

# Migrant Workers, Self-Reliance and the Propensity to Hold Income Protection Insurance by Country of Residence

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**Abstract.** Utilising a large comparative survey across 11 countries, it is shown that country effects condition the individual uptake of income protection insurance and that shared attributes, including labour market status, are important factors in determining the take-up of income protection insurance, whatever the respondents' country of residence. We observed differences in the respondents' coping strategies, including self-reliance, and were able to distinguish between migrant workers and those who work in their country of origin, along with the 'special' case of the Australian respondents. These findings have implications for the ongoing debate on the labour market effects of globalisation, and the significance of national institutions and regulatory practices.

**Keywords** Migrant workers, income protection insurance, self-reliance, international patterns

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## Introduction

This article forms part of a wider research programme on how and why working people insure against the risks of unexpected shortfalls in earned income. Specifically, we are interested in the demand and supply of income protection insurance across 11 countries (Clark et al. 2017). When invoked, such insurance contracts are intended to replace a proportion of a worker's earned income that a brief or prolonged incapacity has interrupted. In some countries, employers provide these contracts; in others the benefits are embedded in social security entitlements; and, in yet others, individuals must self-insure. Here, our focus is on the propensity of migrant workers – those whom the International Social Security Association (ISSA 2014) defines as employed outside their country of origin – to hold income protection insurance.

Worldwide, an estimated 232 million people live outside their country of origin, with nearly half that number (105 million) employed in their host country (ISSA 2014). Migrant workers often contribute to national social security systems – whether in their home countries or in their countries of employment. Nonetheless, by virtue of their status they can be barred from access to even the most basic of benefits. Furthermore, access is typically contingent on several years of official or

licensed residence in the host country. As such, migrant workers often face income shortfalls because of their lack of entitlement to the income-related benefits available to similarly-placed local employees, and because of the lack of portability of entitlements and benefits across national borders (ISSA 2014). In part, one can attribute their vulnerability to wider processes at work, such as the increasing ‘casualisation’ of employment and growing income inequality (Peck 2013).

More often than not, minorities, women and immigrants are believed to bear the burden of casualisation disproportionately (McDowell et al. 2008, 2009). Even so, it is a mistake to assume that they always and everywhere occupy positions at the bottom of the local labour market (Pekkala Kerr et al. 2016). Nor need these kinds of ‘alternative work arrangements’ (Katz and Krueger 2016: 2) be symptomatic of the balkanisation of national and regional labour markets, which increases income inequality (Weil 2014). Casualisation has also taken place in the higher tiers of the labour markets of developed economies, to the advantage of those with skills and expertise in demand (Florida and Mellander 2017). Likewise, in terms of the incidence and consequences of changing employment and earned incomes (OECD 2017), there are marked differences between countries that are members of the Organisation of Economic Cooperation and Development (OECD).<sup>1</sup>

Because national regimes of income distribution and welfare partly condition vulnerability, in our research framework, we took account of our survey respondents’ countries of residence and of origin (Peck 1996; Rodrik 2013). We were particularly concerned to test whether vulnerability to unexpected changes in earned income is related to markers of casualisation – that is, the findings of previous research to the effect that those most vulnerable to the imposition of ‘alternative work arrangements’ are in the bottom tiers of national labour markets and have many of the same characteristics as those vulnerable to sudden and unexpected changes in earned income.<sup>2</sup> Utilising a large, comparative survey, our focus is on respondents’ socio-demographic characteristics, work status and coping strategies in the face of uncertain earned income.

A representative survey of over 12,000 employed individuals was administered in early 2016, involving Germany, Italy, Spain, Switzerland and the UK; Brazil, Mexico and the USA; and Australia, Hong Kong and Malaysia.<sup>3</sup> The selection of countries reflects an academic interest in persistent differences in welfare and labour market practices between continental European and Anglo-

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1. The McKinsey Global Institute (2016: 3–4) shows that for the UK the lowest three income deciles experienced rising real incomes whereas higher income deciles experienced lower real incomes over this period. In Sweden, by contrast, the lowest income decile experienced a significant decline in household real incomes, whereas higher deciles experienced significant increases in real incomes.

2. Given that the incidence of alternative work arrangements varies by country and the regulatory framework underpinning work practices, it seems unlikely that ‘the percentage of workers engaged in alternative work arrangements’ in Germany is anything like Katz and Krueger’s (2016: 2) estimate of 15 per cent for the USA.

3. While we acknowledge that Hong Kong is part of the People’s Republic of China, its status as a special autonomous region and the fact that it retains remnants of the British welfare state and certain British employment practices, distinguishes it from mainland China.

American countries. These countries dominate the comparative literature across the social sciences, including economic geography (Christopherson 2002). Here was an opportunity to broaden the geographical scope of comparison, including countries from Latin America and Asia where Australia is notionally an Anglo-American country but differs significantly from the United Kingdom (UK) and United States of America (USA) on issues such as retirement policy (Weller and O'Neill 2014). We were fortunate to have a wider base for comparison than other similar projects (cf. Lusardi et al. 2015).

Question 6 of the survey asked 'Do you *personally* have insurance (beyond obligatory government benefits), which would protect your income against the following types of risks: serious illness and/or disability and premature death?' The answer options included 'Yes', 'No', and 'Don't know'. Question 56 then asked the respondents 'Do you currently work in your country of origin (that is in the country where you were born)?' The answer options were 'Yes' or 'No'. Given the challenges involved in designing and implementing robust cross-national surveys that take account of the differences between countries in institutions, languages and labour market practices (see the following discussions), our study was ambitious. Nonetheless, these projects can be a means of interrogating assumptions about the supposed commonalities between countries in the light of recent research on the geographical patterns of income inequality (see Jones's 2017 critique of Piketty 2014).

