

BRIEF on What Citizens Can Do to End Austerity?

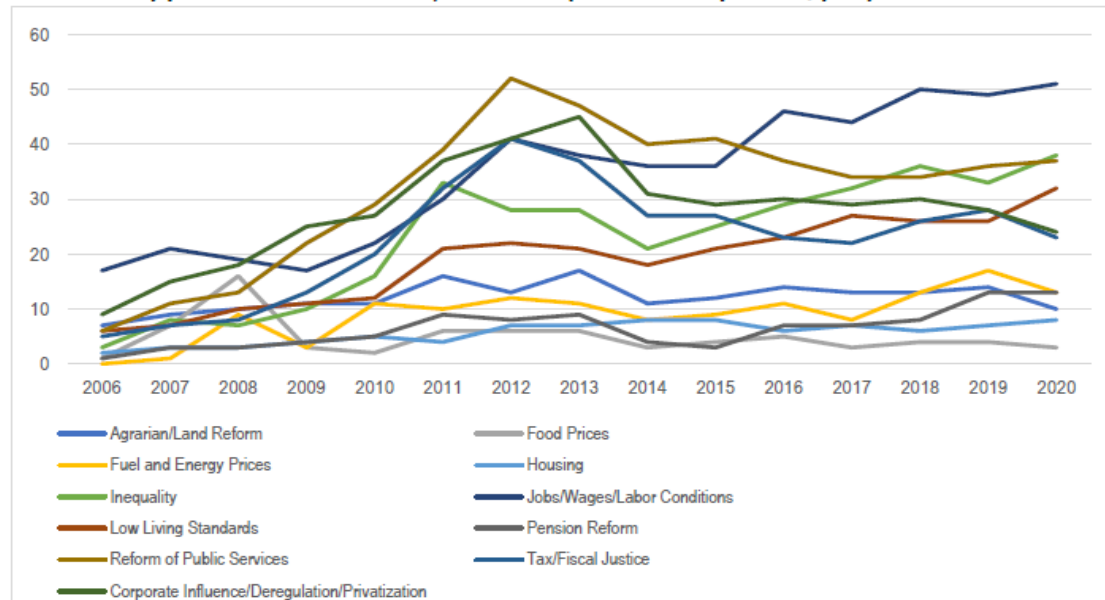
Based on "[*End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25*](#)" by I. Ortiz and M. Cummins

This brief presents five steps to peacefully end austerity. Decisions about expenditure allocations, budget cuts and financing sources affect the lives of millions of people and cannot be taken behind closed doors by a few technocrats in the Ministry of Finance and staff from IMF and the World Bank. These decisions require national social dialogue with representative trade unions, employer federations, and civil society organizations (CSOs), as part of good governance. See also the two companion pieces "[*Brief on Budget Cuts and Austerity Reforms in 2022-25*](#)" and "[*Brief on Alternatives to Austerity: Fiscal Space and Financing Options for a People's Recovery*](#)".

There is a global campaign to stop austerity measures that have negative social impacts: EndAusterity. In 2020, over [500 organizations and academics](#) from 87 countries called on the IMF and Ministries of Finance to immediately stop austerity, and instead support policies that advance gender justice, reduce inequality, and put people and planet first. In 2022, it became a [campaign to End Austerity](#). These organizations, concerned about governments' ability to fulfil human rights and advance progress toward the Sustainable Development Goals ([SDGs](#)), are alarmed that austerity is returning to the policy agenda. The COVID-19 pandemic has laid bare the deadly repercussions of systematically weak investments in health, education and social protection and their impacts on marginalized populations, including women, children, older persons, racial and ethnic minorities, informal workers and low-income families. This crisis is also shining light on the shrinking middle classes and the widening gaps between the rich and the poor. The End Austerity campaign denounces that time and time again, rigid and rapid fiscal consolidation implemented by Ministries of Finance with the support of the IMF, has meant devastating cuts in health and education investments, losses of hard-earned pensions and social protections, public wage freezes, layoffs, and exacerbated unpaid care work burdens. In all cases, societies bear the brunt of these reforms, while the elite, large corporations and creditors enjoy the benefits. Austerity must be ended because fiscal consolidation doesn't ensure economic

recovery and the creation of new jobs, but instead deepen the downturn. It won't deliver a just transition towards climate resilient economies either. Rather than austerity cuts, it is critical to create fiscal space and give governments flexibility and support to foster an inclusive and sustainable people's recovery.

Anti-austerity protests in 101 countries, 2006-2020 (in number of protests/year)



Source: Ortiz, Burke, Berrada and Cortes, 2022: [World Protests: A Study of Key Protest Issues in the 21st Century](#). Palgrave Macmillan.

