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AUSTERITY VS PROTECTION: LABOUR UNIONS' PERSPECTIVES ON THE IMF'S SOCIAL SPENDING APPROACH

REPORT OF THE ITUC GLOBAL SURVEY ON IMF IMPACT ON SOCIAL POLICY

FOREWORD

The world is reaching a tipping point. As workers and their families face mounting economic, social, and environmental challenges, governments are too often shackled by unsustainable debt and compelled to adopt austerity measures. These policies, frequently tied to International Monetary Fund (IMF) loan programmes, exacerbate inequalities, undermine living standards, and hinder progress towards universal social protection and equitable development.

This report sheds light on the IMF's engagement on social spending — a critical area for achieving inclusive and sustainable development. Despite its 2019 commitment to safeguard social spending, our findings reveal a troubling reality: IMF guidance frequently prioritises fiscal consolidation over the well-being of people. Trade unions report widespread social spending cuts, reductions in benefits, and austerity measures that leave workers more vulnerable than ever. Shockingly, 76% of surveyed unions noted inadequate consultation with workers' representatives, further marginalising the voices of those most affected by these policies.

The global labour movement's demand for a New Social Contract envisions a just and equitable world where governments invest in decent jobs, living wages, universal social protection, and inclusive public services. These are not a cost, but an investment in human dignity, resilience, and global prosperity. Yet persistent underinvestment and regressive fiscal reforms are reversing progress and deepening inequalities, particularly in developing countries.

This report is a call to action. It underscores the need for a fundamental shift in the IMF's approach, away from austerity and towards policies that prioritise the rights and needs of workers. We urge the IMF to move beyond rhetoric and deliver meaningful change: robust social spending floors, genuine consultation with trade unions, and sustained support for universal social protection systems.

The ITUC and the global trade union movement remain steadfast in their commitment to fight for policies that protect people, not just profits. Together, we must build a global economic system that upholds the principles of solidarity, equity, and sustainability. Only then can we deliver the New Social Contract that workers and their communities so urgently need.

Luc Triangle

General Secretary, International Trade Union Confederation

INTRODUCTION

The global economic system stands at a crossroads, grappling with interconnected social, economic, environmental, and health crises that affect workers and their families across all regions and levels of economic development. At the same time, many political leaders and international institutions are resorting to neoliberal macroeconomic approaches and austerity measures, which history has shown often exacerbate global inequalities and deteriorate the living standards and job prospects of workers worldwide.

As workers globally continue to face high costs of living, their governments are forced to divert funding from crucial social and public services to pay back unsustainable debt. Today, 3.3 billion people live in countries that spend more on interest than on education or health.[1] Persistent poverty, rising wealth and income inequality, and the growing number of countries in debt distress are putting prosperity and the social development goals in peril.

Recent research indicates that 143 countries – 94 of them developing countries – have introduced policies that weaken governments' ability to provide essential public services such as education, healthcare, social protection, water, public transportation and other services.[2]

Moreover, there is persistent global underinvestment in social protection and public services. The International Labour Organization estimates that achieving universal social protection would require significant financial resources that many countries (particularly low-income countries) currently lack.[3] This financing gap is particularly high in developing countries, where inadequate investments are often compounded by austerity measures and regressive fiscal reforms. In some cases, higher levels of social spending have been rolled back, undermining efforts to expand or maintain coverage.

These trends risk reversing progress towards universal social protection and compromise the realisation of commitments to leave no one behind. The inadequate and, in some cases, declining investment in social programmes exacerbates vulnerabilities and hinders the ability of governments to respond effectively to crises, undermining global prosperity, as well as sustainable and equitable development.

THE IMF AND SOCIAL SPENDING

The International Monetary Fund (IMF) is an international financial institution whose central role is to foster global financial stability through policy advice, financial assistance, and technical capacity building for governments. It is largely considered a lender of last resort for countries experiencing, or at risk of experiencing, financial crises. IMF loans are often conditional on governments implementing austerity policies, including cutting government spending in the public sector and making labour markets more flexible, which directly harms workers and their communities.

