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# Economic Inequality, Financial Crises and Human Rights

31st session of the Human Rights  
Council

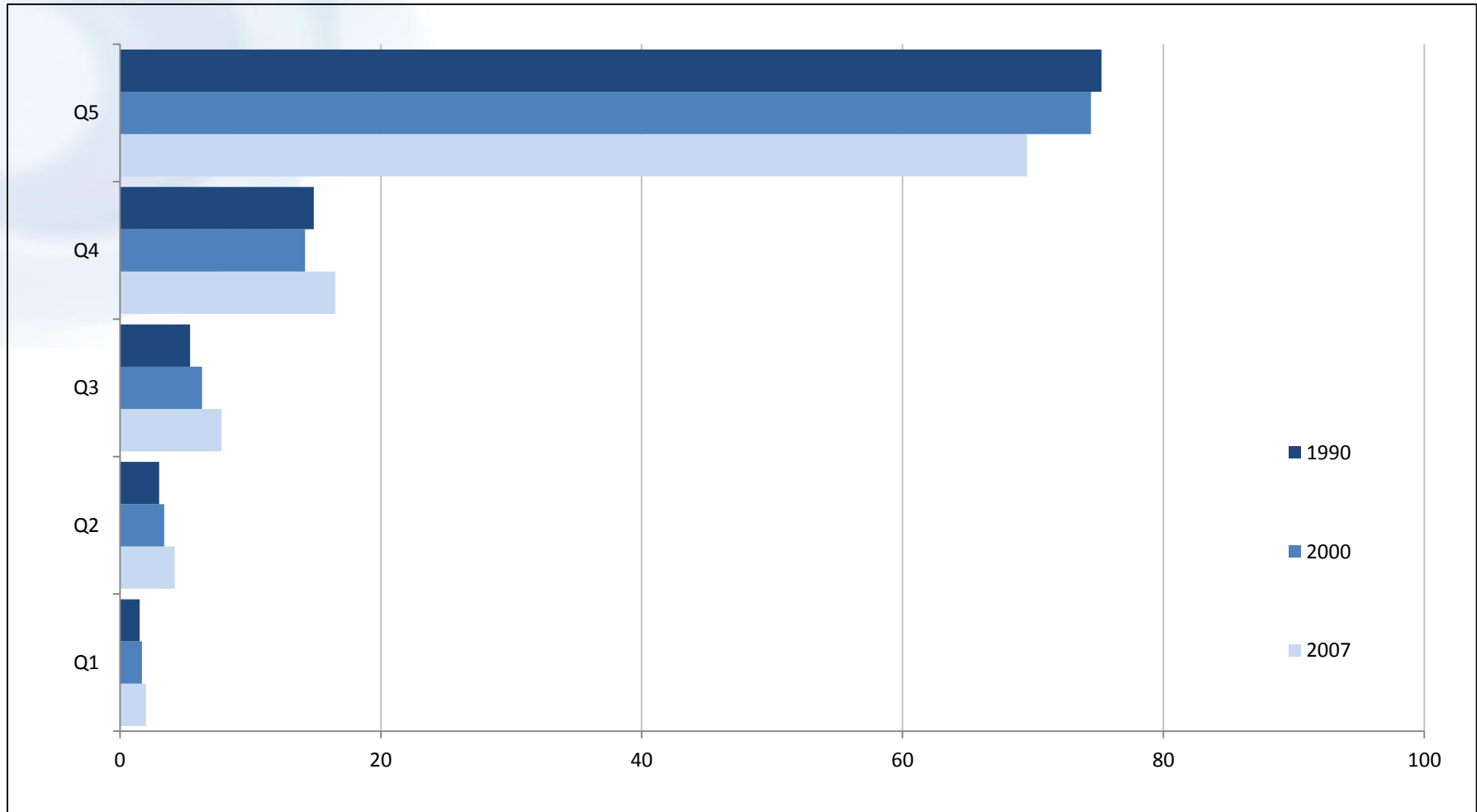
United Nations, Geneva, 9 March 2016

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International Labour Organization

# Distribution of World Income: Development for Whom?

## Most people left behind before the crisis

Global Income Distribution by Countries, 1990-2007 (or latest available)  
in PPP constant 2005 international dollars



Source: Ortiz and Cummins. 2011. [Global Inequality: A Review of Income Distribution in 141 Countries](#). UNICEF