Citizens have challenged and sometimes successfully reversed austerity measures over the past decade. People in more than 100 countries protested policies that were designed behind closed doors at the Ministry of Finance, and many came out victorious. For instance, following demonstrations and protests, governments reinstated subsidies (Bolivia in 2010, Ecuador in 2019 and 2022, Nigeria in 2012), reversed tax increases on basic goods (Burkina Faso, Cameroon and Ivory Coast in 2008), restored social grants (South Africa, 2022), reversed water fee increases (Ireland in 2016) and higher student fees (South Africa in 2016). European older persons and citizens protested pension and social security reforms and took their cases to justice; courts in Latvia (2010), Romania (2010) and Portugal (2013) declared austerity cuts unlawful and unconstitutional, and forced social benefits to be reinstated in these countries (see on [world protests here](#)).

To avoid civil unrest and conflict, past experiences demonstrate the need to act early and to forge consensus through national social dialogue. For all stakeholders —governments and citizens— it is better to agree any reform before it is approved and implemented, avoiding conflict. For this, it is necessary that governments (and the IMF and other IFIs) stop taking decisions that affect the lives of millions of people without adequate consultation, resulting in reduced social investments, low national ownership, adverse socioeconomic impacts and civil unrest. This means discussing publicly any budget cuts and possible options, negotiating agreements transparently with input from a range of stakeholders including representative trade unions, employers and CSOs, through national social dialogue, an essential tool of good governance.

How to peacefully end austerity in a country? There are five main steps: (1) find out whether the government is cutting public expenditures; (2) say no to austerity and articulate positive demands for a people's recovery; (3) call for national public social dialogue; (4) carry out a rapid and timely ex-ante assessment of the social impacts of the different policy options and financing alternatives; and (5) negotiate and agree on optimal policies through national social dialogue with governments, representative trade unions, federated employers, CSOs.

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The first step to do is to find out whether the government is reducing expenditures —or planning to do so in the near future. Check your country in the Annex of the report "[End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25](#)", [OXFAM fiscal tracker](#), the [EndAusterity campaign website](#), or others.

It is important to verify with the latest country information from the IMF's website (<https://www.imf.org/en/Countries>) and your Ministry of Finance website.

Box 1. Decoding IMF and IFIs reports

IMF and IFI reports can be difficult to read. They are addressed to Ministries of Finance and the IMF/IFIs Boards, not to citizens. They use technical jargon and avoid charged terms such as "austerity" —instead, they use new and harmless sounding phrases like "fiscal consolidation," "medium-term consolidation objectives" and so forth. Below is a quick guide to help better understand IFI reports:

- **"Consolidation":** Austerity or adjustment cuts.
- **"Reform":** The term "reform" suggests an improvement; however, many reforms result in negative social impacts. For example, "State-Owned Enterprise (SOE) reforms" often refer to the privatization of public services such as water supply and sanitation, energy, transport and postal services, generally with adverse impacts in terms of layoffs, tariff increases, loss of public revenues, and unaffordable and/or low-quality goods and services. The term "privatization" is generally avoided in recent IMF reports.
- **"Improving social protection":** This means targeting more narrowly to fewer people and "rationalizing" or downsizing social assistance benefits, reducing coverage and lowering benefits for citizens. "Improvement" is a highly misleading description: there is a "fiscal improvement" (cost-saving), but at the human cost of reducing benefits and excluding people from them. Often, "improving" social protection has been implemented by slashing child and family support, programs for women, the unemployed, the elderly and persons with disabilities, targeting scarce resources to only a portion of the extreme poor. Countries must scale up social protection —not to scale it down— in accordance with international standards and commitments.
- **"Wage bill caps/cuts":** Cuts or ceilings to the number of civil servants and/or their salaries, such as the number of teachers or how much health workers are paid. It can also refer to cuts to social workers, and other civil servants that carry out vital work in the community.
- **"Intergenerational equity/fairness":** The IMF pushes governments to make unethical choices such as taking resources away from the elderly to support children (rather than taxing the wealthy, corporations, etc.), a breach of the human rights of older persons. States must identify financing sources to promote human rights for all, including the young and the elderly.

- **“Tax wedge”:** The “tax wedge” is a recent construct that enables a convenient discussion aimed at reducing employers’ contributions to social security. However, these contributions are a deferred wage of workers, part of their compensation, not a tax; reducing them makes social security unsustainable and lowers hard-earned pension benefits.

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Second, say no to austerity cuts and articulate positive demands for a post-pandemic people’s recovery. As a guiding principle, any austerity measure that results in negative social impacts should be avoided and countered with an alternative policy. Table 1 provides examples.

