

# The State of Insecurity: A U.S. Perspective on a Global Problem

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for the United Nations Secretariat

Department of Economic and Social Affairs

Division for Inclusive Social Development

“Navigating an Insecure Future”



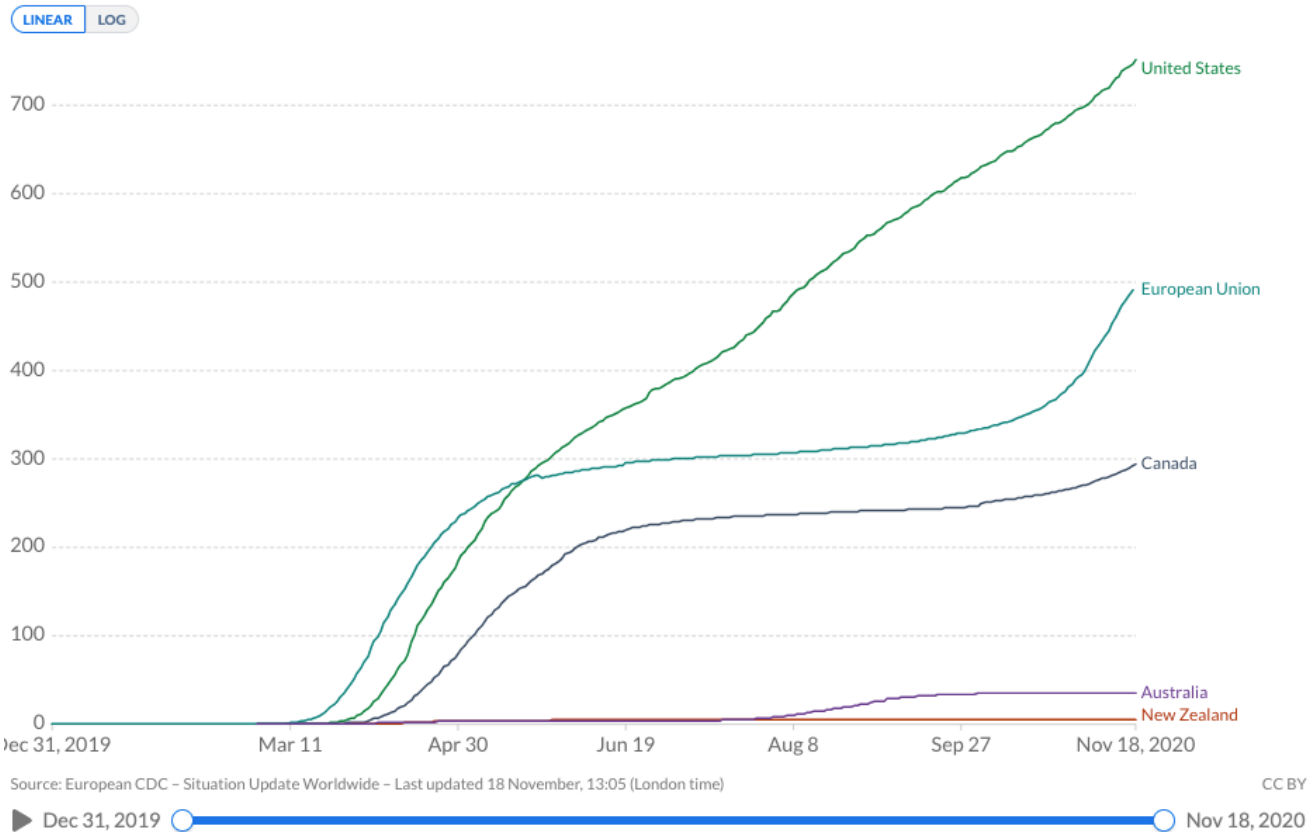
\*With thanks to Philipp Rehm

# U.S. is a Tragic Outlier

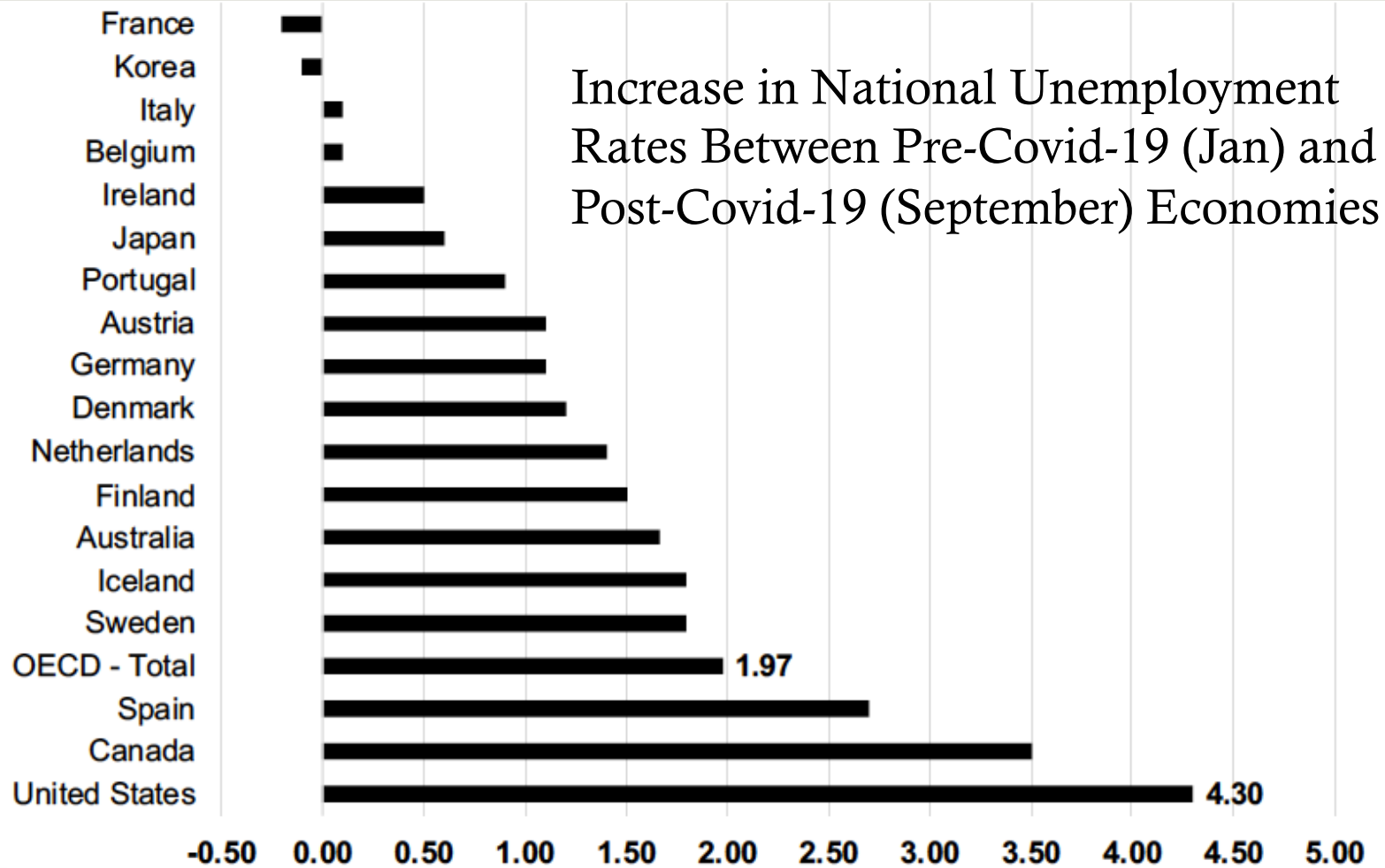
## Cumulative confirmed COVID-19 deaths per million people

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.

