



## Economic insecurity is a global crisis

### ILO report shows how and where

### Economic security index linked to happiness

Economic security promotes happiness, and is beneficial for growth and social stability. This is a central finding of a new ILO report, which attempts for the first time to measure social and economic security of individuals and countries around the world.

An Economic Security Index (ESI) has been calculated for over 90 countries (covering 86% of the world's population). This is based on seven forms of work-related security, taking account of policies, institutions and outcomes in each case.

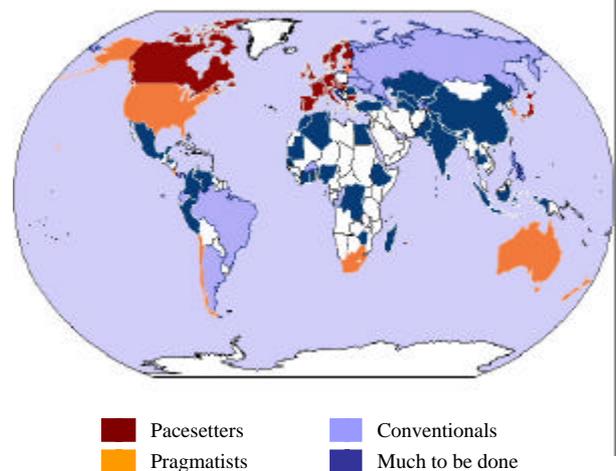
People in countries that provide their citizens with a high level of economic security have a higher level of happiness on average, measured by surveys on level of life-satisfaction and inequality in happiness within countries. The most important determinant of national happiness is not income level – there is a positive association but rising income seems to have little effect as wealthy countries grow wealthier. The most important factor is the extent of income security, measured in terms of income protection and a low degree of income inequality.

By contrast, happiness does not appear to be related to the level of skill. The ILO report finds that a high level of skills security, measured by an index incorporating indicators of schooling and training, is actually inversely related to happiness. The report suggests that this is due to jobs being poorly attuned to the needs and aspirations of people, as they become more educated and acquire more competencies. Job quality and mobility need to adjust upwards. At present, too many people are finding that their skills and qualifications do not correspond to the jobs that they have to perform, resulting in what the report calls a “status frustration” effect.

The report shows that political democracy and a trend towards civil liberties significantly increases economic security and that government spending on social security policies also has a positive effect. But there is only a weak impact of economic growth on security, measured over the longer-term.

In looking at national levels of economic security, countries are divided into four clusters – Pacesetters (with good policies, good institutions and good outcomes), Pragmatists (good outcomes in spite of less impressive policies or institutions), Conventionals (seemingly good policies and institutions but with less impressive outcomes) and Much-to-be-Done countries (weak or non-existent policies and institutions, and poor outcomes).

Economic Security Index: Clusters by region



Note: Countries in “white” are not part of the analysis.

Source: IFP-SES database 2004 and World Bank, World Development Indicators, 2003.

The report shows that about 73% of all workers live in circumstances of economic insecurity, while only 8% live in “pacesetter” countries, that is, in societies providing favourable economic security.

Many rich countries could achieve more economic security for their citizens, since some lower-income countries achieve higher levels than some of the rich countries. Indeed, the ILO analysis finds that the global distribution of economic security does not correspond to the global distribution of income, and that South and South-East Asia have greater shares of economic security



than their share of the world's income. Whereas South Asia has about 7% of the world's income, it has about 14% of the world's economic security. By contrast, Latin American countries provide their citizens with much less economic security than could be expected from their relative income levels.

A feature of the findings is that only countries that provide a coherent set of policies that strengthen all seven forms of labour security have a high score on overall economic security. Countries with very strong attainment in some spheres but with weak attainment in one or more others do not do well overall.

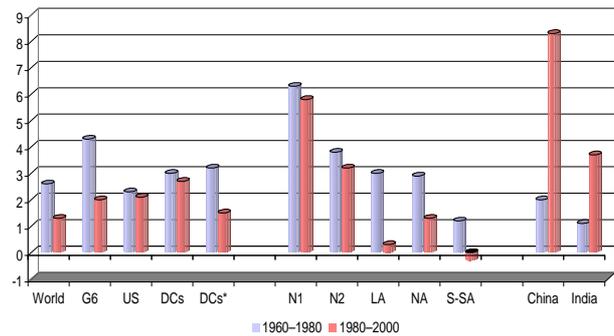
The report also finds that "income security is a major determinant of other forms of labour-related security" (p.296), and that income inequality worsens economic security in several ways. "The message is," the report concludes, "that highly unequal societies are unlikely to achieve much by way of economic security or decent work".

The analysis shows that there has been an upward trend in the frequency and severity of economic shocks during the recent period of globalization (since 1980), as well as a coincidental growth in the number of natural disasters affecting very large numbers of people. It also shows that, in the cases of China and India, the two mega-countries, are set aside, economic growth rates in per capita terms have declined while the variability of annual economic growth rates has increased (see Figure attached, and chapter 2), implying more national economic insecurity, contrary to predictions made by those pushing for rapid economic liberalization.

The ILO report notes that these trends are important because they show that more people are being exposed to systemic risk, rather than contingency risks. The latter are due to individual life-cycle events, such as individual unemployment or illness, which are covered by standard social security systems. People are far less able to prepare for shocks that affect whole communities and regions.

The ILO report also shows that for developing countries national level of economic security is inversely related to capital account openness (Chapter 11), implying that it would be sensible for developing countries to delay opening their capital accounts until institutional developments and social policies were in place to enable their societies to withstand external shocks. In other words, countries should postpone opening their financial markets until they have the institutional capacities to handle fluctuations in confidence and the impact of external economic developments.

REGIONAL DIVERSITY: ANNUAL GDP PER CAPITA GROWTH (%)  
1960-80 AND 1980-2000



G6 = Canada, France, Germany, Italy, Japan and United Kingdom.  
US = United States DCs = aggregate output of 59 developing countries.  
DCs\* = Developing countries, excluding China and India. N1 = first-tier NICs. N2 = second-tier NICs. LA = Latin American countries. NA = North Africa. S-SA = sub-Saharan countries, excluding South Africa.  
Source: World Bank: World Development Indicators 2003.

Besides drawing on a global databank of national policies, the report uses statistics from a series of People's Security Surveys carried out in 15 countries, in which over 48,000 working people were interviewed about their work, the insecurities they experience, and their attitudes to inequality and related aspects of social and economic policy.

Respondents were asked about their attitudes to various aspects of economic insecurity and inequality, and it is clear that there is very widespread favourable opinion for a greater support for the economically vulnerable and a desire to reduce inequality (Fact Sheet 3 and chapter 12). A point that stands out is that economic insecurity fosters intolerance and stress, both of which contribute to social illness and ultimately to social violence.

Among other findings are the following:

- most workers in developing countries are unaware of trade unions, and a majority in countries surveyed do not have much faith in them (Fact Sheet 2);
- women experience more insecurity than men and more types of insecurity (Fact Sheet 4);
- employment security is diminishing almost everywhere, due to informalization of economic activities, outsourcing, and regulatory reforms (Chapter 6);
- a large number of people possess skills that they do not use in their work (Fact Sheet 13 and chapter 8);
- job security (the possession of a niche with prospects of satisfying work and a career) is weak in most countries, and data from the People's Security Surveys highlights widespread job dissatisfaction (chapter 9).



The report also draws on specially designed Enterprise Labour Flexibility and Security Surveys, in which managers of over 10,000 firms in 12 countries were asked about their labour and employment practices. The outstanding result from those data is that companies that provide their workforce with greater levels of economic security are more likely to be successful commercially, to grow, and to generate productive employment.

Finally, the analysis considers a wide range of policies to determine which offer the best prospect for providing greater levels of economic security, particularly in developing countries. To evaluate such policies, it proposes a novel approach, evaluating them on the basis that they should offer the strong prospect of reducing the economic insecurity of the most insecure groups in society and of not imposing controls and “unfreedom” on intended beneficiaries.

The ILO analysis concludes that conventional social security systems are inappropriate for responding to the new forms of systemic risk and uncertainty that characterize the emerging global economic system (Chapter 14). Accordingly, governments and international agencies should promote universalistic, rights-based schemes that provide people with basic economic security, rather than resort to selective, means-tested schemes.

