

## EXECUTIVE SUMMARY

This review, based largely on work in the ILO's Socio-Economic Security (SES) Programme, aims to provide a picture of the emerging patterns of economic security across the world. It draws primarily on a Global Database of national statistical indicators on social and labour policies, coupled with information from People's Security Surveys covering over 48,000 people in 15 countries, and information from Enterprise Labour Flexibility and Security Surveys covering over 10,000 firms in 11 countries.

While it is the first attempt to give a global picture, it does not try to cover all aspects of economic security, or summarize all the work on related subjects by others, although due reference is made to much of that work. Rather, it highlights findings from the Programme over the past four years, and gives particular attention to some issues that have been neglected or given relatively little attention.

Underlying the empirical work is a perspective that reflects the ILO's long-standing values and principles, trying to position them in a 21st century context, in which social and economic rights are placed at the centre of policy thinking and in which social solidarity and voice are regarded as essential. The following very briefly summarizes the contents and highlights a few points that may be of particular interest.

## PART I

*Chapter 1* defines economic security, and the seven forms of labour-related security. It also considers the nature of risk and uncertainty, arguing that old forms of "social security" focus on contingency risks, whereas much of the economic insecurity experienced by people across the world are systemic risks that are not easily covered by "social insurance" or other selective measures. In that context, the chapter derives three conclusions that are effectively premises for much of the following:

---

- 
- ⚡ Basic economic security should be a human right, and this should be defined in terms of advancing real freedom. After identifying the seven forms of labour-related security, it argues that primacy should be given to income security and representation security.
  - ⚡ Policies and institutional changes should be assessed by whether or not they satisfy two tests or principles. The first is the Security Difference Principle, that to be socially just they should improve the position of the least secure groups in society. The second is the Paternalism Test Principle, that they should not impose controls on some groups that are not imposed on the most free groups in society.
  - ⚡ Globally, there has been a secular increase in the incidence and severity of natural, economic and social disasters, including civil conflicts, that involve mass insecurity.

*Chapter 2* considers how the model of policies and institutions known as the Washington Consensus may have influenced the extent and incidence of economic insecurity in the era of so-called “globalization”. It highlights a few features that are particularly relevant for labour market and social policy changes considered in subsequent chapters. Among the main points are:

- ⚡ Globalization has not been associated with a dramatic increase in economic growth, as its advocates claimed it would, and indeed has been associated with a slowing of growth in many countries, with the major exceptions of China and India.
- ⚡ More crucially, globalization has been associated with an increase in economic instability and a greater incidence of economic crises.
- ⚡ There has been a rapid, and relatively unanalysed, growth in private regulation of economic activity and policy.

## PART II

A central feature of the report is a series of national economic security indexes, covering each of seven forms of labour security and a composite Economic Security Index. Each of these is drawn from the SES Global Database, by combining various Input indicators (policy variables), Process indicators (institutional variables) and Outcome indicators (statistical reflections of the effectiveness of those policies and institutions). The indexes, calculated for over 100 countries, are presented in Chapters 4 to 11.

Each of these chapters devotes a section to relevant illustrative findings from the People’s Security Surveys (PSS), household surveys that have been conducted by the Programme in Argentina, Bangladesh, Brazil, Chile, China, Ethiopia, Ghana, Hungary, India, Indonesia, Pakistan, the Russian Federation, South Africa, the United Republic of Tanzania (hereafter “Tanzania”) and Ukraine. The PSS have collected detailed information on many aspects of social and economic security from about 48,000 individuals and households.

---

---

The chapters also present findings from the Programme's Enterprise Labour Flexibility and Security Surveys (ELFS), conducted in Azerbaijan, Brazil, Chile, China, Indonesia, the Republic of Moldova, Pakistan, the Philippines, the Russian Federation, Tanzania and Ukraine. These have provided detailed data on labour practices in over 10,000 firms, highlighting various forms of worker insecurities and securities.

*Chapter 3:* Income security is a reflection of payment systems, levels of wages, access to benefits and services, and the assurance of some kind of income support in times of need. In many respects, global trends have been unfavourable in the era of globalization. The extent of poverty has been understated, particularly in Africa. The number of "working poor" has grown in industrialized countries. Wealth inequality is greater than income inequality but income inequality has grown. One form of inequality that has worsened is the functional distribution of income, with the share of national income going to labour shrinking. But the biggest story is that there is income polarization, with a tiny elite receiving a very large and growing proportion of national incomes.