After sustained pressure from the trade union movement and civil society organisations, the

1 UNCTAD (2024), "World of Debt Report"
2 Ortiz I., Cummings M, (2022) End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25
3 ILO (2024) Financing gap for universal social protection: Global, regional and national estimates and strategies for creating fiscal space

IMF acknowledged the importance of social spending in promoting sustainable and inclusive development and protecting poor and vulnerable households. Accordingly, in 2019 the IMF released a new strategy for its engagement on social spending, outlining a set of best practices in its surveillance and lending operations, including the use of social spending 'floors'.[4]

The IMF strategy on social spending rests on the idea that social spending affects countries' financial stability. IMF staff evaluate a country's social spending or a specific social programme through three channels:

- Spending adequacy: whether the spending is appropriate for achieving policy goals such as inclusive growth and protecting the most vulnerable.
- Spending efficiency: whether there are less costly ways to achieve the same policy goals or if better social outcomes can be achieved with the same amount of spending.
- Fiscal sustainability: whether the social spending is sustainably financed in ways that avoid fiscal deficits or debts or prevent the country from allocating funds to other critical funds.

The IMF has recognised that fiscal consolidation — cutting social spending while increasing tax burdens — can adversely affect a country's most vulnerable populations. Therefore, while the IMF's social spending strategy continues to promote austerity, it aims to mitigate its adverse effects on the poorest through the introduction of social spending targets in its loan programmes, including social spending floors.

Since the strategy was released, the IMF has published a series of notes and manuals on how to implement it, including most recently an operational guidance note for IMF engagement on social spending issues.[5]

Despite its commitment to safeguard or increase social spending to protect vulnerable groups from the harms of austerity, recent research suggests the IMF's advice to borrowers on social spending has been woefully inadequate, especially in the face of great need with the Covid-19 pandemic and the economic and financial crises that followed.[6]

KEY FINDINGS

This report aims to review the IMF's guidance on social spending through a trade union lens, as well as looking at broader approaches on social spending taken by ministries of finance.

In September 2024, the ITUC surveyed its affiliates to examine the implementation of the IMF's policy strategy and its impacts five years after adoption. The survey also investigated trade union social spending priorities and actions against regressive fiscal reforms. The findings aim to inform future research and advocacy on social protection at the IMF and in ministries of finance.

The survey gathered responses from 45 unions across 36 countries, with regional representation across Europe and Central Asia, Asia and the Pacific, Africa, Latin America and the MENA region.

Survey participants are well exposed to the IMF: 64% of respondents are in countries with an active IMF loan, capturing about a quarter of all countries with an active IMF loan.[7] In this report, 'social protection' refers to a broad spectrum of policies and programmes aimed at supporting individuals and households through life events such as illness, unemployment, or

4 "A Strategy for IMF Engagement on Social Spending" International Monetary Fund, June 2019
5 "Operational Guidance Note for IMF Engagement on Social Spending Issues", International Monetary Fund, April 2024
6 Kentikelenis and Stubbs (2023), "IMF Social Spending Floors: A fig leaf for austerity" Oxfam International, DOI 10.21201/2023.621495
7 By countries with an active IMF loan, we include all countries with an active lending commitment, even if not disbursed, as well as countries with an outstanding IMF loan as of 30 September 2024

ageing. These include cash benefits, healthcare services, and other assistance measures. 'Social spending', on the other hand, encompasses broader public expenditures on areas such as education, water supply, sanitation, public transportation and public services, as well as health and social protection.

Key findings:

- While there is widespread awareness among trade unionists of IMF lending programmes or participation in national-level financial and budgetary decisions, **76% of all respondents, and 80% of those in countries with an active IMF loan, say that there was no or inadequate consultation of trade unions**.
    - » According to respondents, when the IMF engages on social spending issues, more often than not, it is still encouraging social spending cuts, through eliminating or reducing certain benefits or social programmes, cutting or capping the number or the wages of civil servants, and increasing the retirement age being the most common recommendations.
    - » While in most countries (55%) unions report that their government is undertaking austerity measures independent of the IMF, **austerity measures remain strongly associated with the IMF** in a quarter of surveyed countries.
- **Unions are organising** against their governments, and to a lesser extent against the IMF, **to fight austerity measures** using a range of tactics, including public actions and mobilisations, social movement building, media and public relations, and lobbying and advocacy.