Attached is:

1. Executive Summary in four languages (English, French, German and Spanish)
2. Table of Contents of book
3. Fact Sheets Nos.1-13
4. Comments on the Report
5. Procedures for obtaining further information

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#### PROCEDURES FOR OBTAINING FURTHER INFORMATION

For further information, please contact Christian Colussi at the Socio-Economic Security Programme secretariat:

email: [colussi@ilo.org](mailto:colussi@ilo.org)  
or by phone: +41 22-799.7913

Members of the team could give interviews in English, French, Portuguese or Spanish.

For those interested in the issues in Africa, you may be interested to know that a companion book is due for publication in September 2004, namely *Confronting Economic Insecurity in Africa*. Copies of this could be obtained from the secretariat.

## 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:

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- ⚡ 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.

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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.

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- ⚡ 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).

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- ⚡ 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.
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**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.

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**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

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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

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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.

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## 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.

## Fact Sheet No.2: Weak collective voice leaves workers insecure

### New forms of voice still limited

Trade unions have shrunk in many parts of the world, and according to a national Representation Security Index estimated for 99 countries, most workers have a very low probability of having a secure voice in their labour market relationships. Essentially, the globalization era has coincided with a weakening of workers' collective strength. The countries that have the strongest scores in the representation index are the Nordic countries. But almost two-thirds of all countries have weak representation security and fit in the "much-to-be-done" cluster.

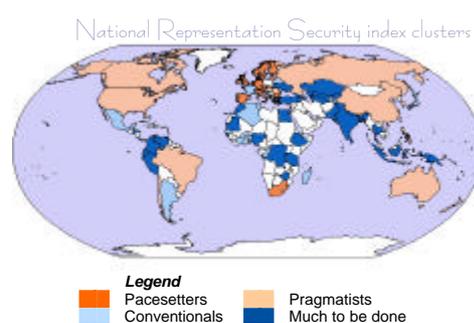
The ILO economic security report concludes, *"What is worrying is that there has been a powerful erosion of the main forms of voice in the world of work in the era of globalization."*

As far as representation security is concerned, there is bad news and there is good news. Both are brought out in the ILO report, among which are the following key points:

- Perhaps among the best news is that the report shows that countries with strong representation security tend to have lower levels of inequality, as measured by the gini coefficient of income distribution.
- Perhaps the worst news for workers is that de-unionization (the percentage of workers in trade unions) has continued all over the world. In some industrialized countries, the unionization rate has shrunk below 10%.
- Unions are strongest in public services, but as these are being privatized, there is a new threat to union strength.
- Women are less unionized than men, and women occupy only a small minority of senior positions in trade unions (see Fact Sheet 4).
- Most workers, when asked for their views on unions, are either *unaware* of their existence or sceptical about their value. This is shown to be strongly the case in developing countries, such as Bangladesh, parts of India and Pakistan, for example.
- There is an absence of *trust* in unions in many countries, which is brought out by surveys conducted for this report. In the Russian Federation, for instance, a third of workers believe that no one is protecting their interests, and only 2% believe that unions are doing so. Only one in every five adults had a "positive attitude" to

unions. In Brazil, lack of trust in unions (only 30% had trust in them) is linked to a decline in trust in any social organization, but there is less trust than with some other bodies, such as the church and neighbourhood associations. In Argentina, only 11% of respondents had trust in unions. In the USA, less than 20% of the adult population has trust in 'organized labour'.

- Potentially good news is that new forms of organization are gaining ground, as is documented in this report. People express more trust in those bodies than in government agencies or most old-style union organizations. However, the report questions whether many of the NGOs are actually representative and oriented to the promotion of workers' interests.
- The report shows that countries with high levels of representation security have relatively high levels of employment security and work security. However, a high representation security index score is not correlated with strong labour market security, suggesting that unions have not managed to assist in lowering unemployment. The representation index is also not correlated with national measures of skills security.





Note: Countries in "white" are not part of the analysis.  
Source:IFP-SES database 2004

- Although unionization is low, enterprise surveys conducted by the ILO show that firms that are unionized typically pay higher wages and provide more non-wage benefits than otherwise similar firms in the same country or sector. Moreover, statistical evidence shows that unionized firms do as well as non-union firms.
- Unionized firms are more likely to promote skills security, pressing managers to provide more training and retraining (chapter 10). And independent unions seem to have a stronger effect than company unions.
- Unionized firms in South Africa and Tanzania were more likely to operate equal opportunity, or non-discrimination, employment policies.

Among the conclusions and recommendations of the report in this respect are the following:

- "Thin democracy" has permeated the world of work, in that workers and working communities rarely have situations in which they can bargain effectively or in a position of equality with employers.
- Governments have strengthened individual rights while curtailing collective rights, thereby weakening the capacities of trade unions and other mass organizations in bargaining.

- There has been a strong erosion of a sense of *social solidarity* around the world, as workers and others are encouraged to focus on consumption and the acquisition of property.
- There is a global trend towards a convergence of fiscal, monetary and social policy in which decision-making authority is being ceded to technicians and 'experts', in which the collective democratic voice is largely excluded.
- To ensure greater representation of workers at global level, the report suggests that consideration should be given to the establishment of an Economic Security Council within the United Nations, so that information on economic and social security could be presented and reviewed before the world.
- The ILO report reviews voluntary corporate social responsibility initiatives and concludes that they are unlikely to have much effect. It concludes, "*Companies should not be expected to take over responsibility for social policy, and should avoid becoming paternalistic.*"



## Fact Sheet No. 3: “Targeting” the poor is poor policy

### Support for security and equality strong 48,000 people give their views

- Arguing that basic economic security for all should be a development goal and a socio-economic *right*, this ILO report shows that many conventional policies that are pushed as part of anti-poverty programmes fail to reach the poor.
  - A standard view is that social protection should be pursued by greater targeting of limited public resources on the poor. The result has been greater reliance on means-testing and other forms of selectivity. But analysis of data from surveys of low-income families and workers in developing countries shows that actually they are often not aware of benefits they are eligible for and that the poor are ever less likely to receive the benefits than the non-poor. As a consequence, *take-up* rates of social assistance programs are usually very low.
  - The ILO’s People’s Security Surveys (PSS), covering many thousands of families in 15 countries, show this is the common pattern. For example, in Ethiopia’s food-for-work scheme, supposedly targeted on the poor, the non-poor are more likely to be involved. In Indonesia, the rice subsidy scheme also went disproportionately to the non-poor.
  - The ILO report on economic security assesses a wide range of policies presented as ways of reducing poverty, such as public works, workfare, food-for-work and social assistance schemes. Most fail one or two “tests” that it believes should be the principles or criteria used to evaluate such policies – that they reduce the economic insecurity of the most insecure and that they should not limit their freedom in trying to do so.
  - At the same time, there is a strong support for a reduction of poverty and inequality coming from the 48,000 people interviewed in the ILO’s People’s Security Surveys in 15 countries.
  - Across the world large numbers of people support the principle that governments should try to ensure that everybody has an income below which it should not be allowed to drop, a floor of basic security. Over 80% of people in such countries as Hungary and China supported this principle. Support remained high even when respondents were asked if they would support it if taxes had to rise.
- Other key findings, in brief:
- In countries as different as Hungary, Indonesia, Russia and South Africa, over two out of every five persons favour an upper limit on earned income.
  - An overall majority in various countries believe that income inequality is excessive, a finding that is particularly strong in Indonesia and the Philippines. People who live in rural areas tend to be more in favour of progressive policies to reduce income inequalities than those who live in urban areas, although a majority in both types of area supports them. In Indonesia, 73% of rural dwellers thought there should be an upper limit on earnings compared with 60% of urban residents.
  - Those who are economically insecure, in terms of their income, job and work status, are more likely to develop intolerant views, most notably towards migrants and racial minorities.
  - Women are more likely to be egalitarian than their male counterparts within various countries, although this does not apply in all the countries in which the PSS was carried out.
  - There is strong support for giving income security to those doing such non-labour market activities as care work in the same way as for those doing labour market work.
  - Identifying people as either “fatalists” or “individualists”, the report suggests that individualists are actually more likely to support the provision of a minimum income for their fellow citizens, but less likely to support an upper



income limit. This, the report suggests, has implications for policymakers, since greater education and exposure to modern living tend to be associated with a growing sense of individualism.