Our World  
in Data



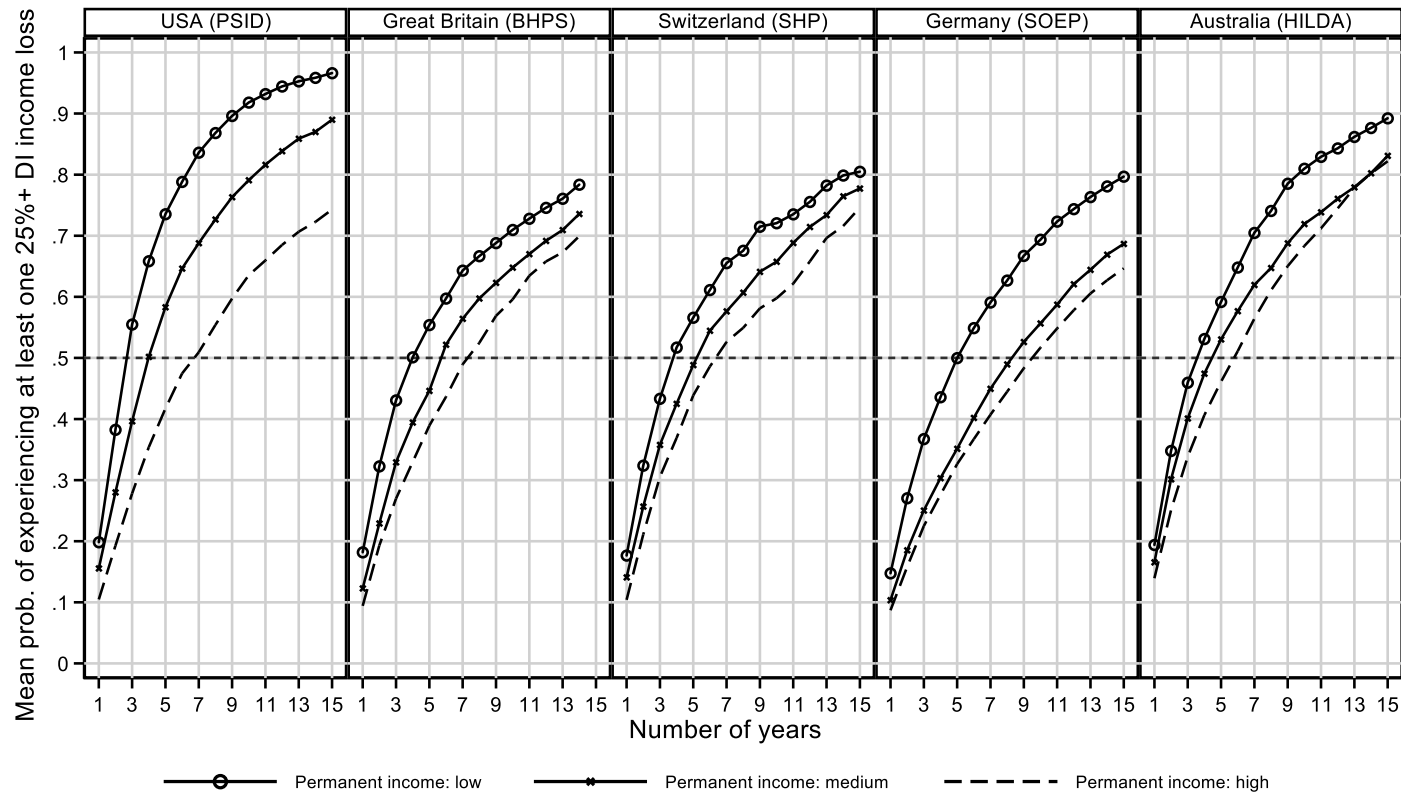
# With Regard to Economic Outcomes, Too



# “Great Risk Shift”

- Stark rise in economic insecurity among all but affluent Americans
  - Shift of risk from corporations and government onto workers and their families
  - Most acute among most disadvantaged
  - Accelerated amid COVID-19 pandemic (despite substantial immediate state and federal action)