OVERVIEW OF IMF POLICY ADVICE AND NATIONAL SOCIAL SPENDING TRENDS

The IMF's policy advice in recent years has demonstrated a recurring emphasis on fiscal consolidation, often prioritising budgetary discipline over social investments. This pattern persists despite the Fund's strategic commitments, such as those outlined in the Strategy for IMF Engagement on Social Spending.[8] The IMF's strategy highlights rising inequality trends and proposes increased support for social spending. The strategy document was later supplemented by guidance notes, which aimed to reconcile social spending with the IMF's focus on austerity and efficiency.

The disconnect between high-level discourse and country-level implementation is stark. Despite raising the need to safeguard social spending and address inequality, many of the IMF's policy recommendations at the national level remain rooted in austerity-focused

[8] IMF (2019) A Strategy for IMF Engagement on Social Spending

measures,[9] such as limiting public expenditure, privatising public services, and reducing social protection budgets.

Empirical evidence suggests that such measures often fail to achieve long-term economic stability, undermining social equity and economic resilience.[10] Despite these outcomes, the IMF guidance continues to prioritise macroeconomic stability over the strategic expansion of social services, particularly in developing countries. For instance, the 2023 guidance notes reaffirm the importance of social spending floors, yet this principle is frequently bypassed in fiscal adjustment programmes, leading to reduced allocations for critical sectors.

The IMF's fiscal consolidation policies have significantly shaped national budgets, particularly in developing and emerging economies. Countries often reduce expenditures on healthcare, education, and welfare to comply with IMF-advised budget constraints, despite growing public demand for these services.[11] As a result, the gap between policy commitments and actual expenditures has widened, exacerbating inequalities and diminishing the quality of life for vulnerable populations.

In healthcare, for example, several countries have reported reduced investment in public health systems, limiting their ability to respond to emergencies and deliver essential services. Similarly, education budgets have been constrained, leading to reduced access to quality education and resources, especially in rural or low-income areas. Welfare programmes, including unemployment benefits and pensions, have also faced cutbacks, further marginalising disadvantaged groups.[12]

Moreover, the IMF's insistence on structural reforms, such as privatisation of social services, has often led to increased out-of-pocket costs for citizens, making essential services unaffordable for many. This approach contradicts the IMF's stated aim to protect the most vulnerable, and has drawn criticism from trade unions and civil society organisations advocating for more inclusive economic policies.

The divergence between IMF policy advice and its implementation at the national level underscores the need for more evidence-based and context-sensitive approaches. Strengthening accountability mechanisms within the IMF and ensuring that policy recommendations align with their social spending commitments are essential steps towards fostering equitable and sustainable development.

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9 Ortiz I., Cummings M., (2022) End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25. Oxfam (2023) IMF Social Spending Floors: A fig leaf for austerity?

10 Reports and papers include:
- Report of the Special Rapporteur on extreme poverty and human rights, A/HRC/38/33, OHCHR, 8 May 2018
- "IMF Austerity Since the Global Financial Crisis: New Data, Same Trend, and Similar Determinants", Rebecca Ray, Kevin P. Gallagher, and William Kring, Global Development Policy Center, Boston University, November 2020
- "Poverty, Inequality, and the International Monetary Fund". Thomas Stubbs, Alexander Kentikelenis, Rebecca Ray, Kevin P. Ghallager, Global Development Policy Center, Boston University, April 2021

11 Protests in 2024 have highlighted public dissent regarding IMF's structural adjustment programmes and divestment from social protection and public services. See:
- "Nigeria's Response to Protests Provides Fuel for Further Dissent" Zikora Ibeh, World Politics Review, 26 August 2024
- "Bangladesh's Protests Have Been Decades in the Making" Tithi Bhattacharya, Time, 4 September 2024
- "Kenyan workers bear the cost of our broken system of development finance – and they can lead us toward a new one" Ernest Nadeem and Rouguiatou Diallo, Equal Times, 4 September 2024

12 Ortiz I., Cummings M., (2022) End Austerity: A Global Report on Budget Cuts and Harmful Social Reforms in 2022-25

TRADE UNIONS' PERSPECTIVES ON IMF INVOLVEMENT IN SOCIAL SPENDING POLICIES

The IMF's influence on social spending policy operates on many levels with varying degrees of enforcement. The IMF can have a direct hand in a country's economic and social policy by specifying terms and conditions in loans, which countries must then implement to secure disbursements or future loans.

