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The Impact of Economic Reform Policies on Women's Human Rights: Findings from Christian Aid, InspirAction and its partners in Latin America and the Caribbean (LAC)

1.0 Introduction

The global financial and debt crisis of 2008 triggered the onset of large scale economic reform policies in many countries around the world. Over the last ten years, fiscal austerity – through a combination of aggressive cuts in social spending and the implementation of regressive tax regimes – has become the mainstay of many governments and is supported by the policy recommendations of International Financial Institutions (IFIs) like the International Monetary Fund (IMF). Such decisions have specific gendered implications for women, particularly those from marginalised groups, who are disproportionately impacted by fiscal austerity measures.

Austerity has been presented as the only means of reducing budget deficits brought about by the financial crisis. Therefore, economic perspectives have presented it not as a choice, but as a necessity[1]. However, to view austerity as a mere spending restraint necessary for deficit reduction is to ignore that it is ideological in nature and constitutes a political choice[2].

In LAC, the distinct shift away from left-leaning governments over the past decade has hastened the speed at which austerity measures have been realised and risks jeopardising many gains that have been made in reducing gender inequalities and advancing women's rights.

2.0 International human rights frameworks and austerity

The Addis Ababa Agenda for Action and Agenda 2030 represent some of the international, non-binding, political commitments that world leaders have made to advancing women's rights. Conversely, all countries in LAC, with the exception of Cuba, have ratified the International Covenant on Economic, Social and Cultural Rights (ICESR, 1976). Article 2.1 explains that States party to the Covenant must maximise all available resources to progressively achieve the full realisation of rights recognised in the Covenant[3].

Similarly, Articles 2 and 3 of the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW, 1979) – which all states in LAC are party to – outlines that States must mobilise resources, by all appropriate means including legislation, to "ensure the full development and advancement of women"[4]. However, without adequate public resources, such measures are not possible and thus impede the implementation of CEDAW.

Further still, the Beijing Platform for Action (BPfA) urges all States to "mobilize new and additional financial resources that are both adequate and predictable"[5] and appropriately allocate public funds to fulfil women's rights to health and education. The Platform urges States to systematically review their taxation policies using a gender-responsive lens in order to be mindful of the relationship between taxation and women living in poverty.

However, despite these legally binding obligations, many states across LAC have continued to implement long-term austerity measures that have led to the denial or infringement of women's human rights which they are obligated to safeguard. As noted by Saiz, "despite the obvious human rights dimensions of the [financial] crisis, human rights have barely figured in the diagnosis or prescriptions proposed by the international community"[6].

3.0 The gendered impacts of austerity

Over the last ten years, the gendered impacts of austerity have varied across LAC. However, the following features have been some of the most prevalent:

3.1 Cuts in public services and increase in unpaid care burdens

The nature of work for women in many parts of the world, including LAC, highlights a pattern of irregularity as they enter and leave the labour force at different stages of their gendered lives. Typically, this work is also less well paid, informal and part-time. Women's irregular participation in the labour force means that they are likely to have a limited Personal Income Tax (PIT) burden which has notable consequences on their recourse to a retirement income and social security including maternity and disability benefits. However, women are more likely than men to rely on public services as a result of being unable to access or afford market substitutes through paid employment or work benefits.

In the age of austerity, cuts in vital public services disproportionately impact poor women who heavily rely on services like health, education, social protection and child-care. In the absence of these public services, it is typically women who shoulder the burden of filling these service gaps and usually do so unpaid, thus increasing their unpaid care responsibilities. This prevents women from being able to fully realise their economic rights and also hinders girls from attending school thus exacerbating gender inequalities and perpetuating traditional gender roles.

3.2 Underfunding of key institutions, mechanisms and programmes central to advancing gender equality and women's rights

As demonstrated in section 4.0, vital components of a country's national gender machinery are typically the first and hardest hit by austerity measures. These include key government ministries and mechanisms which protect women from violence, enable access to justice, and enhance women's leadership and participation in public life.

