in the West (i.e. increased representation in the political arena, narrowing of the wage gap, and more laws directed at women's needs), Eastern countries have progressed more gradually. To address this problem, an international doctrine was put into force in 1981, called the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (Dairian, 2003). Some scholars maintain that implementation of this doctrine has been slow or absent in many Asian-Pacific countries because of deeply rooted cultural beliefs that
conflict with the seemingly Western ideologies embedded within its provisions (Engle, 2000). This perspective has been coined the "Asian values" argument. Opponents of this argument believe that culture is being used as a mere excuse to continue oppression of the weak, and in particular, women, and to be exempt from actual adherence to international agreements (Prizzia, F., 2004).

To elevate the status and well being of women in Asian society, their substantive representation in government and political organizations is imperative. Their relative absence and even alienation from these sources of power inevitably relegate them to disadvantaged positions with few legal rights. The political exclusion of women in Asia is directly related to the expansion of their economic marginalization and impoverishment. If the political exclusion and declining economic status of women remain unchallenged, there is little hope for improvement of women's position in the society. Broadly speaking, women will not have a greater claim on the society as a gender group unless specific women's issues are included in the political and social agenda of globalization.

To ensure that women’s economic and legal rights are championed, women’s labor-oriented movements now must be something more than traditional male-oriented labor movements. Because the cultural norms and values determining women's adverse social position are tied to the dominant patriarchal relations within a society, any meaningful changes that would raise women's social status will not come about without some form of organized resistance to gender inequality. Therefore, rejection of unequal gender relations can be effectively pursued only via organized political-social action. Organizing and soliciting broad-based social and political responses appealing for social justice based on greater inclusion of the most vulnerable segments of the labor force in general and women in particular are mandatory. As a case in point, the privatization of social security and the negative impact on women are explored in the following section.

Overview of the Impact of Privatization of Social Security on Women in the United States, Chile, Sweden, and Great Britain

The Social Security Commission’s 2001-2002 and 2004-2005 proposals to privatize the Social Security system in the United States threaten to severely weaken the guaranteed benefits on which women depend. For example, establishment of private accounts would require deep cuts in disability and survivor benefits. Many of those who need Social Security most could not afford to buy comparable private disability or life insurance. In contrast to Social Security’s guaranteed lifetime retirement income, the Commission’s proposed private accounts may not provide adequate lifetime income because no allowances are made for long life, health costs, or the volatility of the stock market. The plan fails to account for Social Security’s protections against inflation and its progressive benefit formula, which are particularly important to women because they live longer and have lower lifetime earnings than men.

The statistics on Social Security in the United States show that women comprise:

• over half of Social Security beneficiaries,
• over two-fifths of the beneficiaries of disabled worker benefits,
• 99 percent of the spouses receiving Social Security benefits,
• 99 percent of the non-disabled surviving beneficiaries, and
• 98 percent of the dually entitled, that is, persons entitled to benefits as retired workers and as spouses. (SSA, 2002a-h)

Widowed, divorced, and never-married women, in particular, depend heavily on Social Security which accounts for half or more of the income of nearly three-fourths of non-married female recipients. For one in four, it is the only source of income (SSA, 2002a-h). Approximately 60 percent of Social Security recipients age 65 and older, and roughly 72 percent of beneficiaries age 85 and older are women. Women rely heavily on Social Security as a source of income in old age in part because they are less likely to be covered by an employer-sponsored pension plan. Social Security comprises a larger portion of their total retirement income; twenty-seven percent of women age 65 and older count on Social Security for 90 percent of their income.

