



Society at a Glance

OECD SOCIAL INDICATORS



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2005 Edition



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

This is the third edition of *Society at a Glance*, the OECD bi-annual compendium of social indicators. This report attempts to satisfy the growing demand for quantitative evidence on whether our societies are getting more or less unequal, healthier, and cohesive. It updates some of the indicators included in the 2001 and 2002 editions, and adds new ones including measures of subjective well-being for the first time. More detailed information on all indicators, including those not in this edition, can be found on the OECD Web pages (www.oecd.org/els/social/indicators). This report aims to inform the discussion of OECD Social Policy Ministers to be held on 31 March-1 April 2005. It complements the analysis provided in the report OECD (2005), *Extending Opportunities – How Active Social Policy Can Benefit Us All* (see also at www.oecd.org.socialmin2005).

This report has been prepared by Marco Mira d'Ercole, who co-ordinated the work, David Dowey and Maxime Ladaïque. As this report addresses a wide-range of topics, it would have been impossible to complete without the contributions of many people in and outside the OECD Social Policy Division. These include Willem Adema, Gaëlle Balestat, Anna d'Addio-Devaux, Manfred Huber, Herwig Immervoll, Gaetan Lafortune, Monika Queisser, Noura Takroui, Cécile Thoreau and Ed Whitehouse. Mark Pearson, Head of the OECD Social Policy Division, took the lead in originally developing this project. The report is published under the responsibility of the Secretary-General of the OECD.

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Executive Summary

Discussions about the well-being of different societies often focus solely on the economic dimension, by examining levels of national GDP and GDP per capita, for example. But while the availability of economic resources clearly affects living standards, there is also a wide range of other indicators that can be used to measure development in a wider sense, and to assess the progress that various countries have made in delivering improvements in the quality of life for as many of their citizens as possible. *Society at a Glance* is the OECD's bi-annual compendium of social indicators, which attempts to satisfy the growing demand for quantitative evidence on the social dimension: whether our societies are getting more or less unequal, healthy and cohesive. It updates some of the indicators included in previous editions, and adds new ones including measures of pension promises, benefits of last resort, subjective well-being and social isolation.

The indicators included in the report have been chosen with a view to shedding light on two key issues: how far have OECD countries progressed in terms of social development; and to what extent has this progress been the result of deliberate policy actions, either by governments or by other social institutions. The second of these questions is clearly more challenging than the first (though both are made more difficult by limitations on the availability of relevant data). It is relatively straightforward to examine indicators of those aspects of social development that are targets of policy (unemployment, for example), and to see how they have changed over time. It is more difficult to assess the extent to which changes in these outcomes have been the result of government policy. Moreover, it is also necessary to take into account the resources that have been devoted to achieving those targets, and to question whether the results justify the costs involved. Cross-country comparisons can shed some light on these issues. For example, they can indicate whether countries where social spending is relatively high also achieve lower poverty. Of course, simple comparisons do not explain why outcomes are worse in some countries than others – much less do they suggest a solution – but they can highlight areas where there is room for improvement.

In order to make it easier to make sense of the wide range of indicators available, *Society at a Glance* groups them into five main categories. The first consists of background indicators of the overall context within which social policy operates (for example, population structure). These indicators are not normally the direct targets of social policy, at least in the short to medium term, but they do influence its effectiveness. For example, the proportion of elderly people in the total population has an important influence on how policy affects the living standards of the elderly and on the costs involved. Indicators in this category include national income per capita; age-dependency ratio; fertility rates; foreigners and foreign-born population; marriage and divorce.

The remaining four categories are chosen to reflect the main objectives of social policy: *self-sufficiency, equity, health and social cohesion*. Each of these categories includes two main types of indicators: those that track the development of various outcomes which policy tries to influence (unemployment, poverty, etc.), categorised in the report as

indicators of “social status”; and those that illustrate what society is doing to achieve those outcomes (categorised as indicators of “societal response”). The latter include indicators of the stance of government policy, but also of the activities of the private sector and non-governmental organisations. Comparing response indicators with status indicators provides a rough indication of policy effectiveness – although differences in definitions and data availability mean that in many cases the figures are not fully comparable across countries. In addition, there are fewer good-quality indicators of societal response than of social status. Finally, in many cases, the indicators are relevant to more than one category: for example, the ability to manage without assistance is an indicator of social cohesion, self-sufficiency and of health. Rather than listing these repeatedly, the report details those indicators that are specific to each category, and cross-references other relevant indicators that are listed elsewhere.

Indicators covered in this report include:

- Concerning *self-sufficiency*: employment; unemployment; jobless households; working mothers; educational attainment; age at retirement; youth inactivity (social status); and out-of work benefits; benefits of last resort (societal response).
- Concerning *equity*: relative poverty; income inequality; child poverty; income of older people (social status); public social spending; private social spending; total social spending; current old-age pension replacement rate; prospective pension income (societal responses).
- Concerning *health*: life expectancy; health adjusted life expectancy; infant mortality (social status); and total health care expenditure; long-term care (societal responses).
- Concerning *social cohesion*: subjective well-being; social isolation; group membership; teenage births; drug use and related deaths; suicides (social status).

For each issue covered in this report, the text describes the scope and definition of the relevant indicator(s), what can be discerned from the underlying data and what measurement problems, if any, may exist.

PART I

An Interpretative Guide

1. Goals of social indicators

The present report aims to give insights relevant to answering two main questions:

- What progress have OECD countries achieved in terms of their social development?
- How effective have been the actions of society in furthering social development?

The first of these questions requires indicators covering a broad range of social issues. Insofar as social development requires health, education, economic resources and a stable basis for social interactions, so must the indicators reflect these various dimensions.

The second question is more challenging. Societies try to influence social outcomes, usually through government policy. The question is whether such actions are effective in achieving their aims. A first step in answering this question is to compare the changes in social outcomes that social policies try to influence with the scale of the resources that are used to that effect. This comparison does not, of course, allow the evaluation of whether a particular social programme is effective. Indicators can however highlight areas where more in-depth investigation is required. For example, they can indicate whether countries where social spending is relatively high also achieve better social outcomes; in such circumstances, they do not tell *why* outcomes are poor, but they do indicate the need to think hard about why this occurs.

2. The framework of OECD social indicators

While the structure applied in this volume falls short of being a full-scale framework for the collection and presentation of social statistics, it is nevertheless more than a one-dimensional listing of indicators.

OECD work on indicators outside the social area has followed different approaches to assess policies and the outcomes that they try to influence. This experience has provided guidance to the present volume. For example, the set of education indicators published in *Education at a Glance – OECD Indicators* is structured into three groups: *context*; *inputs*; and *outputs* (OECD, 2004b). OECD indicators on science and technology have been grouped under four main headings: creation and diffusion of knowledge; information society; economic globalisation; and productivity and economic structure (OECD, 2003).

The OECD environmental indicators (OECD, 2001) follow a different approach, based on a framework known as “Pressure-State-Response” (PSR).¹ In this framework human activities exert *pressures* on the environment, which affect the quality and the quantity of natural resources and environmental conditions (*state*), and which prompt society to respond to these changes through environmental, general and sectoral policies (*societal response*). The PSR framework aims at highlighting these links, and helping decision-makers and the general public see the interconnection between environmental and other issues. Examples of *pressure* indicators include those related to sectoral activities (such as energy, transport, industry, agriculture, etc.) and the associated pollution, waste generation, and resource use. Examples of the *state* of the environment indicators are

measures of air, water, land quality and ecosystem health. Examples of *response* indicators include measures of the extent of policy interventions for environmental purposes such as expenditure and environmental taxes. The PSR approach relates indicators of what government and society do (response indicators) to indicators of what they are trying to influence (state and pressure indicators).

A similar approach is followed in this report on social indicators. Indicators are grouped in three areas:²

- **Social context.** These are variables that are not usually the direct target of policy, at least in the short to medium term. Nevertheless, they are crucial for understanding the context within which social policy is developed. For example, the proportion of elderly people in the total population is not the direct target of policy, although it shapes how specific policies impact on social outcomes such as the living standards of the elderly and on their costs.
- **Social status.** These indicators are descriptions of those social outcomes that policies try to influence. Ideally, the indicators chosen are such that they can be easily and unambiguously interpreted – all countries would rather have low poverty rates than high ones, for example.
- **Societal response.** These indicators illustrate what society is doing to affect social status. They include indicators of the stance of government policies, but also of the activities of the private sector and non-governmental organisations (NGOs). Indicators of the development of private pensions, and of the actions taken by individuals and families to care for the elderly and children, fall in this category.

Whilst social indicators are attributed to one of the three groups described above, the distinction between context and status is not always straightforward. For example, fertility rates may be an objective of pro-natalist policies in some countries, while they are part of the context of social policy in others. Similarly, family breakdown can be regarded as a failure of public policies in some countries, whereas it may not be an explicit policy concern in others. Inevitably, any dividing line between different indicators is arbitrary.

2.1. Data considerations

The 30 member countries of the OECD differ substantially in their collection of statistics. In selecting indicators, a choice has to be made as to whether to include indicators that are available for all countries or how far to depart from this principle.

The indicators presented in this volume are not confined to those for which there is “absolute” comparability across countries. Such a condition would, for example, exclude most indicators on income distribution and poverty, which are affected by a range of features that escape full cross-country standardisation. To the extent possible, readers will be alerted as to the nature of the data used and their potential pitfalls. Also, as a general rule, this volume includes only indicators that are available for at least half of OECD countries.

Aggregate data at the national level can often be decomposed into sub-categories, such as age of individuals, family type and gender. The type of breakdown available (e.g. by individual and household characteristics) varies according to the indicator considered. *Indicators for sub-national regions or units of government are not included in this volume.* Also, no attempt is made to record all data in the same units, i.e. the social indicators presented in this volume are a mixture of head counts, currency units, percentages of GDP, etc.

3. Use of the indicators

The social context and social status indicators describe the social conditions of the population. The social status indicators can also be interpreted as measuring one particular dimension of what social policy is trying to achieve. Response indicators give one (or more) dimension of the scale and nature of social policy interventions. Confronting *response* indicators with *status* indicators provides a first-order indication of policy effectiveness.

Social context indicators help in the interpretation of policy effectiveness. Such indicators enumerate those quasi-exogenous variables that may help to “explain” part of the differences in *social status* across countries, regardless of the policy stance; their aim is to inform readers about differences across countries within which public policy operates. Unlike *status* and *response*, social context indicators cannot always be unambiguously interpreted as “good” or “bad”. For example, cross-country differences in the number of lone-parent families may reflect cultural factors, although in all countries social policy makers are called upon to confront its consequences.

To help users, social indicators are further grouped according to the broad policy fields that they cover. Four *objectives* of social policy are used to classify indicators of *social status* and *social response*:

- a) Enhancing **self-sufficiency** is an underlying objective of social policy, featuring prominently in, for example, the Communiqué of Social and Health Policy Ministers (OECD, 1999a). Self-sufficiency of individuals and families is promoted by ensuring active participation in the economy and society, and autonomy in activities of daily living.
- b) **Equity** in this context refers mainly outcomes, i.e. policies which seek to overcome social or labour market disadvantage, promote equality of opportunity and autonomy of individuals. Equitable outcomes are measured mainly in terms of the access by households to resources.
- c) The underlying objective of health care systems is to improve the **health status** of populations. This implies a focus that is broader than disease and its cure, including other social factors that can affect mortality and morbidity.
- d) **Social cohesion** is often identified as an over-arching objective of the social policies of countries, although little agreement exists on what precisely it means. However, a range of pathologies are informative about lack of social cohesion, which do have resonance as objectives of social policy. This is true, for example of crime, imprisonment, suicides, industrial strife, and family instability.

To the extent that indicators of social responses have an impact on multiple areas of social policy, they can be recorded under more than one heading. For example, the ability to undertake activities of daily living without assistance is an indicator of social cohesion, self-sufficiency and of health; similarly, drug use may signal a lack of social cohesion as well as poor health conditions. The problem of indicators that could be classified under different headings is not specific to social policy;³ the solution adopted in this volume is to show indicators that are relevant to each of the four headings, rather than repeating the indicator in each group. Throughout the remainder of this volume, the code in-between brackets associated to each indicator (e.g. GE1) is used to relate it to a policy field or category of indicators (as listed in the tables below), while the numbering of the indicators is used to simplify cross-references. While the name and coding of indicators used in this

volume differs from those used in previous versions of *Society at a Glance*, an effort has been made to assure continuity in the areas covered.

4. Description of the indicators

For each of the selected indicators, this report describes the key evidence together with general information on definitions and measurement. Most indicators already exist in one form or another, and many are published in other OECD publications on a regular basis. The majority of the indicators shown here are drawn from OECD databases, often run in co-operation with other international organisations (e.g. Labour Force Statistics, Social Expenditure Database). Others indicators have been collected on an *ad hoc* basis, as for example, information on older people in institutions. No new large-scale data collection exercise was undertaken for the preparation of this volume. In general, there are fewer good-quality indicators of societal response than of social status. This suggests a need for greater efforts in improving the collection of data describing public and private action, including information on private social spending and on the number of people and households receiving different social benefits and services from employers and NGOs.

4.1. Context indicators

When comparing social status and societal response indicators, it is easy to end up making statements that one country is doing badly relative to other countries, or that another is spending a lot of money on a specific policy target compared with others. It is important to put such statements into a broader context. For example, national income levels vary across OECD countries. If there is any link between income and health, richer countries might be expected to have better health than poor ones, irrespectively of societal responses. If the purchase of health care services increases with income (as it appears to be the case), rich countries might be expected to spend more on health care (as a percentage of GDP) than poorer countries. This does not mean that the indicators of health status and health spending are misleading: it does mean, however, that the general context behind the data should be borne in mind when considering the implications of indicators.

Many context indicators are of relevance in interpreting several indicators included in this publication. This is true of national income per capita (GE1), which has implications for the quality, quantity and nature of the social protection which individuals desire, but also of age-dependency ratios (GE2), fertility rates (GE3), foreigners and foreign-born population (GE4) and marriages and divorces (GE5). Context indicators are not categorised as falling in any of the four underlying objectives of social policy – equity, self-sufficiency, health or cohesion. Apart from national income, the chosen indicators generally reflect long-term demographic trends and trends in household composition.

List of general context indicators

GE1. National income per capita
GE2. Age-dependency ratio
GE3. Fertility rates
GE4. Foreigners and foreign-born population
GE5. Marriage and divorce

Note: Additional indicators are available on the OECD Web site (www.oecd.org/els/social/indicators).

4.2. Self-sufficiency

All social security systems rely for their funding on contributions by people in work. Most systems in the OECD area achieve this by tying eligibility for social benefits to employment and/or contributory records. Hence, employment for the majority of the population of working age is necessary for the very survival of social security (SS1). In addition to the benefits to society as a whole that it delivers, work provides economic resources, identity, social interaction and status to individuals and their family.

Nevertheless, providing the means to support oneself and one's dependants through work is sometimes an aspiration rather than a reality (SS2, SS3). Labour force participation rates of women – and of mothers in particular (SS4) – vary sharply across countries, reflecting both social differences and the effectiveness of government policies to overcome the barriers faced by women in reconciling work and care responsibilities. Long-term unemployment remains high in many countries, and many young people face difficulties in the transition from school to work (SS9). Labour market disadvantage is often concentrated among low-skilled workers, who in all countries are more likely to find themselves unemployed, non-employed or earning lower wages than their better-educated peers (SS7). Early exit from the labour market often reflects low qualifications and poor re-employment prospects, rather than choice, for persons who are close to retirement age (SS8).

The societal response to these problems has traditionally combined provision of cash benefits to individuals unable to support themselves and interventions aimed at overcoming obstacles to work and facilitate integration into the labour market. When poorly designed, these two set of measures may however contradict each other. Benefits provided by the social protection systems to jobless persons may sometimes inadvertently reduce financial incentives to take up work (SS5), while they are most often not generous enough to escape poverty (SS6). Moreover, social protection systems have to take account of the tax burden on labour that they imply, in order to avoid adversely affecting labour demand.

The table below lists the indicators of social status and societal response that are most relevant for assessing whether OECD countries have been successful in meeting goals for assuring the self-sufficiency of individuals and their families. Indicators shown in *italics* refer to those that, while presented in another sub-section (Section 4.3 through to 4.5), also have a bearing on achieving self-sufficiency.

List of self-sufficiency indicators¹

Social status	Societal responses
SS1. Employment	SS5. Out-of-work benefits
SS2. Unemployment	SS6. Benefits of last resort
SS3. Jobless households	
SS4. Working mothers	
SS7. Educational attainment	
SS8. Age at retirement	
SS9. Youth inactivity	
<i>EQ1. Relative poverty</i>	<i>EQ5. Public social spending</i>
<i>EQ2. Child poverty</i>	<i>EQ6. Private social spending</i>
<i>EQ4. Income of older people</i>	<i>EQ7. Total social spending</i>

1. Indicators in *italics* are those that, while presented in another sub-section, are also relevant for an assessment of self-sufficiency. The list of indicators is affected by data availability.

4.3. Equity

Equity has many dimensions, including access to social services, economic opportunities, and outcomes. Opinions as to what exactly entails a *fair* redistribution of resources or what establishes a *just* distribution of opportunities vary widely within and between countries. Hence, it is not surprising that it is hard to obtain comprehensive information on all aspects of *equity*. Data limitations are compounded by the fact that social services are often delivered by lower tiers of governments and non-government organisations, which makes it even harder to obtain quality data. As a result of these considerations, most of the social status indicators that are relevant for an assessment of equity outcomes are limited to inequality in financial resources.

Relative poverty (EQ1), restricted access to health and other social services, and low levels of literacy and educational attainment are strongly correlated with each other and with the labour market situation of individuals and of their families (SS2, SS3). The current distribution of work within societies raises equity concerns for special groups, in particular for children in their families (EQ3). While income in old age is generally adequate to support living standards following retirement for a large majority of elderly people, some groups of elderly (in particular older women with no own pension rights) remain disproportionately exposed to poverty (EQ4). Many of these trends in poverty have their roots in the forces shaping the distribution of income among individuals and households (EQ2).

Social protection systems are the main tool through which policy-makers have responded to these equity concerns. Regardless of the national differences as to what establishes a fair society, all OECD countries have developed (or are developing) social protection systems that, to a varying extent, redistribute resources within societies and insure individuals against various contingencies. Much of these interventions take the form of public social expenditure (EQ5). In addition, households may have access to social benefits provided through the private sector (EQ6) or through the tax system (EQ7). In all OECD countries, a large share of these resources is devoted to providing income following retirement: indicators of old-age pension replacement rate (EQ8) and pension promise (EQ9) show the long-term impact of existing pension rules and parameters for tomorrow's retirees. In recent years, social policies in most OECD countries have moved towards employment-oriented social policies, in recognition of the fact that getting a job is the most effective tool for obtaining a more equitable distribution of resources.

Equity indicators cannot be disentangled easily from self-sufficiency indicators. Taken together, they reveal how national social protection systems grapple with a recurrent policy dilemma: how to balance adequacy of provisions with sustainability of the system and promotion of self-sufficiency of individuals.

List of equity indicators¹

Social status	Societal responses
EQ1. Relative poverty	EQ5. Public social spending
EQ2. Income inequality	EQ6. Private social spending
EQ3. Child poverty	EQ7. Total social spending
EQ4. Income of older people	EQ8. Old-age pension replacement rate
	EQ9. Pension promise
<i>SS2. Unemployment</i>	
<i>SS3. Jobless households</i>	<i>SS6. Benefits of last resort</i>
<i>SS4. Working mothers</i>	<i>HE4. Total health care expenditure</i>
<i>SS9. Youth Inactivity</i>	

1. Indicators in italics are those that, while presented in another sub-section, are also relevant for an assessment of equity outcomes.

4.4. Health

The links between social and health conditions are strong. Indeed, growth in living standards, accompanied by better access to health care and continuing progress in medical technology, has contributed to a significant improvement in health status, regardless of whether the indicator used is life expectancy at birth or in old age (HE1), health-adjusted life expectancy (HE2) or infant mortality (HE3). However, disparities in health conditions remain large. Poorer countries tend to consistently display lower health outcomes. Within each country, some of the most disadvantaged groups in society – the poor, the less educated, those without jobs – tend to have the higher morbidity and, often, the shortest longevity. As a result, the health status of some categories of the population may not increase, even though national health indicators are improving.

Total health care expenditure (HE4) is part of the policy response of health care systems to concerns about health conditions in general and for specific groups. Indicators of the share of older persons receiving long-term care in institutions or public support at home (HE5) are also included in this section. Nevertheless, it is important to realise that health care systems have difficulty resolving policy challenges that arise from problems outside the health care system. Where a decline in health status is caused by interrelated social conditions such as unemployment and inadequate housing, health care policies alone cannot suffice. Moreover, more than spending levels *per se*, access to health care is also affected by low coverage of medical insurance or by co-payments acting as effective barriers to seeking medical help.⁴

A much broader range of indicators on health conditions and interventions is provided in *OECD Health Data* (OECD, 2004e) and in the companion volume to this report *Health at a Glance* (OECD, 2005b), which is also published on a bi-annual basis.

List of health indicators¹

Social status	Societal responses
HE1. Life expectancy	HE4. Total health care expenditure
HE2. Health-adjusted life expectancy	HE5. Long-term care
HE3. Infant mortality	
<i>EQ1. Relative poverty</i>	<i>EQ7. Total social spending</i>
<i>CO5. Drug use and related deaths</i>	

1. Indicators in italics are those that, while presented in another sub-section, are also relevant for an assessment of equity outcomes.

4.5. Social cohesion

Simultaneously promoting social cohesion and combating social exclusion are central goals for social policy in many OECD countries. However, there is no commonly accepted definition of either social cohesion or social exclusion, which makes identifying suitable indicators all the more difficult. The approach taken in this volume is to assess social cohesion through indicators which identify the extent to which citizens participate in societal life and derive satisfaction from their daily activities. Frequency of contacts with other persons in socialising activities (CO2) and membership in groups and associations (CO3) are two important dimensions of the extent to which individuals are well integrated and taking part in social life.⁵ Survey data on subjective life satisfaction (CO1) are also important “direct” measures of the well-being of individuals and of the cohesion in society as whole: while this indicator is included for the first time in *Society at a Glance*, the consensus from the substantial literature that has developed on the validity and comparability of these data is that responses to questions about one’s own happiness and life satisfaction are meaningful and reasonably comparable across groups of individuals and countries.