### **Labour Market Experience and Status**

The assumption that people value continuity of income has a long history in the social sciences. In his model of economic behaviour, Samuelson (1937) assumed that individual utility is constant and is maximised over all future states. He also assumed a fixed discount rate, but recognised that this may vary by labour market status and preference. Samuelson used a 'representative agent' to give expression to these assumptions. Friedman (1957) extended this analysis by distinguishing between two types of earned income – one deemed permanent and the other transitory. He assumed that people consume a fixed proportion of the permanent component of their income, but suggested that consumption differs in accordance with variations in the transitory component of earned income.

Friedman acknowledged wide variations in people's shares of permanent and transitory income. By introducing these types of earned income, he suggested that some people could have relatively stable and realisable consumption preferences, whereas others would be unable to express such preferences because of the uncertainty of their job tenure and earned incomes. Furthermore, Friedman's model implies that the insurance question is far more complex than often assumed. It makes sense for those with a high proportion of permanent income to insure against the future. But

where there is significant labour market uncertainty, income protection insurance would not necessarily be relevant or possible for even the highest earners (Arrow 1971).

Friedman's analysis was more than a theoretical exercise. On earned income, he was able to show that one can differentiate between American workers according to their socio-demographic characteristics, human capital and labour market experience. In other words, age, gender and race made a difference, as did education, and city and regional location. By implication, he assumed that the functional and geographical segmentation of labour markets can profoundly affect the stability of earned income. These findings will not surprise contemporary social scientists. Similar arguments were made by Sharpe (2007) regarding systematic patterns of behaviour in financial markets, McDowell et al. (2008, 2009) on the experiences of migrant workers in the City of London, and Weil (2014) on the welfare consequences of labour market segmentation in the USA.

Elsewhere, we have observed that the propensity to hold income protection insurance is primarily related to three sets of variables – country of residence, socio-demographic status and experience (Clark et al. 2017). Country of residence matters because it reflects the institutional fabric underpinning the provision of social welfare and the regulation of labour markets. Witness the low rate at which Germans held income protection insurance compared with respondents from other countries, most notably Hong Kong and Malaysia, whose propensity was much higher. Socio-demographic status was statistically significant and included gender, primary household earners versus secondary earners, and income level. Having had previous experience of an interruption to earned income was positively related to the propensity to hold insurance. Financial literacy was not statistically important.

Here, we hypothesise that, on average, migrant workers are less likely to hold income protection insurance than workers employed in their country of origin. This hypothesis can be justified on the grounds that, because on average migrant workers have lower status in national labour markets than workers employed in their country of origin, the propensity of the average migrant worker to hold income protection insurance will reflect the conditions obtaining at that (lower) 'place' in the labour market. Two assumptions underpin this proposition. As suggested previously, a person's place in the labour market is likely to determine both the level and predictability of earned income. In addition, the predictability of earned income normally determines consumption (thereby driving up the demand for income protection insurance among high income earners).

In the second instance, however, given that local and multinational companies recruit targeted types of employees to fill significant national shortfalls in skills and expertise, we recognised that the expected 'value' of the average migrant worker might vary from country to country (van den Broek et al. 2016). In some places, an average migrant worker might have the same characteristics as

higher-tier workers living and working in their country of origin. Under such circumstances, the propensity to hold income protection insurance would vary between respondents and would depend on certain socio-demographic attributes, irrespective of country of origin. Given that we have data on our respondents' socio-demographic characteristics, workplace status and income, we were able to distinguish between them on those grounds.<sup>4</sup>

In the third instance, the expected 'value' of an average migrant worker might be less important than eligibility for workplace and government benefits. Employers and government might treat migrant workers differently from non-migrant workers, thus leading to significant differences within and between countries in worker propensities to hold income protection insurance. Migrant workers occupying jobs at the lower end of the national labour market may be exploited in the absence of effective workplace regulation and union representation (Commonwealth of Australia 2016; Fair Work Ombudsman 2016). Their vulnerability to exploitation may be reinforced if they are, in fact, undocumented or illegal.

In our survey, the respondents were not asked if they had a legal right to live and work in their country of residence. As we explain in the succeeding discussion, illegal migrants were unlikely to have been a significant component of our respondent base; also, had they been illegal it is unlikely that they would have willingly identified themselves as such if asked. Nonetheless, we did ask all respondents how they would cope with a sudden and unexpected loss of income if they did not hold income protection insurance (for whatever reason). As we show in the succeeding discussion, there were revealing and significant differences between respondents on this issue depending on whether or not they lived and worked in their country of origin.

### **Survey Design and Implementation**

The survey was designed by the authors; a company with an interest in the insurance market (Zurich Insurance) sponsored it; and a Dutch market research company with experience in cross-national consumer research surveys (Epiphany) implemented it. The authors were entirely responsible for securing ethics clearance for the content of the survey, the compilation and interpretation of its results, and for writing this article. Epiphany used computer assisted web interviewing (CAWI) to locate anonymous respondents through a network of panel providers, thus enabling the firm to achieve global reach and to utilise local knowledge and expertise in panel management. The panels used by the research firm are actively managed, proprietary to providers, and were built-up over at

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4. Note, however, that we were unable to distinguish between people working or not working in their country of origin on human capital grounds. Pekkala Kerr and Kerr (2013) hold that this aspect of a person's labour market value can cut across all other attributes in determining employability and earned income. They measure this aspect of individual value by educational attainment and subjects taken.

least a decade. Its panel management practices complied with market research industry standards and country-specific data protection and privacy laws (Appendix).

The survey was designed to obtain data on individual preferences and behavioural predispositions relevant to income protection insurance; it consisted of 57 questions divided into ten separate sections. The questions in the first two sections set out to determine the respondent's eligibility to participate in the project and awareness, knowledge and experience of income protection insurance. The subsequent sections were designed to gather data on the respondent's perceived financial and health risks; views on the role of governments and employers in providing income protection; feelings towards, and trust in, various institutions; attitudes to financial risk; willingness to pay for income protection insurance; financial literacy; socio-demographic attributes; and employment experience.

