

An additional 25 million Europeans face poverty

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An “additional 15 to 25 million people across Europe could face the prospect of living in poverty by 2025,” according to the development charity Oxfam. In a report, “A Cautionary Tale—The true cost of austerity and inequality in Europe,” it states bluntly that “Europe is facing a lost decade.”

Austerity measures across Europe resulted from the financial crisis of 2008 as the ruling elite sought to make workers pay for the cost of bailing out the banks. The report notes that “the richest in many European countries affected by austerity have seen their share of income rise, the very poorest have seen their incomes fall.”

It warns that the measures adopted by Europe’s ruling elite at the behest of the European Central Bank and European Union “bear a striking resemblance to the ruinous structural adjustment policies imposed on Latin America, South-East Asia, and sub-Sahara Africa in the 1980s and 1990s. These policies were a failure: a medicine that sought to cure the disease by killing the patient. They cannot be allowed to happen again.”

It gives examples of the levels of cuts: “From 2010 to 2014, total public spending will have been cut by 40 percent of GDP in Ireland, approximately 20 percent in Baltic States, 12 percent in Spain and 11.5 percent in the UK.” The report states that in the UK from 2010 to 2018, 1.1 million public sector jobs will have gone.

Health services have been affected, with the report noting: “In 2010 spending on health in Europe recorded its first drop in decades. In Ireland and Greece, cuts in spending exceeded six percent, reversing a decade of growth.”

Rates of unemployment, long-term unemployment and youth unemployment are at their highest since 2000. “In both Spain and Greece, unemployment rates tripled between 2007 and 2012...to over 24 percent. In

Ireland, Greece and Spain, the long-term unemployment rate quadrupled between 2008 and 2012...more than half of long-term unemployed people in Europe have been unemployed for more than two years. Youth unemployment is particularly high in Portugal (42 percent), Spain (56 percent) and Greece (59 percent)—more than double the rates recorded in 2008.” In Italy youth unemployment is nearly 40 percent.”

The hidden social cost of this crisis is underestimated, it states, noting that many lone parents, for example, “are choosing between keeping warm and providing a balanced diet for their family.” Requests for food aid and general social support doubled in the first part of 2012.

“In Lisbon, about 20 percent of clients of pharmacies (mainly women, unemployed and elderly people) did not fill their whole prescription due to costs. More people are being evicted from their homes.”

The main target of austerity measures is to cut public spending. In the UK, for instance, the ratio of spending cuts to tax increases is 85:15, and even the tax increases fall disproportionately on the poor. Value added tax (VAT) has been raised in many European countries. This is a regressive tax as workers generally spend more on VAT as a proportion of their incomes. The report notes that in contrast: “EU governments are losing around 1 trillion euros a year through tax avoidance and evasion. There has also been relatively little new taxation of wealth.”

The Oxfam report references the World of Work Report produced this year by the United Nations International Labour Organisation (ILO), which warned, “Almost everywhere, young people...find it difficult to obtain that match their skills and aspirations.... This is a major global challenge for the

years to come...the risk of social unrest is on the rise in most regions.”

Oxfam endorses this warning, explaining that the number of working poor is on the increase. “Almost one in 10 working households in Europe now lives in poverty.... Cyprus, Ireland and Italy have each seen record working poverty rates in the last two years. Workers are increasingly finding that the only jobs being created offer limited security or fewer hours than they need.”

Wages are falling across the continent, and they are “falling fastest in countries implementing aggressive spending cuts, making it more difficult to for people to cope with rising prices.” Falls in real wages have taken place in Italy, Spain and Ireland, with Greece recording a more than 10 percent fall. Real wages in the UK and Portugal have fallen more than 3 percent, with those in the UK now back at 2003 levels.

Austerity measures are having a marked impact on the levels of inequality within Europe. An increase in inequality was already present before the 2008 crisis, with the report noting Portugal and the UK are amongst the most unequal of OECD countries.

However, as the report notes, “Austerity has already begun to accelerate increases in inequality mirroring the historical impact of austerity measures in OECD countries over the past 30 years. Portugal, Greece and Italy have seen increases in their net income inequality of almost one percentage point during 2010-11. These increases partly reflect the gains of economic elites as a direct result of austerity policies...the richest have seen their total share of total income grow, whilst the poorest have seen theirs fall.”

The wealthiest top 10 percent of the European Union (EU) receive nearly a quarter of its income, with the poorest 10 percent receiving just 3 percent. The 10 richest people in the EU have a combined income of nearly €220 billion—more than the €200 billion spent on EU “stimulus” measures in 2008-2010.

In 2011, more than 120 million, or nearly a quarter of the EU’s population, were at risk of poverty or social exclusion, a figure that can only have increased.

The report compares the effects that austerity measures will have in Europe with the impact International Monetary Fund structural adjustment programmes (SAPs) had in Latin America, South-East Asia and sub-Saharan Africa, noting, “we can draw

useful comparisons on the potentially destructive impact of austerity.”

Its description of the results of SAPs in Latin America between 1980 and 2000 sounds the warning: “A lack of public spending, together with the privatisation of many vital social services, resulted in key services being subject to fees, which pushed them beyond the means of many.”

Austerity measures will have a long-term lasting impact, with the report predicting an additional 15 million to 25 million people living in poverty by 2025. “These measures will entrench power and wealth for an elite few and steal opportunities from millions of today’s youth,” it notes.

The Oxfam report is a devastating assessment of the impact of austerity, but no alternative is offered. Amongst its meagre recommendations are efforts to “promote greater participation in democratic processes” and the imposition of a financial transaction tax.



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