



Fact Sheet No. 1: Income insecurity

neglected aspects of poverty and inequality

The majority of workers around the world suffer from income insecurity, claims a new ILO report. Drawing on detailed household and workplace surveys covering over 48,000 workers and over 10,000 firms, it shows that many forms of income insecurity are not identified in standard income measures.

These include irregularity of payments, non-payment of contractual wages, a tendency in many countries to put large numbers of workers on “unpaid leave” and systematic patterns of deductions from earned income, and government policies that are supposed to reach the poor but do not do so.

Among other findings are:

- The extent of income poverty tends to be understated in Africa, and somewhat overstated in South-East Asia.
- Functional income distribution has worsened around the world, with larger shares of national income going to the owners of capital and smaller shares going to labour. This is particularly striking in countries such as India and Mexico. In the latter, the wage share has declined sharply in the past decade in spite of improvements in schooling levels and labour productivity.
- Subsidies have become enormous and have tended to go to corporations and the relatively wealthy, while subsidies for the poor have tended to decline (pp.363, 373).
- Middle-income groups tend to have a similar share of national income across the world (p.65); national differences in income inequality primarily reflect differences in the shares received by the very rich and the very poor.
- Social security schemes and fiscal policy have become more regressive, with many groups of workers losing benefits or failing to obtain them, with taxes declining on capital and higher-income groups while rising in relative terms for lower-income workers, and in subsidies rising for corporations and higher-income groups.
- State social security benefits and social services have tended to become both more restrictive and of lower value, lessening the promise of enhanced income security. Indeed, the report points to evidence that “*as income inequality grows, social policy is likely to become regressive, not more progressive*”. As it is, social security does not have a strong redistributive role.
- Old-age income security has been worsening, particularly for those old people dependent on the state. In industrialized countries, among the elderly rate of chronic poverty (income of less than 40% of the median) has risen in many more countries (19) than where it has fallen (8), while the poverty rate (less than 50% of the median) among the elderly has risen in 18 countries, fallen in 9.
- In countries for which the ILO has data, the average age for entitlement to a state pension has risen by about half a year for men and by about one year for women in the past decade.
- In developing countries, new survey data show that the main cause of income insecurity and anxiety is the cost of *healthcare*. In both rich and developing countries, healthcare costs have been rising as a share of disposable income. In the ILO’s People’s Security Surveys in developing and ‘transition’ countries, more people expressed fear that they did not have enough to pay for healthcare than for anything



else. For instance, in urban areas of Brazil 51% of all households said they did not have enough income to cover their healthcare need. In Ghana the urban figure was similar, the rural was 62%; in Russia, the corresponding figures were 47% and 58%.

- The vast majority of the world's unemployed have no access to unemployment benefits. And although the number of countries with some form of unemployment benefit system has risen slightly (mainly because of their introduction in 'transition' countries), the ILO analysis shows that qualifying periods for entitlement have risen, benefits have been cut, duration of insurance benefits has been cut, conditions for entitlement have been tightened and there has been a drift away from insurance benefits to means-tested schemes. In both developing and industrialized countries, with rare exceptions, only a minority of the unemployed receive anything. The report concludes, "*The future of unemployment benefit systems looks bleak.*" (p.78)
- The one area where major advance has been made in the last decade is *in-work benefits*, which have been used, primarily in the form of earned-income tax credits, to top up the earnings of low-paid workers. While giving some workers enhanced income security, the report does raise questions about their efficacy and equity.
- The unsatisfactory state of affairs with respect to state benefits must be seen in the context of steady erosion in informal networks of social

support in developing countries. The PSS show that not only are incomes highly irregular but the incidence of inter-household support is weak.

- In the ILO's People's Security Surveys, a majority of respondents said they had experienced a financial crisis during the previous three years. Most had been obliged to turn to relatives or neighbours for help, rather than to any state agency.
- Wage arrears — the non-payment of contractual wages or the partial payment long after they were supposed to be paid — is rampant in 'transition' countries, and some others. This is shown in China, Russia, Ukraine and some other eastern European countries. In Ukraine, over one in every four workers has been experiencing unpaid wages.
- Most people in developing countries are pessimistic about the prospects of old-age poverty and income insecurity. For example, in Tanzania only 4% of men and women think their financial situation in old age would be good. In Ghana and South Africa, only one in every five expects it to be good. In Ethiopia, two-thirds of young and middle-aged people are worried about having money for their old age. The situation in Eastern Europe is equally bad. In Ukraine, four out of every five people expect their income to be inadequate in old age. And in China, only 6% of young and middle-aged people think their income security in old age would be reasonably good.