- In countries where it was asked, it was found that there is considerable support for the proposition that taxes should be raised to enable the government to reduce poverty. In Ghana, nearly three in four respondents said this.
- In China, only a small minority of respondents expressed themselves as 'satisfied' with government policies to achieve poverty alleviation or to achieve social protection.

China: Degree of satisfaction with government policy  
(percentage distribution of views on area of policy)

Policy	Satisfied (%)	Fairly good (%)	Dissatisfied (%)	Don't know (%)
Poverty alleviation	9.5	36.3	36.6	17.6
Urban minimum income guarantee	7.3	34.1	43.1	15.6
Social security	7.1	34.6	45.5	12.9
Public employment service	7.0	30.2	48.4	14.4
Living allowances for laid-offs	5.9	31.3	45.4	17.4

Source: China PSS, 2001.

- The ILO report concludes that, contrary to claims made by many observers that people have come to accept great inequality and that selfish individualism dominates public thinking, these results show there is still a widespread sense of support for *social solidarity* and for a reduction in income inequality and income insecurity.



## Fact Sheet No. 4: Women face more economic insecurity

### Cumulative disadvantages intensify gender divide

Women not only have more problems procuring paid employment and generally receive lower wages and fewer benefits than men, they also suffer from higher levels of irregular payments. Frequently, what they earn, they cannot keep but need to hand to their husbands or other family members. These are the findings of the People's Security Surveys (PSS) conducted in 15 countries around the world featured in the new ILO report on economic insecurity.

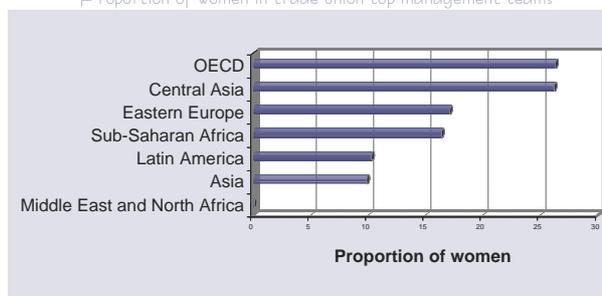
Among key findings relevant for assessing the extent of women's economic insecurity relative to men's are the following:

- Moving from highly informal work statuses into more formal jobs is frequently associated with a steady improvement in incomes for men but not for women. A result is that increasing formalisation of employment implies a widening income differential between men and women.
- Women tend to have much lower status even when controlling for education, as indicated by a new composite measure, the *Decent Work Status*. In developing countries, such as Indonesia, the difference between men and women can actually widen in more educated and affluent households.
- In African countries, as well as in South Asia, large numbers of women have to give up a large part of their earned income to others, mostly family members. In Tanzania, for example, only one in three women in rural areas and one in five in urban areas kept all their earned income. In Ghana, about half kept their income.
- There is widespread support among both men and women workers for principles of gender equality. In the People's Security Surveys, covering 48,000 men and women support for discriminatory recruitment practices and for wage discrimination was weak.
- However, insecurity erodes a sense of equity. In some countries the most insecure groups, among them women, favoured discriminatory practices against themselves. In Ethiopia, as many women as men expressed themselves in

favour of discrimination *against* women in the allocation of jobs.

- In developing countries many families regularly experience financial crises. When that happens, girls are more likely to be sent out to do income-earning work than boys. This translates into life-time disadvantages, in terms of educational attainment and thus access to better-paying jobs.
- Women typically receive fewer non-wage enterprise benefits when in jobs, which is often a greater source of gender-based inequality than differences in wages. This also applies to African countries, where the payment of non-wage benefits is less common than in richer countries.
- Women are less likely to be in trade unions. When they are, they face discrimination. Significantly, in a sample of 61 countries for which data have been collected, women comprised only a tiny minority of senior union officials. Even in the industrialised countries, only 26% of senior union officials are women. In Asia, the figure is less than 10%.

Proportion of women in trade union top management teams



Source: IFP-SES database, 2004

- Discriminatory recruitment practices against women are more common among small firms,

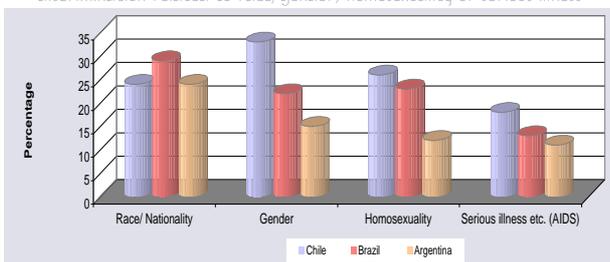


and greater in private than in public (state) enterprises in every country covered by the Enterprise Labour Flexibility and Security Surveys (ELFS), including Brazil, Chile, China, Indonesia, the Republic of Moldova, Pakistan, the Philippines, the Russian Federation, Tanzania and Ukraine.



- The data collected from managements in the ELFS reveal widely varying patterns of discrimination around the world. Employers tend to prefer to recruit men rather than women in a wide range of production jobs, while almost everywhere women are preferred in clerical jobs.
- In Latin America, for example, in some countries workers are aware of gender discrimination to a greater extent than in others, and in some they see racial or disability discrimination as more pervasive.

Argentina, Brazil and Chile: Percentage of workers witnessing discrimination related to race/gender, homosexuality or serious illness

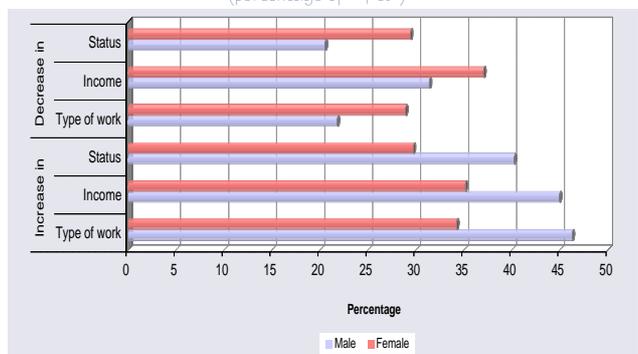


Source: Argentina, Brazil, Chile PSS 2001

- Discrimination is often greater in the provision of training opportunities than in recruitment, trapping women in a “glass tunnel”. Policies on equality of opportunity often neglect what happens once workers enter firms.
- Equal employment opportunity policies (EOP) adopted by firms do not reflect their practices. In the Philippines, where two in every five firms said they operated an EOP, many firms still expressed preferences for men or for women when recruiting. And two-thirds said they did not plan to increase women’s share of employment, even though women had only a minority of jobs.
- Paid maternity leave is only received by a small minority of pregnant women workers. When it is granted, it is mostly high-income women, who attain these benefits.

- The ELFS show that management’s concern over women workers subsequently taking maternity leave are used by many firms to discriminate against hiring young women.
- The types of contracts women frequently hold impinge on their ability to have a child without risk of losing their job. In China or Indonesia, this risk is higher for women having less than one year of employment tenure, precarious contracts or working in small private enterprises.
- Women are more likely to report stress in their jobs, but are less likely to report job dissatisfaction. One possible explanation is that women are under pressure from having to juggle both wage and care work.
- In most countries, probability of upward mobility is greater for men than for women, and probability of downward mobility is greater for women. The results of the People’s Security Surveys (PSS) for Ethiopia in 2001 are illustrative of this double pattern where the probability of past advance is lower for women whatever the dimension considered while the probability of downward change is greater.

Ethiopia: In the last three years have you made a career advance or did you see a decrease in terms of type of work, income and status, by gender (percentage of “Yes”)



Source: Ethiopia PSS, 2001

# Fact Sheet No. 5: Africa

## Insecurities Compound Poverty

Africa has suffered greater economic insecurity than any other region of the world during the past decade and half. Overall, not only has economic growth been slower than everywhere but the instability, or variability, of that growth has been among the worst. The need for more stable economic growth has not been given the attention needed, according to the ILO report.

Among the principal findings as they relate to Africa are the following:

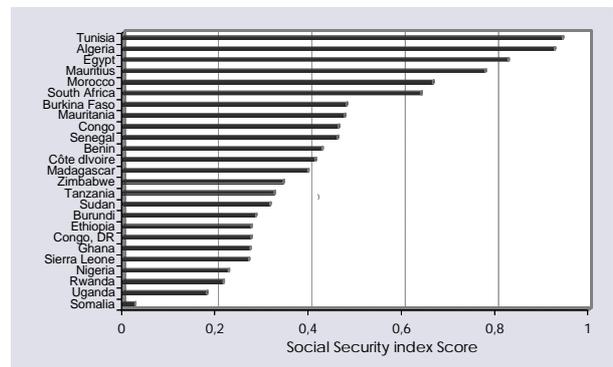
- Among the 23 African countries for which adequate data are available, 19 (or 83%) had scores on the Economic Security Index that puts them firmly in the bottom “Much-to-be-Done” cluster, implying weak policies, weak institutions and weak outcomes.