Table 1. Alternatives to austerity measures for post-pandemic people’s recovery

Austerity Measure	Alternative Policies for a People’s Recovery
Cuts to public expenditures	#EndAusterity: No cuts with negative social impacts—ever! If spending needs to be scaled back, reduce military/defense, bank bailouts and other expenditures that benefit powerful interest groups and not the general population. Instead of austerity cuts, governments should identify financing options to enable a people’s recovery and achievement of human rights and the SDGs.
Targeting and rationalizing social protection	Instead, invest in universal social protection, scaling up social protection coverage and benefits, in accordance with human rights, international standards and the SDGs.
Wage bill cuts or caps	Instead, increase the number of public sector workers who provide essential services to the population, including education, health, social protection, water supply and sanitation, transportation, etc. as relevant. Also ensure that salaries are adequate and paid on time, for the delivery of quality public services in accordance with human rights and the SDGs.
Reducing subsidies	Instead, support sustainable agriculture and energy alternatives, socially-relevant subsidy programs and universal social protection systems, ensuring that food, transport and energy costs remain accessible and affordable [Note that lowering or removing subsidies on areas with no positive social impacts, like defense or polluting industries or subsidies to banks, can be a good option to create fiscal space for socioeconomic priorities].
Privatization/PPPs of public services	Instead, invest in affordable quality public services, from education and health to water supply and transport, to ensure achievement of human rights and the SDGs.
Pension and social security reforms	Instead, support the extension of social security or social protection with adequate benefits, formalizing workers in the informal sector with good contracts; any social security reform must balance equity and sustainability, in accordance with international standards.
Labor flexibilization reforms	Instead, address the high levels of precarious, low-wage, and informal work by strengthening worker protections and labor market institutions to bring about living wages, safe and productive workplaces, labor rights, and job security; invest in creating jobs in sectors that are climate-friendly and address global needs, including the care economy and sustainable infrastructure.
Waiving or reducing employers’ social security contributions (“tax wedge”)	Countries that reduced/waived employers’ social security contributions to support companies/corporations should quickly reverse policy given that these are a deferred wage of workers, part of their compensation. Instead, call for adequate employers’ contribution rates and ensure that all arrears are paid back to social security, to ensure its sustainability and protect workers’ rights.
Contain health expenditures	Countries don’t need just a temporary increase in health expenditure to deal with the COVID-19 emergency, but sustained investments to support universal quality healthcare.
Consumption taxes or VAT	Instead, increase taxes on corporate profits, personal wealth, financial transactions, property, natural resource extraction, digital services, luxury items, imports/exports and other progressive approaches where wealthier income groups contribute the lion’s share.
Fees/tariffs for services	Instead, ensure that services are affordable for all citizens including by promoting public services and adequate subsidies for all –a safety net/subsidized services for the extreme poor is insufficient compensation and punishes the low and middle classes; governments should aim to bring prosperity and welfare for all.

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Third, call for national social dialogue. National social dialogue is best to articulate optimal solutions in macroeconomic and fiscal policy, human rights and the SDGs. National social dialogue with government, federated employers, representative workers organizations and CSOs, is fundamental to the generate political will to exploit all possible fiscal space options in a country and adopt the best combination of public policies to deliver a people’s recovery. Additional to national social dialogue, it is essential to ensure parliamentary debates and to bring the End Austerity demands to the electoral agenda of political parties; however, it is critical to start calling for an urgent national social dialogue as soon as possible.

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Fourth, carry out an assessment of the social impacts of the different policies and their financing options. This is a brief and concise assessment elaborated and disseminated before national dialogue (“ex-ante”). Its main objective is to support the government to design and implement socially-responsive recovery measures. This can take the form of a rapid analysis, with the key findings presented in a simple matrix and made publicly available, including in local languages. This should not be a long and technically difficult document, but rather a quick scoping exercise that enables meaningful national debate. The UN and national think tanks are typically available to support these processes. The discussion of policy options should take into consideration their social impacts, including, but not limited to, the key issues presented in Table 2. Note that a social impact assessment is not a poverty impact assessment –the latter is insufficient. What is needed is a social impact assessment that analyzes the impacts of policies on all social groups, women, children, older persons, ethnic groups etc., as well as by income group, including the low and middle classes, not only the poor or extreme poor (see section on targeting). As discussed earlier, most of the population in developing countries has low incomes, and even in OECD countries, the middle classes are shrinking; a social impact analysis should also focus on them, on the mainstream population, (“the main street”), not just the extreme poor. Above all, red flags should be drawn when policies are regressive, harming women or main population groups and redistributing to the wealthy/corporations, or depleting the public sector.