It is easier to identify indicators of various pathologies and conditions that put affected individuals at greater risks of exclusion from mainstream society. Both suicide rates (CO6) and drug use and related deaths (CO5) point not just to personal breakdown, but also to risks of social exclusion. Similarly, the prevalence of teenage births (CO4) can indicate risks of social exclusion and social distress for both the affected mothers – who most often leave the education system without qualifications, and face barriers in getting a foothold in the labour market – and their children. Beyond these indicators of *social status*, *context* indicators, which describe the general condition of the population, highlight the existence of different groups and households within society, some of which may be at special risk of social exclusion.

It is much more difficult to identify relevant response indicators. Few interventions are specifically directed at alleviating or remedying the consequences of the various dimensions of social exclusion identified in this report, while – conversely – all of the policies that are relevant to other dimensions of social policy (self-sufficiency, equity and health) will also impact on social cohesion.

List of social cohesion indicators¹

Social status	Societal responses
CO1. Subjective well-being	
CO2. Social isolation	
CO3. Group membership	
CO4. Teenage births	
CO5. Drug use and related deaths	
CO6. Suicides	
<i>SS2. Unemployment</i>	
<i>SS3. Jobless households</i>	<i>EQ5. Public social spending</i>
<i>EQ1. Relative poverty</i>	<i>EQ6. Private social spending</i>
<i>SS9. Youth Inactivity</i>	<i>EQ7. Total social spending</i>

1. Indicators in italics are those that, while presented in another sub-section, are also relevant for an assessment of equity outcomes.

5. What you can find in this publication

For each issue covered in this report, the text describes the scope and definition of the relevant indicator(s), what can be discerned from the underlying data and what measurement problems, if any, may exist. Countries differ in too many ways for it to be possible to pretend that some of the indicators are precisely defined: there are, inevitably, differences in data quality across countries. Where this is the case, the text tries to make this explicit. For example, the indicator of poverty shown in this report is not fully standardised: as a result, small differences in the value of the indicator between two countries may reflect “statistical noise” rather than real differences in underlying conditions. On the other hand, changes within a country over time are usually much reliable.

The “definition and measurement” box is followed by a section which describes trends and cross-country differences in the indicator, and provides some explanation as to why these may occur. This volume does not describe individual country experiences at length. In general, each indicator contains information for one year and for all OECD countries for which information is available, and presents trends for a selection of countries. In some cases, information is also presented on values of the indicator by gender, age, etc., but this varies with data availability. The text describing each indicator also draws attention to the links between the indicator in question and other indicators. Each section also contains cross-references to other social indicators (excluding context indicators). Evidence is presented in the form of charts and tables, and each section provides selected references for “further reading” and the full titles of publications from which the indicators are derived.

5.1. What you can find elsewhere

For the vast majority of indicators, the data underlying the charts and tables can be disaggregated by age of individuals, gender, and family type. Time-series data are nearly always available. But short of having an extraordinarily long publication, it is not possible to publish all these different dimensions of all the indicators collected. The raw data underlying each individual indicator are available on the OECD Web site (www.oecd.org/els/social/indicators) or, for the “electronic books”, by clicking on the “source” of each table and chart.

Notes

1. The PSR framework is in turn a variant of an approach which has also given rise to the “Driving force – State – Response” (DSR) model used by the UN Committee for Sustainable Development; and the “Driving force – Pressure – State – Impact – Response” (DPSIR) model used by the European Environment Agency.
2. This grouping differs somewhat from the PSR model. In the environmental indicators, pressure indicators relate to flows (emissions, waste generation, and resource use) that affect stocks of environmental goods (water or air quality, bio-diversity), while response indicators may refer to either flows or stocks. There is no corresponding analogy in social policy: whilst it is often possible to separate flow and stock data (“flows onto benefit”, “number of people on benefit at any one point in time”), this will not always be true for all policy areas.
3. For example, emission of some airborne pollutants is a key indicator determining the quality of air, land and water resources (OECD, 2004d).
4. Insufficient medical services in some geographical regions can also lead to implicit rationing to which better regional planning may offer solutions.
5. Hence, these two indicators capture an important dimension of *social capital*, i.e. “the networks of shared norms, values and understanding that facilitate co-operation within and between groups” (OECD, 2001).

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PART II

OECD Social Indicators

Definition and measurement

GDP per capita is the most commonly used indicator of living standards across countries. It is, however, a partial measure of individual and societal well-being, which needs to be complemented with other indicators presented in the remainder of this publication to get a better appreciation of social conditions. As an indicator of individual's living standard, measures based on market transactions exclude dimensions such as security, leisure time, informal activities and home production such as caring for one's own children, while it includes "defensive" expenditures such as those related to reducing pollution or associated with legal litigation that do not increase individual well-being but only mitigate the consequences of economic growth. As an indicator of societal living standards, it excludes depletion of both produced and non-produced assets (e.g. natural resources) that are critical for the sustainability of economic processes.

Measures of GDP per capita, as calculated here, are based on the expenditure-based measure of GDP, i.e. the sum of gross final expenditure on the domestic supply of goods and services less imports (SNA, 1993). Expenditure is measured at market prices, i.e. including the value of indirect taxes on goods and services less subsidies. To be compared across countries, values of GDP denominated in each country's domestic currency are converted into a common unit based on purchasing power parities (PPP), which reflect the amount of national currency needed in each country to buy the same basket of goods that can be purchased with 1 US dollar in the United States. Nominal values of GDP, at PPP rates, are divided by estimates of the total resident population of each country.

Since the comparison presented in the last edition of *Society at a Glance*, which referred to the year 2000, cross-country differences in per capita GDP in 2003 have increased marginally within the OECD area (Chart GE1.1). While Turkey and Mexico, the two countries with the lowest levels of GDP per capita, show small gains, in some higher-income countries the rise since 2000 has been close to 15% or higher. Nearly two thirds of OECD countries had in 2003 a per capita income exceeding USD 25 000, whereas this proportion was closer to one half in 2000. GDP per capita in Luxembourg is almost twice this average level, while in Turkey it is only slightly above one quarter.

While per capita GDP is only a partial proxy of social conditions in each country, it does provide the material resources through which a range of social concerns are addressed. Indeed, as shown in Chart GE1.2 (left-hand panel), the relationship between levels of GDP per capita and those of (gross) total social expenditure per capita (EQ5, EQ6) is very close. Two of the OECD countries with the highest income level, Luxembourg and Norway, also record the highest level of public social spending per capita in 2001. Denmark, Sweden, Switzerland and France spend significantly more on social expenditure than might be expected given their per capita GDP. Conversely, the United States, Japan, Korea and Ireland spend significantly less for social purposes

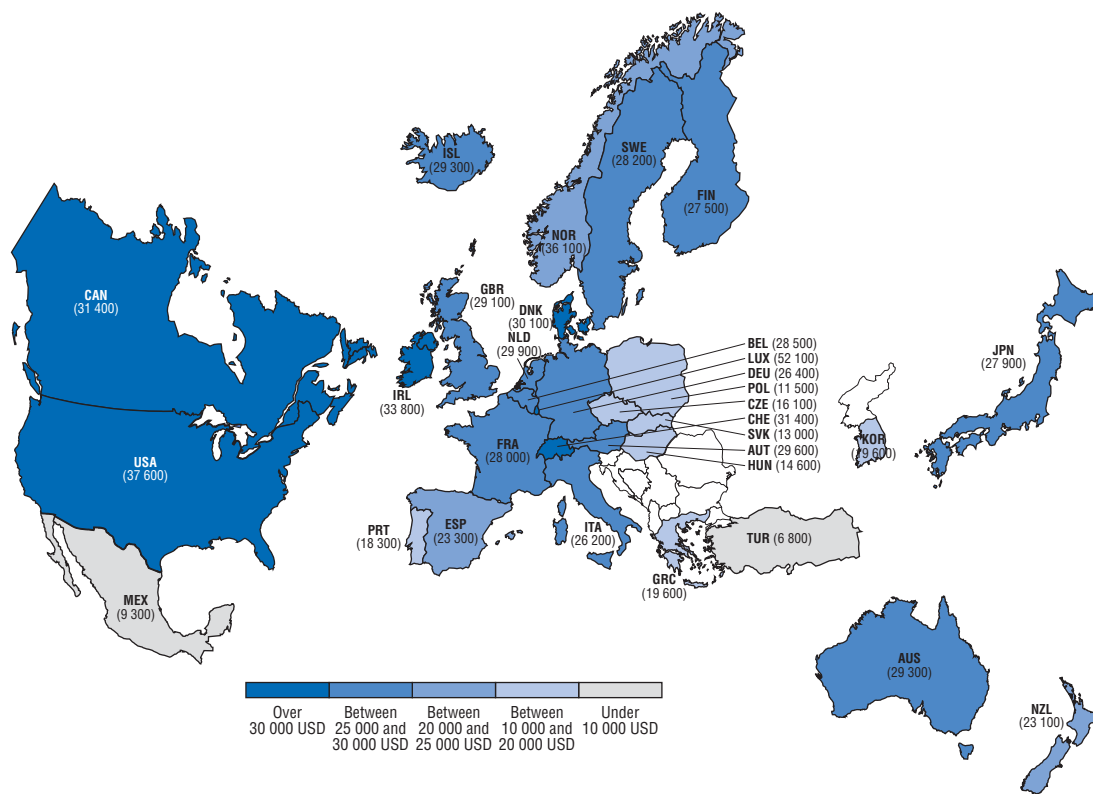
than might be expected given their income levels. Gross spending data, however, omit tax reductions and rebates provided for social purposes (e.g. related to private pensions), which are significant in some countries (EQ7).

There are a number of explanations as to why the relationship between (gross) total social expenditure per capita and GDP per capita is very tight. Much social expenditure takes the form of income replacement – benefits paid to those without work or elderly. As a country gets richer, benefit payments increase. Other types of social expenditure reflect, in effect, the costs of services – medical or child care, for example. As the earnings of these service providers increase with per capita income, so does social expenditure. Because of these reasons, higher GDP per capita does not reduce the demand for social protection. Indeed, some social expenditure items (e.g. health care) are highly income elastic – as per capita income increases, so does individual demand for social protection.

An alternate measure of total social spending is expenditure as a percentage of GDP. As shown in the right-hand panel of Chart GE1.2, Sweden outspends all other countries, once again accompanied by Denmark and France. This measure shows a broader dispersion of countries. Although the relation with GDP per capita is generally positive, there are several outliers.

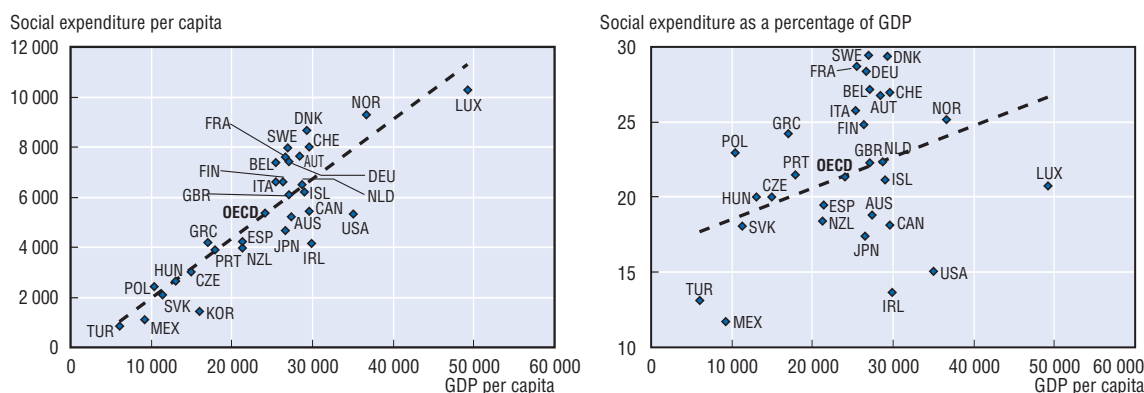
GE1.1. GDP per capita across OECD countries in 2003

OECD unweighted average GDP per capita in current US dollars using PPPs: 25 600 USD



GE1.2. Gross total social expenditure and GDP per capita

In current US dollars using PPPs, 2001



Note: Total social expenditure includes public and mandatory private expenditure.

Source: OECD (2004), *National Accounts of OECD Countries, Main Aggregates*, Vol. 1, OECD, Paris; OECD (2004), *OECD Social Expenditure Database 1980-2001*, OECD, Paris.

StatLink: <http://dx.doi.org/10.1787/773776625503>

Further reading: ■ Arjona, R., M. Ladaque and M. Pearson (2001), "Growth, Inequality and Social Protection", *Labour Market and Social Policy Occasional Papers*, No. 51, OECD, Paris. ■ SNA (1993), *System of National Accounts*, CEC-EUROSTAT, IMF, OECD, UN and the World Bank, Brussels/Luxembourg, New York, Paris and Washington DC.

Definition and measurement

The number of people who benefit from age-related social programmes such as old-age pensions is greatly influenced by demographic factors. Two factors are important: individual ageing, i.e. increased life expectancy after retirement; and population ageing, i.e. the increasing share of the population in older age groups. A useful way of assessing the degree of population ageing is the old-age dependency ratio, which compares the number of individuals aged 65 and over to the population of working age. Similarly, the youth dependency ratio (the ratio of persons aged below 15 to the population of working age) also provides an indication of perspective age imbalances, as projected declines indicate a fall in the working-age population in the future.

Age dependency ratios contribute to defining the global environment in which social policy operates rather than the specific challenges that it need to address. For example, the working-age population is an imperfect indicator of the number of contributors to social security in the future, and age-related expenditures (such as health and long term care costs) are difficult to extrapolate into the future. Projections of age dependency ratios shown in this section are drawn from the United Nations World Population Prospects (2003).

Age-dependency ratios are projected to increase steeply throughout the OECD area over the next 50 years. From the perspective of social policy it is important to consider not only the level of age dependency ratios expected in the year 2050, but also the path of these rates from now until then. The financing of pensions, health, long term care, as well as family benefits and the education costs of the younger generation will depend on how the demographic structure of each country changes through time. Factors driving these changes include the ageing of the baby-boom generation, falling fertility rates in most OECD countries and increasing life expectancy at birth and in old age.

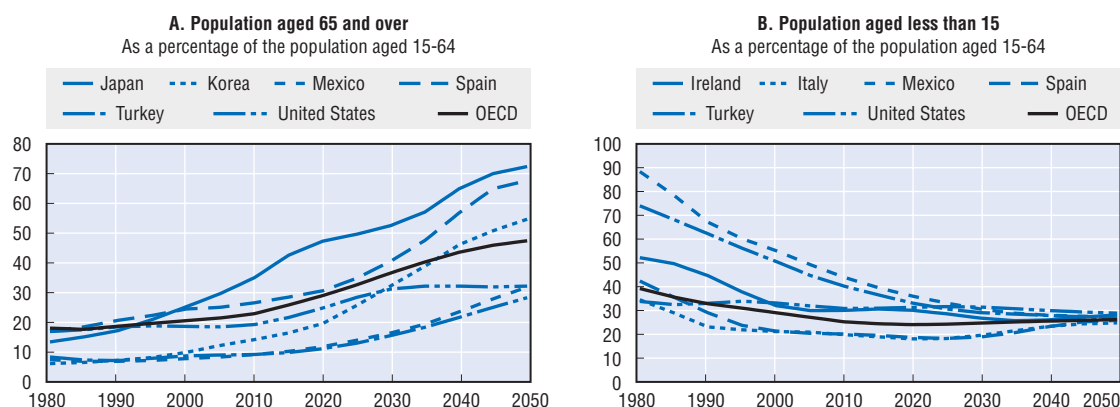
In the year 2000, the ratio between the number of individuals aged 65 and over to the population of working age ranged between less than 10% in Korea, Turkey and Mexico, to more than 25% in Sweden, Italy, Greece, Belgium and Japan. For the OECD area as a whole, there was one person above the age of 65 for every five of working age. This ratio is expected to more than double by 2050, reaching a level close to one elderly person for every two of working age (Chart GE2.1, left-hand panel). The period of steepest growth in the old-age dependency ratio is from 2010 to 2040. In Japan, old age dependency is projected to increase steadily over time, reaching the highest level (72% in 2050) among OECD countries. The effect of the ageing baby-boom generation is especially evident in the growth path of the elderly dependency ratio for the United States, which rises sharply from 2010 to 2030, and then tapers off. Conversely, in Spain, where the decline in fertility rates occurred

later, the old-age dependency ratio increases strongly after 2025, reaching a level close to 70% by 2050. Similarly, a late rise is expected in Turkey and Mexico, where (as in Korea) UN projections of rapid convergence in fertility rates towards the levels prevailing in other OECD countries lead to a delayed upturn in old-age dependency ratios.

Lower fertility in these latter countries also implies a rapid fall in youth dependency ratios since 1980, which will continue until 2020 (Chart GE2.1, right-hand panel). The youth dependency ratio also declined significantly over the last two decades in Ireland, bringing it closer to the OECD average of around one young person for every four of working age. For the OECD areas as a whole, the youth dependency ratio is projected to remain broadly stable over the next 50 years, with most countries converging towards this level throughout this period.

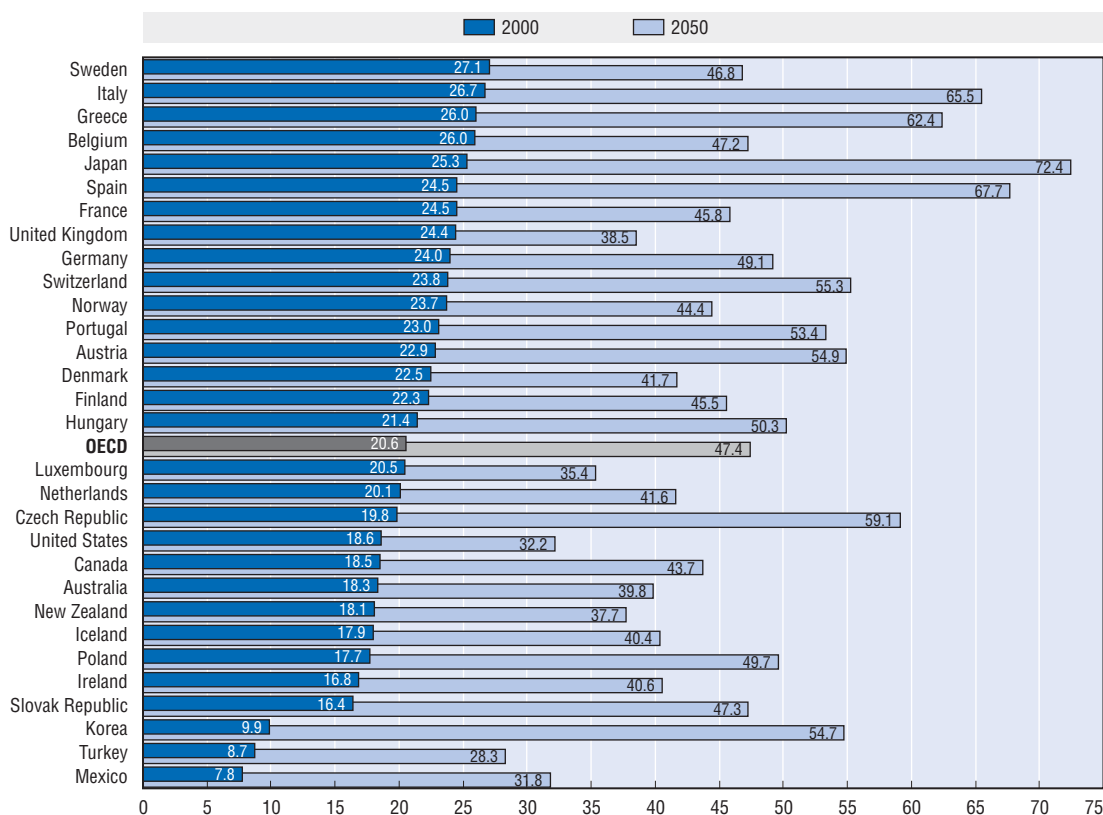
There is more diversity across OECD countries in the projected growth rates of the old-age dependency ratio over the next 50 years than in the levels of these ratios in 2000 (Chart GE2.2). In the three countries where the ratio is the lowest (Korea, Turkey and Mexico), projected growth is largest, pointing to convergence towards the OECD average. The old-age dependency ratio is expected to almost triple in Japan, Spain, Poland, the Czech and Slovak Republics. Such dramatic changes to population structure will have important consequences for social policy and tax systems, altering the demographic framework in which reforms must be made.

GE2.1. Age-dependency ratio from 1980-2050 (projections)



GE2.2. The old-age dependency ratio will more than double to almost 50% in the OECD by 2050

Population aged 65 and over, relative to the population aged 15-64, 2000 and 2050



Note: Countries are ranked in decreasing order of the old-age dependency ratio in 2000.

Source: United Nations (2003), *World Population Prospects: The 2002 Revisions (Medium variant)*, New York.

StatLink: <http://Dx.doi.org/10.1787/484207813736>

Further reading: ■ Dang, T.T., P. Antolin and H. Oxley (2001), "The Fiscal Implications of Ageing: Projection of Age-Related Spending", Economics Department Working Papers, No. 305, OECD, Paris.

Definition and measurement

The “total fertility rate” in a specific year is the number of children that would be born to each woman if she were to live to the end of her child-bearing years and give birth to children at each age in agreement with prevailing age-specific fertility rates. A total fertility rate of 2.1 children per women ensures broad stability of the population (on the assumptions of no migration flows and no declines in mortality). While the total fertility rate of each country does not depend on the age structure of the population, it is affected by changes in the timing of births. This can be measured by the “mean age of mothers at first birth”, which reports the average age of the mother at the date of her first child. Another important indicator for assessing demographic conditions in each country is the “completed fertility rate”, which measures the number of children that a cohort of women who have reached the end of their childbearing years had during their reproductive life. The completed fertility rate is measured by cumulating age specific fertility rates in a given cohort as they aged from 15 to 49 years.