3.3 Implementation of regressive tax regimes, supported by IFIs, in an attempt to raise revenue and balance budget deficits

Currently, LAC is blighted by low levels of tax collection and regressive tax structures. Tax revenue collection as a percentage of gross domestic product (GDP) is 22.8%, with the bulk comprising of regressive goods and services taxes which includes value added taxes (VAT)[7]. Globally, the region is one of the lowest in terms of tax collection; below the US (26.4%) and the OECD countries (34.3%).[8]

Thus, in recent years, IMF policy responses in LAC have encouraged easy to implement but regressive tax regimes. In 2017, this included a rise in VAT from 13% to 15% in Costa Rica[9] and from 16% to 19% in Colombia[10] (with similar recommendations being made in El Salvador, Chile, Peru and Belize). Regressive consumption taxes like VAT disproportionately impact poor households which are typically headed by women, and in their gendered roles as household managers, they are responsible for purchasing much of the goods that are subject to VAT. The IMF has discouraged applying tax exemptions to certain goods and, in the case of the Caribbean, has estimated that it loses between 4% to 10% of GPD by applying such exemptions[11].

The IMF has also encouraged the use of tax incentives to support private investment in exploration of new oil fields in Bolivia[12] and backed fiscal stability by controlling spending growth in Brazil[13].

4.0 A closer look: Brazil

Despite its recently developed inclusive policies, Brazil is still a country of stark inequalities, with low redistributive capacity and significant deficits in its social and economic rights. Such inequalities are determinant of women's lives, especially black women who are overrepresented among the poorest in Brazil and underrepresented among the richest. In 2011, nearly 20% of black women were among the poorest 10% of the population, as opposed to only 5% of white men in that same segment[14]. Brazil also has the fifth highest rate of female homicide in the world which, between 2003 and 2013, increased by 21% and is now 2.4 times higher than the global average. Although there has been some progress for white women, black women's deaths have increased by 54%[15].

Whilst austerity has had an increasing role in Brazil's macroeconomic policies since 2015, this took a drastic turn following Dilma Rousseff's impeachment and culminated in the approval of Constitutional Amendment 95 (CA95) in 2016, also known as the "Expenditure Ceiling" amendment. Effective from 2017, this amendment took the unprecedented measure of freezing real public spending for 20 years, thus having a particularly harmful impact on human rights and fulfillment of the SDGs. According to the Institute of Socioeconomic Studies (INESC), "by constitutionalizing austerity in this way, any future governments elected without an absolute majority will be prevented from democratically determining the size of social investments"[16].

Since CA95 was passed, Brazil has seen an unprecedented cut in social spending with many initiatives vital for fulfilling women's rights being brought to their near extinction. Examples can be found in relation to food and nutrition security programmes, health and education services, access to justice for victims of domestic violence, as well as programmes centred on redressing long-standing systemic racism. Food security programmes have been cut by more than 50% in 2017 (in a context in which 27% of women are affected by anaemia, while undernutrition prevalence fell to under 2.5% in the general population)[17]. A 17%[18] drop in the health budget in 2017 has also severely impacted health services, with crucial programmes such as "popular pharmacies" being drastically reduced. Similarly, spending on education dropped by 19%[19] in 2017 which will have a notable impact on programmes such as ProUni – an affirmative action measure introduced in 2004 to diversify Brazil's student body. The programme provides university scholarships to low-income students, with a requirement that half of all recipients are black, mixed race or from ethnic minority groups. Between 2005-2013, 51%[20] of the programme's recipients were women.

Further still, public institutions and programmes aimed at promoting gender equality and providing support services to victims of violence have suffered enormous cuts. INESC highlighted a 52% budget cut in the federal Special Secretariat for Women's Policies.[21] In a country where one in three women reports having been the victim of violence, the underfunding of a key institution that provides assistance to women experiencing violence exacerbates gender inequality and undermines the implementation of the country's landmark Maria de Penha domestic violence legislation. Data collection and dissemination on gender-based violence and socioeconomic indicators for women was nearly paralyzed and the number of specialised services offered to women suffering from violence has also been reduced by 15%[22] as a result of budget cuts. This puts at risk Brazil's capacity to achieve SDG5, particularly targets aimed at eliminating all forms of violence against all women and girls in public and private spheres. Additionally, Sempreviva Feminist Organisation identified that young, Afro-Brazilian women and members of the LGBT community are more likely to be victims of violence and therefore disproportionately impacted by such funding decisions[23]. In a country where more than half the population are of African or mixed heritage,[24] structural racism and discrimination continue to intensify racial inequalities by hampering life chances and placing enormous obstacles in accessing quality public services, land, decent work opportunities and improved social mobility.

