THE PUBLIC VERSUS AUSTERITY

WHY PUBLIC SECTOR WAGE BILL CONSTRAINTS MUST END

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COVER PHOTO: Given they are so under-staffed and over-worked it's incredible that frontline nurses like Mary in the Upper West State of northern Ghana can keep smiling.
PHOTO: ACTIONAID

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ACRONYMS

CEDAW	Convention on the Elimination of Discrimination Against Women
ECF	Extended Credit Facility
IFC	International Finance Corporation
ILO	International Labour Organisation
IMF	International Monetary Fund
OECD	Organisation for Economic Cooperation and Development
PPP	Public-private partnership
PSI	Public Services International
SDG	Sustainable Development Goal
VAT	Value-Added Tax
WHO	World Health Organisation

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.

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.**

1. INTRODUCTION AND BACKGROUND

1.1 THE CULT OF AUSTERITY

'Austerity', 'structural adjustment', 'economic discipline', 'medium--term fiscal frameworks', 'financial restraint' and 'fiscal consolidation. In the past fifty years the language may have changed but the meaning has not: public sector budget cuts. Whether imposed from outside by the IMF, or from inside by Ministries of Finance who have internalised the same neoliberal ideology,[2] the austerity policy that most acutely impacts public services is the imposition of public sector wage bill constraints. That is, putting an overall limit on how much a government can spend on employing people.

This policy is wrapped up in diverse justifications, but there are two clear consequences:

- blocks to the recruitment of new teachers, nurses, and other personnel, even where there are severe shortages; and
- strict limits to the already low pay of most health, education and other public sector workers that undermines recruitment and retention of the qualified and skilled staff needed to provide quality public services.

The central rationale for imposing austerity measures is to stabilise or decrease debt levels, to prevent defaults and to ensure that countries can continue to service their existing debts - and access future loans (See box 19). To achieve this, the IMF consider maintaining inflation in low single digits to be crucial.[3] There are many related measures that are widely recognised as part of a standard austerity package, including pension and social security reforms, labour flexibilisation reforms, reducing or eliminating subsidies, 'rationalising' and/or targeting social protection or safety nets, strengthening public-private partnerships (PPPs),[4] and privatising public assets or State-owned enterprises.[5] But one of the centrepieces which underpins and connects all of these is the imposition of public sector wage bill cuts and freezes.

The effects are clear. The World Health Organisation (WHO) estimates that there is a global shortage of 5.9 million nurses,[6] with almost 90% of those in low- and middle-income countries.[7] Filling these shortages requires addressing low pay across the nursing profession, where 90% are women.[8] Meanwhile, UNESCO estimates that 69 million more teachers are needed over the next ten years to achieve the goal of universal access to primary and secondary education by 2030.[9]

When core education and health goals are not met, the impact is felt triply and most acutely by women and girls,[10] who are more likely to be excluded from accessing basic services, who lose opportunities for decent work in the public sector, and who bear a disproportionate share of the unpaid care and domestic work that increases when public services fail.[11] In many cases this is happening in the context of wider regressions in women's human rights[12] and rising inequalities, Meanwhile, escalating profits that could finance public services are disappearing owing to weak tax systems, tax loopholes, avoidance and evasion,[13] enabling wealth to be concentrated in the hands of multinational companies and billionaires.[14]

When health services fail, women are triply disadvantaged.
PHOTO: FLICKR

Our global investigation, and intensive research across fifteen countries, shows that **the use of public sector wage constraints is both blunt and ineffective, often damaging the very sectors that governments and the IMF claim they want to protect.** We also show that, in the light of intersecting crises, **there is an urgent need for a radical rethink, placing frontline public sector workers at the heart of the post-Covid recovery and the transformative responses needed to reverse the climate crisis.** After forty years of shrinking and squeezing, people are pushing back against the cult of austerity[15] and reimagining the role of the public sector for a more caring, feminist, green and just future.[16]

TESTIMONIES FROM THE FRONTLINE IN NIGERIA

All names have been changed in these real-life testimonies, collected by Public Services International (PSI):

Abigail is a mother of two, and one of two midwives working in a comprehensive healthcare centre in Nigeria. She explains what these cuts mean to the chaotic conditions at the frontline: *"By the WHO standard, a nurse is expected to handle four patients but here if you go inside you will see the crowd, women on antenatal today are up to 150, and we are only two nurses on duty".* For Abigail, the fact that they are paid so little at the end of the month makes things worse: *"We cannot afford the school fees for our kids, we had to withdraw some of them. So when things get better, as we are believing and hoping, they will now start again."*

Folake is a nurse, also working in a comprehensive healthcare centre in Nigeria. She is furious about the devastating effects of budget cuts on health workers. *'Honestly it has dealt with us because there is burnout syndrome, there is tension and pressure because in the last decade, the same crop of people are working because there is not employment of new personnel".* She lamented that young graduates are not being employed to relieve the burden from those in the system who are getting older and says that their productivity is reducing every day. One colleague, when asked to give a message to the IMF, said. *"Haba, you IMF are cutting costs, instead of creating positive impact, it is creating negative impact. Whatever organizations like IMF give is not leading to any development".*

PHOTOS: FLICKR

1.2 SHIFTING RHETORIC VERSUS UNCHANGING PRACTICE

Over 15 years ago, ActionAid documented the impact of public sector wage bill caps imposed by the IMF as an explicit condition of loans in low-income countries, showing how they blocked progress on education[17] and HIV&AIDS.[18] After three years of consistent research and advocacy by ActionAid and others,[19] the IMF backed down and removed public sector wage bill caps as a condition of loans worldwide.[20] The IMF Executive Board at the time said that it *'welcomed the declining incidence of such ceilings in Fund-supported programs,'* and hoped to dispense with them entirely, in the meantime using them only *'in exceptional cases'* and allowing for *'spending of scaled-up aid, particularly in priority sectors such as health and education.'*[21]

This dramatic policy shift, questioning one of the pillars of austerity, occurred at a time when the IMF faced diminishing influence and legitimacy - just before the financial crisis of 2007-2008 which re-emboldened the institution, renewing its relevance, finances and power.[22] Since then, the IMF has rebuilt its confidence and forgotten its promise to stop imposing wage bill constraints, which are now routinely a central part of its coercive policy advice.[23] Our April 2020 research showed that, over the previous three years, the IMF had recommended to governments in 78% of the countries (where data was available) to either cut or freeze public sector wage bills.[24] This rose to 90% in October 2020, looking at the initial impact of Covid-19.[25]

Emergency loans issued during the Covid-19 pandemic have further strengthened the power of the IMF. Despite some shifts in rhetoric from its headquarters, the austerity-based policy reforms that countries agree with the IMF, either as conditions or coercive advice, are unchanged.[26] The recent Global Austerity Alert suggests that 154 countries face austerity in 2021, rising to 159 countries in 2022.[27] **Public sector wage bill cuts are flagged as one of the most prevalent austerity measures with negative social outcomes.** Meanwhile Oxfam's August 2021 report Adding Fuel to Fire showed that 85% of IMF Covid-related loans agreed between March 2020 and March 2021 are tied to expectations of a rapid return to austerity, including *'wage bill cuts and freezes (31 countries), increases to or the introduction of value-added tax (VAT) (14 countries), and general public expenditure cuts (55 countries).'*[28]

The degree of austerity found in IMF Covid-era loans flies in the face of the key findings of **the IMF's own internal research unit. In 2016, they found that the benefits of austerity had been "oversold" and that austerity is actually counterproductive,** prolonging economic recessions and undermining future productivity and GDP growth.[29] It should be incumbent upon the IMF Executive Board and Chief Economist to explain why new loan conditions have gone directly against the findings of its own internal research unit (and many other economic studies). If it does not believe its own research to be flawed, then it should explain why it is still imposing austerity today.

Unfortunately, Covid-19 has exacerbated the debt crisis that many countries already faced, making them even more dependent on IMF support.[30] **This reinforces neo-colonial power dynamics:**[31] **as the views of the IMF can significantly impact the economic prospects of a country, even 'advice' from the IMF carries coercive weight.**[32] However, some Ministers of Finance in low- and middle-income countries need little persuading: they have already bought into the cult of austerity and fundamentally believe that there is no alternative. Other ministers struggle to get support for alternatives or have come to accept the constraints of the present international order. Too many share a view that the State should be *'deployed to serve markets through institutions, norms and laws that protect and facilitate private sector needs at the expense of the public sector'.*[33] There are serious concerns about 'revolving doors' between national ministries and the international financial institutions.[34] This produces a **convergence of mindsets that could be particularly toxic post-Covid, leading to more stringent and extreme austerity than we have seen for a generation,** further undermining a just recovery and the financing available for public services.

In accepting a rapid return to austerity,[35] with severely restricted public budgets and public sector wage constraints, low- and middle-income countries are doing the opposite to some high-income countries in response to Covid-19: decreasing public spending and State support.[36] Indeed, in being pushed back to austerity, low- and middle-income countries are doing the opposite of what parts of the IMF's leadership now recommend. In April 2021, the IMF's Managing Director urged governments to *'spend as much as you can'*[37] and its Fiscal Monitor observed: *'Governments also need to adopt comprehensive policies, embedded in medium-term frameworks, to tackle inequalities—especially in access to basic public services—that were exacerbated by the COVID-19 pandemic'. They went on to argue for: 'Investing in education, healthcare, and early childhood development and strengthening social safety nets financed through improved tax capacity and higher progressivity.'*

The first year of the pandemic did indeed lead to some increase in spending in the global South in 2020, but this was very short-term and most went to large corporates (63%) or small and medium enterprises (13%). Under a quarter was spent on social protection (23%) and almost nothing on public services or public sector wages.[38] Nevertheless, some people have seen these pronouncements as a clarion call from the IMF for progressive tax and expansionary spending, arguing that we are seeing the death of austerity and the end of the Washington Consensus.[39] Others remain sceptical,[40] and **over 500 organisations rallied in 2020 to condemn what they saw as the imminent and hasty return to austerity.**[41] So how do we make sense of this?

Tragically there is a growing gulf – indeed a chasm – between what the IMF says in Washington (often aimed at advanced economies)[42] and what it does in practice at country level (especially in the global South). This gulf is matched by the capacity of some rich countries to pursue one policy for themselves (increased domestic spending made possible by low interest loans), whilst using their disproportionate power in the IMF (based on a neo-colonial geopolitical settlement after the second world war)[43] to support the opposite for lower income countries - who are advised that they 'lack fiscal space.' These profound disconnects could have devastating consequences over the next three years, locking in a decade of decline,[44] blocking progress towards fulfilling human rights obligations and the Sustainable Development Goals (SDGs), preventing action to address climate change and perpetuating the regression of women's rights.

Ministers of Finance in the global South face serious challenges, particularly with growing debt burdens, but there are always alternatives (see Box 1). Opportunities to advance alternatives are increased when countries stand together, as they surely must do at this pivotal moment, to demand wider changes to the international economic order.

The international financial institutions have failed to respond adequately to the present crisis. Debt suspension has been too limited in scope and timeframe (see Box 2), corporate tax reforms have only benefitted the richest countries (see Box 3), and other interventions like the issuing of Special Drawing Rights will do little to help unless there is a bold commitment to reallocation and redistribution.[45] There is an urgent need for the cancellation of unrealistic debts, the creation of a sovereign debt workout mechanism and global tax reforms that would actually benefit the global South, as the leaked Pandora Papers have reconfirmed. This will only happen when there is sufficient public pressure in every country, and when Ministries of Finance reappraise their priorities and work together to find solutions.

BOX 1: THERE ARE ALTERNATIVES: EIGHT FINANCING OPTIONS TO INCREASE PUBLIC SECTOR WAGE BILLS

Recent work by the International Labour Organisation (ILO), UNICEF and UN Women shows that austerity cuts to the public sector wage bill are not necessary.[46] All governments, even in the poorest countries, have various financing options. These options, supported by policy statements of the United Nations and international financial institutions, include:

1. **Increasing tax revenues** (e.g. progressive personal income and corporate income taxes, including of the financial sector that remains untaxed in many countries);
2. **Eliminating illicit financial flows** (e.g. money laundering, tax evasion, trade mispricing);
3. **Borrowing or restructuring existing debt** (there are more than 60 successful cases in recent years);
4. **Reallocating public expenditures** (e.g. military/defence expenditures);
5. **Expanding social security coverage** and providing workers in the informal sector with good contracts;
6. **Lobbying for aid and transfers** for lower-income countries;
7. **Using fiscal and foreign exchange reserves** excessively accumulated in Central Banks; and
8. **Adopting a more accommodative** macroeconomic framework.

An adequate policy mix would allow for increased wage bills and public investments to boost employment, improve living standards and reduce inequalities. Expenditure decisions are too important to be taken behind closed doors in Ministries of Finance: Public national social dialogue with government, trade unions, representative civil society organizations and other relevant stakeholders is the most effective way to develop optimal solutions to increasing public sector wage bills.

BOX 2: GRAPPLING WITH THE DEBT CRISIS

The prioritisation of creditor rights over the health and wellbeing of people severely restricts the fiscal space and policy responses of highly indebted, emerging market and developing economies. This forces them to continue repaying foreign currency-denominated debts amidst sharply diminished inflows of foreign exchange. This is keeping money away from emergency economic and health responses, including access to vaccines.

The G20 Debt Service Suspension Initiative was set up in response to the increasing debt vulnerabilities, and ends in December 2021. It has provided some very short breathing space for a limited set of countries, but falls far short of the effort needed to meet the current scale of need in the global South. The Common Framework for debt treatment has not been effective in ensuring private sector participation, ignores the need for multilateral debt relief and leaves out most middle-income countries in debt distress. So far, the only result of the Common Framework has been the sovereign rating downgrades from Credit Rating Agencies to those countries daring to ask for debt restructuring with private sector participation.

The international community must recognise that the health and wellbeing of millions of people in developing countries is a precondition for debt sustainability. A systemic approach to the resolution of the present debt crisis is urgently needed and should include steps towards a permanent multilateral sovereign debt resolution framework under United Nations auspices. Unfortunately, neither the Initiative, nor the Common Framework, come close to offering the fair, timely, comprehensive, transparent and lasting debt resolution that countries in the global South need.[47]

BOX 3: THE G7 TAX DEAL

There is a clear appetite for action on corporate tax, with the G7 agreeing in June 2021 to set a global corporate minimum tax rate of 15%.[48] But the design of this is flawed,[49] as it will increase tax revenues raised in G7 countries but do nothing for developing countries. Action is needed on country-by-country reporting and agreeing a formula for apportioning global profits equitably, and the rate is set too low (25% was widely demanded). Ensuring that developing countries get a fair share of profits from big corporations is essential as a means for them to expand spending on public services - and this may require unilateral action until a fairer global deal is in place.[50] However, the G7 deals is a sign that the tide of history is turning finally against tax havens and that bold tax reforms that challenge corporate power are on the global agenda again. There will be even more pressure now the Pandora Papers have shone a spotlight on many global businesses and politicians.

1.3 JUSTIFICATIONS AND ALTERNATIVES

Whilst neo-colonial power dynamics between countries are clearly an underlying force, austerity is most often justified using a narrative that low- and middle-income countries have 'limited fiscal space'.

> *You cannot spend what you do not have and cannot borrow.*
> *You have to balance the books.*
> *You cannot keep running a deficit.*
> *There is no magic money tree.*

These simple statements are partially contradicted by the fact that the United States has the largest deficit in the world,[51] vast sums were found to bail out banks in the financial crisis[52] and unimaginable funds have been mobilised for comprehensive social and economic responses to Covid-19 in rich countries, many of whom were previously imposing austerity.[53] Perhaps most fundamentally, these statements are contested by the fact that there *are* always choices:

- Choices around *what* you cut. Soldiers or nurses? The high salaries of ministers in the capital, or the low salaries of local teachers? Harmful tax incentives to corporates or social protection programmes? Fossil fuel subsidies or free school meals?
- Choices between cutting spending or raising new revenues, and over how revenue is raised - through progressive tax reforms that would pass the burden onto the rich or regressive taxes that exacerbate inequality.[54]

The IMF estimates that most low- and middle-income countries could raise their tax-to-GDP ratios[55] by five percentage points in the coming decade.[56] Achieving such a growth in tax revenues would allow most countries to double their spending on health and education, and in some cases also double their spending on water and sanitation and social protection.[57] This can and should be achieved through progressive tax reforms, that place the burden on those who are most able to pay (see Box 4).[58]

There is a fundamental choice faced by Ministries of Finance: impose austerity or increase fiscal space through progressive tax reforms and other measures (see Box 1) – or do a bit of both The majority of the public would almost certainly want to choose differently from the neoliberal orthodoxy – as evident from popular support for increasing nurse's pay,[59] which is routinely refused by most governments. National action on tax reforms needs to be complemented by global action, for example to recoup the estimated US$427 billion lost every year through international tax evasion, which costs countries the equivalent of the annual salaries of nearly 34 million nurses.[60]

The dominant economic measure - GDP growth – also contributes to the downplaying of the crucial role of long-term public sector investments in advancing development. Since the 1940s, when GDP growth was first proposed, the measure has been critiqued for making the unpaid care and domestic work of women invisible,[61] and more recently for ignoring planetary and natural resource constraints. But this inadequate indicator still drives much economic policy.

BOX 4: PROGRESSIVE TAX REFORMS

Taxes are considered progressive if the highest burden is on the rich, and regressive if the poor pay more as a share of their income or the wealthy manage to evade the taxes they are due to pay, as highlighted in the leaked Pandora Papers. Some taxes are more likely to be regressive (indirect taxes such as consumption taxes like VAT) and some are more likely to be progressive (direct taxes such as inheritance tax, personal income tax, capital gains tax and corporate income tax), but it is possible to make any tax more progressive through careful design. ActionAid has produced a series of 12 briefings on how to make different taxes more progressive and gender responsive. These cover VAT, taxes on excise, informal sector, property, trade, wealth, capital gains, personal income and corporate income, digital and carbon.[62]

There is also an increasing body of work on gender-responsive taxes and the importance of using a feminist framework in designing tax systems.[63] The capacity for low- and middle-income countries to enact progressive or gender-responsive tax reforms is, however, partially constrained when global tax rules are set by the club of rich nations at the OECD, so there is growing pressure for a representative and empowered United Nations tax body.[64]

Timeframes seem to be a critical factor in determining whether to choose austerity or to increase progressive taxes and publicly funded investments. **Most Ministries of Finance are caught up in short-term thinking, in part owing to the influence of the IMF** and its attachment to medium-term expenditure frameworks,[65] which look predominantly at a three- to five-year period(which is actually an improvement of previous timeframes that were even shorter). This is matched by short-term political cycles, with politicians wanting quick wins that can help their re-election, rather than investments that will take years to manifest results.

In this timeframe, most recurrent public spending is seen as a problem, something to be constrained, as it yields relatively few immediate returns on investment. This is most evident in the case of education, where spending on teachers seems like a vast cost (up to 30% of the total public sector workforce)[66] which, by standard measures, yields almost no development benefit or economic return over a five year period.[67] In contrast, if you look over a ten to fifteen year period (when children have completed school), spending on education is one of the soundest investments a country can make for positive development outcomes and economic growth.[68] The present dominant economic thinking does not allow governments, and especially Ministers of Finance, to factor in these long-term benefits, or indeed the inherent value and legal obligation of fulfilling human rights commitments. So, in the narrowest of economic terms, education spending appears to be like pouring money down a drain.

Spending on other frontline public sector workers suffers a similar problem. It takes time to train and recruit any professional working in public service, and the benefits do not provide an instant return that can be easily calculated. Looking at just recurrent costs, without factoring in the benefits, makes expanding investment in the public sector workforce difficult to justify for Ministers of Finance, and for politicians who want immediate delivery and quick wins. This short-termism encourages a focus on one-off capital investments like major infrastructure projects, with a simpler and often more visible outcome.

It is notable that whilst the IMF has routinely included Medium-Term Expenditure Frameworks in its work for decades, it is only now looking at the other side of the equation. Medium-Term Revenue Strategies are still being piloted, rather than widely used.[69] If the aim is to balance the books, then most would assume that you need to look equally at *the income* available (and how it is raised) and the *spending* you need to make. If the income is seen as a given or fixed amount (rather than being properly scrutinised to identify who pays what and who benefits[70]), the scope for increasing expenditure will always be limited. Once again, there are signs that the IMF is trying to change, but the approach has been piloted in only a handful of countries, and participation in the process has been limited.

Beyond broad arguments around 'fiscal space', the IMF and Ministries of Finance sometimes use other arguments for imposing freezes or cuts on public sector wage bills. A common argument is the need to 'cut bureaucracy', 'reduce governance costs', or 'advance civil service reform'. All of this plays to the false narrative that the public sector wage bill is used to pay for 'pencil pushers' in offices,[71] when the reality in almost every country is that the it pays mainly for frontline workers actively involved in providing health, education and other public services.

TESTIMONY FROM THE FRONTLINE IN NEPAL

Tulsi Neupane: *I am an English teacher and headmaster of Lalit Bikas Adharvud School. I am a member of Nepal Teacher Association. Our salaries have remained stagnant for the last four years. After COVID, I met many public school teachers who did not receive salaries and/or lost their jobs. I think it is a loss to education system that so many experienced teachers may now never return and in their place, we have to recruit unexperienced and untrained teachers.*

Testimony collected by Education International

BOX 5: ACTIONAID'S COMMITMENT TO A FEMINIST, JUST AND GREEN FUTURE

ActionAid is committed to placing care at the centre of the economy, society and politics. We recognize that care and wellbeing are critical to sustaining societies and economies, as well as the environment, and need to be valued and redistributed. **The care economy will revalue women's paid and unpaid work, will organize a fair redistribution of work across countries, genders and generations, and provide decent work and 'green jobs' for all in the digital era.** Crucially, care includes the work of caring for the environment and ecosystems, of which women and indigenous people are often more reliant and, in many contexts, the key guardians - placing them in direct confrontation with the capitalistic economy, and at the frontline of the climate and humanitarian crises.

The care economy will be an exit from a neo-colonial, fossil fuel dependent, high emission, extractive economy, riddled with humanitarian crises. It allows profound transformations in our food, energy and economic systems that radically cut greenhouse gas emissions, promote agroecology, ensure food sovereignty, energy access and resilient livelihoods. Care at the centre of our economy, politics and society would also mean the reinstatement of the social contract between international institutions, States and people, followed by a massive scale-up in investment in public services including health, education, child and elder care, food, transport, sanitation, gender-based violence services, housing, and safe and green public spaces.

At an international level, a feminist, just and green transition, with a decolonial lens, will **transform global governance rules, systems and institutions, to rebalance the historical and ongoing unequal power relations between the global North and global South.** A feminist, just and green transition will also strengthen the State, to protect not only its citizens but all migrants, internally displaced people and refugees, reviving the notion of public goods and quality public services. There needs to be a reassertion of the central role of the State as a redistributive actor.[72]

Maternity clinic in Nigeria, where hundreds of women wait each day to see a handful of midwives.
PHOTO: PUBLIC SERVICES INTERNATIONAL

A second major thread of justification is that there is an urgent need to 'reduce inefficiencies and corruption' – for example to eliminate '**ghost workers**'. Transparency International flag three basic types of corruption:[73]

1. Corrupt public servants demanding or taking money: this needs to be taken seriously – but it is unclear how cutting overall wage bills will help (and indeed it might make matters worse as flagged by the World Bank[74]).