Data on total fertility, completed fertility, and mean age mothers at first births are derived from the annual publication of the Council of Europe (2003), Eurostat and national sources.

Total fertility rates declined dramatically over the past few decades, falling on average from 2.7 in 1970 to 1.6 children per women of childbearing age in 2002 (Chart GE3.1). By 2002, the total fertility rate was below its replacement level of 2.1 in all OECD countries except Mexico and Turkey.

Fertility rates depend on complex relationships between individual behaviours (across social groups, *e.g.* income, education, religion) and the social and historical context of each country. In this sense, each country shows a specific path to low fertility, with some factors contributing more than others to the fertility decline. These include a rise in individualism and consumerism, postponement of marriage, the diffusion of new living arrangements, and delays in leaving the parental home for youths (especially in Southern Europe). For example, low fertility rates in Southern Europe are associated with extremely late marriage and low births outside marriage. In northern Europe, births outside of marriage are significantly higher.

In all OECD countries, fertility rates have declined for young women and increased at older ages. Postponement of childbearing is reflected in higher mean age at first childbirth (Chart GE3.2, right-hand panel). Such postponement – the outcome of changes in women’s roles in societies, in particular with respect to paid work – has been identified by

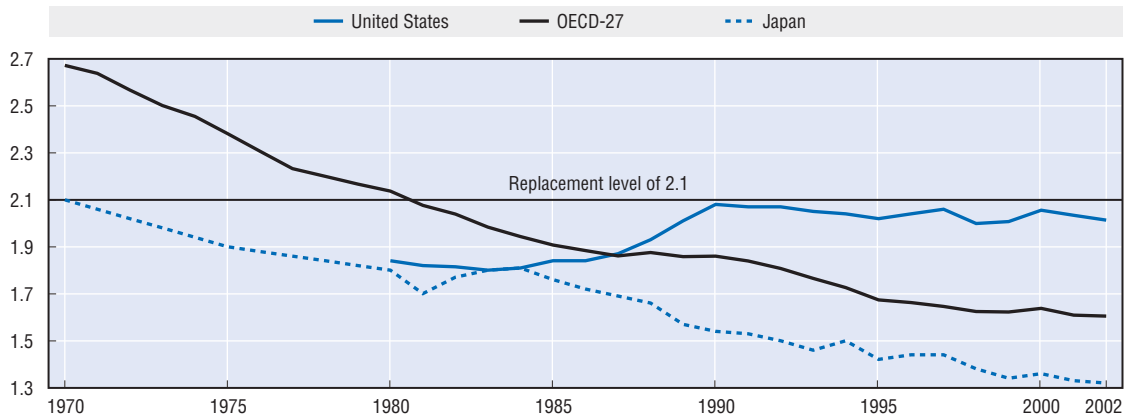
Lestaeghe and Moors (2000) as the most important element of what has been labelled as the “second demographic transition” of OECD countries.

To the extent that lower fertility mainly reflects shifts in the timing of births, the decline in total fertility rates could be reversed in the future. While such fertility “recuperation” has occurred in some countries, changes in fertility behaviour for younger cohorts suggest that low fertility will persist in the future. Completed fertility rates, for cohorts born in 1960 and 1965, are indeed well below the replacement level in all OECD countries except Ireland, Iceland and New Zealand.

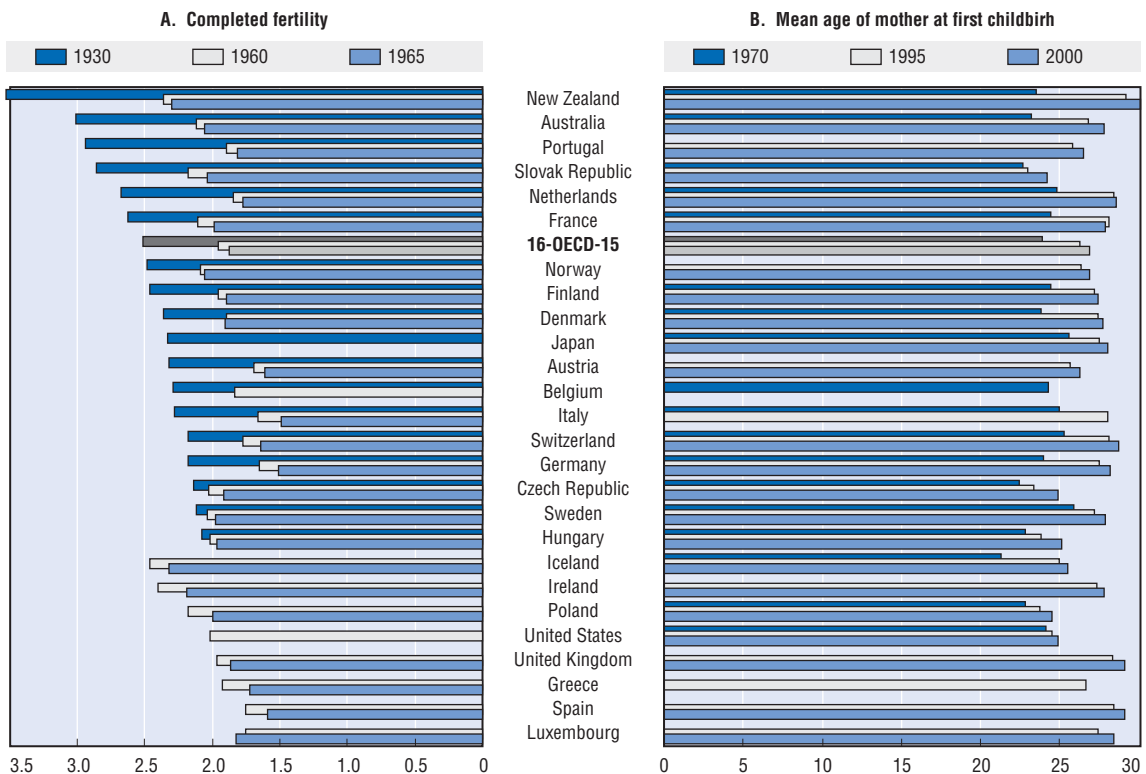
Because of their impacts, many OECD countries are considering how their policies may directly or indirectly affect fertility behaviours. Family-friendly policies, by making it easier for women to combine childrearing with their education and work career, may indirectly play a role in raising low fertility. Policies with respect to taxes, education, social assistance and retirement may also have a bearing on women’s reproductive decisions. Whether countries should have explicitly pro-natalist policies is another matter. Whatever the choices of OECD countries in this respect, however, the specific factors at work in each country suggest that “one-size-fit-all” policies are unlikely to be effective.

GE3.1. Total fertility rates below replacement levels in most OECD countries

Total fertility rates from 1970 to 2002



GE3.2. Decline in completed fertility and increase in mean age of mother at first childbirth



Note: Countries are ranked in decreasing order of completed fertility for women born in 1930.

Source: Council of Europe (2003), *Recent Demographic Development in Europe, 2002*; Eurostat and national statistical offices.

StatLink: <http://dx.doi.org/10.1787/426518142513>

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Definition and measurement

Immigration is an essential feature of OECD societies, and its importance could increase further in the future. Despite its relevance in a variety of settings, major differences exist in the ways OECD countries define “immigrants”. In some cases, immigrants are persons who do not have the nationality of the host country. In others, they are persons born abroad, implying that their naturalisation and fertility do not affect their number. Two indicators have been selected: the proportion of foreigners/foreign-born people in the total population; and the change in their numbers between 1992 and 2002. Illegal immigrants are not explicitly included in these statistics. Every year, the OECD publishes *Trends in International Migration* which provides a consolidated analysis of recent trends and migration policies in OECD countries.

The size of the “immigrant” population varies significantly across OECD countries. The proportion of the foreign-born population is especially high in Australia, where it accounts for almost one quarter of the resident population (Chart GE4.1); in the United States, the proportion is about 11%, while in Mexico it is less than 1%. Cross-country differences in the share of their foreign population are as large. In European countries, the proportion of foreigners is highest in Luxembourg and Switzerland, where it reaches 20% or more; it ranges between 8 and 10% in Austria, Germany and Belgium, between 4 and 5% in the United Kingdom and France, and less than 3% in countries where immigration is a recent phenomenon. The foreign population is less than 1% in Korea and some East European countries.

In most countries, the number of foreigners/foreign-born persons has increased over the past ten years (Chart GE4.2). The increase is especially large in the Czech Republic and Korea, in Spain and Portugal, and in the Slovak Republic. The fourfold increase in Korea is partly attributable to the low naturalisation rate and to the increase in net inflows from neighbouring countries. Southern European countries, on the other hand, have become new immigration countries. In Spain, the number of

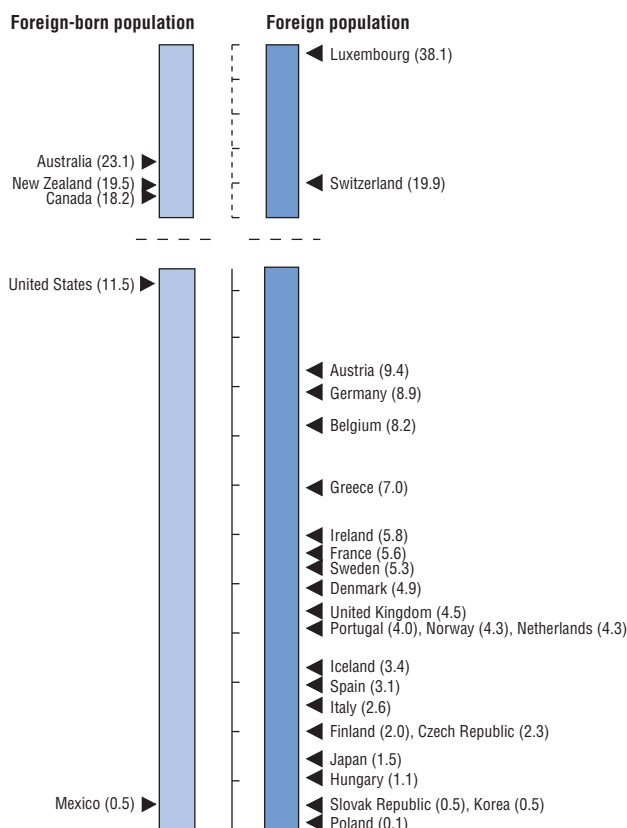
foreigners tripled in 10 years, at the same time as naturalisations also increased strongly. In Italy and Portugal, the doubling of the foreign population reflected immigration from Morocco, Albania and former Portuguese colonies. Belgium, France, the Netherlands and Sweden are partial exceptions to these increases, as the high rate of naturalisations in these countries (around 5 to 9% of the foreign population in 2002) offset higher inflows. In Hungary, the decline of foreigners over the period reflected migrants returning to their countries of origin (e.g. Romania, former-Yugoslavia, Poland and the Slovak Republic).

Demographic projections (GE2) point to a long-term decline in the labour force of OECD countries that could be cushioned, to some extent, by higher inflows of foreign workers. Yet higher migration will only partly reduce the burden that population ageing implies for public spending, as migrants gain rights to social protection. Furthermore, the presence of a foreign population can sometimes lead to social strains when immigrants face difficulties in adapting and integrating into host countries. Such strains may be exacerbated in areas experiencing high unemployment, and can continue to affect second-generation migrants.

GE4. FOREIGNERS AND FOREIGN-BORN POPULATION

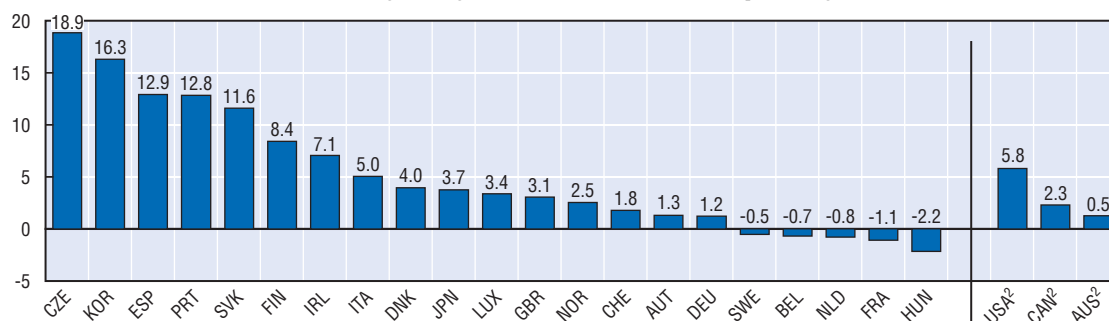
GE4.1. Large differences in the proportion of foreign population/foreign-born population across OECD countries

Foreign population/foreign-born population, as a percentage of the total population, in 2002



GE4.2. Increase in the foreign population/foreign-born population between 1993 and 2002 in a majority of OECD countries

Annual average change between 1992 and 2002,¹ in percentage



1. Annual average change between 1992 and 2002, except for Canada (1991-2001), France (1990-99), Hungary (1994-2002), Slovak Republic (1995-2002), and the United States (1994-2002).

2. In the case of Australia, Canada and the United States, the change concerns the foreign-born population.

Source: OECD (2004), *Trends in International Migration*, OECD, Paris (see also www.oecd.org/els/migration).

StatLink: <http://dx.doi.org/10.1787/755816181665>

Further reading: ■ United Nations (2003), *World Population Prospects: The 2002 Revisions*, New York. ■ OECD (2005), *Trends in International Migration*, OECD, Paris.

Definition and measurement

Indicators of marriage and divorce can only give an incomplete perspective on the structure of families within society. The crude marriage rate expresses the number of legal union formations in each year as a ratio to the total population. Similarly, the crude divorce rate reveals the number of these same legal unions dissolved in a given year, also expressed with respect to population size. Both measures disregard families based on informal partnerships by failing to take into account cohabitating non-married couples and married but separated spouses. Indicators based on legal record data may not be ideal, but alternative survey-based measures of entry into and exit from *de facto* unions have problems related to data availability and statistical reliability.

The divorce rate per 100 marriages compares the number of divorces in a given year to the number of marriages in the same year. This definition is more standardised across countries than divorce rates by year of marriage derived from duration data. However, this indicator should be carefully interpreted, as the ratio can be stable because marriage and divorce rates have both increased in the same proportion. The duration of marriage reported is the mean number of cohabitating years at the time of divorce, except where noted.

Significant changes to socio-economic factors throughout the 1960s and 1970s have had a profound impact on the social norms in OECD countries. Higher levels of prosperity, modifications to the traditional male-female domestic roles, rises in female labour market participation and the resulting economic independence of women have altered the conventions related to not only family formation, but also family dissolution. These factors can explain both changing trends in marriages and divorces over time and cross country variations across the OECD.

In many OECD countries, marriage rates have been decreasing throughout the period 1970 to 2001 (Chart GE5.1) as informal living arrangements and *de facto* unions have become more common. The financial security once afforded by married status has become less relevant. Prior to 1985, there were dramatic declines in marriage rates, but these have tapered off since then in most countries (with the main exception of the United States, where a continuous decline has persisted since 1980). In some Nordic and Western European countries, in particular Denmark and France, but also in Japan, marriage rates have slightly rebounded since the early 1990s.

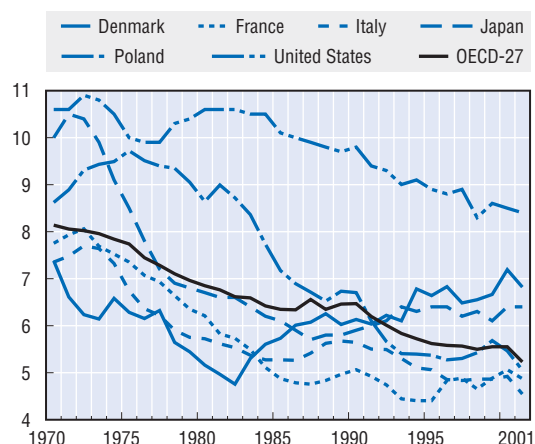
In addition to the aforementioned socio-economic factors, changes in society's attitudes towards divorce, as well as legislative reform in the 1970s, have translated into significant increases in divorce rates in most countries. On average, for the OECD countries considered, the trend divorce

rate has increased from 1970 to 2001 (Chart GE5.2). However, in the latter half of the period, the increase has been more gradual. In a large number of countries, including France and Japan, "crude" divorce rates are closely clustered around the OECD average. Nevertheless, since 1980, this increasing trend has not been universal, with rates in some countries remaining stable, or even falling. Denmark and Poland, with rates fluctuating around an otherwise stable level, are typical of most Nordic and Eastern European countries. Since 1980, the divorce rate has declined strongly in the United States, along with a similar steady decline in the "crude" marriage rate.

Divorce rates, expressed as a proportion of marriages, vary significantly across OECD countries (Chart GE5.3). In the countries where rates are lowest, tradition and religious considerations are important determinants, as are the legal restrictions in obtaining a divorce (*e.g.* Ireland). In around a third of all OECD countries, this rate exceeds 50%, while in Belgium the number of divorces is more than two thirds the number of marriages celebrated in the same year. Divorces, as a ratio of marriages, have increased significantly since 1995 in Korea, Portugal, Luxembourg and Austria. There is no generalised correlation between divorce rates, as measured in Chart GE5.3, and mean duration of marriages at divorce, except for those countries where divorce rates are the lowest (below 35), which tend to report the highest durations of marriage.

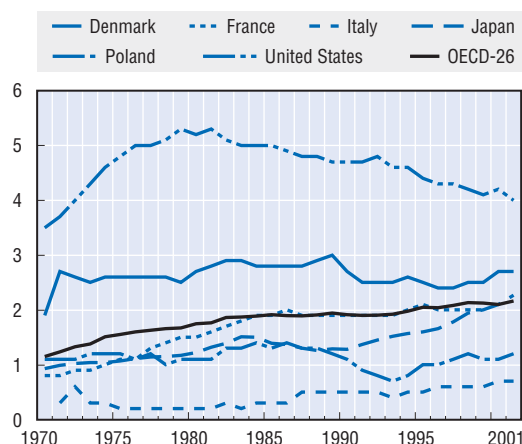
GE5.1. Strong decline in the crude marriage rate in many countries

Marriages per 100 000 population, 1970 to 2001



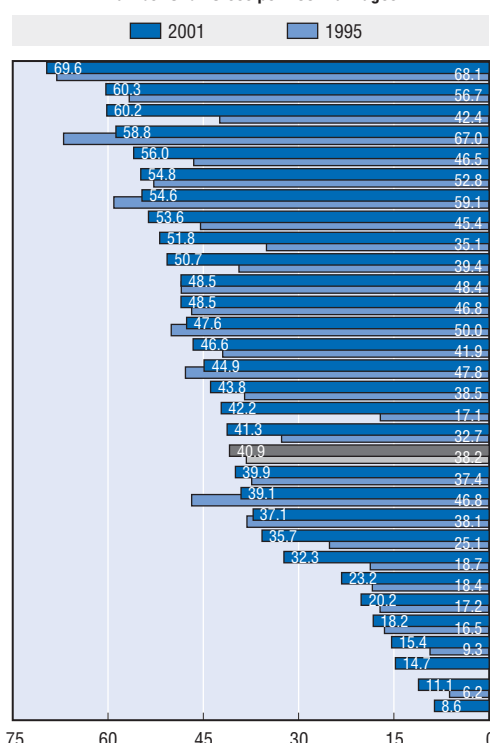
GE5.2. Gradual increase in the crude divorce rate

Divorces per 100 000 population, 1970 to 2001

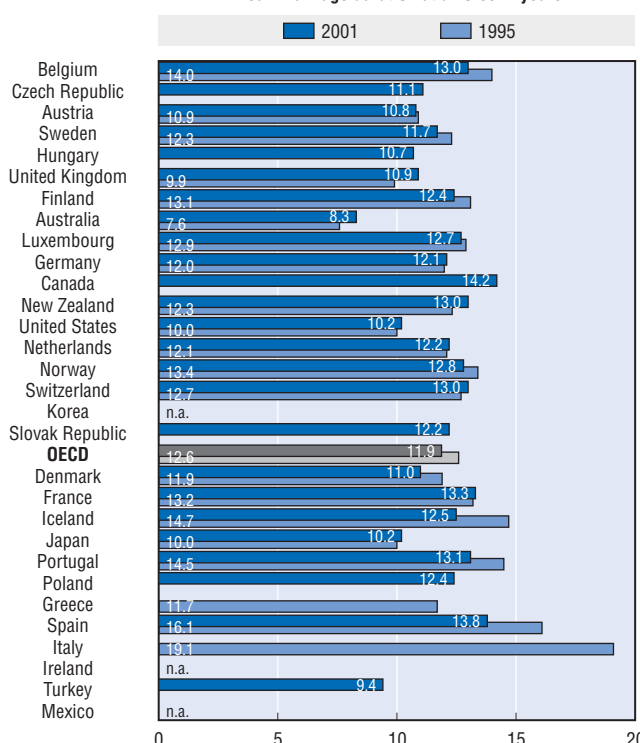


GE5.3. The ratio of divorces to marriages increased in most countries from 1995 to 2001

Number of divorces per 100 marriages



Mean marriage duration at divorce in years



Note: Duration data for the United Kingdom is median marriage duration at divorce for England and Wales. Median marriage duration at divorce for New Zealand and at separation for Australia. Mean duration data for Turkey is for the year 2000. Countries are ranked by descending order of the ratio of divorces per 100 marriages in 2001.

n.a. = not available.

Source: Eurostat NewCronos; Council of Europe Demographic Trends; national statistical institutes.

StatLink: <http://dx.doi.org/10.1787/467551243030>

Further reading: ■ Lambert, A.M. (2002), "Divorces: Facts, Causes and Consequences", *Contemporary Family Trends*, The Vanier Institute of the Family, Ottawa. ■ Martin, G. and V. Kats (2003), "Families and Work in Transition in 12 Countries, 1980-2001", *Monthly Labour Review*, September. ■ US Census Bureau (2001), "America's Families and Living Arrangements", *Current Population Reports*, Washington DC.