The IMF also provides recommendations to countries without an active loan in the context of its surveillance role through Article IV staff reports. Moreover, the institution exerts 'soft' power through its publications, such as the World Economic Outlook or the Fiscal Monitor, and its convening of finance ministers.

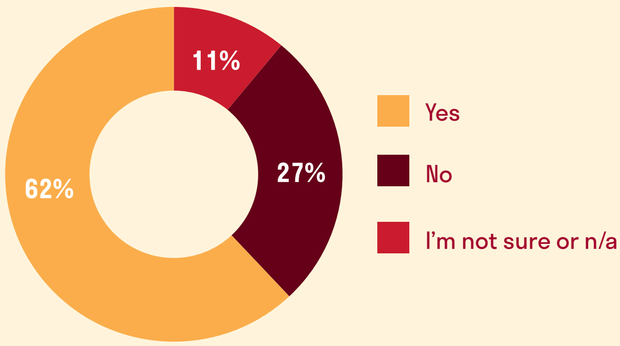
IMF loan programmes, technical assistance projects, staff reports and publications provide guidance to governments on economic policies that have deep consequences for workers. Questions of social spending, such as social services, pensions, and salary contributions, are evaluated with limited attention to their national socio-political context and with little to no contribution from trade unions.

THE IMF'S ENGAGEMENT WITH TRADE UNIONS IS INSUFFICIENT AND INADEQUATE

Our survey reveals widespread awareness of IMF programmes among respondents. Overall, 62% of unions reported being aware of an IMF lending programme or participating in national-level discussions on budgetary sustainability in their countries over the past five years. This figure rises to 67% among unions in countries with active IMF loans.

FIGURE 1. TRADE UNION AWARENESS OF IMF ENGAGEMENTS IN THEIR COUNTRY

Are you aware of whether the IMF has had a lending programme or has been involved in national level discussions around budgetary sustainability in your country in the last 5 years? (N=45)



However, consultation with unions appears to be significantly lacking. When asked about their involvement in negotiating IMF loans, reviewing economic policies, or implementing technical assistance projects, 69% of unions reported no consultation at all. Of the 27% that reported some level of consultation, unions in only three countries —Belgium, Bulgaria, and Cabo Verde — found these engagements meaningful or reflective of unions' positions and demands.[13]

The situation is even more concerning in countries with active IMF loans, where 73% of unions stated that no consultation had taken place. Across all regions, many unions highlighted that negotiations were closed

[13] It is important to note that unions within the same country may not agree about the quality of consultations. For example, we received responses from two unions in Belgium and while one answered there was adequate consultation, the other reported not having been consulted.

to social partners and that no information was shared until agreements were finalised. Examples include Ecuador, Panama, Oman, and Uganda. In rare cases where consultations did occur, such as in Guinea-Bissau, unions reported that their concerns were neither adequately considered nor followed up, leaving them excluded from subsequent discussions.

FIGURE 2A. LEVEL OF IMF CONSULTATIONS WITH TRADE UNIONS

Has your union been adequately consulted by representatives of the IMF in your country in the context of negotiating a loan program for your country, reviewing its economic policies, or implementing a technical assistance project? (N=45)

