



# THE GLOBAL SOCIAL CRISIS

Report on the World Social Situation 2011

## *Key Points*

### **How have the global crises affected social progress?**

Over the period 2008-2009, the world experienced its worst financial and economic crisis since the Great Depression of the 1930s. In 2009 global output contracted by 2 per cent. Since then, the global economy has bounced back, due mainly to unprecedented coordinated actions by leading economies with fiscal and monetary measures. But this recovery has been uneven and still remains fragile, with ongoing adverse social consequences.

### *The crises have hampered progress towards attaining the MDGs*

- Global unemployment rose sharply from 178 million persons in 2007 to 205 million in 2009. The rapid rise in unemployment has triggered an increase in vulnerability, especially in developing countries without comprehensive social protection. Estimates suggest that between 47 million and 84 million more people fell into, or remained trapped in, extreme poverty because of the global crisis.
- The economic crisis exacerbated the effects of the food and fuel price hikes in 2007 and 2008. According to the FAO, the number of people living in hunger in the world peaked at over a billion in 2009, the highest on record. In the wake of the recession, food and fuel prices are again on the rise. These multiple crises have set back the progress many countries have made towards achieving the internationally agreed development goals, including the Millennium Development Goals.
- During times of financial and economic crisis, households often adopt coping strategies, such as making changes in household expenditure patterns; however, these can negatively influence education, health and nutrition, which may lead to lifelong deficits, especially for children, and thus perpetuate the intergenerational transmission of poverty.
- The impact on social progress in areas such as education and health will only become fully evident over time. Given the fragility of the economic recovery and the uneven progress in major economies, social conditions are only expected to recover slowly. The increased levels of poverty, hunger and unemployment will continue to affect billions of people for years to come.

- Meanwhile, austerity measures in response to high government debt in some advanced economies are also making the recovery more uncertain and fragile. Increased pressure for fiscal consolidation and new pressures in response to such debt have severely limited fiscal and policy space in developed economies, and many countries are also under pressure to cut public expenditure, undertake austerity measures, reduce the scope of government action and further liberalize labour markets.

### *What does this mean for policymakers?*

- **Countries need to be able to pursue countercyclical policies in a consistent manner.** Such policy space should be enabled by changing the fundamental orientation and nature of policy prescriptions that international organizations impose on countries as conditions for assistance.
- **It is essential that Governments take into account the likely social implications of their economic policies.** It has been shown, time and again, that economic policies considered in isolation from their social consequences can have dire consequences for poverty, employment, nutrition, health and education, which, in turn, adversely affect long-term sustainable development.
- The relative success of some Asian and Latin American Governments in mitigating the economic and social impacts of the recent crisis strongly underscores the need for Governments to be consistently countercyclical and the wisdom of conserving fiscal resources during boom periods to support expansionary measures in times of need. **Universal social protection systems and active employment generation programmes should become permanent measures,** not merely temporary components of national crisis response measures.
- **Social investments should be accorded priority in recovery strategies and development policies.** Increasing expenditures to expand social protection and improve access to education and health services will help ensure more inclusive development with stronger domestic demand and a more solid foundation for future growth.

*As challenging as it may be, the crisis offers an opportunity for achieving social progress by making universal social protection a reality, revisiting the social impacts of globalization, and ensuring more inclusive and sustained growth.*