Definition and measurement

The definition of work is nearly as complex as each individual's motivation for undertaking it. The diversity of employment goals such as financial gain, self-fulfilment, social interaction, intellectual stimulation and career advancement gives rise to an equally diverse range of employment situations. In the past, full-time salaried workers were predominant in the labour force. Today, standardised definitions of employment must make clearer distinctions, because of the rising importance of part-time, flexible working hours, temporary contracts, self-employment and consultancies, not to mention informal employment, occasional work and volunteer work.

The International Labour Organisation (ILO) definition of employment, as implemented in labour force surveys of OECD countries, considers a person as "employed" if he/she works for pay, profit or family gain (in cash or in kind), for at least one hour per week, or is temporarily absent from work because of illness, holidays or industrial disputes. The employment/population ratio presented here is the proportion of the population of working age (persons aged between 15 and 64) who are self-employed or in paid employment. Temporary workers – the special focus of this section – are employees in jobs of limited duration: they include fixed-term contracts, daily work, seasonal work, etc. The *OECD Labour Force Statistics 1983-2003* (published in 2004) provide a detailed description of how this definition is applied in member countries. Data on employment and temporary work are generally gathered through national labour force surveys, which do not capture informal employment. Efforts to estimate informal employment force have gained importance with the increased interest in policies to promote the transition to declared employment. OECD (2004) provides a detailed discussion of the policy issues and recent estimation methods.

The proportion of the working-age population in employment increased strongly over the second half of the 1990s in most OECD countries, primarily as a result of favourable economic conditions. The improvement in employment rates has, however, come to a halt since 2001. In the two years to 2003, employment rates continued to increase in Greece, Spain and Italy, while they decreased significantly in Turkey, Poland and the United States. On average, employment rates declined both in the OECD as a whole and in the 19 countries of the European Union. By 2003, the employment to population ratio was close to 65% on average, but significantly higher in Iceland, Switzerland and Norway (Table SS1.3).

In most OECD countries, female employment to population ratios have continued to increase since 2001, continuing the trend over the last two decades (Chart SS1.1). Despite this increase, however, the "gender gap" in employment rates remains substantial (close to 10 points, on average) in most OECD countries.

Employment among older workers (55-64 years) has also increased in almost all countries since 2001, due to delayed entry into retirement. Conversely, employment of younger workers (15-24) decreased in most countries over the same period, with France as the most notable exception. Youth employment-to-population ratios are much lower than the OECD average rate of 43% in Belgium, France, Greece,

Hungary, Italy, Korea, Poland, the Slovak Republic and Turkey.

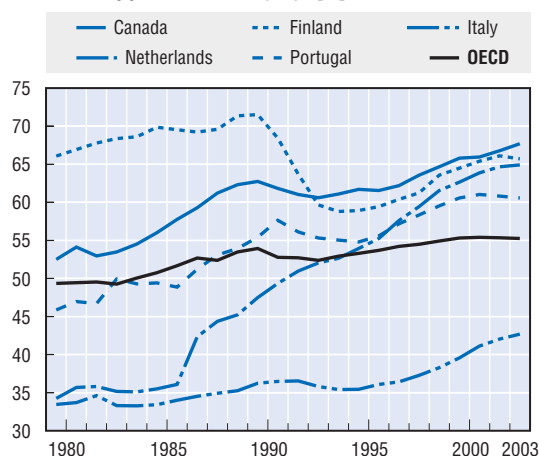
The incidence of temporary employment has risen significantly in many OECD countries, for both men and women, since the levels prevailing in the early 1990s. Women are more likely to be in temporary employment than men (Table SS1.3), except in the Eastern European countries and Mexico. Temporary work is well above average in Mexico, Poland, Spain and Portugal, and has increased sharply since the mid-1990s in the latter country (Chart SS1.2) as a result of labour market reforms and rapid economic growth. In other countries such as Japan, the shift towards temporary employment has been more gradual, resulting from changes in cultural factors, and social attitudes towards work. The easing of regulations on temporary employment in many OECD countries since the mid 1980s has contributed to greater incidence of temporary work, particularly in countries where employment protection laws concerning permanent contracts are strict (OECD, 2004).

Status indicators: Unemployment (SS2), Working mothers (SS4), Age at retirement (SS8).

Response indicators: Out-of-work benefits (SS5).

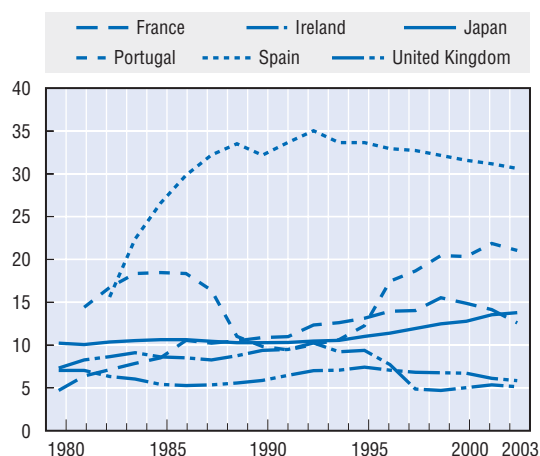
SS1.1. Strong increase in female employment rates

Female employment as a percentage of female working age population



SS1.2. Broad variation in shares of temporary employment

As a percentage of dependent employment



SS1.3. Employment indicators, 2003

Employment/population ratio (as a percentage of working age population)							Incidence of temporary employment (as a percentage of total dependent employment)		
Total	Age group			Men	Women	Total	Men	Women	
	15-24	25-54	55-64						
Australia	69.3	59.9	76.9	50.1	76.4	62.2	..	..	..
Austria	68.7	51.5	83.7	30.1	76.0	61.5	7.2	7.5	6.8
Belgium	59.3	27.1	76.1	28.1	67.1	51.4	8.6	6.4	11.3
Canada ¹	72.1	57.8	80.6	53.0	76.5	67.7	13.0	12.4	13.6
Czech Republic	64.9	31.4	81.7	42.3	73.4	56.3	9.9	9.2	10.7
Denmark	75.1	59.4	83.5	60.7	79.7	70.5	9.6	7.9	11.3
Finland	67.4	38.5	81.1	49.9	69.0	65.7	16.4	12.8	20.0
France	62.7	29.8	79.3	36.8	68.9	56.7	12.6	11.2	14.1
Germany	64.6	42.4	78.2	39.0	70.4	58.7	12.2	12.1	12.3
Greece	58.0	26.3	72.6	41.9	72.5	44.0	11.1	9.7	13.2
Hungary	57.0	26.7	73.7	29.0	63.4	50.9	7.5	8.3	6.7
Iceland ²	82.8	59.4	90.0	87.2	85.7	79.8	9.6	9.5	9.7
Ireland	65.0	45.8	76.0	49.3	74.5	55.4	5.1	4.3	6.0
Italy	56.2	26.0	70.8	30.3	69.7	42.7	9.5	7.9	11.8
Japan	68.4	40.3	78.3	62.1	79.8	56.8	13.8	7.9	22.2
Korea	63.0	30.8	73.1	57.8	75.0	51.1	..	..	..
Luxembourg ²	63.6	32.3	79.1	27.9	75.5	51.5	4.3	4.0	4.7
Mexico	59.6	44.7	68.1	53.8	82.0	39.4	20.6	25.8	10.6
Netherlands	72.7	65.4	82.1	43.5	80.2	64.9	14.6	12.8	16.7
New Zealand	72.5	56.6	79.8	64.4	79.3	65.8	..	..	..
Norway	75.9	55.3	83.0	68.8	78.8	72.9	9.4	7.7	11.3
Poland	51.4	19.6	67.6	28.6	56.7	46.2	19.4	20.8	17.8
Portugal	67.1	38.4	81.0	51.1	73.9	60.6	21.0	19.4	22.9
Slovak Republic	57.7	27.6	76.0	24.6	63.4	52.2	5.1	5.5	4.6
Spain	60.7	36.8	71.3	40.8	74.5	46.8	30.6	28.6	33.5
Sweden	74.3	45.0	83.5	69.0	75.6	72.8	14.7	12.3	17.0
Switzerland	77.8	63.2	84.8	65.6	84.9	70.6	12.3	12.0	12.6
Turkey	45.5	30.5	54.0	32.7	65.9	25.2	15.5	15.6	15.4
United Kingdom	72.9	59.8	80.9	55.5	79.3	66.4	5.8	5.1	6.6
United States ¹	71.2	53.9	78.8	59.9	76.9	65.7	4.0	3.9	4.2
OECD	64.9	42.9	75.3	50.1	74.7	55.3	13.9	13.0	15.2

1. Temporary employment data refer to 2002 for Canada, and 2001 for the United States.

2. Data for Iceland and Luxembourg refer to 2002.

Source: OECD (2004), Labour Force Statistics 1983-2003, OECD, Paris.

StatLink: <http://dx.doi.org/10.1787/028433688415>

Further reading: ■ OECD (1999), *Implementing the OECD Jobs Strategy: Assessing Performance and Policy*, OECD, Paris. ■ OECD (2004), *Employment Outlook*, OECD, Paris (see also www.oecd.org/els/employmentoutlook). ■ OECD (2000), *Policies Towards Full Employment*, OECD, Paris.

Definition and measurement

The rate of unemployment is the proportion of people out of work among the active population of working age. In addition to the level of the unemployment rate, the duration of unemployment spells and the incidence of long-term unemployment are important dimensions of the effects of unemployment on individual well-being, family life and social conditions.

The standardised ILO definition considers as unemployed those who did not work for at least one hour, either as an employee or self-employed, in the reference week of the survey; that are currently available for work; and that have taken specific steps to seek employment in the four weeks preceding the survey. Thus, for example, people who cannot work because of physical impairments, or are in full-time education, are generally not considered as unemployed. Unemployment data are mainly gathered through national labour force surveys.

Trends in unemployment are determined by both labour market demand factors, such as the rate of economic growth, and by factors affecting labour supply, such as demographic changes and social policy. The unemployment rate in many OECD countries has fallen substantially from post-war highs recorded in the early 1990s (Chart SS2.1), and in 2003, it was below 10% in all but a few countries (Poland, the Slovak Republic, Spain and Turkey). In Spain, Ireland and Finland, the unemployment rate has been particularly volatile, mirroring changes in economic activity in those countries. In Japan, it has declined slightly in 2003, following a decade of gradual but persistent increases.

The unemployment rate of women, on average, was in 2003 only marginally higher than that of men, following a considerable narrowing of the gender gap in unemployment rates recorded in many countries (Table SS2.3). The discrepancy between men and women, however, remains large in Greece, Spain and Italy, accounting for much of the gender gap in unemployment in the OECD average.

In a majority of OECD countries the youth unemployment rate (15-24 years) is more than double that of prime-aged persons (25-54), and in many European countries youth unemployment has increased substantially since 2001. In contrast, the unemployment rate of the older workers (55-64) is below that of prime-aged group in all countries except Austria, Finland, Germany, Japan and New Zealand, as moves into retirement leave a smaller proportion of active job seekers.

Cross-country differences in the incidence of long-term unemployment are considerably larger than those in unemployment rates (Table SS2.3). While the incidence of long-term unemployment is a good

indicator of structural labour market factors in each country, changes in its size are usually related to cycles of economic activity. For example, economic slowdowns caused abrupt increases in long-term unemployment in the early 1990s and more moderate rises since 2000 (Chart SS2.2), while long-term unemployment has tended to fall in periods of economic recovery. The incidence of long-term unemployment has increased steadily in Japan from the early 1990s.

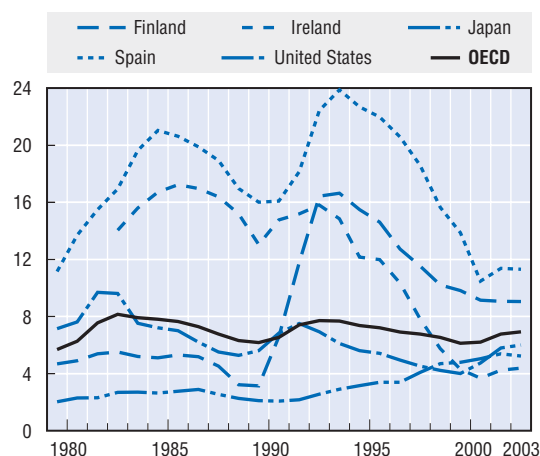
The distress experienced by people who are unemployed, both financial and social, depends on a range of factors, including its duration, the labour force status of other household members, and public policies. Once unemployed, the chances of getting back into work decrease with the length of time spent out of work: while short periods of unemployment are often necessary for career transition and job search activities, extended spells of unemployment are likely to be more detrimental to household income, family life and mental health, and may contribute to the social isolation of affected individuals. OECD (2004) reports evidence that active labour market policies such as skills improvement and training can reduce unemployment duration. Trained workers experience relatively short unemployment spells after dismissal, and training increases the probability of re-employment after job loss. These policies therefore help to address some of the social concerns associated with long-term unemployment.

Status indicators: Employment (SS1), Jobless households (SS3), Age at retirement (SS8), Youth inactivity (SS9), Social isolation (CO2).

Response indicators: Out-of-work benefits (SS5), Benefits of last resort (SS6), Public social spending (EQ5).

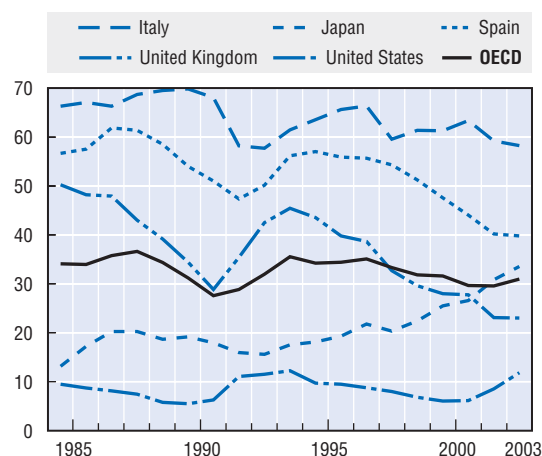
SS2.1. Higher unemployment rates since 2000

Persons unemployed as a percentage of the labour force



SS2.2. Large cross-country differences in levels and trends in long-term unemployment

Persons unemployed for 12 months or longer as a percentage of all unemployed



SS2.3. Unemployment indicators, 2003

	Unemployment rate (as a percentage of labour force)						Incidence of long-term unemployment (as a percentage of total unemployment)	
	Total	Age group			Men	Women	6 months and over	12 months and over
		15-24	25-54	55-64				
Australia	5.7	11.6	4.5	3.9	5.6	5.8	39.7	22.5
Austria	4.2	6.5	3.8	5.0	4.3	4.1	41.0	24.5
Belgium	7.7	19.0	7.0	1.7	7.4	8.0	64.7	46.3
Canada	7.6	13.8	6.5	6.3	8.0	7.2	18.6	10.1
Czech Republic	7.8	17.6	7.0	4.4	6.1	9.9	69.9	49.9
Denmark	5.4	9.8	5.0	3.9	5.1	5.7	40.9	19.9
Finland	9.0	21.6	7.3	7.7	9.2	8.9	41.4	24.7
France	9.7	20.8	8.6	6.8	8.7	10.9	62.0	42.9
Germany	9.3	10.6	9.1	9.7	9.6	8.8	68.5	50.0
Greece	8.9	25.1	8.0	3.0	5.7	13.6	74.5	56.5
Hungary	5.9	13.4	5.3	2.8	6.1	5.6	65.4	42.2
Iceland ¹	3.3	7.2	2.7	1.4	3.6	2.9	24.8	11.1
Ireland	4.4	7.6	3.9	2.4	4.8	3.9	56.6	35.4
Italy	8.7	26.3	7.2	3.8	6.7	11.6	74.1	58.2
Japan	5.2	10.2	4.7	5.5	5.5	4.9	50.9	33.5
Korea	3.4	9.6	3.0	1.9	3.6	3.1	10.1	0.6
Luxembourg ¹	2.6	7.0	2.4	0.2	1.9	3.6	46.8	27.4
Mexico	2.5	5.3	1.9	1.0	2.5	2.6	4.9	1.0
Netherlands	4.2	7.8	3.6	3.0	4.1	4.3	49.2	29.2
New Zealand	4.7	10.2	3.5	3.6	4.4	5.0	27.4	13.3
Norway	4.4	11.7	3.8	1.4	4.8	3.9	20.6	6.4
Poland	19.6	43.0	17.3	11.2	19.0	20.4	70.2	49.7
Portugal	6.4	14.6	5.7	4.3	5.6	7.3	57.1	32.0
Slovak Republic	17.5	33.1	15.1	13.6	17.3	17.7	76.4	61.1
Spain	11.3	22.7	10.2	6.9	8.2	15.9	59.6	39.8
Sweden	5.8	13.8	4.9	4.8	6.3	5.2	35.4	17.8
Switzerland	4.1	8.6	3.6	2.5	3.8	4.5	48.8	27.0
Turkey	10.5	20.5	8.7	3.7	10.7	10.1	39.9	24.4
United Kingdom	4.8	11.5	3.8	3.3	5.5	4.1	37.3	23.0
United States	6.0	12.4	5.0	4.1	6.3	5.7	22.0	11.8
OECD	6.9	13.6	6.1	4.8	6.8	7.1	46.3	31.0

Note: Data refer to population aged 15 and over.

1. Data for Iceland and Luxembourg refer to 2002.

Source: OECD (2004), Labour Force Statistics 1983-2003, OECD, Paris.

StatLink: <http://dx.doi.org/10.1787/248745383306>

Further reading: ■ OECD (2004), Employment Outlook, OECD, Paris (see also www.oecd.org/els/employmentoutlook).

Definition and measurement

Indicators on employment and unemployment are measures of what individuals do, or do not do, in relation to the labour market. But the well-being of a person depends on the sharing of the resources contributed by all members of the household. When no adult member of a household is in paid employment, all members are exposed to risks of poverty and destitution, and will have to rely on public benefits for their daily living. When a substantial proportion of the unemployed and the inactive are living in households with no other adults in employment, social distress is higher, and the living conditions of these households will mainly depend on welfare policies. Children growing up in jobless households lack the role model of a working adult – a factor often identified as affecting educational and future labour market achievements of children.

Indicators of jobless households can be defined in a variety of ways. They can refer either to individuals (i.e. the share of persons in jobless households) or to households (the share of households with these characteristics); and joblessness can be defined in different ways (using ILO conventions or other criteria). While indicators published in previous issues of *Society at a Glance* referred to households with at least one person of working age (15-64) where no member of the household was in paid employment, those shown here refer to all persons, including children, living in households with a working age head where no one works. “Work” is defined by the presence of earnings or self-employment income during the previous year. The data, available for around 25 OECD countries, are derived from household income surveys and micro datasets, and are also used in other sections to describe trends in income distribution and poverty.

Across OECD 24 countries, a little less than 10% of all persons living in households with a head of working age belonged to households where no adult had a paid job. Chart SS3.1 shows that this proportion varied from less than 5% in Japan, Mexico, Portugal, Switzerland and the United States, to more than 15% in Poland and Germany. Relative to the levels prevailing in the mid-1990s, the share of persons in jobless households has declined in most countries, particularly in the Netherlands, New Zealand and Luxembourg. However, small increases have occurred in Poland, Germany, the Czech Republic and, more substantially, Hungary. Most of these countries experienced significant changes in their labour market over the last decade, associated with the transition to market systems.

Changes in joblessness are partly related to changes in the share of individuals with jobs, but the relation between the two variables is not strong. Chart SS3.2 shows trends in joblessness and in non-employment rates of individuals of working age (from labour force surveys) in selected OECD countries. Non-employment rates among persons of working age declined in several countries since the mid-1980s and more significantly in the second half of the 1990s. Such declines, however, have not consistently translated into declines in the proportion of individuals in jobless households. In the United Kingdom and Finland, household joblessness increased, while in Australia and France it remained stable, despite increases in

employment rates in all of these countries in the second half of the 1990s. The fact that higher employment did not consistently lead to lower joblessness reflects polarisation of work, and the growth in the proportion of two-earner households in most OECD countries.

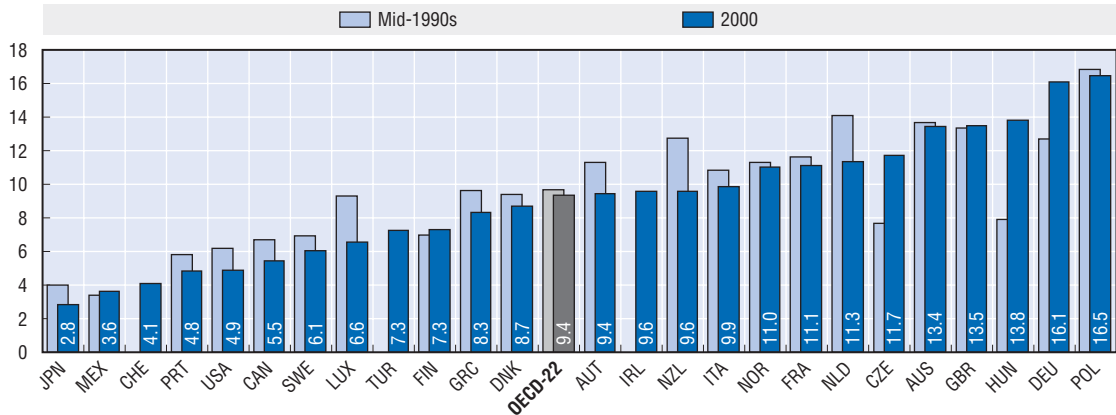
Joblessness interacts with other household characteristics. Joblessness is more likely in single parent households (32% on average) than in two-adult households (just 5%). In the United Kingdom, the proportion of jobless single parents is twice as high as in Austria and Portugal. Unsurprisingly, persons in jobless households constitute the majority of the poor, and depend on public benefits as the main source of income. The decline in jobless households should be good news in tackling poverty and exclusion. Nevertheless, because the proportion of lone-parent households is increasing, even moderate increases in employment rates in each country may not be sufficient to reduce the prevalence of lone-parent poverty.