# Inequality Increased by Global Crisis/Recession:

## Crisis 2008- Impacts on People

### 1. Employment and Income

- Unemployment, underemployment
- Wage cuts, reduced benefits
- Decreased demand for migrant workers
- Lower remittances
- Negative returns from pension funds

### 2. Prices

- Basic food, agricultural inputs
- Fuel
- Medicines, drugs

### 3. Assets and Credit

- Lack of access to credit
- Loss of savings due to bank failures
- Loss of savings due to coping mechanisms
- Home foreclosures

### 4. Fiscal Consolidation:

**Government Spending on Economic and Social Sectors,** including education, health social protection

- Reducing subsidies
- Wage bill cuts/caps
- Reforming pensions and health
- Targeting social protection
- Other adjustment measures

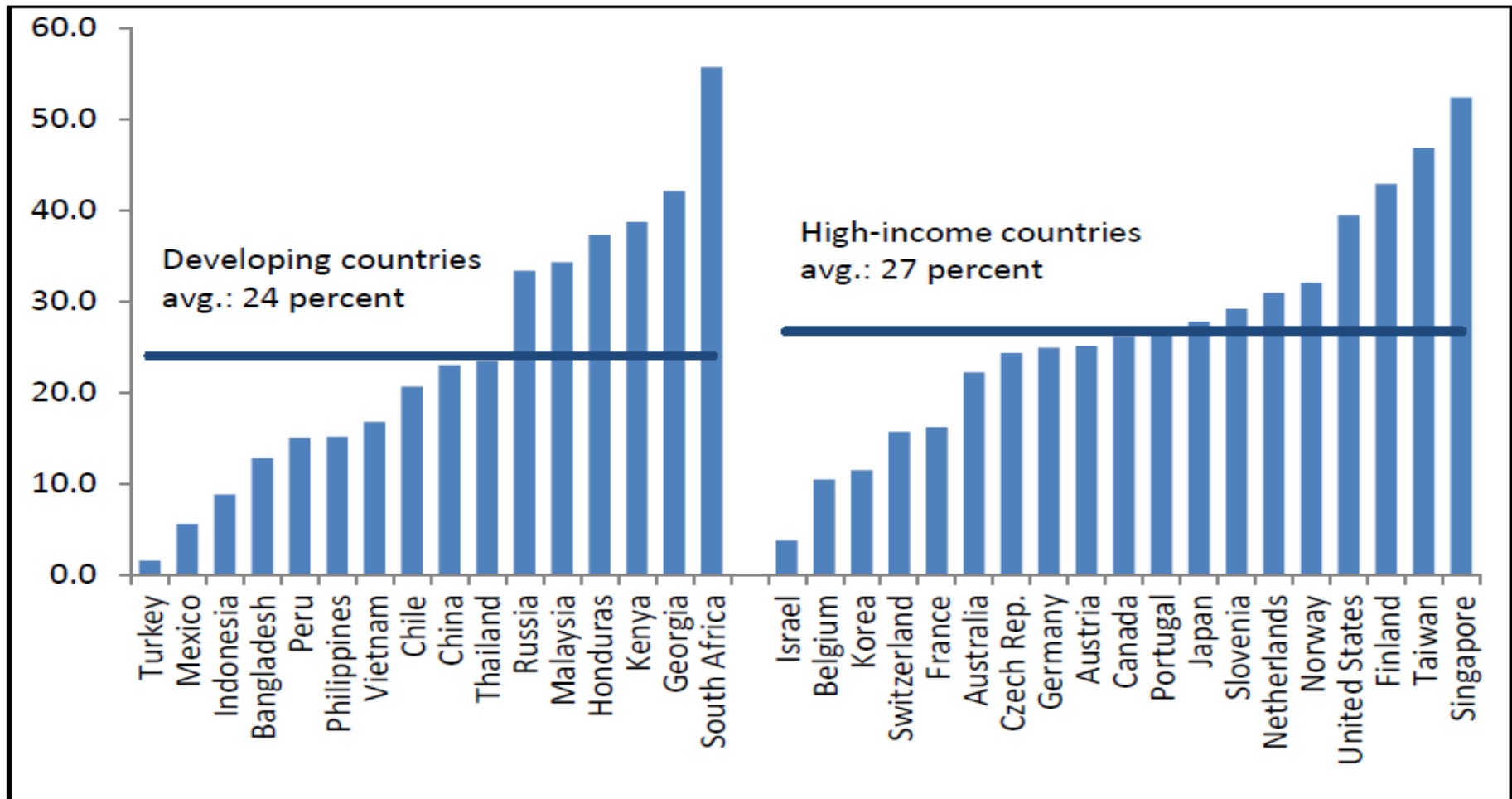
### 5. Aid Levels - ODA

*A crisis created by the financial sector in the North, transmitted to the South*