  - Secular trend seems certain to continue absent major political and economic reforms

# Probability of experiencing a 25% or greater year-to-year income drop



Source: Hacker & Rehm, *British Journal of Political Science*, 2020.

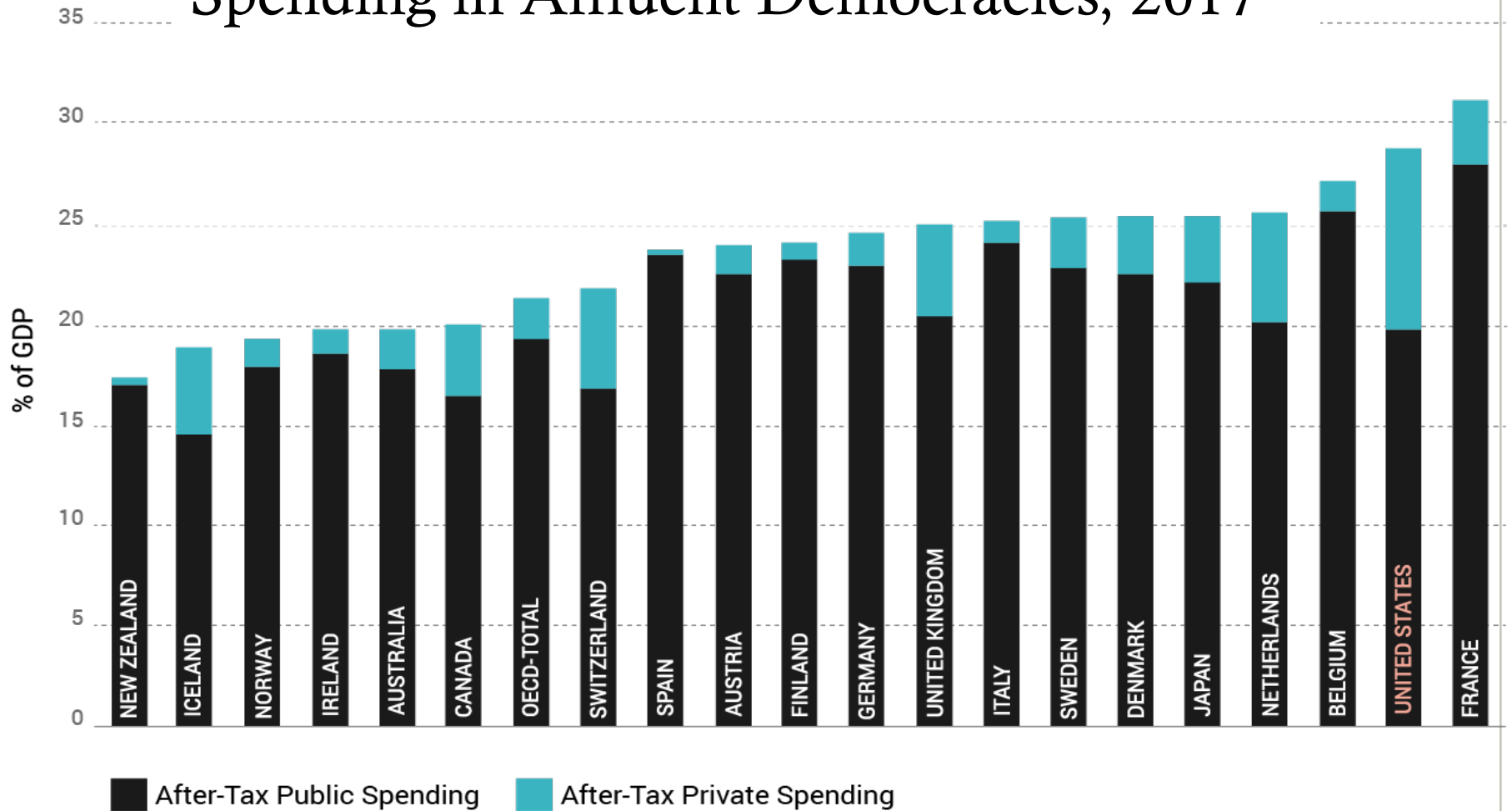
# Three Questions

- What Is Insecurity?
- How Can We Measure It?
- Is the American experience more general (or will it become so)? Focus on peer nations, i.e., rich democracies.