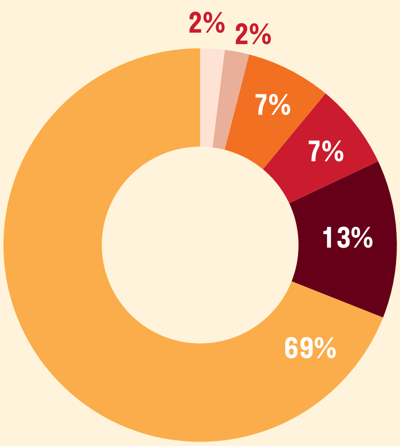
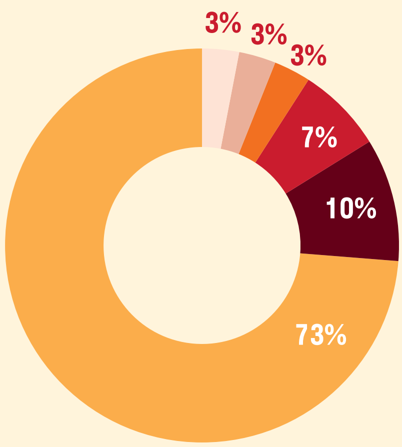


FIGURE 2B. LEVEL OF IMF CONSULTATION WITH TRADE UNIONS IN COUNTRIES WITH ACTIVE LOANS

Has your union been adequately consulted by representatives of the IMF in your country in the context of negotiating a loan program for your country, reviewing its economic policies, or implementing a technical assistance project? (N=30)



No, there was no consultation | Somewhat adequate consultation | Somewhat inadequate consultation | Adequate consultation | I don't know | N/A

THE IMF'S ADVICE ON SOCIAL SPENDING LACKS CLARITY AND IS ROOTED IN AUSTERITY

The IMF has increasingly turned to governments to encourage austerity measures. In 36% of countries, unions report that the IMF has advised cutting social spending as part of these strategies. The most frequent measures that were implemented by governments following IMF advice to reduce public expenditure, include:

- **Wage cuts and reductions in public sector employment:** wages for civil servants such as teachers, healthcare workers, and local government employees constitute a significant portion of national budgets. The IMF routinely advises governments to reduce their public wage bill to restore financial health. In 46% of countries where unions reported social spending cuts, these took the form of a reduction in wages in the public sector. In addition, in 38% of countries, IMF advice led to the cutting or capping of the number of civil servants. These measures negatively impact the availability and quality of public services, and they disproportionately affect women, who make up a large share of workers in education, healthcare, and social services.

- **Reductions in social protection benefits:** In 46% of countries where the IMF has advised cuts, it recommended eliminating or reducing certain benefits or social programmes. This is typically done by tightening eligibility criteria and increased targeting of social protection programmes, effectively narrowing access and diminishing the coverage of critical safety nets.

- **Increasing the retirement age:** In 38% of countries being advised to make cuts, the IMF argued for raising the retirement age to provide relief on national pension systems, a bulwark of social protection systems in most countries.

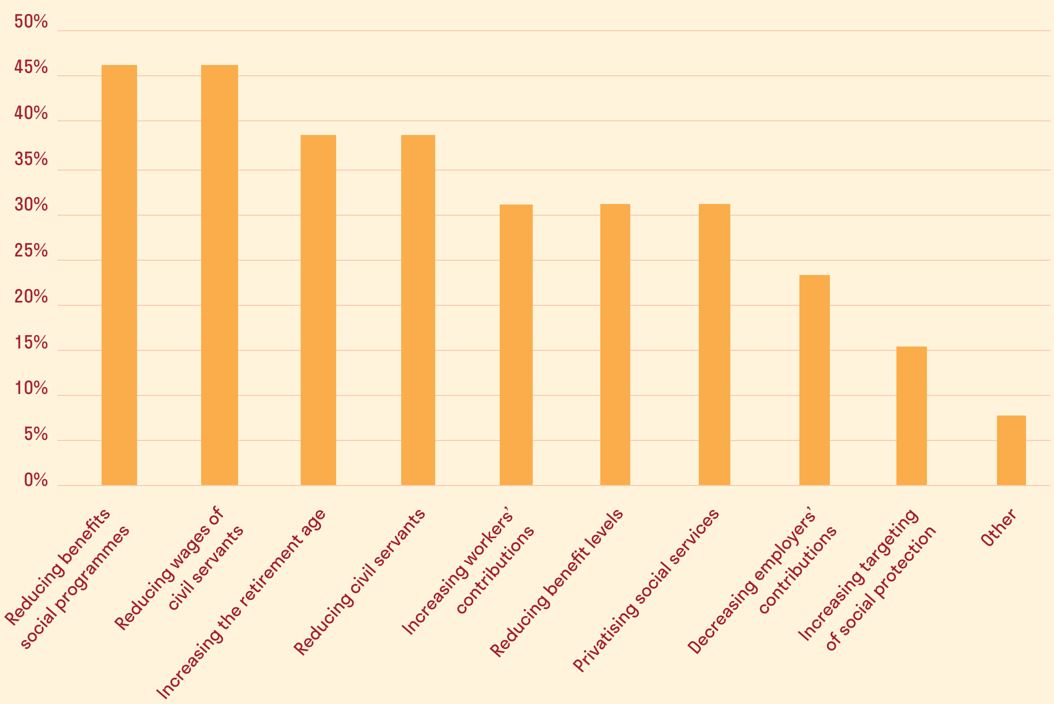
Still a host of other measures are deployed to bring down government spending. In over 30% of countries, affiliates report that the IMF advised increasing workers' contributions to social spending, reducing the levels of certain benefits or privatising social services.

