

Measuring (in)security in the event of unemployment: are we forgetting someone?

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In this paper we argue that the consequences of the unemployment risk may be quite different according to the number of persons who depend on the income of the active members, and propose new measures for the economic (in)security related to employment risk, that take into account the household composition of the unemployed: a per-earner actuarially-fair insurance premium corresponding to the aggregate equivalent expected loss, and the inactive-unemployed dependency rate (IUDR), i.e. the average number of persons that each unemployed individual has to provide for (beyond herself). Both have a simple interpretation but the latter has an advantage in terms of data-requirement. Adding the IUDR in the measure of employment security used by Osberg and Sharpe, the relative position of various countries change, suggesting that the overall level of insecurity associated to similar unemployment and replacement rates may be quite different if we consider all the individuals in the households that are potentially affected by this risk.