2. Politicians or officials misusing public money by granting public jobs or contracts to their sponsors, friends or family. This is the origin of most ghost workers, where patronage is used to get people on government payrolls or enable them to claim the salaries of people who have died or never existed. Though the problem is the politicians or officials, damage is done to the reputation of the professions – as if teachers and nurses themselves are responsible for the ghosts in their midst. Squeezing the overall wage bill is not an effective, targeted measure to address this. After 30 years of effort, the IMF and World Bank seem to be highly ineffective ghostbusters, as new apparitions are constantly popping up in their reports, though their reputation seems undiminished.

3. Relatively less attention seems to be paid to corporations bribing officials to get lucrative deals, which may become more widespread given the IMF and World Bank support for privatisation and PPPs (see section 5.3).[75] Sometimes corporations use their money and access to power to go beyond winning specific contracts, and influence wider policy to advance their interests, often against wider public interest. Powerful corporations have an active interest in claiming public money and reducing the power of the public sector.

Accusations of a country's inefficient spending on public services are sometimes backed up by World Bank data showing greater spending than its peers on a sector without achieving the same outcomes. There may be complex reasons for this, and the evidence base is often contested, but **in any scenario it is unclear how cutting or freezing the overall public sector wage bill will help to address inefficiencies identified – and it may in fact exacerbate them.** For example, if a country has relatively high investment in education and relatively poor learning outcomes, the answer may be to invest in better teacher training or a wider range of other interventions. Cutting teacher numbers or teacher pay is unlikely to help. This highlights the need for impact assessments before wage bill constraints are introduced as part of a policy reform, but this rarely happens.

1.4 THE GOOD, THE BAD AND THE FUTURE OF PUBLIC SECTOR WORKERS

Sometimes Ministries of Finance or the IMF make promises to protect education and health workers from the impact of cuts or freezes, with exemptions made to protect specific groups such as primary teachers or frontline nurses. However, our research reveals that this is not easy. **Constraints on the overall wage bill are hard to deliver when you try to exempt the largest groups on it – which tend to be teachers and nurses.[76]** If these 'good' workers (that constitute between a third and a half of all public sector workers) are to be protected, then cuts will be deeper in other 'less essential' ('bad'?) sectors.

But **who exactly are these 'non-essential' public sector workers?[77]** Apart from the evidently bad 'ghosts' who haunt IMF reports, this is rarely specified by those calling for austerity cuts. Perhaps the garbage workers are wasteful or firefighters need some dampening down? Are public transport workers taking us all for a ride? Should support for people with disabilities be incapacitated, and should toddlers in early childcare learn to look after themselves? At all levels of government, already stretched services supporting disabled people, vulnerable women, young children, farmers, and many other groups are in the firing line.

In practice there is a lot of **interdependency between different public services.** Cuts in one place affect services in another. Health care suffers when people have limited access to clean water. Education suffers when there is no early childhood care, education and development. Gender-based violence tends to rise when streets are not lit, when public transport is overcrowded,[78] and when low pay increases economic dependence.

Failures in any one service increase women's burden of unpaid care and domestic work, undermining their access to other services and ability to participate in public life. Selective protections are not a sustainable solution, and it is time for a more holistic reassessment of the value of the public sector workforce.

Covid-19 has revealed, clearer than ever, our dependency on key workers. Many are public sector workers on low pay, who continued to work even at times of high risk to their health. There was a growing appreciation in many countries for the 'public sector ethos' – the commitment to work in service to others rather than purely for personal gain. There could not be a better time for a reappraisal of the contribution of public sector workers – and a radical rethinking of an ideology that has undermined their numbers, their pay and their conditions for nearly 50 years, whilst allowing the vast accumulation of wealth in few hands.

The climate crisis further accelerates the case for a radical reimagining of the public sector, to help deliver a just transition which works for both people and planet. Climate resilience is undermined when the majority of women smallholder farmers cannot access relevant extension services, or when energy utilities are privatised, potentially diminishing the capacity of governments to act on emission reduction targets. To build resilient States able to adapt radically to the changing climate will require strong government intervention and public action. And resilient people who are able to adapt to changes will require access to gender-responsive public services and universal social protection. Education systems need to be transformed if every generation is to develop the knowledge, skills and attitudes to live sustainably. States will need to take bold action to shift away from a failing development paradigm based on fossil fuel extraction, and towards a low- or zero-carbon, sustainable economy. This will require strategic investments and effective regulatory frameworks that 'minimalist States' with a weak public sector lack the means to deliver.

Are Ministries of Finance and IMF officials ready for the **fundamental reappraisal of fiscal policies and the public sector workforce** that is now needed? Or will the public have to demand such a transformation? There is a deeply embedded mindset in international financial institutions and most national finance ministries that needs to be changed, a dogma to be dismantled,[79] an unconscious bias that sees the public as inherently ineffective and the private effective. This is a mindset that routinely sees public sector workers as a cost to be contained rather than an investment to be supported. This bias portrays investment in the workforce as wasteful, whilst investment in infrastructure is the route to development (this report could easily have been called 'people versus things').

The stakes have never been higher, because a new era of the most austere austerity will fall on 85% of the planet's population in the next year unless we change the mindset of Ministries of Finance.[80] This is a struggle against fiscal fundamentalism and the cult of austerity,[81] that urgently needs to escalate in every country and internationally in order to respond sustainably to the economic crisis triggered by Covid-19, the climate crisis and the crises of inequality.

TESTIMONY FROM THE FRONTLINE IN GHANA

Unemployed nurse: *"...our work is not an easy job, it is a sacrificial job and it is a risk taking job. So I am appealing to the government and whoever is involved or has a hand in our career to help us. Especially in recruitment as early as possible because a lot of people go through a lot of things before they even get something to eat... You can't be trained and be sitting in the house. You can't exercise or practice what you learnt in school at home. ..So we are appealing to whoever is connected with it to really do something about it."*

Testimonies collected by PSI

PHOTOS: FLICKR

BOX 6: BRAZIL AND THE CULT OF AUSTERITY

Brazil made progress in fighting historical inequality, thanks in part to the social rights that were built into the 1988 Federal Constitution, which led to a number of social policies: the Bolsa Família programme dramatically reduced poverty;[82] education was made more equitable; and measures to secure better wages[83] and reduce unemployment were introduced.

This progress came to a sudden halt from 2015. Since when the Brazilian Government has been slashing public spending, eroded public services and deregulated the labour market.[84] In December 2016, 'Constitutional Amendment 95' came into effect, with the support of the IMF. The amendment mandates a 20-year zero real growth rule – or 'expenditure ceiling' - on federal primary expenditures. This has already led to a drop in expenditure of 17% in education and 12% in health. Meanwhile the 2017 labour reform law led to a growing precariousness of both private and public sector workers, a weakening of labour rights, working conditions, and salaries. The reforms have also made room for increased outsourcing, hiring without public tender, and temporary employment contracts with fewer rights – opening the door for greater privatisation.

Attacks on financing public sector workers are supported by a narrative that a bloated public workforce is suffocating the State, acting as a fiscal drain, leading to excessive wage inflation overall (due to high wages in the public sector), and stifling private sector employment growth. However, the discourse is based on unsupported fallacies. For instance, only 12.5% of Brazilian workers are in the public sector, compared with 21% in OECD countries. OECD countries also spend more than double on public sector workers compared to Brazil.

Moreover, the growth of public service in Brazil between 1986 and 2017 was not due to an unwieldy or "overpaid" civil service, as often implied, but to the expansion of essential services at municipal level. About 60% of public employees in Brazil are involved in the delivery of key public services, such as health and education workers, at municipal level. Finally, the growth in public jobs has been accompanied by the growth of private jobs - debunking the argument that the public sector is strangling growth in private sector employment.

The IMF is clearly complicit in the Government's agenda, and has been strongly advocating for austerity measures and wage constraints in Brazil (not least through its support to the expenditure ceiling). IMF advice has called for wage and hiring freezes, and caps on salaries in the public sector, as part of their overall advice to cut and freeze the public wage bills in recent years.[85] In 2020, they recommended 'removing minimum requirements for State-level spending on education and health' as a priority action.[86] In a 2018 paper aimed at "Rightsizing Brazil's Public Sector Wage Bill" the IMF called for widespread reforms to achieve a long-term decrease in salaries and lower levels of public employment.[87]

It's Not A Crisis, It's A Project: The Effects Of State Reforms In Brazilian Education Between 2016 And 2021 **Brazilian Campaign for the Right to Education** ***www.campanha.org.br***

2. OUR METHODOLOGY

ActionAid and peers first challenged the IMF on its use of public sector wage bill caps over three years (2005-2007), achieving what we felt at the time was an unprecedented victory - the IMF backed down.[88] Our 2019 and 2020 research on financing public services showed that, whilst loan conditions setting wage bill caps had been removed, the IMF continued to issue coercive policy advice, so practices on wage bills at country level were as bad as ever.[89] Once again, public sector wage bill constraints were being used as a flagship of austerity. So, over the past year we have researched in much more detail what governments, Ministries of Finance and the IMF have been doing on public sector wage bills:

- Supporting intensive national research and advocacy work on trends in public sector wage bills in ten countries: Ghana, Malawi, Senegal, Sierra Leone, Tanzania, Uganda, Zambia, Nepal, Vietnam and Brazil – including primary and secondary research, analysis with experts and allies and dialogue with government ministries.
- Reviewing 69 IMF Article IV[90] and loan documents[91] across 15 countries over the past five years, looking at all references to and connections with public sector wage bills (the ten countries above plus Liberia, South Africa, Kenya, Mozambique, and Bangladesh). A fuller methodology note on this can be found HERE.
- Discussing key issues around public sector wage bills with senior IMF economists to better understand how they justify and use constraints to public sector wage bills.[92]
- Analysing the wider literature on public sector wage bills and the percentage of GDP spent on wage bills in different contexts.
- Studying relevant IMF policy and research documents, Board documents, and speeches, including on related issues such as the Comprehensive Surveillance Review and what the IMF call 'macro-structural issues' – namely gender, inequality and climate change.
- Supporting Public Services International *(Nigeria, Ghana and Nepal)* and Education International *(Nepal, Senegal, Zambia and Malawi)* to collate documentation from frontline public sector workers on the implications of wage constraints on overworked and understaffed public sector workers.
- Engaging in a continued dialogue and learning process with other organisations seeking to challenge austerity and promoting a rights-based reimagining of the public sector.

In the following sections we summarise our findings and analysis from across all this research.

TESTIMONY FROM THE FRONTLINE IN GHANA

Following IMF advice, more than 41,000 nurses, midwives and other professionals could not be posted to health stations after completing their training between 2017-2018. This led to the formation of the Graduate Unemployed Nurses and Midwives Association.

Perpetual Ofori-Ampofo (active member): *"...we cannot have an education system where you educate people through tertiary education through universities and they finish, and they cannot be employed because there is an IMF directive. Especially when it comes to health, it is not good enough... let's look at the bigger picture. If the world has not learnt anything from this pandemic, we must learn and know that when we all grow and develop, that's when we all flourish. Diseases can travel anywhere whether it is a normal virus, whether it is a Covid -19 virus, Ebola or whatever with people moving all around the world. Diseases and infection can also travel anywhere and therefore when we all grow, when we all develop, that's where we can have systems that can be protective of the human race."*

PHOTOS: FLICKR

3. FISCAL SPACE AND THE MYTH OF THE 'TEMPORARY'

3.1 ARE THESE MEASURES TEMPORARY?

In our interviews with the IMF, the main reason given for public sector wage bill containment was the need for 'fiscal consolidation'. **We were consistently told that these measures were always temporary.**[93] We were advised that wage bill constraints would not even be on the table if it were not for the need for fiscal consolidation, and that these measures were only very 'short term.' A wage bill cut, or freeze, would NOT be considered if it had already been in place for a number of years. Indeed, the short-term nature of public sector wage bill cuts or freezes is emphasised in the IMF's most recent policy paper on the subject: *'Issues when cutting government pay to help reshuffle spending in a crisis'* (IMF, April 2020) which argues that *'paving the way for their reversal'* should always be a key consideration.

Our findings (see Table 1) suggest that public sector wage bill containment is often anything but temporary, with IMF policy advice to Ministries of Finance often pushing for persistent reductions year after year. Our review of Article IV and loan documents (2016-21) found that **all 15 countries were given a steer to cut and/or freeze the public sector wage bill for three or more consecutive years, and eight of them for five to six years.**[94]
In other words, we found no evidence of short-term cuts, and nor did we find any evidence of explicit exit strategies or advice to 'pave the way' for reversals to wage bill cuts or freezes.

Table 1. IMF advice on public sector wage bills to selected countries (2016-21) and implications for the number of public sector workers lost due to cuts

	Years advised to FREEZE or CUT PSWB as % of GDP	Impact of meeting latest medium-term PSWB target (percentage points) [Financial Year period]	Target Public sector wage bill as % of GDP (%)	Losses (in US$ millions) on public sector workforce spending	Number of lost teachers (20% of losses) as per UNESCO benchmarks	Number of lost nurses (15% of losses) as per Abuja Declaration	Number of other lost public sector workers (65% balance)
Bangladesh	3	0.2% cut [FY16-25]	2.1	605.1	33,821	19,895	115,389
Nigeria	6	0.4 cut [FY15-25]	2.2	1792.5	329,431	137,148	1,315,933
Nepal	3	1.1 cut [FY15-24]	2.9	376	18,066	37,388	34,877
Uganda	4	0.1 cut [FY16-25]	3.6	35.2	746	3,803	0
Kenya	6	1.4 cut [FY14-24]	3.8	1337	51,230	45,101	159,820
Zimbabwe	5	11.1 cut [FY15-23]	4.9	1879.5	49,289	40,649	156,511
Tanzania	3	0.5 cut [FY15-20]	5.3	305.7	12,222	7,283	41,614
Senegal	5	Unclear	6				
Sierra Leone	6	1.4 cut [FY15-26]	6	57.7	1,664	1,746	4,912
Ghana	3	1.8 cut [FY16-24]	6.9	1210.2	41,519	34,158	131,919
Malawi	4	Increase 1.2 [FY16-23]	7.5				
Zambia	3	1.0 cut [FY16-24]	7.7	279.7	12,060	15,356	32,882
Liberia	6	5.0 cut [FY15-25]	7.8	153.5	5,756	5,727	17,299
Vietnam	6	Unclear	8.9				
Brazil	5	0.1 cut (federal FY16-25]	4.0	1877.8	27,552	39,360	70,848
				9,909.9	**583,356**	**387,614**	**2,082,004**

Source – data analysis of IMF documents by Emma Seery, fuller table with detail available HERE. Equivalents in US$ and public sector workers by Howard Reed (fuller table HERE)

In addition, most of the countries assessed are on course to experience a wage bill cut over the medium-term. As Table 1 shows, if the most recent IMF budget steer (provided in the latest Article IV and loan documents we reviewed) is adhered to, for 12[95] of the 13 countries where analysis is possible,[96] this will constitute a cut to the wage bill over a 5-11 year period. In some cases, the cuts are significant; Zimbabwe would see a cut of 11.1 percentage points over eight years, Liberia (one of four low-income countries included in our analysis) would see a cut of 5.0 points in 10 years, and Nepal, Kenya, Sierra Leone, Ghana, and Zambia would all experience a cut of more than 1 percentage point compared to the mid-2010s. Malawi, where meeting the latest budget steer would constitute a 1.2 percentage point increase over seven years, is the only exception to this downward trend.

Some of these shifts in percentage points may seem to be minor, but they have very real and damaging effects. **In just these 15 countries, the recommended IMF cuts add up to nearly US$ 10 billion. This is the equivalent of cutting:**

- 583,356 teachers **and**
- 387,614 nurses **and**
- 2,082,004 other public sector workers.

That is a total of over three million public sector workers effectively lost due to a target set by the IMF to constrain the public sector wage bill in just 15 countries. This coercive advice has very real impacts on people's lives, affecting the ability of countries to provide basic public services and fulfil development goals.

TESTIMONY FROM THE FRONTLINE IN ZAMBIA

"My name is Judith Chikonde. I am a teacher at St Patrick's Primary School in Lusaka, Zambia...The conditions of service for teachers are pathetic. I am a special education teacher, but I am not paid any allowance as per conditions of service stipulations. I am teaching double class...which I feel is unfair. Teaching several classes increases the burden on the teachers and affects focus. I have upgraded my qualification to masters level, but I cannot be remunerated accordingly ... My salary is too low for me to afford renting a decent house... It is very hard. I feel the Government has taken our professional commitment for granted...Like many teachers, I engage in income generating activities to raise enough money to meet the needs of my family. This also affects my level of attention at school as my mind is divided into ensuring that I have something to do to see the ends meet."

Testimony collected by Education International

BOX 7: SIX YEARS OF CUTS AND FREEZES IN SIERRA LEONE

The Sierra Leone civil war, which ended in 2002, left the country with dilapidated public services, chronic staffing shortages, and some of the worst health and education outcomes in the world. Since then, a number of ambitious initiatives have been introduced. In 2010, the Free Health Care Initiative was announced, with the aim of reducing out-of-pocket payments for pregnant and lactating mothers and children under five. The current Government is driving up the collection of tax revenues to boost public spending and has announced commitments to make primary and secondary education free. These commitments have been matched with increased spending on education (from 15% share of budget in 2017 to 22% in 2021) and health (rising from 8% to 11%).

In spite of these ambitious targets (and many challenges), between 2016 and 2021 Sierra Leone has been given a consistent budget steer in IMF Article IV and Extended Credit Facility (ECF) loan documents to cut the public sector wage bill to a target of 6% of GDP. This target set 'in consultation with the IMF,'[97] bears no relation to the on-the-ground reality and has not taken into account national development commitments. In this period progressive governments have sought to prioritise national development, but progress has been undermined by medium-term budget steers to make significant public sector wage bikl cuts of between 0.5 and 1.9 percentage points.

There is some evidence that the Government has been able to negotiate some space around this. For instance, the 2018 ECF loan request[98] notes a freeze on new hires to meet the 6% wage bill target, but does make education an exception[99] due to the Government's new free education policy.[100] There are also indications that some concessions were made around increasing spending for new hires to overcome severe shortages in the face of Covid-19. However, these concessions always came in a context of budget steers to substantially cut and/or freeze the overall public sector wage bill.[101]

Our national report in Sierra Leone found that, while the wage bill for health workers increased in nominal terms from 2017 to 2021, in real terms it decreased by 15%. This is a massive challenge in a country still reeling from Ebola when Covid-19 hit. The Government has tried to expand and rebuild the health workforce after Ebola (which claimed the lives of 257 health workers). In 2020, with the Covid-19 crisis impacting on the country, the Government increased the number of health workers by 5,000 and announced a 30% increase in their salaries, with the aim of giving a small boost to a decimated and overstretched workforce. Given the ongoing restraints on the wage bill, this is likely to cause deeper cuts elsewhere.

While the education sector wage bill, at first glance, appears to be increasing (in nominal terms by 65% since 2017), in real terms it has decreased by 5%. Moreover, as school enrolments have swelled as a result of the new free education commitment, the pupil-teacher ratio has grown from 60:1 in 2017 to 75:1 in 2021, and analysis for this report shows that the teacher gap has grown from 51,524 to 69,074. The additional teachers required to reduce this to the internationally recommended level of 40:1, will increase the current teacher wage bill by 20%. Our national report found that current salaries for teachers are below the national minimum "bread-basket",[102] and as inflation wreaks havoc on teachers' wages, many are leaving the sector.

Looking to the future there are significant causes for concern. The most recent IMF document we reviewed (the 2021 Request for Disbursement under the Rapid Credit Facility), gave a budget steer to cut the public sector wage bill by 1.9 percentage points to reach the 6% target, and then freeze it at that level for two years.[103] It also identified 'containing current spending' and 'rationalization of the wage bill,' as key to ensuring debt sustainability.[104] If the Government adheres to this most recent budget steer, the wage bill will have been cut by a substantial 1.4 percentage points between FY15 and FY26. In a country with chronic worker shortages, this will continue to thwart the Government's ability to meet its responsibilities and development aspirations. Given the effects of the Covid-19 crisis, which has over-burdened the country's health system and undermined education for many children, especially the poorest, this is particularly concerning.

Based on ActionAid Sierra Leone and Budget Advocacy Network *'The Public Versus Austerity: Trends in Public Sector Wage Bills in health and education in Sierra Leone'* 2021

3.2 WHAT PERCENTAGE OF GDP SHOULD BE SPENT ON THE PUBLIC SECTOR WAGE BILL?

One critical factor to consider is whether these 15 countries have unusually high spending on public sector wages. The simplest measure is to look at the amount spent on the wage bill as a percentage of GDP when they were most recently advised to cut it (see Table 2 column 2). The results are clear. Only one country was significantly above the global average (Zimbabwe), and three others marginally so (Liberia, Zambia and Vietnam), whilst 10 countries who were already under the average were still advised to cut. When looking back at Table 1 for the medium-term steer the IMF is providing, every single country is being driven below the global average. The direction of the IMF advice is unequivocal and seems not to be based on bringing countries into line with regional or global averages. **Indeed, even countries who have exceptionally low spending on the public sector wage bill have still been advised to cut, rather than increase.**

As Table 2 shows, Zimbabwe, with a wage bill at 17.1% of GDP, was advised to cut, as was and Nigeria, which spends just 1.9% of its GDP on public sector workers. In between, Liberia with 10.1% of GDP spent on the public sector wage bill, Zambia (9.1%), Ghana (8.7%), Malawi (7.7%), Senegal (6.5%), Tanzania (5.4%), Brazil Federal (4.6%), Kenya (4.4%), Nepal (3.7%), and Uganda (3.5%) were all advised to cut.

This raises the question of whether there should be a standard benchmark to guide decisions on the percentage of GDP a country spends on the public sector wage bill in different contexts. In our discussions with the IMF, there was a constant emphasis on country specificity: that there should be no GDP-related benchmarks on wage bills, even for clusters of countries in the same region or sharing certain characteristics. Nevertheless, they continue to use this as a key indicator to make comparisons between countries, often quite randomly (see section 4.1). In the absence of any other objective reference point or systematic assessments, using global and regional averages seems to be the fairest thing to do. On this basis the IMF's inclination to drive spending on the public sector workforce ever further downward, without clear reference points, seems evident.

The other indicator that can be used is to measure reasonable national spending on the public sector wage bill is the proportion of total government expenditure (see column 3 of Table 2). In 2019 only four of the countries (Ghana, Zambia, Zimbabwe and Brazil) were above the global or regional average. Some countries (most notably Uganda, Kenya, Nepal and Bangladesh) were way below average spending on the public sector wage bill as a percentage of overall spending and yet are *still* being advised by the IMF to make cuts or implement freezes. The IMF's desire (and willingness of Ministries of Finance) to drive down spending on the public sector workforce seems unjustified based on this evidence.

The impact of increasing the percentage of GDP spent on the public sector wage bill by just 1% in these 15 countries would be dramatic – allowing the recruitment of nearly 8 million nurses, teachers and other public sector workers (see Table 2). And yet most would still be under the global average. This gives a sense of the scale of the impact of the present constraints and their cumulative effect over time. In fact, many countries could reasonably increase by significantly more than 1% - which could have a transformative effect on all public services.