Note: Countries in “white” are not part of the analysis.  
Source: IFP-SES database 2004

- Overall, social security systems in Africa are still little developed, less than elsewhere in the world. In a composite measure of legislative coverage of standard social security risks, the countries that are more advanced in this respect are in north Africa, with Mauritius and South Africa.

Social security index in selected African countries



Source: SES Social Security Database, 2004

- While poverty rates are underestimated for Africa compared with other parts of the world, due to measurement procedures, the problems are compounded by the fact that income insecurity is severe. According to the ILO's People Security Surveys in four African countries, most Africans suffer from acute income insecurity even if they are not actually in poverty at any particular moment.
- In South Africa, about one-third feel their household income is insufficient for their food needs, and even more said that about their clothing, housing and health care needs. In Ethiopia, 78% of men and 83% of women say their household income is inadequate for basic needs. About 12% of Ethiopian households said one or more young members had left school due to financial difficulties, about 8% had been obliged to sell some livestock and 7% had sold jewellery in distress sales.

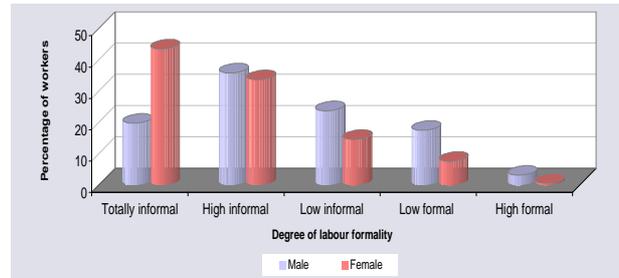


- Incomes are rarely stable or predictable. In Tanzania and Ghana most people said their household income fluctuated from month to month, particularly for those who relied largely or exclusively on non-wage income, for the less educated and for women.
- *Who most supports basic security and redistribution ... and who does not?* In both Ghana and South Africa rural dwellers are more inclined to support the egalitarian option of similar incomes for all. On the contrary, the support for “no limits but policies to help the poor” is stronger among the more educated; precisely those who can expect to reach higher income levels than those with fewer qualifications.
- In South Africa, is there legacy of apartheid and persistent race-based inequalities in the country? Blacks were far more likely to favour equality and an upper limit on incomes, and whites were strongly against an upper limit. More encouraging is that a majority of both main racial groups favour a minimum floor income, corresponding to the popularity of the proposed basic income grant in the country.
- The PSS show strong support for government providing remedial assistance for poverty alleviation: “partial assistance” in Ghana and Ethiopia and “complete assistance” favoured in South Africa.
- Regardless of their own income, people want more help to be given to the poor in their societies, and this applies even if they anticipate being made slightly worse off in seeing that come about.
- Inter-household income transfers are less widespread than is commonly believed. Those informal mechanisms — richer households helping out those in economic difficulty - are apparently weak, but there is a popular belief that they are a proper part of society. Could be that those who seem rich in a local community may relate their income and wealth to an outside reference community, and feel themselves anything but rich.
- Very few Africans have strong employment security. In South Africa, a large proportion of wage and salary workers had been in their employment for a short time. The age structure of the labour force is key. Sadly, in the case of South Africa and other African countries, a factor in low average tenure is the impact of

HIV/AIDS. Many workers do not live active lives long enough to have long-term jobs.

- In Ethiopia, the PSS found that about a third of the urban workforce were in highly informal work, with women far more likely to be in that situation.

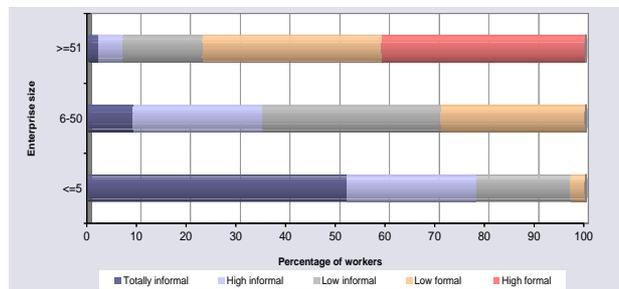
Ethiopia: Degree of labour informality, by gender



Source: PSS Ethiopia, 2001

- Most workers in Africa work informally even if they are working for so-called formal enterprises. Labour informality does not map neatly onto the enterprise-based concept so widely used in reports and by analysts. In Ethiopia a majority of workers in relatively large-scale enterprises (or establishments) are rather informal in terms of work status.

Ethiopia: Degree of labour informality, by size of enterprise



Source: PSS Ethiopia, 2001

- A great many working people, particularly in Africa, are not aware of unions, are not drawn to belong to unions and are not aware of advantages that they could provide.
- A feature in South Africa, approximately replicated in other countries, is that the least educated are the least likely to have an attitude towards unions: being least likely to be aware of advantages that could be gained from union membership, making them the least likely to join or to participate. The irony is that the least educated and disadvantaged groups that include women are the most in need of powerful collective voice to combat the many forms of insecurity that they face.



## Fact Sheet No. 6: South and South-East Asia

### Economic security exceeds income share

The region encompassing South Asia and South-East Asia has a higher share of economic security than its share of the world's income. This is a notable conclusion of a new ILO report on economic security around the world, which draws on a comprehensive database for more than 100 countries, as well as on special workplace and household surveys looking at the insecurities experienced by workers and their families.

Among the findings in the report that relate specifically to Asian countries are the following:

- The pattern and trends in national economic security in Asia is affected by the differential experience of the two mega-countries, China and India, both of which have experienced higher economic growth in the globalization period and a decline in economic instability. Other countries have experienced lower growth rates, but unlike the rest of the world they have not experienced a great deal more economic instability, even taking account of the Asian crisis of 1997-98.
- The extent of labour market insecurity – lack of employment opportunities – is underestimated in Asia, primarily because a large part of the labour slack that exists in China is unmeasured, consisting of large numbers of workers put on long-term lay-off. Such workers are gradually entering the pool of open unemployed.
- Surplus labour abounds in Chinese enterprises. The situation is particularly pressing in State-owned and collective enterprises. In the ELFS, over two-thirds of such establishments indicated that they did not have enough work for their workforce.
- While women all over the world experience more income insecurity than men, their relative position in Asia is more disadvantaged. Among the main reasons for this is that they often lose a large part of their earnings, taken by relatives, middlemen and others. They are also more likely to experience irregular payments and fluctuating incomes.
- Women in Asian countries are concentrated in some form of informal economic activity – in itself an indicator of various forms of insecurity documented in the report. It also seems that when men move into more formal (protected) jobs they gain more than women making similar

moves, implying that formalization of jobs could widen the inequalities between men and women.

- In terms of relative performance in economic security, as measured by the Economic Security Index (see general press release), a high proportion of Asian countries are in the Much-to-be-Done cluster, that is, having relatively undeveloped policies to promote economic security, having weak institutions to put such policies into effect and having relatively poor outcomes. This is the case even though the region has achieved higher levels of economic security than income, as noted earlier.

Economic Security Clusters in Asian Countries



**Legend**  
Pacesetters (orange)      Pragmatists (yellow)  
Conventionals (light blue)      Much to be done (dark blue)

Note: Countries in "white" are not part of the analysis  
Source: IFP-SES database, 2004

- In Asian countries, workers in general lack representation security, that is, they do not have access to collective representation and bargaining to protect them in the workplace and in the labour market. In this respect, they are worse off than their counterparts in many other parts of the world. No country in Asia has high representation security, as measured by a national index of representation, and 9 out of the 16 countries surveyed fall into the Much-to-be-Done cluster of countries.
- Women are less likely to occupy senior positions in trade unions in Asian countries than in most other regions of the world, according to evidence

from a review of 61 countries. Thus, women only have 10% of top union managerial positions in Asia, compared with 26% in OECD countries.

