Education versus austerity

Education versus austerity

Education is a powerful tool for breaking the cycle of poverty. Educating girls specifically has enormous and far-reaching benefits, including reducing rates of child marriage, promoting healthier and smaller families, improving wages and jobs for women, and empowering women to become leaders at community and government levels.[1] United Nations, Sustainable Development Goal (SDG) 4, is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. **To achieve this goal, at least 69 million more teachers are needed by 2030.**[2] Nothing is more important for education than a good teacher.

Ireland's Aid Programmme has a positive track record of funding and promoting education around the world.

In *A Better World Ireland's Policy for International Development*, the Irish government commits to providing at least €250m to education for five years from 2019.[3] It states that: "Ireland's own economic transformation is linked to access to quality education, while much of Ireland's reputation in Africa comes from the work of Irish educators."

Irish Aid's education support has a strong focus on equity and inclusion. Irish Aid puts a particular emphasis on girls' education, knowing that girls, especially as they reach adolescence, are more likely to have their education cut short. In 2020, Ireland launched a global call to action – the Drive for Five. It called on all governments and stakeholders to commit to transformative actions to get all adolescent girls into school and safe, supportive, and to foster healthy learning environments.[4]

However, the International Monetary Fund (IMF), continues to advise low-income countries to cut their wage bills by reducing teachers' pay and the overall number of teachers. This advice comes as a part of IMF loan programmes or general economic assessments.[5] The views of the IMF can significantly impact the economic prospects of a country, even 'advice' from the IMF carries coercive weight. These austerity policies will undermine aid from Ireland and also the right to education in these countries. They undermine public services, human rights and the progress towards the SDGs.

143 countries - including 94 developing nations - are implementing policy measures that undermine the capacity of governments to provide education, healthcare, social protection and other public services. In effect, 85 per cent of the world's population will live in the grip of austerity measures by 2023 despite unprecedented global energy prices and turbulent economic times. This trend is likely to continue until at least 2025, when 75 per cent of the global population (129 countries) could still be living under these conditions.[6]

Governments and international financial institutions (IFIs) frequently state that there is limited fiscal space and no alternatives to austerity. There are alternatives, even in the poorest countries, such as more progressive taxation, fighting illicit financial flows, restructuring and eliminating debt, increasing social security and shifting macro-economic thinking to accommodate inflation and some level of fiscal debt.[7]

Tax and Education

97 per cent of education funding comes from domestic revenues.[8] Yet Ireland's tax policies and associated profit-shifting structures enable multinational companies to significantly reduce their tax liabilities in countries where they make and sell their products and services, thereby eroding those countries' tax bases.

There are a number of recent reports which show how Ireland's tax policies continue to impact the ability of lower income countries to collect tax revenues. This includes Christian Aid's report highlighting the "single malt" tax avoidance strategy.[9] The United Nations Committee on the Rights of the Child is currently examining how Ireland's policies contribute to tax abuse by companies that violate children's rights in other countries.[10] A recent working paper[11], by the National Bureau of Economic Research (NBER), found that 'more than $616 billion in profits were shifted to tax havens in 2015, close to 40 per cent of multinational profits', and identified Ireland as 'the number one shifting destination, accounting for more than $100 billion alone'.

Limiting the ability of other countries to raise revenue through aggressive tax policies severely impacts their ability to fund schools, teachers and resources. The Irish government should be extremely concerned by this development. It has the potential to undermine international confidence in our overall aid programme and in particular, our support for basic education as a cornerstone of development aid policy.

Girls attending session with their mentor, Josephine, at an ActionAid funded Catch-up centre.

Credit: Esther Sweeney/ActionAid

Call for Ireland to challenge austerity

ActionAid Ireland, the Irish National Teachers' Organisation (INTO), the Irish Federation of University Teachers (IFUT), the Association of Secondary Teachers in Ireland (ASTI) and the Teachers Union of Ireland (TUI) are calling on the government to recognise that in order to deliver its important focus on education, Ireland needs to ensure its own policies and strong commitment to education are not undermined by the austerity measures imposed by the IMF. Ireland must seek fundamental change within the IMF[12], and beyond, for ending austerity and public sector wage bill constraints.

