# 3. The great austerity con: fighting false solutions to defend young people's rights

## Introduction

**For young people growing up since the 1980s, there has been a continuous decline in the quantity, quality and affordability of public and social services as a result of continuous government cuts in social services and investment in job creation. This is the case despite the fact that total global wealth has increased during this time. Even since the 2007 financial crisis and the subsequent recession, total global household wealth has increased by 28% from USD 220 trillion to USD 280 trillion. However, since 1980 the top 1% richest individuals in the world captured twice as much growth as the bottom 50%.**

## Depleted public funds for young people's future

Traditionally progressive taxation, publicly funded social services and social protection have been deployed to rebalance capitalism's tendency to favour the rich over the poor. But the share of national wealth in public hands has been on a continuous decline: the 2018 World Inequality Report notes an overall transfer of public to private wealth in rich and emerging countries, adding that inequality has increased as public wealth had decreased.[1]

> **"Economic inequality is largely driven by the unequal ownership of capital, which can be either privately or public owned. We show that since 1980, very large transfers of public to private wealth occurred in nearly all countries, whether rich or emerging. While national wealth has substantially increased, public wealth is now negative or close to zero in rich countries. Arguably this limits the ability of governments to tackle inequality; certainly, it has important implications for wealth inequality among individuals."**

Unequal distribution of wealth affects how much public spending governments can allocate to the realisation of young people's rights—whether this is in terms of education, health care, decent jobs, affordable housing, water, transport and electricity.

For young women, the lack of public services and adequate social infrastructure to support child care impacts on their opportunities for further work or learning. Austerity has impacted young people's employment opportunities—the public sector which absorbed large numbers of new employees is now cutting down staff; governments are also rolling back on various jobs programmes as well as unemployment benefits for young people.

1 https://wir2018.wid.world/files/download/wir2018-summary-english.pdf

> **“What we see is a vicious circle of weakening the State: the combination of neoliberal ideology, corporate lobbying, business friendly fiscal policies, tax avoidance and tax evasion has led to the massive weakening of the public sector and its ability to provide essential goods and services. These failures have been used by the proponents of privatisation and public private partnerships to present the private sector as the better alternative and to demand its further strengthening. This in turn further weakened the public sector - and so on...”[2]**

Achieving universal social protection floors is a basic minimum to ensure social justice, but even this requires action on multiple fronts. This action includes economic policy as well as various types of measures to ensure substantive equality for disadvantaged groups, such as racial and indigenous minorities, people with disabilities, migrants and refugees, or LGBTQIA+ communities, including but not limited to positive discrimination policies. Understanding social protection as a transformative economic and political project to realise the right to self-determination is key to its success. Much also has to be done to assert social protection and social security as rights rather than as charity or handouts. This means that universal social protection should be a public endeavour driven forward by the state through participatory forms of policy making.

## Cuts, cuts and more cuts: IMF loan agreements, policy advice and social spending

Many countries have worked on strong national youth policies to guide public investments in young people. However, few of these have received the funding they need. This is in part because of the neoliberal macroeconomic rules that restrict government spending. The influence of the IMF and the World Bank in defining policies in developing countries has been critical in charting this neoliberal anti-social solidarity direction. In 2015, 40 countries in Africa, 11 in Central America, 9 in Asia had signed various types of loan agreements with the IMF[3].

The IMF loans contain a set of targets as well as so called “structural policy conditionalities” that the countries have to implement to access the full loan. The influence of the IMF on countries goes beyond loan agreements: its assessment of a country’s economic viability, for example through surveillance reports, can influence what other finance institutions or aid donors will do.