Despite this, INESC reported a 56.3% reduction in the resources to the federal Special Secretariat for the Promotion of Racial Equality and a 56.3% cut in the Secretariat for Human Rights between 2016 and 2017.[25] Under the new administration, 9 out of 29 government ministries have been axed[26], with the Ministries of Racial Equality, Human Rights and Women being folded into the Ministry of Justice. This was coupled with 23% reduction in the budget for the National Foundation for Indigenous Peoples, thus jeopardising public policy responses for promoting racial equality and ensuring the realisation of protected human rights.

The long-term impacts of CA95 are yet to be felt fully and further data collection and analysis will be vital to examine its effects on all women.

5.0 A closer look: Guatemala

Guatemala is a country shaped by its staggering levels of inequality and its social indicators continue to reflect the underinvestment the state makes in its citizens. Guatemala does poorly on many indicators of basic needs. Although pro-poor tax reform was included in the 1996 Peace Accords, this has not been implemented in favour of the country's poorest who are disproportionately women. A near absence of public services and social protection, high levels of inequality and concentration of wealth – among the key drivers of the internal conflict – remain in place.

Tax accounted for 94% of Guatemala's income in 2008,[27] and yet it has one of the lowest tax-to-GDP collections globally at 12.4%[28]. The country also has one of the smallest government budgets within the region, highlighting the country's skewed political priorities.

With a tax structure comprising of indirect taxes largely on consumption, this means the tax burden falls disproportionately onto lower income families – particularly women. In comparison, those who have a higher income pay a much lower share of tax in proportion to their income because direct taxation on income and assets are low. Returns to capital assets and businesses are also low and receive significant tax exemptions[29]. In 2012, the Center for Economic and Social Rights argued that 'for each quetzal collected in income tax, the state "gave back" more than 2.5 quetzals in exemptions and deductions.'[30]

Thus, without sufficient resources to fund adequate services, the fulfilment of women's rights is compromised. A forthcoming report by Instituto Centroamericano de Estudios Fiscales documents that Guatemala invested an average of approximately 5.2% of GDP on women, in contrast with 5.9% of GDP invested on men between 2007-2014. This means that for every quetzal invested in a man, the state invested only 88 cents in a woman.

In an unprecedented move, the IMF's 2016 Article IV Consultation for Guatemala conceded that a "higher fiscal deficit could be justified on structural and social grounds" and recommended "a gradual increase in fiscal revenues to at least 15 percent of GDP would be essential to meet critical social, security and infrastructure needs"[31].

6.0 Recommendations

As outlined at the start of this submission, austerity is a political choice and not a necessity. Therefore, alternative paradigms do exist, as explained below:

6.1 Governments across LAC must implement progressive tax regimes as a means of adequately resourcing women's rights. This can include increasing direct taxes like PIT and wealth taxes, higher rates of corporation tax and the withdrawal of tax incentives which have been responsible for facilitating a global race to the bottom. Alternative means for mobilising resources must also include an analysis of how illicit financial flows (including both illegal and legally ambiguous tax practices) are hampering revenue raising efforts and limiting the available funds for investment in the social infrastructure required for advancing women's rights.

6.2 Governments must actively practice gender-responsive budgeting (GRB), as is a recommendation in the BPfA. In addition to tracking budget allocations and expenditure (particularly through participatory budgeting), GRB also has to include an analysis of how revenue is raised. This should be accompanied by regular gender impact assessments to examine the effect of selected tax regimes on all women.

6.3 IFIs such as the IMF have been instrumental in perpetuating the austerity myth although some of its policy positions recognise the importance of fiscal policy in addressing intersecting inequalities, including gender. As such, the Fund must ensure improved internal policy coherence on both the drivers of and remedies of gender inequality, which influence the recommendations in its Article IV Consultations.

End notes

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