How public sector wage bill constraints undermine teachers and public education systems

Around the world, teachers face low pay and deteriorating conditions, which affects the status of the profession. Many countries also have teacher shortages. There is a clear common cause uniting low pay and teacher shortages – decades of squeezed public funding as a result of public sector wage bills constraints.

The Global Partnership for Education has sought to alert the international community of the global crisis in teaching. UNESCO data indicates that in sub-Saharan Africa alone, 16.5 million more teachers need to be recruited in order to reach the SDGs on education by 2030.

This means 5.4 million new teachers are needed in primary education, and 11.1 million new teachers are needed in secondary education, to meet the needs of the growing school-age population in the region, and to mitigate growing numbers of out-of-school children.[13]

Research published in the 2021 report ***The Public Versus Austerity***[14] by ActionAid, Education International and Public Services International, shows that public sector wage cuts continue to be recommended by the IMF and by Ministries of Finance who adhere to the same neoliberal ideology and economic policy. The research is based on reviewing 69 IMF documents from 15 countries,[15] discussions with IMF economists and a review of public sector wage bills.

Public sector wage bill cuts and freezes have become a central flagship of wider austerity policies. The research found that these policies have no credible evidence base, yet they seriously damage progress on education and other key development goals. Constraints on the overall wage bill often disproportionally impact teachers as they are the largest single group on public sector payrolls. This pushes down teachers' pay and blocks new recruitment.

Over a 10-to-15-year period, spending on education is one of the soundest investments a country can make for positive development outcomes.[16] Despite IMF claims that education and health are protected or exempt from wage bill cuts, the research found no evidence of this in two-thirds of the countries studied. Burdened by debt,[17] and unable to raise adequate tax revenues due to aggressive tax avoidance strategies facilitated by countries like Ireland countries are then advised by the IMF to cut public sector spending, which pushes countries into poverty and aid dependence.

The Public Versus Austerity found that the IMF is giving coercive policy advice to governments to cut or freeze public sector wage bills in 78% of countries studied. Squeezing spending on the public sector workforce continues to be the norm, even when the IMF's own research[18] suggests that neoliberalism has been oversold for forty years and has stifled the very growth and development it was supposed to promote.

The research across 15 countries revealed that:

- Despite IMF claims that public sector wage bill containment was only ever temporary, all of the 15 countries studied were given a steer to cut and/or freeze their public sector wage bill for three or more years, and eight of them for a period of five or six years.
- In those 15 countries alone, the recommended IMF cuts add up to nearly US$ 10 billion – the equivalent of cutting over 3 million primary school teachers.
- In those 15 countries alone, a one-point rise in the percentage of Gross Domestic Product spent on the public sector wage bill would allow for the recruitment of 8 million new teachers.

Ireland: a champion of education across the globe

Ireland has a long history as a champion of education around the world. In 2021, 7% (€37,002,000) of Ireland's aid budget funded education work.[19] Ireland supports education globally through direct funding to civil society organisations in Ireland, bilateral funding through their embassy network and multilaterally, predominately through the Global Partnership for Education. Ireland made a pledge of €60 million over the next five years to the Global Partnership for Education in May 2022.

Ireland is recognised by the Global Campaign for Education as a role model in terms of the quality of its aid to education. While Ireland has a reputation as a champion of education, this is made redundant if it doesn't challenge the IMF in promoting public sector wage bills constraints, which have specific gendered impacts.[20]

The impact on women and girls

Girls paid a high price as a result of the COVID-19 pandemic: dropping out from school because they may be caring for others, forced into child marriage, or exposed to increased gender-based violence.[21] *In A Better World,*[22] Ireland makes a commitment to not only increase support for education but to prioritise education for girls. The paper recognises that access to quality education is still not universal, and significant efforts are required to retain girls at secondary school level. It acknowledges that "this can yield significant benefits for girls in later life, with education helping to reduce child marriage and facilitate choice for woman on how many and when they have children."