When the IMF signs off loan deals with its client countries, there is no or little analysis of the social impacts of these agreements. This is the case even though they may impact vast numbers of households, including those whose futures might abruptly change for the worse—as is the case with young people. This has been a longstanding criticism of the IMF. The IMF has claimed that it has changed its approach to loan agreements, but the most recent surveys of their agreements show little change in its approach.[4]
However the reach of the IMF goes well beyond the countries with which it has signed loans

2. Civil Society Reflection Group on the 2030 Agenda for Sustainable Development. Reclaiming Public Policy Space for the SDGs. (p.13) Overview by J. Mertens, Global Policy Forum.
3. Business Standard https://www.business-standard.com/article/economy-policy/top-10-debtor-countries-owe-86-of-total-imf-loans-115070600274_1.html (need to cross check stats)
4. Alexander E. Kentikelenis, Thomas H. Stubbs & Lawrence P. King (2016)
IMF conditionality and development policy space, 1985–2014, Review of International Political

agreements through the imposition of indirect "conditionalities" that give a thumbs up or thumbs down signal to international lenders, donors and investors, for example through its surveillance activities or technical assistance[5].

An ILO survey of government spending projections in over 187 countries conducted by the Social Protection Floors Initiative found that between 2016 and 2020, over two thirds of governments are planning deep budget cuts. These cuts affect 80% of the world's population, particularly in developing countries. These cuts are wide ranging covering every area of socially oriented expenditure including:

- Eliminating or reducing subsidies predominantly on fuel, but also on electricity, food and agricultural inputs. This is the most widespread adjustment measure.
- Cutting or capping the wage bill—an estimated 130 countries are considering reducing their wage bill as part of civil service reforms.
- Rationalizing and/or further targeting social safety nets often by revising eligibility criteria (i.e. reducing social protection coverage).
- Reforming old-age pensions, including raising contribution rates, increasing eligibility periods, prolonging the retirement age and/or lowering benefits.
- Labour flexibilization reforms including revising the minimum wage, limiting cost of living salary adjustments and increasing the ability of enterprises to fire employees.
- Healthcare system reforms, for example raising fees and co-payments for patients as well as introducing cost-saving measures in public healthcare centres.[6]

Finally, the survey found that reforms to raise government revenue mainly focused on measures that increase consumption taxes (eg. VAT) on goods and services or privatising public assets and services. According to the survey, IMF reports indicate that these measures are being "considered by 138 governments in 93 developing and 45 high income countries".[7]

## Criticisms of the IMF on Social Protection

Due to the growing momentum for universal social protection floors as part of rolling back neoliberalism and restoring public social solidarity, the IMF position on social protection was reviewed by its Independent Evaluation Office. This evaluation found many weaknesses and contradictions in the IMF's statements on social protection and the revealed an inconsistent approach when lending to or advising countries.

5. Stichelmans T. 2016. How International Financial Insitutions and Donors Influence Economic Policies in Developing Countries. Eurodad Discussion paper. https://eurodad.org/files/pdf/57f4f4163d760.pdf
6. Ortiz I et al. 2017 A Decade of Adjustment: A Review of Austerity Trends https://www.social-protection.org/gimi/RessourcePDF.action?ressource.ressourceId=53192

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Many voices responded to the IEO report, urging the IMF to do better and more on social protection, including in relation to lending policy conditionalities:

**"Taking action to help those who are least well-off financially has so far been little more than an afterthought in the work of the IMF around the world. But if it is to respond effectively in the years ahead to the challenges of a world in which both globalisation and liberal democracy continue to come under attack, the IMF will need a different mindset."**

**Philip Alston, UN Special Rapporteur on Extreme Poverty and Human Rights, June 2018[8]**

**'[The IMF's] approach diverges strongly from the internationally agreed agenda in which national governments, lending institutions and regional institutions have signed up to." They expressed concern that IMF's approach has been principally oriented around the desire to reduce social protection coverage and contain expenditure, rather than ensuring adequate levels for all. Noting the IMF's oversight of the economic benefits of social protection, "the IMF appears to view social protection as merely a cost that must be contained and not an investment in human capital, economic growth and sustainable development."**

**The Global Coalition for Social Protection Floors Initiative.[9]**

8.