In 23% of countries, affiliates report that the IMF promoted decreasing or waiving employers' contribution requirements, which affects the levels of benefits available for workers. In addition, in 15% of countries, affiliates report that the IMF promoted increasing the targeting or means-testing of social protection programmes. In Spain, affiliates report that the IMF has discouraged increasing the minimum wage or reducing working hours.

While our survey reveals a wide range of measures deployed by the IMF to bring down government spending, the trend is clear: the IMF is instructing governments to implement a business-like efficiency mindset to the social infrastructure, often promoting the outright privatisation of social services such as education, health services, public transportation, water supply and sanitation. These policies squeeze the working class in the name of fiscal sustainability by hampering the coverage, quality, and levels of benefits.

FIGURE 3. IMF-SPONSORED SPENDING CUTS ACCORDING TO ITUC AFFILIATES

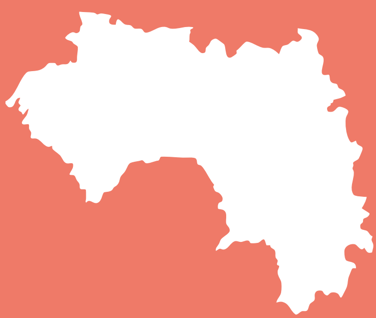
What measures have been promoted by the IMF to reduce social spendig? (N=36)



In 25% of countries, unions report that the IMF did encourage governments to maintain or increase social spending in certain areas. These recommendations are generally for improving the quality of services, increasing the coverage of social sectors to excluded populations, improving the adequacy of benefits, and introducing or extending social assistance and minimum guaranteed benefits. In many cases, however, improving adequacy and quality of services is often paired with limiting eligibility for social assistance to the most vulnerable, thus leading to a loss of benefits for others.

Overall, the IMF engagement on social protection in member countries is sporadic, inconsistent and lacks transparency. In 25% of countries unions report that the IMF was not involved in social spending and in 22% of countries unions are not sure about the IMF's involvement on the issue, which aligns with the IMF's lack of consultation and engagement of trade unions in its country-level reporting and loan negotiations.

Furthermore, in a few countries, the IMF is encouraging both social spending cuts and maintaining or increasing certain social spending categories. This is the case in Panama, for example, where unions report IMF advice for pension reform while advocating for improving the quality of education.



In **Guinea**, a country with high levels of poverty and food insecurity, the IMF is recommending expanding cash and in-kind transfers and focusing efforts on food and nutrition policies.[14] The government has maintained critical subsidies to relieve high costs of living for Guineans. However, pressure to restrain expenditures has led the government to significantly reduce the public wage bill. The country is also pursuing state-owned enterprise reform, including the public electricity provider, to gradually eliminate subsidies, in line with IMF advice.