Status indicators: Employment (SS1), Unemployment (SS2), Working mothers (SS4), Educational attainment (SS7), Relative poverty (EQ1), Social isolation (CO2).

Response indicators: Public social spending (EQ5), Out-of-work benefits (SS5).

SS3.1. Differences across countries in the proportion of individuals in jobless households

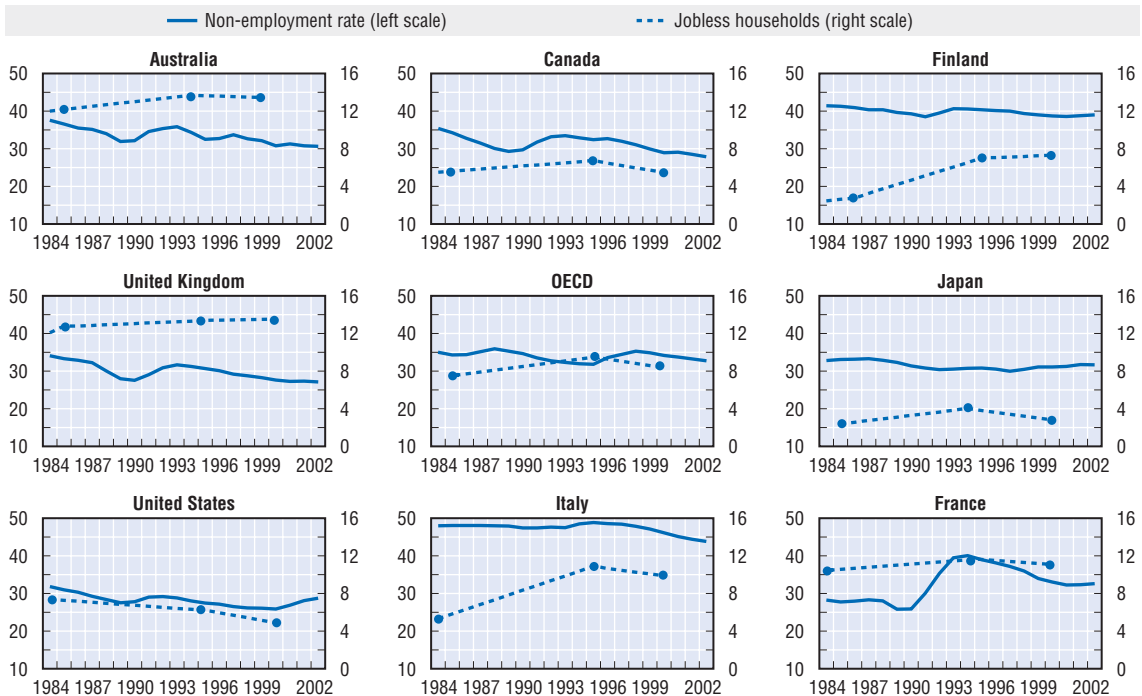
Persons living in households with a working-age head where no one works, as a percentage of the total population



Note: "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey. "Mid-1990s" data refer to year 1995 data in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand.

SS3.2. No strong link between trends in non-employment and joblessness

Persons in jobless households with a working-age head and non-employment rates of individuals, percentages



Note: Non-employment rates refer to individuals of working age. Dots indicate survey years.

Source: Estimates based on Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris; OECD (2004), *Labour Force Statistics 1983-2003*, OECD, Paris.

StatLink: <http://Dx.doi.org/10.1787/225437262671>

Further reading: ■ Gregg, P., R. Scutella and J. Wadsworth (2004), "Reconciling Workless Measures at the Individual and Household Level: Theory and Evidence from the United States, Britain, Germany, Spain and Australia", LSE Centre for Economic Performance Discussion Paper, No. 635, London. ■ OECD (1998), *Employment Outlook*, OECD, Paris.

Definition and measurement

Over the past few decades, large numbers of women with young children have entered the paid labour market. Public policies have often encouraged this development for a wide variety of reasons such as promoting individual autonomy and gender equality, reducing poverty – particularly for children – and mobilising additional labour market resources.

The indicator presented in this section is the employment rate among mothers aged 15 to 64 according to the age of their youngest child: tabulations distinguish between children aged less than 3, from 3 to 5, and from 6 to 14. Measurement problems exist given that age groups for young children may differ across national surveys (see footnotes to Charts SS4). Labour force surveys of OECD countries generally regard those on maternity and parental leave as employed persons. However, those who are using child-related leaves that last until a child is about 3 years of age, as in Austria, Finland, France, Germany, and Spain, are by convention not counted as employed in labour force surveys.

Younger women spend a longer time in education today on average than in the past. This trend has contributed to a slight fall in employment rates among women aged 15 to 24. However, employment rates for prime age and older women have increased over the last decade in almost all countries (OECD, 2002), so have employment rates for mothers with young children (below age 6). The only exceptions are Sweden, Finland and Japan, where rates have decreased (Chart SS4.1).

The age of youngest child has a significant impact on the employment status of women (Table SS4.2). Mothers devote a large amount of their time to caring activities when children are young. One way to do this without withdrawing completely from the labour market is to reduce their hours of work. Part-time work is more common for mothers with children below 6 than for mothers with older children: the only exceptions to this pattern are Denmark, Portugal and Eastern European countries (Chart SS4.3). Part-time work is the most common form of employment for mothers in the Netherlands, Switzerland, the United Kingdom and Australia. In the remaining countries, although women with children are more likely to work part time than those without, full-time work remains

more usual. The incidence of part-time work is also highest among mothers with low and medium levels of educational attainment, while those with higher education are more likely to be working full-time.

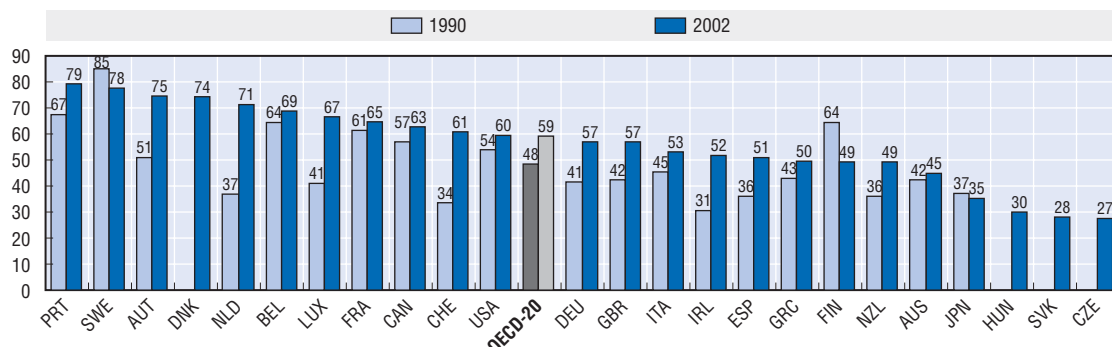
A range of policies can encourage higher employment rates among women with children, and their importance vary across countries. A strong focus on gender equity in public policy and generous public child-related leave arrangements and childcare services underlie high maternal employment rates in the Nordic countries, whereas in the Netherlands “family-work reconciliation” is mainly achieved by encouraging part-time employment. In-work benefits for families with children and the widespread use of private care arrangements support high employment rates among women with children in the United States.

Status indicators: Employment (SS1), Jobless households (SS3), Educational attainment (SS7), Relative poverty (EQ1), Child poverty (EQ3).

Response indicators: Public social spending (EQ5), Total social spending (EQ7).

SS4.1. More mothers with youngest child aged under 6 in work

Employment rates for mothers with youngest child aged under 6,¹ 1990² and 2002³



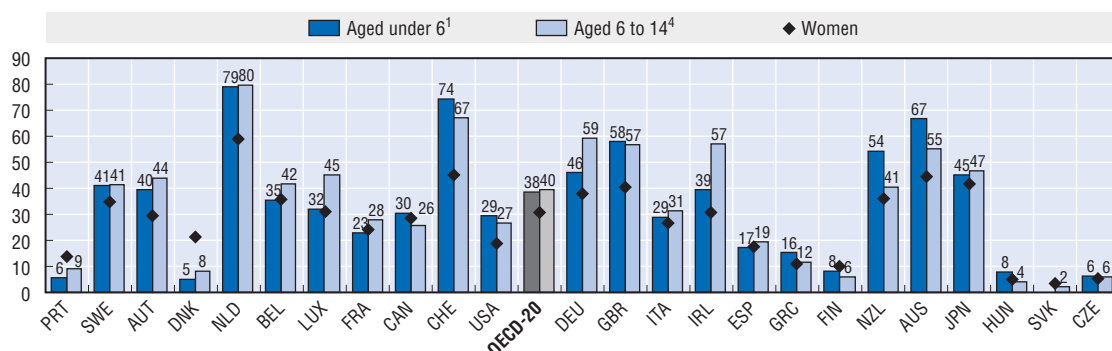
SS4.2. Maternal employment rates increase with age of youngest child

Mothers' employment rates by age of youngest child, in 2002,³ percentages

	Age of youngest child				Age of youngest child		
	Under 3	3 to 5	6 to 14 ⁴		Under 3	3 to 5	6 to 14 ⁴
Austria	80.1	70.3	69.8	Italy	54.4	51.7	49.4
Belgium	70.4	67.4	68.6	Luxembourg	70.6	63.1	58.2
Canada	58.7	68.1	76.3	Netherlands	74.2	68.2	70.1
Czech Republic	16.8	36.5	69.2	New Zealand	43.2	58.2	74.7
Denmark	71.4	77.5	79.1	Portugal	75.3	81.9	76.3
Finland	32.2	74.7	85.3	Spain	51.7	50.3	47.7
France	66.2	63.2	67.5	Sweden	72.9	82.5	77.4
Germany	56.0	58.1	64.3	Switzerland	58.2	64.5	77.8
Greece	47.9	50.9	53.5	United Kingdom	57.2	56.9	67.0
Ireland	51.1	52.3	51.1	United States	56.6	60.0	69.4
				OECD-20	57.5	61.8	67.0

SS4.3. Higher shares in part-time employment for mothers

Share in part-time⁵ employment for mothers with youngest child aged under 6,¹ other mothers and all women, 2002,³ percentages



Note: In both above charts, countries are ranked in decreasing order of employment rate for mothers with youngest child aged under 6 in 2002.

1. Under 5 years old in Australia; under 7 in Sweden.

2. 1989 in Australia and the United States; 1991 in Canada, Denmark, Ireland, Japan and New Zealand.

3. 2001 in Canada, Denmark, Ireland, Japan, New Zealand and United States; 2000 in Australia.

4. 6 to 13 in the United States; 6 to 16 in Canada, Finland, Sweden; 6 to 17 in New Zealand.

5. Less than 30 hours per week, except in Australia, Japan Sweden and the United States (less than 35 hours per week).

Source: European Union Labour Force Survey; United States: Labor Force Statistics from the Current Population Survey, www.bls.gov/cps; OECD (2002, 2003, 2004), *Babies and Bosses: Reconciling Work and Family Life*, Vols. 1, 2 and 3, OECD, Paris (see also www.oecd.org/els/social/familyfriendly).

StatLink: <http://dx.doi.org/10.1787/044487431424>

Further reading: ■ OECD (2002, 2004), *Employment Outlook*, OECD, Paris (see also www.oecd.org/els/employmentoutlook).

Definition and measurement

Out-of-work benefits compare the income of a household when its head is out of work to that it previously enjoyed when its head was employed. The household income considered is “net” of the benefits received and taxes paid when in and out of work. Out-of-work replacement rates are important determinants of the financial incentives for individuals to take-up paid employment, as well as of aggregate outcomes for employment and poverty for society as a whole.

The estimates of out-of-work replacement rates presented here are based on tax-benefit models for individual countries, applied to persons in a variety of “typical” settings. In computing these replacement rates, the individual is assumed to be 40 years old and to have been working for 22 years; replacement rates are computed for persons living alone and in a couple family with two children aged 4 and 6, under the assumptions that the spouse neither works nor receives unemployment benefits, and not considering childcare benefits and costs. Out-of-work replacement rates vary according to the length of time spent receiving benefit: many people qualify for unemployment insurance when they first become unemployed but rely on social assistance (“welfare”) benefits (normally dependent on having very few assets) after having exhausted their insurance benefits. By averaging these replacement rates across different family types and durations of unemployment an overall indicator is calculated: this synthetic measure is a simple average of net replacement rates, with each month of benefit receipt over a five-year period weighted equally, across four household types and two levels of previous earnings: 100% and 66.7% of the earnings of an “average production worker” (APW). Estimates are computed separately for individuals entitled and not entitled to social assistance. The OECD publication entitled *Benefits and Wages* (published in 2004) provides further details on methodology and assumptions.

Setting the “right” level of benefits for persons without work raises many dilemmas for governments. On the one hand, too low a level can leave those in receipt of unemployment insurance and assistance in real distress, and make it difficult for job-seekers to spend the time necessary for finding work that is both suitable and lasting. On the other, very generous benefits may give individuals little financial incentive to seek work. One way of assessing unemployment benefits available to able-bodied persons of working age is to compare their household income when relying on these benefits with that available when working, after taking into account the effects of taxes and other benefits (e.g. family and housing benefits where these exist).

On average, across OECD countries, the synthetic measure of out-of-work replacement rates was 40% in 2002 when only unemployment insurance is considered, and slightly above 60% when social assistance is also available (Chart SS5.1). Social assistance, while more important for long spells of unemployment, can also enhance family incomes during the initial period of unemployment in some countries, although this is less common (people’s assets are often above relevant limits during that period). In several countries, the concurrent receipt of

unemployment and social assistance benefits is explicitly ruled out.

Over a five-year period, out-of-work replacement rates, excluding social assistance, are highest in Belgium (69%), closely followed by some Nordic and Continental European countries, and lowest in Anglo-Saxon and Southern European countries as well as Japan.

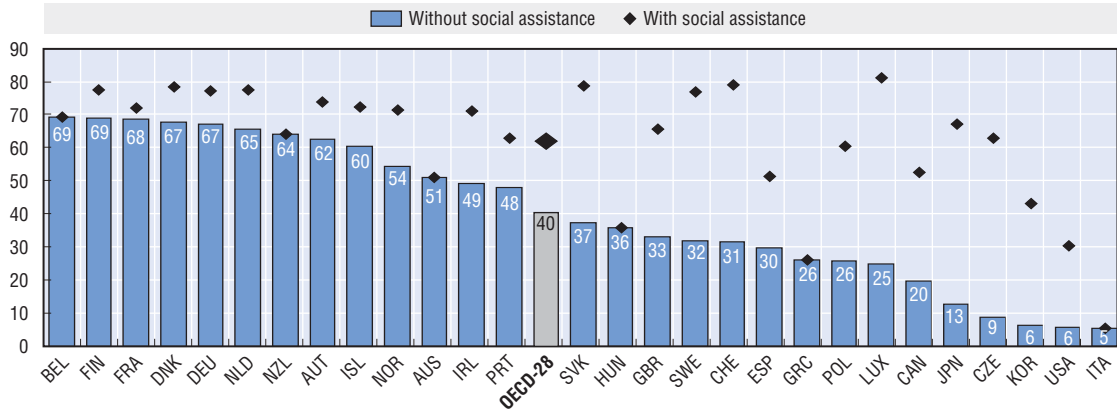
Out-of-work replacement rates vary according to family structure and length of unemployment (Table SS5.2). On average, net replacement rates for lone-parent and two-adult families with children (at around 70% in the initial phase of unemployment, and 60% for long-term unemployed) are generally higher than for families without children. Net replacement rates in the first month of unemployment generally exceed those after 5 years of unemployment by around one third.

Status indicators: Unemployment (SS2), Relative poverty (EQ1).

Response indicators: Benefits of last resort (SS6).

SS5.1. Large variations across countries in net out-of-work replacement rates

Average of net replacement rates over 60 months of unemployment, in 2002, for four family types and two earnings levels, without and with social assistance, in percentages



SS5.2. Net out-of-work replacement rates are generally higher for lone parent families and two-adult families with children

Net replacement rates for two phases of unemployment and six family types, in 2002, at 100% of APW level, in percentages

	Initial phase of unemployment ¹						Long-term unemployment ²					
	No children			Two children			No children			Two children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
Australia	32	29	44	54	66	54	32	29	44	54	66	54
Austria	55	57	76	71	73	81	51	62	47	68	78	68
Belgium	66	58	78	66	61	80	55	58	72	66	61	75
Canada	64	66	78	75	76	85	22	37	45	55	59	58
Czech Republic	50	50	72	54	54	74	31	52	44	59	71	51
Denmark	59	66	76	75	76	78	50	75	54	72	78	60
Finland	64	70	77	83	82	81	51	67	51	66	85	64
France	71	67	82	76	76	82	41	54	44	63	70	52
Germany	61	54	85	83	78	96	61	64	71	76	68	77
Greece	46	46	62	50	50	62	0	0	41	3	3	41
Hungary	44	44	66	55	54	71	24	24	42	31	30	49
Iceland	49	43	69	65	57	76	49	66	70	65	74	76
Ireland	29	45	60	54	55	67	51	66	45	59	73	54
Italy	52	56	71	60	60	76	0	0	45	0	0	53
Japan	63	61	79	74	61	81	34	48	42	74	71	52
Korea	54	54	72	54	53	73	17	28	41	39	49	40
Luxembourg	85	84	89	89	89	93	50	67	42	61	78	47
Netherlands	71	74	83	78	78	83	58	69	48	64	72	52
New Zealand	37	54	45	62	67	51	37	54	45	62	67	51
Norway	66	67	80	81	73	83	42	50	44	65	64	47
Poland	44	46	61	50	51	64	30	46	42	55	73	52
Portugal	78	76	88	76	77	87	24	46	49	50	61	64
Slovak Republic	62	65	78	69	72	82	42	71	43	68	91	60
Spain	70	71	83	76	75	87	27	32	45	38	41	44
Sweden	81	81	89	90	83	90	51	67	41	55	78	48
Switzerland	72	71	82	82	82	88	51	63	43	65	71	46
United Kingdom	45	45	52	46	46	61	45	56	42	64	73	60
United States	56	57	74	54	53	76	7	12	43	35	41	49
OECD	58	59	73	68	67	77	37	49	47	55	62	55

1. Initial phase of unemployment but following any waiting period. No social assistance "top-ups" are assumed to be available in either the in-work or out-of-work situation. Any income taxes payable on unemployment benefits are determined in relation to annualised benefit values (i.e. monthly values multiplied by 12) even if the maximum benefit duration is shorter than 12 months. For married couples, the percentage of earnings of an Average Production Worker (APW) relates to one spouse only; the second spouse is assumed to be "inactive" with no earnings in a one-earner couple and to have full-time earnings equal to 67% of APW in a two-earner couple.
2. After tax and including unemployment benefits, social assistance, family and housing benefits in the 60th month of benefit receipt. For married couples, the percentage of APW relates to one spouse only; the second spouse is assumed to be "inactive" with no earnings in a one-earner couple and to have full-time earnings equal to 67% of APW in a two-earner couple.

Source: OECD (2004), *Benefits and Wages – OECD Indicators*, OECD, Paris (see also www.oecd.org/els/social/workincentives).

StatLink: <http://dx.doi.org/10.1787/720688707001>

Further reading: ■ Pearson, M. and S. Scarpetta (2000), "What do We Know about Policies to Make Work Pay?", *Economic Studies*, No. 31, OECD, Paris.

Definition and measurement

Net benefit levels, as computed from tax-benefits models of OECD countries, can be expressed relative to alternative thresholds. When compared to earnings that each individual could get if employed, they provide a measure of the financial incentives to take up work for a person temporarily out of work. When compared to the income cut-off points that are commonly used to identify “poor” households, they inform about the capacity of benefit systems to assure an adequate standard of living.

The indicators shown below compare the “net” benefit income theoretically available to individuals with different characteristics, to three cut-off levels (40, 50 and 60% of median household income) conventionally used to measure income-poverty. Information is presented for a married couple with two children aged 6 and 4 that fully relies on social assistance, with and without housing benefits. Information is also presented, limited to countries with statutory minimum wages, on the disposable income of a household with, respectively, one and two persons employed at a minimum wage level. The OECD publication entitled *Benefits and Wages* (published in 2004) provides further details on methodology and assumptions.

In the majority of OECD countries, benefits of last resort (social assistance and “welfare”) are generally set below the thresholds conventionally used in comparative research on income-poverty (Chart SS6.1). In all countries, couples with two children relying on these benefits would have disposable income levels below 60% of the median.

Chart SS6.1 allows three groups of countries to be distinguished. In Poland, the Czech Republic, Australia, Denmark, New Zealand, Belgium, Austria and Norway, couple families with two children relying on benefits of “last resort” would enjoy a disposable income within the 40 to 60% range, whether or not housing benefits are available. In the Netherlands, Finland, Ireland, United Kingdom, Germany, Switzerland Sweden and France, “last resort” social assistance benefits assure a level of household income that is within the 40 to 60% range only when housing benefits are available. In the remaining countries, “last resort” social assistance benefits leave beneficiaries at income level that expose them to risks of poverty. This is especially the case in Spain, the United States and Hungary, where social assistance benefits (including the value of Food Stamps in the United States) are very low relative to incomes of the population at large, and in Greece and Italy, where no universal minimum income schemes for working-age individuals exist.

These indicators of benefit adequacy reflect assumptions that households rely on social assistance benefits for the entire year, and that no

other income streams (from other social protection benefits, e.g. unemployment or disability, or from work) is available. Persons with no other means to support themselves (shown in Chart SS6.1) represent a group that is highly relevant for social policy. However, in practice, the majority of households have access to some other forms of income, and the tax and benefit system as a whole plays a much greater role in reducing poverty risks than suggested by Chart SS6.1.

