

A new global deal must promote economic security

Economic security is a cornerstone of well-being. Economic stability and some degree of predictability enable people to plan and invest in their future and that of their children. They encourage innovation, reinforce social connections and build trust in others and in institutions. Worry and anxiety about the future have negative health outcomes, ranging from mental health problems to heart disease and increased risk of obesity, including among children.¹ Pervasive economic insecurity generates popular discontent and imperils political stability.²

From its inception, the United Nations has recognized the significance of economic security for well-being. Article 25 of the Universal Declaration of Human Rights states that everyone has the right to an adequate standard of living “and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other lack of livelihood in circumstances beyond his control”. While the issue does not have a dedicated goal in the 2030 Agenda for Sustainable Development, progress toward the Sustainable Development Goals (SDGs), including in the implementation of social protection systems and measures for all, advances towards universal health care coverage, access to quality education and the promotion of decent work, will help promote greater economic security.

Giving a precise, practical meaning to economic insecurity is challenging. People’s feelings of insecurity often draw on their past experience—that is, having experienced downside economic shocks creates insecurity—but they also have a prospective dimension related to risk. Insecurity can be caused by actual risks or be based on people’s perceptions. Despite its many facets, two elements are common to most definitions of economic insecurity (1) people’s exposure to—or expectation of—adverse events and (2) their (in)ability to cope and recover from the consequences of such events.

Key messages

- Even though the importance of economic security is enshrined in the Universal Declaration of Human Rights, economic insecurity remains under the policy radar in many countries.
- Challenges to people’s economic security are growing.
- Policies have been slow to adapt to these emerging challenges.
- A new global deal must be based on the recognition of economic security as a human right and therefore a global responsibility.
- Efforts must be made to improve the measurement of economic insecurity and strengthen the evidence base on this fundamental right.

This brief contends that the risk of adverse events is growing while people’s abilities to cope and recover are not improving accordingly. It therefore makes the case for bringing economic security to the forefront of a new global deal, leveraging the opportunity provided by COVID-19 recovery strategies.

RISKS ARE GROWING

Fears related to economic insecurity are on the rise. Changes in the world of work, together with globalization and technological breakthroughs, have benefited many people but are also putting many others at disadvantage or at risk. These long-standing trends, which have raised aspirations but also fears, are compounded by evolving threats, including those brought about by climate change and the COVID-19 pandemic.

Growing employment instability and work that is increasingly precarious and poorly paid, together with persistent joblessness, are root causes of rising economic insecurity in developed countries. In developing coun-

¹ See, for instance, Kong, Osberg and Zhou (2019) and Kopasker, Montagna and Bender (2018).

² UN DESA Policy Brief No. 91 considers the political effects of economic insecurity, available at bit.ly/UNDESA_PolicyBrief.

tries, high levels of informal employment continue to affect income stability. Even before the COVID-19 crisis hit, over 470 million people worldwide were either unemployed or under-employed,³ according to ILO (ILO, 2020). With growing job insecurity in many countries and insecure working conditions in most, countless people can no longer rely on stable, decent work to provide economic stability throughout their lives.

Among these rapid transformations, the effects of climate change are threatening lives and livelihoods worldwide. Increased awareness of climate change and its many implications has injected a growing level of uncertainty about the future and raised people's concerns about their well-being in the long run. Even though its effects are shaping anxieties worldwide, its impacts will be uneven. People in the poorest countries stand to lose the most (United Nations, 2008). Children and youth will bear more of the costs of climate change than today's adults and older persons.

Uncertainty and insecurity have gripped the world since the COVID-19 pandemic started. The pandemic and measures adopted to contain it have caused unprecedented disruptions in people's lives, economies and labour markets. According to ILO's latest estimates, the crisis led to a global loss of 255 million full-time jobs in 2020 (ILO, 2021). Global poverty is expected to rise for the first time in 20 years.

But the links between the COVID-19 crisis and insecurity go both ways: while the impact of the crisis on insecurity is clear, the economic insecurity that preceded the crisis has amplified its effects. Many people in low- and middle-income groups do not have the financial resources to weather shocks. This is particularly the case where job insecurity, including in the informal economy, hinders access to healthcare and social protection, including unemployment insurance. In many countries, the impact of the COVID-19 crisis is more severe on women, for instance, due to their over-representation in informal employment. The crisis has indeed shone a spotlight on massive inequalities in exposure to the virus, the ability to work from home, access to adequate health care and e-learning, and social protection coverage. It has exposed the precarity of many people's lives and revealed the large degree of risk and uncertainty embedded in today's society.

