



J. Shivakumar
President

Subject: Policy Change on Retiree STC's

Washington, DC January 10, 2012

Dear Ms Anstey,

The 1818 Society has already expressed its strong reservations on your Kiosk announcement to restrict the appointment of retirees as consultants. The tone, volume and high quality of 1818 member responses since the holidays began, also reinforces this view. I will shortly send you, for the record, a compilation of the main points raised by 1818 Society members. We wish this policy announcement had not been rushed.

However, the policy has been announced. This email is set in that context. It looks ahead to resolution of issues before implementation begins. We appreciate your offer to consult meaningfully with the Society as the implementation details are worked out at the Vice President level.

At the outset, we would emphasize that the real solution for staff frustrations ventilated clearly and unambiguously in the Staff Pulse Survey, is to embark on a bold and much-needed strategy to revamp Bank HR policies, systems and capacity and to align the size of the Bank's program to the level of the Bank's own available budgetary resources. Most of the thousands of staff responses relate to these concerns. Only a very few raise the retiree returning as STCs as an issue.

Also, although central to the Society's charter, the severe hardship the new policy imposes on certain sections of retirees and the resultant harm to the Bank's reputation are not for now being addressed in this email. We have instead focused on consultations, transparency and the business rationale of how the policy change can be strengthened by diligent analytical work on implementation issues.

Before the policy change is remitted to the Vice President level, we request Senior management to act on addressing three urgent matters; first, the need to establish a **meaningful consultation** process during implementation planning; the second, to **raise the retirement age to 65** immediately, as a step to doing away with it altogether once the HR system is ready for this; and third, re-engineer the implementation details based on **smart analysis of impacts**.

We would urge that you announce a detailed time-bound program for meaningful consultations with the Staff Association and the 1818 Society. A program for such consultations, articulated at your level, will restore confidence and trust that has been damaged by the insensitive and divisive language used in the Kiosk Announcement, which also seemed to suggest a conflict between the interests of current staff and retirees. The statesmanlike response by the Staff Association has nipped such a suggestion in its bud. The 1818 Society looks forward to working closely with the Staff Association in furthering constructive collaboration with the Bank.

We would recommend that that you announce increase of the retirement age to 65, as a step towards doing away with it altogether once the HR system is strengthened. Staff and Consultants who are not productive, unfit or doing a job that is not needed anymore, should be let go at whatever age. And the counter argument is no less valid. In the USA, age discrimination is illegal. In France, UK and Germany, the retirement age is 65 or higher. It's a "no-brainer" that the retirement age should be immediately raised but the decision is being postponed on the grounds that the Bank performance assessment system is not reliable enough to be the basis of screening -a severe self-acknowledged indictment of the system. As a proxy, performance rating in the past few years could well serve as a performance measure, till HR systems improve. This decision will reduce the adverse impact of the new policy.

We believe that a smart and transparent analytical decision framework for assessing impacts should used to strengthen the Business Rationale for the new policy. This should be applied at the Unit level and lend itself to aggregation across the Bank. It should provide for measuring the impact of the proposed policy on (i) the Unit's/Bank's product and service delivery to clients; (ii) the number of staff ready to be promoted as a result of the new policy at the Unit/Bank levels, with and without budget and

complement control constraints: (iii) the number of new hires needed at each grade level at the Unit/Bank level as a result of the new policy, with and without budget and complement control constraints; (iv) the number of new vacancies that would have arisen by early retirement decisions, had conversion to STC appointments not been restricted by the new policy; and (v) the overall net budgetary impact at the Unit/Bank levels of the new policy. Noting your well founded aversion to "paralysis through analysis", the framework should be simple and access readily available data.

