HOW IS AUSTERITY IMPACTING HUMAN RIGHTS IN THE EURO-MEDITERRANEAN REGION?

DROITS EUROMED RIGHTS

JULY 2023

What is austerity and how is it related to human rights?

Austerity, or fiscal consolidation, is defined as cuts to public spending with the purpose of reducing public expenditure, often used during times of financial crisis. For example, removal of food subsidies or cuts to public wages.

Such measures can have devastating effects on human rights, for example in violation of the principle of not reducing social spending (non-retrogression) and ensuring maximum available resources for the investment into economic and social rights.[1] For example, the Greek health care system was severely eroded by economic reform and austerity cuts after the 2008 financial crisis, in violation of citizens' right to health. Other examples of rights that may be violated are labour rights, the right to social security, the right to education, healthcare and an adequate standard of living, and protection from discrimination.[2] Hence, experts have asserted that the imposition of austerity policies, especially in times of financial crisis, poses a conflict with the enjoyment of human rights.

Who is responsible for austerity?

Austerity measures are policies and budget cuts enacted by governments, but in the context of negotiation of multilateral loans, international financial institutions like the IMF have widely advised, promoted and even pushed governments to impose such measures as part of "policy conditionality". According to the IMF: "Typically, a country's government and the IMF agree on a program of economic policies before the IMF lends to the country. In most cases, a country's commitments to undertake certain policy actions, known as policy conditionality, are an integral part of IMF lending."[3]

While states are usually the primary duty bearers, should IFIs prescribe economic reforms with foreseeable negative effects on human rights, they are then complicit in those violations.[4]

Austerity sweeping the globe

According to IMF projections, austerity measures are expected to impact 85 per cent of the world population in 2023. In 2023, 94 developing countries are projected to cut public spending.[5]

Examples of austerity measures in selected countries 2020-2022[6]

	Algeria	Egypt	Morocco	Tunisia	Jordan	Lebanon	Turkey	Italy	Spain	Greece	Belgium	United Kingdom
Targeting social protection	X	X	X	X	X	n/a	X	X	X	X	X	X
Pension reform	X	X	X	X	X	n/a		X	X	X	X	
Labour Flexibilization	X	X	X	X	X	n/a	X		X	X	X	

Middle East and North Africa in the eye of the storm

The Middle East and North Africa (MENA) region is very vulnerable to shocks: inequality and foreign debt is rampant, there are little to no universal social safety nets and economies are highly dependent on imports of foodstuffs. The region has already been rocked by economic crises, COVID-19 and political and armed unrest. Therefore, it is badly prepared for coming crises: it is predicted that a debt crisis will hit the region hard, and as countries are trying to shore up fiscal space, a wave of austerity measures follows.

The region's vulnerability is also reflected in the large number of loans made with the IMF: Eighteen IMF agreements were signed with Arab countries between 2010 and 2021 only,[7] and hence the IMF has a large policy imprint on the region.

IMF agreements with selected MENA countries, 2010-2021[8]	Number of agreements, 2010-2021	Year
Tunisia	3	2013, 2016, 2020
Morocco	4	2012, 2014, 2016, 2020
Jordan	3	2012, 2016, 2020
Egypt	3	2016, 2020, 2020

Devastating impact of austerity in Egypt caused by international financial institutions

Egypt is another case where IMF backed reforms have had devastating impacts on economic, social and cultural rights, for example on labour rights and the right to food. Legislative reforms implemented through Law 18 (2015) as part of the austerity package aimed to significantly decrease the number of public sector employees, caused mass layoffs, disproportionately affecting women. As the public sector is a major source of employment for women in Egypt, with better conditions than in the private sector, layoffs and wage cuts either forced women out of work altogether, or into more hostile, unequal, less regulated work environments—where they may make 35-40% less than their male counterparts.[9]

As a result of the increase in price of food commodities during IMF programmes, access to food also deteriorated for the most marginalized households, with particular impacts on children.[10]

While poverty and the cost of basic goods continues to increase in Egypt, social security programs backed by IMF reforms to move away from a universal system are failing to meet the needs of the population, leaving less than 50 per cent of those living in poverty without protection.[11]

But austerity is not exclusive to the region; currently, Southern Europe is also experiencing a wave of cuts, for example in Spain and Greece.

Labour flexibilisation in Greece

Labour flexibilization is the process of making labour markets more responsive to market demands by giving greater flexibility to employers to hire and fire workers, and change working hours and work arrangements. This process of flexibilization can have significant impacts on the human rights of workers, particularly their right to decent work, social security, and collective bargaining.[12]

In Greece, a major labour rights setback was marked by legislation in 2012 that paved the way for the undermining of collective labour agreements, which was accompanied with slashes to the minimum wage by 22-32 per cent. It altered the National General Collective Labor Agreement from being a product of collective bargaining to being defined by a Ministerial Decision.[13] More recently, in 2021, the "Hatzidakis law" named after the Labour Minister placed even greater obstacles in the way collective bargaining agreements are signed and salaries increased.[14] The law also abolished the 8-hour workday, and legalized, in essence, unpaid overtime. It also put additional obstacles in the way unions sign collective agreements and procedures for calling strikes.