# Crisis Phase I (2008-09) – Fiscal Expansion

- \$2.4 trillion fiscal stimulus plans in 50 countries

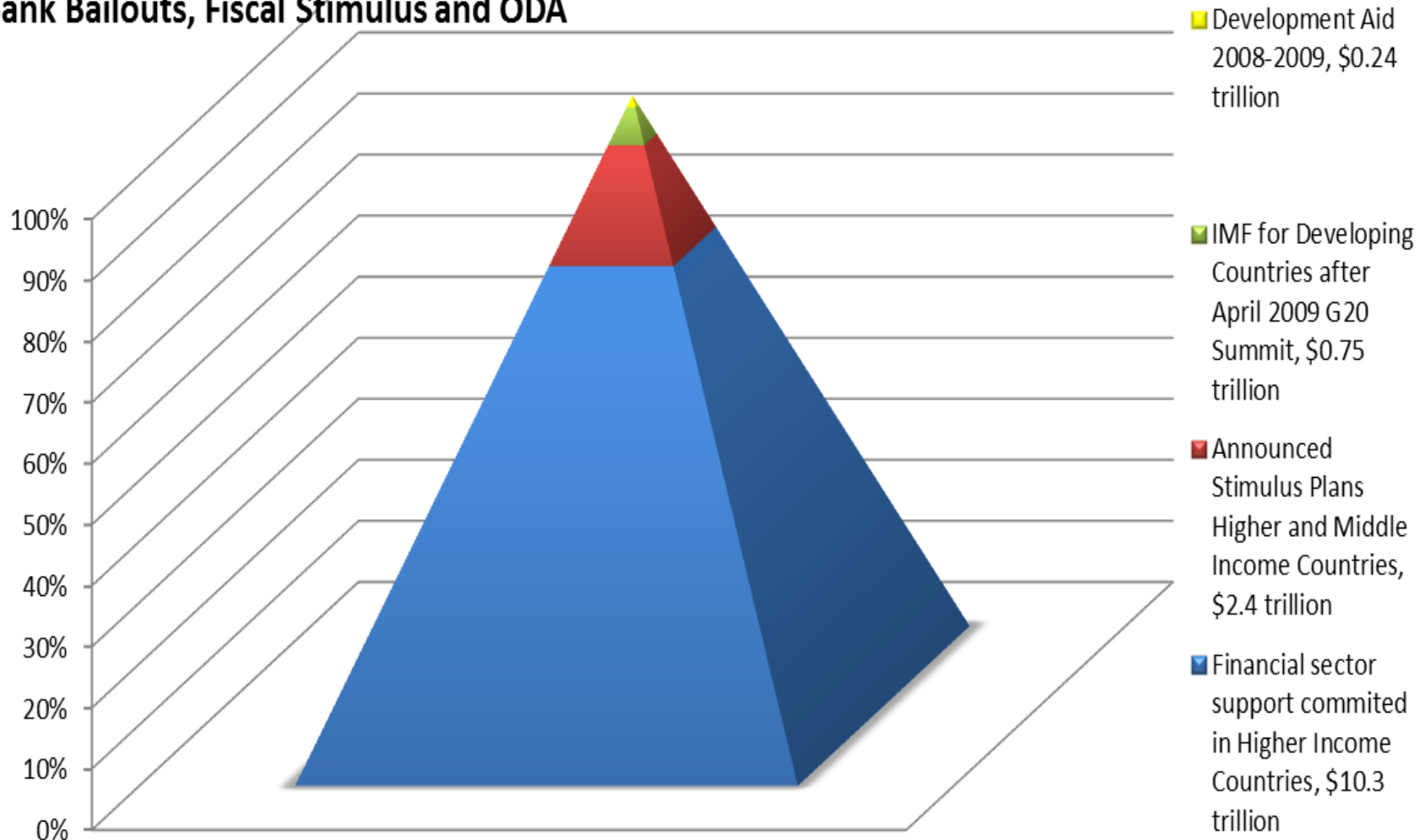
## Social Protection in Fiscal Stimulus Plans 2008-09