# Insecurity is Fundamental

1. Both prospect and experience of loss imposes both material and subjective hardship
  - Loss aversion
  - Psychological barriers to accurate perception/adequate preparation
  - Pervasive failures/shortcomings of insurance/credit markets (and of self-insurance)
2. Influence on economic behavior: e.g., human capital acquisition, labor/geographic mobility, risk-taking
3. Closely linked to inequality (incl. of opportunity)—and *huge inequality seen in measures of insecurity*
4. **Huge influence on politics and policy. Government spends *a lot* to address insecurity.**

# After-Tax Public and Private Social Spending in Affluent Democracies, 2017





# What is Economic Insecurity?

“The degree to which individuals (or families/ households) are protected against hardship-causing economic losses without adequate protection.”

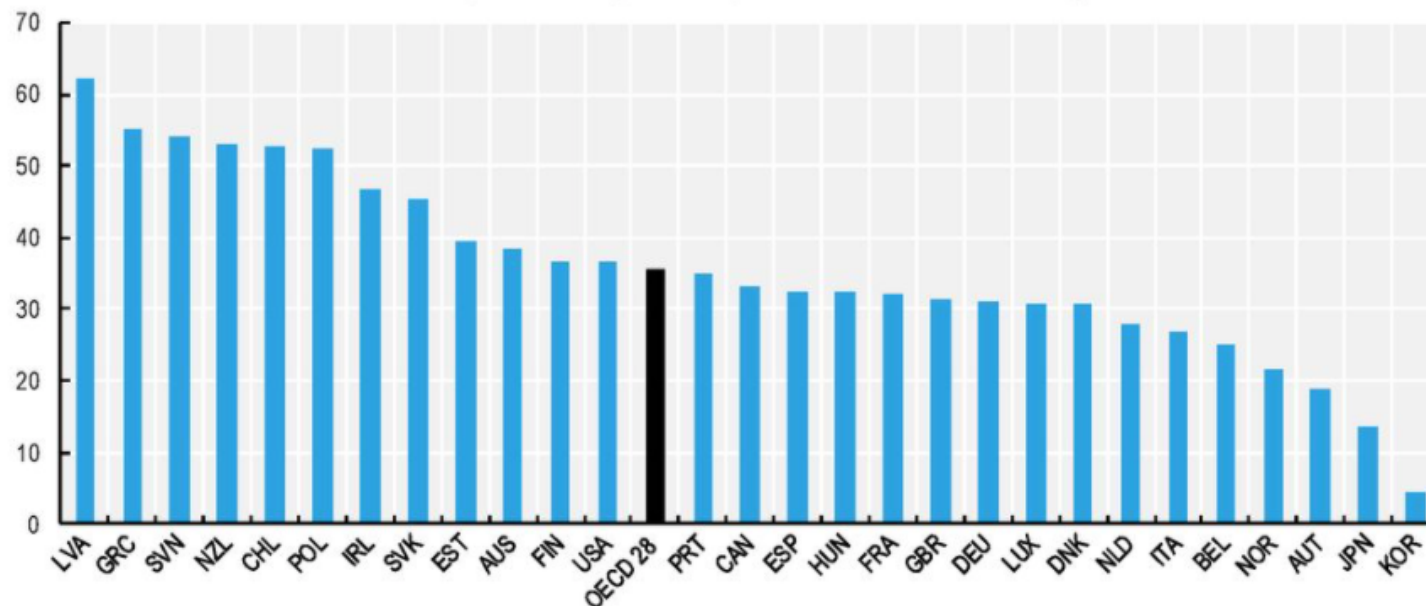
- Some thorny issues:
  - Role of individual psychology? (Perceived insecurity necessary, sufficient?)
  - How to account for *prospective* character?
  - Global or domain-specific phenomenon? (“job insecurity,” “retirement security,” etc.)

# Measurement (Is It an It?)

	Objective	Subjective
Domain-Specific Measures	Single measure within domain (e.g., “asset poverty”; occupation-specific unemployment rates)	Single measure within domain (worry, estimated probability, willingness to pay?) (e.g., “difficulty making ends meet”)
Indices of Domain-Specific Measures		
Integrated Measures (Observed Experience)		

## Figure 2.8. More than one-third of people in the OECD are at risk of falling into poverty

Share of individuals who are financially insecure, percentage, 2016 or latest available year