TESTIMONY FROM THE FRONTLINE IN NEPAL

Mr. Prakash Thapa: *I am an English teacher in Shramjit Kishor Secondary School for the last 22 years. I have been teaching for 37 years. The wage cut is not a recent phenomenon. I used to get allowances for being a class teacher, for invigilating exams and for checking students' exam papers etc. Over the past 10 years I have lost all those allowances. Our earnings have gradually eroded.*

Testimony collected by Education International

Table 2. Spending on public sector wage bills as percentage of GDP and total public expenditure

Country	Public sector wage bill as % of GDP when IMF most recently recommended a cut (year of IMF advice)	Public sector wage bill as % of public expenditure	1 percentage point increase in public sector wage bill as % of GDP in terms of numbers of frontline public sector workers (using average teacher salary)
Global average	9%	28%	
Sub-Saharan Africa average	7%	29%	
Ghana	CUT from 8.7% (2017)	30%	115,331
Kenya	CUT from 4.4% (2021)	18%	182,965
Liberia	CUT from 10.1% (2021)	24%	5,756
Malawi	CUT from 7.7% (2020)	26%	572,292
Nigeria	CUT from 1.9% (2018)	n/a	4,117,893
Senegal	CUT from 6.5% (2017)	23%	29,229
Sierra Leone	CUT from 7.9% (2021)	28%	5,944
Tanzania	CUT from 5.4% (2017)	27%	122,221
Uganda	CUT from 3.5% (2017)	18%	37,296
Zambia	CUT from 9.1% (2019)	32%	50,248
Zimbabwe	CUT from 17.1% (2017)	45%	22,202
South Asia average	6%	21%	
Bangladesh	FREEZE AT 2.1% (2020)	15%	845,526
Nepal	CUT from 3.7% (2018)	12%	82,119
Vietnam	CUT from 9.1% (2019)	n/a	384,619
Latin America average	9%	31%	
Brazil (federal level)	CUT from 4.6% (2020)	36%	1,377,603
TOTAL			**7,951,244**

Source – column 2 – Emma Seery review of IMF Article IV documents; column 3 and column 2 averages from World Bank: Worldwide Bureaucracy Indicators Dashboard – mostly 2019 (note there are significant concerns about the reliability and comparability of this data); column 4 analysis by Howard Reed.

3.3 HAS ACTION BEEN TAKEN TO INCREASE FISCAL SPACE, FOR EXAMPLE BY EXPANDING TAX REVENUES?

To further test the IMF's argument that public sector wage bill constraints are only ever temporary, we looked for evidence that countries were being supported to expand their fiscal space. Exploring less harmful alternatives to austerity is a core standard under international human rights law, so if the IMF fails to help Ministries of Finance and governments explore other measures it is complicit in violating human rights obligations.[105]

The most obvious way for a country to pursue an alternative path is to increase the tax-to-GDP ratio, as this would raise more revenue to invest in public services. This might be particularly expected in low-income countries, where the IMF has recognised *'the key challenge is to improve service delivery and expand employment in key services including in education, health care, and security. In these cases, it is important to set wages to attract and motivate talent while improving spending efficiency and mobilising additional revenues to create the fiscal space to accommodate a larger wage bill'.*[106]

Action on tax can be critical to prevent a downward spiral.[107] Austerity has been shown to inhibit growth, increase unemployment and shrink tax revenues, which can lead to higher deficit levels, further restricting fiscal space and meaning that countries that already spend significantly more on debt repayments than social spending need to continue borrowing just to service their debt.[108] The IMF's own research has shown that more robust and progressive taxation is not detrimental, but critical to public financing in times of economic stress,[109] and that countries should carefully balance social spending cuts with revenue increases.[110]

Table three shows our analysis of the tax-to-GDP ratios where data was available for our focus countries over the period 2016-2018. The World Bank data used here is notoriously unreliable but enables us draw out an overall pattern which is significant.[111]

The IMF has suggested that most countries could expand their tax-to-GDP ratios by 5% by the end of the decade.[112] But in five of the countries we reviewed, tax-to-GDP ratios went down during 2016-2018,[113] and in a further five they only rose very modestly.[114] In nine of these countries (Bangladesh being the only exception), IMF advice in the 2016-18 period was to cut and/or freeze the public sector wage bill.

Table 3. Tax to GDP rates in focus countries

Country	Tax to GDP ratio (2018)	Tax to GDP movement 2016-2018 (%)	Relative to15% IMF minimum threshold[115]
Bangladesh	7.40%	Down 0.8	Under
Nepal	21.10%	Up 2.4	Above
Vietnam	14.30%	Up 0.4	Under
Ghana	13.10%	Up 0.6	Under
Kenya	15.10%	Down 1.1	Level
Liberia	11.60%	Down 0.6	Under
Malawi	17.40%	Up 2.1	Above
Senegal	15.10%	Down 0.8 (2016-17)	Level
Sierra Leone	11.80%	Up 0.6	Under
Tanzania	11.80%	Up 0.4 (2016-17)	Under
Uganda	11.40%	Up 0.4	Under
Zambia	15.80%	Up 2.8	Above
Zimbabwe	11.70%	Down 3.9	Under
Brazil	24.20%	Up 1.4	Above

Source: World Bank: Worldwide Bureaucracy Indicators Dashboard – mostly 2019.

The IMF also recommends countries with low tax-to-GDP levels aim for a minimum threshold of 15%, based on evidence that this triggers a higher growth path, and that low tax ratios result in inadequately low levels of social spending.[116] In 2018, eight of the countries we reviewed were below this threshold,[117] and a further two (Kenya and Senegal) slightly above it. Again, in nine of these countries (again, Bangladesh the only exception), IMF advice in the 2016-18 period was to cut and/or freeze the public sector wage bill.

In other words, **despite being below the IMFs own recommended minimum tax-to-GDP ratio, the majority of the countries we reviewed have experienced decreasing, stagnating and/or inadequate levels of tax-to-GDP, and increasingly regressive tax systems**, at the same time as a clear and consistent steer to cut or freeze spending on public sector wages. This casts doubt on the IMF's claim that constraints on to wage bills will be matched with action to mobilise additional revenue, and create fiscal space for increased future spending.

3.4 HAVE COUNTRIES WITH EXPANDING REVENUES BEEN ALLOWED TO SPEND ON THE WAGE BILL?

Another way of looking at this data is to explore whether there is encouragement to increase public sector wage bills in countries that are actively making progress in expanding fiscal space. Four of the countries we reviewed had tax-to-GDP ratios above the minimum threshold of 15% in 2018,[118] *and* experienced significant tax-to-GDP increases in the period 2016-18. Malawi, Nepal and Zambia saw increases of more than 1 percentage point per year, and in Brazil tax-to-GDP increased by 1.4 percentage points over the two years.

Despite this, in the documents we reviewed, these countries were advised to cut and/or freeze the public sector wage bill over a period of three, four or five years between 2016 and 2021. The case of Nepal is particularly extreme, as the tax-to-GDP ratio increased by 2.4 percentage points between 2016 and 2018, reaching 21.1% in 2018. However, the IMF advised cuts and/or freezes to the public sector wage bill between 2018 and 2020. Moreover, if the Government of Nepal adheres to the IMF's latest budget steer, they will experience a cut of 1.1 percentage points between FY15 and FY24, bringing the public sector wage bill down to the absurdly low level of just 2.9% of GDP.

This tells an even more concerning story. **The IMF appears to be prescribing these austerity measures that reduce spending on essential frontline workers regardless of a country's tax-to-GDP ratio, or recent trends in tax and domestic revenue mobilisation.** Their advice is divorced from the level of fiscal space indicated by tax-to-GDP.[119]

The 15 countries studied here are not outliers; they represent a wider pattern of austerity where public sector wage bill cuts are all too prevalent. They represent just 10% of the 159 countries likely to be facing austerity in 2022 according to the Global Austerity Alert, a report which flags that public sector wage bill cuts are one of the most routine and prevalent austerity measures and generate negative social outcomes.[120] This is reinforced by Oxfam's recent finding that the IMF has recommended fiscal consolidation in 73 countries during the Covid-19 recovery period as a solution to increasing debt levels and fiscal deficits.[121] Sadly this is an old story for many in the global South: "austerity" has been the status quo for decades, with conditionalities further reducing policy space and preventing stronger State provision of social services.[122]

Whichever way you look at the IMF's own data,[123] its narrative fails to add up. Cuts and freezes to the public sector workforce are based on restrictive fiscal targets and a refusal to consider alternatives to increase fiscal space. They are imposed even on countries with expanding tax revenues. These measures are not temporary as they are the default recommendation year on year. Countries that fall far below global or regional averages for spending on public sector wages are still being forced to cut back further. And for countries advised to cut, there is no evidence that action is being taken to expand fiscal space, even where this is possible. There is no clear logic, rationale or evidence to justify the routine use of public sector wage constraints ... so why are they still so widespread?

BOX 8: POVERTY WAGES IN THE PUBLIC SECTOR IN ZIMBABWE

Teachers, nurses, and doctors are bearing the brunt of aggressive cuts to the public sector wage bill in Zimbabwe. This has led to frontline essential workers struggling to cope on poverty wages. Wage levels took a massive hit in 2019, in particular, when the average earnings for teachers and health workers did not even meet the food basket poverty line - the ability for wages to feed an average family of five.[124] Wage adjustments for teachers in 2020 allowed them to temporarily rise above this line, but with inflation at 350% in early 2020, it won't keep them there for long. In June 2021, the Government introduced a new salary increment for teachers and nurses: those on the lowest grade are now earning between US$ 239-335 monthly,[125] just enough to feed a family of five, but not enough to meet the "consumption poverty line".[126] Our findings also show that a typical teacher earned about a third of their 2010 salary equivalent.[127] There is a similar, but less dramatic, picture for health-workers.[128]

The 2016 and 2017 Article IVs gave Zimbabwe a budget steer to significantly cut the public sector wage bill, by 1.7 and 3.6 percentage points respectively, and the more recent 2019 Article IV advises a net freeze at 4.9% of GDP between FY19 and FY23. It is also notable that this medium-term wage bill target is 11.6 percentage points lower than the one set in the 2016 document (16.5% of GDP). The resulting severe cuts, and substantial downward revisions to the wage bill over time, have been felt acutely in the education sector (by far the largest sector of government employees) which declined from 22.8% to 5.6%. And these cuts are now being felt in the day-to-day struggles of the average Zimbabwean teacher:

> "Difficulties facing teachers as a result of these slave wages need no introduction at all. Apart from stress related ailments and deaths, surviving teachers have virtually become beggars and paupers. Morale is at its lowest. They have become the laughing-stock in many societies, living from hand to mouth, reporting for duty in tattered attire, unfed and malnourished. Living in squalid conditions and the majority homeless, but ever striving to report for duty. In worst case scenarios they have resorted to thieving and shop lifting. Marriages are breaking down unabatedly. In short teachers are subsiding the employer in the delivery of duties. They are struggling to make ends meet and as a result the majority are forced to engage in any available menial piece jobs. You look around today teachers are sustaining their families by selling all sorts of wares like sweets, airtime, second-hand clothes etc. Some have embarked on subsistence farming, alluvial mining, cross border trading and even prostitution to feed their families. Most have mentally resigned but are physically present at school."
>
> **Anonymous Zimbabwean Teacher**

Poverty wages of public sector workers have already led to a haemorrhaging of highly skilled and educated public sector workers. Zimbabwe is among the lowest paying countries in the world for teachers, just by crossing the border to South Africa or Namibia, a teacher can increase their earnings by more than 260% and 172%, respectively. Over 10,000 teachers resigned in 2020 alone.[129] The same is true for nurses - with millions moving to the United Kingdom, Australia and the United States. A 2010 United Nations study found nurses working in restaurants, as domestic servants, and living in homeless shelters in other countries. For others, they are forced to move out of their chosen career to earn better wages.[130] Among the nurses trained in Zimbabwe, only a quarter are employed by the Ministry of Health. The rest are in other roles and sectors, or have left to work aborad. The latest trends spell further trouble for retaining Zimbabwe's public workforce.

From: ActionAid Zimbabwe 2021 "The trends leading to public sector low wages and constraints on the wage bills in Zimbabwe"

4. DODGY DATA AND INIQUITOUS COMPARISONS

The IMF prides itself on being authoritative in its use of evidence, and the World Bank on being a reliable knowledge bank, but both institutions have been rocked by the revelations that data in the 2018 '**Doing Business**' report were explicitly manipulated to favour China. The current IMF Managing Director and then World Bank Chief Executive, Kristalina Georgieva, was personally implicated, and the scandal weakened World Bank President David Malpass, and put the Doing Business report out of business.[131] Many critics consider that this is the tip of the iceberg, and manipulation and misrepresentation of data by the IMF and World Bank is much more widespread. We have already flagged areas where World Bank data is widely considered unreliable (e.g. on tax-to-GDP ratios), and this section exposes some particularly worrying examples of data manipulation and misuse in respect to public sector wage bills.

4.1 COUNTRY COMPARISONS

The failure of the IMF to provide analysis of acceptable levels of spending on the public sector workforce, or even a range adapted for different country or regional contexts, enables it to recommend reductions in almost every case.

BOX 9: NEPAL - GENDERED IMPACTS OF WAGE CONSTRAINTS IN EDUCATION

Our review of IMF documents shows that Nepal has been under pressure to cut and freeze the public wage bill, even though this is already incredibly low (see Table 2). With just 11% of the national budget going to education, this creates a dire situation for the sector. Currently, Nepal needs to employ 67,000 permanent teachers to meet government plans, while there are 40,000 teachers on temporary contracts -- either hired by local government with comparatively low pay, or relief teachers on temporary contracts paid by the community.[132] Due to Covid-related school closures, many temporary teachers in private schools have been dismissed, leading to concerns for both their welfare and the impact on schools more broadly when life returns to normal.

There is also a strong gender dimension to this, as the majority of low paid contract teachers are women, mirroring overall trends in Nepal where women are paid 30% less than men.[133] This is leading to women shouldering the burden from wage bill constraints. These constraints limit aspirations and policy commitments to extend public education provision. The commitment to expanding early education, for instance, has been undermined by the fact that, at present, the workforce depends on women[134] working on poverty wages (US$ 70-130 monthly[135]). There is an ongoing struggle to improve this, but currently it is restricted by wage bill constraints. Expanding into new areas is difficult when public sector salaries are already squeezed to the limits.

From: ActionAid Nepal (2021) Research on Trends on Public Sector Teacher's Wage Bills

In our review of IMF documents, we found few examples of countries being offered a comparison with regional or global averages for wage bill spending as a percentage of GDP. Rather we encountered several cases of fairly random country comparisons being offered, which always had the effect of making the focus country seem like an outlier in its spending.[136] The most outrageous example of this is the 2020 Article IV document for Vietnam (published in 2021), which compares Vietnam's wage bill as a percentage of GDP to '*Low-Income Developing Countries*'. This shows Vietnam to be well above the average, at around the 90th percentile. The problem is that Vietnam is a middle-income country, so this comparison is irrelevant … yet highly pointed.

Where selective country comparisons are made in IMF documents there is often no authoritative data source or date provided, with data sometimes said to be from '*Fund Staff Calculations*'. For example, Liberia's 2019 Article IV[137] includes a bar chart entitled '*The public wage bill in Liberia is comparatively higher than in peer countries'*, which compares the wage bill as a percentage of GDP, domestic revenue and expenditure to Sierra Leone, Cote D'Ivoire and Guinea, and to the Sub-Saharan Africa average. However, no year or source is provided for any of the data, and the specific percentages are not provided in the chart. This kind of vague 'comparison' makes it impossible to contest the figures or analysis, which is especially important when this is being used to help justify significant cuts. In the same document, the IMF's budget steer was a net cut to the public sector wage bill of 1.1 percentage points in six years.

In the absence of assessments of the impact its policy advice on public sector wage bills, there is no way for the IMF to be sure that its advice does no harm in the short or long term. Perhaps most alarming is the cumulative effective of the IMF giving this advice across all countries over years. If, in 2020, 78% of countries had been advised to cut or freeze wage bills over the previous three years,[138] and this has been consistent IMF advice going back over decades (previously asserted as a routine condition attached to loans until 2007), then the averages for all countries will have been driven ever further downwards. **This ends up being a spiral to the bottom – with countries being urged to cut in order to keep pace with the cuts imposed on other countries.** This downward spiral is an issue we plan to return to in future research.

4.2 THE PUBLIC SECTOR WAGE PREMIUM

IMF policy papers consistently suggest that it is a problem for public sector wages to be higher than the private sector. The so-called 'public wage premium' is said to 'distort' the labour market, and in Article IV reports regularly advise countries to undertake comparisons between public and private sector wages. The effect is often to justify effective pay cuts – or below inflation pay rises – for public sector workers.

The logic of this approach seems not to be questioned by the IMF or most Ministries of Finance, yet it is an area fraught with difficulty. What are the equivalences used and how do you make effective comparisons? How do you factor in training, professional development, working hours and conditions, contract-types, perks, bonuses and benefits? This cannot be done in a purely neutral and technical way. Can you compare a public school teacher or public sector nurse to their private sector equivalents? It is rarely a direct comparison and there are always distortions. For example, do you compare the State school teacher with a teacher in an elite private school or an untrained 'teacher' in a low fee private school? More broadly, there are likely to be efforts to consistently drive down private sector wages in order to maximise profits. So, if public sector wages are reduced, the same will happen in the private sector, and you end up in another downward spiral. This is part of the reason that we see the overall share of income to labour (compared to capital owners) declining since the 1970s.[139] Over time, this inevitably affects the quality of public services and thus increases the demand for private provision (for those who can afford to pay).

BOX 10: WHO AND WHAT IS INCLUDED?

One of the greyest areas is what is included in the public sector wage bill – which makes standard comparisons between countries particularly problematic. Countries have different accounting and statistical methods. Some will include only salaries and not benefits, but not all will include staff in State-owned enterprises. Some have been using creative accounting for years to try to get State employees off the books, and others are just learning how to do this. Where there is data, it is often not up to date. The diversity of conventions around what to include or not makes overall target setting based on comparisons close to meaningless.

BOX 11: REVERSING THE PRIVATE PREMIUM: PLANS TO IMPROVE PUBLIC SECTOR WAGES IN VIETNAM

Vietnam has made huge strides to improve health outcomes in recent years. Vietnam's universal health coverage index is at 73 - higher than regional and global averages - with nearly 89% of the population covered in 2019.[140] This has been delivered through ongoing improvements to public health services, powered by a strong public health workforce which has enjoyed consistent government investment. However, while the Government has taken steps to increase this incrementally, this has not kept pace with needs and rising living standards, especially in large cities such as Hanoi or Ho Chi Minh.[141] Nor have wages in the public sector kept pace with those in the private sector (which can offer up to twice that of public health workers).[142]

As such, the Government is now committed to address this through a wide-ranging wage reform programme coming into force in 2022. Within this is a commitment that, by the end of 2021, the lowest salary of public sector workers should be equal to the average lowest salary of private sector workers. Every two to three years, wages will rise in line with the consumer price index, economic growth and State budget capacity, with an overarching commitment that, by 2030, the lowest salary public employees will get equal to, or higher than, the lowest salary of private sector workers in the country.[143] The reform also outlines how this will be financed, making reforms a permanent item on the State budget, and allocating a 50% increase in estimated revenue and 70% increase in local budget's realized revenue, to wage reform.

These wide-ranging reforms should be supported as part of ongoing advances in ensuring a quality and equitable public health system in Vietnam. They should not be undermined by IMF advice, which previously included cuts to the wage bill.[144]

From ActionAid Vietnam (2021) Public sector wages for frontline healthcare workers

One interesting dimension of this is that the public wage premium is often higher for women and low-skilled jobs than men and high skilled jobs.[145] This means that women are more likely to secure decent work and pay in the public sector, whereas the private sector seems to exploit women and low-skilled workers in particular. Indeed, the gender pay gap is ten percentage points lower in the public sector than the formal private sector.[146] **The effect of making these comparisons is thus inevitably felt most acutely by women working in frontline roles in the public sector, who will also be the first to suffer pay cuts.** This means that when the IMF advises wage bill constraints, it directly undermines its own avowed commitment to increase women's participation in the labour-force.[147] There are, of course, alternatives. Rather than comparing roles between the public and private sectors, salary levels could be compared to the cost of living or a living wage. But such analysis does not seem to be encouraged.[148]

The use of the emotive term 'distortion' also warrants further analysis. It is routinely suggested that pay in the private sector is 'distorted' by moderately higher wages in the public sector. Yet this is done with little consideration of the value of the work done, or the relative benefits of a low skill/ wage or high skill/ wage growth strategy for developing countries, or whether higher pay is a necessary component of the recruitment and retention of scarce skilled workers. In fact, decent pay in the public sector can prevent unacceptable levels of exploitation of private sector workers, especially in the highly competitive export-led growth economy, by setting a reasonable baseline. Higher pay in the public sector can serve to positively pull up the minimum pay and conditions of workers in the private sector, and rather than distortion, this could be framed as a 'lighthouse effect'.

The dominant neoliberal ideology ensures that the opposite perception predominates - meaning there is pressure to cut public sector pay. But **this becomes self-defeating, because as public sector pay squeezes, and services deteriorate, the enabling environment for those in the private sector is undermined.** Private sector workers end up doubly disadvantaged by downward pressure on their pay and reduced access to public services. Rather than seeing the public sector as crowding out the private sector, there needs to be recognition of the virtuous cycle, whereby quality public services are a prerequisite and accelerator for a thriving private sector. Job creation and economic development depends on both the public and private sector, not pitting them against each other or presenting the public as a threat to the private.[149]

There are significant counterarguments to simplistic parity between the public and private sectors. You need to pay more than the private sector if you are regulating them, otherwise the best workers go to the private sector and the public sector regulators don't have the staff needed to regulate. And this becomes an acute problem with procurements and tenders, where the public sector can lose millions if it cannot match the private sector contractors and litigious lawyers.

Whilst the public sector premium exerts most pressure for those on low pay, there is little evidence that the reverse occurs for those on high pay. There is often a 'private sector premium' at the upper end for highly skilled workers, managers and chief executives who can make vast sums in the private sector but whose earnings are generally capped in the public sector. Ministries of Finance rarely pursue policies that seek to redress this imbalance, yet it is an area where progressive tax policies could make a significant contribution to rein in excessive earnings whilst also raising vital revenue to help boost tax-to-GDP ratios.

4.3 MISSING DATA: HOW MANY HEALTH AND EDUCATION WORKERS ARE NEEDED?

Cuts or freezes to the public sector wage bill impact on the pay of the existing workforce, but perhaps even more dramatically on the prospects to recruit new public sector workers. **Many countries have desperate shortages of public sector workers, including in health and education, especially in light of increased needs to address the Covid-19 pandemic** (e.g. to administer vaccines, prevent hospitals being overwhelmed or to reduce overcrowding in classrooms). It would therefore seem sensible for governments, Ministries of Finance and the IMF to systematically address critical shortages, using objective data to guide discussion of what it would take to achieve human rights obligations, credible international benchmarks, minimum standards or the SDGs.

Liberia's 2019 Article IV is a positive example of this, with an annex on the public sector wage bill which includes IMF and government calculations on adequate pupil-to-teacher ratios, and compares the number of skilled health professionals to WHO targets. It states: *'Existing human resources in the public sector are inadequate: i) teacher-pupil ratios for primary schools is estimated at 27 but, if all children year 6-9 were in school, it will reach 70 students per teacher; ii) the number of skilled health professionals per 10,000 people is only 4.79, while the WHO target is 41'.*

This provides a crucial foundation for an informed discussion, and we would expect this sort of data to be a routine reference point for discussions around the public sector wage bill in every country. Sadly, this was the only one of the 69 documents we reviewed that made any reference to an internationally recognised benchmark. Even more disappointing is the fact that, despite this analysis, in the same document Liberia was steered to make a net cut of 1.1 points to the public sector wage bill as a percentage of GDP over the following six years, which is likely to lead to negative social impacts, particularly for women.[150]

We also found some analysis of inadequate teacher-to-pupil and health worker ratios in three other country documents.[151] In all cases, the same documents gave a medium-term budget steer from the IMF to implement a net freeze or a net cut to the wage bill.