# Inequality Further Increased by Global Crisis (I): Bailing Out Banks, not People

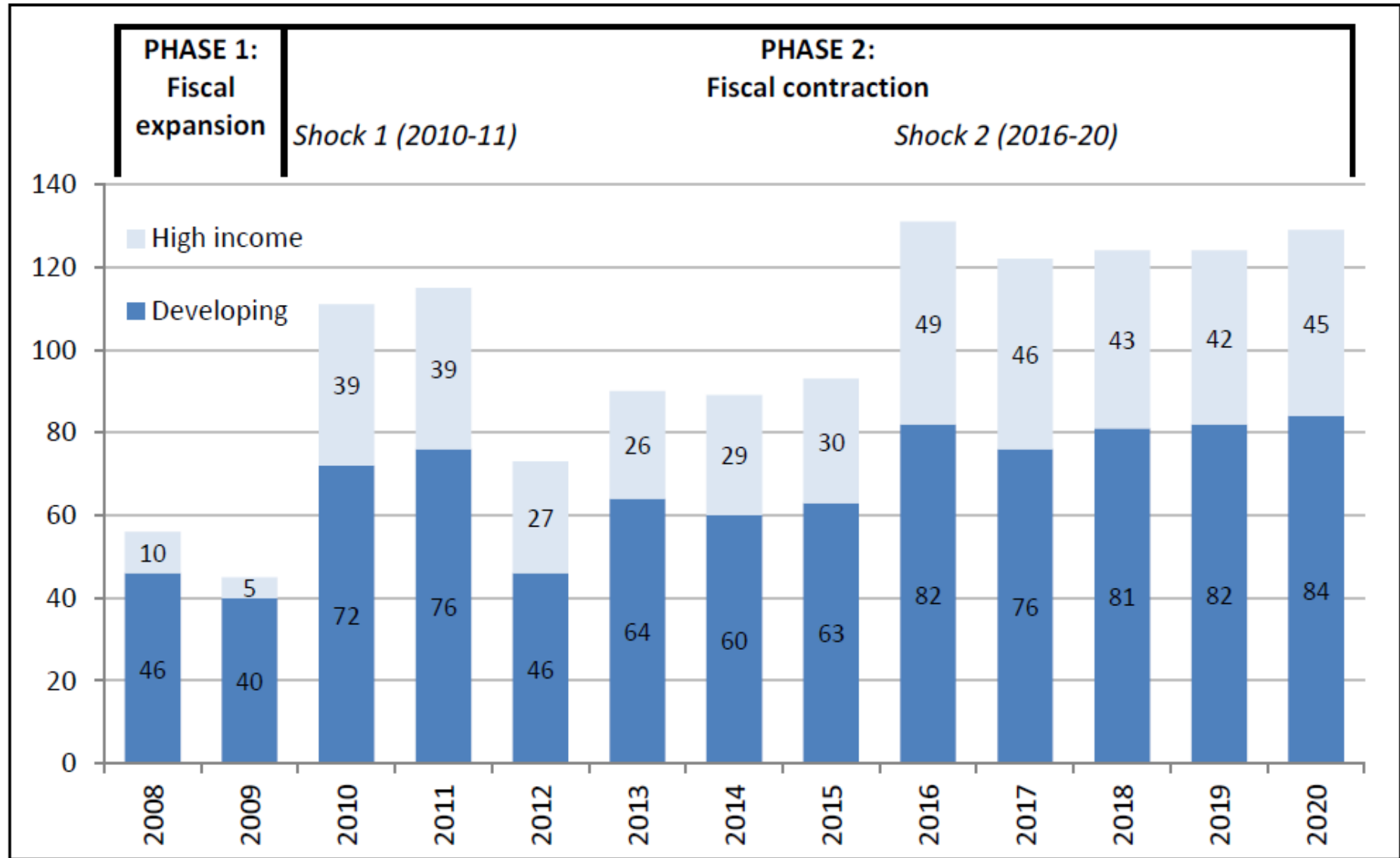
## Financing Global Recovery 2009

### Bank Bailouts, Fiscal Stimulus and ODA



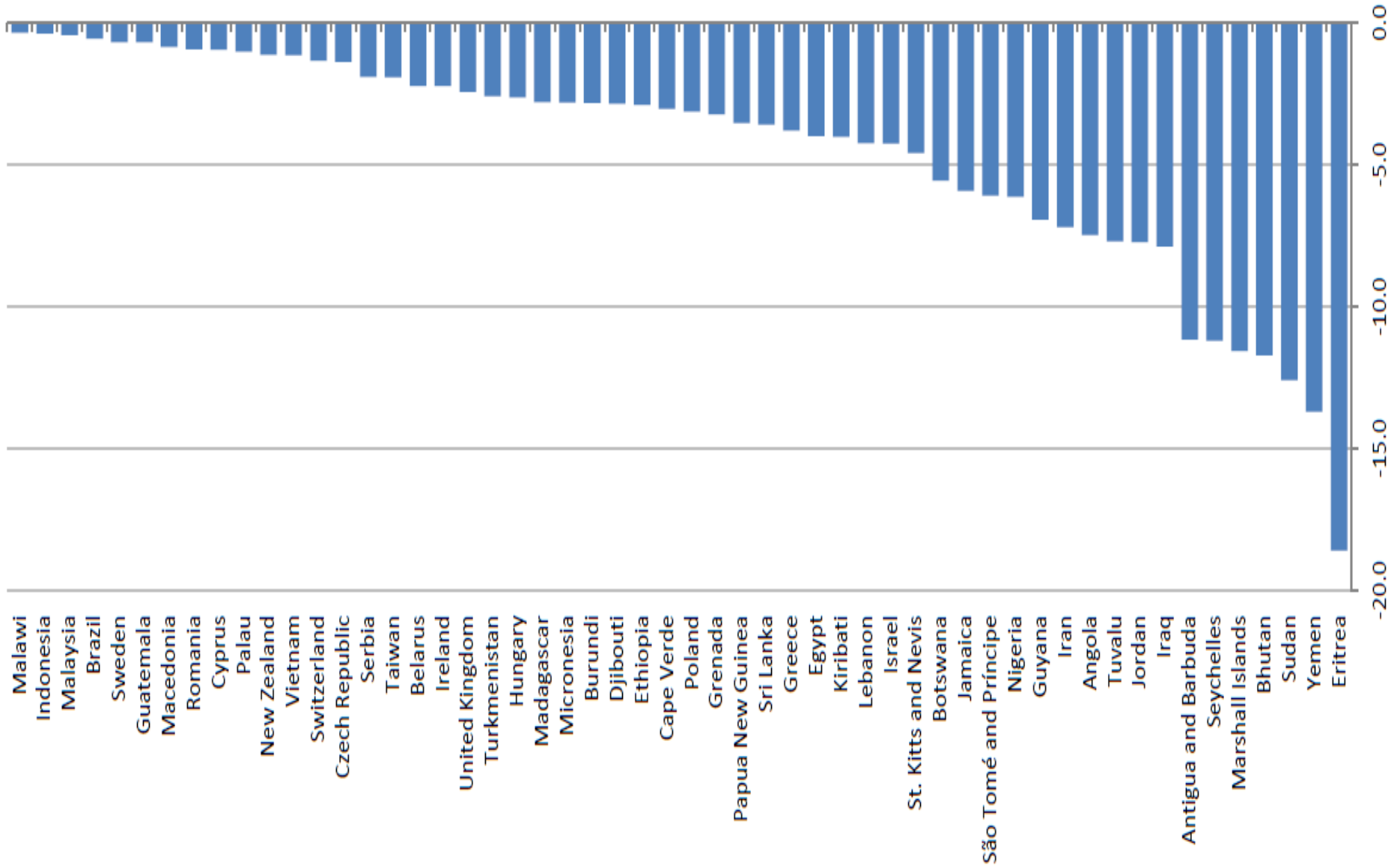
# Crisis Phase II (2010-20) – Fiscal Consolidation

Figure 1: Number of Countries Contracting Public Expenditure as a percentage of GDP, 2008-20



Source: [The Adjustment Decade](#), ILO/IPC/South Centre, based on IMF's *World Economic Outlook* (April 2015)