Because women, on average, earn less than men, they rely on Social Security's progressive benefit structure to ensure that they have an adequate income in retirement. The progressive benefit structure means that lower earners have a higher proportion of their pre-retirement earnings replaced by Social Security than higher-earning workers. This is especially important since women lose an average of 14 years of earnings due to time out of the workforce to raise children or to care for ailing parents or spouses, and they generally have a higher incidence of part-time employment. In addition, women live 6 to 8 years longer than men, so they must make retirement savings stretch over longer periods of time. Consequently, women depend on Social Security's life-long benefits, which are fully protected against inflation. No privatization proposal can prevent individual account balances from being eroded by inflation. Social Security resolves this problem by adjusting benefits each year through an automatic cost-of-living adjustment (COLA) that is tied to the annual increase in the Consumer Price Index, the official measure of inflation. This feature of Social Security along with other benefits would be lost with the privatization of Social Security.

The American Association of University Women (AAUW) strongly opposes private accounts in place of Social Security benefits, which are the sole, guaranteed source of income for many elderly women (AAUW, 2003, 2005). The AAUW contends that the current Social Security system contains many benefits that must be maintained, including full cost of living adjustments, a progressive benefit formula, spousal and widow benefits, and disability and survivor benefits. The AAUW advocates that any Social Security reform must maintain these guaranteed benefits and consider the inequity of pension benefits and retirement security for women (AAUW, 2003, 2005).

In Chile, a 1999 study showed that the new privately managed pension system increased gender inequalities (De Mesa, 1999). Women are worse off than they were under the old pay-as-you-go system of social security, in which the calculation of benefits for men and women did not differ and women could obtain pensions with fewer requirements than men. Currently, benefits are calculated according to individuals' contributions and levels of risk. Such factors as women’s longer life expectancy, earlier retirement age, and lower rates of labor-force participation, lower salaries, and other disadvantages in the labor market are directly affecting their accumulation of funds in individual retirement accounts, leading to lower pensions, especially for poorer women. The 1999 study sparked a debate on a critical but neglected aspect of the privatization of the social security system in Chile: its effects on the welfare of women. Previous studies
of social welfare in Latin America have either ignored or paid insufficient attention to the gender dimension of inequality and currently, when several countries in the region are striving to reform their social security systems, many questions relevant to the social protection of women remain unanswered. For example, is the social security system compensating for the disadvantages that women experience in the labor market? To what extent are social benefits for older women reflecting conflicts between women’s roles as workers and caregivers? These questions have become more pressing in the last decade because more women are qualifying for retirement pensions due to increases in their participation in the paid labor force.

In his evaluation of the Chilean privatization initiative, Peter Diamond (1993) concluded that, "We have come to think of privatization as a route to greater efficiency and lower costs. Thus, perhaps the most surprising aspect of the Chilean reform is the high cost of running a privatized social security system, higher than the 'inefficient' system that is replaced" (Diamond, 1993). In theory, advocates predicted that competition among financial investment organizations would keep costs down. In practice, however, this has not happened. While high fees impact both men and women, it is a serious problem that is especially troublesome for women, as illustrated by the Chilean and other countries’ experiences. In 1996, six out of the 15 authorized investment companies in Chile charged a fixed rate fee for each contribution made by a worker (Kritzer, 1996). This fixed rate fee had a greater impact on lower paid workers, affecting more women than men. According to Kritzer, "even though the average fee varies by only a few percentage points, the lower earner continues to have to pay at a higher contribution rate than does the higher earner" (Kritzer, 1996).

In 1999, Sweden dramatically altered its pension law. Similar to U.S. Social Security, Sweden’s old system paid out a defined benefit based on salary and years of employment, using contributions from current workers to support retirees. The new plan includes mandatory individual accounts. Of the 18.5 percent payroll tax that workers set aside for retirement, 16 percent goes to a defined benefit program. The other 2.5 percent must be put into individual investment accounts. Workers choose from some 650 funds or accept the government-managed “default” fund. The government launched the private account plan with a massive public relations campaign that encouraged participants to select their own portfolios, and according to Annika Sunden, an economist at the Center for Retirement Research at Boston College, “There was tremendous emphasis that now you have the chance to affect your benefit in a positive way. People were very enthusiastic, but then the market dropped and most people, women in particular, lost money and have not recuperated.” (Stranahan and Simons, 2005). In the final analysis, the default fund returned 7.2 percent, outperforming the defined benefit program. When the plan began, 68 percent of participants chose their own portfolio. In 2001 that number decreased to 20 percent of new participants and by 2003 it had dropped to less than 10 percent (Stranahan and Simons, 2005).