Increased wage flexibility has meant wider differentials and a loss of entitlement to enterprise benefits and services for many groups of workers, as well as diminished prospects for many millions of workers who could have expected those benefits and services to come with development.

While income flexibility has increased in labour markets, the general orientation of social protection systems has been changing quite dramatically. Probably the biggest source of increased income insecurity is the series of changes taking place in healthcare systems. In general, multi-tier systems are emerging, in which workers and their families bear an increasing share of the costs, while facing increased risks and uncertainty. Use of the price mechanism in health services is intensifying inequities and inequalities, often threatening the survival of households. This sphere of social policy must be given top priority over the next decade, and what changes occur there will be crucial for determining whether economic security will improve or not.

Over the past decade, it has been pension reform that has attracted most attention. Here too there is room for disquiet, given the increased differentiation between levels and entitlements, and the dim prospect of entitlement to a pension for many millions of people as they move towards old age. However, the good news is that more policymakers and social scientists are aware of the limitations and drawbacks of the reforms that were pushed with such zeal in the 1980s and 1990s.

Income insecurity for the unemployed has also intensified in many countries, with a growing majority not receiving support from their governments. Even in industrialized countries, only a minority receive unemployment benefits or adequate income support from their governments.

---

- ⚡ Poverty is underestimated, particularly in African countries.
- ⚡ Inequality has grown within many countries, in personal terms. And functional income distribution has become more unequal. Standard measures, such as the Gini coefficient, do not adequately capture these trends, because it is the very rich who have become much richer, while the poor have often become poorer. It has not been noted that the middle-income groups have retained roughly the same share of national income across the regions of the world.
- ⚡ Social security systems have become less universal, less solidaristic, less protective and more differentiated, contributing to the growth of inequality and economic insecurity. Conditionalities for entitlement to state benefits have been tightened.
- ⚡ The average age of retirement and entitlement to full state pensions has risen by about a year for men and half a year for women.
- ⚡ Unemployment insurance benefits are fading, with fewer of the unemployed obtaining entitlement; they are an inappropriate form of social protection in flexible labour markets.

**Chapter 4:** This chapter deals with monitoring income security and it reviews aspects of individual and household income security that rarely receive much empirical attention, including the non-retention of income by women, which has contributed to women's impoverishment in so many societies, access to non-monetary benefits, the incidence of instability of earned incomes, and the differential costs of personal crises. It also highlights a particular phenomenon that makes many statistics misleading — wage arrears, or the non-payment of contractual wages.

It then presents two national indexes, for old-age income security and for overall income security. These are estimated for 96 countries, showing that some countries have provided much greater income security than others, and that the pacesetters do not correspond well with countries as ranked on a per capita income basis. Key points:

- ⚡ A major form of income insecurity and impoverishment is income instability, with large numbers of people receiving income irregularly, often after extensive delay.
- ⚡ Income transfers between households, long regarded as a form of social protection in developing countries, are actually quite limited, notably in African countries.
- ⚡ In developing and transition countries, the vast majority of people are anxious and pessimistic about their future income security, particularly in old age.

**Chapter 5:** Labour market security has been a casualty of the abandonment of a commitment to full employment by governments around the world, even though there was never a proper commitment in that women were long regarded to a secondary labour force. Globally, higher levels of unemployment have been accompanied by new or enlarged forms of “labour slack” (a measure of labour underutilization that takes account of involuntary part-time working, lay-offs and discouraged non-participation in the labour force).

- 
- ⚡ Unemployment is a poor measure of labour underutilization, and global estimates of unemployment should be regarded as unreliable. The unemployment rate is also not a good proxy for labour market security, as shown by a comparison of the ranking of countries by the two measures.
  - ⚡ The level of unemployment in China is much higher than conventional measures suggest.
  - ⚡ The extent of hidden unemployment, mainly in the form of “unpaid leave” and “partially paid leave”, continues to be huge in ‘transition’ countries, as shown for Azerbaijan, China, Republic of Moldova, the Russian Federation and Ukraine, for example. Extended maternity leave is also used to disguise unemployment among women.

**Chapter 6:** Employment security has also declined around the world. The primary fact is that contrary to the expectation that in the course of development a growing proportion of the labour force would move into regular, protected, full-time wage jobs, in fact economic informalization has grown almost everywhere. But in addition, governments in countries where there had been substantial improvements in employment security in the post-1945 era have introduced legislative and institutional changes designed to weaken it, notably by weakening employment protection.