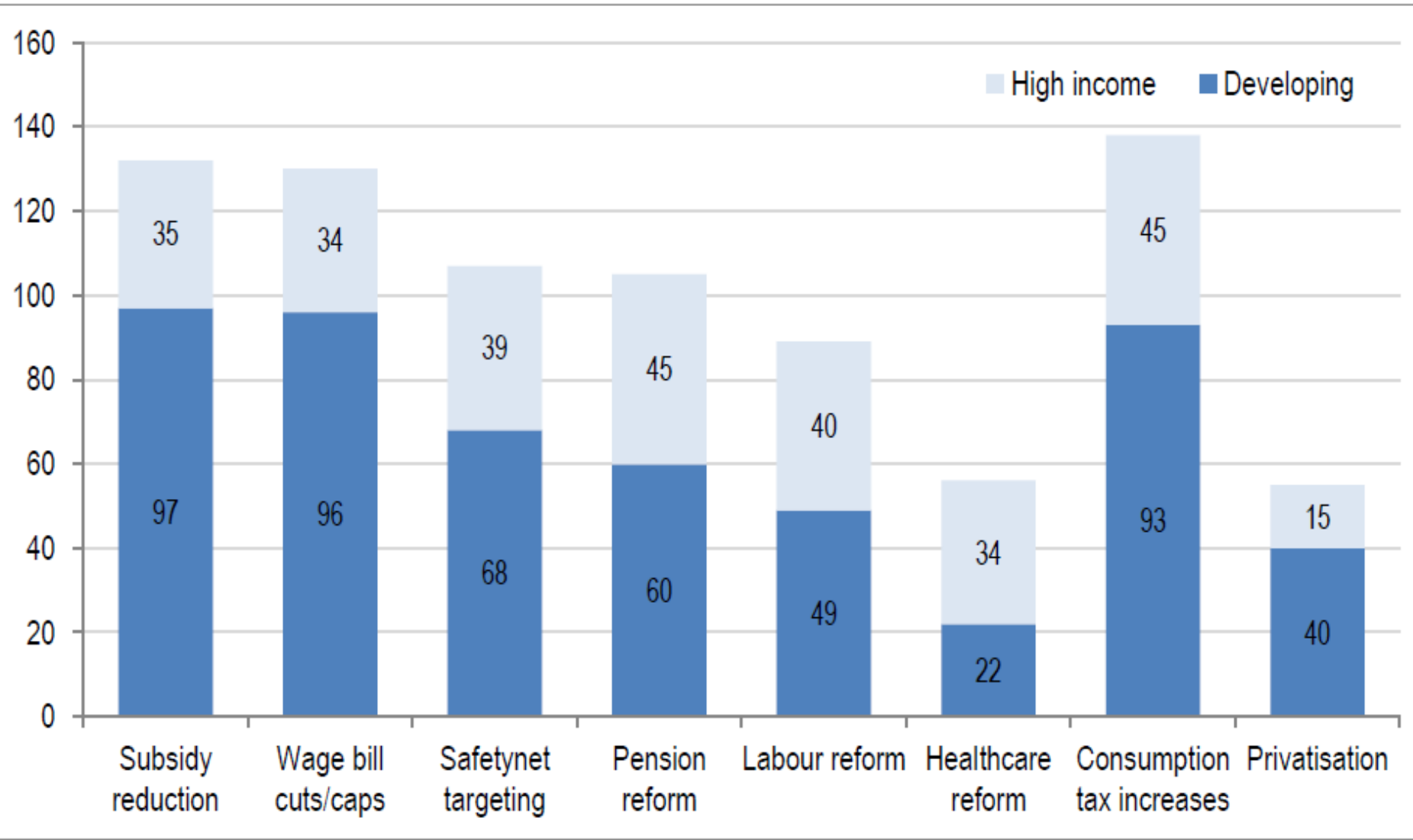
# 2016-20: 30% of world countries excessive contraction (expenditures below pre-crisis levels)



# Adjustment Measures in 183 Countries 2010-15

Figure 6: Incidence of Austerity Measures in 183 Countries, 2010-15

(number of countries)



Source: [The Adjustment Decade](#), ILO/IPC/South Centre, based on 616 IMF Country Reports