We used a series of 'screener' questions to select the right respondents to establish the working population's preferences and predispositions. Specifically, we sought a representative sample of people aged between 25 and 60 who were either currently employed or at least had been within the previous three months. The survey was translated into the languages of the countries included in our research, checked against local understanding of the relevant concepts and then translated back into English. This process was to ensure consistency in applying the survey, selecting respondents and ensuring that it complied with our original intentions in posing the questions. There was a small financial incentive to encourage the successful completion of the survey (Appendix).

In sum, the survey produced 11,584 responses of which 10,581 were useful in that they indicated whether or not the respondent held income protection insurance. By country, the number of usable responses varied between 850 for Switzerland (the lowest count) and 1,180 for the UK (the highest count). The average country count was 962 responses with a small standard deviation. Notice, for polling purposes a representative sample of the UK population is approximately 850–1,000 people. This sample size suggests that smaller countries like Australia, Italy, Spain and Switzerland were over-represented in the analysis, while much larger countries by population like Brazil and the USA were under-represented. In Table 1 we report the summary statistics for the variables used in our analysis. There was no evidence of systematic errors by country, socio-demographic groups, or status.

[Insert Table 1 About Here]

## **Statistical Analysis and Results**

In this section, we report on what factors drive a propensity to hold income protection insurance and how these link to a respondent's status, socio-demographic characteristics, and self-reported

health and financial circumstances. In Table 2, we show that a large majority of the survey respondents worked in their country of origin (87.2%). However, Table 2 also shows that for Australia and Switzerland, significantly fewer survey respondents than average (75.6% and 77.1% respectively) worked in their country of origin. By contrast, Table 2 shows that for Germany, Italy, Malaysia and Mexico, more than 90 per cent of the survey respondents worked in their country of origin. In between, our survey results indicated that countries such as Brazil, Hong Kong, Spain and the UK tended to have more respondents from outside their country of origin than might be expected.<sup>5</sup>

[Insert Table 2 About Here]

In Table 3, we display a summary of our respondents' socio-demographic characteristics in which we distinguish between them by their status as migrants or non-migrants. We note that respondents had two significant and important features in common. In all countries, migrant workers tended, on balance, to be female rather than male (most markedly in countries such as Brazil, Italy and Spain). In almost all the countries, the non-migrant respondents were, on balance, male rather than female. Almost everywhere, migrant workers tended to be younger rather than older – most obviously in Hong Kong, Malaysia and Mexico, and also in the UK. Although non-migrants also tended to be on the younger side, in most countries the spread of the respondents between age categories was more even.

We found that those who were unemployed in their country of origin were more likely to be 'not currently working' than those working in their country of origin. When considering those who were currently working, those who were not working in their country of origin were less likely to have full-time jobs than those who worked in their country of origin. Both these findings held at the country level except for the cases of Australia and the UK, where migrant worker respondents were more likely to hold full-time jobs than those who worked in their country of origin.

There were also marked differences between types of respondents across countries on issues such as relative income level, full-time versus part-time work status, and financial literacy. For example, on income, in most countries the non-migrant respondents tended to come from the middle income rather than lower income category, whereas immigrant respondents tended to come from the lower income category.<sup>6</sup> More starkly, in all countries other than Switzerland, immigrant

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5. Only 3 per cent of the world's population live permanently outside their country of origin (Pekkala Kerr and Kerr 2011). The available 2007 data on the European countries in our sample show foreign-born nationals accounting for 5.8 per cent of the German population, 5 per cent of the Italian population, 10.4 per cent of the Spanish population, and 6 per cent of the UK population.

6. We asked our respondents to estimate their (monthly) income in the form of 'banded' responses. We also customised income bands by country, that is set them in local currencies based on national earnings.

respondents scored lower than non-migrant respondents on tests of financial literacy. Indeed, in some countries (especially Brazil, Germany, the UK and the USA) this difference between respondents was quite acute.

Those currently in work outside their country of origin were also less likely to have full-time jobs than those working in their country of origin. Both these findings hold at the country level except for Australia and the UK, where migrant workers were more likely to hold full-time jobs than those who worked in their country of origin.

[Insert Table 3 About Here]

### *Bivariate Analysis*

We have shown statistically significant variations between countries in the propensity of respondents to hold income protection insurance (Clark et al. 2017). As Table 4 shows, at one end of the spectrum, 18.3 per cent of German respondents held income protection insurance, whereas at the other end, 67.5 per cent of the Hong Kong ones did. There were significant differences between European countries in the propensity to hold income protection insurance, as there were between the Anglophone countries in our sample (Australia, the UK and the USA). One interpretation of this finding is that, contrary to the assumptions underpinning the ongoing debate about the effects of globalisation, national welfare systems remain very important for many working people (Weller and O'Neill 2014).

[Insert Table 4 About Here]

Our next step was to determine whether working in their country of origin affected the propensity to hold income protection insurance. Using a bivariate statistical analysis, we found that, at the aggregate level, there were significant differences in propensity between those who did and those who did not work in their country of origin: 37 per cent of respondents working in their country of origin held insurance compared with 29 per cent of those who did not. At the country level, the differences were highly significant for Brazil, Hong Kong and the United States and less so for Malaysia. In other words, respondents from these countries were more likely to have a significantly lower propensity to hold income protection insurance if they worked in a country other than in their country of origin.

### *Multivariate Modelling*

We undertook a more detailed analysis of the factors influencing whether respondents held income protection insurance in or out of their country of origin. To do this we drew on the respondents' socio-demographic characteristics, including age, gender, level of education, employment status,



level of earned income, and other factors including whether they were the primary wage earner for their household, the size of their household, health status, experience and financial literacy.<sup>7</sup>

Through use of a multivariate logit model, we established that respondents without income protection insurance tended to be women, younger, earning lower incomes, and had fewer years of schooling. They were less likely to be the primary wage earner in their household and more likely to have a part-time job. To the extent that those working outside their country of origin shared these attributes, they were also less likely to hold income protection insurance. Using the entire database, along with the variables describing the survey respondents and country effects, we found that there was a significant positive relationship between respondents' propensity to hold income protection insurance and working in their country of origin (Table 5).