UNION DEMANDS AND ADVOCACY

In 55% of countries, unions report that their government is undertaking austerity measures independent of the IMF. However, in a quarter of countries overall, and in 30% of those with an active IMF loan, unions report that their governments are not undertaking austerity on their own but that the IMF is encouraging austerity measures — revealing that many unions strongly associate austerity measures with the IMF.

[14] See Guinea 2023 Article IV Report

In **Ecuador,** unions are mobilising the public and pursuing a media campaign denouncing the illegality of the staff-level agreement between the IMF and the Ecuadorian authorities.

The IMF is involved in a review of the funds of the Ecuadorian Social Security Institute Bank (BIESS) and an audit of the health fund.[15] Trade unions perceive the IMF's intervention in the BIESS as an attempt at privatising its three most important funds; the health fund, the disability, old age and death fund (which pays retirement pensions), and the unemployment fund.

Unions are organising against their governments, and to a lesser extent against the IMF, to fight austerity measures. Almost half of respondents have ongoing campaigns related to austerity but only half of those specifically target the IMF. Unions are demanding that the IMF:

- **Abandon its promotion of austerity measures** that erode social protection coverage and the quality of vital public services, and which deepen inequalities.
- Promote fiscal policies that prioritise social protection, education and health and **increase fiscal space through revenue-based policies such as progressive taxation**. The IMF should also be supportive of ongoing efforts for strengthened international tax cooperation including the UN Framework Convention on Tax.
- **Systematic, consistent and quality consultations with trade unions** in the context of loan programmes and Article IV staff missions, especially regarding issues of social spending. Consultation should be timely, inclusive, and provide opportunities for continued engagement. In the few cases where the IMF does meet with trade unions, meetings tend to be short and superficial.
- **Convene policy discussions between trade unions, governments, employers** and other relevant stakeholders **on social spending** to ensure workers' perspectives are adequately represented at the policy level.
- **Analyse and communicate on the distributional impacts of its programmes, including social spending advice.**

EXAMPLES OF UNION ACTION AGAINST AUSTERITY AND IMF ADVICE ON SOCIAL SPENDING

- **In Côte d'Ivoire**, the **CSH** union is member of the civil society coalition FNDP (Forum National sur la Dette el la Pauvreté), which aims to mobilise public opinion around the issues of debt, and act as a forum for dialogue and consultation between public authorities and the population on all issues related to poverty reduction.[16]

[15] Ecuador: Request for an Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for Ecuador in: IMF Staff Country Reports Volume 2024 Issue 146 (2024)

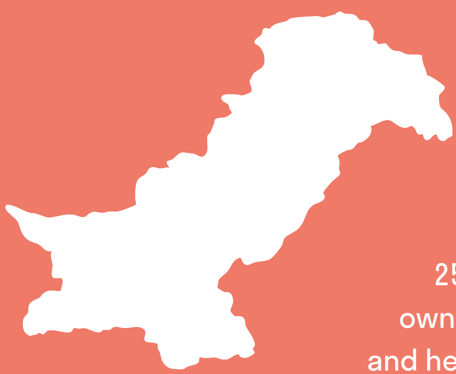
[16] "Forum National sur la Dette et la Pauvreté – Côte d'Ivoire" *CSPPS*

- **In Ecuador**, the **FUT** (Frente Unitario de Trabajadores), which includes both **CEOSL** and **CEDOCUT** as members, has organised street demonstrations and protests against the 2019 governmental agreement with the IMF, which triggered cutbacks leading to the dismissal of thousands of workers.[17] CEOSL has also proactively engaged with local media to amplify campaigns opposing attempts by International Financial Institutions to introduce international arbitration clauses in investment agreements within the country. In 2024, unions under the FUT convened a unitary convention to address recent economic measures adopted by the government, largely influenced by IMF recommendations, which have resulted in cuts to public spending and consequent reductions in social protection benefits and public health services.[18]

- **In Spain**, the **UGT** union has published reports and articles warning against IMF recommendations and their negative impact on the country's social policies.[19]

- **In Belgium**, the three national trade unions **CGSLB**, **CSC-ACV**, and **FGTB** organised demonstrations against austerity and demanded more measures to counter the rising costs of living.[20]

- **In Paraguay**, the **CGT** union mobilised its members following a meeting with IMF representatives, advocating for union involvement in the decision-making process. They called for the inclusion of union demands aimed at reducing inflationary pressures on the population and promoting reforms, such as the implementation of progressive taxation.