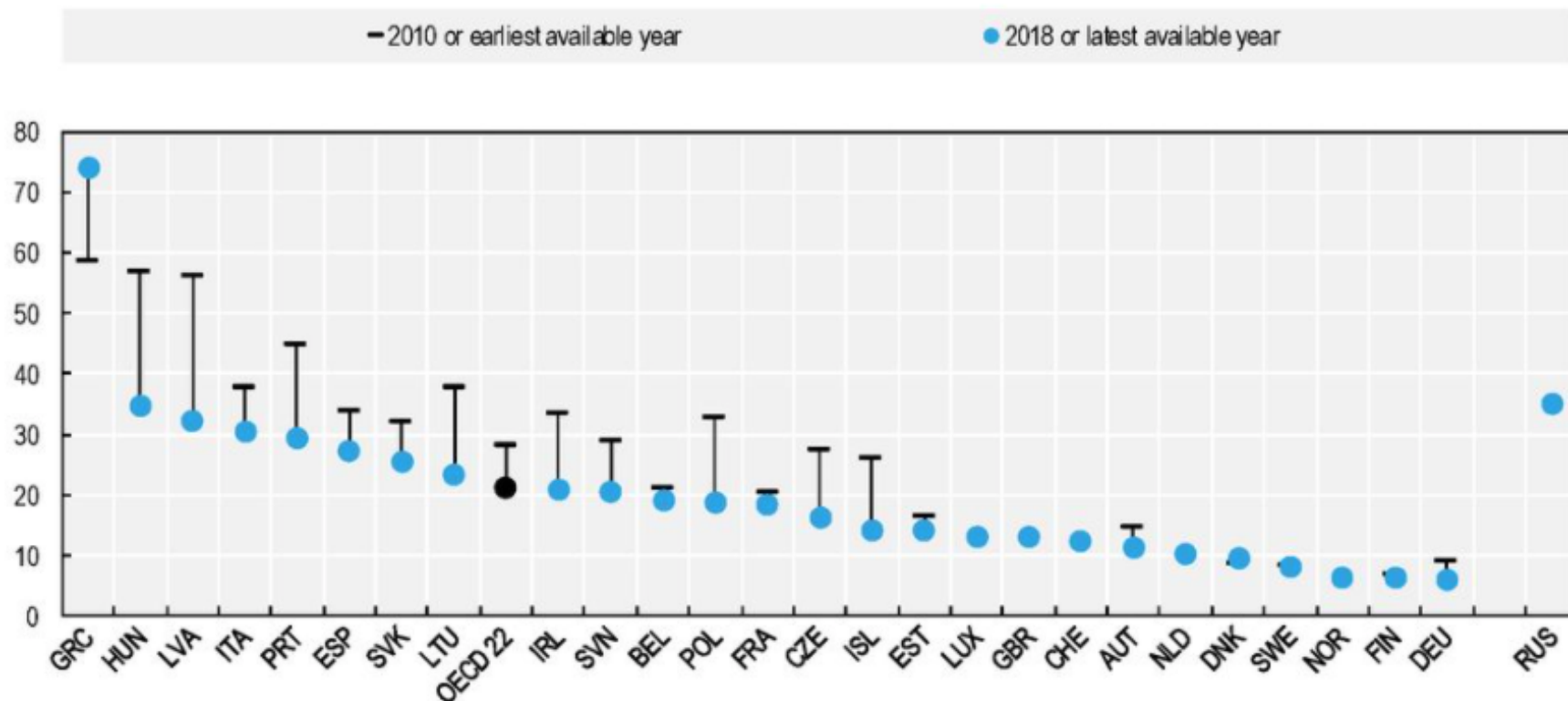


Note: The latest available year is 2016 for Canada and the United States, 2015 for Denmark, Korea, the Netherlands, Norway and the United Kingdom, 2014 for Australia, Austria, Belgium, Chile, France, Germany, Greece, Hungary, Italy, Japan, Latvia, Luxembourg, Poland, the Slovak Republic and Slovenia, 2013 for Estonia, Finland, Ireland and Portugal, and 2012 for Spain. Financially insecure people are those who are not income poor, but have insufficient liquid financial wealth to support them at the level of the income poverty line for more than three months – i.e. they have equivalised liquid financial assets below 25% of the national median income. Liquid financial wealth is defined as cash, quoted shares, mutual funds and bonds net of liabilities of own unincorporated enterprises. The income definition used follows as much as possible that used for reporting income poverty, i.e. household disposable income. However, in most cases, information on household disposable income is not available in the data sources used for computing wealth statistics; in these cases, (i.e. Austria, Belgium, Estonia, France, Germany, Greece, Hungary, Ireland, Latvia, Luxembourg, Poland, Portugal, the Slovak Republic, Slovenia and Spain) the income concept used is that of gross income (i.e. the total sum of wages and salaries, self-employment income, property income and current transfers received, all recorded before payment of taxes). Data for the United Kingdom are limited to Great Britain. The OECD average excludes Colombia, the Czech Republic, Iceland, Israel, Lithuania, Mexico, Sweden, Switzerland and Turkey, as comparable data are not available.

Source: *OECD Wealth Distribution* (database), <https://stats.oecd.org/Index.aspx?DataSetCode=WEALTH>.

## Figure 2.5. One in five people report having difficulty in making ends meet in European OECD countries

Share of the population who have difficulty or great difficulty in making ends meet, percentage



Note: The latest available year is 2016 for Iceland. The earliest available year is 2011 for Poland, and 2015 for Estonia. 2018 data are preliminary for Ireland and the United Kingdom.

Source: OECD calculations based on Eurostat's database *European Union Statistics on Income and Living Conditions (EU-SILC)*, <https://ec.europa.eu/eurostat/web/income-and-living-conditions/data/database> and a survey of household income and participation in social programs for the Russian Federation.