[Insert Table 5 About Here]

In Australia, working within or outside one's country of origin remained a highly significant factor (at the 95% level) in determining whether respondents held income protection insurance. There, however, socio-demographic characteristics were not the only determining factors; status (country of origin) was also significant. Table 6, in which we set out our results for Australia, Hong Kong, the USA and Switzerland, illustrates this finding. As noted previously, there were commonalities between countries in terms of the importance of certain factors, including experience and financial literacy, in predicting whether respondents held income protection products.

[Insert Table 6 About Here]

There were also important differences among these four countries, including in relation to the significance attributed to financial literacy and whether respondents were the primary breadwinners for their households: both were significant for Hong Kong and the USA. Australian respondents with higher than average earned incomes, however, were significantly more likely to hold income protection insurance than similarly-placed US ones. In both countries, those with lower than average or average earned incomes tended not to hold this type of insurance. There were also differences between Australia and Switzerland in the significance of the predictors of whether respondents held such insurance. The two countries were similar in the proportion of those working outside their country of origin, but Australian respondents without income protection insurance and not originally

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7. Lusardi and Mitchell (2014: 6) define financial literacy as 'peoples' ability to process economic information and make informed decisions about financial planning, wealth accumulation, debt, and pensions'. They have a three-pronged test of financial literacy utilising concepts drawn from financial theory, including the benefits of risk diversification.

from Australia, were more like the Australian-born respondents who did have income protection insurance.

### *Attitudes and Expectations*

To distinguish between Australian respondents who were similar in that they had a (higher) socio-demographic status but different in that their propensity to hold income protection insurance was lower, we considered their responses to a number of key survey questions. An obvious difference was that those not originally from Australia and without income protection insurance had lower expectations of government but much higher hopes of their families stepping-in and providing income support if needed.

We asked our survey respondents two related questions – who *ought* to cover personal losses of income (Question 30A) and who *would* cover such losses (Question 31A). On both questions, those not originally from Australia indicated that they would rely on family whereas the Australian-born respondents saw the government and insurance companies playing a significant role in underpinning any losses of income.<sup>8</sup> On both questions, Australian-born respondents had much lower expectations of family support. They were also less likely to rely on a spouse or family member for advice on personal finance than their foreign-born counterparts. Furthermore, non-Australian-born respondents had significantly less knowledge about what their employer and the government would provide under these circumstances.

In fact, when asking respondents their reasons for failing to buy income protection insurance, the numbers reporting that government benefits would suffice differed significantly – 10 per cent of those working in their country of origin against 4.6 per cent of those who were not. We also found significant differences in the proportion of people reporting that their sick pay would be sufficient – 11 per cent working in their country of origin against 5.6 per cent of their foreign-born cohorts. There were equally significant differences between those who would rather rely on family or friends than consider buying insurance – 6.4 per cent of those working in their country of origin against 12 per cent who were not.

When asked who they thought *ought* to cover their loss of income in a case of serious illness or disability (government or family), the differences were again significant: 55 per cent of those working in their country of origin thought it should be the government, whereas 47 per cent of those who were not working in their country of origin agreed with that statement. Some 16 per cent of those who worked in their country of origin thought their family should cover income losses

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8. For each of these questions, respondents could choose up to three replies from a list of options, which they had to rank in descending order of importance.

whereas 28 per cent of those who did not work in their country of origin stated that their family should do so.

We undertook a more comprehensive analysis of these issues and found that on the question of who ought to cover an unexpected loss of earned income, Australian, German, Malaysian and UK respondents living and working in their country of origin indicated that they expected their governments to do so. By contrast, Australian, UK and Swiss respondents not working in their countries of origin expected their families to cover any loss of earned income.

### **Synthesis of Findings**

The proportion of respondents working outside their country of origin varied considerably between countries. While we designed the survey to be representative of workers in 11 countries and to focus on income protection insurance rather than to target these types of respondents, the results were revealing. Significantly higher proportions of foreign-born respondents worked in Australia and Switzerland than in Germany and Italy. Equally, it was notable that the survey data revealed fewer foreign-born employees in Mexico and Malaysia than, for example, in Brazil and the USA.

For all countries except Australia, we found that the socio-demographic characteristics of respondents working outside their country of origin differed statistically from those working inside. The former were more likely to be younger, female, working part-time rather than full-time, and not the primary breadwinners for their household. Respondents working in their country of origin, by contrast, tended to be older, male, full-time rather than part-time, and their household's primary earner. These are obviously important distinctions when considered across the entire database. Elsewhere, we have also shown that respondents without income protection insurance are more likely to be younger, female, working part-time and not the primary earners in their households (Clark et al. 2017). It did not matter whether the respondents were local or not; what mattered was their place in the local labour market.

One implication of our analysis is that those working away from their country of origin tend to have characteristics that place them in the lower tiers of the local (national) labour market, along with all that that implies about the likelihood of unstable employment, lack of access to employment benefits, and vulnerability to employers who might exploit their marginal status. These findings echo recent research on labour markets to the effect that being a migrant worker carries with it a level of vulnerability not shared by the average 'home' employee of a country or region. See, for example, McDowell et al. (2008, 2009) on the employment conditions of migrant workers in the City of London, Weil (2014) on how the structure of US labour markets affects domestic and foreign workers and Strauss (2017) on the consequences of being a migrant worker for access to employment benefits such as pensions and retirement benefits.

As we have demonstrated, however, the incidence of holding income protection insurance varies by country: the country effect is statistically significant for the entire study. In other words, the country-specific institutions that underpin the welfare of its residents, determine the demand for income protection insurance. Put slightly differently, for any socio-demographic group of respondents, the demand for income protection insurance is determined first by their national context and then by their status in the labour market. Consistent with our theoretical expectations, the respondents most vulnerable to volatility in earned income were also those with lower propensities to hold income protection insurance. However, as indicated previously, due to country-by-country variations in the nature and scope of the welfare state, what counts as 'vulnerability' in one country may not hold in another.