The regressive labour reforms were and remain a severe infringement of worker's rights, in particular their right to decent work, fair wages and right to collective bargaining.

The regression of social protection in Jordan

Jordan has been suffering under high public debt and chronic budget deficits for the last two decades, which is also reflected in its dependence on multilateral loans: Jordan has had nine loan agreements with the IMF since 1989 and currently has a current loan signed in 2020.[15] In that period, the IMF promoted austerity and neoliberal reforms, including decreasing the universality of social spending.

In 2020, Jordan's social spending as share of GDP was lower than in 2010, showing a failure to progressively invest in socio-economic rights in conflict with the human rights principle of taking action to progressively realize economic, social and cultural rights to the maximum of available resources.[16] The result is that Jordan is worse off in health and education performance and that poverty and unemployment rates have risen.[17]

As Jordan was struck by COVID-19, the non-universal and under-resourced nature of its social protection system proved unable to deliver an adequate safety net for its population, in particular vulnerable groups, in time of additional crises.[18]

Austerity is not the recipe for debt reduction

Austerity is being presented by some governments and international financial institutions like the IMF as a recipe to free up fiscal space and a way to reduce debt. However, while the IMF continues to push for austerity through loan agreements with governments in need, it has acknowledged that austerity in time of financial crisis does not reduce countries' debt.[19]

Cutting public spending, like health, education or social safety nets, will instead limit growth and increase poverty and inequality; and the 'flexibilisation' of labour rights protection does not increase economic growth or employment.[20]

Austerity and inequality

Austerity measures are often likely to exacerbate societal inequalities, including gender inequality: cuts to social security and social care disproportionately affect lone parents, people with disabilities, ethnic minority groups and people from disadvantaged socio-economic backgrounds, because of – on average – lower employment and salary prospects and a higher probability of dependence on social safety nets. The majority of these people are women.[21] Cuts in public spending are likely to be compensated for by an increase in women's unpaid care work, reducing their time for paid work, leisure and rest.[22]

While some of the economic reform programmes imposed by the International Monetary Fund had the stated purpose of supporting women's employment, this was undermined by, e.g., the severe reduction of the public sector – the main employer of women in many MENA countries.[23]

Youth may also be disproportional impacted by cuts to social spending, for example in education. Besides having education availability and quality impacted, youth may also experience that austerity cuts disproportionally impact their right to housing, mental health and right to employment and decent work conditions.[24]

Austerity in the UK hit women the hardest

In the UK, recent governments increasingly introduced cuts and policy changes to tax and social benefits that had serious adverse social impacts. Analysis showed that the 10 per cent of poorest households faced a cut of 19 per cent in living standards (net income + the value of public services) by 2020.

The richest 10 per cent would lose 2 per cent; lone mothers, 18 per cent; single female pensioners, 11 per cent, mainly due to cuts to social care spending. Between 2010-2020, women shouldered 86 per cent of the burden of austerity, of which women of colour were disproportionally impacted.[25]

Austerity is not inevitable

There are alternative measures to increase the fiscal space of even the most crisis-stricken countries.

Examples are: increasing tax revenues; expanding social security coverage and contributory revenues for social protection; borrowing or restructuring/reducing existing debt; eliminating illicit financial flows; re-allocating public expenditures; using fiscal and central bank foreign exchange reserves; lobbying for increased aid and transfers; and adopting a more accommodative macroeconomic framework.[26]

Some countries have put into place progressive policies already which result in both increasing fiscal space and social redistribution. Tunisia has, for example, established progressive income taxes which has meant that the country, like Algeria, has a structure of inequality "close to that of Europe and China where the middle class holds the largest share of national income",[27] though the current economic crisis including inflation is dragging the lower middle class into poverty.

Human rights must come first!

- **Fiscal policy making is not a technical issue at the discretion of governments; it's a matter of justice and rights. It must be in line with human rights principles and done in an inclusive and transparent manner that is accountable to the population.**
- **Any actor should conduct a human rights assessment of a country's existing social policies before recommending or enacting austerity measures.**
- **Austerity measures must only be introduced as a last resort and must live up to human rights principles for states to be in line with their obligations. Such measures must be temporary, non-discriminatory and utmost necessary.**
- **In practice, this means states must exhaust all other alternatives for just and fair maximum mobilization of resources before resorting to austerity, including progressive taxation and debt justice measures.**

Endnotes

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