

Measuring Economic Insecurity in Rich and Poor Nations

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In both rich and poor nations, worrying about future economic dangers subtracts from the present well-being of individuals, which is why affluent societies have complex systems of private insurance and public social protection to reduce the costs of economic hazards. However, the citizens of poor nations (i.e. most of humanity) typically find both private insurance and public social protection to be largely unavailable – their lives are both poorer and riskier. How should one measure economic insecurity in these very different contexts?

This paper begins with a discussion of the human rights perspective on ‘economic insecurity’ and its implications for measurement. Because rich nations have better, more easily available data, Section 2 illustrates the measurement of economic insecurity and its importance to trends in relative economic well-being in four affluent OECD countries between 1980 and 2009. Section 3 uses available data to estimate the level of economic security in approximately 2008 in a comparable way, to the extent possible with currently available data sources, in a broader sample of countries. To reflect better the reality of developing countries, it adjusts our previous estimates of the economic security components of the Index of Economic Well-being by: (1) including consideration of the volatility of food production in the risk of loss of livelihood; (2) adjusting the risk of spending on health care to take account of the large nondiscretionary proportion of household spending on food in poor countries and (3) adding adult male mortality to the risk of divorce in the calculation of the risk of single parent poverty. Section 4 discusses some implications and concludes.