- ⚡ Informalization of labour relations has continued to characterize the world economy. This chapter shows that a better approach to measuring this is via a labour informality continuum, rather than a conventional dichotomy of informal-formal sectors or “economies”.
- ⚡ The more informal a person’s labour, the lower the income, on average. However, gender-based income differentials grow with growth in formality.
- ⚡ An Employment Security Index is presented for 99 countries for which the relevant data are available, showing that Scandinavian countries continue to provide a greater degree of this form of security than other countries.

**Chapter 7:** Work security is associated with occupational health and safety, and a low prospect of injuries or illness in the course of work. The global picture could be greatly improved. To assess this, better statistical information is needed than is available in most countries. Beyond that, the drift to self-regulation and weaker forms of representation security have eroded work security in some countries. However, perhaps the most striking aspect of developments in this sphere is the emergence of new forms of work-related insecurity or their greatly increased incidence and severity.

- ⚡ The risks of injuries and accidents remain very high, and have grown in many places because of the weakening of institutional safeguards. Weaker worker representation has contributed to this.
  - ⚡ Stress has become a major form of work insecurity, affecting millions of workers, many of whom are in affluent countries where labour intensity has increased, and where time squeeze has become a modern hazard for many more occupational groups.
  - ⚡ Harassment in and around the workplace remains a menacing form of work insecurity in very many countries.
  - ⚡ A workplace work security index is proposed, and in developing countries is shown to be typically higher in large-scale firms, in publicly owned enterprises and in foreign-owned firms.
  - ⚡ Western Europe is the only region where all countries score high on work security.
-

**Chapter 8:** Skills security is more than can be captured by the notion of “human capital”. Indeed, the focus on human capital may have resulted in a deterioration of real security in the areas of education and skill enhancement, in that education unrelated to market activity is undervalued.

- ⚡ Although many workers feel they lack the skills they need, many possess skills that are not used in their work.
- ⚡ According to a national skill security index, some countries that do well overall fail to provide anything like equal skills development for males and females, whereas some countries that do less well overall have reasonably equal outcomes.
- ⚡ In all countries covered, there is a positive link between level of schooling and access to training. But often the returns to training are less for women than for men.

**Chapter 9:** Job security must be differentiated from employment security. It implies the possession of a niche in the work process, and the opportunity to pursue a “career”. The biggest problem for those wishing to monitor job security (and the richer concept of “occupation security”) is that data are woefully lacking in almost every country of the world. This chapter focuses on barriers to mobility in employment, including discriminatory labour practices, and job “satisfaction”.

- ⚡ Job security has been distorted by job demarcation and other rigidities associated with Taylorism.
- ⚡ Discriminatory barriers remain a main reason blocking women from obtaining job security, restricting their mobility within job structures.
- ⚡ Many workers do not plan their working lives, merely living from day-to-day to survive.
- ⚡ The probability of job security is positively related to schooling. Women not only have a lower probability of upward mobility once in jobs but have a higher probability of downward mobility.

**Chapter 10:** Voice representation security has long been associated with trade unions, which have done much to improve working conditions around the world. But de-unionization has been extensive. Part of this has reflected structural changes in labour markets; part has reflected legislative changes designed to curb unions’ powers and lessen their appeal to workers; part has reflected wider social changes; and part has reflected the failure of unions to address the concerns of many groups in society.

- ⚡ De-unionization is a global phenomenon.
- ⚡ Women comprise a low percentage of senior union officials all over the world.
- ⚡ The presence of unions in workplaces contributes to better wages, more benefits and narrower wage differentials.
- ⚡ In many countries, most workers are unaware of the existence of unions, and many who are aware of them are sceptical about their appeal or effectiveness.
- ⚡ A national representation security index shows that representation remains strongest in Scandinavian countries, but that some developing countries have stronger representation than many richer countries.

---

**Chapter 11:** Economic security is essential for any society committed to the promotion of dignified or decent work. To measure this, the indexes of the seven forms of labour-related security are combined into an Economic Security Index. This is estimated for 90 ILO member States. Countries fit into four clusters (groups with similar scores on the index).

The “Pacesetters” are those with high scores on policy commitment to economic security (*Input* indicators), on the existence of mechanisms or institutions to give effect to those commitments (*Process* indicators) and on economic security *outcomes*. The “Pragmatists” are those that do well in terms of outcome, but seem to have a relatively modest (or less than exemplary) commitment and/or relatively modest mechanisms to achieve good outcomes. The “Conventionals” are those countries in which there has been relatively strong formal commitment to the goals of economic security and there appear to be institutions to give effect to them, but where outcomes have been less than impressive. Finally, the “Much-to-be-Done” cluster consists of countries where the commitment, institutions and outcomes are all relatively weak, where there is much that could be done by policymakers, domestic and foreign advisers, and donors.