Similarly in Great Britain, in 1986, the Thatcher government offered to let people divert part of their social security taxes into a personal investment account similar to a 401(k). For help in designing the plan, the government turned to the insurance industry, the main source of long-term investment products in Britain. The competition to sell pension investment products to the public was intense. Products were numerous and complicated, and few people could understand them. Fees and costs often were not fully
disclosed by agents, who could pocket a portion of the first few years’ sales. Rules were poorly designed and rarely enforced. More money was lost by taxes being diverted to private accounts than the government would have paid out in entitlements and the government lost a 1.58 billion-pound surplus in the National Insurance Fund (Cohen, 2005). Worst of all, many workers, and especially women, who switched from good company pension plans to private investments ended up with a poorer retirement. Since the private investments required upfront charges and commissions, plus annual administration fees, there was often little on which investment returns could accumulate. People began to realize that they could no longer be certain that investment returns would equal what they had given up by switching to private accounts. Later, after the stock market crash in 2001, even the insurance industry began advising customers to return to the government system. In 2004 alone, 500,000 people abandoned private pensions and moved back into the traditional government plan. Another 250,000 were expected to move back by February of 2005 (Cohen, 2005). In dealing with its problems, the U.K. Pensions Commission concluded that there are only four possible solutions: cut state retirement benefits, increase taxes, increase personal savings or delay retirement. Noting that there is no political support for the first choice, the commission determined that each of the three other choices, on its own, would be too painful and that only some combinations could work. According to U.K. Pension Commission Chairman Adair Turner, a vice president of Merrill Lynch in London and the former director general of the U.K.’s biggest business lobbying group, “There are no other choices” (Cohen, 2005).

The impact on the adequacy of Social Security benefits provided under privatization schemes in most countries is a bigger issue for women because they are more negatively affected by the basic differences between the typical Social Security scheme (i.e. "defined benefit" plans) and the typical privatized scheme (i.e. "defined contribution" plans). (Ball, 1997). Lessons from the privatization of Social Security in Chile, Sweden, and Great Britain and the widespread opposition by women to similar proposals in the United States, should stimulate scholars, policy makers, and the general public to more critically scrutinize the losses and gains that accompany Social Security privatization. The need to incorporate gender variables in designing and implementing policy changes is clearly evident.

Conclusion

Worldwide research studies on the effectiveness of privatization over the last ten years provide ample evidence that when the balance of social and economic indicators are not present, a privatized activity which appears to have a successful outcome may be only short-term or misleading. Moreover, when judged in the broader context, the overall successful financial outcome of the privatization activity may have done more harm than good in the long-term to important human and social dimensions of the affected community.

Privatization activities are expanding relatively unchecked into traditionally public sector domains on national and international levels. There is concern that privatization negatively impacts the most vulnerable segments of the workforce, especially women workers. The economic plight of female workers is but one of a number of increasingly disturbing effects of privatization as it continues to grow globally in scope and role. The proposals to privatize social security and more health and social
services, continue at a rapid pace, and other essential public services are forthcoming. More than ever, the caution to consider the social consequences of privatization that threaten basic social justice and human rights, particularly in the transition economies of Europe and the emerging economies of Asia, must be take seriously if there is to be any hope for an equitable and peaceful global community.

References


Social Security Administration (SSA) (2002e) Income of the Population 55 or Older, 2000, Table 6.B4. The term “nonmarried” refers to any person who is not presently married, including those who are divorced, widowed, or have never been married.


Social Security Administration (SSA) (2002g) Table VI.E11 at http://www.ssa.gov/OACT/TR/TR02/lrIndex.html.

The highest earners are those who throughout their working lives earned wages at or above the maximum level subject to the payroll tax. In 2002, this maximum level is $84,900.