9. Global Social Protection Floors Initiative. Statement to the IMF on the Findings of the Evaluation Report and the IMF's Approach to Social Protection http://www.socialprotectionfloorscoalition.org/2017/10/statement-to-the-imf-on-the-findings-of-the-evaluation-report-and-the-imfs-approach-towards-social-protection/

## Creating fiscal space: making the affordability case for universal social protection

The neoliberal approaches embraced by international financial institutions such as the IMF appear to ignore the economic benefits of investing in social development. In countries with high youth populations, such investments targeted at young people are crucial. According to UNESCO poverty rates could be halved if all young people completed their secondary education.[10]

The dominant argument for austerity is that it is a necessary evil and that high levels of public social expenditure are unsustainable. This economic reasoning is challenged by evidence from both rich and developing countries where the state has provided universal social protection as well as ensuring access to various public services and investing in key infrastructure and economic sectors.

The insistence that governments cannot afford to pay for or subsidise public goods and services is used to justify the need for privatisation or market-based solutions such as micro-credit and micro-insurance, user fees and social assistance only for the poorest of the poor, rather than for everyone. The affordability argument is also used to promote the expansion of public private partnerships (PPPs), even though evidence has shown these are neither effective nor less costly. A Eurodad review of ten PPPs including in health, education and water found all of them to be more risky and costly for the public purse, and five of them increased the rich-poor divide.[11]

In contrast, many studies into 'fiscal space' have indicated that firstly universal programmes are not as unaffordable as they are made out to be[12] and secondly, governments in fact have many unused or underutilised options to expand their revenue base. Over and above these are arguments in favour of alternative macroeconomic strategies to boost economic activity, create employment and foster human development.

ILO reviews of fiscal space have found that governments have themselves been innovative in creating fiscal space to finance social protection floors. The reviews offer eight ways in which governments can expand fiscal space, namely: [13]

1. Re-allocating public expenditures
2. Increasing tax revenues
3. Expanding social security coverage and contributory revenues
4. Lobbying for aid and transfers
5. Eliminating illicit financial flows
6. Using fiscal and foreign exchange reserves
7. Managing debt: borrowing or restructuring existing debt and
8. Adopting a more accommodative macroeconomic framework.

10. UNESCO 2017 Reducing Global Poverty Through Universal Primary and Secondary Education. Policy Paper 32 / Fact Sheet 44 https://unesdoc.unesco.org/ark:/48223/pf0000250392.locale=en
11. Eurodad. 2018 History RePPPeated: How Public Private Partnerships are Failing https://eurodad.org/files/pdf/1546956-history-repppeated-how-public-private-partnerships-are-failing-.pdf
12. Civil Society Reflection Group on the SDGs 2018. SDG1 Mobilise the Financial Means for Social Protection Systems for All. Author: Global Coalition Social Protection Floors
13. ILO et al. Financing Universal Social Protection - Universal Social Protection Brief. https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-beijing/documents/publication/wcms_625336.pdf

## Conclusions: Fighting austerity to defend young people's social rights

There are many inspiring examples of how new and old movements are fighting back to reclaim their rights and force a change in policy directions and directly intervene to take charge of their own development. Social movements are being revitalised, driven and inspired by young women and men. Young people's political and social engagement against the forces of exclusion, precarity, inequality and jobless growth produced by the current models of neoliberal globalisation require wide reaching responses. Universal social protection programmes provide a foundation for a solidarity-and-rights-based social contract with young people as they transition into adulthood.

The leaps forward in social progress in the 20th century carry important lessons. Social protection has to be part of an agenda for social, economic, gender and ecological justice which seeks to change the destructive neoliberal status quo, rather than simply to make the status quo more tolerable for the poor.

In short, the argument that there is no money for universal social protection is no longer tenable. Funding for public services has been constrained by unjust tax systems and tax evasion, illicit financial flows, unfair debt burdens, a corrupt global financial architecture, poor macroeconomic management, reckless deregulation of global finance capital and monopolistic practices –in other words a global economic order that is rigged against the poor and stacked up in favour of the rich. The excessive financialisation of the economy, which rewards speculation rather than production will continue to squander the world's wealth unless governments and citizens step in to redirect this disastrous use of global resources.

This is an excerpt from ActionAid International's draft report ***Youth, Gender and Social Protection: Rebuilding Systems for the 21st Century (2018)***

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Commissioned by
ActionAid International - Youth Working Group

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