The results show that countries at all levels of national development could do better. Of course, it is easier for a rich country with well-established institutional capacities to achieve strong economic security for its population. Not all rich countries do so. But many lower-income countries could do much better without impeding their economic growth and development. Indeed, promoting economic security for citizens would help boost growth and development.

- ⚡ There is an inverse correlation between economic security and income inequality. In other words, countries with a highly unequal distribution of income do significantly worse in terms of providing their populations with adequate economic security. Security is more evenly distributed around the world than income.
- ⚡ Economic security is only weakly correlated with economic growth, but is adversely affected by premature economic openness. Controlling for level of national income, economic openness can lead to more economic security, but countries can be held back in that respect by premature opening of their capital account. Opening up the economy hastily may lead to social instability and economic outcomes that imperil whatever level of economic security has been achieved.
- ⚡ Economic security is positively associated with political freedom and democracy.
- ⚡ Economic security is positively correlated with a national Happiness Index. But skills security is inversely related to happiness.
- ⚡ Decent workplace practices are positively related to productivity and employment change.

## Part III

**Chapter 12:** This reviews data from the People’s Security Surveys on attitudes to economic justice and security. Over 48,000 people were asked for their opinions on a

---

range of principles of income distribution and social policy. The data show that there is popular support for policies to enhance economic security in many regions of the world.

- ⚡ There is widespread support for redistribution, notably for the principle of limiting upper incomes. People living in rural areas, and those who are economically insecure in various ways, are more likely to be egalitarian than those living in cities.
- ⚡ There is extensive support for a minimum income below which nobody should have to fall. Support for this crosses all groups in society, rich and poor, men and women. There is widespread support for universalism — the belief that all people, regardless of social or labour status, should be provided with income security — and for policies to provide security for those doing all socially valuable forms of work, not just labour.
- ⚡ Although people who are economically insecure themselves are more inclined to support the principle of basic security for all, they may also be more likely to be intolerant and support discriminatory labour practices.

**Chapter 13:** This discusses emerging forms of voice representation security. An underlying theme is that it is impossible to envisage societies having strong economic security unless there are strong representative bodies giving security to all legitimate interests. If unions are not as strong as many would wish, are there alternative or complementary bodies that could assist in giving representation to people, as citizens? This chapter considers some of the initiatives and the obstacles to their success. It concludes that there are grounds for cautious optimism, even though many so-called civil society organizations should be regarded with scepticism, and in particular ‘faith-based’ policy should be reconsidered.

**Chapter 14:** For economic security, as argued in Chapter 1, basic income security is a fundamental or primary form of security, along with representation security. If the future is to be one of informal economic activities, flexible labour markets and growing recognition of the rights of those performing many forms of work that are not labour, what policies offer the prospect of ensuring adequate income security? The chapter begins by considering the main policies that have been promoted or tried in recent years, focusing mainly on developing countries.

It argues that countries should reduce the extent of subsidies, which have grown to enormous proportions, go disproportionately to richer groups and are inefficient. They comprise a high proportion of GDP, and could be redirected to enhance the basic security of those most in need.

The chapter also highlights flaws in the emphasis on “targeting” and “selectivity”, i.e., making benefits and social services available only for groups identified by means-tests and behavioural conditions. It draws on the People’s Security Surveys to show that selective, means-tested schemes usually fail to reach the poorer groups in society. It shows that popular schemes such as micro-credit and social funds have limited potential as vehicles for giving income security. However, it highlights several types of policy that do offer the prospect of enhancing income security as a right, including social pensions in South Africa and the *bolsa familia* in Brazil. And it argues that capital-sharing



schemes, along the lines of the Alaska Permanent Fund, should be considered as one means of securing redistribution of wealth generated by natural resources.

Above all, the challenge for all countries is to move forward with policies that respect the two policy decision principles spelt out at the outset — that they should be regarded as socially just only if they improve the economic security of the least secure groups in society (and globally) and only if they do not impose controls (or “unfreedoms”) on some that are not imposed on the most free groups. By these principles, we can promote societies that foster economic rights and an environment in which a growing majority can pursue a rewarding life of dignified or decent work.

---