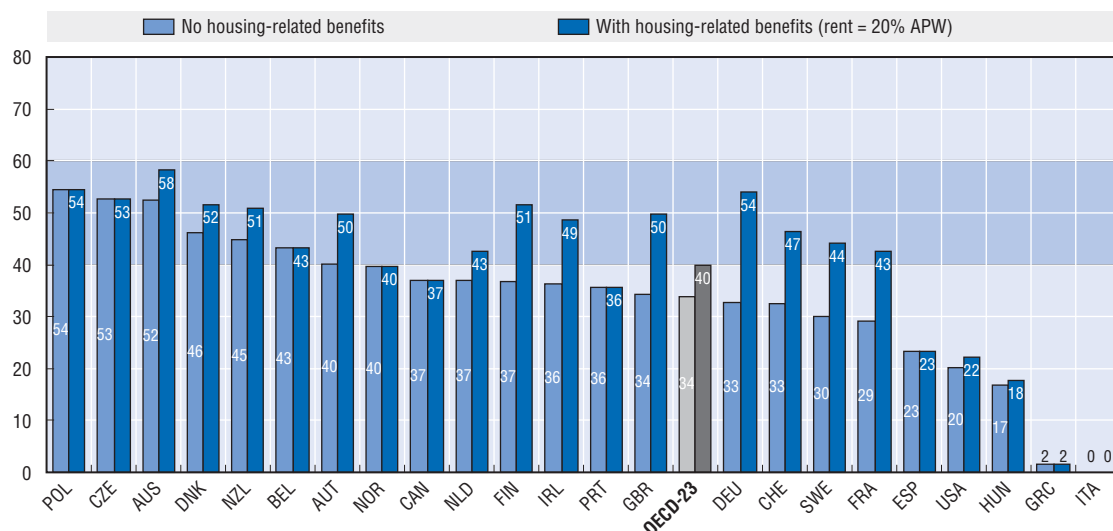
Employment income from one person may not suffice to lift families out of poverty. With the exception of Australia, the net income of the two-parent family with two children remains below the 60% cut-off if only one parent holds a full-time job paying the minimum-wage (Chart SS6.2). In about half of the countries, even two full-time jobs at the minimum-wage level are not enough to lift family incomes above the 60% median poverty line. These results underscore the role of other measures – such as the provision of affordable childcare that promote employment for both parents – to minimise the poverty risks of workers with low earnings potential.

Status indicators: Unemployment (SS2), Relative poverty (EQ1).

Response indicators: Out-of-work benefits (SS5), Public social spending (EQ5).

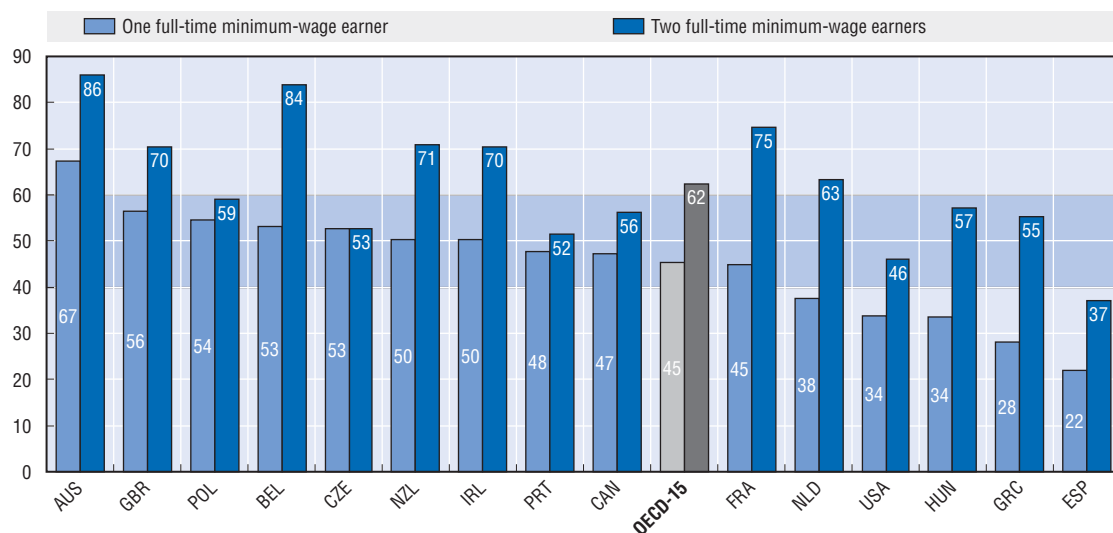
SS6.1. Benefits of last resort are generally set below the poverty thresholds

Net incomes of social assistance recipients in per cent of median equivalent household income, married couple with two children, in 2001



SS6.2. For minimum-wage earners, employment of both parents is essential to avoid poverty

Net incomes at statutory minimum wages, married couple with two children, 2001, in % of median household incomes



Note: Horizontal lines show different poverty thresholds, defined as 40, 50 and 60% of median household income. Countries are ranked in decreasing order of net income of social assistance recipients with no housing benefits in Chart SS6.1, in decreasing order of net income at statutory minimum wages for couples with one full-time minimum wage earner in Chart SS6.2.

Source: OECD (2004), *Benefits and Wages* – OECD Indicators, OECD, Paris (see also www.oecd.org/els/social/workincentives).

StatLink: <http://dx.doi.org/10.1787/654213227483>

Further reading: ■ Carone, G., H. Immervoll, D. Paturot and A. Salomäki (2004), "Indicators of Unemployment and Low Wage Traps", Social, Employment and Migration Working Papers, No. 18, OECD, Paris. ■ OECD (2003), *Taxing Wages: 2002-2003*, OECD, Paris.

Definition and measurement

A well-educated and trained population is important for the social and economic well-being of both countries and individuals. Policies to stimulate lifelong learning have gained importance with the rising skill requirements of continued technological progress and the changing nature of labour markets. The level of educational attainment in the population is the most commonly used proxy for the stock of human capital within a country.

The educational attainment data shown here are based on the percentage of the population aged 25-64 years who have completed a specified level of education. The recently refined International Standard Classification of Education (ISCED) defines different levels of educational attainment in great detail (see *Education at a Glance*, OECD, 2004). The indicators shown here distinguish among three broad groupings: primary and lower secondary education; upper secondary, which includes post-secondary non-tertiary education; and tertiary education (university education and advanced vocation-specific programmes). For countries whose educational systems do not consist of distinct lower and upper secondary education levels, the first three years of secondary education are considered as lower secondary education. Data are derived from labour force surveys of member countries.

In all but a few OECD countries, more than 50% of the population aged 25 to 64 achieves at least upper secondary education level. Among the highest achieving countries, the proportion of the population below the upper secondary education level is less than 15%. There are noticeable differences in tertiary education level achievements, varying from around 40% in Japan, the United States and Canada to less than 10% in Turkey, Portugal and Mexico. In these latter countries, attainment is significantly lower at all levels, with more than 70% of the adult population having less than secondary education, and less than one in six reaching upper secondary level (Chart SS7.1). On average, 65% of the working age population has at least an upper secondary education.

Measures of the distribution of the population by attainment level can be summarised in terms of mean years of schooling (shown as a “diamond” in Chart SS7.1). When averaged across OECD countries, mean years of schooling is just under twelve years, and is below ten years only in four countries.

Throughout the OECD, attainment levels have increased in the space of a generation. On average, the proportion of 25 to 34 year-olds that have attained at least an upper secondary education (close to 75%) is significantly higher than in the 55 to 64 year-old cohort (50%).

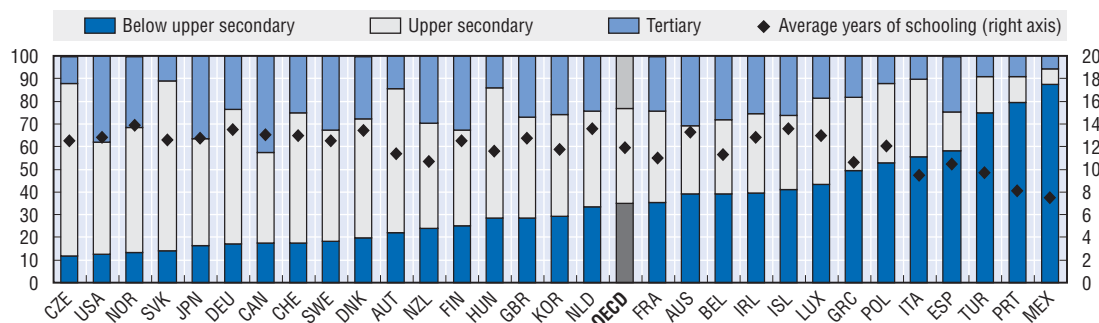
Gender differences in educational attainment have been reduced sharply, although in 2002 the proportion of men reaching tertiary education remained well above the proportion of women in Switzerland, Germany, Korea and Japan.

An individual's investment in education is expected to be rewarded with increased returns in the labour market. Chart SS7.2 shows that attainment of an upper secondary education has a substantial impact on employment levels. The impact of tertiary level studies (relative to an upper secondary education) is less evident: in some countries – Poland, Greece, Turkey and the Slovak Republic – employment rates are much higher for persons with tertiary education, but the impact is not as large elsewhere. However, in all countries for which data are available, tertiary education leads to significantly higher earnings relative to persons with upper secondary education (a 50% wage premium on average), while the earnings of those with less than upper secondary education are around 20% less than those of people who have attained that level.

Status indicators: Employment (SS1), Unemployment (SS2), Youth inactivity (SS9), Relative poverty (EQ1), Income inequality (EQ2).

SS7.1. Variation in educational attainment across countries, 2002

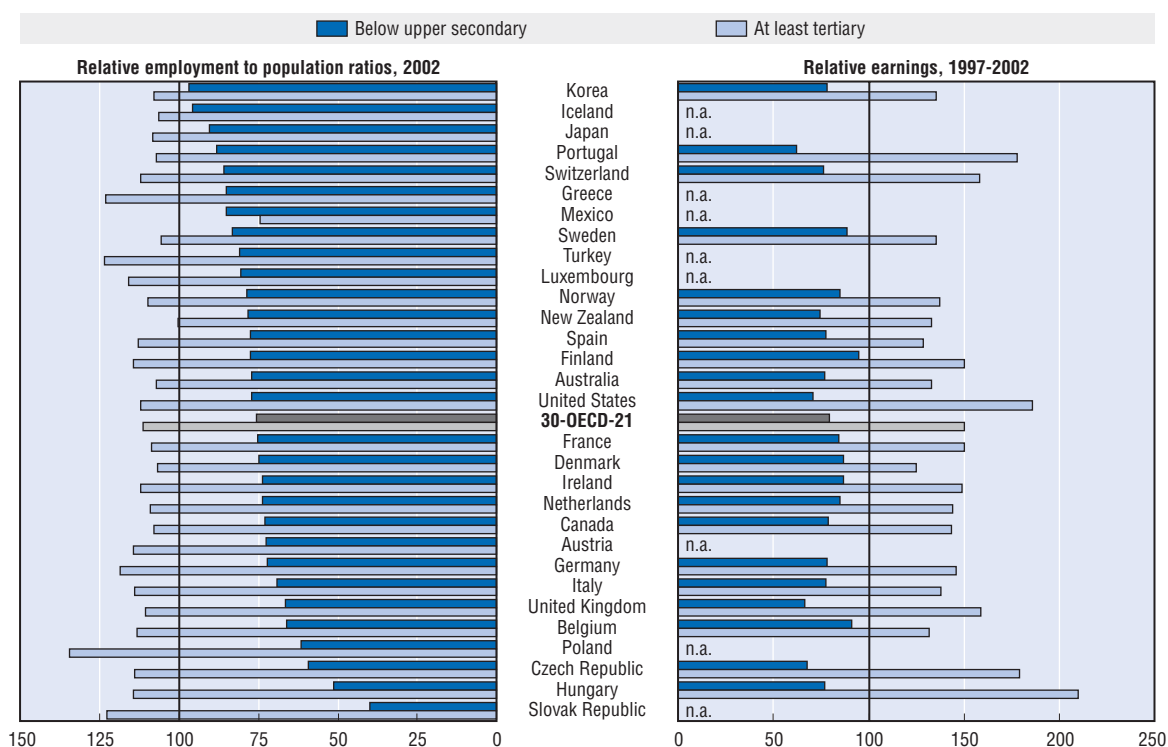
Distribution of the population aged 25 to 64 by level of educational attainment (percentages) and average years of schooling



Note: Countries are ranked in descending order of the percentage of the population who have completed at least upper secondary education. Upper secondary includes post-secondary non-tertiary (ISCED 6) programmes. It also includes ISCED 3C short programmes for Czech Republic, France, the Netherlands, Portugal, Slovak Republic and the United States, and certain programmes in the United Kingdom. In all other countries, they are excluded. See OECD (2004), *Education at a Glance – OECD Indicators*, Annex 3, for a description of ISCED-97 levels and ISCED-97 country mappings.

SS7.2. Attainment of upper secondary level has a substantial impact on labour market outcomes

Labour market outcomes relative to persons with upper secondary education¹ aged 25 to 64



Note: Countries are ranked in decreasing order of relative employment to population ratios for persons who have attained below upper secondary.

1. Relative to the upper secondary education level, which includes post-secondary non-tertiary education (index = 100).

n.a. = Not available.

Source: OECD (2004), *Education at a Glance – OECD Indicators*, OECD, Paris (see also www.oecd.org/edu/eag2004).

StatLink: <http://dx.doi.org/10.1787/100816263133>

Further reading: OECD (2004), *Learning for Tomorrow's World: First Results from PISA 2003*, OECD, Paris.

Definition and measurement

Retirement is generally associated with cessation of work from a “main” job and receipt of an old-age pension. However, retirement ages are difficult to measure directly, as the meaning of retirement differs across countries and between pension regimes. For this reason, international comparisons of retirement ages have to rely on indirect measures. These indirect measures are most often based on comparisons of movements out of the labour force, as measured by labour force surveys of member countries. Persons above a specified age are regarded as “retired” if they are not in the labour force at the time of the survey. “Net” movements into retirement are proxied by the changes over time in the proportion of the population above a given age that is neither at work nor classified as unemployed.

Different methods applied to labour force survey data can yield different estimates of retirement ages. The indicator presented in previous issues of *Society at a Glance* broadly corresponds to a concept of “expected” retirement ages. The one presented in this section is that used in the ongoing OECD reviews of older workers (e.g. various country reports in the series *Ageing and Employment Policies*) and measures the average “effective” age of retirement. This is defined as the sum of the ages at which individuals withdraw from the labour force, weighted by the proportion of all withdrawals occurring at that age. Data are based on changes in the labour force participation rates of five-year age cohorts, observed at five-year intervals.

In many OECD countries the “official” (or “standard”) age of entitlement to public pensions is 65 for both men and women; while in some countries, receipt of a public pension imposes conditions on continued paid employment, in other countries it does not. Higher and lower official ages exist in some countries (Iceland, Denmark and Norway, in the former case; Greece, France, Japan, Korea, the Slovak Republic and Turkey in the latter). Individuals’ decisions to move into retirement, however, depend on much more than official ages. Relevant factors include the cyclical conditions of the labour market, demographic factors, the organisation of work, changes in the structure of the economy, cultural considerations, health status, spousal decisions and the nature of domestic obligations.

“Effective” retirement ages are in most OECD countries well below “official” retirement ages. On average, across the 30 OECD countries, the effective age of retirement is 61.4 years for women and 63.3 years for men (Chart SS8.1). Effective retirement ages are highest in Iceland and Mexico, where men work on average until age 70 or more, and lowest in Eastern Europe and Belgium, where both men and women tend to withdraw from the labour force and move into retirement when in their late 50s.

While the effective retirement age is below the official age in most countries, there are some exceptions. In Japan and Korea, the effective age of retirement exceeds the official age by more than five years for both women and men. Japanese men work

nearly 10 years more than the official age, as withdrawal from their “main” job is associated with employment in lower-paying activities to complement old-age pensions. Similarly, in Turkey and Greece both women and men work between 2½ and 4 years more than the official age.

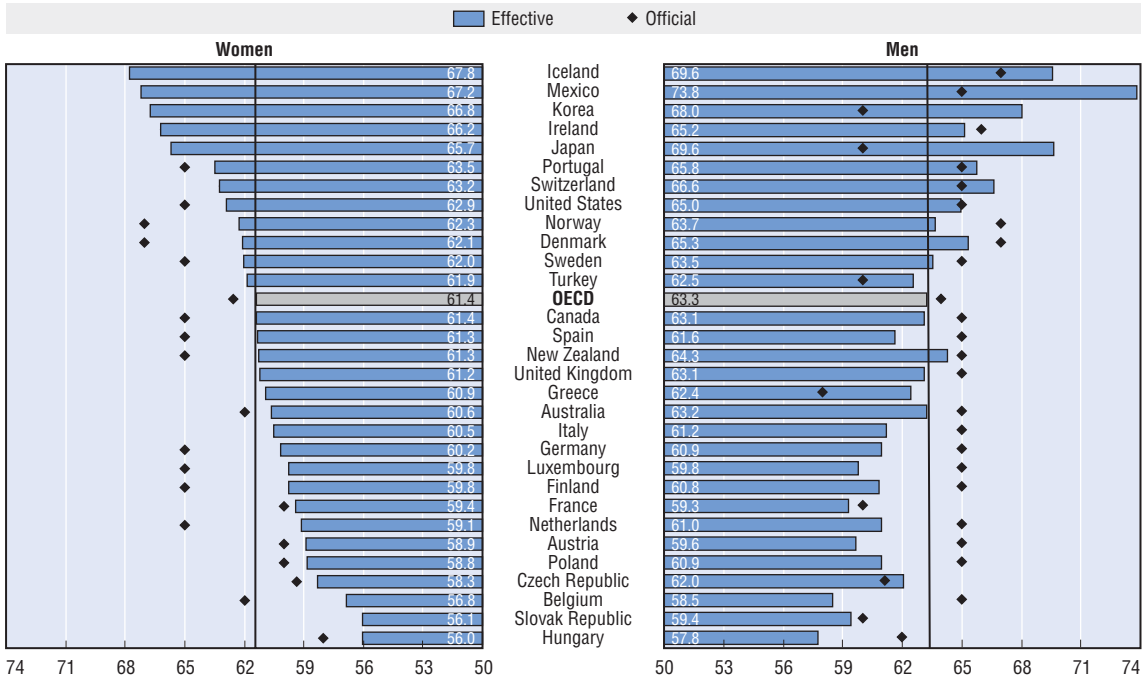
Effective retirement ages have fallen significantly over the last 25 years in most OECD countries, with the exception of Japan (Chart SS8.2) and Korea. The decline has continued over the second half of the 1990s in some countries (e.g. Poland and France), but there are several exceptions. Since the late 1990s, effective retirement ages have increased by more than one year in Australia, the United Kingdom and Finland (limited to men) and by two or more years in Italy. Both better labour market conditions and reforms in pension systems are likely to have contributed to this outcome. As a result of recent trends in effective retirement ages, the gap in retirement ages between women and men narrowed in Italy and in most OECD countries, while it increased in the United States.

Status indicators: Employment (SS1), Income of older people (EQ4), Health-adjusted life expectancy (HE2).

Response indicators: Old-age pension replacement rate (EQ8), Pension promise (EQ9).

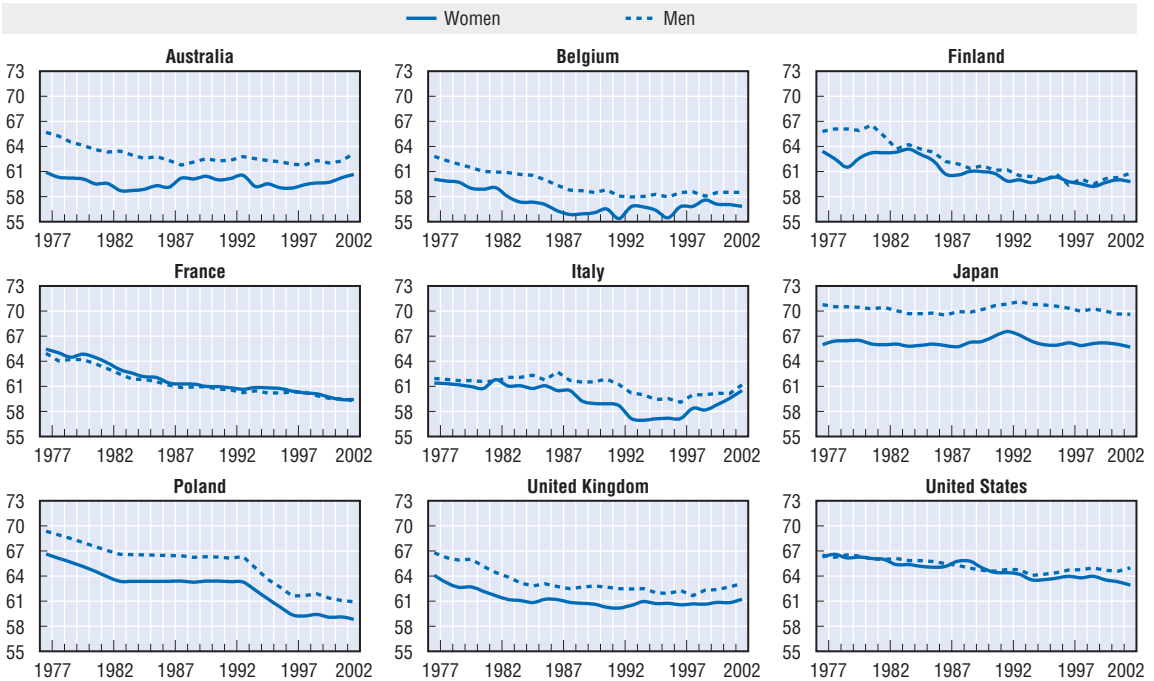
SS8.1. Effective retirement ages are generally lower than “official” ages

Average effective age of retirement versus official age, 1997-2002



SS8.2. The decline in effective retirement age has stabilised in several countries

Evolution of average effective age by gender, 1977-2002



Note: The average effective age of retirement is derived from observed changes in participation rates over a five-year period for successive cohorts of workers (by five-year age groups) aged 40 and over.