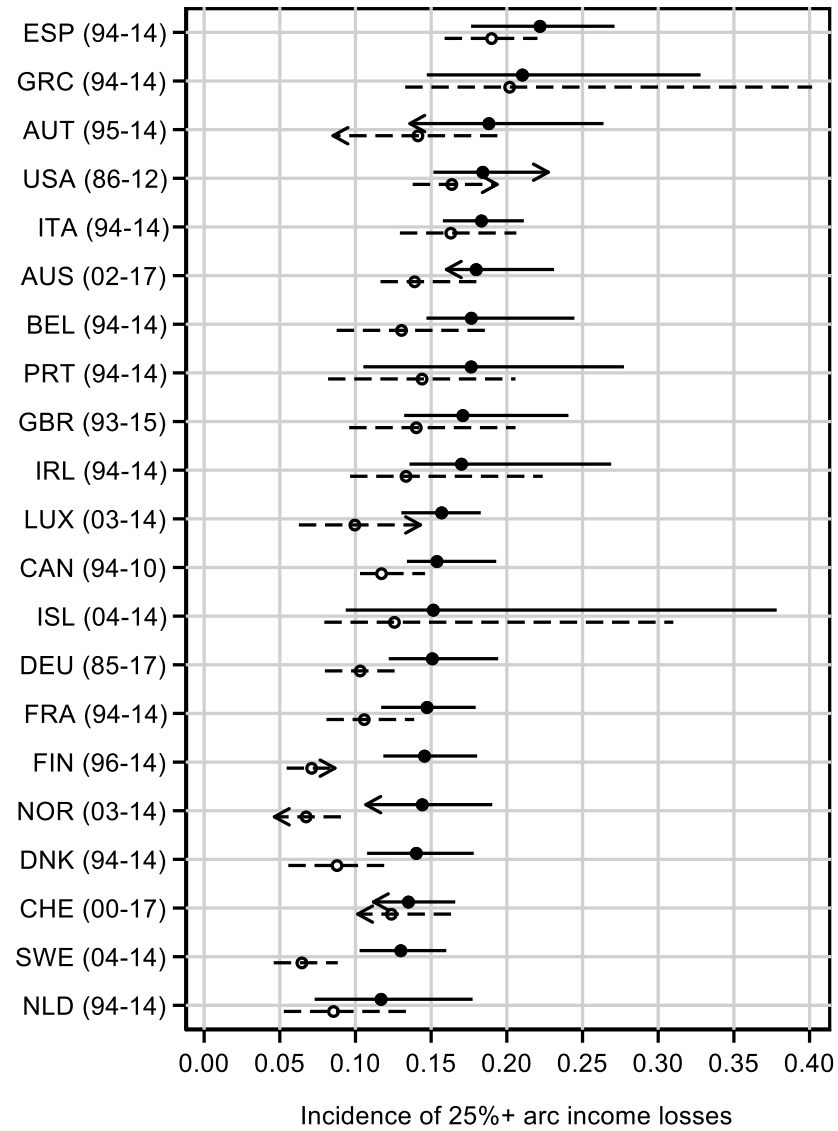
# Measurement (Is It an It?)

	Objective	Subjective
Domain-Specific Measures	Single measure within domain (e.g., “asset poverty”; occupation-specific unemployment rates)	Single measure within domain (worry, estimated probability, willingness to pay?) (e.g., “difficulty making ends meet”)
Indices of Domain-Specific Measures	Multiple aggregated domain-specific measures (e.g., Osberg)	Multiple aggregated survey responses
Integrated Measures (Observed Experience)	Single measure (generally “realized risk” – e.g., Hacker et al.) income (“available” income), consumption, wealth	Single measure (worry, estimated probability, etc.) – Can you really ask people if they’re “insecure”?