- Workers in Asian countries are more inclined to be passive or fatalistic when confronted by labour difficulties than in many other parts of the world. For instance, in China over a third of workers (35%) said they would do nothing if they did not receive their wages, whereas only 14% said they would appeal to a union to take action. In Indonesia, only 21% of workers thought they would be prepared to go on strike in pursuit of their interests.
- Unions in the Philippines, according to a survey of 1,300 industrial enterprises, have been effective in increasing workers' income security. Average wages in unionized firms were three times the level in non-union firms.
- In Bangladesh and Indonesia, women were more likely than men to express a positive attitude to trade unions, and this seemed to apply in the Indian state of Gujarat as well.
- In Asian countries, as shown from the survey data from China and Indonesia, women with higher levels of schooling and in higher-income jobs are much less likely than other women to lose their jobs on becoming pregnant. This is a form of insecurity that is not taken into account in standard measures of inequality. Overall, in China 18% of all women thought a woman would lose her job on becoming pregnant.
- In Asian countries such as China and the Philippines, managers of small-scale firms are more likely than their counterparts in large firms to admit discriminating against women because of the prospect of women taking maternity leave.
- Small is also not necessarily beautiful when it comes to the promotion of skill formation. In Indonesia, in a survey of 2,000 firms, it was found that small firms were less likely to give workers any training. Foreign firms, there and in the Philippines, were the most likely to provide training.

- A phenomenon that is strongly observable in Asian countries covered by the ILO analysis is the non-use of available skills. Given the widespread belief that there is a need for more investment in skills and training, it is notable that large numbers of workers report that they do not use the skills and qualifications in their work. This is more common among women than among men.

Indonesia: Income-earners believing they use their qualifications or skills in their main work, by area, establishment size and work status, by gender (percentage responding "Yes")

Type of area	Using qualifications		Using skills	
	Male	Female	Male	Female
Urban	62.1	41.7	79.6	76.6
Rural	49.2	42.3	68.8	63.6
<b>Establishment size</b>				
1-5	48.0	37.9	68.9	66.5
6-10	69.7	73.3	79.5	75.0
11-20	79.3	54.5	75.4	81.3
21-50	79.1	55.6	83.7	73.9
51+	76.5	75.0	84.6	87.5
<b>Work status</b>				
Own account	46.9	34.8	69.0	62.5
Wage				
Private (<5 employees)	43.5	34.1	61.1	66.2
Private (5+ employees)	70.8	58.7	86.7	65.0
Public	80.6	81.0	81.7	96.0
Cooperative	(100.0)	(100.0)	(100.0)	(100.0)

Note: Figures in parentheses are based on fewer than 10 observations.  
Source: Indonesia PSS 2001.

- In South Asian countries, workers in wage jobs are relatively unlikely to be working without any form of employment contract. China is a striking exception, since over two-thirds of workers, both men and women, have long-term employment contracts. By contrast, in Bangladesh, only a little over a third of men in wage jobs have such contracts and in Gujarat only a little over 1% of both men and women do so.

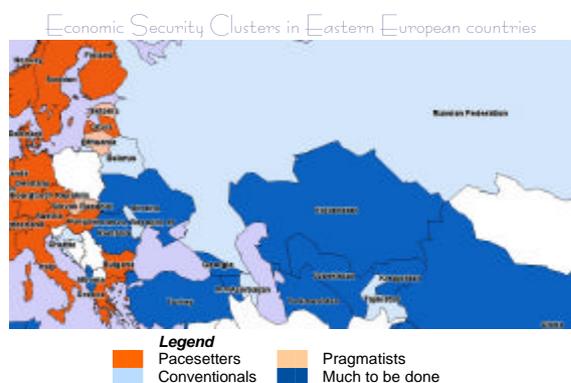


## Fact Sheet No.7: Eastern Europe and CIS

### Unpaid wages, lost benefits and concealed unemployment

Eastern Europe is the region of the world where economic insecurity has grown most in the past decade. It has taken numerous forms. Above all, workers and their families are suffering from acute income insecurity, due to the non-payment of wages, the loss of enterprise benefits and the absence of decent state benefits.

In terms of relative performance compared with other regions of the world, most countries score rather badly in terms of the Economic Security Index. In many cases, their laws and formal commitments seem much better than the outcomes.



Note: Countries in "white" are not part of the analysis  
Source: IFP-SES database, 2004

Among the findings of the ILO report are the following:

- Labour market insecurity – the absence of meaningful work opportunities – is much worse than implied by official unemployment rate statistics. This is due to extensive unpaid administrative leave, or lay-offs, and workers being required to turn up for work but without being paid wages. Special enterprise surveys are used to show this in such countries as Azerbaijan, Moldova, the Russian Federation and Ukraine. Most managers in those countries report that they could produce the same output with fewer workers.
- Women's labour market insecurity is partially disguised because large numbers have been put on extended maternity leave, even though the fertility rate is extremely low.
- Income insecurity is intensified by the erosion of enterprise benefits, which were the main form of security for workers and their families in eastern Europe. Even in Hungary, where the ILO

conducted a special survey, 20% of workers said they could not obtain medical benefits even though they were supposedly entitled to them. In the Russian Federation, many more workers have temporary employment contracts and as temporaries are not entitled to paid sick leave in one in every five firms surveyed.

- There is widespread *dissatisfaction* with the level of wages across eastern Europe. In some cities of Russia, over half of all workers are dissatisfied, and in Azerbaijan 80% were dissatisfied.
- Although unemployment benefits have been introduced in most of the countries of the region, most of the unemployed do not receive benefits, and of those who do the amount is scarcely enough to enable them to survive in any comfort (chapter 3).
- Across eastern Europe, there is a strong fear of old-age income insecurity. In Ukraine, for example, four out of every five adults expect their income in old age to be inadequate. In Azerbaijan, it is three out of every five. Poverty rates among the elderly have risen sharply.
- Employment security has weakened all across the region. Many more workers are being put on casual or temporary work statuses, and the ILO surveys show that many workers think they are unprotected against unfair dismissal or against short-notice retrenchment, particularly in small firms.
- Work insecurity (accidents, lack of occupational safety, etc.) has deteriorated considerably in the region, due in part to the closure of factory safety departments and committees (see Fact Sheet 9 and chapter 7). In the Russian Federation, nearly

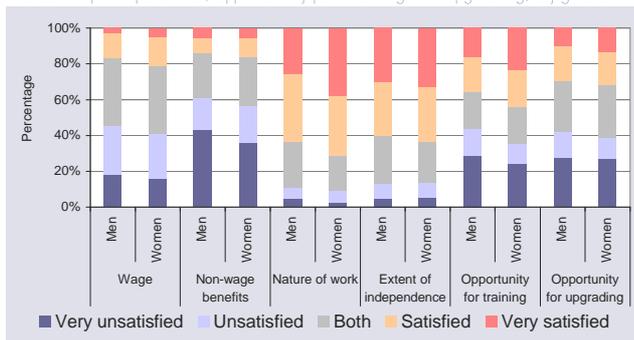


a third of workers surveyed think their work environment unsafe. In Ukraine, more than one in every four thought that way, and over a third of industrial workers thought they were exposed to dangerous substances or machinery. Even more said they were exposed to excessive noise on a regular basis.

- Skills security is about the possession and use of skills, and access to training and retraining opportunities. While schooling is still well developed in the region, training systems have been patchy. To make matters worse, large proportions of the workers do not have the chance to use the skills they do possess – 31% of Hungarian workers, for instance (see chapter 8). According to the enterprise surveys conducted for the report, many firms have abandoned or reduced the training offered to their workers. Nevertheless, eastern European countries tend to score higher in terms of the ILO’s Skill Security Index than countries in other parts of the world.

- Most people in eastern Europe retain a belief in social solidarity and favour equitable social policies – believing that all people should receive a minimum guaranteed income, that there should be restrictions on inequality and that there should be no discrimination against women or ethnic minorities. These results emerge from the People’s Security Surveys, the results of which are summarized in the report (chapter 12).

Hungary: Satisfaction with wage and non-wage non benefits, nature of work, extent of independence, opportunity for training and upgrading, by gender



Source: PSS Hungary, 2000

## Fact Sheet No. 8: Latin America and the Caribbean

### Lower and most unstable growth intensify insecurities

### Huge majorities favour redistribution and basic security

The global economy has become more prone to economic crises, involving deep sudden downturns that spread from one country or region of the world to others. Of all regions, Latin America has experienced the greatest *frequency* of such crises, and their *severity* seems to have been increasing. In 1980-98, in Latin America and the Caribbean alone, there were over 40 crises in which per capita GDP fell by more than 4%.