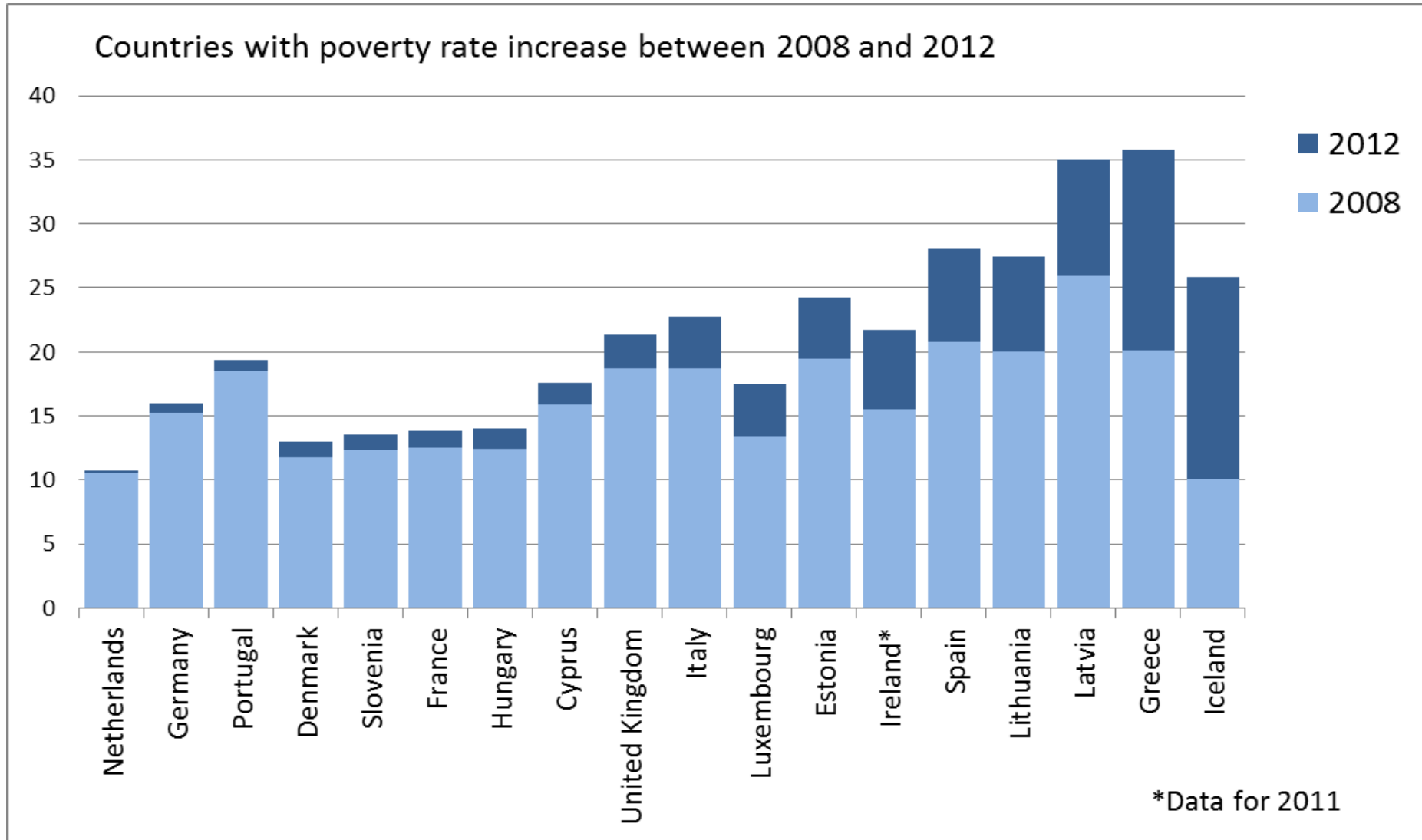


# Fiscal Consolidation/Austerity post 2010: Where is the Right to Food, Social Security, Health, Education... and Labour Rights?

132 countries contracting public expenditures in 2016 (82 developing)

- **Eliminating subsidies** (fuel, food, agriculture) in 132 countries, despite record-high food prices in many regions
- **Wage bill cuts or caps** in 130 countries, reducing or freezing the salaries and number of public-sector workers who provide essential services to the population, including education, health and social workers
- **Rationalizing and narrow-targeting welfare (“safety nets”)** is under consideration in 107 countries, at a time when governments should be scaling up (not scaling down) social protection
- **Reforming pension and health care systems** in 105 and 56 countries by adjusting benefits and entitlements
- **Labour market reforms** in 89 countries
  