BOX 12: BENCHMARKS AND WHO SHOULD SET THEM

There are always challenges in determining global benchmarks in any area, and ideally they would always make allowances for diverse national contexts and be used in conjunction with impact assessments. But there are organisations who have dedicated serious time to this challenge.

- In the area of **health**, the WHO is clearly the authority and have agreed a key reference point for making progress on the SDG on health: for a minimum density of health workers (doctors, nurses and midwives) of 4.45 per 1,000 people.[152]
- In the field of **education** UNESCO and the Education For All monitoring report are the authoritative reference points, and have collated important data on teacher shortages around the world. The critical indicator is the number of teachers, and whilst there is no single global target, UNESCO observe that in primary schools (as a minimum) 'the most widely used international benchmark is 40:1'.[153] This same ratio was used by the Education Fast Track Initiative, which has now evolved into the Global Partnership for Education.[154] The challenge is that a national average can hide deep disparities between urban and rural schools or wealthy and poor regions of a country. Nevertheless, this is a helpful starting point for an informed discussion.
- In terms of tracking the impact of IMF advice on **women's rights**, UN Women or the committee on the Convention on the Elimination of Discrimination Against Women (CEDAW)[155] could helpfully frame reference points that go beyond the number of staff needed, ensuring that social impacts are assessed with an intersectional gender lens. Sustained dialogue with women's organisations would also help to ensure that the IMF does not further instrumentalise women for economic growth, as it has done in the past through its focus on women's labour force participation that hides women's disproportionate unpaid care and domestic work, while ignoring the impacts of its advice on gender-responsive public services and social protection.[156]

The Ghana 2019 ECF Review strikes an almost apologetic tone to explain why more teachers and nurses had been recruited: *'The Government had to absorb a few more teachers and nurses who had completed their training about two years ago and needed to be employed to improve the student-teacher ratio and nurse-patient ratio both of which are currently below our peer country average.'* Despite this, the budget steer was to apply a net freeze to the wage bill over three years. Nigeria's 2018 Article IV includes a chart showing public education infrastructure, measured as secondary school teachers per 1,000 persons, to be less than one third the level of emerging markets, and just over half that of Sub-Saharan Africa. Yet the IMF's budget steer in this document was to make a net cut to the public sector wage bill of 0.1 percentage points in three years, and then freeze it for another three.

In discussion of the Covid-19 crisis, Uganda's 2020 Rapid Credit Facility request notes that: **'Uganda's health system does not have adequate resources to face this health emergency. There are less than seven health professionals per 10,000 citizens,'** and goes on to make the case for the urgent recruitment of additional health personnel. Despite this, the IMF's budget steer in this document was to apply a net freeze to the public sector wage bill over five years.

In our discussions with the IMF they consistently emphasised that they do 'granular analysis' of each public service before making any recommendations, though this **national analysis is never published so it is hard to know what data they use to inform decisions.** This makes it hard for national civil society to challenge. The IMF does not refer to WHO, UNESCO or UN Women in any of its published documents or apparently seek their advice to determine shortages of health or education workers, gendered impacts or indeed anything else.[157] Overall, there seems to be little systematic effort to determine what the shortages may be, despite the fact that wage bill constraints will have a dramatic impact on efforts to address them.

If the IMF sees fit to advise governments on the size of their public sector wage bill, they ought to routinely include in their analysis evidence of shortages of workers in key public services. This should preferably be done using authoritative international sources and benchmarks, and making reference to what is needed to achieve the SDGs, fulfil human rights obligations and progress towards substantive gender equality. Of course, the analysis needs to go beyond sheer quantity, to consider the impact of wage constraints on the *quality* of the public sector workforce, whether salary levels and conditions can attract suitable people and are commensurate with the education and training required.

BOX 13: NIGERIA: FRONTLINE PUBLIC SECTOR WORKERS ON THE MINIMUM WAGE

In 2019, President Muhammadu Buhari signed into law a bill to increase Nigeria's monthly minimum wage from 18,000 to 30,000 naira ($79), after years of fighting from labour unions, culminating in strikes and protests in late 2018. Given more than 80% of workers are in the informal sector[158] and enforcement has been weak in the private sector, in reality, the national minimum wage applies mainly to public sector workers. In 2021 this is under attack, with a bill under discussion in the House of Representatives to allow the country's 36 states to set their own minimum wage.[159] Given that double digit inflation and the rising cost of living has already eroded the minimum wage in real terms, our research shows that Nigerian workers are worse off than before the minimum wage was introduced - the fight to retain this, rather than raise it further, is heading in distinctly the wrong direction.

Much of the argument for dismantling the minimum wage level is anchored in a narrative of the need to reduce out-of-control recurrent expenditure, as a result of a "bloated" workforce that must be contained and constrained to give space for increased spending on infrastructure investment. Yet the recurrent/capital split is about average for peer countries.[160] Moreover, the minimum wage bill is currently protecting the lowest paid public sector workers from dropping further into poverty wages.

This narrative is powerfully underscored by IMF advice to reduce salaries as part of fiscal consolidation measures. The documents we reviewed between 2016 and 2018 included advice to cut and/or freeze the wage bill. The 2017 and 2018 Article IVs specified that this should include reducing or containing overheads and personnel costs, and in the 2018 Article IV the IMF also advised the Government to "resist pressures" to increase minimum wages. Since then, the IMF has continued to advise caution on recurrent expenditure and the public sector wage bill, and if the Government adheres to the most recent medium-term budget target of 2.2% of GDP, it will represent a cut of 0.4 percentage points in the decade between FY15 and FY25. In the 2018 and 2019 Article IV documents, a strong rationale for rationalising recurrent expenditure – of which the wage bill is part – is to increase public investment in capital spending and close "the infrastructure gap." This often means building projects in support of the predominantly export-led and extractive-led growth model.

In a country with such poor outcomes in education and health, delivered by insufficient and overworked public workers on poverty wages, this is a dangerous narrative. Nigeria is home to the highest number of out-of-school children in the world. In the most disadvantaged 25% of schools in Nigeria, the pupil:trained teacher ratio is at least 150:1.[161] The National Council of Education has estimated a shortage of 1.3 million teachers in basic education alone,[162] with this likely to grow rather than shrink by 2030.[163] As Covid-19 hit, health spending was well below the recommended Abuja commitment of 15% of the government budget – at just 5% according to BudgIT. Yet the country is starved of the vital resources it needs to invest in public services, due to one of the lowest tax-to-GDP ratios in the world (just 3.6% in 2019).[164] Attacks on the wages of public sector frontline workers are misplaced in such a context -- a laser-like focus is needed now on increasing revenues through progressive tax reforms to invest in a public workforce.

From ActionAid Nigeria and Nigeria Labour Congress (August 2021) Trends in Public Sector Wage Bills in Nigeria and Effects on Public Service Delivery

5. INTENDED AND UNINTENDED IMPACTS

The widespread belief in, and routine use of, targets for cutting or freezing the public sector workforce is clearly intended to help countries to stabilise or develop in some way. Whether the IMF's view of 'development' is desirable and whether they succeed in those objectives is another matter.[165] And alongside the questionable intended impacts there are also (what we must assume are) unintended impacts in practice.

5.1 CREATING FISCAL SPACE FOR 'DEVELOPMENT'?

The dominant rationale used for cutting the public sector wage bill is to address a lack of fiscal space – or put more positively, to create more fiscal space for development. We found various formulations of this in our document review, but in essence **the most common mantra is: countries should cut their spending on public services in order to increase their spending on public services. Bizarre!**

Of course, it is not quite so simple and circular. Rather, the message is to cut recurrent spending on the public sector wage bill to free up funds to invest in capital expenditure on public services. In some cases, this is stated explicitly and in other cases it is implied. In almost all cases the justification is that capital spending somehow benefits the poor more effectively than spending on the workforce.

- In the **Bangladesh** 2018 Article IV we find advice to pursue fiscal policies that would ensure *'social spending on the poor [is] protected via restraint'* in recurrent spending.
- In **Kenya's** 2021 ECF review we find the statement *'Controlling the government wage bill can also yield significant savings… to create the much-needed fiscal space for priority social and development spending.'*
- The **Liberia** 2018 Article IV notes that the authorities will *'contain recurrent costs, including the huge wage bill to help create fiscal space for the much-needed investment in growth-enhancing projects and targeted pro-poor expenditures.'* This is reaffirmed in the 2019 Article IV which comments: *'The increasing wage bill is coming at the expense of capital expenditure and much-needed social spending.'*
- The **Malawi** 2017 ECF Review includes advice to *'strengthen control over the wage bill and other current spending and shift the composition of the budget in favor of higher social and capital spending.'* The 2018 Article IV echoes this, advising *'containing the wage bill to help finance social spending needs.' The 2020 RCF notes that 'staff is concerned about the recent decision to grant a large public sector salary increase that will likely be permanent and could constrain the fiscal space available going forward for important development initiatives.'*
- The **Nigeria** 2016 Article IV advises *'Streamlining recurrent expenditure is key to ensure the efficiency of public service delivery.'* There is also a continuing mantra through the Nigeria documents to *'contain recurrent expenditure to conserve scarce resources for public investment.'* in all five of the Article IVs we reviewed (2016-2020).
- The **Sierra Leone** 2016 Article IV *'urges the authorities to freeze the nominal wage bill in 2017… while making space for priority spending in such areas as social protection, energy, education, and health.'*
- In **Zimbabwe** in 2017 we find: *'public sector employment costs remain at an unsustainable level, constraining social and infrastructure spending.'*
- The **Brazil** 2020 Article IV states that *'Reducing mandatory spending [including personnel costs] … is essential to free up space for more productive spending.'*

The examples of this narrative and framing are almost endless, and all suggest that there is a trade-off between social spending and public sector wages. This is even more explicit in Bolivia's 2016 Article IV which refers to *'inefficiencies in education spending'* such as *'the shares of wages and investment in total primary education spending are large, leaving a smaller share for spending on non-wage recurrent expenditures such as books for libraries and laboratory equipment.'* The public sector wage bill is presented as an obstacle to development, something that blocks the real priority spending, including on education and health.

The illogicality of this is evident. Investment in the public sector wage bill is social spending and is in many cases the most important spending on priority sectors for development – even on the IMF's own terms. Globally, 48% of those on the public sector wage bill work in the sectors of education and health. Table 4 strikingly illustrates how spending on health workers is particularly uneven and shockingly low in Africa and South Asia. It is hard to get a breakdown but we can reasonably assume that the others include people working in local, municipal or district government, refuse workers, environmental services, agricultural extension workers, public transport workers, firefighters, refuge workers, water and sanitation workers, police and court-service workers, those involved in running social protection programmes and those involved in care for the young and elderly.[166] Occasional anecdotes of ghost workers and lazy bureaucratic pen pushers are used to suggest that the public sector workforce as a whole is not involved in development or is not a priority for social spending, laying bare the ideological nature of the claim.

Table 4. Percentage of staff on the public sector wage bill per GDP by region

	Education	Health	Public administration	Other
Global	30%	18%	34%	18%
Sub Saharan Africa	25%	9%	29%	36%
South Asia	26%	9%	37%	28%
LAC	32%	13%	41%	13%
Europe & C Asia	32%	30%	31%	8%

Source: World Bank: Worldwide Bureaucracy Indicators Dashboard – mostly 2019

In some sectors this is clearer than others. **The suggestion that you need to cut spending on teachers to improve education makes no sense to anyone working in the education sector.** Nothing is more important for quality learning than a quality teacher, and teacher salaries often make up 90% of the education budget worldwide. Teachers are the social spending that is needed on education. An Independent Evaluation Group review of the World Bank's education investments of billions of dollars over 14 years found almost all World Bank spending was on school infrastructure and all projects were declared successful at the time. However, just a few years later 50% of the buildings were abandoned, used as warehouses or cattle-sheds, because there had been no parallel investment in teachers.[167] More recently Oxfam's analysis of the World Bank's response to Covid-19 finds that *'Just 35% of the projects (25 of 71) include support for mobilizing additional health workers,*[168] suggesting that, despite the evident need to prioritise health workers at this time, investments in infrastructure continue to dominate.

The argument that investing in public sector workers is not social spending also belittles the huge contribution that gender-responsive public services and social protection can make to addressing the current disproportionate burden of unpaid care and domestic work for women (estimated at 13% of global GDP and US$ 10.8 trillion annually) and ignores the fact women are most likely to find decent work in the public sector.[169] **To suggest that you are going to tackle poverty and gender inequality by cutting the jobs that women rely on disproportionally makes no sense!**

Perhaps we should not be surprised that when the IMF sets 'social spending floors' in its loan programmes, supposedly to defend health and education, the public sector wages of health and education workers are **not** included.

BOX 14: GHANA: HEALTH AND EDUCATION IN THE FIRING LINE

Since the 2015 IMF bailout programme imposed austerity measures in Ghana, reducing the public wage bill has been at the heart of measures to cut government spending. This has led to a hiring freeze across most government agencies, and a cap on nominal wage increases.[170] After widespread protests, a below inflation increase was agreed in 2021,[171] but real wages are expected to remain frozen for some time.[172] This is against a backdrop of Ghana already having one of the lowest levels of public sector salaries in the West Africa region.[173] This financing crisis is exacerbated by Ghana's low (and deteriorating) tax:GDP ratio, which stood at around 12.8% of GDP, compared to the Sub-Saharan average of 15% in 2019.

The share of the public sector wage bill in total expenditure has been declining in recent years, as a surge in debt servicing has further eroded government budgets. This has become increasingly unsustainable with the percentage of government revenue being spent on debt servicing rising above 40% between 2016-2019 and over 55% in 2020. This is four times the IMF sustainable threshold of 12%.[174] For context, between 2016 and 2020 the Government has spent twice the amount on debt servicing, as it spent on all public sector employees in the education and health sector.

IMF advice has also played a role in reducing spending on the public wage bill, which suffered a substantial cut of 2.9 percentage points between FY15 and FY18 according to the latest figures available in Article IV and loan documents reviewed. In the 2017 Article IV, the IMF characterised the 'high wage bill' as one of Ghana's 'major structural deficiencies in the management of economy,' and gave a steer through the budget to cut the bill by 0.9 percentage points over two years, to 7.8% of GDP. The 2019 ECF Review advised bringing 'wage bill growth within target' and gave a budget steer to freeze it at an even lower level of 6.6% for the period FY18-21. Also, while the 2019 and 2020 documents we reviewed allowed for some increases to the wage bill, adhering to these most recent targets would still amount to a cut of 1.8 percentage points between FY16 and FY24.

Perhaps most worryingly, there is evidence that frontline workers in health and education have taken the hardest hit. Wage increases in education have fallen consistently below the inflation rate since 2016 and teacher shortages go unaddressed. Ghana needs to recruit about 15% more primary school teachers each year between now and 2030, close to impossible while wage bill constraints persist.

Health spending is also in sharp decline, falling from 9.6% of the budget in 2016 to 5% in 2020. Yet, there is an urgent need for expanded public spending to address serious health workforce shortages and offer a comprehensive response to Covid-19. For example, the average doctor-to-population is 1:8132 - far exceeding the WHO global threshold of 1:1000. In spite of such chronic shortages, the study found a vacancy rate of 41%, or 47,758 vacancies in the health services,[175] whilst a large number graduate healthcare trainees - over 41,000,[176] the majority of whom are women – are still waiting to be employed.

From: ActionAid Ghana (2021) Trends in Public Sector Wage Bill (Education and Health) and the Forces Behind Wage Freezes

5.2 ADVANCING INFRASTRUCTURE FUNDAMENTALISM

As we have seen, a powerful intention behind imposing wage bill constraints is to free up funds for infrastructure. The logic of the IMF (and too many Ministries of Finance) places *things over people* – one off investments over recurrent costs. Real development is about building things. Capital investment is social spending.

This deep attachment to physical infrastructure over people is the fundamentalism that helps to drive the never-ending squeeze on public sector wage bills. And this is profoundly gendered, as women are the majority of workers in the social sectors of public services, but men are overwhelmingly dominant in construction. According to the UK-based Women's Budget Group, **investing 1% of GDP in childcare versus construction would create 2.7 times as many jobs, more than a third of which would be in industries outside of childcare.**[177]

Sometimes this intention is made even more explicit. IMF documents on Liberia, Malawi, Nigeria, Sierra Leone and Zimbabwe all made a direct connection between cutting wage bills and increasing spending on infrastructure.

- **Liberia's** 2018 Article IV observes *'directors welcomed the authorities' efforts to contain the public wage bill and encouraged redirection of budgetary expenditures to capital spending, especially for rebuilding infrastructure.'* The document focuses mostly on roads and electricity.
- **Malawi's** 2018 Article IV advises *'containing the wage bill' to help finance 'large infrastructure and social spending needs … especially electricity, roads, telecommunications, water, and irrigation.'* The main justification is that this will support growth, an improved business environment, and economic diversification.
- **Nigeria's** 2018 Article IV advises *'continuing to rationalize current expenditures to make room for much needed capital spending to close the infrastructure gap', whilst the 2019 Article IV observed that: 'budgeted spending would remain relatively flat, with lower recurrent spending offset by higher capital spending'*. In these documents, infrastructure is largely electricity, power, roads and port infrastructure with the claim that these will *'improve human development outcomes.'*
- **Sierra Leone's** 2017 and 2018 ECF Requests commit the Government to *'reorienting spending towards infrastructure and social protection,'* and the latter document also notes the medium-term fiscal strategy includes *'reforms to contain the wage bill and prioritize capital spending.'*
- **Zimbabwe's** 2016 Article IV advised *'a significant reduction in the wage bill, while rebalancing the budget toward much-needed infrastructure investment and social outlays to stimulate growth.'*

In very few cases do references to infrastructure include hospital beds or school buildings, or indeed any significant capital spending on health or education. Given that the largest groups affected by public sector wage constraints are teachers and health workers, and that infrastructure fundamentalism thus diverts resources away from these, **there is a double whammy for health and education – less money for staffing and very little in the way of increased capital spending.** Yet education and health are widely seen as key to achieving human rights and substantive gender equality, and most people would expect these two sectors to be included in priority spending on development.

Brazil's Article IV in 2019 is perhaps the most explicit of all in advancing this narrative, advising that health and education spending should be cut to finance investment in infrastructure. It states: *'Reducing the infrastructure gap will require significant investment… Given that fiscal space is currently at risk… Staff has identified education and health care as potential areas for efficiency savings going forward.'* Ignoring the negative impacts this will have on women in particular, the document continues: *The authorities should consider establishing formal spending reviews to contribute to fiscal adjustment'*.[178] In addition, the 2020 Article IV for Brazil recom*mends as a priority action* 'Removing minimum requirements for state level spending on education and health.' As these spending commitments were guaranteed in the Brazilian constitution, the steer from the IMF here is both alarmingly anti-democratic as well as anti-development (see Box 6).

This is becoming a critical issue now, not least because *'all over the world, governments are using the pandemic and the environmental crisis to justify a new splurge of infrastructure spending'*.[179] Clearly some infrastructure investments can be transformative, such as investing in public transport, housing, water and sanitation, schools, hospitals and parks. But these tend not to be the priority infrastructure projects of the IMF, **many of which suffer from serious problems, whether enriching builders more than users, offering poor value for money, overstating environmental benefits or understating the massive footprint of concrete.** In the end *'we can no more build our way out of the environmental crisis than we can consume our way out of it'*.[180]

BOX 15: SIGNS OF CHANGE IN SENEGAL?

ActionAid is calling for the public sector workforce to be regarded as a core part of the infrastructure of a country, that needs to be protected and invested in, even at the height of a recession. This requires valuing the workforce as critical in nation building and driving development. Recognising public sector wages as an investment and not just an operating cost is a key first step. Protecting these vital investments in times of fiscal restraint is the next step, especially as capital and the workforce are often pitched as competing with each other in fiscally constrained times.

Senegal currently offers an interesting perspective. Under the national development plan, Plan Sénégal Emergent, the Government has defined 'public investment' to include 'human capital' which is core infrastructure.[181] As such, it has reclassified the health and education workforce as 'public investment' in its fiscal and budgeting planning. This elevated status gives these sectors greater security from cuts in discussions with the IMF. Indeed, the 2017 IMF Article IV observes that, even as fiscal consolidation efforts were being made, efforts should be made towards "creating space for further investment in human capital and public infrastructure". This idea is gaining support from Senegalese civil society, including from labour movements and the umbrella education movement.[182] These initial steps in Senegal offer an example to other countries to see the public workforce for what it is –an engine of growth and development.

5.3 OPENING DOORS TO THE PRIVATE SECTOR AND CHARGING FEES FOR PUBLIC SERVICES

One of the intended consequences of constraining public sector wages is to strengthen the private sector both domestically and internationally, and this resonates with the World Bank agenda of Maximising Finance for Development.[183] Our analysis of the 'public sector premium' (see section 4.2) explains how pressure to reduce public sector pay aims to make the private sector more competitive but can lead to an endless downward spiral. This is almost certainly also a factor in the IMF preference for infrastructure, where work can be tendered to private providers, unlike with frontline workers. It is increasingly clear that one of the objectives of expanding the availability of public financing for infrastructure is to reduce the risks for private investors, offering them *'incentives which comprise various types of subsidies and guarantees'.*[184] Whilst squeezing the public sector, the IMF remains convinced that Africa in particular *'needs to mobilize more financing from and to the private sector'.*[185]

In our review, we found some direct examples of IMF documents supporting privatisation and partnering with the private sector, and of the introduction of user fees in public services to help achieve fiscal consolidation:

- In **Zimbabwe**, which has faced five years of cuts or freezes to the public sector wage bill [see Table 1], the 2017 Article IV called for: *'Going forward, a more fundamental re-evaluation of the role of the state in the economy might suggest possibilities for a deeper rationalization of the public sector, with the aim or producing a smaller yet more effective government.'*[186] This is made more explicit in the 2019 Article IV: 'Reduce the footprint of the government in the economy by leveraging the private sector.'
- In **Vietnam**, which has faced six years of public sector wage bill cuts and/or freezes, the 2016 Article IV noted: *'the authorities... hope to restrain social spending by increasing fees for public healthcare and education to incentivize greater use of private services'* and *'the authorities... noted plans to increase participation by non-state actors in education and healthcare to reduce costs to the budget'.* This was then celebrated in the 2018 Article IV that observed *'higher fees in health and education kept current spending in check.'* There is some recognition of potential risks involved: *'reforms to raise cost recovery and introduce private education and healthcare must be carefully designed to ensure access to all and protect the poor while raising service quality.'* This gentle warning does not really reflect evidence that

privatisation almost always increases inequalities and substantially damages access for the poor. Nor does it explain why people ought to be paying twice for access to public services: firstly through their taxes and secondly through access fees (the most regressive form of tax).