This crisis comes amid a rapid process of technological change that is driving profound changes to many aspects of life—from employment to civic participation and governance—and generates uncertainty about the future.

Workers fear that robots and artificial intelligence will replace their jobs. New technologies are already carrying out many tasks that could only be performed by human beings until recently. As important, greater connectivity and access to increasing amounts of information may be affecting people's sense of security and their trust. Public discourse is changing as news—both genuine and fake—spread at an unprecedented pace. Social media have enabled the targeting of information campaigns, manipulated views and influenced elections, challenging effective governance and, in some cases, eroding trust in institutions.

POLICIES ARE NOT KEEPING UP

Most people can be or feel economically insecure at some point in life. Insecurity is certainly an intrinsic aspect of poverty. People in poverty are more exposed to risks from adverse events, from ill health to the growing impacts of systemic shocks such as climate change and pandemics. However, many people who now live above the poverty line are or feel economically insecure as well (Birdsall, Lustig and Meyer, 2014). In fact, while economic security and confidence in the future have traditionally been defining features of the middle class, the evidence suggests that this group is feeling increasingly insecure, at least in developed countries (Vaughan-Whitehead, 2016; Hacker, 2019).

Not only are societal changes increasing the exposure of low- and middle-income groups to adverse events, but their ability to cope and recover is not improving accordingly. Changes in the structure of families and households are limiting their role as a traditional source of informal support. At the same time, public institutions, policies and governance systems are struggling to adapt to rapidly changing needs in both developed and developing countries.

At the national level, labour market institutions and regulations are challenged by the growing diversification of working arrangements. Open-ended work contracts are increasingly rare. There are new forms of employment and work emerging, partly due to digitalization and automation trends. Workers under many of these new forms of employment—such as own-account workers in a growing “gig” economy—work for more than one employer. They enjoy little employment security and limited access to social protection, much like workers under more traditional categories of temporary or other non-standard forms of contract as well as those in the informal economy. The collective regulation of work is challenged also by falling membership in trade unions and, in many cases, the failure of traditional unions to give a voice to workers under non-standard contracts or in informal em-

³ That is, they were either employed but wishing to work additional paid hours, looking for a job or not looking for a job but available to work.

ployment. Globally, economic integration has promoted competition among countries, including on working conditions, and has constrained national policy space.

Social protection systems, which are meant to address economic insecurity, cover less than half of the world's population (ILO, 2017). Some countries have made progress in expanding coverage, but there has also been a retrenchment in others. There is also a growing disconnect between social protection systems and the reality of today's world of work. Some programmes, including employer-provided health and pension insurance, depend on contracts with specific employers. Many social insurance programmes are tied to salaried employment. Some are not portable between jobs and few are portable across countries.

In many countries, the increasing cost of health care, education and housing has become an important source of economic insecurity as well, with possible impacts for future generations. Worldwide, out-of-pocket health expenditure per capita has doubled since 2000, for instance.⁴ Privatization has contributed to increasing the cost of basic services and even priced people in poverty out—or otherwise affected the quality of services that the most disadvantaged receive.⁵ Yet the current crisis calls further attention to the need for health care systems and other services to reach the most vulnerable.

BETTER MEASUREMENT OF ECONOMIC INSECURITY IS NEEDED

Despite its significance, growing economic insecurity has stayed under the policy radar in many countries. Experts find fault in the fact that it is not adequately reflected in standard national statistics (Stiglitz, Fitoussi and Durand, 2018). Indeed, many measurement issues related to insecurity are still unresolved and empirical research on developing countries is scarce.

