THE PUBLIC VERSUS AUSTERITY

WHY PUBLIC SECTOR WAGE BILL CONSTRAINTS MUST END

Sarah chepkewmboi is a frontline nurse working in a new health centre in mokoyon parish in uganda where she grew up. When she was sick as a child her father would have to cycle with her for two hours to get to the nearest health centre. Extending health services to remote communities can transform lives. PHOTO: ACTIONAID

KEY FINDINGS AND MESSAGES

The world faces a series of interconnecting crises and responding to them will demand a complete disruption of business as usual. In the light of Covid-19, the growing debt crisis, rising inequality, gender injustice and the climate crisis there is an urgent need to revisit the fundamental redistributive role of States and reimagine the public sector.

Over the past forty years, austerity policies have led to cuts in the public sector workforce that have undermined the ability of governments to deliver quality public services. One of the austerity policies that most acutely impacts public services is the imposition of public sector wage bill constraints harming the delivery of gender-responsive public services. There are two direct consequences:

1. Blocks to the recruitment of new teachers, nurses and other essential workers,
2. Strict limits to the already low pay of existing health, education and other workers.

Neoliberalism has been oversold for forty years and has stifled the very growth and development it was supposed to value.[1] It is time for a fundamental overhaul of the economic architecture and fiscal policy, for a just feminist economic system that centres on care for both people and the planet.

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Building on work over the past 15 years, in the past year, we have undertaken intensive research across three continents, reviewed 69 IMF documents from 15 countries, held discussions with IMF economists and undertaken a literature review on public sector wage bills. Our research has revealed that:

- Despite IMF claims that wage bill containment is only ever temporary, all of the 15 countries studied were given a **steer to cut and/or freeze the public sector wage bill** for three or more years, and eight of them for up to six years.
- In just those 15 countries, **the recommended IMF cuts add up to nearly US$ 10 billion** – the equivalent of cutting over 3 million frontline public sector workers.
- In just those 15 countries, a **one-point rise in the percentage of GDP spent on the public sector wage bill would allow for the recruitment of 8 million nurses, teachers and other workers.**
- There is **no clear logic, rationale or evidence to justify when cuts are needed, or how much is enough.** Zimbabwe, with a wage bill at 17.1% of GDP, was advised to cut, but so was Liberia which spends 10.1%, Ghana at 8.7%, Senegal at 6.5%, Brazil at 4.6%, Nepal at 3.7%, Uganda at 3.5% and even Nigeria, which spends just 1.9% of its GDP on public sector workers.
- The latest IMF medium-term advice is to **drive every country below the global average** for public sector wage bill spending as a percentage of GDP, contributing to a long-term downwards spiral.
- Despite claims that public sector wage cuts should be **accompanied with action to expand tax revenues**, most countries experienced decreasing, stagnating and/ or inadequate tax-to-GDP ratios. Even the few countries that expanded tax revenues were advised to cut spending on the public sector wage bill.
- Public sector wage bill constraints **undermine progress on health, education, gender** and other SDGs.
- There was **no serious or systematic ex-ante or ex-post assessment of key worker shortages** in health and education to inform cuts or freezes, and no attempt to project the impact of wage bill constraints.
- Cuts to public sector wage bills were often justified as essential to free up funds for capital expenditure investments, giving the absurd impression that spending on the public sector workforce is not a valuable part of social spending. In practice, **infrastructure fundamentalism actually diverts spending away from health and education.**
- The **impact is felt triply and most acutely by women and girls,** as they are more likely to be excluded from accessing basic services, to lose opportunities for decent work in the public sector, and to bear a disproportionate share of the unpaid care and domestic work that rises when public services fail.
- IMF documents routinely used **dodgy data and inappropriate country comparisons** to drive down public sector wage spending.
- **Secrecy in IMF discussions with Ministries of Finance is now a key weapon** in the fight to preserve a failing ideology.

These findings reveal a deeply embedded mind-set that is irrationally anti-public sector. Implementation of these public sector wage bill cuts is both blunt and directionless. It betrays a bias against the public sector and connects with wider anti-labour policies and trade union busting. These measures undermine the fulfilment of human rights and achievement of the SDGs, and block climate action.

But movements to push back against austerity are getting stronger. A radical reimagining of the public sector and its workforce is key to the response to the multiple crises of Covid-19, climate and inequalities. **It is time to recognise and act on positive cycles of investment in public services, to build economies and societies that care for both people and the planet. It is time for the IMF and finance ministries to disavow austerity and prioritise the public sector.**