

“The prescribed cure is killing the patient”, Analysis by Raymond Torres

International Labour Office

Analytical piece by Raymond Torres, Lead author of the World of Work Report and Director of the [International Institute for Labour Studies](#), the research arm of the ILO.

It is clear by now that the current mix of tight fiscal austerity and tough labour market reforms is not having the desired effect. Critics such as Paul Krugman and Joe Stiglitz have been saying this for some time. However, the situation is even more serious: these policies are actually making matters worse in terms of jobs and people's incomes.

There is no way that austerity can succeed in creating employment in the short term. Business confidence and investment would need to pick up considerably to compensate for the slack created by austerity, while in fact the opposite is happening. Real investment is being hit by the lack of demand and limited credit access. Far from improving, confidence is getting worse.

Ironically, austerity has failed to reduce fiscal deficits significantly –the top target was missed. Despite aggressive cuts in public budgets, Southern European countries face roughly the same fiscal deficits as before. Meanwhile, unemployment has increased disproportionately and thousands of small businesses have closed down.



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Likewise, ill-conceived labour market reforms carried out in some advanced economies – particularly in Europe – have exacerbated precariousness and inequalities, while failing to generate new jobs.

It is simply unreasonable to carry on down a path that is so evidently failing to heal the economy and create employment. Labour markets worldwide are still in intensive care. The [2012 World of Work Report](#) shows that there are some 50 million fewer jobs now than at the start of the crisis. In the meantime, around 40 million people enter the global labour market each year.

There is an alternative: a strategy focused on growth and jobs. This involves well-designed employment and social policies, reforming the financial sector so that there is increased investment in the real economy, and careful fiscal consolidation in countries that need it. A policy-mix involving progressive taxation and maintaining job-rich public investment would boost growth and employment. This in turn would restore fiscal balances in the medium term.

Of course some countries are in a more difficult situation than others. So the approach has to be adjusted. And more international cooperation would also help.

There are countries, such as Australia, Brazil, Indonesia and most Nordic countries which have managed to create jobs despite adverse global circumstances. This shows that austerity is not unavoidable.

The outlook is especially grim in advanced economies, where there are approximately 43.5 million unemployed workers. The mood in the streets is becoming increasingly hostile to the austerity approach. In fact, the ILO's Social Unrest Index shows a rise in the risk of social unrest in 57 out of 106 countries analyzed.

To insist on a cure that is killing the patient is a folly we can no longer indulge in. Europe could take a more balanced approach which – unlike austerity pure and simple – has proven to work.

Further resources




ILO Publications

- ILO. 2012. [Breaking new ground: Partnerships for decent work for youth \(pdf 336.55 KB\)](#) (Geneva).
- ILO. 2012. [Global employment trends 2012: Preventing a deeper jobs crisis \(pdf 1.87 MB\)](#) (Geneva).
 - [Français \(pdf 3599 KB\)](#) • [Español \(pdf 3610 KB\)](#)
- ILO/World Bank. 2012. [Inventory of Policy Responses to the Financial and Economic Crisis \(pdf 4.68 MB\)](#) (Geneva).
- ILO. 2012. [The youth employment crisis: Time for action, , Report V, International Labour Conference, 101st Session, 2012 \(pdf 1225 KB\)](#) (Geneva).
- ILO. 2012. [World of Work Report 2012 'Better Jobs for a Better Economy' \(pdf 5843 KB\)](#) (Geneva).
 - [Résumé analytique\(pdf 184 KB\)](#) • [Resumen ejecutivo \(pdf 402 KB\)](#)

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- ILO. 2011. [*Global employment trends 2011: the challenge of a jobs recovery* \(pdf 2.27 MB\)](#) (Geneva).
- ILO. 2011. [*The global crisis: causes, responses and challenges* \(pdf 3.33 MB\)](#) (Geneva).
- ILO. 2010. [*Employment and social protection policies from crisis to recovery and beyond: a review of experience, an ILO report to the G20 Labour and Employment Ministers Meeting, Washington, DC, 20–21 April 2010* \(pdf 819 KB\)](#) (Geneva)
- ILO. 2010. [*Global employment trends for youth : August 2010* \(pdf 3.22 MB\)](#) (Geneva).
- ILO. 2010. [*Global employment trends : January 2010* \(pdf 11.33 MB\)](#) (Geneva).
- ILO. 2009. [*Labour market policies in times of crisis* \(pdf 699 KB\)](#) (Geneva).
- ILO. 2009. [*Recovering from the crisis : a global jobs pact*](#) (pdf 93.22 KB) (Geneva)
 - [Français \(pdf 105.47 KB\)](#) • [Español \(pdf 107.50 KB\)](#)
- ILO. 2009. [*Tackling the global jobs crisis : recovery through decent work policies : report of the Director-General*](#) (pdf 500 KB) (Geneva)
 - [Français \(pdf 557.17 KB\)](#) • [Español \(pdf 371.85 KB\)](#)

ILO Videos

- [Jobs recovery threatened by fiscal austerity](#) - 
- [World of Work Report 2012: Interview with the authors of the report](#) - 
- [World of Work Report 2012: video highlights of the press conference](#) - 

ILO Websites

- [Web Portal on the World of Work report 2012 "Better Jobs for a Better Economy"](#)
- [International Institute for Labour Studies \(IILS\)](#)
- [Employment promotion](#)
- [Global Job Crisis Observatory: Employment promotion](#)