The impact of wage bill cuts is felt most acutely by women and girls. Girls are more likely to be excluded from accessing basic education when budgets are cut; women lose access to some of the best opportunities for decent work in the public sector as teachers and other education personnel;[23] and girls and women bear a disproportionate share of the unpaid care and domestic work that rises when public services fail. Prioritising infrastructure over people exacerbates this, creating construction jobs that are disproportionately filled by men rather than jobs in service provision.

Happy is a young girl living in Kenya who has greatly benefited from attending one of the catch-up centres supported by ActionAid.

Credit: Esther Sweeney/ActionAid

Cuts to public sector wages are illogical and counter-productive

One of the more surprising justifications given for cuts to public sector wage bills is that they are necessary to 'free up social spending'[24]. The suggestion that governments need to cut spending on teachers to improve education is counter-productive. Nothing is more important for an education than a good teacher, and teachers' salaries make up the majority of most education budgets worldwide. Teachers' salaries are the social spending that is needed on education. But the argument by the IMF is that somehow one-off expenditure on capital infrastructure like classrooms is more important than paying for recurrent costs. Yet, of the infrastructure investments encouraged by the IMF, the priority is on roads, energy, telecommunications and water, not on classrooms. This emphasis on infrastructure spending doubly damages education as it undermines resources available for teachers and diverts resources away from education.

The Public Versus Austerity research found that there is no clear logic, rationale or evidence to justify when cuts or freezes were needed to be made to public sector wage bills – or how much is enough. For example, Zimbabwe, with a wage bill at 17.1 per cent of GDP, was advised to cut as was Liberia which spends 10.1per cent, Ghana at 8.7 per cent, Senegal at 6.5 per cent, Brazil at 4.6 per cent, Nepal at 3.7 per cent, Uganda at 3.5 per cent and even Nigeria, which spends just 1.9 per cent of its GDP on public sector workers.[25] We found that the IMF's latest medium-term advice is to drive every country below the global average for spending on the public sector wage bills as a percentage of GDP. This creates a long-term downward spiral.

Despite the dramatic and predictable impact of these cuts and freezes, the research found the IMF and Ministries of Finance conducted no assessments of teacher shortages or the likely impact of cuts to inform their decision making. The wage cuts and freezes were made without evidence or credible benchmarks.

United Nations Transforming Education Summit

Thematic Action Track 5 at the United Nations Transforming Education Summit in September 2022 focused on the financing of education. The accompanying paper[26] outlined the crisis in the financing of education and the need to find universal, sustainable and systemic solutions in three areas:

- Action area 1: mobilising more resources. 97% of education funding comes from domestic revenues, but this is profoundly affected by wider forces. Internationally there needs to be: action on budget shares; action on tax; action on debt servicing; action on Special Drawing Rights (SDRs); action on austerity; action on paradigms; action on concessional loans and aid.
- Action area 2: increasing equity and efficiency of spending on education. More education resources must be accompanied by greater equity and efficiency in existing investments.
- Action area 3: education financing data and accountability. Good policy requires systematic and reliable data on education spending to deepen accountability.

Put together, these actions form the basis of a new global compact on education financing, linking new domestic commitments with new international action on issues affecting education financing – to increase the share, size, sensitivity, and scrutiny of education budgets.

The IMF did not attend the Transforming Education Summit, which was convened in response to the global crisis in education.