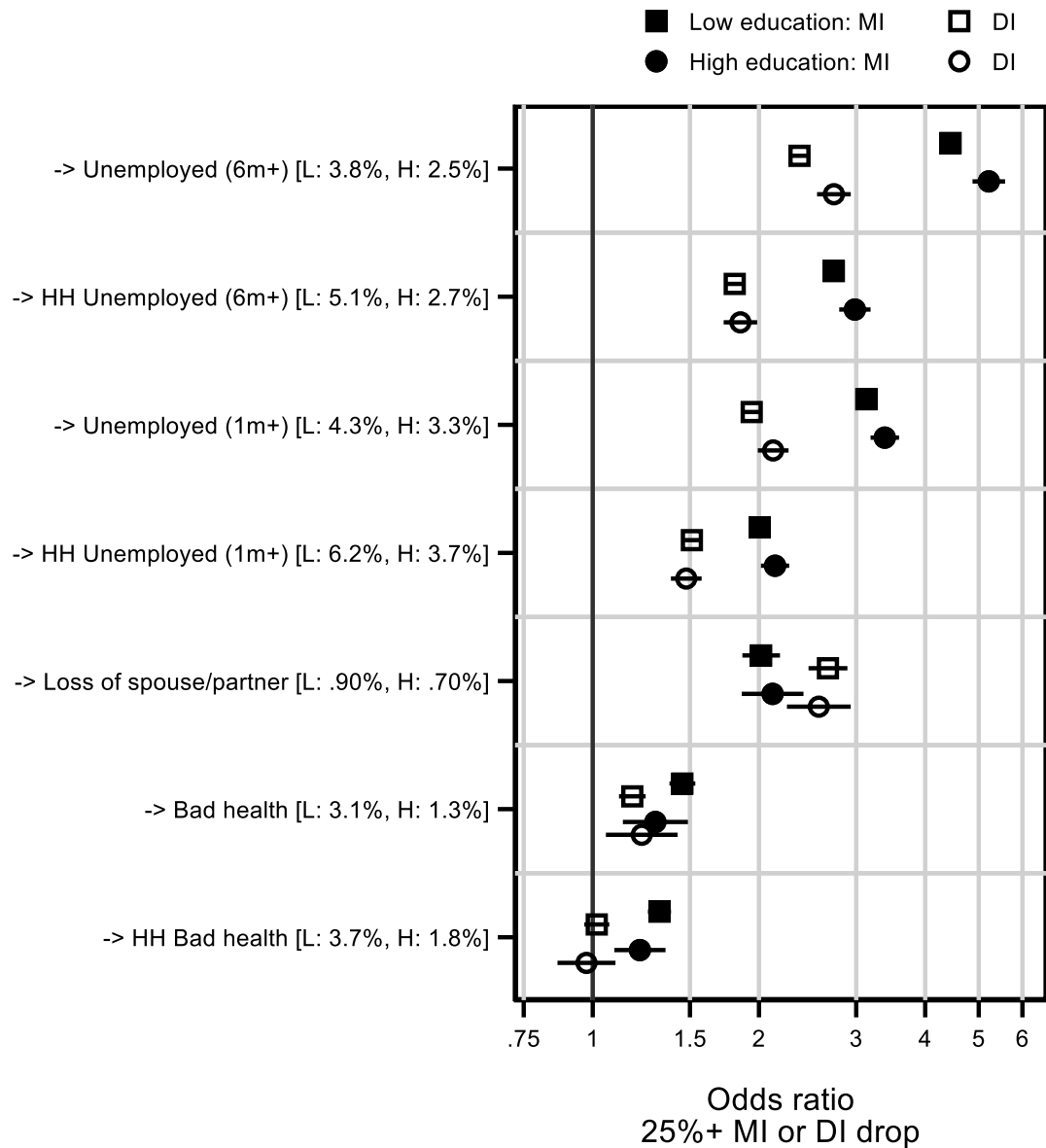


# A Quick Note on Data Considerations

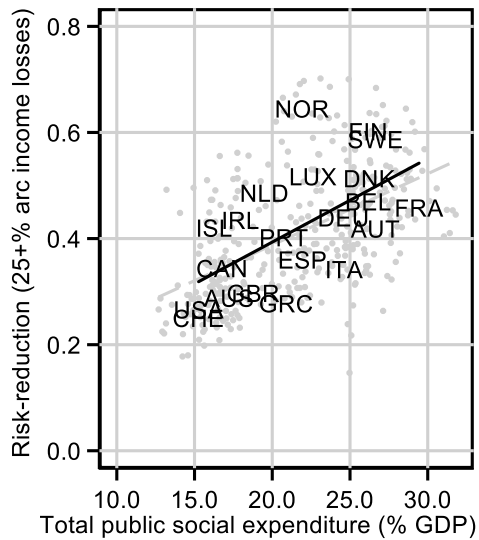
- Panel economic data (essential for loss measures); much more widely available because, e.g., European Union Statistics on Income and Living Conditions (SILC). But much less so (or reliable) for less affluent nations.
- Administrative data: availability, missing variables, matching, representativeness (special problems with private financial data)
- Subjective measures (some in panel data): strength of instruments, comparability over time/across nations



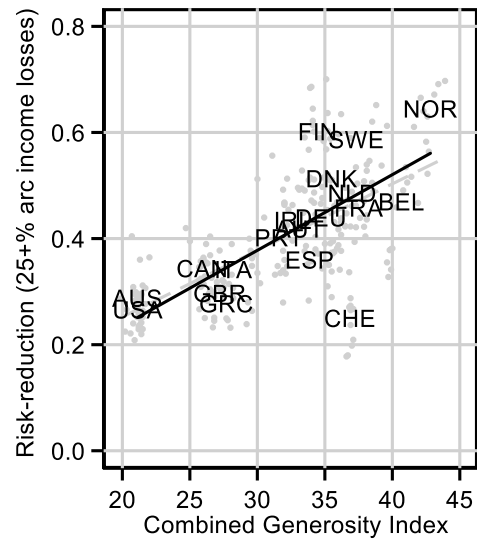
- Market income (mean)      — min-max (w/ arrow for trend)
- Disposable income (mean)      - - - min-max (w/ arrow for trend)



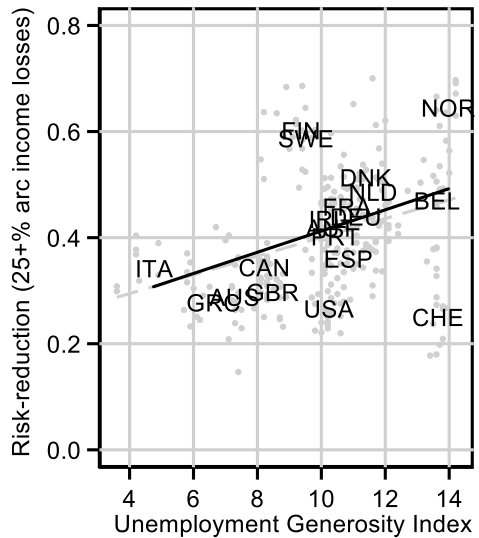




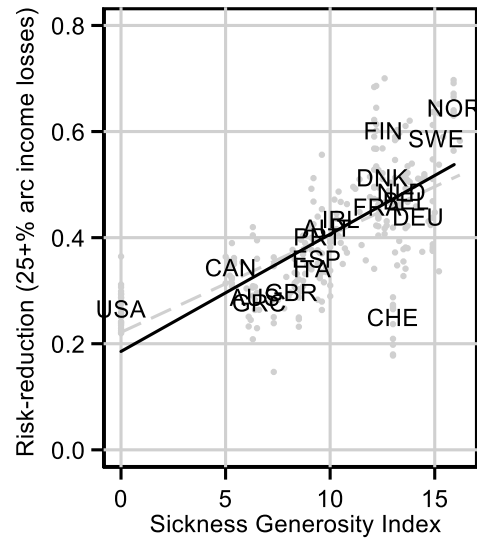
B/w effects regression (solid line):  
 Coef: .016, SE: .005, T: 3.2, R2: .32, N: 21