- In **Kenya**, which has also faced six years of public sector wage bill constraints, the 2016 Article IV mentions bringing forward legislation to *'clarify powers by counties to set taxes / user fees'*, and the 2018 Article IV noted that: *'authorities are conscious of the limited fiscal space and will therefore leverage on partnerships with the private sector.'* It is not clear which sectors this covers, but this seems bizarre in a country that had such dramatic success when it abolished user fees in primary education in 2002, leading to 2 million children (and an 84 year old man[187]) being enrolled for the first time.[188] But the advice keeps being given, and the 2021 ECF suggested that PPPs will help reduce government spending through *'efficient and sustainable scaling up of our PPP program.'* This suggests that the prime objective is to reduce government spending as an end in itself, not to achieve development.
- In **Malawi**, which faced four years of cuts or freezes to the public sector wage bill, the 2018 Article IV said: *'Partnering with the private sector and development partners would provide additional support'* and also noted plans to *'Increase user fees and charges... and improve their enforcement,'* (though again, it is not specified in which sectors). There is no acknowledgement of the way user fees exacerbate economic, gender and social inequalities and worsen development outcomes.
- In **Senegal**, which has faced five years of wage bill cuts and/or freezes, recent documents (the 2020 Policy Coordination Instrument Request and its 2021 Review) note that the Government plans to '*rely on*' PPPs for development and recovery from the Covid-19 pandemic. There is no presentation of the mounting evidence about the damaging effects of PPPs in health, let alone the additional costs it can lead to for governments.[189]
- In **Brazil**, with five years of wage bill constraints, the 2016 and 2017 Article IVs refer to PPPs supported by the International Finance Corporation (IFC) - the World Bank private sector arm - saying the *'IFC has provided... advisory services, including for PPP projects (roads, health, education).'* The 2020 Article IV celebrates *'74 [PPP & privatisation] projects being structured ... in several sectors such as water and sanitation, ports, highways, street lighting, power distribution among others.'*

There are cases of IMF documents which advise governments to tighten oversight of PPPs to reduce risks, but this is very generalised and in practice the increased risks and costs to governments are considerable in almost all PPPs.[190] Eurodad has documented the doublespeak of the IMF on PPPs,[191] and their review of PPPs in 2018 found high costs to the public purse, high risk for the State and public sector, and that they lacked transparency, were complex to negotiate, often impacted negatively on the poor or damaged the environment and should therefore be resisted.[192] The gendered impacts of PPPs have also been extensively documented by the Gender and Development Network amongst others.[193] There is also compelling evidence that privatisation actively increases corruption.[194] Progressive alternatives are clear: investing in high-quality, publicly-funded, democratically-controlled, accountable, sustainable and gender-responsive public services.[195]

Despite some parts of the IMF raising concerns about privatisation, the advice at country level seems broadly consistent, painting the public sector as the problem and greater private sector engagement as the solution.[196] This seems to be a deeply embedded mindset in the IMF, brought home most starkly on one of our calls with a senior IMF economist who commented: ***'The public sector should only provide services where the private sector cannot make a profit.'***

This is perhaps the most bleak and minimalist definition of the public sector that we have come across. **In a single phrase it obliterates human rights frameworks, wipes out any semblance of a social contract between people and their governments and implies that the prime purpose of government should be to maximise shareholder profits** rather than expand the public good. This may be a much more fundamentalist position than that held by others in the IMF, but the fact that it was expressed by a senior economist on a call with several other senior economists from the IMF suggests it is not entirely unrepresentative. Such a view is thankfully divergent from the growing consensus in other institutions such as WHO, that increasingly emphasise the importance of the public sector for achieving universal health coverage.[197]

5.4 BUSTING THE UNIONS

In many low- and middle-income countries, trade union membership in the private sector is extremely low and the strongest union movements are those in the public sector. The International Labour Organisation (ILO) track overall trade union membership, which varies widely between countries,[198] and data from Organisation for Economic Cooperation and Development (OECD) countries shows an overall decline in union membership since the early 1980s.[199]

There has been a race to the bottom on labour rights, and the reduction in labour power correlates with workers claiming a smaller share of national income and rising income inequality. Even the IMF agrees that *'The decline in unionization in recent decades has fed the rise in incomes at the top'*.[200] Although data from low- and middle-income countries is less comprehensive, it seems clear that unionisation in the private sector is more challenging and that the unions who still exert most political influence are those representing the public sector. As teachers are the largest segment of the public sector workforce in most countries, it is unsurprising that teacher unions are often the strongest.

Constraining the public sector wage bill has the effect of enabling governments to resist trade union demands, made easier when they can blame this on an external force – the IMF. It enables governments to resist demands for increased pay, playing one sector off against another, and even setting different public sector unions against each other as they vie for a greater share of a shrinking budget at the cost of one another.

In our review of Article IVs and country research we found that, in a number of cases, increases in public sector wage bill or resistance to wage cuts have been driven by the work of trade unions or street protests:

- In **Ghana**, following a reduction of wage bills as a percentage of GDP by 2.9 between FY15 and FY18, the 2019 Article IV notes that *'The budget accommodates a wage bill increase of 15 percent following negotiations with labor unions.'* The April 2019 ECF Review (published eight months earlier) also noted that performance criteria on the wage bill had been missed because the *'government was **compelled** to execute a onetime action of absorbing additional nurses and teachers on the payroll to meet the SDG targets on student-teacher and patient-nurse ratios.'*
- **Malawi** is the only country that is projected to experience an increase in the public sector wage bill (see Table 1 – a 1.2 percentage points rise over a seven year period, FY16-23) and appears to have achieved this following considerable pressure from unions and civil society helped by the Ministry of Education that was frustrated at being blocked from recruiting and deploying the teachers they had trained. It is worth noting that the IMF explicitly advised against this increase.[201]
- In **Senegal**, the 2018 Article IV contains a review of progress since the 2016 Article IV, where it is noted that: *'Efforts have been made to contain public consumption, as evidenced by a fall in current expenditures to GDP in 2017. However, street protests by students and workers in the health and education sectors in early 2018 and failure to increase domestic energy prices in the face of rising global oil prices has led to higher wages and transfers in 2018.'*
- In **Zimbabwe**, the 2017 Article IV states that a *'suggestion to pay the 13th salary in land rather than currency failed following a strike by teachers and health care workers.'*

The tone of these statements suggests that trade union pressure or street protests were annoying interruptions to the enforcement of a sound policy. **Unions and protests are portrayed by the IMF as an obstacle, rather than the barometer of what is acceptable in enforcing cuts.** It is not too much of a leap to suggest that part of the subtext of public sector wage constraints is to actively diminish the power of the trade union movement.[202] This can be achieved in multiple ways: by reducing their overall numbers, by directly limiting the right to strike or protest, by enforcing de-unionisation when you privatise or outsource, or by moving new public sector workers on to temporary contracts which can be easily terminated – meaning workers are constantly fearful of losing their jobs. There are numerous other ways in which governments are suppressing workers and trade union rights,[203] and many other ways in which *'IMF labour market policy measures reduce both individual* *and collective labour rights,'*[204] but the overall constraints on public sector wage bills provide a conducive environment and foundation.[205]

A serious question for those interested in the public sector wage bill is whether it is best to set levels based on external advice from IMF economists or through a participatory process of collective bargaining with representative national bodies such as trade unions? Which is the real distortion?

BOX 16: MOST IMF PROGRAMMES FAIL

Recent research by Reinsberg and Stubbs suggests that most IMF programmes fail – in part because of their policies relating to the public sector.[206] They looked at detailed compliance data for all 763 IMF programmes between 1980 and 2015 to test if the number of conditions was related to programme interruption. They found that each additional condition increases the likelihood of a programme interruption by at least 1.1% — a moderate effect given the average failure rate of 58.6%, but programmes typically include 22 such conditions, which boosts the failure probability accordingly. Conditions to privatise state-owned enterprises, liberalise prices and overhaul the public sector were especially prone to cause implementation failure. This is because these conditions mobilise domestic opposition that can thwart programme implementation. Although public sector wage bill constraints have not been [explicitly] used as a routine condition attached to loans since 2007, they are likely to have been a factor in the 27 years of failure before that date.

5.5 CUTTING WITH THE BLUNTEST OF TOOLS

In 2007 the IMF Board distanced itself from public sector wage bill caps as a condition of loans in part because they risked blocking increased spending coming from aid and in part because they were so ineffective. **A generalised cap or cut or freeze on the overall wage public sector wage bill can trigger a huge range of actions from governments, some of which will contradict the very things the IMF wants to see.** It is, to this day, a blunt tool which leads to incoherent behaviour and should have no place in the planning or thinking of Ministries of Finance or the IMF.

Assuming there is no further guidance offered, a government aiming to achieve an overall cut or freeze to its overall public sector wage bill will need to make choices such as:

- paying workers less or paying for fewer workers;
- making redundancies in one sector and pay cuts in another;
- offering pay rises in one sector balanced with severe pay cuts in another;
- cutting frontline services or defence;
- scaling back public sector pensions or enforcing early retirement;
- reforming labour laws to keep people on short term, precarious contracts or re-labelling people as consultants, reframing contracts, routing pay through a private contractor or creatively accounting in other ways;
- selling off State-owned enterprises or tendering for certain services;
- privatising whole services or contracting out certain roles;
- tackling a legacy of patronage in the civil service or catalysing a new era of punishment of staff linked to opposition parties;
- pursuing union-busting or ghostbusting.

The point is that an overall cut or freeze is not in itself purposeful or directed, **it can create all sorts of unintended pressures and distortions. It is a scattergun, not a rifle. It is not even a meaningful policy, but it is**

an indicator of a mindset. It betrays and illustrates an ideology, a bias, a deep and unjustified prejudice. As with all prejudices, it feeds into and from a picture in the back of people's minds – perhaps most dominantly of an overpaid, overfed bureaucrat sitting at a desk making up unnecessary regulations. It treats all public sector workers as if they are the same, lumping them together in a single identity. This loosely constructed image may be the central falsehood on which the policy has thrived for decades.

The easiest target is always the 'bureaucrat' - but there is a case to be made for reassessing our prejudices.[207] Coordination and administration are the backbone of state capacity, and crucial for the efficient functioning of any service. There is plenty of evidence that national healthcare systems are more efficient than United States style private and fragmented ones.[208] Shaping good policy, for example in response to Covid-19, can save lives. If we want evidence-based policymaking we need office staff who take evidence seriously and can compile and analyse complex data to design informed interventions.[209]

Effective disaster preparedness and health emergency planning is difficult to justify when budgets are under pressure and, all too often when bureaucracies are squeezed by austerity, gaps appear that are deeply regretted - as happened with Covid-19.[210] Responding to the climate crisis and to the implications of adaptation will require meticulous planning and a transformation of public services, and that will all depend on capable and committed back-office staff.[211] The ability to regulate markets to ensure they are efficient and not exploitative or extractive relies on strong government capacity. Outsourcing policy to the private sector is a recipe for undermining democracy. The tax administrator in a government office is perhaps seen as the epitome of the desk-bound bureaucrat – and yet the amount of tax revenue collected by national governments is closely linked to the investments made in tax administration.[212] Surely it is more wasteful to let tax revenue from the richest companies and individuals go uncollected than it is to invest in a few more administrators? Indeed there is much we can learn from the romantic image offered by the former finance minister of India *'Our tax collectors are like honey bees collecting nectar from the flowers without disturbing them, but spreading their pollen so that all flowers can thrive and bear fruit'.*[213] Perhaps it is time to dispel the biased myths of the past, back the bureaucrats and speak up for the silent public sector worker.

Senior IMF economists were emphatic that they offer a steer to countries about which public sector workers mattered, and flagged how, in most cases, health and education staff were specifically exempted from cuts. But this was not the case in the majority of the documents we reviewed. In a few examples we found broad references to the salaries or recruitment of nurses and teachers being exempted or protected to some degree. **However, in 10 of the 15 countries, documents contained IMF advice to cut, cap or freeze wages and/or recruitment of public sector workers, with no accompanying language specifying exemptions or protection for the recruitment or compensation of health and education workers.**[214] This places essential workers in the firing line for cuts and austerity measures. Our research in countries as diverse as Ghana, Nepal, Zimbabwe and Brazil all documented the clear impact of wage bill constraints on frontline health and education workers.

Even where exemptions *are* made, the guidance to 'protect' from cuts may be interpreted as a 'freeze' in pay or recruitment. And the result of protection for nurses or teachers may be harmful for other essential public sector workers, such as firefighters, refuse collectors and care workers. On the whole, teachers and nurses are roles that the public can easily recognise as not being lazy bureaucrats, especially as the pandemic has highlighted the importance of both to our lives. Picking them out makes lumping everyone else together easier. These are the 'good workers' or 'essential workers'– and the implication is that the others are 'bad' or 'unnecessary' – and may well be bloated, bureaucratic ghosts. This helps to raise public support for a policy which is almost certainly not in the public interest.

Clearly, we do not want to argue against valuing and protecting health and education workers, but we need to be wary of deeper cuts to other key sectors. Some of the documents we reviewed mention other specific workers among those to be afforded some level of protection or exemption from cuts and freezes; Liberia, Kenya and Senegal include reference to security workers, and Zambia mentions the police. However, there is no explanation or analysis of the intended or actual impact of IMF advice on the different sectors covered by the wage bill.

Sometimes there is a modest steer in the IMF documents about ways for governments to achieve the overall cut or freeze, for example by cutting existing pay or blocking new recruitment, but these are very generalised:

- **Brazil**: *'Quick yielding measures... could include a hiring freeze' (2017); 'containing expenditure requires ... containing wages and hiring' and 'freezing remuneration in nominal terms' (2018); 'limiting minimum wage increases to cost of living adjustments' (2018 and 2019); 'wage, hiring, and promotion freeze, with a hard cap on total remuneration per employee' and 'aligning public compensation with the private sector'* (2020).
- **Nigeria**: should [resist] *'pressures to increase minimum wages' (2018); 'increased minimum wages are expected to affect the fiscal space... increasing the risk of arrears accumulation'* (2019) (see box 13).
- **Senegal**: *'capping of the amount of bursaries and capping of recruitment (both in terms of staffing and salaries) [in education]'* (2017 ArtIV) and *'implementation of the civil service employment ceilings in 2019 should help contain wage expenditures.'* (2018 ArtIV).
- **Tanzania**: *'Current expenditure is to be contained through a freeze on hiring and nominal wage with efforts to reduce public sector overheads.'* (2016 ArtIV).
- **Zimbabwe**: *'[staff] suggested bolder measures, such as suspending the 13th salary... and compressing the remuneration package'* (ArtIV 2017).
- **Vietnam**: *'The large wage bill should be rationalized by trimming headcount at a faster rate and by linking wages to performance.'* (2018 Art IV).

In some ways, the most shocking fact is that so little detail is provided, reinforcing the sense of a very blunt instrument that could be wielded in many ways with many unintended and damaging effects on public services and the public sector workforce. In the light of this, it is outrageous that ex-ante and ex-post impact assessments are not a routine requirement.

5.6 UNDERMINING HEALTH, EDUCATION, GENDER AND OTHER DEVELOPMENT GOALS

Despite IMF claims that education and health are 'protected' or exempt from wage bill cuts, we found no evidence of this in two thirds of the countries we studied.[215] Even where there are exemptions to protect teachers and nurses, the effect may be to freeze their pay, which over time constitutes a real term pay cut. In the majority of countries where there are no exemptions made it will be very difficult for governments to achieve cuts without cutting education or health personnel as these make up between a third and a half of the total public sector workforce (see Table 4 above). The evidence from many countries is that overall public sector wage constraints have undermined progress on human rights and the SDGs in respect of health and education.

Governments have obligations under international human rights law to 'progressively realize economic and social rights using the 'maximum of their available resources' and avoiding unjustified 'retrogression'.[216] Sweeping cuts to public sector wage bills are therefore likely to be contrary to international human rights obligations and perhaps particularly so following the impact of Covid-19.[217] Sadly, the IMF continues to stubbornly (and erroneously)[218] deny that human rights are within its mandate, whereas it has very publicly claimed a role for itself in implementing the SDGs.[219] **The IMF, governments and Ministries of Finance could and should therefore document the impact of their policies (whether intended or unintended) on the SDGs.** Ideally they would look at all of the goals and their associated targets and indicators, but especially SDG 1 (on poverty), SDG3 (on health), SDG4 (on education), SDG5 (on gender equality and women's empowerment), SDG 8 (on decent work), SDG 10 (on inequality) and SDG 13 (on climate action). The impact of wage bill freezes on progress towards these goals should be projected (in advance) and analysed (in retrospect). Even systematically asking the question would be a starting point, and in the light of the global consensus to prioritise the SDGs and the obligation to advance human rights, there ought to be a requirement to answer this question systematically.

The IMF have identified gender equality as a macro-critical issue, which should place this higher up the agenda. They have appointed a new senior gender adviser and the Managing Director has been bold in making commitments to advance gender equality. Importantly the 2018 IMF Note on Operationalising Gender in Country Work[220] urges *'Country teams should also think about the impact of other macroeconomic policies on gender. For example, budget cuts on subsidies and social programs,* ***cuts in the public-sector wage bill,*** *or increasing transportation fees might have larger impact on women. In these instances, staff may consider an alternative policy mix to prevent such negative externalities or—if the former is not feasible—suggest some mitigating measures'.*

We found no evidence of any analysis of the gendered impact of public sector wage bill constraints, or of the IMF seeking alternatives or proposing mitigating measures. Women are the majority of public sector workers - 70% of the health and social services sector, 90% of nurses and a clear majority of primary school teachers – and for many women, public sector roles offer the best opportunity to secure decent work. Women are also most harmed by cuts to public services, stepping in to pick up the pieces through unpaid care work, as shown again and again following austerity measures,[221] which palliative social safety nets and targeted gender programmes alone cannot alleviate.[222] The Covid-19 pandemic has had a similar impact, with women picking up even more unpaid care and domestic work and many unable to return to work, leading to very concerning regressions in recent gender equality gains.[223]

As evidenced by feminist economists, UN Women and others, gender-blind economic policies undermine women's rights and equality, and **systematic assessment of the gendered impacts of public sector wage bill constraints would need to consider:**

- How public sector wage bill constraints affect women disproportionally, as women working in the public sector are more likely to be on lower pay and precarious short-term contracts. For example, overall public sector wage bill constraints enforced over many years almost certainly mean women who have entered the teaching profession are unlikely to have been recruited as 'civil service teachers' (as part of the permanent profession) and are more likely to have been given casual or short term contracts. This means they are more likely to be fired when cuts are imposed.[224]
- How public sector wage bill constraints affect the **decent work** available to women (using ILO indicators),[225] women's participation in the labour market overall (which is supposed to be an IMF priority), and women's participation in public life, including politics.
- How constraining the public sector and supporting the private sector impacts negatively on the **gender pay gap.** This may be imperfect in the public sector, but it is much worse in the private sector (see Table 5). The World Bank comments: *'This greater wage equality for women likely reflects the more limited scope for wage discrimination in the public sector, given that public-sector wages are often highly regulated'.*[226]
- How squeezing the public sector and supporting privatisation and fee charging affects **access to basic services for women and girls,** relative to men and boys. There is compelling evidence that when you have to pay for access to health or education, women and girls are the first to be excluded.[227]
- How limiting public services leads to increases in the already **unfair burden of unpaid care and domestic work** borne by women because of their socially assigned roles as carers.

Table 5. Wage ratios women to men in 2019 per region

	Private sector	Health
Global	Women earn 75% of men's earnings	Women earn 88% of men's earnings
Africa	Women earn 69% of men's earnings	Women earn 91% of men's earnings
South Asia	Women earn 58% of men's earnings	Women earn 86% of men's earnings
LAC	Women earn 85% of men's earnings	Women earn 96% of men's earnings

Source: World Bank: Worldwide Bureaucracy Indicators Dashboard

5.7 UNDERMINING CLIMATE ACTION

Findings from our analysis of public sector wage bill constraints also revealed how they impact on climate action. In some cases (depending on national accounting or statistical methods) one of the relatively easier ways for a country to reduce its public sector wage bill can be by privatising State-Owned Enterprises. Many developing countries presently retain a significant stake in the fossil fuel industries: oil, gas and coal – seeing the energy sector as one where nationalisation in one form or another make sense. These are finite natural resources that should be harnessed (if at all) for the good of the country and its people rather than being extracted for private profit. But the climate crisis and the reality that most of these resources need to be left in the ground, makes this even more complex.

There are some very difficult choices that have to be made in the coming years – and these difficult decisions need to balance multiple interests. Although they do suffer from short term pressures, governments are almost certainly best placed to make such decisions for the long term interest – rather than leaving this to multinational corporations whose primary concern will always be to maximise short and medium term profits. For many years governments have been under pressure to privatise State Owned Enterprises, particularly in the energy sector, often selling them to foreign companies who it will be difficult or impossible to regulate without facing potentially ruinous Investor-State Dispute Settlements. **We are now at a turning point where pursuing privatisation will make government action and coordinated inter-governmental action to resolve the climate crisis ever more difficult.**

Recent research suggests that the IMF is already playing a problematic role with respect to the fossil fuel industry. Despite vocal calls by the IMF's managing director Kristalina Georgieva about the need to green the Covid-19 recovery, new research from ActionAid-USA and the Bretton Woods Project (IMF Surveillance and Climate Change Transition Risks) shows that the IMF is locking countries into transition risks. This is based on analysis of all 595 Article IV in the IMF's 190 member countries between the signing of the Paris Agreement in December 2015 and March 2021. That research finds:

- **Fossil fuel infrastructure advice.** The IMF has undermined global climate action by promoting fossil fuel expansion through its policy advice, locking developing countries into a reliance on fossil fuels that is harming their economies and the planet. In more than half of all member countries (105) the IMF's policy advice has supported the expansion of fossil fuel infrastructure. This leaves countries at risk of being left with 'stranded assets', such as coal plants that lose their value due to competition from clean energy, while setting a polluting pathway at odds with global climate goals and a just transition to renewables.
- **State Owned Enterprises advice.** The IMF has promoted widespread privatization in the energy sector. In a third of countries (69), the IMF has advocated, directly or indirectly, for the privatization of state-owned energy or electricity utilities. Advice around the privatisation of SOEs was almost always given in the interest of fiscal sustainability, often as part of fiscal consolidation measures, such as to support the reduction of the public sector wage bill. Neutral or positive mentions of any type of SOE were rare, and SOEs are described almost invariably as a fiscal risk in Article IV reports. Privatization often binds governments to long-term agreements with foreign investors and make it difficult for them to end fossil-based energy. In a context where government leadership is required to steer urgent and bold action for the good of people and planet, and governments are required to act as midwives of a just transition, the Fund's assumptions underpinning this advice require greater scrutiny.
- **Energy subsidies.** A third of all countries were advised to end energy subsidies as part of fiscal consolidation, which is likely to negatively impact citizens in low- and middle-income countries and have little impact on lowering greenhouse gas emissions without parallel investment in clean energy alternatives.

The report flags the IMF's wider promotion of austerity policies in many countries that risk a 'lost decade' in the wake of the Covid-19 pandemic – showing how climate action and a just energy transition would be among the potential casualties of this damaging approach. A key recommendation is that the IMF should re-evaluate its advice on privatisation of State Owned Enterprises, which are part of the wider project of narrowing the State and are sometimes triggered by public sector wage bill constraints, particularly given the risks of compensation claims for stranded fossil fuel assets by private investors. Instead **the IMF should support governments to strengthen public institutions, public services and social protection, so that they can effectively respond to climate change.** Investing in public services is a greener investment than investing in infrastructure and therefore public services need to be central to a just transition, making public sector wage cuts or restrictions counter to a just transition. The IMF needs to fundamentally reassess the role of public services in light of both COVID-19 and the climate crisis – and to recognise the limitations of private sector responses.

TESTIMONY FROM THE FRONTLINE IN NEPAL: SUMAN GIRI SHRESTHA, NURSING OFFICER

"I studied Nursing on my own and I tried to be happy with my profession. But when I listen about IMF, it makes me frustrated. Reducing budget in health sector is just like cooking food without adding salt in it. Reduction in government funding in Health Sector impacting in salaries and wages of health workers, their skill and services as well. This is wrong to deduct in budget. I want to request IMF that Health Sector is heart of Public Service so they should not pressurize the Govt to reduce the funding in this sector."