Irrespective of whether they were locals or foreigners, respondents who were younger, male and primary breadwinners tended to hold income protection insurance in accordance with their country of residence. However, if they were in the lower tiers of the national labour market, they would be unlikely to hold income protection insurance; in this case, the probability of being without this insurance was the same for locals and foreigners alike. Put differently, respondents in the higher tiers of the (national) labour market were likely to hold income protection insurance, whereas those in the lower tiers, whatever their status (country of origin or otherwise), were unlikely to do so.

It was shown, however, that foreign workers tended to expect less than indigenous ones from both their employers and the host country. Foreign workers without income protection insurance would rely on their families rather than the government or their employer to help cover the volatility of their earned incomes. On the other hand, local workers without income protection insurance were more likely to rely on their employer and/or government, perhaps because they felt entitled to the benefits of state welfare programmes, which the migrant workers clearly did not. The related finding that indigenous workers are better informed than their foreign counterparts about employer and government programmes reinforced this finding.

Australia and Switzerland stood out in the analysis in that there were proportionally more foreign migrants working in the sample. The Australian federal government has pursued a development policy based on high levels of net immigration, whereas the Swiss government has used migration to fill short-term shortfalls in the supply of labour. In 2015, net migration to Australia was approximately 200,000 on a base population of 23.5 million, while for Switzerland it was 30,000 on a base population of approximately 8.3 million. For both countries, unemployment was approximately 5 per cent, but the rate of employment for Australia was approximately 70 per cent against 80 per cent for Switzerland. In both countries, migration is federally regulated with public scrutiny of

immigration targets and the rate of permanent settlement as opposed to meeting short-term gaps in skills and expertise.

### **Implications and Conclusions**

There is increasing concern about widening levels of income inequality and that those located in the lower tiers of national labour markets bear the brunt of globalisation. Those working outside their country of origin (migrant workers) are believed to be more vulnerable to the costs and consequences of globalisation than those of similar labour market status working in their country of origin. It is assumed that by reason of their status, not just their place in the local labour market, these types of workers are not afforded the same degree of protection in terms of earned income as those who have the rights of citizenship and established social networks.

From a representative survey of working people in 11 countries, we established that whether migrant workers held income protection insurance was conditioned by (a) the institutional heritage and policy commitments of the countries in which they worked, (b) their place in the national labour market, and (c) the extent to which they shared the characteristics of local workers in terms of gender, income, work status and the significance of their contribution to household income. We also found that the experiences of migrant workers in Australia and Switzerland have been rather different from those of migrant workers in the other nine countries in our survey. Compared with similarly-placed respondents working in their country of origin, migrant workers in Australia and Switzerland tend not to hold income protection insurance.

Our research has made three related contributions to the literature on employment and globalisation in economic geography and related cognate fields (McDowell et al. 2008, 2009; Strauss 2017; Weil 2014). First, we have established that whatever the costs and consequences of globalisation for employment, persistent differences remain between countries in terms of the vulnerability or otherwise of similar classes of working people. Second, utilising a unique database on cross-country patterns of the demand for income protection insurance, we have shown that country-specific institutions and practices frame the prospects of individuals 'located' in different segments of local labour markets. Third, we have shown that there are significant commonalities across countries in terms of the demand for income protection insurance matching expectations in the literature to the effect that certain types of individuals, whatever their country, are more likely to demand that type of benefit.

Economic theory suggests that workers with a large transitory component to their earned incomes are less likely to consume income protection insurance than those with a large permanent component to their incomes (Arrow 1971). In this respect, our findings were consistent with Friedman's (1957) early work on the permanent income hypothesis and are consistent with more

recent research in the behavioural literature on what factors condition a short-term over a long-term perspective (Ainslie 2001; Kahneman and Tversky 1979). Most importantly, we observed that people working outside their country of origin differed from similarly-placed respondents inside their country of origin in their stated reliance on family as opposed to the government and/or employer in underwriting shortfalls in expected earnings.

Self-reliance could well be a distinguishing characteristic of respondents who work outside their country of origin. Because they have made their way to another country for employment, migrant workers presumably assume responsibility for both the advantages and disadvantages of their decision. This explanation is, in part, borne out by the migration literature, which shows that a distinguishing feature of migrants as opposed to non-migrants is their willingness to take risks (Jaeger et al. 2010). This hypothesis is also consistent with the literature in migration studies, which often identifies the family as both the recipient of migrants' endeavours and the insurer of last resort. However, it remains to be determined whether this hypothesis is consistent with research that shows that networks linking origins and destinations over the long term sustain the recruitment of migrants (Groutsis et al. 2016; Harvey et al. 2017).

There is a less attractive explanation. People working in a country other than their own could be subject to discriminatory labour practices enabled by the status that governments accord to migrant workers. This point is, perhaps, particularly relevant to Australia. A number of major employers have systematically underpaid migrant workers, while restricting their access to employment benefits available to the local workforce (Commonwealth of Australia 2016). Most at risk of being exploited were those with temporary migrant status in Australia, as opposed to people who came to Australia under longer-term contracts with expectations of permanent settlement.<sup>9</sup> These types of practices flourish when a government lacks enforcement capacity, unions ignore this type of worker, and migrant workers either do not know, or do not understand their employment rights and benefit entitlements, or are misled by their employers (Bahn et al. 2012; Gabaix and Laibson 2006).<sup>10</sup>

It is arguable that many employees, whatever their status, do not know of, or understand, their entitlements to income maintenance or access to income protection insurance. For example, it is

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9. See the Fair Work Ombudsman (2016) report on the non-compliance of the 7-Eleven company and its franchisees with the Fair Work Act 2009 and the Fair Work Regulations 2009 regarding 'significant underpayment of wages and falsification of employment records'. The Ombudsman found that the company systematically exploited many of its workers, especially younger employees in Australia as international students. In its findings, the Ombudsman recognised that many employees were reluctant to claim their entitlements and report their treatment to the authorities because they recognised that any complaints would prompt retaliation by managers (including reporting their activities to the immigration authorities).