Source: OECD estimates derived from the European and national labour force surveys.

StatLink: <http://Dx.doi.org/10.1787/720153600464>

Further reading: ■ OECD (2004), *Ageing and Employment Policies*, various country reports, OECD, Paris. ■ Scherer, P. (2001), “Age of Withdrawal from the Labour Market in OECD Countries”, *Labour Market and Social Policy Occasional Papers*, No. 49, OECD, Paris.

Definition and measurement

If young people are neither at school nor at work there are good reasons to be concerned about their current well-being and future prospects. Low educational attainment and its growing importance for labour market outcomes make it difficult for those leaving the schooling system without having gained adequate qualifications to move into jobs that offer good career prospects. In turn, this is likely to permanently reduce future income and increase risks of unemployment, poverty and social exclusion throughout life. In its worst form, disengagement of young people from mainstream society raises concerns about drug use, crime and suicide.

The indicator presents the proportion of youths, separately for those aged 15 to 19 and 20 to 24, who are not in education, training or employment in a given year, as a percentage of the total population of the same age. Youths in education include those attending part-time as well as full-time, but excludes those in non-formal education and educational activities of very short duration. Data are gathered through labour force surveys of member countries and generally refer to the four weeks preceding the survey (*Education at a Glance*, OECD, 2004).

On average, across the countries for which information is available, around 8% of all teenagers (15 to 19 years old) and 17% of young adults were neither in school nor at work in 2002. Differences across countries are large: in Denmark, Luxembourg, Poland, Norway and France, less than 4% of those aged 15 to 19 were neither in school nor at work, while the same proportion exceeded 10% in Italy, Finland, Slovak Republic, Mexico and Turkey.

The probability of being neither employed nor in school or training courses is much higher for women than for men, and increases with age (Chart SS9.2). In a majority of countries, this proportion has diminished since the mid-1980s, especially for women (Chart SS9.1). Despite this fall, however, or more of women aged 20 to 24 are neither in school nor in employment in Turkey, Mexico and the Slovak Republic.

Cross-country differences in the proportion of youths that are neither at school nor at work partly reflect differences in school attendance. In 2002, the proportion of 20-24 year-olds in education exceeded 50% in Finland, Denmark, Poland and France, but was 25% or less in Turkey, Mexico, and Slovak Republic. The fact that young people currently spend more time in education than they did a decade ago has contributed to the observed decline in the share of youths neither at school nor at work.

Following exit from the school system, several features of the labour markets and training systems

affect the ease of the transition from school to work. OECD reviews of youths' transition from school to work have identified Nordic and English-speaking countries as the countries where this process is smoother, and Continental and Southern European countries as those where the transition is more difficult (OECD, 1999). Beyond waste of human capital and risks of marginalisation in the labour market, delays in settling into jobs will lead many youths to live longer with their parents and to defer the formation of independent families, further compounding fertility declines.

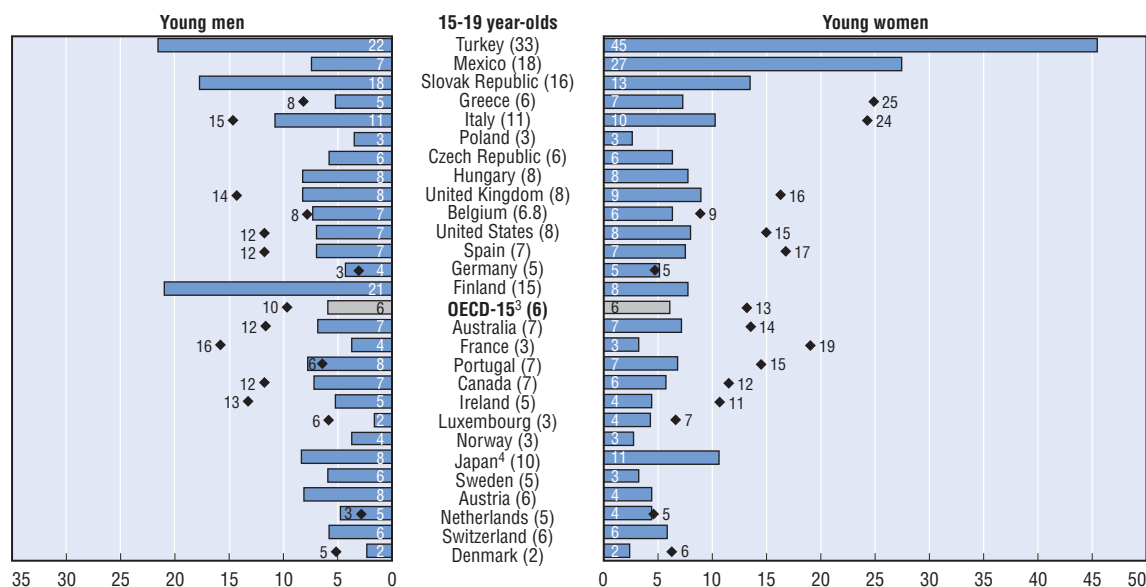
The policy response to the prevalence of young people not being in school or work has varied across countries. Measures have typically included steps to increase the extent to which the labour market is "youth friendly", greater diversification of educational pathways, active labour market programmes and special interventions targeted to youths exposed to special risks (such as homelessness, drug abuse, crime offence).

Status indicators: Unemployment (SS2), Out-of-work benefits (SS5), Drug use and related deaths (CO5), Suicide (CO6).

Response indicators: Educational attainment (SS7)

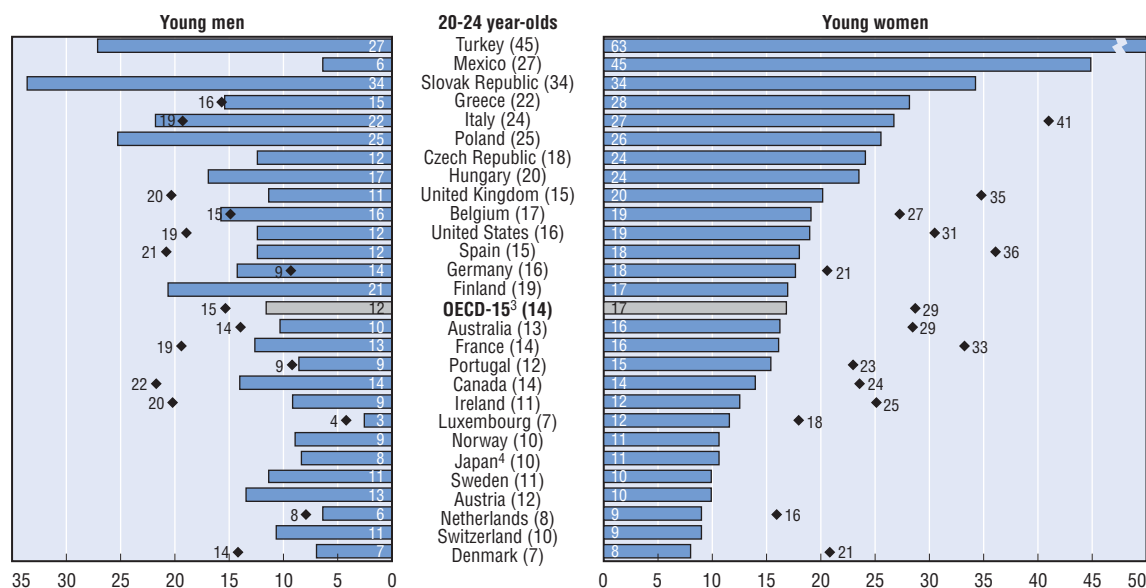
SS9.1. Fewer teenagers not in education nor in employment in the last 20 years

Proportion of 15-19 year-olds not in school nor in employment, by gender, 2002¹ (bar) and mid-1980s² (diamond marker)



SS9.2. More women than men not in education nor in employment among young adults

Proportion of 20-24 year-olds not in school nor in employment, by gender, 2002¹ (blue bar) and mid-1980s² (diamond marker)



Note: In both above charts, countries are ranked by decreasing order of 20-24 female rate in 2002. Values in brackets refer to the proportion of youths for both sexes, not in education, training nor in employment in 2002.

1. 2001 in New Zealand and in the United States.

2. 1984, except 1985 for Canada, 1989 for the Netherlands, Portugal and Spain.

3. OECD-15 refers to 15 countries where data are available for both years.

4. 15-24 year-olds in Japan.

Source: OECD (2004), *Education at a Glance – OECD Indicators*, Tables C4.2, OECD, Paris (see also www.oecd.org/edu/eag2004).

StatLink: <http://dx.doi.org/10.1787/423003613632>

Further reading: ■ OECD (1999), *Preparing Youths for the 21st Century. The Transition from Education to the Labour Market*, OECD, Paris.
■ OECD (2002), *Employment Outlook*, Chapter 2, OECD, Paris (see also www.oecd.org/els/employmentoutlook).

Definition and measurement

No commonly agreed measure of poverty across OECD countries currently exists. The approach followed here is based on the concept of household disposable income (i.e. income net of taxes and social security contributions paid by individuals). Individuals are classified as “poor” when their household income is less than half the median level prevailing in each country. The use of a “relative” income-threshold to measure poverty implies that poverty will increase in a country where the real income of those at the bottom of the income ladder rises by less than the median, while it will fall in a country where the real income of poor households declines by less than the median. While this may seem counter-intuitive, it does capture the notion that avoiding poverty requires access to the goods and services that are regarded as “customary” or necessary to participate fully in any given society. The measures used here capture the extent of poverty at a particular point in time. The length of the periods of insufficient income, as well as household assets and access to other services and resources, are all aspects that should ideally be considered to evaluate the extent of poverty in any society.

Larger households need more resources than smaller ones, but also realise economies of scale in consumption. Because of these considerations, household incomes of individuals are “standardized” to account for differences in household size. The “equivalence scale” used here is the square root of household size. The data on poverty and income distribution used are provided to the OECD by national consultants, and the most recent observations refer to a year around 2000. They are based on common methodologies and definitions applied to national micro data sets (most commonly, household surveys). While this approach improves cross-country comparability, many differences remain. These include a mix of survey and administrative data, differences in the periods over which income is assessed, variation in treatment of missing and extreme values and exclusion of the impact of non-cash benefits, services (such as health care) and indirect taxes.

Relative poverty has several dimensions. A first one relates to its prevalence, i.e. how many individuals in any given country fall below the poverty line (the “poverty rate”). A second is its depth, i.e. by how much the income of the poor falls below the poverty line (the “poverty gap”). Both measures are affected by features of the surveys: in particular, the poverty gap gives greater weight to the lowest reported incomes. Information on both dimensions is provided in Chart EQ1.1, which ranks countries in decreasing order of poverty (the product of poverty rate and poverty gap) in 2000.

On average, across the 25 countries shown, a little over 10% of the population had poor incomes in the year 2000, around half a point higher than in the mid-1990s. The average poverty gap, at around 28%, is little changed from the mid-1990s.

There is much diversity, however, in country experiences. Poverty rates range from 15% or more in the United States, Mexico, Japan, Turkey and Ireland, to 5% or less in Denmark and the Czech Republic. They increased over the second half of the 1990s in a majority of countries, while they fell in Mexico, Portugal, Switzerland, Norway and Italy. Poverty gaps are largest in many of the countries with high poverty rates (e.g. the United States, Japan and Italy), where they exceed one third. However, poverty gaps (at 30%

or more) are also high in some of the countries characterised by low poverty rates, such as Switzerland, Germany, Austria and Poland.

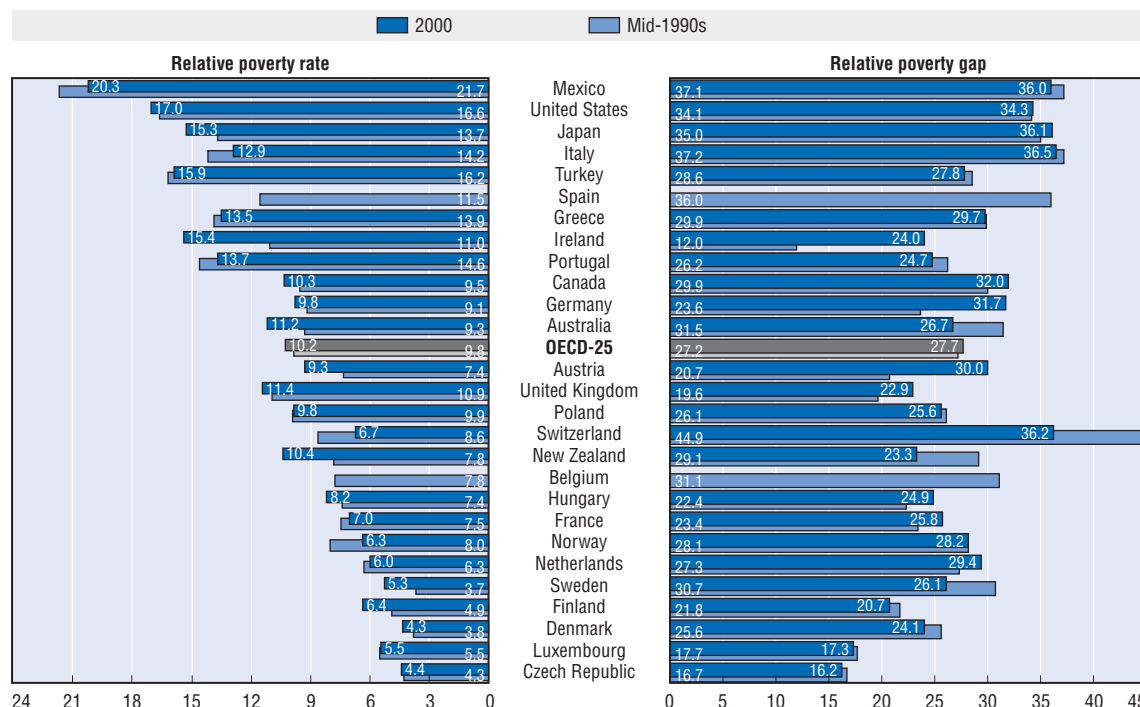
Risks of poverty vary significantly according to the age of individuals and to features of the tax and benefit systems of member countries. Information on both aspects is provided in Chart EQ1.2, which plots information in two points in time for an unweighted average of OECD countries. Poverty rates after taking account the impact of taxes and transfers are highest for children and the elderly: among persons 76 and over, in particular, the risk of poverty is more than twice that of prime aged persons (41-50 years). Taxes and transfers reduce poverty rates among all age groups, but especially among the elderly. Market-income poverty (i.e. before taxes and transfers) was broadly stable on average since the mid-1990s – a significant departure from the previous steady growth.

Status indicators: Jobless households (SS3), Youth inactivity (SS9), Income inequality (EQ2), Income of older people (EQ4).

Response indicators: Public social spending (EQ5), Old-age pension replacement rate (EQ8), Pension promise (EQ9).

EQ1.1. No uniform decline in poverty rates and poverty gaps since the mid-1990s

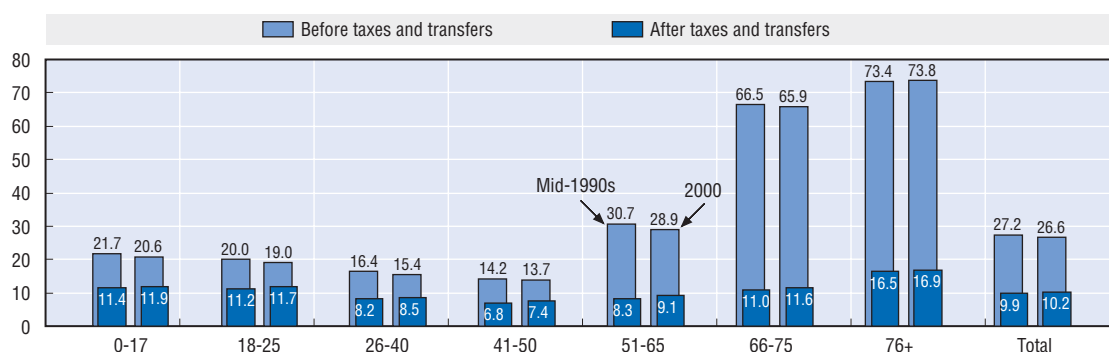
Percentages, mid-1990s and 2000



Note: Poverty rates are measured as the proportion of individuals with equivalised disposable income less than 50% of the median income of the entire population. Poverty gaps are measured as the percentage difference between the average income of the poor and the 50% of median income poverty threshold. Countries are ranked by decreasing order of poverty rate times poverty gap. "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey. "Mid-1990s" data refer to the year 1995 in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand.

EQ1.2. The young and the old are most exposed to the risks of poverty

OECD average poverty rates by age group, before and after taxes and transfers, percentages, mid-1990s and 2000



Note: Poverty rates are unweighted averages of 21 OECD countries.

Source: Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://dx.doi.org/10.1787/610223184802>

Further reading: ■ Förster, M. (2000), "Trends and Driving Factors in Income Distribution and Poverty in the OECD Area", Labour Market and Social Policy Occasional Papers, No. 42, OECD, Paris. ■ Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris.

Definition and measurement

Income inequality is here assessed in terms of the distribution of household disposable income (i.e. income after deduction of direct taxes and social security contributions paid by households) of each individual. As in the case of indicator EQ1, household income is adjusted to take account of household size by assuming an equivalence scale elasticity of 0.5. The summary measure of income distribution used is the Gini coefficient. The Gini coefficient is defined as the area between the Lorenz curve (which plots cumulative shares of the population, from the poorest to the richest, against the cumulative share of income that they receive) and the 45 line, taken as a ratio of the whole triangle. Its values range between 0 in the case of “perfect equality” (each share of the population gets the same share of income) and 100 in the case of “perfect inequality” (all income goes to the share of the population with the highest income). As for indicator EQ1, data were provided by national experts using common definitions.

There is considerable variation in levels of income inequality across OECD countries. The Gini coefficient of income inequality is lowest in Denmark and Sweden, and highest in Mexico and Turkey – the OECD countries with lower per capita income (Chart EQ2.1). On average, across the 20 countries for which data are available since the mid-1980s, the Gini coefficient of income inequality increased marginally over the second half of the 1990s, as compared to a more significant increase over the previous decade. This average hides some different trends: there were continued declines in inequality in Turkey and Mexico. Among other OECD countries, the Gini coefficient increased in a majority of cases (notably in Finland and Sweden, but also Japan, Denmark and Canada).

The distribution of household disposable income depends on both the distribution of market income (earnings, self-employment and capital income) and on how governments redistribute market income through their tax and transfer policies. Because of the dominant role of public pensions within the income of the elderly population, and of cross-country differences in the age structure of OECD population, the role of taxes and transfers, on one side, and of market-income, on the other, can both be better assessed when focusing on the working-age population.

The distribution of market income among the population of working age tends to be relatively uneven, with 10% being received by persons in the

bottom three deciles of the distribution (Table EQ2.2). The distribution of taxes mirrors that of market income. The share of taxes paid by the middle income group does not vary much across countries – around an average value of 32% – with the exception of France and Portugal where a higher than usual proportion of state revenue comes in the form of social security contributions from employers.

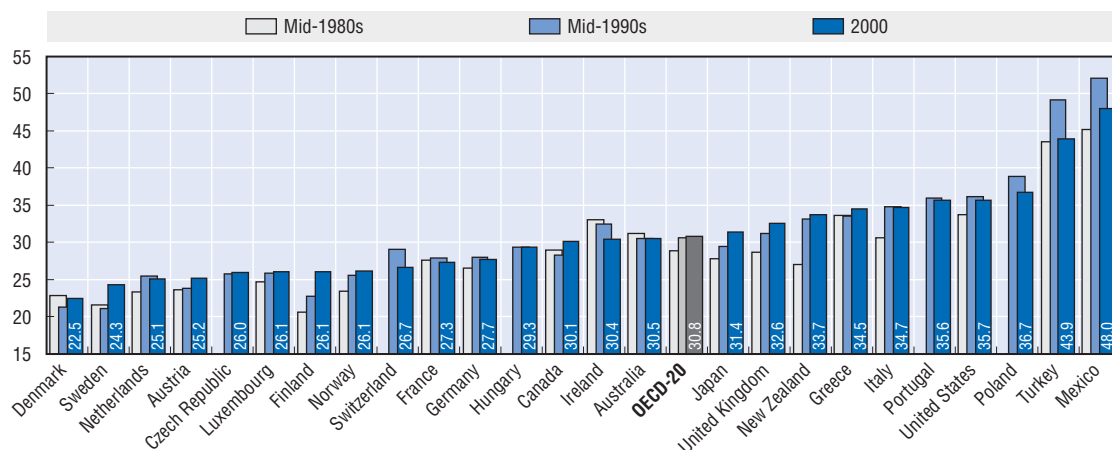
There is greater diversity in the distribution of government transfers among income groups. In Australia, New Zealand and the United Kingdom an above-average share of government transfers goes to low-income households, and a below-average share goes to high-income groups. In these countries, the payment of cash benefits is more often related to income and earnings than in Continental Europe. Norway, Australia, Denmark and the United Kingdom stand out as countries where the share of public transfers going to the bottom three income deciles is highest, and Italy and Japan as those where it is lowest.

Status indicators: Employment (SS1), Relative poverty (EQ1).

Response indicators: Out-of-work benefits (SS5), Benefits of last resort (SS6), Public social spending (EQ5), Total social spending (EQ7).

EQ2.1. Income inequality varies across OECD

Gini coefficient of inequality in the distribution of equivalised household disposable income



Note: Countries are ranked in increasing order of the Gini coefficient in 2000. "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey. "Mid-1990s" data refer to the year 1995 in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Ireland, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand. "Mid-1980s" data refer to the year 1983 in Austria, Belgium, Denmark and Sweden; 1984 in Australia, France, Italy and Mexico; 1985 in Canada, Japan, the Netherlands, Spain and the United Kingdom; 1986 in Finland, Luxembourg, New Zealand and Norway; 1987 in Ireland and Turkey; 1988 in Greece; and 1989 in the United States. Data for Germany in the mid-1980s refer to western Länder only.