Testimony collected by PSI

6. A SHRINKING CULT AND IDEOLOGY

The use of overall public sector wage bill constraints by the IMF and Ministries of Finance is blunt and ineffective. There is no credible evidence base presented for establishing the percentage of GDP that should be spent on the public sector wage bill, yet countries are consistently and repeatedly urged to cut - even when their wage bills are far below global and regional averages. The intended consequences of cuts or freezes are highly questionable, and the unintended consequences are alarming, setting back progress on gender equality, the SDGs, human rights and even undermining action on the climate crisis. So why is this still such a routine part of the deals struck by Ministries of Finance and the IMF behind closed doors?

The closed doors are key. These are not transparent dialogues open to public or parliamentary scrutiny. They are discussions between a certain cadre of privileged people who have usually been to the same universities and have the same career trajectories – and who have rarely experienced the effects of the cuts that they promote. Heads of State are urged to appoint Ministers of Finance who will keep the markets and IMF happy. Senior officials ascend through the ranks of finance ministries by being consistent with the hegemonic worldview, accepting and internalising the dominant ideology of the past forty years. This is so embedded that it is no longer perceived as ideology but treated as absolute truth. Yet this narrow view of economics was constructed as an ideological project,[228] one which discredited and erased alternatives, particularly those from the global South.[229]

In the wider economics world, there is a growing diversity of thought as people react to the series of financial crises that have exposed fundamental flaws in the current global system. **We will not resolve the multiple and interconnecting crises with more of the same, which will only produce another lost decade.[230]** Thankfully we see a growing diversity of thought in universities, publications, newspapers, journals, conferences, professional associations and unions, feminist movements, webinars and online calls, youth and student movements, parliaments, think tanks, civil society across the globe/the world all over– and even in the leadership and the policy and research teams at the IMF's own headquarters in Washington. But it does not filter down through the IMF and its country-facing teams, or through the closed doors to the corridors of financial power in most countries.

It is time for the government to radically rethink the neoliberal economic policies it follows and the use of public sector wage bill constraints in particular. And there is a strong civil society network that is ready to help explore alternatives!

Whether we call it the cult of austerity or the cult of neoliberalism, it is shrinking. It is a decaying system that cannot withstand significant shocks (and with the climate crisis there are more to come).[231] It has helped the rich get richer (even during Covid-19) and the poor get poorer, as capital swallows more and more and labour earns less and less. The academic and intellectual underpinning has fallen away. **Some rich countries are moving away from austerity, including the United States, recognising that it is holding back growth and development.** But belief remains strong behind the barricades – inside the closed rooms where Article IVs are negotiated between the IMF and Ministries of Finance. In these rarefied spaces the reference points of the dying faith are maintained. The greatest goal is to keep servicing debts. The worst sin is inflation. The highest risk is a bloated public sector. And any aspiration for development (which itself is narrowly defined as GDP growth), in the short or long term, can only be pursued within these parameters.

Secrecy is now a tool in the fight to preserve this failing ideology. The IMF documents quoted are supposedly co-authored between the IMF and Ministries of Finance, but do not publish the sources of the data they draw on and mostly reference their own documents. If exposed to the full light of day, most governments, parliaments and civil society would find grounds to challenge them. But the secrecy serves another purpose. It enables governments to blame the IMF and the IMF to blame governments. It's a cosy charade of plausible deniability. Problematic policies can be blamed on the other party – and no-one is any the wiser. Indeed, governments can push through profoundly unpopular policies and if there are protests the fault can be placed at the door of the IMF, far away in Washington. **This lack of accountability makes it impossible for civil society to scrutinize the decisions made around public finance.**

These are the signs that the cult of austerity is dying. But it continues to wield immense power and hegemony's in decline can do immense damage trying to maintain their power. It is enforced and held in place by the IMF and elites in the global North benefiting from this neo-colonial system of oppression and wealth extraction. And it is underpinned by outdated and discredited ideologies. We need the public in the global South and the global North to stand up to austerity. The public as people, rising up to challenge their governments to resist this dying ideology before it does more damage. And the public sector – public as opposed to the private - the bulwark against austerity, which has survived forty years of attack remaining just about intact. We need these two publics to come together to reimagine and reinvent the future: firstly to demand dramatic and sustained increases in investment in public services and secondly making those services accountable to and regain the confidence of the public. That is the essence of a Public-Public Partnership that can and must finally break down the doors that protect the last followers of the sad cult of austerity.

Rajkumari Chaudhary is a 23-year police constable in Doti district of Nepal. Women police can play a transformative role but changing the traditional profile of public servants working in different services is a challenge when new recruitments are frozen.
PHOTO: ACTIONAID

BOX 17: THE FEMINIST MACRO-ECONOMIC ALLIANCE OF MALAWI: ANOTHER ECONOMY IS POSSIBLE

For decades, feminist economists and activists and women's rights organisations and movements have been imagining, developing, advocating for and implementing economic models, frameworks, strategies and approaches as ways of organising economies and engaging in economic activity as alternatives to mainstream, orthodox approaches. In Malawi, for instance, ActionAid supports the Feminist Macro-Economic Alliance, which champions a robust campaign for just macroeconomic policies with a strong feminist approach in the delivery of public services in health, education and agriculture sectors. This alliance includes ActionAid Malawi, NGO Gender Coordination Network, Malawi Human Rights Resource Centre, MHub, For Equality, Activista Youth Network, Care Malawi, and Her Liberty.

The need to overhaul the framework for economic management in Malawi is urgent. In spite of multiple layers of structural, institutional and policy reforms based on the dominant neoliberal economic framework, the Malawian economy and society have increasingly become dysfunctional either at macro or sector levels or across the board. Development outcomes have largely been suboptimal. In many cases, retrogression has been caused or exacerbated by the application of neoliberal policy and reform instruments. The impacts of public sector wage bill constraints have been particularly pronounced in the agriculture, education and health sectors with women bearing the brunt.

Public sector wage constraint	Agriculture	Education	Health
Freezing recruitment	Low numbers of staff especially in the extension directorate (below 60%); Farmer access to extension services constrained by a demand-driven model	High teacher:pupil ratio for secondary and primary schools; Low quality educational outcomes; Low rates of school completion especially for girls.	Very bad ratios of health workers to population; Overworked staff who do 24 hour shifts non-stop; Exodus of government-trained medical doctors and nurses to other countries when local demand is high.
Maintaining low salaries	High turnover of staff to non-governmental organisations.	Demotivated teachers who do the bare minimum; High rates of absenteeism as teachers devote time to other activities to supplement incomes; Private tuition in public facilities both at primary school and secondary school levels which creates perverse incentives.	Moonlighting: health workers taking on shifts in private facilities at the expense of service in public facilities; Health workers running private outfits to supplement their incomes; Culture of allowances (locum); Preference for workshops and seminars where allowances are given.
Freezing salary increments and promotions	Demoralized staff; Culture of allowances which diverts resources from core activities.	Demotivated teachers who remain on same grades for over ten years, stuck at the bar of the salary structure with no promotion or salary increment in sight.	Staff turnover to private sector; Brain drain as they leave for work abroad for better salaries and conditions of service.

7. LOOKING FORWARD

The world faces a series of interconnecting crises, and responding to them will demand a complete departure from business as usual – or at least business as it has been for the past four decades. Forty years of neoliberalism have played their part in creating or exacerbating the very crises that we now face.

- **The pursuit of endless (increasingly jobless) growth** has disrupted biodiversity and natural systems, displacing wildlife to the point where animal to human transmission of Covid-19 became more likely – and many countries have been ill-prepared to respond to the pandemic owing to decades of underfunding of public health systems.
- **Continuous cycles of debt crises** in the Global South, facilitated by the deregulated financial system, foreign denominated debt and the lack of a structural solution, such as a debt workout mechanism, have meant governments have had to make impossible choices between debt repayments and basic social spending.
- The IMF has contributed to perpetuating **dependency on fossil fuels** and intensifying resource extraction whilst failing to invest in alternatives, supporting the privatisation of natural resources that could seriously hamper governmental and inter-governmental efforts to respond to the climate crisis.
- **Inequalities have risen exponentially as progressive tax systems have been dismantled** in favour of regressive taxes that pass the burden on to people living in poverty, whilst the flow of wealth out of Africa and the global South to the global North is sustained.[232]
- **Gender inequalities have been perpetuated** as the failure to invest in gender-responsive public services impedes the struggle against patriarchy and increases the burdens of unpaid care and domestic work borne by women.

In one way or another, attacks on the public sector are a uniting thread across these crises – and a fundamental reappraisal of the public sector must be at the heart of the solution. We need **systemic reforms to the policies and paradigms of the international financial architecture** and national governments to address inequalities and imbalances at all levels and achieve long term structural change.

Now is the moment to revisit and reclaim the essential redistributive role of States, supporting 'the many' and preventing them from being further captured to service the interests of 'the few'. Central to this must be a **fundamental reimagining of public services – publicly financed, publicly delivered, aligned to human rights, democratically controlled, universal and gender-responsive.**[233] We need to move away from extractive, unsustainable economies based on the myth of unlimited boundaries and perpetual growth, and dependent on the invisible (in terms of GDP) unpaid care and domestic work borne mostly by women. We have an opportunity to build more caring and more equal societies and economies, economies that can truly care for both people and the planet. As civil society, activists, unions and feminist economists from the global South have pointed out for decades, the battle of ideas and narratives will need to be won in each and every country, with people engaging their governments, urging them to move beyond closed cultish thinking and action, and open up to feminist, just, green alternatives.

Investment in public services and the public sector workforce are at the heart of every progressive vision of a feminist and just transition, of building back (or forward) better.[234] And these ideas are no longer at the margins. Joe Biden's multi-trillion recovery package focuses on infrastructure, but redefines this to regard frontline public sector workers as part of the core infrastructure of the country.[235] This makes intuitive sense to the majority of the public. What is a school building without a teacher? What is a hospital without a doctor and a nurse? Elizabeth Warren's observation captures a new common sense: *'We build infrastructure like roads and bridges and communications systems so that people can work. It's time to recognize that childcare is part of the basic infrastructure of this nation. It's infrastructure for families.'*[236] For decades the IMF has defended increased investment in infrastructure, even during the height of a recession, but refuse to treat the public sector workforce as an integral part of that infrastructure.[237] That must change – and quickly! The tide is moving and Ministries of Finance that remain attached to past dogmas will be left behind. It is time to take seriously the evidence that **investment in public services actively contributes to growth as well as development.**[238]

BOX 18: FEMINIST ECONOMIC ALTERNATIVES

The current patriarchal, neoliberal economic system serves to both exploit and exacerbate women's relative position of economic, social and political exclusion. Patriarchy, racism and neoliberalism work together as systems of oppression shaping power and privilege. This shapes our societies and has changed laws, deregulated labour rights, privatised natural resources and basic services, liberalised trade, investment and financial flows facilitating extraction of wealth and resources in the form of corporate profit from people and the planet.

Economic 'development' is measured in GDP, ignoring the recovery cycles of the environment and social reproduction. The value of human beings cannot be reduced to their contribution to GDP while ignoring all the other ways that people live and sustain each other, communities, societies and ecosystems. **Unpaid care and domestic work (part of social reproduction) are not counted in GDP,** leading to harmful policy decisions and this needs to be recognised for its social and economic value, rewarded with equal pay and decent work, and redistributed, especially to public care services (read the Care Manifesto: Rebuilding the social organization of care).

Feminist economists, activists, women's rights organisations and movements have been offering models to organise economies and engage in economic activity that are people-centred and grounded in human rights, equality and solidarity as alternatives to mainstream, orthodox and neoliberal approaches for decades. Any approach needs to redress gender inequalities at the national level as well as power imbalances between the global North and global South.[239]

The responses to Covid-19 in many countries have revealed both the best and the worst in the public and the private sectors. Public financing was fundamental to accelerating the discovery and initial dissemination of vaccines,[240] but the failure to suspend intellectual property rights has allowed private profits to triumph over global good.[241] The surge of demand for personal protective equipment and respirators led to vast sums of public money being awarded, without proper procurement processes, to companies who had little credibility, experience or competence. There have been scandals of political cronyism and corruption,[242] stories of gross inefficiencies in the private sector and stories of heroic commitment and self-sacrifice by frontline workers in the public sector.[243] Whilst death rates have risen alarmingly, billionaires have been heading for the stars. It feels that there is a shift taking place, with a growing relegitimization of the role of State, far beyond a mere facilitator for the capitalist market and its profiteers.[244]

The climate crisis certainly plays its part in forcing us to reappraise the role of the public sector and how its funded. Meaningful global action at the climate conference in Glasgow in November 2021 and beyond will depend on standing up to the fossil fuel industry,[245] the largest and most powerful corporations, ending all State subsidies and using the full powers of the State to shift us towards renewables and a sustainable future.[246] **This means States increasing public budgets through progressive taxation and working more effectively together to regulate corporate power.** Though flawed in design, the G7 agreement to set a global minimum corporate tax rate was a positive sign that powerful countries recognise that the status quo on corporate tax abuse cannot continue (see Box 3). Most of the progressive proposals for redistributive climate finance that are now on the table recognise that to redress historical injustice, pay for loss and damage[247] and support adaptation there are two essential ingredients: a commitment to invest in universal social protection;[248] and quality public services. A better resourced public sector workforce will be essential for building more resilient States, that are able to advance gender quality and address the climate challenges ahead.[249]

It is a long time since people talked widely about the positive cycles of investment in public services.[250] When a government creates a public sector job it often takes someone off social security, reducing the welfare bill. It is often the public sector that provides the traineeships and apprenticeships that provide a pipeline of skilled workers for the private sector. Each public sector worker pays tax, effectively contributing a significant percentage to their own pay. Each extension of a public service can reduce the burden of unpaid care and domestic work that otherwise unjustly falls mostly on women, enabling women to become more economically and politically active and productive. A healthier and better educated workforce is more productive overall, increasing economic development and wellbeing. As the Commission on Health Employment and Economic Growth flagged: *'Economic growth and development depends on a healthy population. Around one quarter of economic growth between 2000 and 2011 in low- and middle-income countries is estimated to result from the value of improvements to health. The returns on investment in health are estimated to be 9 to 1. Targeted investment in health systems, including in the health workforce, promotes economic growth along other pathways: economic output, social protection and cohesion, innovation and health security'.*[251] The negative images, prejudices and vicious cycles of the past need to make way for a virtuous cycle sparked by a positive attitude towards investment in public sector workers.[252]

As Daniel Bertossa from PSI notes: *'Despite public perception, many of the extraordinary recent innovations, such as advanced medicines and the technology behind smartphones, owe more to government spending, research, and development than private sector ingenuity. Meanwhile, the relatively few public sector failures are relentlessly promoted as a sign that government cannot provide solutions. If this same standard were applied to start-ups, which have a notoriously high failure rate, private business as a whole would be deemed an unmitigated failure'.*[253]

So **now is the time for a massive reinvigoration of public services.**[254] We need a sustained and significant **increase to public financing if we are to rebuild public confidence in existing public services -** diminished in many countries after decades of cuts and freezes. This will require more frontline public sector workers in existing services with decent pay and working conditions. If we want quality public services, we cannot expect or require public servants to work for poverty wages. Those who are working for the public good deserve to have decent work conditions, dignity and respect. We all gain when the people teaching our children or treating our health are fairly rewarded. **A single point increase in the public sector wage bill as a percentage of GDP can be transformative. In just the 15 countries studied, that would amount to almost eight million new frontline public sector workers** (see Table 2).

A huge new injection of finance is also needed to extend public services to critical new areas, ensuring care throughout the lifecycle for all, no matter employment or migration status. Early childhood care, education and development is so transformative that it must be conceived and delivered as a public service, not something that depends on private provision and the ability of parents to pay (the biggest benefits accrue to children from the most disadvantaged families and they are presently the least able to access it in most countries).[255] Social care for the elderly is another critical area to reimagine, to identify the appropriate role for public service intervention and ensure that the State has the capacity to define and deliver on minimum standards and regulations. Such caring roles, whether for the very young, the elderly or people with disabilities are highly labour intensive, so the public sector wage bill will have to expand significantly if we want to avoid the mounting scandals seen in some private care.[256] And if we want to **challenge the patriarchy, these caring roles can no longer be undervalued.**[257]

Beyond rebuilding existing public services and extending State involvement in new public services, **we need to reimagine public services to make them more gender-responsive**[258] **and accountable.** The traditional upwards accountability of public services, the professional and democratic oversight of local services by district, regional and national authorities, continues to be important, though often cuts have stripped and undermined crucial intermediary levels in recent years. But this needs to be accompanied by a renewed emphasis on downward accountability to the public, the users of public services. Every public service needs to harness technology to increase transparency. But the focus needs to be less on inciting competition between providers, and more on using the State's redistributive powers to ensure that all services are of decent quality.

The climate crisis requires massive new State investment and a revaluing of the 'local' in public service. It is madness for people to have to travel long distances to access decent services, so they need to have confidence in the public service in their own neighbourhoods. **This means building effective public-public partnerships. Balancing upwards and downwards accountabilities and giving equal value to the users of public services and the public sector workforce.**

8. RECOMMENDATIONS

The orthodox austerity approach pursued by the IMF and too many Ministries of Finance is supposed to promote the narrow goals of financial stability and aggregate growth (in GDP). But, in practice, this actively constrains fiscal space prioritising debt repayments while blocking public investment in public services and the public sector workforce, in the short and longer term. Key public responsibilities and human rights obligations for providing health, education, social protection and other services are passed on to households (adding to the unpaid work of women) or the private sector (facilitating wealth accumulation through profit extraction).[259] Neoliberalism has been oversold for forty years and stifled the very growth and development it was supposed to value.[260] It is time for a fundamental overhaul, a system change focused on economic justice.

Governments, Ministries of Finance and the IMF need to move more than their rhetoric, and show real change in practice.

- **Stop pursuing austerity policies** in the face of the multiple crises (health, economic, inequalities, and climate), given that it is known that austerity will prolong economic recessions and undermine economic recovery.[261]
- **Recognize and maximise the contribution of the public sector to economic growth and development,** including to transformations in unpaid care work and gender equality.
- Set and act on **ambitious targets for progressive tax reforms,** increasing tax-to-GDP ratios by at least 5% by 2030 through progressive taxes, especially on wealth and corporations.
- **Support more ambitious debt cancellation and rescheduling programmes and support governments to restructure their debts** so that they can prioritize investments in quality public services.
- **Set ambitious targets to increase public sector wage bills year on year,** to massively reinvigorate public services after decades of decline, using international benchmarks to guide investments, as a centrepiece for Covid recovery, human development and a green transition.
- Recognise the **public sector workforce as part of the core infrastructure** of a country that needs protection and investment, even (or indeed, especially) at the height of a recession.
- Recognise that a **significant scaling up of the public sector workforce will be necessary to respond to the climate crisis.**
- **Engage with trade unions and women's rights organisations in social dialogue and collective bargaining** to set fair and gender-equal public sector wages.
- **Move towards long-term economic planning** that targets wellbeing, is not restricted by narrow measures such as GDP growth, and which meaningfully factors projected long-term returns to investment in public services into medium-term plans.
- **Actively research and implement alternative macroeconomic policies** drawing learning from stakeholders such as UNCTAD,[262] ILO[263] and feminist macroeconomists.[264]
- **Increase transparency and accountability** in all national economic discussions whether with the IMF or any other global actor. Publish all data and sources, and expand parliamentary and people's involvement.
- **Disavow the cult of austerity** – and ensure that any cult members are called out.

The IMF specifically should:

- Perform a **human rights and gender impact assessment** of any policy that impacts on the public sector workforce, and the impact on human rights and national development goals. Systematically conduct *ex-ante* gender and distributional impact assessments of all fiscal targets, ensuring any harmful impacts are addressed and alternatives considered.
- Conduct a dedicated **Independent Evaluation Office** review of the IMF's use of public sector wage bill constraints and its wider positioning on the public sector.
- Revisit the recent IMF **Comprehensive Surveillance Review** and ensure insights and recommendations are reflected in any staff guidance.
- Upgrade the status of the IMF note on Operationalising Gender in Country Work to **make it mandatory to analyse the gendered impact of public sector wage bill constraints** (and other policies), and ensure that the IMF has sufficient resources to do this.

- Ensure that any **global mechanisms with potential for redistributive financing** (Special Drawing Rights,[265] carbon taxes, Loss and Damage, debt deals) specifically recognise and safeguard the strategic importance of investments in the public sector workforce.

The public, civil society and social movements should maximise the connections made across issues, be vocal in their collective critiques and promote positive alternatives:

- **Be ready to protest and put pressure on governments** whenever the cult of austerity raises its head. The countries that were successful in expanding their public sector workforce were those with sustained pressure from public sector unions and street protests. Until these policies are consigned to the bin, there needs to be active and vocal non-violent resistance and international solidarity with all those who take on this struggle.
- After 40 years of this ideology we need **broad-based movements to condemn austerity and promote alternatives,** linking feminist movements, youth and student organisations, trade unions, education, health and other sectoral movements, tax and fiscal justice campaigners, indigenous people, climate and environmental justice networks, human rights advocates etc. We need strong alliances globally (such as the global campaign coalition to End Austerity and the Fight Inequality Alliance) and in every country, united to put pressure on governments. This is the moment!
- Pull together learning and **build a bolder public consensus on economic alternatives to neoliberalism,** supporting and strengthening institutions and actors that can offer credible alternative advice to countries who are ready to break the mould with feminist, just and green approaches to development.
- **We need to work together to boldly reimagine the public sector** as an engine of growth and development, revalue the public sector workforce and rebuild public confidence that quality services can be sustainably financed. We need to consolidate a new vision of PPPs as Public-Public Partnerships, where public services are truly accountable to the people. Profit making and privatisation should be challenged in *every* public service.

Dr. Ahmad Muhanna, the director of Al-Awda hospital in Gaza, spoke in May 2021 about the extraordinary challenges faced. "We receive different cases resulting from the explosion of buildings such as burns and injuries, including limps and burns among children and women Health staff and health workers in all governmental hospitals need psychological support.
PHOTO: PUBLIC SERVICES INTERNATIONAL

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10. For example see GADN (2018) Submission to the Independent Expert on foreign debt and human rights on the links and the impact of economic reforms and austerity measures on women's human rights https://www.ohchr.org/Documents/Issues/Development/IEDebt/WomenAusterity/GenderDevelopmentNetwork.pdf

11. ActionAid (2020) pages 3-30.

12. The IMF can also be seen as complicit in these wider regressions according to Detraz, N., & Peksen, D. (2016).' The effect of IMF programs on women's economic and political rights'. International Interactions, 42(1), 81–105. https://doi.org/10.1080/03050629.2015.1056343 *'We postulate that IMF-induced policy reforms of privatization and public spending cuts, and the growing political repression and instability following the implementation of IMF programs, undermine the government's ability and willingness to protect women's economic and political rights'*

13. Tax Justice Network, Public Services International and the Global Alliance for Tax Justice (2020) The State of Tax Justice 2020. This report shows how revenue foregone could fund salaries for nurses "Countries are losing a total of over $427 billion in tax each year to international corporate tax abuse and private tax evasion, costing countries altogether the equivalent of nearly 34 million nurses' annual salaries every year – or one nurse's annual salary every second." https://www.globaltaxjustice.org/en/latest/427-billion-lost-tax-havens-every-year

14. See data on inequality from Oxfam: https://www.oxfam.org/en/tags/inequality and the Fight Inequality Alliance https://www.fightinequality.org/about .

15. 500 organisations signed a statement condemning the IMF's use of austerity in October 2020: https://www.eurodad.org/over_500_organisations_call_on_imf_to_stop_promoting_austerity_coronavirus

16. See for example the coming together of UN Special Rapporteurs calling 'Enough is Enough' in 2020 https://www.gi-escr.org/latest-news/enough-is-enough-privatisation-and-public-sercices-a-well-attended-conversation-with-current-and-former-un-special-rapporteurs

17. ActionAid (2007) Confronting the Contradictions: the IMF, Wage Bill Caps and the Case for Teachers: https://actionaid.org/publications/2007/confronting-contradictions.