10. The Australian prime minister recently announced changes to the 457 visa system, in part to respond to concerns about migrant vulnerability and, in part, to claim control over the volume of migration to Australia. See <https://www.theguardian.com/australia-news/2017/apr/19/457-visas-industry-group-says-restricting-workers-to-two-year-stays-will-give-changes-bite>

possible that people working in their country of origin overestimate the availability and value of government benefits that would protect their earned incomes.<sup>11</sup> Elsewhere, we have shown that there is a systematic increase in the demand for income protection insurance when respondents experience a serious deterioration in their physical or mental wellbeing (Clark et al. 2017). Under such circumstances, the average respondent better appreciates the value of income protection insurance whatever their status. We can therefore infer that there are significant gaps in people's knowledge and understanding of the value and significance of government and/or employer benefits in these situations.

Finally, we should acknowledge three possible shortcomings with our research. First, respondents who were either unwilling or unable to meet the protocols and obligations imposed by the convenors of the country-specific panels, as well as those without access to the Internet, were likely to be excluded from the survey. The second shortcoming concerns our inability to observe why migrants work outside their country of origin. In some countries, it is arguable that they are employed as substitutes for the local workforce because they are willing to accept contracts that have a higher component of transitory earned income and cannot rely on their employer for income protection insurance (Pekkala Kerr and Kerr 2013). Finally, we have treated the countries in our survey as self-contained and coherent policy entities. However, national welfare and income support systems are often difficult for the average citizen to navigate, especially when policy regimes are changing, rights and entitlements are unclear, and policies poorly funded (on the introduction in Australia's National Disability Insurance Scheme, see Ergas 2013; and Walsh and Johnson 2013).

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11. There is evidence of this hypothesis in a recent survey of *Financial Times* readers (31 December 2016/1 January 2017: 9) covering 40 countries, which showed that *FT* readers overestimate government spending on health care but less so than the general public. Interestingly, there is considerable variation by country of residence over the magnitude of the estimate.

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## Appendix

Our survey respondents were the members of country-specific panels that commercial agencies create and maintain for consumer and market research (including political polling). Recruitment takes place either through open enrolment, in which case individuals sign-up to participate as a standing panel member, or through invitations targeted at people who share demographic characteristics of particular interest to the panel provider.

Recruitment is via online marketing channels and direct email. Enrolment in a panel takes place via a double opt-in registration process: prospective panellists first complete a registration form, including a consent form, and then confirm their registration by clicking on a customised link sent to them via an automatically generated email. To take part in a specific survey, panel members receive invitations via email, which include basic participation instructions as well as information about the approximate length of the survey. Panellists receive no advance information about the topic or contents of the survey, only an estimated time of completion.

To ensure a representative sample within the target audience, a quota system based on nationally representative demographic variables such as age, gender, region and income level is used in sample selection. It is worth noting that whereas panels in developed countries are not significantly skewed on these variables, panels in developing countries can be skewed towards urban areas where Internet access is higher.

Members of a panel are rewarded through incentive schemes for participation. The length and complexity of the survey determines the size of the reward and, in many cases, so too does the socio-demographic profile of panellists needed for a specific survey. For instance, highly qualified professionals generally receive greater incentives for completing surveys pertaining to their profession than for completing surveys about their consumer purchasing decisions. However, the incentives provided for any given study are identical for all respondents. Only panellists who complete a survey successfully receive rewards. These are tailored to local laws and preferences but generally include a 'points' programme, gift cards, vouchers, charitable contributions and prize draws.

Table 1. Variable description and basic statistics

Variable	Description	Mean	Std. dev.	Min.	Max.
<b>Demand for insurance</b>					
Do you have insurance?	Binary variable (it takes the value 1 if the respondent does have insurance; 0, otherwise)	0.36	0.48	0	1
<b>Socio-economic variables</b>					
Gender	Binary variable ( it takes the value 1 for male respondents, 0 for females)	0.48	0.50	0	1
Age (groups)	25-35 years	0.35	0.48	0	1
	36-45 years	0.29	0.45	0	1
	46-55 years	0.26	0.44	0	1
	56-60 years	0.10	0.30	0	1
Income*	Lower than average	0.36	0.47	0	1
	Equal than average	0.39	0.48	0	1
	Higher than average	0.25	0.46	0	1
Household size	Number of people in the household	2.99	1.41	1	7
Education	Number of years of formal education	14.79	4.86	0	25
Work in country of origin	Binary variable (it takes the value 1 if the respondents live in their country of origin; 0, otherwise)	0.87	0.33	0	1
<b>Work status</b>					
Work status	Full-time	0.65	0.48	0	1
	Part-time	0.18	0.39	0	1
	Self-employed	0.13	0.34	0	1
	Not employed	0.04	0.19	0	1
<b>Health</b>					
Self-reported health status	Healthier than average	0.26	0.44	0	1
	Same as healthy	0.62	0.49	0	1
	Less healthy	0.12	0.32	0	1
<b>Financial literacy</b>					
Financial literacy	Correctly responded Q1 (interest rates)	0.66	0.47	0	1
	Correctly responded Q2 (inflation rates)	0.55	0.50	0	1
	Correctly responded Q3 (risk diversification)	0.74	0.44	0	1
	All three correct	0.38	0.49	0	1
	At least 1 do not know	0.20	0.40	0	1
<b>Experience of loss of income</b>					
Experience (Have you ever experienced a loss of income due to any of these causes?)	Physical cause (it takes the value 1 if the respondent has experienced a loss of income due to a physical illness; 0, otherwise)	0.10	0.30	0	1
	Emotional cause (it takes the value 1 if the respondent has experienced a loss of income due to an emotional illness; 0, otherwise)	0.25	0.43	0	1
Do you know someone who has experienced a loss of income due to illness or disability	Binary variable (it takes the value 1 if the respondent knows someone who has experienced a loss of income; 0, otherwise)	0.54	0.50	0	1
<b>Country of residence</b>					
Country of residence (one dummy variable for each country)	Australia	0.09	0.28	0	1
	Brazil	0.09	0.28	0	1
	Germany	0.09	0.29	0	1
	Hong-Kong	0.09	0.29	0	1
	Italy	0.09	0.29	0	1
	Malaysia	0.09	0.29	0	1
	Mexico	0.09	0.28	0	1
	Spain	0.09	0.29	0	1
	Switzerland	0.09	0.28	0	1
	UK	0.11	0.31	0	1
	US	0.09	0.29	0	1

Source: authors

\*Respondents were divided in three different groups depending on their income relative to the mean income in their country of residence.