B/w effects regression (solid line):  
 Coef: .014, SE: .003, T: 4.4, R2: .51, N: 19



B/w effects regression (solid line):  
 Coef: .02, SE: .011, T: 1.8, R2: .11, N: 19

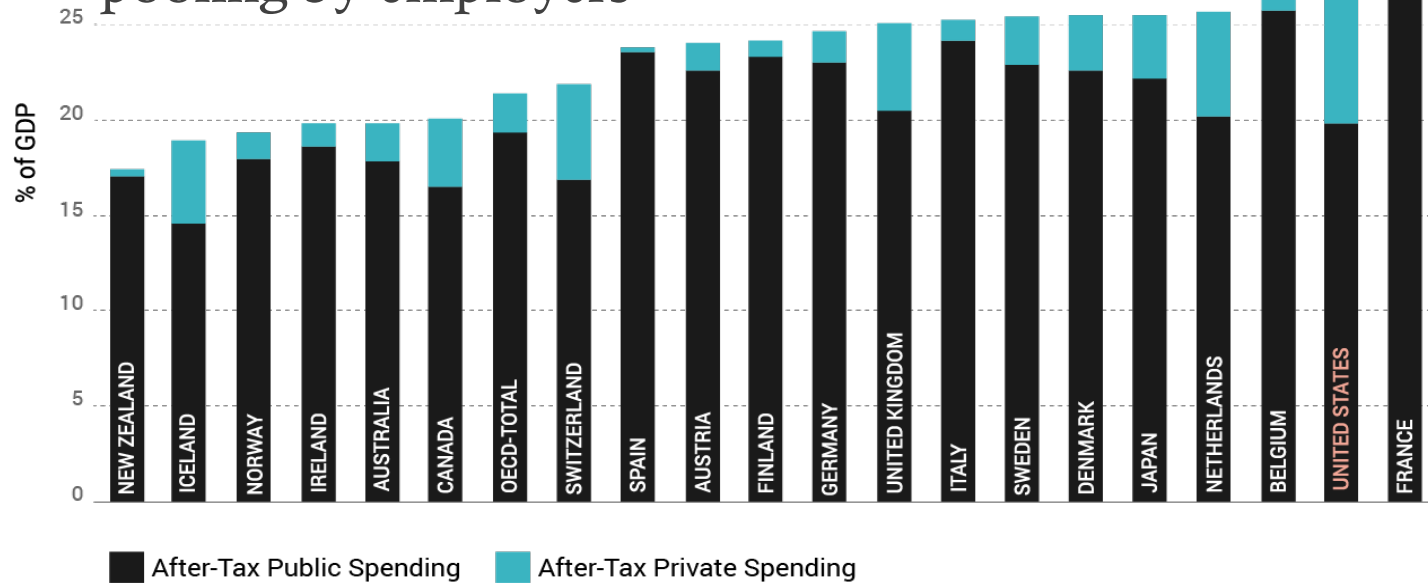


B/w effects regression (solid line):  
 Coef: .022, SE: .005, T: 4.5, R2: .52, N: 19

# Why such a stark increase in insecurity in the U.S.?

Unlike other countries, much of the US's system of social protection is private

1. <sup>35</sup> Erosion of America's distinctive framework of social provision, which is uniquely reliant on private risk pooling by employers



# Why such a stark increase in insecurity in the U.S.?

1. Erosion of America's distinctive framework of social provision, which is uniquely reliant on private risk pooling by employers
2. America's much larger rise in economic inequality (slow to no wage growth for all but top tier of workers), which is linked to
3. Growing "asymmetric polarization" of the parties, coupled with lawmaking institutions that tend toward gridlock in the context of such cleavages

# What's common? "Drift"

=Failure to update policy in the face of changing circumstances

1. **Shifts in Work:** Shifts in labor market due to technology, globalization, union decline, rise of the knowledge economy, etc.
  - Rising inequality (to a greater or lesser degree)
  - Greater job instability
  - Greater need to invest in education/skills
2. **Shifts in Families:** female LFP, declining family stability, aging, etc.
  - Families as source of risk as well as insurance
  - Centrality of child care/paid leave
3. **Shifts in Social Protections:** strained public finances, household wealth shocks, insurance risk shift, key risks may become uninsurable, etc.
  - Housing as central source of risk and insurance
  - Difficulty of updating established policies

**New and Intensified Risks Meet Aging Social Protections**

# Centrality of “Drift”

- Drift creates a certain kind of politics
  - Advantages organized, multi-venue political actors who can block change
  - Difficult to hold politicians accountable for inaction, esp. b/c drift plays out slowly
  - Fostered by polarization, as it interacts w/ veto-laden political institutions
- Suggests that active attempts to undermine protections are less likely than erosion and mismatch (though there are still many examples of such attempts--see U.S. GOP, 2017)

# How Does COVID Change the Picture?

- Crises are opportunities (but also crises!)
- Greater salience of health and economic security
- But: distrust in government, right-wing populist response
- Without question will leave deep imprint
- Challenge is to articulate what it tell us: we're in this together