- **VAT increases** on basic goods and services that are consumed by the poor – and which may further contract economic activity – in 138 countries
- **Privatizations** in 55 countries

# Europe: Increasing Poverty - 123 million or 24% Europe's population



# Contesting Fiscal Consolidation: The Right to Social Security

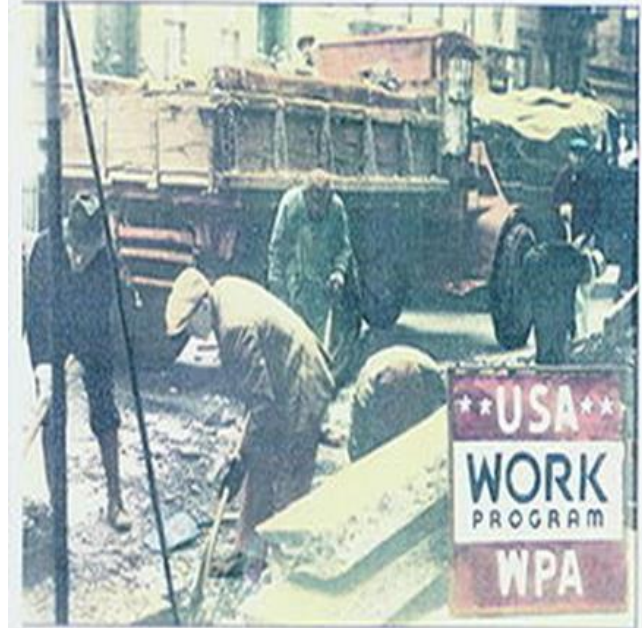
- **Portugal:** The Constitutional Court ruled in 2013 that four fiscal consolidation measures in the budget, mainly affecting civil servants and pensioners, were unlawful and in breach of the country's constitution.
- **Latvia:** The 2010 budget proposed new spending cuts and tax increases, including a 10% cut in pensions and a 70% decrease for working pensioners; the constitutional court ruled that the pension cuts were unconstitutional on the grounds that they violated the right to social security, and the cuts had to be reversed.
- **Romania:** 15% pension cuts proposed in May 2010 were also declared unconstitutional.
- **The European Parliament** launched an inquiry into the democratic legitimacy of adjustment reforms and their social impacts in Ireland, Cyprus, Spain, Slovenia, Greece, Portugal and Italy in 2014
- **The UN High Commissioner for Human Rights** has warned that “austerity measures endanger social protection schemes, including pensions, thereby dramatically affecting the enjoyment of the rights to social security and to an adequate standard of living” (OHCHR, 2013, esp. paras 36–71).

# It Does Not Need to Be a Decade of Austerity: Fiscal Space for Human Rights Exists Even in the Poorest Countries

- **There is national capacity to fund social protection floors in virtually all countries. There are many options, supported by UN and IFIs policy statements:**
  1. Re-allocating public expenditures
  2. Increasing tax revenues
  3. Expanding social security coverage and contributory revenues
  4. Lobbying for increased aid and transfers
  5. Eliminating illicit financial flows
  6. Using fiscal and foreign exchange reserves
  7. Managing debt: borrowing or restructuring debt
  8. Adopting a more accommodative macroeconomic framework (e.g. tolerance to some inflation, fiscal deficit)

# It is not too late: Policies for an Equitable Recovery

- **Current crisis presents an opportunity to rethink socio-economic policies for an equitable recovery**
- **1929 financial crash led to a New Deal that radically altered the development model of the day:**
  - ✓ **Stimulated economic growth and employment**
  - ✓ **Regulated the financial sector**
  - ✓ **Expanded social security**
- **A comparable policy push is needed today**
- **It is not too late**





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# Thank You

## Download:

[\*\*The Decade of Adjustment: A Review of Austerity Trends 2010-2020 in 187 Countries\*\*](#) by I. Ortiz, M. Cummins, J. Capaldo and K. Karunanethy; International Labour Office, Initiative for Policy Dialogue and The South Centre. Geneva, 2015

[\*\*Fiscal Space for Social Protection: Options to Expand Social Investments in 187 Countries\*\*](#) by I. Ortiz, M. Cummins, J. Capaldo and K. Karunanethy. Geneva: ILO.

[\*\*World Social Protection Report 2014/2015: Building economic recovery, inclusive development and social justice\*\*](#) ILO, Geneva, 2014