Case study 1: Zambia

Ireland has close ties with Zambia, outlined in the Ireland in Zambia Strategy 2018-2022,[27] the goal of which "is to promote Ireland's values and interests in Zambia with an emphasis on the reduction of poverty and inequality." One of Ireland's key deliverables in the strategy is to increase access to education and relevant skills training by women and young people. The strategy states that "improving the quality of education, particularly for girls, is essential to unlocking transformational change and Zambia's potential." Ireland supports the World Bank Girls' Education and Women's Empowerment and Livelihood (GEWEL) Project. One of its three pillars is keeping girls in school through bursary support and social cash transfers.[28]

Meanwhile, from 2016 to 2021, the IMF recommended that Zambia cut public sector wage bills by 1% over a three-year period. This equates to a loss of US$279.7 million on public sector workforce spending, or a loss of 12,060 teachers (based on 20% losses as per UNESCO benchmarks).[29] These cuts undermine development spending and policy and they have a real world impact on teachers and students. As a result, class sizes are bigger and teachers have to take on additional work. One teacher told Education International:

"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 classes, 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."

Case study 2: Sierra Leone

The current government of Sierra Leone 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%).[30] Ireland has committed to support this initiative: "The introduction of the Free Quality Education Programme increased girls' access to education. Ireland in Sierra Leone continues to build on earlier work in education to scale up its engagement with a clear focus on improving access to quality education for children, especially vulnerable girls. Ireland continues to support the government's flagship Free Quality Education programme through a World Bank led Multi-Donor Trust Fund."[31] In 2020, Ireland pledged €5m over five years to the Free Education Programme,[32] which aims to improve education outcomes in Sierra Leone and increase the participation of girls in quality education.

In spite of Sierra Leone's ambitious targets, between 2016 and 2021 the country 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,' bears no relation to reality and has not taken into account national development commitments. 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 gap in the number of teachers has grown from 51,524 to 69,074. Therefore, the additional teachers required to reduce this gap to the internationally recommended teacher–student ratio of 40:1, requires an increase to the teacher wage bill of 20%.[33]

The system change we need to see

The combination of Covid-19 and the climate crisis are our best opportunity in a generation to force a rethink – country by country if needed – to place progress on education, health and other goals at the centre of national development strategies rather than as an afterthought.

In every country there are clear alternatives to austerity. Governments can choose to raise tax revenues progressively rather than cut spending, and to stop illicit financial flows. Indeed, the IMF estimates that most countries could increase their tax to GDP ratios by five percentage points between now and 2030. That would allow most countries to double their spending on education and health and social protection.[34] But in practice the IMF has not advanced this recommendation, with most countries experienced decreasing, stagnating and/or inadequate tax-to-GDP ratios.[35]

Ireland, within its development and foreign policy, can support progressive taxation policies to fund teachers, nurses, carers and other public servants to ensure human rights can be upheld. We can also ensure that our own tax policies do not drain resources from countries in the south and encourage low corporate tax rates, illicit flows and a race to the bottom.[36] We can also use our role within the IMF to move away from austerity policies, which is the only way we will meet our global education goals.

More Austerity Predicted

Analysis of IMF expenditure projections in the 2022 End Austerity Report shows that the adjustment shock is expected to impact 143 countries in 2023 in terms of GDP, or 85% of the world population.[37]

Our recommendations

- Ireland has a welcome and progressive focus on education globally as the catalyst to delivering the SDGs. Ireland must ensure that this policy is not undermined by the role of the IMF. The Department of Finance and Irish Aid, in their engagement with the IMF, should focus on policy coherence in relation to our development policy and engagement with the international financial institutions, questioning in particular the logic and rationale behind promoting austerity policies.
- Ireland ought to carry out a gender and human rights impact assessment on austerity policies in the countries that we support through development aid.
- Ireland should make a commitment to the goals of the UN's 2022 Transforming Education Summit TES and support the actions for Track 5 Financing of Education.
- Ireland should continue to champion education in its aid budget.

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Cover page caption: Jeniffer is a teacher in Malindi, Kenya.

Photo credit: Esther Sweeney / ActionAid