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Who gets squeezed by austerity?

Informal workers are struggling to afford the rising costs of healthcare. A new wave of austerity measures is only worsening these inequalities

When Edmundo, a waste picker in Peru, caught Covid19, he had to take out a bank loan to pay for his visit to the clinic. Many of his colleagues also fell ill and subsequently went into debt, desperately seeking loans, emptying their savings, and selling their land and belongings to pay for clinical care and prescription drugs.

Informal workers like Edmundo (his name has been changed in the interest of privacy) – or *recicladores*, as they are known in Latin America – provide an essential public service by recycling solid waste in urban localities. From New York City to Bangkok, they contribute to their local and national economies, improve public health and promote environmental sustainability.

The precarious nature of informal employment

But while informal workers like these waste pickers comprise the majority of the global workforce, they have no health insurance, pensions, or any form of social protection. Over the past few years, many have seen their incomes wiped out by Covid19 lockdowns and associated supply-chain disruptions and inflationary pressures. Many are struggling financially and face constant threats to their health, safety and livelihoods.

The precarious nature of informal employment, together with often hazardous working conditions, leaves informal workers particularly vulnerable to health risks. But despite their increased exposure to injuries and illnesses, many of these workers struggle to afford the rising costs of healthcare. Lacking proper financial coverage, they are often forced to pay out-of-pocket for doctor's visits, medicine and travel to clinics and hospitals.

Recent policy developments offer little cause for optimism.

A recent survey of home-based workers in Cambodia by Women in Informal Employment: Globalizing and Organizing (WIEGO) and HomeNet Cambodia found that health costs are the most common reason informal workers go into debt. Similarly, in Nagaland, India, the cost of a single visit to a clinic amounts to three weeks of a domestic worker's typical income. Among those workers, 70 per cent had to take out a loan to finance their most recent medical appointment; a similar share said steep out-of-pocket costs forced them to delay crucial healthcare.

Recent policy developments offer little cause for optimism. Despite initial public spending increases during the early stages of the pandemic, the war in Ukraine and inflationary pressures have sparked a new wave of austerity measures. According to a recent report by the European Network on Debt and Development (EURODAD), 16 governments – seven in the developing world and nine in high-income countries – are currently considering cuts to health spending. Likewise, most middle-income countries are expected to cut government spending. And almost 90 per cent of the pandemic-era loans extended by the International Monetary Fund (IMF) to countries like Nepal and Nigeria were conditional on the implementation of austerity measures.

Preventing austerity

The current wave of austerity imperils the physical and mental health of the world's most vulnerable workers. Studies have shown that the IMF's structural-adjustment programs have exacerbated health inequities in the Global South, where the majority of informal workers live. Given that women and girls, who account for a large share of the working poor, often bear the brunt of these measures, the current austerity drive also has far-ranging implications for gender equality.

But austerity is neither necessary nor inevitable. By raising taxes on corporations and the ultra-wealthy, tackling financial corruption and restructuring sovereign debt, governments could continue to fund essential public services. There is no reason to allow those at the top of the economic pyramid to rake in record profits while those at the bottom bear the burden of economic, health and social crises.

To achieve an equitable

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reinforcing. Although the informal economy represents 35 per cent of low- and middle-income countries' GDP, on average, and accounts for a majority of non-agricultural employment in countries such as India and Thailand, those who work there are not recognised as key stakeholders who could help drive a global recovery. Moreover, the current policy debate ignores the threat that austerity policies pose to millions of livelihoods worldwide.

But the fact is that our economies rely on the collective well-being of two billion informal workers, many of whom are struggling under the weight of rising health costs. Political leaders and development policymakers must urgently address the health-debt crisis before it spirals out of control. To achieve an equitable global economic recovery, we must reject the false promises and flawed outcomes of fiscal austerity and invest in affordable and accessible high-quality healthcare for all.

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