

# International Labor Organization details impact of global austerity

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More than 70 percent of the world's population lack adequate income, health care, old-age pensions and other social protections, according to a new report by the United Nation's International Labor Organization (ILO). Governments around the world have and continue to slash the remaining social safety net even as unemployment and poverty grows as a result of the global economic crisis, the report found.

The World Social Protection Report 2014/15 reviews several categories including protections for children, unemployed and injured workers, pregnant women and new mothers, and workers of pensionable age. It uses as its baseline the minimum social protection floors recommended by the ILO in 2012 and endorsed chiefly as ceremonial "human rights" by the UN, the G-20 and various employer and union organizations in 185 countries.

The report is a damning indictment of the capitalist system, detailing the impact of the savage austerity measures implemented in Europe, the United States and the so-called developing countries following the financial crash of 2008. Far from meeting the inadequate minimums proposed by the ILO, governments around the world have rolled back longstanding protections with devastating consequences.

Among the report's findings are:

- 18,000 children die every day, mainly from preventable causes bound up with the lack of funding for nutrition, health, education, care services and protections against child labor.

- In 2012, 123 million people in the European Union, representing 24 percent of the population, were at risk of poverty or social exclusion, up from 116 million in 2008. Child poverty rose in 19 of the 28 EU countries between 2007 and 2012, with 800,000 more children living in poverty than in 2008.

- Of the nearly 202 million workers unemployed around the world, only 12 percent are receiving jobless benefits.

- Nearly half (48 percent) of all people over pensionable age do not receive a pension. For many of those who do, pension levels are not adequate.

- With the recent disasters at a Bangladeshi textile factory and a Turkish coal mine highlighting the devastating impact of industrial accidents on workers and their families, only 33.9 percent of the global labor force is covered by mandatory social insurance for workplace injury.

- Only 28 percent of women in employment worldwide have maternity cash benefits, which provide some income security during the final stages of pregnancy and after childbirth, forcing many women to return to work prematurely.

- Some 39 percent of the world's population lack health care coverage, a figure that rises to more than 90 percent of the population in low-income countries. As a result, about 40 percent of all global health expenditure is shouldered directly by the sick.

This social catastrophe is the product of the historical development of world capitalism, now entered into a period of terminal decay. Giant corporations and banks, mainly based in a handful of wealthy imperialist powers, plunder the population of the entire world—both the working class in their own countries, and the vast majority of humanity who live in the impoverished countries of Asia, Africa and Latin America.

These conditions have been exacerbated by deliberate policies implemented by governments around the world on behalf of the banks and financial institutions whose reckless speculation precipitated the 2008 crash. After discarding their short-lived stimulus packages by 2010, the ILO report says, "governments embarked on fiscal consolidation and premature contraction of expenditures, despite an urgent need of public support among vulnerable populations."

The shrinking of public spending in 106 out of the 181 countries was the result of the IMF's call for "structural reforms in public finance" and pension and health care overhauls. The austerity measures, the report notes, were chiefly aimed at offsetting "rising debts and deficits that resulted from bank bailouts to rescue the financial sectors from bankruptcy, stimulus packages, and lower government revenues due to the slowdown in economic activity."

In response to the crisis, greater restrictions were placed on unemployed workers seeking benefits in Ireland, the UK, Ukraine, Portugal, the United States and many other countries, including reductions in the maximum period to collect benefits, stricter obligations on job seekers and a broader definition of “suitable employment” to replace lost jobs.

The share of unemployed workers receiving jobless benefits in the United States is only 26.5 percent, the ILO found, just slightly higher than Bulgaria’s 25.6 percent.

Only 20 out of 201 countries surveyed currently provide unemployment benefits for first-time job seekers. Young people are frequently laid off before meeting the minimum contribution period to collect unemployment insurance and are more likely to work in conditions which are not covered by jobless benefits, including temporary and part-time contract or other forms of precarious or informal employment, the report notes.

The report notes the pitiful percentage of economic resources allocated by capitalist governments for social protections. On average, governments allocate only 0.4 percent of GDP to child and family benefits, ranging from 2.2 percent in Western Europe to 0.2 percent in Africa, Asia and the Pacific. The United States spends just 0.699 percent of its GDP on child and family benefits. By contrast the US devotes 4.2 percent of economic output to military spending.

In its latest forecast, the IMF predicted that governments would continue to reduce social spending at least through 2016. According to IMF projections, in 2014 alone 122 countries will be “contracting expenditures in terms of GDP, of which 82 are developing countries. Further, a fifth of countries are undergoing excessive fiscal contraction, defined as cutting public expenditures below pre-crisis levels.”

The report highlights in particular the impact of the social counterrevolution in Europe: “The cost of adjustment has been passed on to populations who have been coping with fewer jobs and lower income for more than five years. Depressed household income levels are leading to lower domestic consumption and lower demand, slowing down recovery. The achievements of the European social model, which dramatically reduced poverty and promoted prosperity in the period following the Second World War, have been eroded by short-term adjustment reforms.”

Despite its disastrous impact, this austerity model has been widely copied: “Contrary to public perception, fiscal consolidation measures are not limited to Europe; many developing countries have adopted adjustment measures, including the elimination or reduction of food and fuel subsidies; cuts or caps on wages, including for health and social care workers; rationalizing and more narrowly

targeting social protection benefits; and reforms of pension and health-care systems. Many governments are also considering revenue-side measures, for example increasing consumption taxes such as VAT on basic products that are consumed by poor households.”

With energy and food prices hitting record highs, 100 governments in 78 developing and 22 high-income countries are planning to cut subsidies, the ILO notes, with especially severe impact anticipated in the Middle East and North Africa, and in sub-Saharan Africa.

Some 86 countries are changing pension systems by tightening eligibility conditions, raising retirement ages so that people have to work longer to receive a full benefit or eliminating minimum pension guarantees for the most vulnerable sections of workers.

Summing up the conditions of pensioners internationally, the ILO report says, “the majority of the world’s older women and men have no income security, have no right to retire and have to continue working as long as they can—often badly paid and in precarious conditions. Only 42 percent of people of working age today can expect to receive social security pensions in the future, and effective coverage is even lower.”

The report concludes with the warning that the provision of a safety net is “a social and political necessity” and that “there can be no inclusive and cohesive society where the poor and rich drift further and further apart.”

Political conflict, it continues, “generally originates in severe social grievances, often rooted in the perception of inequality among social, ethnic, religious or other groups.”

Far from turning back from policies that will inevitably produce immense social upheavals, however, the corporate and financial elite around the world, and the political parties they control, are escalating their policies of social counterrevolution.

The picture painted by the ILO report leads to only one conclusion: mass social struggles are on the agenda, and the working class must develop an international political struggle to put an end to capitalism and replace it with a planned world socialist economy.



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