18. ActionAid (2005) Changing Course: Alternative Approaches to Achieve the MDGs and Fight HIV&AIDS. https://www.internationalbudget.org/wp-content/uploads/Changing-Course-Alternative-Approaches-to-Achieve-the-Millennium-Development-Goals-and-Fight-HIV-AIDS.pdf

19. A key factor was that the US congress had a bill in development (https://www.govinfo.gov/content/pkg/CRPT-111hrpt187/pdf/CRPT-111hrpt187.pdf) that opposed the IMF imposing user fees and wage bill cuts/caps for education and health in low income counties - opposing any loan, project, agreement, memorandum, instrument, plan, or other program of the Fund to a Heavily Indebted Poor Country that imposed budget caps or restraints that do not allow the maintenance of or an increase in governmental spending on health care or education. This lapsed during the Trump years – but it might be time for a similar (or better) bill!

20. IMF (2007). Public Information Notice #07/83: IMF Executive Board Discusses Operational Implications of Aid Inflows for IMF Advice and Program Design in Low-Income Countries. https://www.imf.org/en/News/Articles/2015/09/28/04/53/pn0783.

21. ibid

22. See for example: Evaluating the IMF's Performance in the Global Financial Crisis (2015) https://www.peio.me/wp-content/uploads/PEIO9/102_80_1443647577194_Gutner30Sept2015.pdf

23. Wage bill constraints are no longer conditions of loans but the advice provided and targets set are highly coercive on Ministries of Finance – an issue we explained in more detail in 2020 over pages 51-52 of ActionAid (2020)

24. ActionAid (2020).

25. ActionAid (2020a). The Pandemic and the Public Sector. https://actionaid.org/publications/2020/pandemic-and-public-sector

26. The Bretton Woods Project refer to 'de facto conditionality' https://www.brettonwoodsproject.org/2020/10/art-320868/ The IMF's language in Covid-19 emergency financing agreements and analysis continues to call for a "swift" return to fiscal consolidation as soon as the peak of the crisis has passed.

27. Ortiz and Cummings (2021) Global Austerity Alert. https://policydialogue.org/files/publications/papers/Global-Austerity-Alert-Ortiz-Cummins-2021-final.pdf

28. Oxfam (2021) Adding Fuel to Fire https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621210/bp-covid-loans-imf-austerity-110821-en.pdf;jsessionid=4896CA0966A03430AB38C5ADFA5AD059?sequence=1

29. Ostry, J. et al. (2016).

30. The debt crisis has led to renewed calls for a debt jubilee, with many organisations calling for action in the light of Covid-19. See for example the wide range of signatories to this 2020 international statement 'A debt jubilee to tackle the Covid-19 health and economic crisis' by Jubilee Debt Campaign https://jubileedebt.org.uk/wp-content/uploads/2020/07/International-statement_English_04.20.pdf - and also Munevar, D. (2021) 'The Debt Pandemic'. Eurodad briefing. https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/2112/attachments/ original/1622627378/debt-pandemic-FINAL.pdf?1622627378

31. We use the term 'neo-colonial' because Western powers overwhelmingly control decision-making on the IMF Board, while their recommendations impact most profoundly on the global South.

32. Reinsberg et al. (2021) Compliance, defiance, and the dependency trap: International Monetary Fund program interruptions and their impact on capital markets https://onlinelibrary.wiley.com/doi/10.1111/rego.12422. A key part of IMF power comes from the signalling to markets if there are any programme interruptions 'Countries are caught in a dependency trap: politically contentious policy prescriptions drive non-compliance, triggering adverse market reactions that leave countries with few sources of financing beyond the IMF, leading to their eventual return to the doors of the organization for a fresh loan.'

33. From Bhumika Muchhala (2021) *COVID-19 reveals everything: The intertwined health and economic crisis calls for urgent responses, systemic reform and ideological rethink of the international financial architecture. Third World Network. Retrieved 3rd Sept 2021 from:* https://twn.my/title2/resurgence/2020/343-344/cover02.htm

34. See for example: Bretton Woods Project (2012) Revolving doors: staff turnover between IFIs and African governments https://www.brettonwoodsproject.org/2012/07/art-570796/

35. IMF (2020) *Fiscal Monitor*. The April Fiscal Monitor publication revealed that the Fund's support for fiscal stimulus is limited to the immediate fallout from the Covid-19 crisis. Once the public health emergency diminishes, developing countries are expected to carry out the traditional fiscal consolidation measures to stabilise debt ratios on a 'firm downward trajectory.' Essentially, the Fund's fiscal consolidation measures that retrench government spending on public systems and social services will remain unchanged in the long term. https://www.imf.org/en/Publications/FM/Issues/2020/04/06/fiscal-monitor-april-2020

36. See for example OECD analysis of policy responses https://www.oecd.org/coronavirus/en/policy-responses.

37. Reuters (2021) 'Spend as much as you can,' IMF head urges governments worldwide https://www.reuters.com/article/us-russia-imf-idUSKBN29K1XJ

38. Financial Transparency Coalition (2021) Towards a People's Recovery – Tracking Fiscal and Social Protection Responses to Covid in the global South https://financialtransparency.org/wp-content/uploads/2021/04/FTC-Tracker-Report-FINAL.pdf

39. The Financial Times declared this rather prematurely in 2020 https://www.ft.com/content/0940e381-647a-4531-8787-e8c7dafbd885

40. Rowden, R. (2021) If the Washington Consensus was really over, what would that look like for development strategy? https://braveneweurope.com/rick-rowden-if-the-washington-consensus-was-really-over-what-would-that-look-like-for-development-strategy

41. DAWN (2020) Call on IMF to stop promoting austerity in the Coronavirus recovery period. https://dawnnet.org/2020/10/imf-stop-promoting-austerity/

42. At times being a really progressive voice, for example raising concerns about vaccine inequity and the dangers of a two track recovery. See, for example, blog by Kristalina Georgieva (2021) https://blogs.imf.org/2021/07/07/urgent-action-needed-to-address-a-worsening-two-track-recovery/

43. See, for example, Bhumika Muchhala (2020).

44. As UNCTAD have warned: COVID-19: 'UNCTAD warns of 'lost decade' if countries adopt austerity' (2020) https://unctad.org/news/covid-19-unctad-warns-lost-decade-if-countries-adopt-austerity

45. See demands made to the United Nations General Assembly in Sept 2021 by 350 civil society organisations: https://www.eurodad.org/global_economic_solutions_now.

46. Ortiz and Cummings (2017). Fiscal space for social protection and the SDGs: Options to expand social investments in 187 countries. ILO, UNICEF and UN Women. https://www.social-protection.org/gimi/RessourcePDF.action;jsessionid=BVEXMcSDf7XSpd4JYjPsnmUnBcqiyiUEZ0ro_J2A8sjxXnQUYod7!-1491252213?id=51537 ; Ortiz et al. (2019). Fiscal space for social protection: A Handbook for Assessing Financing Options. ILO and UN Women. https://www.social-protection.org/gimi/RessourcePDF.action?id=55694

47. See: Munevar, D. (2021)

48. See the Global Alliance for Tax Justice statement on this G7 deal: https://docs.google.com/document/d/1wh1eGXxwseVNIEdP5hToA_ZnLBB-ifUexW4i4g_zN3Y/edit

49. A useful summary of reactions to the G7 deal is here: https://taxjustice.net/2021/06/01/%F0%9F%94%B4-live-blog-global-minimum-tax-rate-at-g7/

50. See ActionAid (2021) *Mission Recovery: How Big Tech's tax bill could kickstart a fairer recovery.* https://actionaid.org/sites/default/files/publications/Mission%20Recovery_ActionAid%20Tax%20Report%202021.pdf

51. See, for example https://en.wikipedia.org/wiki/List_of_countries_by_current_account_balance - though of course being able to service the debt is the key.

52. Cassidy, J. (2018) The Real Cost of the 2008 Financial Crisis. https://www.newyorker.com/magazine/2018/09/17/the-real-cost-of-the-2008-financial-crisis. Though of course quantitative easing is not as likely to lead to excessive inflation in stable Western economies as it is in more fragile and fluctuating economies in the global South.

53. See OECD policy responses to Covid-19 https://www.oecd.org/coronavirus/en/policy-responses?keyword=covid-19

54. There are other options for mobilising additional revenue that are summarised in Box 1, based on the work of Isabel Ortiz.

55. There are, of course, other revenues available to some governments, such as royalties on natural resources. These are less predictable and permanent than tax but can significantly add to government revenue as a percentage of GDP.

56. IMF (2019) Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs https://blogs.imf.org/2019/01/31/mind-the-gap-in-sdg-financing/.

57. ActionAid (2020) Table 10, page 93

58. ActionAid (2020) Table 8, page 77

59. See, for example, Royal College of Nursing (2020) Public support for pay rise 'overwhelming' https://www.rcn.org.uk/news-and-events/news/uk-public-support-for-pay-rise-overwhelming-says-rcn-241120

60. Tax Justice Network (2020) The State of Tax Justice 2020 https://taxjustice.net/reports/the-state-of-tax-justice-2020/

61. If only the economic world had listened to 23 year old Phyllis Deane in the 1940s: https://theconversation.com/womens-unpaid-work-must-be-included-in-gdp-calculations-lessons-from-history-98110

62. The full set of ActionAid's Progressive Tax Briefings can be found here: https://actionaid.org/publications/2018/progressive-taxation-briefings.

63. Global Alliance for Tax Justice, Womankind Worldwide and Akina Mama wa Afrika (2021). 'Framing Feminist Taxation: Making taxes work for women'. https://www.globaltaxjustice.org/en/latest/framing-feminist-taxation-making-taxes-work-women

64. Momentum for a United Nations tax body is growing: Tax Justice Network (2021) Heads of state launch historic UN plan to stamp out global tax abuse https://taxjustice.net/ press/heads-of-state-launch-historic-un-plan-to-stamp-out-global-tax-abuse/

65. IMF (2013) Beyond the Annual Budget: Global Experiences with MTEFs. https://www.imf.org/external/np/seminars/eng/2013/fiscalpolicy/pdf/brumby.pdf

66. The global average is that teachers make up 30% of the public sector wage bill https://www.worldbank.org/en/data/interactive/2019/05/21/worldwide-bureaucracy-indicators-dashboard.

67. Though such narrow standard measures are problematic in themselves, they should be sufficient to value children going to school in terms of the fulfilment of human rights obligations, the reduction of women's unpaid care and domestic work etc.

68. See, for example Psacharopoulos and Patrinos (2004) Returns to investment in education: a further update. *Education economics*, 12(2), 111-134. This is also a case regularly made by Gordon Brown https://educationcommission.org/updates/financing-education-by-gordon-brown/

69. Gaspar, V (2019) Medium-term Revenue Strategies: taxation and development. https://www.imf.org/en/News/Articles/2019/10/28/sp102919-mediumterm-revenue-strategy and Mullins, P (2020) Medium-Term Revenue Strategies: Are They Realistic for Developing Countries? CGD: https://www.cgdev.org/sites/default/files/medium-term-revenue-strategies-are-they-realistic-developing-countries.pdf.

70. Global Alliance for Tax Justice, Womankind and Akina Mama wa Afrika (2021)

71. See section 5.5 for a defence of bureaucrats.

72. Feminist taxation is a key pathway to realise this redistributive state. See Global Alliance for Tax Justice, Womankind and Akina Mama wa Afrika (2021).

73. Transparency International https://www.transparency.org/en/what-is-corruption

74. World Bank Policy Research Working Paper 9643 'Increasing the wages of public officials could help reduce corruption in countries with low public sector wage inequality' https://documents1.worldbank.org/curated/en/387481619624669061/pdf/Effects-of-Public-Sector-Wages-on-Corruption-Wage-Inequality-Matters.pdf

75. For a helpful review of forms of corruption in education see Transparency International (2013) Global corruption report: Education (pp. 94-97). Routledge https://images.transparencycdn.org/images/2013_GCR_Education_EN.pdf It is unclear how constraints on wage bills will help to resolve any of the examples they flag. See also Romero, M. J. (2018) 'History RePPPeated' https://www.eurodad.org/historyrepppeated. Eurodad. and Bayliss and Romero (2021) 'Rebuilding better', but better for whom? https://www.eurodad.org/rebuilding_better

76. In some countries soldiers are also a significant category on the public sector wage bill, and targeted action to reduce their numbers and cost may indeed make sense. However, in unstable contexts this can increase risks. Army personnel are never mentioned in the IMF documents.

77. PSI offer a useful overview of different sectors in the public sector workforce. See; https://publicservices.international/resources/page/sectors?id=9416&lang=en

78. See, for example ActionAid USA Safe Cities for Women and Girls https://www.actionaidusa.org/work/safe-cities/

79. CESR (2019) Dismantling the Dogma: https://www.cesr.org/sites/default/files/Dismantling%20Dogmas_Online.pdf

80. Ortiz and Cummings (2021).

81. Others such as CESR have called for 'Dismantling the Dogmas' of Austerity and Fiscal Injustice – see https://www.cesr.org/sites/default/files/Dismantling%20Dogmas_Online.pdf

82. The Bolsa Família (Brazil) and similar programmes in Mexico and Argentina had "remarkable redistributive power" Lustig et al (2012). Declining Inequality in Latin America in the 2000s: the Cases of Argentina, Brazil, and Mexico. http://www.ecineq.org/milano/WP/ECINEQ2012-266.pdf

83. Between 2001 and 2015, the Brazilian minimum wage was raised by 72,84% in real terms.

84. UNDP (2020) indicated that Brazil has dropped five positions in the world HDI (human development index) ranking. Moving from 79th to 84th position, out of 189 countries.

85. See, for example: (IMF) 2020. *Brazil: 2020 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Brazil.* https://www.imf.org/en/Publications/CR/Issues/2020/12/01/Brazil-2020-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-49927

86. Ibid.

87. IMF (2018) Rightsizing Brazil's Public-Sector Wage Bill https://www.imf.org/en/Publications/WP/Issues/2018/10/08/Rightsizing-Brazils-Public-Sector-Wage-Bill-46194

88. ActionAid (2005) and ActionAid (2007) contributed to the IMF Board shifting its position on wage bill caps. See IMF (2007)

89. ActionAid (2020) Table 7, page 66,

90. Article IVs are the annual "surveillance" evaluations of national economies mandated by the IMF Constitution. These published reports are widely consulted by international investors and governments as guidance for their investment and aid decisions. Advice in these reports can have a powerful coercive effect. We have not put an individual endnote each time we have referred to an Article IV, but we have given the country and date in the text You can access these at IMF Country Information pages: https://www.imf.org/en/Countries.

91. Loan documents include the Extended Credit Facility, which replaced the old Poverty Reduction and Growth Facility. These are accessible on the IMF's database of lending commitments: https://www.imf.org/external/np/fin/tad/extarr1.aspx.

92. This included specific calls to discuss our research with IMF senior economists on 22nd June 2020 and on 22nd April 2021, as well as discussions in civil society policy forum events in their Spring and Annual meetings, interactions with the Independent Evaluation Office of the IMF and calls linked to the Comprehensive Surveillance Review.

93. Indeed, IMF lending assistance is also meant to be temporary, and yet many countries in the global South have been on consistent programmes for decades. It clearly shows their programmes aren't working – even by their own measures of success.

94. Kenya, Liberia, Nigeria, Sierra Leone, Vietnam (advice to cut and/or freeze over six years), Brazil, Senegal and Zimbabwe (advice to cut and/or freeze over five years)

95. This includes Brazil, based on analysis of the federal level public sector wage bill. At state and municipality levels, the latest advice will lead to an increase of the public sector wage bill over the medium term.

96. This analysis was not possible in the case of Senegal and Vietnam, as budget tables did not include consistent actuals for public sector wages against which to compare the most recent budget steers.

97. IMF. (2016). *Sierra Leone: 2016 Article IV Consultation and Fifth Review Under the Extended Credit Facility and Financing Assurances Review and Request for an Extension of the Extended Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Sierra Leone.* https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Sierra-Leone-2016-Article-IV-Consultation-and-Fifth-Review-Under-the-Extended-Credit-44098

98. ibid.

99. The footnote says: *"Hiring has only been confined to the education sector in view of the recently adopted free quality education policy applicable to basic and secondary schools".*

100. The 2019 Article IV report also notes the recent drive to recruit 5,000 teachers and a 30% increase in wages for teachers to help improve teacher quality (while accepting that this is from poverty level wages and against a backdrop of increased cost of living).

101. The only exception to the 6% budget target was in the 2020 Request for Disbursement under the Rapid Credit Facility, where the medium-term steer was to reach a public sector wage bill of 6.4% by FY25. This slightly elevated target is not explained in the document, but is likely to have been influenced by a bump in public sector wage bill spending as a percentage of GDP due to the Covid-19 pandemic. However, it comes alongside a budget steer to make a net cut to the wage bill of 0.5 percentage points over six years. The 2021 Request for Disbursement under the Rapid Credit Facility budget allocates an additional Le 677 billion to bolster the health sector, including to hire 1,000 additional health sector workers and to continue incentives for medical staff combatting Covid-19. However, this comes alongside a budget steer to cut the public sector wage bill by 1.9 percentage points in four years (to reach 6% of GDP again), and then freeze it for two years.

102. This is the minimum salary for a family of five to be able to meet the basic living conditions for the lowest earning teachers.

103. IMF (2021) *Sierra Leone*

104. Ibid.

105. Sepulveda, M (ed) (2017) *The Obligation to Mobilise Resources: Bridging Human Rights, Sustainable Development Goals, and Economic and Fiscal Policies.* International Bar Association https://www.researchgate.net/publication/327755947_The_Obligation_to_Mobilise_ResourcesBridging_Human_Rights_Sustainable_Development_Goals_and_Economic_and_Fiscal_Policies

106. IMF (2016) Managing Government Compensation And Employment— Institutions, Policies, And Reform Challenges. Page 34 https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Managing-Government-Compensation-and-Employment-Institutions-Policies-and-Reform-Challenges-PP5044

107. TJNA (2011) Tax us if you Can – Why Africa should stand up for tax justice. This gives some compelling reasons for progressive taxation ...." *Tax revenues are necessary for any state to meet the basic needs of its citizens. In Africa, tax revenues will be essential for establishing independent states of free citizens, less reliant on foreign aid and the vagaries of external capital".....* https://www.taxjustice.net/cms/upload/pdf/tuiyc_africa_final.pdf

108. Oxfam (2021)

109. Even Christine Lagarde, the former IMF Managing Director noted, in an op-ed in the Financial Times in 2019 that 'An overhaul of the international tax system can wait no longer' https://www.ft.com/content/9c5a1aa4-3ff2-11e9-9499-290979c9807a

110. Bretton Woods Project (2017) The IMF, Gender Equality and Expenditure page 6 – referencing Bundgaard et al. IMF 2009. https://www.brettonwoodsproject.org/wp-content/uploads/2017/09/The-IMF-Gender-Equality-and-Expenditure-Policy-CESR-and-BWP-Sept-2017.pdf

111. There are other sources, such as OECD and the UN WIDER database, which may be more accurate for particular countries but less comprehensive. Despite the limitations of the data we are confident with the conclusions we can draw from the pattern across countries. The World Bank and IMF need to make serious efforts to improve their data in this area.

112. IMF (2019) Fiscal Policy and Development: Human, Social, and Physical Investment for the SDGs, - https://blogs.imf.org/2019/01/31/mind-the-gap-in-sdg-financing/

113. Bangladesh, Kenya, Liberia, Senegal and Zimbabwe

114. Ghana, Sierra Leone, Tanzania, Uganda and Vietnam

115. This really is a minimum threshold for a functioning State and others would argue for a higher percentage.

116. See for example: IMF (2018). *Finance & Development (Vol 55 Issue 4: Dec 2018). Creating Fiscal Space. D Coady.* https://www.elibrary.imf.org/view/journals/022/0055/004/article-A007-en.xml IMF (2016). *IMF Working Paper. Tax Capacity and Growth : Is there a Tipping Point?* (Dec 2016) https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Tax-Capacity-and-Growth-Is-there-a-Tipping-Point-44436 Other commentators argue that a minimum of 20% tax to GDP ratio is needed to meet development targets.

117. Bangladesh, Ghana, Liberia, Sierra Leone, Tanzania, Uganda, Vietnam and Zimbabwe

118. Much more research is needed to determine an accurate minimum threshold of tax-to-GDP, bearing in mind what is required to fulfil human rights obligations and development goals. A more realistic minimum is likely to be at least 20%.

119. Of course, there are other factors that can dramatically impact fiscal space such as the level of debt servicing - which has risen rapidly in many countries in recent years. This report does not focus on the urgent action needed to address this mounting crisis - but we touch on this in Box 2 – and we support the calls for much bolder multilateral action on debt cancellation and re-negotiation, involving all creditors and all countries in debt distress.

120. Ortiz and Cummings (2021)

121. Oxfam (2021).

122. Austerity is far from new. See: Raaber and Aguiar (2011) Feminist critiques, policy alternatives and calls for systemic change to an economy in crisis Association for Women's Rights in Development https://editorialexpress.com/cgi-bin/conference/download.cgi?db_name=IAFFE2011&paper_id=262.

123. The data needs to be improved urgently, with a reassessment of assumptions, greater clarity on what is included and excluded and more attention paid to different levels of government.

124. Before 2014, the cost of a basket for a typical family of five was used as the measure of the food poverty line. However, since 2014, ZIMSTAT gives the food poverty line per person. But we used the comparison of the average earnings per month for education and health sector workers as well as the average food poverty line for a typical family of five over the period 2010 to 2020.

125. Using the parallel market rate and the official exchange rate, respectively.

126. Since November 2020, ZIMSTAT is now reporting two measures termed food poverty line and total consumption poverty line.

127. While this improved in 2020, it was still only 86% (based on the average of the two rates) of what they earned a decade earlier in 2010, and 30% of what they earned when dollarisation ended in 2018. In November 2020, it was reported that, after a lot of negotiations, the Government had agreed to award a 40% increment to salaries for civil servants, which resulted in teachers taking home about ZWL$18,237. Online article, ´ Zimbabwe: Salary Increment a One Sided Affair – Teachers' at website https://allafrica.com/stories/202011120735.html accessed 17 July 2021.

128. This is also confirmed by real wages, which were only negative in 2019, underlining that the situation was containable until the currency and inflation challenges of 2019. But this also accounts for increments in earnings and the inflation rate.

129. New Zimbabwe (2020) Thousands Ditch Poor Paying Teaching Profession, More Expected To Leave https://www.newzimbabwe.com/thousands-ditch-poor-paying-teaching-profession-more-expected-to-leave/

130. IOM Zimbabwe (2010) The Impact of the Brain Drain on Health Service Delivery in Zimbabwe: A Response Analysis. https://publications.iom.int/system/files/pdf/zimbabwe_health_workers_survey_15_dec.pdf

131. Reuters (2021) World Bank Kills Business Climate Report. https://www.reuters.com/business/sustainable-business/world-bank-kills-business-climate-report-after-ethics-probe-cites-undue-pressure-2021-09-16/

132. 51% percent of the teaching workforce is permanent. Currently there are 100,000 permanent teachers in Nepal.

133. Taken from the Nepal labor force survey.

134. 94% of workers in Nepal in early childhood development are women.

135. This was until very recently just NR 8000. There is currently a proposal to raise this to NR 15,000 (still only a paltry US$ 130), with around half met by the Federal Government and the rest by local governments. But the Federal Government is still only offering NR800 at present.