Table 2. Percentage of survey respondents who work in their country of origin, by country

	Work in country of origin (%)
Australia	75.36%
Brazil	86.43%
Germany	91.60%
Hong Kong	88.45%
Italy	92.16%
Malaysia	90.82%
Mexico	94.75%
Spain	89.08%
UK	86.72%
Switzerland	77.09%
USA	87.04%
TOTAL	87.22%

Source: authors

Table 3. Socio-economic characteristics of immigrants (and non-immigrants)

Socio-economic variables		Australia	Brazil	Germany	Hong-Kong	Italy	Malaysia
Gender	Male (%)	0.43 (0.45)	0.38 (0.49)	0.48 (0.51)	0.43 (0.44)	0.38 (0.50)	0.40 (0.49)
Age	25-35 years (%)	0.31 (0.28)	0.37 (0.43)	0.33 (0.27)	0.38 (0.52)	0.35 (0.24)	0.53 (0.54)
	36-45 years (%)	0.32 (0.26)	0.30 (0.30)	0.21 (0.26)	0.40 (0.27)	0.23 (0.32)	0.34 (0.33)
	46-55 years (%)	0.32 (0.31)	0.24 (0.21)	0.36 (0.33)	0.17 (0.18)	0.25 (0.32)	0.13 (0.11)
	56-60 years (%)	0.05 (0.15)	0.09 (0.06)	0.10 (0.14)	0.05 (0.03)	0.17 (0.12)	0.00 (0.02)
Income	Lower than av. (%)	0.14 (0.16)	0.90 (0.64)	0.27 (0.19)	0.65 (0.41)	0.49 (0.34)	0.75 (0.65)
	Equal (%)	0.40 (0.42)	0.10 (0.24)	0.55 (0.54)	0.21 (0.23)	0.43 (0.48)	0.18 (0.25)
Work status	Full-time (%)	0.49 (0.46)	0.23 (0.51)	0.54 (0.67)	0.78 (0.91)	0.54 (0.63)	0.68 (0.81)
	Part-time (%)	0.33 (0.36)	0.11 (0.12)	0.21 (0.22)	0.11 (0.06)	0.22 (0.17)	0.06 (0.05)
	Self-employed (%)	0.10 (0.11)	0.46 (0.29)	0.11 (0.09)	0.09 (0.02)	0.15 (0.17)	0.15 (0.12)
	Not currently employed (%)	0.08 (0.07)	0.20 (0.08)	0.14 (0.02)	0.02 (0.01)	0.09 (0.03)	0.11 (0.02)
Financial literacy	Average number of correct answers	1.97 (2.05)	1.36 (1.70)	1.76 (2.27)	1.35 (1.84)	1.91 (2.06)	1.67 (1.89)

Socio-economic variables		Mexico	Spain	Switzerland	UK	US
Gender	Male (%)	0.41 (0.50)	0.38 (0.519)	0.45 (0.52)	0.45 (0.50)	0.46 (0.50)
Age	25-35 years (%)	0.35 (0.40)	0.33 (0.29)	0.28 (0.30)	0.45 (0.29)	0.31 (0.30)
	36-45 years (%)	0.35 (0.29)	0.24 (0.32)	0.31 (0.28)	0.33 (0.27)	0.30 (0.27)
	46-55 years (%)	0.15 (0.22)	0.33 (0.27)	0.31 (0.30)	0.15 (0.32)	0.32 (0.29)
	56-60 years (%)	0.15 (0.09)	0.10 (0.12)	0.10 (0.12)	0.07 (0.12)	0.07 (0.14)
Income	Lower than av. (%)	0.43 (0.33)	0.67 (0.46)	0.21 (0.20)	0.29 (0.22)	0.37 (0.23)
	Equal (%)	0.24 (0.35)	0.27 (0.47)	0.33 (0.30)	0.55 (0.61)	0.36 (0.37)
Work status	Full-time (%)	0.44 (0.62)	0.50 (0.71)	0.53 (0.58)	0.68 (0.65)	0.54 (0.70)
	Part-time (%)	0.17 (0.16)	0.16 (0.15)	0.34 (0.31)	0.19 (0.23)	0.25 (0.18)
	Self-employed (%)	0.19 (0.21)	0.17 (0.10)	0.09 (0.09)	0.07 (0.11)	0.10 (0.11)
	Not currently employed (%)	0.20 (0.01)	0.17 (0.04)	0.04 (0.02)	0.06 (0.01)	0.11 (0.01)
Financial literacy	Average number of correct answers	1.67 (2.01)	1.91 (2.01)	2.05 (2.03)	1.81 (2.05)	1.5 (1.86)

Source: authors

Table 4. Propensity to hold income protection insurance according to whether or not they work in their country of origin

	% of respondents who have insurance	% of those who work in country of origin who have insurance	% of those who don't work in their country of origin who have insurance	p-value (H <sub>0</sub> : No differences)
Australia	30.81%	32.23%	26.36%	0.101
Brazil	24.68%	26.21%	13.79%	<b>0.004***</b>
Germany	18.27%	18.60%	14.63%	0.375
Hong Kong	67.53%	69.34%	51.55%	<b>0.000***</b>
Italy	23.52%	23.60%	22.54%	0.839
Malaysia	66.73%	67.52%	58.62%	<b>0.093*</b>
Mexico	37.12%	37.46%	30.61%	0.334
Spain	28.65%	29.45%	21.88%	0.121
UK	21.44%	21.64%	20.13%	0.671
Switzerland	33.41%	34.19%	30.69%	0.369
USA	44.81%	46.71%	31.93%	<b>0.003***</b>
TOTAL	35.89%	36.89%	28.59%	<b>0.000***</b>

Source: authors

\* and \*\*\* indicate significance at the 10% and 1% levels.