In recent years, Latin America has experienced a bigger decline in growth rates and a bigger increase in the volatility of growth than any other region of the world, inducing a sharp increase in economic insecurity.

Among the findings in the report that relate specifically to Latin American countries are the following:

- The region of the world with the most unequal income distribution is Latin America, where inequality has been growing.
- Social security reforms in Latin America started in Chile during the Pinochet regime with privatization of pensions. It has been copied in half the countries in the region, phasing in private mandatory insurance schemes, shifting from defined-benefit schemes to which employers and workers contributed, to defined-contribution schemes to which only workers contribute. Workers have lost incomes because they now bear all the costs themselves. In Peru, for instance, wages were not raised after the shift from employer to employee contributions. This model has been spread to other world regions.
- Unemployment benefit systems scarcely function. In Argentina, unemployment benefits reached just 6% of the unemployed in 1999, which was less than in previous years.
- In terms of income security, Latin American countries are mainly “conventionals”, mainly providing “middle-range” income security. They have some formal policies and institutions that should promote security, but have economic realities that produce unsatisfactory outcomes.
- In terms of the overall economic security index, nearly 42% belong in the “much-to-be-done” cluster, a third are “conventionals” and a quarter

are “pragmatists”. None of them has had results good enough to be classified as “pacesetters”.

Economic Security Clusters in Latin American countries

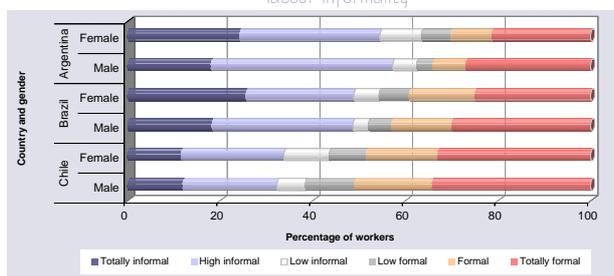


**Legend**  
 Pacesetters (orange)      Pragmatists (light orange)  
 Conventionals (light blue)      Much to be done (dark blue)

Note: Countries in “white” are not part of the analysis  
 Source: IFP-SES database 2004

- Presenting the workforce in terms of an informality continuum, in the three Latin American countries covered by the PSS, fewer than a third of urban workers are in fully formal employment, with women being less likely to be in that status, except in Chile.

Selected Latin American countries: Distribution of workers by degree of labour informality



Source: Argentina, Brazil, Chile PSS 2001.

- In Chile, the PSS shows that 38% of workers in so-called informal enterprises are in highly formal labour relations, while 62% of workers are both in informal enterprises (so-called) and in informal labour as defined in the PSS. Some 42% of workers in so-called formal enterprises (with more than 10 workers) are not in formal labour.
- Workers in more informal labour may have earnings equivalent to those in formal jobs. As for income security, one should not equate informality with poverty, even though more of the relatively informal have low incomes. For example, in Brazil and Chile informality does not map neatly onto income.
- However, formality gives greater protection to men than to women, and being in an informal labour status means a greater likelihood of income variability and decline.
- In Brazil, those who benefit most from training are white better-educated men, suggesting that the government's Professional Qualification State Plan (PEQ), introduced in 1996 to upgrade the skills of vulnerable groups has had limited success.
- Ironically, in various countries people with low levels of schooling were the most likely to report that they had not received any training because they did not want or need it. Although this may be a rationalization of their situation, people with less schooling appear to be the least aware of the usefulness or need for training. In Brazil and Chile, where over two-thirds of workers had not had any training in recent years, about half of those said they had not wanted to obtain any. In Argentina, the share not wanting it was over half.
- Considering skill reproduction security, countries of Latin America and the Caribbean are represented in almost equal numbers in the "Pragmatists", "Conventionals" and "Much-to-be-done" clusters, indicating the absence of a common regional pattern. Cuba is the sole

country from the region to be a "Pacesetter". It is also the industrializing country with the highest and most satisfactory skills security score.

- Workers in Chile say they are aware of discrimination against women to a greater extent than workers in Argentina. By contrast, workers in Brazil are more aware of racial discrimination, implying that combating racial discrimination should be given top priority.
- In Latin America, only one in four of the employed had experienced upward mobility in the past two years, with women and those with little schooling being less likely to have benefited, particularly in Chile. Most workers were pessimistic, the vast majority in Argentina, Brazil and Chile expecting no improvement in the next two years. Again, women are more pessimistic than men, and those with more schooling were more optimistic than others.
- Attitudes to social justice are encouraging. The PSS asked whether there should be a lower limit for people's income, sufficient to cover their basic needs. Levels of support in Latin America are lower than elsewhere, which probably reflects both the single best-choice format and, particularly in Brazil, extensive support for the egalitarian option (*everyone should have a similar income*). Nevertheless, the data bring out the widespread support for basic income security and for reducing income differentials.
- In the three Latin American countries, the question "Should the government provide the poor with a minimum income?" attracted overwhelming support (79% in Argentina, 86% in Brazil, 85% in Chile). But a majority also said that the poor should have to fulfil certain conditions, such as agree to send their children to school.

Whether minimum income should require conditions and type of condition, Argentina, Brazil and Chile (percentage responding "Yes")

Alternative source of financial support	Argentina	Brazil	Chile
Minimum income, % believing condition should be applied	59.1	67.6	57.4
<b>Conditions, if required:</b>			
Adults should work	32.3	16.2	45.0
Parents should send their children to school	20.6	39.4	49.8
Mother should stay home to look after children	5.9	10.2	25.3
Community work	14.6	10.1	26.6
Take job offered by government	23.3	20.3	49.0
Other	3.3	3.7	3.7

Note: In Argentina and Brazil, only one condition could be chosen, whereas in Chile several conditions could be selected.  
Source: Latin American PSS, 2001.



## 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).

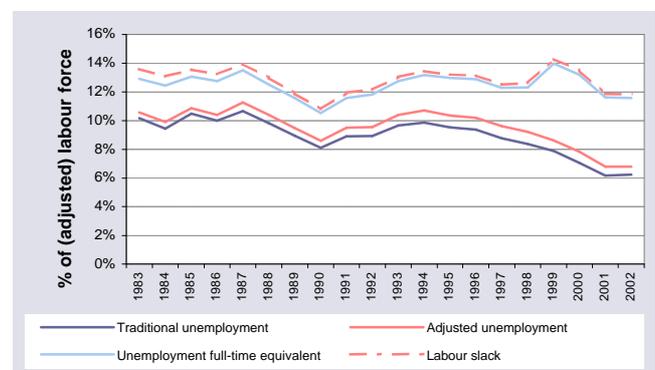
Among the more relevant findings of the ILO analysis are the following:

- 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.



# Fact Sheet No. 10: Labour market insecurity

## lost in global statistics

Labour market security is conventionally assessed in terms of the level of open unemployment. In a new report, the ILO shows that this is an increasingly poor measure, and that various forms of hidden unemployment are pervasive, particularly in China and other 'transition' countries, where extensive unpaid administrative leave and unreal extended 'maternity leave' disguise the true extent of labour underutilization.

Among the findings are:

- The true extent of China's labour surplus is almost certainly twice as large as implied by its unemployment rate, and may account for one in ten of all labour force participants.
- The Russian Federation, Ukraine and other countries of eastern Europe continue to operate with enormous numbers of workers on unpaid or partially-paid 'leave', with very little prospect of recall to paid employment. One in four workers in Ukrainian industry is on unpaid leave at any one time, or effectively in disguised unemployment.
- There has been a steady process of global de-industrialization, meaning that manufacturing jobs are disappearing, even in many developing countries. Industrialized countries shed 9% of manufacturing employment in a decade. But among developing countries both China and Mexico lost manufacturing jobs in net terms.
- A person losing a job in a recession is less likely to return to that job or a similar job than used to be the case, and more than in the past is more likely to suffer a permanent lowering of job opportunity, income and status.
- Presenting a new measure of labour slack, which takes account of involuntary part-time working, lay-offs and short-time work, the report shows that western Europe's labour market insecurity is worse than implied by official rates of unemployment.
- The US unemployment rate is an underestimate of labour market insecurity in both absolute and comparative terms because so many more of those likely to be unemployed are incarcerated, thereby excluded from the labour force. The incarceration rate is much higher in the USA than in any other industrialized country.
- In many developing countries there are barriers to entry which threaten women's labour market security. The majority of the women feel that it would not be easy to find "socially acceptable" type of work if they were to stop what they were doing.