136. The only exception is Zimbabwe's 2019 Article IV which uses comparison with other countries to show progress in cutting the wage bill. It shows that the public sector wage bill has fallen from higher than the Sub-Saharan African average in 2018 to below it in 2019.

137. IMF (2019) *Liberia : 2019 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Liberia.* June 19 2019. https://www.imf.org/en/Publications/CR/Issues/2019/06/19/Liberia-2019-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-47002

138. ActionAid (2020) page 66.

139. There has been a progressive decline in the overall share of income to labour (compared to capital owners) documented by the ILO https://ilostat.ilo.org/topics/labour-income/. See also: ILO Department of Statistics (2019) The Global Labour Income Share And Distribution Data Production and Analysis Unit, Key Findings https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/publication/wcms_712232.pdf

140. See Hanoi Times (2020) http://hanoitimes.vn/nearly-89-of-vietnam-population-covered-by-health-insurance-312803.html

141. Research on living costs in these two cities has stated that the average cost of living in Hanoi for one person is 10,000,000 VND, while in Ho Chi Minh City it is 11,000,000 VND https://thanhnien.vn/doi-song/phi-sinh-hoat-o-viet-nam-tang-5-bac-tphcm-thanh-noi-dat-do-nhat-nuoc-1251778.html.

142. See these articles (in Vietnamese) https://vnexpress.net/luong-benh-vien-tu-cao-gap-nhieu-lan-khien-bac-si-nhay-viec-3893424.html and https://vnexpress.net/bac-si-dong-nai-thoi-viec-10-nam-kinh-nghiem-luong-chi-15-trieu-dong-3892870.html

143. This will be measured against the region with highest average salary to overcome some of the highest living costs in cities.

144. The IMF has consistently advised Vietnam to cut or rationalize the public sector wage bill. Between 2016 and 2020, the Article IV documents contain explicit advice to reduce and/or rationalize the wage bill, which it characterised as large, and high compared to other countries.

145. IMF (2016)

146. Women's average wages are 86% of male wages in the public sector, as compared to 76% of male wages in the formal private sector. World Bank (2019) Five facts about gender equality in the public sector https://blogs. worldbank.org/governance/five-facts-about-gender-equality-public-sector

147. See, for example: Fabrizio et al. (2020) *Women in the Labor Force: The Role of Fiscal Policies.* Staff Discussion Note: IMF

148. Bretton Woods Project (2021) Latest IMF gender research: Making the economy work for women, or women work for the economy? https://www.brettonwoodsproject.org/2021/07/latest-imf-gender-research-making-the-economy-work-for-women-or-women-work-for-the-economy/

149. See Economics blog (2019) Private Sector vs Public Sector https://www.economicshelp.org/blog/2634/economics/ private-sector-vs-public-sector/

150. In particular increasing the burden of women's unpaid care and domestic work. See Bretton Woods Project (2019a) IMF's recognition of unpaid care work undermined by its own harmful policy advice https://www.brettonwoodsproject.org/2019/12/imfs-recognition-of-unpaid-care-work-undermined-by-its-own-harmful-role/

151. See: Ghana 2019 ECF Review: https://www.imf.org/en/Publications/CR/Issues/2019/04/05/Ghana-Seventh-and-Eighth-Reviews-Under-the-Extended-Credit-Facility-Arrangement-and-Request-46737 Nigeria 2018 Article IV: https://www.imf.org/en/Publications/CR/Issues/2018/03/07/Nigeria-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-45699 Uganda 2020 RCF Request: https://www.imf.org/en/Publications/CR/Issues/2020/05/14/Uganda-Request-for-Disbursement-under-the-Rapid-Credit-Facility-Press-Release-Staff-Report-49427

152. ILO (2018) Women and Men in the Informal Economy: A Statistical Picture. https://www.wiego.org/sites/default/files/publications/files/Women%20and%20Men%20in%20the%20Informal%20Economy%203rd%20Edition%202018.pdf

153. See Reuters news article (2021) Hundreds of Nigerian union members protest over possible minimum wage change https://www.reuters.com/article/uk-nigeria-economy-protests-idUSKBN2B21T5

154. Interestingly, our study showed that in 2019 this was around 70% of the government budget; about average among income or regional peers (i.e. this is 71% in Kenya, 85% in India, and 92% in South Africa).

155. See Their World website: https://theirworld.org/explainers/teachers-and-learning

156. In 2015 they estimated that, by 2020, this would be 1.3 million. Sanulbii and Akputou (2015) *The Nigeria education system and vision 20: 2020: A critical development planning perspective.* International Journal of Educational Administration and Policy Studies, Vol. 7(2), pp. 26-38.

157. The IMF seems much more likely to turn for data and advice to its sister organisation, the World Bank, where a shared ideology means the information provided is more comfortably aligned. This seems to be a case of what may be best called structural confirmation bias.

158. WHO (2016) Health Workforce Requirements For Universal Health Coverage And The Sustainable Development Goals https://apps.who.int/iris/bitstream/handle/10665/250330/9789241511407-eng.pdf;sequence=1

159. UNESCO (2015) The Challenge of Teacher Shortage and Quality https://unesdoc.unesco.org/ark:/48223/pf0000232721

160. See OECD (undated) The Education For All Fast-Track Initiative (EFA-FTI) https://www.oecd.org/dac/37819963.pdf

161. CEDAW has made some useful comments on how States must provide public services to ensure specific human rights and to encourage women's economic participation. It has also highlighted that cuts to public services have a "detrimental and disproportionate impact on women in all spheres of life" CEDAW Committee (2017) 'Concluding observations on the seventh periodic report of Italy' http://docstore.ohchr.org/SelfServices/FilesHandler.ashx?enc=6QkG1d%2FPPRiCAqhKb7yhsgA84bcFRy75ulvS2cmS%2F%2BggWNcU4%2Flgn%2BZiHvEZQc5SEWgcHa%2F%2BgSomFFruJyt%2FajkB5IO3%2FHDJ86%2FVRXmK72WeXGB9aYXQX5DqYUGqKWwW

162. Bretton Woods Project (2019) The IMF and Gender Equality: Operationalising Change: https://www.brettonwoodsproject.org/wp-content/uploads/2019/02/Operationalising-Change.pdf; Bretton Woods Project (2019a); and Womankind (2019) Working towards a just feminist economy. https://www.womankind.org.uk/wp-content/uploads/2019/03/working-towards-a-just-feminist-economy-final-web.pdf.

163. See UNESCO article (undated): UNESCO study shows Africa and Arab States are worst hit by teacher shortage https://en.unesco.org/news/unesco-study-shows-africa-and-arab-states-are-worst-hit-teacher-shortage Unless there is an improvement, the primary school teacher shortage will be worse in 2030 than today because of the growing student population.

164. Although Nigeria also raised 3.4% of GDP from non-tax revenues (such as oil) in 2019. See OECD (2019) Revenue Statistics in Africa 2020 □ Nigeria. https://www.oecd.org/tax/tax-policy/revenue-statistics-africa-nigeria.pdf

165. There are many wider challenges to the IMF model both internally and externally. For example, Ostry et al. (2016) ask whether Neoliberalism has been oversold, arguing that negative impacts on unemployment and inequality have been underplayed and that there are adverse loops which undercut growth – the very thing that the IMF is intent on boosting.

166. There are of course some examples of people paid out of the public sector wage bill that are not involved in public services or productive development – perhaps most notably soldiers – and there may well be a case for specific or targeted action to reduce their numbers.

167. World Bank (2006) Schooling Access to Learning Outcomes: https://documents1.worldbank.org/curated/en/370901468154169343/pdf/372650Schooling0Access01PUBLIC1.pdf

168. Oxfam (2020b) Catastrophe to Catalyst, page 25: https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621113/bp-catastrophe-catalyst-world-bank-covid-19-041220-en.pdf

169. See Oxfam (2020) Unpaid and underpaid care work and the global inequality crisis https://www.oxfam.org/en/research/time-care

170. Although the policy document excluded health and education sectors, there has been a much severer control to hiring in these sectors; one of which is that no healthcare or educational institution can hire without financial clearance from the Ministry of Finance and the relevant ministry.

171. After a massive protest by organised labour and pushback from civil society organisations, there was a modest 4% increase in public wage in 2021, as against a projected average inflation rate of 8%. Modern Ghana (2021) 4% Pay Rise for 2021: The Weakest Negotiations Ever by Organized Labour https://www.modernghana.com/news/1091718/4-pay-rise-for-2021-the-weakest-negotiations.html

172. See web article Joy Online (2021) 'Don't expect huge wage increment because there's no money to pay' – Technical Adviser at Finance Ministry to public sector workers https://www.myjoyonline.com/dont-expect-huge-wage-increment-because-theres-no-money-to-pay-technical-adviser-at-finance-ministry-to-public-sector-workers/

173. Salaries and other incentives, including pensions.

174. As well as the 18% IMF's country-specific limit for Ghana.

175. The Ghana Health Service needed 105,440 health workers to meet its minimum staffing requirements as of May 2018, vis-à-vis its prevailing staff of 61,756 at post, thereby leaving understaffed.

176. See online news articles Ghana Summary (2020) Over 41,000 graduate nurses are currently unemployed https://ghanasummary.com/asempanews/203975/ over-41000-graduate-nurses-are-currently-unemployed and GhanaWeb (2019) Over 41,000 graduate nurses are currently unemployed https://www.ghanaweb.com/GhanaHomePage/NewsArchive/Over-41-000-graduate-nurses-are-currently-unemployed-792886

177. Women's Budget Group (2020) 'A care-led response to Coronavirus' https://wbg.org.uk/wp-content/uploads/2020/06/Care-led-recovery-final.pdf

178. Bretton Woods Project (2018) - The impacts of IMF-backed austerity on women's rights in Brazil https://www.brettonwoodsproject.org/2018/03/impacts-imf-backed-austerity-womens-rights-brazil/

179. George Monbiot (2021) 'We Can't Build our Way out of the Environmental Crisis':https://www.theguardian.com/commentisfree/2021/sep/01/build-environmental-crisis-infrastructure-pandemic-concrete

180. Ibid.

181. See Senegal Government emergency plan (undated) https://www.sec.gouv.sn/dossiers/plan-s%C3%A9n%C3%A9gal-emergent-pse

182. See La COSYDEP Sénégal (Coalition des Organisations en SYnergie pour la Défense de l'Education Publique) (undated) http://cosydep.org/

183. World Bank: Maximising Finance for Development is all about 'leveraging the private sector' to 'bolster scarce public resources'. See World Bank (undated) Maximizing Finance for Development (MFD) https://www.worldbank.org/en/about/partners/maximizing-finance-for-development

184. This logic of reducing private sector risk is laid out clearly in this June 2021 blog for the IMF (2021) How to Attract Private Finance to Africa's Development https://blogs.imf.org/2021/06/14/how-to-attract-private-finance-to-africas-development/

185. IMF (2021) Private Finance for Development https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/05/14/Private-Finance-for-Development-50157

186. The definition of a more 'effective state' seems to be one that protects and advances business interests over people.

187. Kimani was 84 years old when he went to school for the first time – a story told in the film The First Grader - https://www.imdb.com/title/tt0938304/.

188. See documents on the abolition of user fees in Africa: World bank (2009) Abolishing School Fees in Africa: Lessons from Ethiopia, Ghana, Kenya, Malawi, and Mozambique https://openknowledge.worldbank.org/handle/10986/2617?locale-attribute=en

189. For example see: Romero, M. J. (2018).

190. IMF (2021) 'Mastering the Risky Business of Public-Private Partnerships in Infrastructure' shows that there is some HQ recognition of the risks but this does not translate down to country advice. https://www.imf.org/en/Publications/Departmental-Papers-Policy-Papers/Issues/2021/05/10/Mastering-the-Risky-Business-of-Public-Private-Partnerships-in-Infrastructure-50335

191. Romero and Brunswijck (2019) The IMF and PPPs: A master class in double-speak https://www.eurodad.org/the_imf_and_ppps

192. Romero, M. J. (2018)

193. Gender and Development Network (GADN) (2020) The impact of PPPs on gender equality and women's rights https://gadnetwork.org/gadn-resources/the-impact-of-ppps-on-gender-equality-and-womens-rights

194. B. Reinsberg (2019) How privatization increases corruption in the developing world. Bernhard Reinsberg Centre for Business Research, University of Cambridge,

195. See for example Center for Economic and Social Rights (CESR) (2020) Public financing of public services: https://www.cesr.org/sites/default/files/Public%20financing%20of%20public%20services%20-%20FINAL_0.pdf; and ActionAid (2018).

196. This flies in the face of mounting evidence that public provision works more effectively. See, for example: GI_ESCR et all (2021) Research brief on 'Public Education Works: https://www.gi-escr.org/publications/working-paper-public-education-works-lessonsfrom-five-case-studies-inlow-and-middle-income-countries

197. WHO (2019) Financing for Universal Health Coverage: Dos and Don'ts HEALTH FINANCING GUIDANCE NOTE NO 9 https://p4h.world/system/files/2019-09/WHO19-01%20health%20financing%20complete%20low%20res%200922.pdf.

198. ILO Statistics on Union membership https://ilostat.ilo.org/topics/union-membership/.

199. OECD Trade Union DataSet https://stats.oecd.org/Index.aspx?DataSetCode=TUD.

200. IMF (2015) Finance and Development March 2015. Vol 52, No.1 https://www.imf.org/external/pubs/ft/fandd/2015/03/jaumotte.htm IMF (2015b) 'Inequality and Labour Market Institutions https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf

201. Malawi : Request for Disbursement Under the Rapid Credit Facility-Press Release; Staff Report; and Statement by the Executive Director for Malawi, October 2020 https://www.imf.org/en/Publications%E2%80%8C/CR/Issues/2020/10/20/Malawi-Request-for-Disbursement-Under-the-Rapid-Credit-Facility-Press-Release-Staff-Report-49831.

202. Despite the fact that some in the IMF recognise the important role of trade unions in reducing inequality – see IMF Staff Discussion Note (2015) Inequality and Labor Market Institutions https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf

203. See ITUC Global Rights Index (2020) 2020 ITUC Global Rights Index: violations of workers' rights at seven-year high https://www.ituc-csi.org/violations-workers-rights-seven-year-high.

204. Reinsberg et al. (2019) The political economy of labour market deregulation during IMF interventions: l https://bernhardreinsberg.files.wordpress.com/2019/01/ii_manuscipt_final.pdf

205. See ITUC's latest call for reforming the IMF for a resilient recovery ITUC (2021) Reforming the IMF for a resilient recovery https://www.ituc-csi.org/IMG/pdf/reforming_the_imf_for_a_resilient_recovery_v2.pdf

206. Reinsberg et al. (2021). Compliance, defiance, and the dependency trap: International Monetary Fund program interruptions and their impact on capital markets. *Regulation & Governance.* https://doi.org/10.1111/rego.12422. Stubbs et al. (2020). How to evaluate the effects of IMF conditionality. *The Review of International Organizations,* 15(1), 29-73. https://theconversation.com/lots-of-imf-programmes-are-never-completed-because-theyre-unworkable-161905?msdynttrid=tEaZF7LWgTmGEf-LOApi5iBmzXPVFowvAK3x_k3L1JM.

207. There is growing academic literature celebrating the role of bureaucrats. E.g. Ho, C. J. (2021) *'Bureaucrats with technical expertise – technocrats – can play a defining role, deploying international pressure to court executive support and orchestrate policy change.'* Forthcoming in the American Political Science Review https://www.carmenjacquelineho.com/uploads/6/9/4/1/69414019/carmen_jacqueline_ho_benevolent_policies_manuscript.pdf

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210. 'Public services were also weakened after a decade of budget pressures in which quality declined, staff became more stretched, buildings were poorly maintained, and vital equipment went unbought.' How Fit were Public Services for Coronavirus? Institute of Government, UK 2020.

211. See for example EPSU Public Services and Adaptation to Climate Change https://www.epsu.org/sites/default/files/article/files/2_EPSU%20Public%20services%20and%20adaptation%20to%20climate%20change%20for%20reading.pdf

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215. UNICEF were early and strong supporters of the need to protect health and education workers – as argued in this UNICEF (2010): Policy and Practice Working Paper. "Protecting Salaries of Frontline Teachers and Health Workers,": https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1745486

216. CESR (2020) Briefing on the obligations to invest the maximum of available resources: https://www.cesr.org/sites/default/files/CESR_COVID_Brief_1.pdf

217. CESR (2021b) Briefing on Human Rights and the IMF's Covid response https://www.cesr.org/sites/default/files/Brief%2012%20-%20IMF%20FINAL%20PDF.pdf

218. Ibid.

219. The SDGs have more traction in the IMF than human rights treaties and conventions. This is problematic but it is better than nothing. See IMF Blog (2021) Achieving the Sustainable Development Goals Will Require Extraordinary Effort by All https://blogs.imf.org/2021/04/29/achieving-the-sustainable-development-goals-will-require-extraordinary-effort-by-all/

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221. Oxfam (2020). Time to Care: Unpaid and underpaid care work and the global inequality crisis; and ILO (2019) Care Work and Care Jobs,. https://www.ilo.org/global/topics/care-economy/care-for-fow/lang--en/index.htm

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224. Stromquist, N. (2018) Global Status of Teachers and the Teaching Profession, , Education International http://ei-ie-al.org/sites/default/files/docs/2018_ei_research_statusofteachers_eng_final.pdf

225. See Decent Work Indicators developed by the ILO https://www.ilo.org/integration/themes/mdw/WCMS_189392/lang--en/index.htm

226. World Bank (2019)

227. See, for example, PSI on Privatisation and Women's Human Rights https://world-psi.org/uncsw/wordpress/wp-content/uploads/2019/03/FactSheetCSW63_Privatisation.pdf

228. George Monbiot gives a helpful introduction to this ideological project behind neoliberalism https://www.theguardian.com/books/2016/apr/15/neoliberalism-ideology-problem-george-monbiot.

229. See Rosa Luxemburg Stiftung on decolonial and feminist alternatives by Bhumika Muchhala (2020) Towards a Decolonial and Feminist Global Green New Deal https://www.rosalux.de/en/news/id/43146/towards-a-decolonial-and-feminist-global-green-new-deal

230. UNCTAD (2020) Trade and Development Report observes *'There is a very real danger that the shortfall will drag countries into another lost decade, ending any hop of realising the ambition of the 2030 Agenda for Sustainable Development'.* https://unctad.org/webflyer/trade-and-development-report-2020

231. Though on many occasions it is able to exploit shocks to accelerate processes of privatisation – as documented by Naomi Klein in the Shock Doctrine https://tsd.naomiklein.org/shock-doctrine.html.

232. For example, see the Mbeki Panel on Illicit Financial Flows. UNECA (2015) Illicit financial flows: report of the High Level Panel on illicit financial flows from Africa https://repository.uneca.org/handle/10855/22695

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234. See for example Building Back Better: A call for Courage, October 2020 https://pop-umbrella.s3.amazonaws.com/uploads/5d208cd0-3108-4f87-ae26-4a8f5572a817_BBB_Publication_Online_1_.pdf

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236. Werber (2020) 'The case for treating childcare like essential economic infrastructure' https://qz.com/work/1894505/childcare-is-infrastructure-for-families-elizabeth-warren-says/

237. There are some shifts in language that we note that could offer a way forward. For example in Senegal there is a shift evident since the 2017 Article IV that observes: *'Public Investment [includes] public spending in wages and salaries of frontline staff in education and health, both of which are considered as investment in human capital'.* Recognising public sector wages as an investment and not just a cost is a key first step.

238. See for example the High Level Commission on Health Employment and Economic Growth. International Centre for Tax and Development (ICTD) (2017) How Can Governments of Low-Income Countries Collect More Tax Revenue? https://www.ictd.ac/publication/how-can-governments-of-low-income-countries-collect-more-tax-revenue/

239. See more on advancing an feminist economy: Womankind (2019); ActionAid Netherlands (2019) Advancing feminist economic alternatives for a fair, green, gender equal world https://actionaid.nl/2020/11/19/feminist-economy/; and here https://www.globaltaxjustice.org/sites/default/files/Framing%20Feminist%20Taxation%20-%20VF%20two%20page.pdf]

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244. For example, some exciting work on reimagining the State has been done by Mariana Mazzucato https://marianamazzucato.com/books/mission-economy.

245. See Greenpeace (2019) 8 reasons why we need to phase out the fossil fuel industry https://www.greenpeace.org/usa/research/8-reasons-why-we-need-to-phase-out-the-fossil-fuel-industry/

246. See Trade Unions for Energy Democracy 'Preparing a Public Pathway' (2017) http://unionsforenergydemocracy.org/resources/tued-publications/tued-working-paper-10-preparing-a-public-pathway/ or https://www.europe-solidaire.org/spip.php?article43682

247. On Loss and Damage, see the Warsaw Mechanism: UNFCCC (undated) Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts (WIM) https://unfccc.int/topics/ adaptation-and-resilience/workstreams/loss-and-damage-ld/warsaw-international-mechanism-for-loss-and-damage-associated-with-climate-change-impacts-wim

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249. Increasingly recognised in the United States by the Biden administration, see NRDC blog (2020) Public Sector and Healthcare Essential to Climate Resilience https://www.nrdc.org/experts/juanita-constible/public-sector-and-healthcare-essential-climate-resilience

250. There is a growing movement for re-imagining public services and a wide group of organisations are working with UN Special Rapporteurs and others to advance a new public services manifesto (see for example https://www.tni.org/en/futureispublic)

251. See, for example, the positive cycle for other SDGs generated by investment in the health workforce. WHO (2016) Health Workers – a proven return on investment https://www.who.int/images/default-source/health-topics/health-workforce/hrh-sdg_infographic_jan2016.png?sfvrsn=6aa5577d_

252. See, for example, the positive cycle for other SDGs generated by investment in the health workforce https://www.who.int/images/default-source/health-topics/health-workforce/hrh-sdg_infographic_jan2016.png?sfvrsn=6aa5577d_.

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254. Ibid.

255. The biggest benefits accrue to children from the most disadvantaged families and they are presently the least able to access it in most countries.

256. See, for example, CICTAR (2021) Darkness at Sunrise - a shocking report on UK care homes shifting profiles offshore https://cictar.org/darkness-at-sunrise-uk-care-homes-shifting-profits-offshore/.

257. ILO (2019) Care Work and Care Jobs. https://www.ilo.org/global/topics/care-economy/care-for-fow/lang--en/index.htm.

258. ActionAid (2018)

259. Bretton Woods Project (2017)

260. Ostry, J. et al. (2016).

261. As documented by the IMF's own research department - Ostry, J. et al., 2016.

262. See, for example, the concluding section of the Trade and Development Report 2021 'Towards a New Economic Settlement' https://unctad.org/system/files/official-document/tdr2021_en.pdf.

263. See ILO flagship programmes on better work, social protection floors, jobs for peace and resilience etc. https://www.ilo.org/global/about-the-ilo/how-the-ilo-works/flagships/lang--en/index.htm.

264. Such as DAWN's Spotlight Report 2020: Shifting Policies for Systemic Change https://dawnnet.org/publication/spotlight-report-2020-shifting-policies-for-systemic-change/

265. See IMF (2021) IMF Governors Approve a Historic US$650 Billion SDR Allocation of Special Drawing Rights https://www.imf.org/en/News/Articles/2021/07/30/pr21235- imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights

ActionAid is a global movement of people working together to achieve greater human rights for all and defeat poverty. We believe people in poverty have the power within them to create change for themselves, their families and communities. ActionAid is a catalyst for that change.

http://actionforglobaljustice.actionaid.org

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