Table 5. Multivariate logit results (all countries)

Explanatory variables	Indicator	Logit Model
Gender	Male	0.06 (1.32)
Age	25-35 years	0.42 (4.6)***
	36-45 years	0.29 (3.19)***
	46-55 years	0.15 (1.59)
Income	Lower than av.	-0.99 (-13.73)***
	Equal	-0.48 (-7.99)***
Primary/ secondary wage earner	Only wage earner	0.49 (2.77)***
	Primary wage earner	0.53 (3.01)***
	Equal wages	0.34 (1.9)*
	Secondary wage earner	0.15 (0.84)
Household size	Number people	0.06 (3.24)***
Education	Number years	0.009 (1.8)*
Work status	Full-time	0.31 (2.05)**
	Part-time	0.088 (0.56)
	Self-employed	0.03 (0.19)
Health	Healthier	0.41 (4.83)***
	Same as healthy	0.22 (2.86)***
Financial literacy	Number correct answers	-0.07 (-3.14)***
Experienced loss of income	Physical	0.63 (7.92)***
	Emotional	0.35 (6.24)***
Know someone	Yes	0.46 (9.41)***
<b>Country of origin</b>		<b>0.22 (2.88)***</b>
Country effects		Significant
Number obs.		10,060
Pseudo R2		0.1516

Source: authors

Standard errors are clustered by country; \*, \*\* and \*\*\* indicate significance at the 10%, 5% and 1% levels.

Table 6. Propensity to hold income protection insurance and country of origin: results for Australia, Hong Kong, USA and Switzerland

Explanatory variables	Indicator	Logit Model (AUSTRALIA)	Logit Model (HONG KONG)	Logit Model (USA)	Logit Model (SWITZERLAND)
Gender	Male	0.06 (0.36)	-0.27 (-1.65)*	-0.17 (-0.97)	0.20 (1.00)
Age	25-35 years	0.48 (1.64)	0.13 (0.29)	0.23 (0.79)	0.74 (2.45)**
	36-45 years	0.31 (1.04)	0.52 (1.14)	0.10 (0.34)	0.26 (0.84)
	46-55 years	0.34 (1.23)	-0.04 (-0.10)	-0.19 (-0.72)	0.37 (1.23)
Income	Lower than av.	-1.22 (-3.69)***	-0.24 (-1.22)	-0.35 (-1.42)	-0.05 (-0.17)
	Equal	-0.46 (-2.27)**	-0.04 (-0.19)	-0.37 (-1.91)*	-0.10 (-0.49)
Primary/ secondary wage earner	Only wage earner	-0.16 (-0.35)	2.33 (3.74)***	2.21 (1.96)**	1.14 (0.99)
	Primary wage earner	-0.25 (-0.54)	2.20 (3.48)***	2.42 (2.14)**	1.10 (0.95)
	Equal wages	-0.33 (-0.68)	2.01 (1.92)*	2.25 (1.97)**	1.43 (1.23)
	Secondary wage earner	-0.44 (-0.90)	1.73 (2.08)**	1.96 (1.73)*	1.48 (1.28)
Household size	Number people	-0.02 (-0.35)	-0.01 (-0.18)	0.20 (2.73)**	0.10 (1.22)
Education	Number years	-0.00 (-0.02)	0.01 (0.93)	-0.01 (-0.34)	0.03 (1.57)
Knowledge about insurance	A lot	2.27 (3.78)***	2.29 (3.71)***	2.49 (4.48)***	3.29 (4.71)***
	Fair amount	1.74 (3.55)***	1.97 (3.45)***	2.14 (4.02)***	2.70 (6.16)***
	Little	1.11 (2.37)***	1.06 (1.88)*	1.45 (2.74)***	2.46 (5.93)***
	Almost nothing		0.28 (0.47)	0.12 (0.20)	1.26 (2.87)***
Work status	Full-time	-0.38 (-0.92)	0.77 (0.81)	0.51 (0.99)	0.29 (0.47)
	Part-time	-0.76 (-1.85)*	0.54 (0.54)	0.01 (0.01)	0.28 (0.45)
	Self-employed	-0.66 (-1.51)	0.76 (0.73)	-0.08 (-0.15)	0.49 (0.76)
Health	Healthier	0.27 (0.99)	0.49 (1.83)*	0.07 (0.24)	0.48 (1.57)
	Same as healthy	0.04 (0.17)	0.23 (1.00)	-0.31 (-1.10)	0.46 (1.67)*
Financial literacy	Number correct answers	-0.02 (-0.26)	0.19 (2.23)**	-0.25 (-2.67)***	0.01 (0.10)
Experienced loss of income	Physical	0.67 (2.24)**	0.20 (0.96)	0.57 (2.18)**	0.79 (2.02)**
	Emotional	0.27 (1.36)	0.53 (2.77)***	0.25 (1.21)	0.045 (0.21)
Know someone	Yes	0.51 (2.84)***	0.50 (3.07)***	0.24 (1.37)	0.17 (0.95)
Country of origin		<b>0.49 (2.39)**</b>	0.24 (0.89)	0.30 (1.17)	0.10 (0.47)
Number obs.		844	942	918	773
Pseudo R2		0.1845	0.1419	0.2583	0.1352

Source: authors

\*, \*\* and \*\*\* indicate significance at the 10%, 5% and 1% levels.