



## FACT SHEET No.9: ECONOMIC INSECURITIES IN RICH COUNTRIES

### WESTERN EUROPE STILL SETS LEAD, BUT SLIPPING

The rich countries of the world tend to provide more economic security than elsewhere, but many provide less than their income might imply. And there has undoubtedly been a slippage, with many forms of insecurity spreading as a result of changes of policy and the effects of globalization. As the ILO report concludes, "Wealth, it seems, does not beget security."

According to the ILO report, the primary sign of increased economic insecurity in industrialized countries in the era of globalization is that not only have economic growth rates declined on average but the fluctuations in growth rates have increased (chapter 2).

Other worrying signs are mainly due to the changing character of social security schemes, more flexible and informal labour markets and a great increase in the extent of labour-related stress (chapter 7).

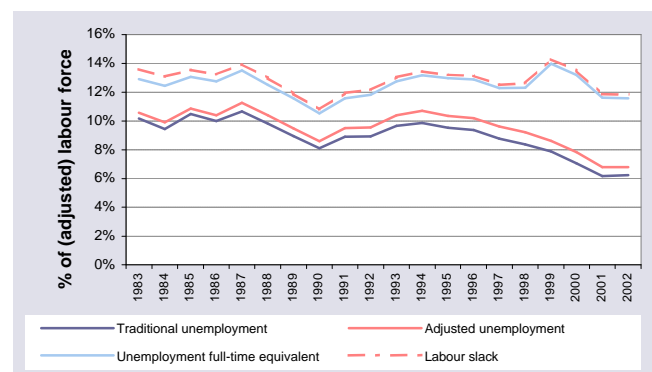
Among the more relevant findings of the ILO analysis are the following:

- Western European countries generally score highest in terms of the Economic Security Index, with more being in the Pacesetter cluster than any other region (chapter 11).
- While there has been a rollback in protective regulations, in the name of flexibility, there has also been a spread of private regulation, in that many policies are being adjusted to suit the expectations of credit rating agencies (chapter 2).
- Income inequality has increased in rich countries, both individually and in terms of the distribution between capital and labour. The tax on capital has fallen, while it has risen on labour, while subsidies for capital have risen.
- Old-age income security has declined in many European and other industrialized countries, even though western European countries have the highest average scores on the ILO's old-age income security index (chapter 4). Old-age poverty rates have risen (see Fact Sheet 2), while pension system reforms have tended to increase income inequality among the elderly. Women's old-age income security may have improved relative to men's.
- Unemployment benefit systems in rich countries have been on the retreat (chapter 3). In most industrialized countries, only a minority of the unemployed actually receives unemployment benefits. And in many countries those who are

receiving them are doing so for shorter periods and are receiving less.

- De-industrialization has accelerated in the industrialized countries, with full-time manufacturing jobs shrinking, while less secure part-time service jobs have been spreading.
- The greatest explicit change in western Europe has been the decline in labour market security, demonstrated not so much in levels of open unemployment but in terms of a new index of what the ILO report calls a *labour slack rate*, which takes account of involuntary part-time employment and disguised unemployment. The labour slack rate is considerably higher than the official open unemployment rates.

INDICATORS OF LABOUR MARKET INSECURITY (UNEMPLOYMENT AND LABOUR SLACK), EUROPEAN UNION\*, 1983-2001



Note: \* EU-12: Belgium, Denmark, Federal Republic of Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and United Kingdom.

Source: EUROSTAT Labour Force Survey (LFS) data.



- The ILO report suggests that measures of labour market security should take account of the large number of unemployed or potentially unemployed who are incarcerated. This may particularly affect the apparent performance of the USA, where over 2 million people are in prison at any one time (chapter 5).
- The ILO estimates a Labour Market Security Index, and finds countries ranked by this are not the same as if ranked by unemployment rates (chapter 5). Countries that perform much better according to the labour market security index are Sweden, the UK, Canada and Finland.
- Employment security has declined in industrialized countries in the past two decades (chapter 6). More workers are on short-term contracts, more are in small-scale firms that have a relatively high probability of going bankrupt or closing, and there has been a growth of outsourcing.
- Nevertheless, almost all the countries that are pacesetters in terms of employment security are in western Europe.
- Work insecurity (accidents and ill-health associated with labour) remains serious in rich countries but has taken on new forms in recent years (chapter 7). The report shows that stress and injuries associated with excessive work intensity have grown in significance. Yet once again, all the leading countries in terms of work security are in western Europe.
- In terms of skills security (the possession of, and opportunity to use, skills), the most striking fact is that there are no national statistics even in affluent countries of the extent of skills in their populations. The ILO report applauds some recent attempts to rectify this, but points out that much more should be done.
- Finally, the report notes (chapter 12) that there is strong support for the principle of a guaranteed minimum income, based on research in Canada, Poland and the USA. It applauds the Alaska Permanent Fund as a means of improving income security, while criticizing the widespread use of subsidies in both rich and poor countries that do not go to improving workers' security.