Existing measures of economic insecurity capture downward economic shocks and the buffers available to cushion against them. Information on income or consumption volatility has traditionally been used to measure the effect of economic shocks. However, the data needed to assess volatility are not widely available. In developed countries with data, the level of income volatility and, relatedly, the risk of downward economic shocks,

vary by country. They are highest in Greece, Spain and the United States, where volatility has also increased the most since the 1980s (Hacker and Rehm, 2020; Rohde, Tang and Rao, 2014). In contrast, households in the Netherlands, Sweden and Switzerland enjoy the most stability. Income volatility is highest in low-income households but it is increasing among households previously considered to be “secure”—those with medium and higher levels of education, secure employment and a stable family life (Latner, 2019; Hacker and Rehm, 2020).

Whatever the method used to assess economic risks, the implications of these risks depend crucially on the buffers available. Catastrophic expenses and large debts drive falls into poverty when household income and wealth are insufficient to cover these and social protection systems do not help guard against risks or cover their effects. Considering income and personal financial buffers together show that, while 12 per cent of the population in OECD countries live in relative income poverty, over one third (36 per cent) of people would fall into poverty if they were to forego just three months of their income (OECD, 2020).

The measurement and analysis of economic insecurity matters greatly in developing countries, where social protection systems and other risk-pooling mechanisms are weaker while levels of informal unemployment are higher. Lacking panel data for most of them, Osberg and Sharpe (2014) examine the probability of major events likely to trigger downward income shocks, such as unemployment, health shocks and old age, in selected developing and developed countries. These studies show that, while levels of economic security correlate broadly with national GDP per capita, they are not lowest in the poorest countries covered or highest in the richest one. Economic security is therefore a dimension of well-being that exhibits a certain level of independence from GDP and deserves to be assessed in its own right.

Common to both developed and developing countries is the role of health shocks and medical spending as drivers of economic loss and impoverishment. About one third of households who fell into poverty over time in communities in India, Peru and Uganda did so as a result of episodes of poor health and high health care expenditures, mirroring similar results found in other low- and middle-income countries, as well as the United States (Krishna, 2011). Often, however, it is a series of shocks to income—and the debt obtained to attempt to smooth income in the face of insufficient assets—that pave the path to poverty.

⁴ WHO Global Health Observatory data repository, out-of-pocket expenditure per capita in PPP international \$, available from <https://apps.who.int/gho/data/node.main.GHED00PpcPPPSHA2011?lang=en>. Out-of-pocket expenditure has multiplied by 2.1 in developed countries and by 2 in developing countries.

⁵ See A/73/396, Note by the Secretary-General on Extreme Poverty and Human Rights on Privatization, 26 September 2018.

BRINGING ECONOMIC SECURITY TO THE FOREFRONT OF A NEW GLOBAL DEAL

At a time of growing public discontent in developed and developing regions alike, trust in Governments and other institutions is declining. Rebuilding trust hinges on allowing people to feel secure and hopeful about the future. The massive uncertainty brought about by COVID-19 is likely to produce an even greater desire for security.

Within countries, the availability of quality public services that promote equal opportunity, universal social protection that fosters income security and institutions fit for today's world of work should be the bases of a renewed social contract. Governance in these three key areas has lagged behind ongoing transformations, increasing the disconnect between policy and people's needs. There are, however, policy innovations in both developed and developing countries that demonstrate the capacity of social protection systems, labour market institutions and public services to adapt to changing circumstances.⁶

Globally, growing insecurity and the mistrust it generates are major obstacles to collective efforts to achieve the SDGs. The desire for economic security is a powerful, universal sentiment that most people can relate to, in both developed and developing countries. It is not only linked to poverty or disadvantage, but also to a growing gap between people's expectations and their actual situation. Because it affects so many people, a growing sense of economic insecurity can have major political impacts.

A new global deal must be based on the recognition of economic security as a human right, a universal concern and therefore a global responsibility. A global deal based on promoting economic security should enjoy broad approval and can help build coalitions in support of the 2030 Agenda and the SDGs. In doing so, it can promote greater international coordination in matters of labour rights, social protection floors, the portability of social protection benefits, public health and the type of taxation that is needed to provide universal access to quality public services.

Despite its importance for well-being, economic productivity and social and political stability, economic insecurity often goes unmeasured. Reliable, publicly-disseminated data that are comparable across countries are largely missing or inadequate to inform policy. Efforts must be made to improve the measurement and evidence base of this fundamental right.

⁶ UN DESA Policy Brief No. 91 describes some of these policy innovations, available at bit.ly/UNDESA_PolicyBrief.

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