Table 2. Rapid social impact assessments: Key issues

Typical issues to address in a social impact analysis	
1	Number of people directly benefitting from/being affected by a policy (by gender, age, income group, ethnicity, and location e.g. rural/urban) and if possible, a quantitative estimate of the benefits that may be gained/lost
2	Access to and quality of essential goods and services, including education, health, nutrition, social protection, water and sanitation, and agricultural inputs (e.g. improves/worsens for whom?)
3	Prices of basic goods and services (e.g. if consumer subsidies are modified, do they increase/decrease?)
4	Labor market dynamics (e.g. job creation/job losses by sectors and location)
5	Total social expenditures by sector before and after the reforms (including net public transfers to households e.g. compensatory safety nets)
6	Social impacts in the short and long term, with an emphasis on short-term impacts (avoiding policies that do not provide any social benefit in the short term but only in some distant remote future)
7	Winners and losers of the proposed policy; distributional impacts (who benefits), with attention to gender and income inequalities (red flagging policies that hurt women, populations, redistribute to wealthy groups, or deplete the public sector)
8	Contribution of a proposed policy to achieving human rights and the SDGs for all persons (e.g. to achieve universal health, education and social protection, full employment, and so forth)

Once a set of alternative policies with positive social impacts has been defined, it is necessary to identify financing sources. As presented in the Brief fiscal space alternatives, there are financing options even in the poorest countries. There are at least nine options, supported by policy statements of the UN and the IFIs —governments around the world have been applying these financing options for years. These are: (1) increasing progressive tax revenues, (2) restructuring/eliminating existing debt, (3) eradicating illicit financial flows, (4) increasing social security contributions and coverage, (5) using fiscal and foreign exchange reserves, (6) re-allocating public expenditures, (7), adopting a more accommodating macroeconomic framework, (8) lobbying for ODA and transfers: and (9) SDR allocations. Questions to consider on financing/fiscal space options during national dialogue are presented in Box 2. Those in power may say that these are very technical issues, yet they affect the lives of millions of people ([See CESR](#)). No matter how technical a policy could become, governments must

explain their value/impacts to citizens and get public endorsement in national social dialogue with representative trade unions, employer federations, CSOs, as part of good governance (See [ILO and UNWOMEN](#)).

Box 2. Questions to identify fiscal space alternatives and financing options in national dialogue

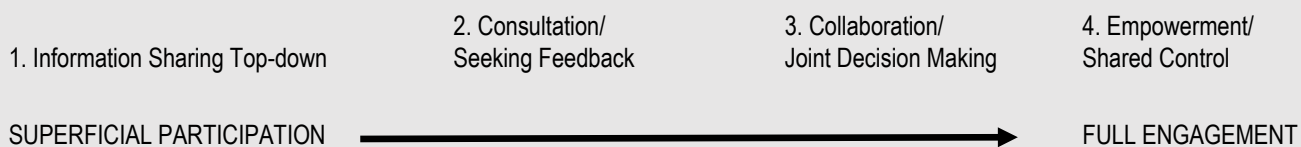
1. **Increasing tax revenues:** Are personal income and corporate tax rates designed to support equitable development outcomes? Are wealth taxes in place? Have all taxes and possible modifications been considered to maximize public revenue without jeopardizing private investment? What collection methods could be strengthened to improve overall revenue streams? Could minor tariff adjustments increase the availability of resources for social investments? Is natural resource extraction adequately taxed? Have financial sector or digital taxes been considered to support productive and social sector investments? Is there discussion to ending 'special economic zones' and other tax exemptions/breaks to big corporations? Has there been any attempt to earmark an existing tax or introduce a new one to finance specific social investments —taxes on wealth, windfall profits, property, inheritances, tourism, tobacco, luxury goods, etc.?
2. **Restructuring/eliminating debt:** Have all debt options been thoroughly examined to ramp up social investments? If borrowing is an option, what are the impacts of financing government expenditures by additional borrowing? If borrowing is not an option and the country is in debt distress, have different maturity and repayment terms been discussed with creditors? Has a citizen's debt audit been carried out to examine the legitimacy of existing debts? Are all options available to governments to reduce or eliminate sovereign debt being discussed, this is debt relief/cancellation; re-negotiating debt; debt swaps/conversions; repudiating debt and defaulting? Is debt cancellation/suspension an option? Is there a plan to restructure/reduce existing debt?
3. **Eradicating illicit financial flows:** Has a study been carried out or a policy designed to capture and re-channel illicit financial flows for productive uses? What can be done to curb tax evasion, money laundering, bribery, trade mispricing and other financial crimes that are illegal and deprive governments of revenues needed for social and economic development?
4. **Increasing contributions and social security coverage:** Are current employers and workers contribution rates adequate, or too low? Have employers' contributions to social security been waived/reduced in recent years, threatening the sustainability of social security? What is the percentage of workers contributing to social security? What is the size of the informal sector? Can workers in the informal sector, particularly women, be formalized with decent contracts? Is there scope to introduce innovations (e.g. such as the *Monotax* in Latin America) to encourage the formalization of workers in the informal economy?
5. **Using fiscal and foreign exchange reserves:** Are there fiscal reserves invested in sovereign wealth funds that could be used to support households today? Are excess foreign exchange reserves sitting in the Central Bank? Are fiscal and foreign exchange reserves utilized to foster local and regional development?
6. **Adopting a more accommodating macroeconomic framework:** *Is the macroeconomic framework too constrictive for national development?* Could increasing the fiscal deficit by a percentage point or two create resources to support essential investments for the population? Are inflation targets unduly restricting employment growth and socio-economic development? At what cost is the country achieving macroeconomic stability?
7. **Reprioritizing public spending:** *Can government expenditures be re-allocated to support social investments?* Are, for example, current military, infrastructure or corporate subsidies justified in light of the existing cost-of-living crisis for the majority of the population? Is the government prioritizing low-cost/high-social-impact investments, and dismissing high-cost/low-social-impact expenditures such as defense or corporate bailouts? Is there a case for addressing youth unemployment that could result from the elimination of military service through creation of civilian service to assist in the social development agenda? Is the government identifying measures to improve procurement processes, including steps to tackle and prevent corruption and the mismanagement of public funds?
8. **Lobbying for increased aid and transfers:** *Has the government delivered a convincing case to donors for increased aid, including budget support, to support the scaling up of social investments?* Has there been any formal or informal attempt to lobby neighboring or friendly governments for South-South transfers?

