

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 can one measure economic insecurity in these very different contexts?

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 then uses available data to estimate the level of economic security in approximately 2008 in a comparable way in a broader sample of countries. To reflect better the reality of developing countries, it: (1) includes the volatility of food production in the risk of loss of livelihood; (2) adjusts the risks of health care costs to consider the proportion of household spending on food (which is non-discretionary, and large in poor countries) and (3) adds adult male mortality to the risk of divorce in calculation of the risk of single parent poverty. Section 4 discusses some implications and concludes.