When the framework proposed is applied at the Unit level and then aggregated across the Bank, we would suggest that the base case be pre-Kiosk announcement situation, with the new policy and variations of it duly explored. These variations may include:

- **Eliminate the proposed cooling off period for ex-A-D staff.** Some of work that these STC's do can be done by new A-D staff through new recruitment and/or through promotion of existing staff. What sets a limit to such replacement is grade complement control and budgetary funds. The prescription of a cooling off does not address these constraints. In fact to the contrary, and since A-D retirees are likely to be replaced by more costly, less loyal and less competent Temporaries, the budget and skills constraints are likely to be aggravated. Would it not make better business sense to enforce a manager's responsibility to fill vacancies through promotions of existing staff and recruitment of new staff, within budget and complement controls and then fill the remaining needs with STC's selected on the basis of efficiency and cost-effectiveness, with A-D retirees competing on a level playing field?
- **Do not apply the cooling off period to staff who have retired before the implementation date of July 1, 2012.** The main aim of prescribing a cooling off period is to ensure that managers plan succession so that sustainable arrangements are made in time and the prospects of current staff are not adversely affected. The aim is not to impose sanctions on retirees whose managers failed to carry out this responsibility in the past. Such sanctions can be viewed as punitive and questioned. Their previous employment as an STC was in full compliance with Bank policy and obviously merits grandfathering.

- **Do not apply the cooling off period to staff who have retired one year or more before their mandatory retirement age.** One of the ironies regarding the "revolving door and transition" issue is that it will provide a perverse incentive for older staff who might otherwise have retired to stay on till mandatory retirement, delaying opportunities for younger staff to move up into positions of responsibility. The STC role would allow them to retire early while also facilitating the transition of responsibilities to younger people.
- **Reduce the cooling off period to six months and provide flexibility on start date within 2012.** If a Cooling Off period is a must, six months should provide an adequate window of absence. A 12 months absence could lead to loss to both the Bank and the retiree of access to latest developments on the knowledge and operational fronts. The institution changes very fast and retirees who are hired back after a break will have "missed the sense of the changes" and their contribution may be less valuable. The retiree may find alternative employment and be unavailable to the Bank when her/his skills and experience are much needed in the Bank. Also, to match peak workloads in units, there is a need to provide some flexibility to managers on the start date for the cooling off period while prohibiting *in situ* conversion of staff on retirement into STC's.
- **Make exemptions only on solid and transparent grounds.** There are skills and experience, both on countries and in technical areas, where the profile of an STC sought cannot be found readily in the market or among eligible retirees. In such cases, provisions may be made for exemptions based on clearly defined criteria with adequate management oversight, within a transparent framework that exposes "sweetheart" deals. To prevent cases of cronyism and other abuses involving STC/ Retiree contracts, Senior Management should deal with the real culprits stringently.
- **Revisit the original reason why retirees were allowed 190 day of consulting and other STC's only 150 days.** At the time when the STC provisions were introduced, there was a deliberate decision to keep the limit of 150 STC days, so that a Bank job would not be the only source of employment and STC's as a group do not (like the NRS did) demand pension rights in the future. Since neither of these considerations arose in the case of retirees, the ceiling for them was fixed at 190 days, just under three-quarters of the working days in the

year. This was seen as a reasonable ceiling. Is there any reason to revisit this decision?

Testing for the various recommendations suggested above and performing a comparative analysis would go a long way to put in place a sound business rationale for the policy change and help the Bank to maintain high business standards in a competitive world. To this end, the Society also looks forward to exchanging views with Bank management on a number of suggestions on the table to tap the development knowledge that resides in retirees, outside their role as consultants.

We would like to end this email with a suggestion. It is clear that the new policy is fraught with problems and its benefits are elusive. And that it does not address the real priorities for improving the Bank's performance. May we request you to also consider rescinding the policy relating to cooling-off and let the burden and responsibility of hiring consultants - retirees or not - be placed squarely where it should be placed - on the shoulders of the hiring manager. Focus on urgently improving HR and budget management to support the managers, so that legitimate career aspirations of current staff are met and the appointment and remuneration decisions on retirees are made transparently, based on clear and demonstrated need for their skills and services. Every consultancy should be defensible to anybody leveling charges of collusion or impediment of staff career development. Hold Managers accountable, but let the managers manage.

With kind regards,

Yours Sincerely,
J Shivakumar