Women's prospect of finding socially acceptable work if losing current main work (percentage distribution of women's responses)

Country	Easy	Mixed	Difficult
Bangladesh	21.6	22.6	56.0
South Africa	20.5	22.9	56.6
United Republic of Tanzania	19.6	29.0	51.4

Source: Bangladesh PSS, 2001; South Africa PSS, 2001; United Republic of Tanzania PSS, 2001.

- In many developing countries, labour force growth is continuing to outstrip employment growth making labour absorption a challenging proposition in the foreseeable future.
- In a new composite Labour Market Security Index, western European countries score highest. But 35 of the 94 countries for which data were available are in the "Much-to-be-Done" cluster, that is, having policies and institutions that are undeveloped and poor outcomes in terms of labour market security.
- In comparing countries based on relative unemployment rates and relative scores on labour market security, it is clear that Norway, Sweden, Ireland, Canada and the UK all do better in terms of labour market security than is suggested by their unemployment rates alone.



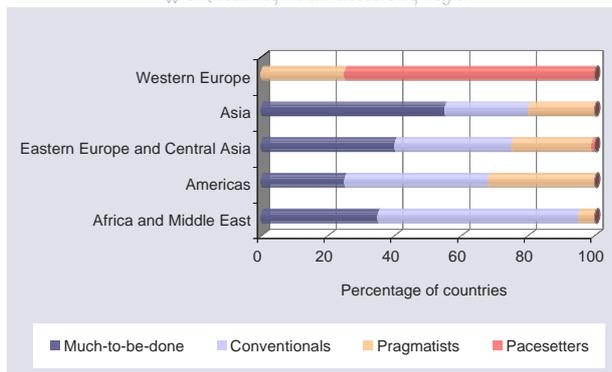
## Fact Sheet No. 11: Work insecurity

### Work-related ill health - a global sickness

Work insecurity -- the lack of protection for workers' health and well-being in the form of work-related accidents, illness and stress, lack of workers' compensation and paid sick leave, lack of maternity protection, excessive hours of work, etc. -- remains one of the worst aspects of economic insecurity around the world. An estimated two million workers die each year from work-related accidents and disease.

- In most countries, the available information on trends in work security is shockingly limited and often unreliable, resulting in a systematic understatement of the inequality of work insecurity.
- To make up for limitations of occupational health surveillance systems, innovative data collection techniques are needed, particularly in countries where official surveillance excludes many people or important economic sectors, or where surveillance does not exist at all.
- A national work security index is estimated for 95 countries, measuring how well each protects workers' health and well-being. Over two-thirds of the countries have unsatisfactory levels of worker protection. The most critical cases include the most deprived countries from Africa, Asia and eastern Europe. Results show that laws and mechanisms alone are insufficient to protect workers' health. Western European countries make up the top performers, with no "pacesetters" in any other region.

Work security index: clusters by region



Source: IFP-SES database, 2004

- Drawing on ILO enterprise surveys covering thousands of firms, the report also constructs a workplace work security index, and finds that work security tends to be better in firms paying above-average wages, that are unionized, that

are publicly owned and that have a large number of employees.

- ILO household surveys show that in developing countries most workers live with extreme work insecurity. In Tanzania, 80% of casual agricultural workers feel insecure about the health and safety conditions of their workplace; over 25% of Ukraine's industrial workers said their working conditions are unsafe, while nearly half of all wage workers in Bangladesh said the same, with similar results from Latin America.
- The ILO report identifies work-related stress as a 21st-century disease, due in part to labour intensification, competitive pressures, time-squeeze, modern technological innovations and lack of worker control in their jobs.
- Evidence abounds showing that more flexible labour relations, notably downsizing, contracting out types of labour and so on, are associated with a deterioration in work security, resulting in higher injury rates, hazard exposures, disease and work-related stress.
- Economic liberalization is associated with a shift away from statutory regulation, adding to the worsening of working conditions, an increase in stress, and declining health for workers.
- Depression is a consequence of stress, now one of the world's major causes of premature deaths and disability, including suicides and death from overwork (karoshi) in Japan and many other countries.
- ILO enterprise and household surveys show:
  - a large proportion of industrial enterprises in 'transition' countries have ceased to have safety departments or safety committees, leaving workers more vulnerable to accidents and occupational diseases;
  - over half of the workers in Indonesia have no health and safety department or committee in their workplace;



- Stress has tended to affect workers in industrialized economies, who have been subject to work intensification management practices.
  - “time insecurity” has become a global phenomenon, magnified by labour intensification, increased commuting time and growing insecurities;
  - although only a small fraction of stress-related lost work time is ever recorded as such, in 2002, over 500,000 people said they were affected by stress at work, with 13.4 million working days lost due to stress.
- ILO household surveys reveal:
  - the majority of workers in developing and transitional countries have to bear the costs of work-related accidents or illnesses, with no benefits for such incidents;
  - the majority of families surveyed in Africa and eastern Europe reported they have difficulty in paying for basic health care. For example, this was found to be the case for 88% of families in Ukraine, 82% in Hungary, and nearly 50% in Tanzania;
  - workers in African countries, rural women workers in general and casual workers are among the least likely to have insurance against work accidents or injury;
  - sick or injured workers, including health workers, tend to struggle on without taking leave, lacking paid sick leave, and fearing income or job loss;
  - harassment, in various forms, causes stress and related ill health among women workers in particular, with 19% of women wage workers in Tanzania, 11% of women workers in Bangladesh and 1 in 5 female workers in China suffering the effects of this insecurity.
- Heart attacks, suicide and strokes are expected to be the top occupational diseases of the 21st century.
- Work insecurity is characterized by gender differences, with women more likely to be disadvantaged, partly because they are more concentrated in jobs that give them less protection against work insecurity than men.
- Agricultural workers suffer work insecurity disproportionately.
  - agricultural workers suffer markedly higher rates of accidents and fatal injuries than workers in most other sectors;
  - agricultural workers figure disproportionately among the more than 160 million workers who are estimated to become ill as a result of workplace hazards and exposures, with ill health and disease prevalent in agricultural communities;
  - overcrowded and unhygienic housing perpetuates the spread of infectious diseases among agricultural workers, including tuberculosis, cholera and diphtheria as well as sexually transmitted diseases, including HIV/AIDS.
- Self-regulation and weak forms of collective voice have eroded workers’ health and safety in some countries. Yet the report shows that strong voice representation is associated with strong protection of workers’ health and well being.
- The report argues strongly for a strengthening of collective voice as the primary means of improving working conditions, and protecting workers’ health.



## Fact Sheet No. 12: Employment insecurity

### Why neither formal nor informal may be best for workers

The world's economy is being steadily “informalized”, with more and more workers finding themselves outside standard employment relationships. The notion of strong employment security is increasingly a mirage, according to an ILO report that has traced developments in various aspects of social and economic insecurity around the world.

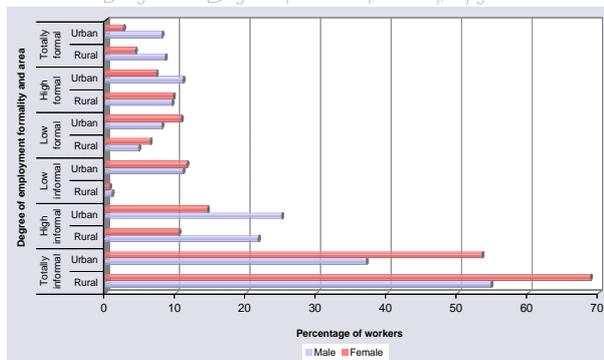
- The analysis shows that non-wage forms of labour force work have been spreading, and that own-account activity has grown particularly fast in Latin America, where it now accounts for more than 40% of all non-agricultural labour force work.
- The report warns that it is incorrect to see the international trends in terms of a dualism of an “informal sector” growing alongside a “formal sector”. Rather there is a wide spectrum of work statuses, and it should not be presumed that being highly ‘formal’ is better than being less formal.
- Indeed, according to statistics on working patterns from the ILO’s People’s Security Surveys, covering 48,000 households in 15 countries, increasing the formality of jobs may result in a widening of income differences between men and women and between younger and older workers.
- The report argues that the existence of a large informal economy and the informal support networks that tend to accompany this, as found in south-east Asian economies, may actually act as a buffer in times of economic shock (p.67). By contrast, where labour markets are highly formal, and individualistic, economic shocks can cause devastating consequences for those adversely affected. This is not to romanticize the informal economy, but merely to show that formalization is not a panacea of economic insecurity.