In **Pakistan**, public sector employees have been protesting the latest government reforms and privatization, and demanding better job protections.[21] The pressure on public sector workers is occurring as the country is attempting to recover from the severe economic crisis that followed the devastating floods in 2022. In July 2024, the IMF approved a $7bn loan to the cash-strapped country, making it the 25th IMF program in Pakistan.[22] The loan promotes the privatization of state-owned enterprises, reduction of public employment, curtailing of subsidies and health expenditures, trade liberalization as well increases in indirect taxes. However, trade unions warn that these measures will increase the burdens on working people and lead to higher unemployment and informality. While the staff-level agreement promotes the expansion of some social protection benefits, it is not enough to address the magnitude of the adverse effects on workers.

[15] Ecuador: Request for an Extended Arrangement Under the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for Ecuador in: IMF Staff Country Reports Volume 2024 Issue 146 (2024)

[16] "Forum National sur la Dette et la Pauvreté – Côte d'Ivoire" *CSPPS*,

[17] Rodríguez, Xavi. "Trabajadores Marchan En Ecuador Contra El Fmi, Corrupción y Por El Trabajo Digno: La República EC". La RepúblicaEC, 1 May 2019

[18] Latam Gremial. "Ecuador: Frente Unitario de Trabajadores Convocó a Su XIX Convención Nacional, En Contra de Las Medidas Del Gobierno ~ LATAM Gremial". Latam Gremial, 17 July 2024

[20] Times, The Brussels "The System Is Broken': Trade Union Chief Urges EU Leaders to Address Growing Social Crisis". The Brussels Times, 11 December 2023

[21] "Government Employees across Pakistan Protest against Privatisation". Government Employees across Pakistan Protest Against Privatisation - PSI - The Global Union Federation of Workers in Public Services, . 5 February 2025. .

[22] "IMF Reaches Staff-Level Agreement on Economic Policies with Pakistan for 37-month Extended Fund Facility", IMF website, 12 July 2024.

CONCLUDING REMARKS: WORKERS' ALTERNATIVES TO AUSTERITY

A global wave of austerity, starting in the period between 2010 to 2019, led to chronic underinvestment in social sectors, leaving populations inadequately supported. This became starkly evident during the Covid-19 pandemic, which overwhelmed already strained social and healthcare systems. Since 2019, the situation has worsened, with rising inequalities and structural imbalances compounded by demographic ageing, persistent and growing debt distress, growing defence expenditures due to escalating conflicts, among other pressures. These phenomena have driven many countries to further cut social spending and even reduce official development assistance (ODA), exacerbating social vulnerabilities.

To address these challenges, it is crucial to move away from austerity policies that have eroded vital public services, cost millions their livelihoods, and deepened inequalities. Instead, the focus must shift towards increasing public investment, strengthening wages and collective bargaining, and ensuring universal social protection.

These pro-social measures must be sustainably and equitably financed. Revenue-based policies such as progressive taxation and strengthened international tax coordination are essential to building a resilient and inclusive economic recovery that benefits everyone.

Trade unions are calling on the IMF to support a fundamental shift in economic policy. This includes backing measures to raise government revenue fairly through progressive taxation and stronger international tax cooperation. The IMF must align its approach with international labour standards, including ILO Convention 102 and Recommendation 202, ensuring that social protection and fair wages are not undermined by fiscal policies. Addressing sovereign debt is also critical, requiring a reformed international financial architecture that includes a fair and effective sovereign debt resolution mechanism and, where necessary, debt cancellation. Lastly, strengthened consultation between the IMF, ministries of finance, and trade unions is essential to ensure that economic policies reflect workers' concerns and promote sustainable and equitable development.

The world cannot afford another decade of austerity-driven hardship. The time for bold, people-centred economic policies is now.

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