9. **SDR allocations:** *Can SDRs be used by the government to stabilize the currency and shore up reserves, or for social or health policies, without incurring in new debt? Can the government lobby for more SDRs that are not loans, and without loan conditions?*
10. **Lastly, have all options been carefully examined and discussed in an inclusive social dialogue?** Have all possible fiscal scenarios been fully explored? Is there any assessment missing from the national debate? Are all relevant stakeholders — government, workers' trade unions, employers, civil society, development partners — being heard and supportive of an agreement that articulates an optimal solution in macroeconomic and fiscal policy, the need for job and income security, the SDGs and human rights?

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Fifth, negotiate and agree optimal policies through national social dialogue with government, representative trade unions, employer federations, CSOs. The process normally starts with a coalition of social groups, and with the legitimate democratic institutions in a country (parliaments, political parties). For national dialogue to be meaningful, it must be with representative trade unions, employer federations, CSOs (instead of opinionated corporate tycoons, yellow unions, marginal NGOs). The winners and losers of policy change must be taken into account. If the IMF is invited, it is better to have the Country Economist/Team from the IMF Headquarters in Washington DC who ultimately takes the decisions, rather than the IMF Representative. Policies that may encounter greater resistance need more extensive consultations. National social dialogue requires meaningful participation and joint decision making. Participation ranges from the superficial to full engagement, from a top-down passive exchange of information to shared control (Box 3). Shared control refers to social services, for example, trade unions having a seat in pension boards. National dialogue is successful when people are empowered to make informed decisions; if participation is manipulated —presenting very partial information, not allowing primary stakeholders sufficient opportunity to participate— the result will be uninformed decisions, undesirable outcomes and ultimately, social conflict.

Box 3. Degrees of Participation



Timing is of the essence in policy making. Meaningful national dialogue with representative partners can be done quickly. Depending on the national budget cycle, there are specific points during the year where major adjustments can be made, which typically take place during the budget design phase and the budget approval phase. Other ad hoc opportunities can also arise, such as when a new IMF or budget support program is being designed or during debt negotiations. Above all, it is important to ensure that the national dialogue is aligned to and working toward influencing a concrete decision-making process to prioritize human rights, sustainable development and political stability, to achieve long-term prosperity for all.

This brief is based on “[End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25](#)” ©Isabel Ortiz and Matthew Cummins. Published by ActionAid, Arab Watch Coalition (AWC), Eurodad, Financial Transparency Coalition (FTC), Global Social Justice, International Trade Union Confederation (ITUC), Latindadd, Public Services International (PSI), The Bretton Woods Project, Third World Network (TWN) and Wemos.

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