- Labour informality does not map neatly onto the enterprise-based concept so widely used in reports and by analysts. Chile, where the PSS data show that 38% of workers in so-called informal enterprises are actually in highly formal labour relations, while 62% of all workers are both in informal enterprises (so-called) and in informal labour as defined in the PSS. Moreover, 42% of workers in so-called formal enterprises

(with more than 10 workers) are not in formal labour. In Bangladesh too, only 47% of workers in large firms with more than 500 workers are highly formal, and 27% are low in the scale of formality. Even in China, only 54% of workers in such firms are formal, while 17% of workers in establishments of less than seven workers are formal.

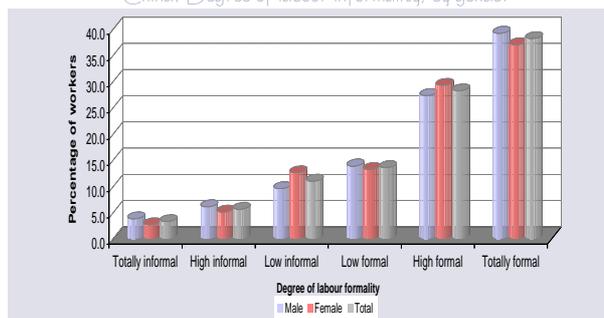
- In Bangladesh or in India (Gujarat), most workers stand at the low end of the continuum, with women overwhelmingly so. There is a tremendous contrast with the situation in China, where the PSS in three provinces showed a picture of most workers being at the upper end of the spectrum, and with women actually being more likely to be highly formalized

Bangladesh: Degree of labour informality, by gender



Source: PSS Bangladesh, 2001

China: Degree of labour informality, by gender

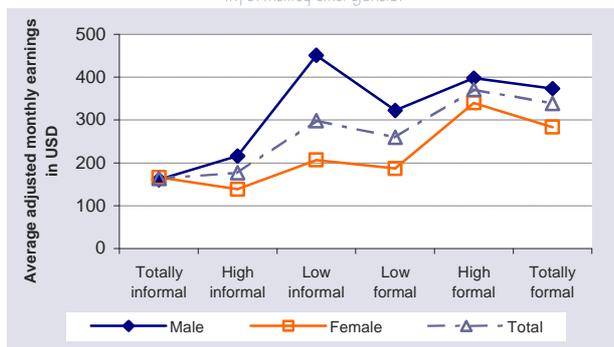




Source: PSS China, 2001

- In Argentina the relatively informalized workers are more likely to have experienced a spell of unemployment lasting a month or more in the past two years — 57% of the most informalized, compared with 12% of those in highly formalized statuses. A roughly similar pattern emerges in Brazil and Chile. What characterizes them most is that they are in constant search for other things to do.
- In Gujarat, India, about three-quarters of the highly informal do not have any skills security, compared with 13% of those in highly formal labour statuses.
- In Ethiopia, as expected, the less educated are concentrated in the more informal work statuses, and the vast majority of them do not meet any of the five criteria used to define formality. Much the same emerges in the very different economy of China, where those in relatively informal labour statuses are far less likely to have access to training.
- Workers in higher degrees of informality may have earnings equivalent to those in formal jobs. As for income security, it is too simplistic to equate informality with poverty, even though more of the relatively informal have low incomes.
- Income advantage comes with more increase in formality, but it is by no means always the case that a high degree of formal employment yields much higher income [or skills security, as shown in Fact Sheet 13].

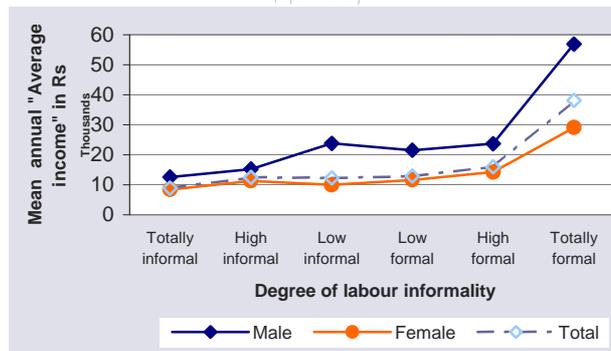
Brazil: Mean adjusted monthly earnings in USD, by level of labour informality and gender



Source: Chile PSS 2001.

- What seems to be the case is that formality gives greater protection for men than for women. The benefit of formality – in terms of income - is gained by men to a greater extent, though worsening gender based income inequality.

Gujarat (India): Mean average annual income according to labour informality



Source: PSS Gujarat India, 2000.

- Being in an informal labour status means a greater likelihood of income variability and decline.
- Workers in highly informal work statuses experience a higher incidence of financial crisis – in Gujarat 13% of those in the most informal status went hungry in the past year, against 6% of those with highly formal status.
- Conscious of their general insecurity, those in highly informal work statuses worry more than others about what will happen in their old age when they are unable to work.



## Fact Sheet No. 13: Skills insecurity

### Why “human capital” will not do

Few if any countries know about the skills possessed by their population, and none know about the extent to which workers use their skills. This is a conclusion of a new ILO report on the extent of economic security around the world.

The ILO report questions the international tendency to depict education and competencies in terms of “human capital”. The ILO report argues that this is mistaken, and that it would be a deplorable outcome if the commercial and labour market aspects of schooling and training crowded out other aspects of education.

The analysis presents results for a Skills Security Index applied to 139 ILO member countries, showing that most people live in societies with “much-to-be-done” in this respect

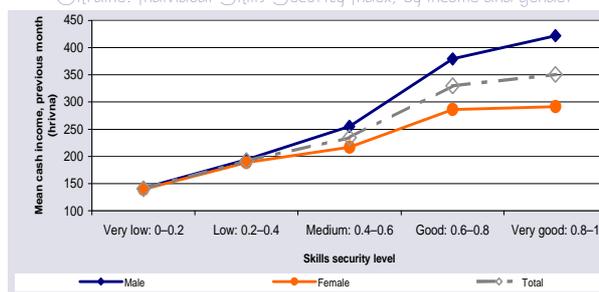
Among other findings of the skills security chapter:

- Large numbers of workers report that they do not use the skills that they have acquired, even in countries where commentators commonly contend that there is a shortage of skills. Mismatch between training and industrial apprenticeships and the needs of the labour market? In Hungary, about 45% of the employed thought they used their skills fully in their job, but 31% said they did not use them at all.
- China, an extreme case of skills underutilization: More than three-quarters of respondents in the PSS thought their skills and qualifications were greater than required for their jobs. Women were just as likely to think this as men. The proportion was higher for more educated workers and was greater among those working for large state enterprises than for other firms.
- Small is not beautiful with respect to skills development – small firms are less likely than larger firms to provide an environment of skills development or security.
- Schooling and training provide cumulative advantages, in that those who have more schooling are the most likely to obtain labour market or employment training.
- Rationalization of the situation, lack of awareness of the usefulness or need for skills training? Ironically, in various countries people with low levels of schooling were the most likely to report that they had not received any training because they did not want or need it. In Brazil and Chile, where over two-thirds of workers said they had not had any training in recent years,

about half of those said they had not wanted to obtain any. In Argentina, the share not wanting any was over half. One can only speculate on the reasons for the lack of interest in acquiring skills: rationalization of the situation, lack of awareness of the usefulness or need for skills training? The share of those not interested was greater among the less educated.

- There is a positive link between skills security and income, leaving out a well-established positive relationship being however stronger for men than for women as shown in Ukraine. In Gujarat, India, the overall positive relationship holds, but the income reward does not increase with level of skills security.

Ukraine: Individual Skills Security Index, by income and gender



Source: Ukraine PSS, 2002

- Not all countries with high levels of conventional skill security have high-income security. It is surely no coincidence that these are among the countries from which there has been extensive and continuing “brain-drain” out-migration.



- Skills security does not necessarily translate into better welfare or greater life satisfaction or personal happiness.