EQ2.2. Government benefits and taxes substantially reduce inequality in the distribution of market income

Share of market income, government transfers and taxes accruing to different deciles of the working age population, percentages

	Market income			General government transfers			Taxes		
	Three bottom deciles	Four middle deciles	Three top deciles	Three bottom deciles	Four middle deciles	Three top deciles	Three bottom deciles	Four middle deciles	Three top deciles
Australia, 1999	6.7	35.8	57.4	37.2	59.2	3.7	3.5	30.6	65.8
Canada, 2000	10.0	35.0	55.0	22.0	64.0	14.0	7.9	32.1	60.1
Czech Republic, 2002	10.6	33.6	55.9	31.8	54.9	13.3	7.9	31.0	61.1
Denmark, 2000	9.7	37.2	53.1	36.1	54.6	9.3	11.6	35.4	53.1
Finland, 2000	10.3	35.9	53.8	31.3	59.4	9.3	9.0	32.8	58.3
France, 2000	11.0	34.3	54.7	27.6	51.4	21.0	10.1	23.4	66.4
Germany, 2001	10.4	35.2	54.4	22.3	59.5	18.2	8.1	34.1	57.8
Hungary, 2000	9.0	32.2	58.8	27.0	50.2	22.8	16.0	35.7	48.3
Ireland, 2000	8.9	36.3	54.8	31.3	57.5	11.2	5.5	32.1	62.4
Italy, 2000	9.8	32.4	57.8	14.1	51.1	34.8	7.5	31.2	61.3
Japan, 2000	11.4	35.9	52.7	15.7	66.5	17.8	13.9	34.5	51.7
Netherlands, 2000	11.2	37.3	51.6	29.8	60.8	9.4	11.6	36.0	52.5
New Zealand, 2001	8.0	33.3	58.7	31.2	64.3	4.5	5.6	30.1	64.3
Norway, 2000	11.5	36.0	52.5	43.8	37.4	18.8	10.5	34.9	54.6
Portugal, 2000	10.9	30.9	58.2	17.1	47.7	35.2	8.5	25.0	66.5
Sweden, 2000	10.9	36.1	53.0	29.5	55.8	14.7	12.0	34.9	53.2
Switzerland, 2001	15.0	35.8	49.2	19.6	64.5	15.9	19.4	34.7	45.9
United Kingdom, 2000	7.7	34.1	58.3	34.7	59.2	6.2	6.0	30.9	63.2
United States, 2000	9.5	34.3	56.2	17.6	71.6	10.8	6.8	29.1	64.0
OECD-19	10.1	34.8	55.1	27.3	57.3	15.3	9.5	32.0	58.4

Source: Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://dx.doi.org/10.1787/882478826430>

Further reading: ■ Förster, M. (2000), "Trends and Driving Factors in Income Distribution and Poverty in the OECD Area", Labour Market and Social Policy Occasional Papers, No. 42, OECD, Paris. ■ Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris.

Definition and measurement

Children are defined as those aged less than 18, and they are counted as “poor” when they live in households where disposable income is less than half of the median of a given country. In all countries children are counted as members of the household where they live, sharing the income streams earned by adults. Household income includes earnings, transfers and income from capital, and is measured net of direct taxes and social security contributions paid by households.

Income for the entire household is adjusted for household size using an equivalence scale elasticity of 0.5. More than for other age groups, measures of poverty among children are particularly sensitive to the use of different values of the equivalence scale elasticity. As for indicator EQ1 and EQ2, data were provided by national experts using common definitions.

Poverty among children is a special concern of all OECD governments and communities. Children cannot be held responsible for their situation in life, and the experience of poverty during childhood may adversely affect their cognitive and social development. On average, across 24 OECD countries covered in Chart EQ3.1, around 12% of all children fell below the poverty threshold in 2000, an increase of 0.75 points relative to the level recorded in the mid-1990s.

Child poverty rates are especially low in the Nordic countries, where fewer than 4% of all children are poor. Slightly higher rates are found in France, Switzerland and the Czech Republic, with rates of around 7%. Child poverty is highest in Mexico, the United States and Turkey, where it exceeds 20%, but also in New Zealand, the United Kingdom, Ireland, Italy and Portugal. Austria and New Zealand experienced significant increases in child poverty over the second half of the 1990s, while Switzerland and Italy recorded large declines.

Poverty rates among children are generally higher than for the entire population, with the exception of the Nordic countries as well as Greece, France and Switzerland. While countries with higher poverty rates for the entire population also display higher poverty among children, the difference between the two is especially large in New Zealand, the United States and the United Kingdom, suggesting that specific factors in these countries increase risks of poverty among children.

While several factors contribute to child poverty, two of the most important relate to whether children live with a single parent and whether parents are

working or not. In all countries covered in Table EQ3.2, persons living in single parent households have a probability of falling below the poverty line that is more than three times that of couples with children. Even when single parents work, their poverty rates is one-third higher than that of couples with children and one parent at work.

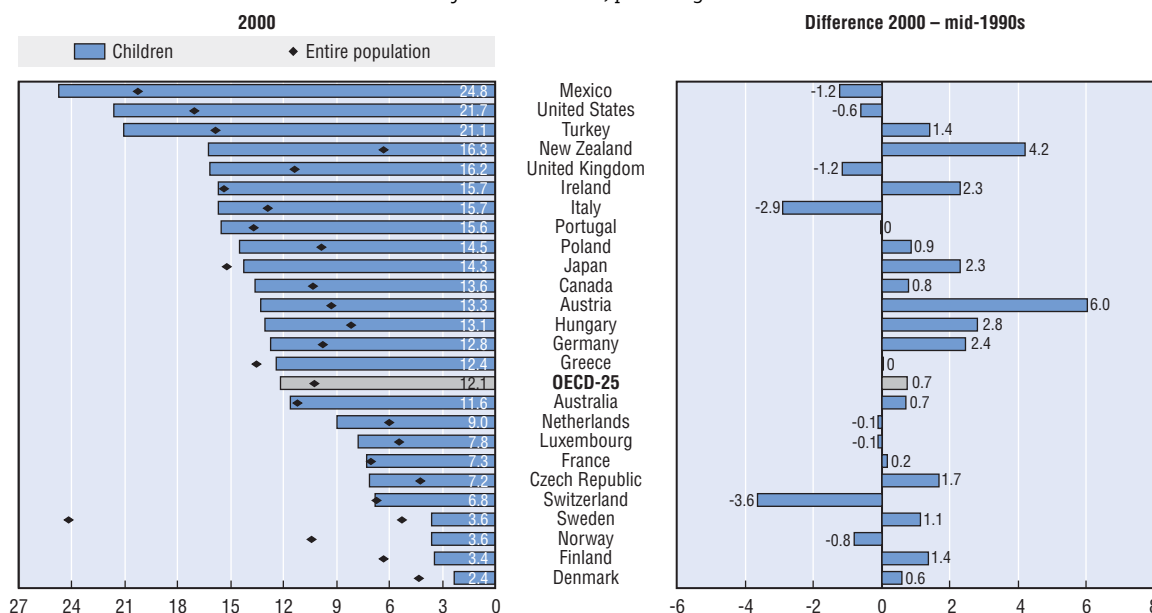
Having a job reduces the probability of households with children falling into poverty (by around three-quarters in the case of couples with children where both parents work, relative to those where only one parent does). This suggests that employment of parents is an important determinant of child poverty, but it is not the only factor. Between one-fourth and one-third of persons living in one-worker couples with children are poor in Mexico, Portugal and the United States, while in Japan, Mexico and Turkey, more than one-tenth of individuals in two-worker couples with children are poor. Also, poverty rates among households with children where no adult works vary enormously across countries (from less than 25% in Denmark, Finland and Norway, to 75% or more in Ireland, Italy, New Zealand, Portugal and the United States), suggesting that both access to, and the level of, income support for families with children also matter.

Status indicators: Working mothers (SS4), Subjective well-being (CO1), Teenage births (CO4).

Response indicators: Public social spending (EQ5), Benefits of last resort (SS6).

EQ3.1. Child poverty rates are substantially lower in the Nordic countries

Share of children 17 years and under living in households with equivalised disposable income less than 50% of median income, percentages



Note: Countries are ranked by decreasing order of the child poverty rate in 2000. "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey. "Mid-1990s" data refer to the year 1995 in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Ireland, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand.

EQ3.2. Poverty rates are much higher for families with jobless parents

Poverty rates among children and households with children, by work status of adults, percentages

Children		Families with children						
		Single parent			Two parents			
		Total	Not working	Working	Total	No worker	One worker	Two workers
Australia, 1999	11.6	38.4	58.7	11.7	6.8	43.3	5.4	3.3
Austria, 1999	13.3	30.0	67.6	23.2	10.2	35.6	12.7	8.6
Canada, 2000	13.6	42.1	89.7	27.7	8.5	75.3	22.9	3.5
Czech Republic, 2000	7.2	23.2	53.7	5.5	3.5	35.7	3.7	0.6
Denmark, 2000	2.4	7.2	22.2	4.0	1.9	19.0	6.4	0.7
Finland, 2000	3.4	10.5	25.0	7.2	2.5	25.8	5.4	1.3
France, 2000	7.3	26.6	61.7	9.6	5.1	37.9	6.3	1.6
Germany, 2001	12.8	31.4	55.6	18.0	8.1	51.5	6.4	1.9
Greece, 1999	12.4	19.8	18.8	20.0	10.8	13.4	16.8	4.8
Ireland, 2000	15.7	53.9	88.7	22.1	10.7	74.8	17.4	1.6
Italy, 2000	15.7	24.9	76.8	13.4	14.1	61.1	23.9	1.6
Japan, 2000	14.3	57.3	52.1	57.9	11.4	46.0	12.3	10.6
Luxembourg, 1999	7.8	35.1	66.3	31.4	5.7	20.8	8.5	2.9
Mexico, 2002	24.8	35.0	45.6	32.6	20.7	37.9	26.2	15.4
Netherlands, 2000	9.0	30.3	42.8	17.7	5.2	50.7	7.8	1.7
New Zealand, 2001	16.3	47.5	87.6	21.3	8.8	43.3	14.5	4.1
Norway, 2000	3.6	9.9	24.7	2.8	1.7	38.0	2.8	0.1
Poland, 2000	14.5	34.7	69.1	13.7	10.2	41.8	14.9	1.9
Portugal, 2000	15.6	32.5	84.8	20.3	12.4	50.6	32.4	4.8
Sweden, 2000	3.6	9.3	34.2	5.6	2.0	13.7	8.2	1.1
Switzerland, 2001	6.8	..	..	2.3	..	..	9.6	4.7
Turkey, 2002	21.1	57.7	51.6	65.4	16.8	25.2	17.2	15.7
United Kingdom, 2000	16.2	40.7	62.5	20.6	8.7	37.4	17.6	3.6
United States, 2000	21.7	48.9	93.8	40.3	14.5	77.9	30.5	8.3
OECD-24	12.1	32.5	58.0	20.6	8.7	41.6	13.7	4.3

Note: Poverty rates among individuals living in households with children and a head of working age.

Source: Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://dx.doi.org/10.1787/875231314458>

Further reading: ■ UNICEF (2000), "A League Table of Child Poverty in Rich Nations", Innocenti Research Centre, Florence.
 ■ Förster M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris.

Definition and measurement

One important dimension of the economic well-being of the elderly population is their disposable income relative to that of the working-age population. Data used in this section are derived from household income surveys and other micro datasets that have been used in previous sections to describe poverty and income inequality. Elderly persons are those aged 65 and over, while the population of working age is here defined as those aged between 18 and 64 years of age. The income concept used includes earnings, income from self-employment, capital income and public transfers, net of direct taxes (and social security contributions, in case of continued employment) paid by households and individuals. Household income is “equivalised” by adjusting for household size. Relative poverty rates for the elderly are based on an income cut-off line set to 50% of the median income of the entire population.

It should be noted that the relative income of elderly persons partly reflects the conditions of households where the elderly live. For example, relatively large proportions of elderly people living with their working-age children will generally increase their relative income and lower their poverty rate with respect to countries where most elderly live alone. Also, household disposable income is an imperfect proxy of the economic well-being of older person, likely to underestimate their economic resources and over-estimate their poverty risks, especially in countries where home-ownership among the elderly is higher (e.g. Australia). Older persons, in all countries, have fewer work-related expenses, higher asset holdings and may have access to resources (e.g. subsidised health care and housing) that are unavailable to other population groups; and these factors are more important in some OECD countries than in others, thus affecting cross-country comparisons.

Equivalised disposable income of older people, across 23 OECD countries, is above 75% of that of the working-age population (Chart EQ4.1). Cross-country variation in the relative income of older people is large, with Mexico, Poland, France, Canada, Germany and Austria achieving the highest levels (85% or more) and Australia the lowest (60%). Cross-country differences in the relative disposable income of older people are only weakly related to different systems of retirement income provision. For example, both Canada and Australia – at the two extremes of the ranking of relative income – have substantial private pensions, whereas France – with high income of older people – does not. When incomes from public and private provisions are considered together, pension systems appear to have successfully ensured adequate living standards to the vast majority of older people, though income from work also plays a significant role in some countries (e.g. Japan).

There is also much diversity across countries when looking at changes in the economic situation of older people. In the period from the mid-1980s to the mid-1990s, relative income of older people improved in a majority of countries (in particular Sweden), mainly reflecting the maturation of their pension schemes, but it worsened in some (notably in Australia, Ireland, Japan, Netherlands and New Zealand). In the second half of the 1990s, relative income of older people declined in a majority of countries. Large declines (Canada, Poland and Sweden) are likely due to increases in working-age

incomes, not necessarily changes in income levels of older people. Significant improvements in the relative income of older people are recorded by Mexico and Greece (reversing earlier declines) and Germany and Austria (extending previous increases).

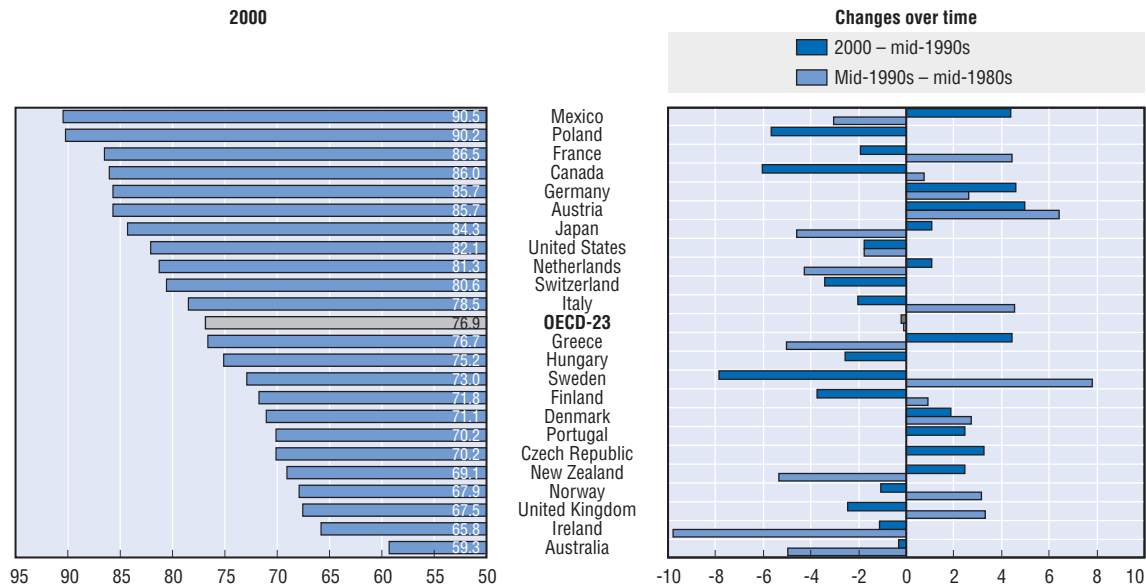
Changes in relative incomes of older people are reflected in changes in their poverty rates. Poverty rates among older people have been brought down to low levels over the past few decades in most OECD countries. Their poverty rate, at around 14% in 2000 across the 17 countries for which longer-term data are available, increased in the second half of the 1990s on average by around 1 point, reversing the improvement recorded in the previous decade. This “average” hides great diversity of experience, with almost as many countries experiencing a decline in pension poverty as those witnessing increases. By 2000, older people had a lower probability of falling into relative poverty than the total population in around one third of the countries under review (Chart EQ4.2); and they have been overtaken by children as the age group most exposed to risks of poverty across the OECD.

Status indicators: Retirement ages (SS8), Relative poverty (EQ1), Health-adjusted life expectancy (HE2), Long-term care (HE5).

Response indicators: Public social spending (EQ5), Private social spending (EQ6).

EQ4.1. Wide diversity in levels and changes of relative income of older people

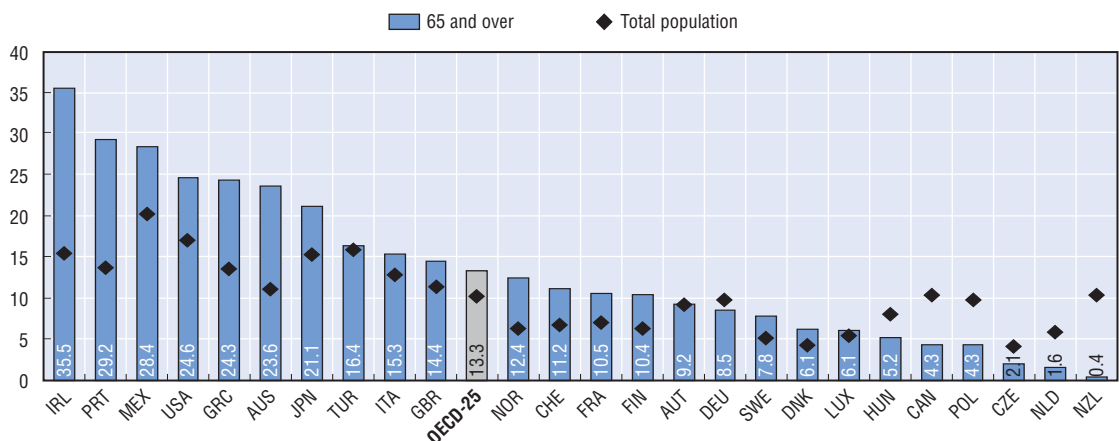
Ratio of equivalised disposable income of people aged 65 and over to that of people aged 18 to 64, percentage



Note: Countries are ranked by decreasing order of the relative income of the elderly in 2000. "2000" data refer to the year 2000 in all countries except 1999 for Australia, Austria and Greece; 2001 for Germany, Luxembourg, New Zealand and Switzerland; and 2002 for the Czech Republic, Mexico and Turkey. "Mid-1990s" data refer to the year 1995 in all countries except 1993 for Austria; 1994 for Australia, Denmark, France, Germany, Greece, Ireland, Japan, Mexico and Turkey; and 1996 for the Czech Republic and New Zealand. "Mid-1980s" data refer to the year 1983 in Austria, Belgium, Denmark and Sweden; 1984 in Australia, France, Italy and Mexico; 1985 in Canada, Japan, the Netherlands, Spain and the United Kingdom; 1986 in Finland, Luxembourg, New Zealand and Norway; 1987 in Ireland and Turkey; 1988 in Greece; and 1989 in the United States. Data for Germany refer to Western Länder only. For Canada and Sweden, changes in the period from mid-1990s to mid-1980s are based on surveys different from the ones used in the most recent period.

EQ4.2. Lower poverty rates among older people than for the total population in one-third of OECD countries

Poverty rates for people aged 65 plus and for the total population, percentage, 2000



Note: Poverty rates are measured as the proportion of individuals with equivalised disposable income less than 50% of the median income of the entire population. Countries are ranked by decreasing order of poverty rates among the elderly in 2000. Data for Germany refer to western Länder only.

Source: Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://Dx.doi.org/10.1787/164773650058>

Further reading: ■ OECD (2001), *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries*, OECD, Paris. ■ Förster, M. and M. Mira d'Ercole (2005), "Income Distribution and Poverty in OECD Countries in the Second Half of the 1990s", Social, Employment and Migration Working Papers, No. 22, OECD, Paris.

Definition and measurement

Social support is the provision, by both public and private institutions, of benefits and financial contributions to households whose circumstances adversely affect their welfare. Much of this support takes the form of social expenditures, which comprises cash benefits and direct “in-kind” provision of goods and services. To be included in social spending, benefits have to address one or more social goals. These expenditures may be targeted at low-income households but also to children, the elderly, and persons who are disabled, sick or unemployed. Programmes regulating the provision of social benefits involve either redistribution of resources across households, or compulsory participation.

Social expenditure is classified as public when the general government (i.e. central, state, and local governments, including social security institutions) controls the relevant financial flows. For example, sickness benefits financed by compulsory employer and employee contributions to social insurance funds are considered “public”, whereas sickness payments paid directly by employers to their employees are classified as “private”. For cross-country comparisons, the most commonly used indicator of social support is “gross” (i.e. before deduction of direct and indirect tax payments levied on these benefits and addition of tax expenditures provided for social purposes) public social spending as a share of GDP. Measurement problems do exist particularly with regards to spending by lower tiers of government, which may be underestimated in some countries.

In 2001, gross public social expenditure represented 21% of GDP on average across 30 OECD countries (Chart EQ5.1), with cash benefits twice as large as in-kind services. Cross country variation in gross spending levels is wide, ranging between about 29% in Sweden and Denmark, and only 6% in Korea.

In terms of functional categories, the three largest items are pensions (which include spending on old-age and survivors, 8% of GDP on average), health (6%) and income transfers to the working-age population (5%); within this last category, public spending targeted to families with children and to persons with disabilities represented each nearly 2% of GDP. Spending on old-age and survivor pensions represent more than 12% of GDP in Austria, Greece, Italy and Switzerland, and less than 5% in Australia, Iceland, Ireland, Korea, New Zealand and Norway. Gross public spending on social services exceeds 5% of GDP only in the Nordic countries, where the public role in providing services to the elderly, the disabled and families is the most extensive.

Changes in gross public social expenditures over time are also significant (Chart EQ5.2). After having

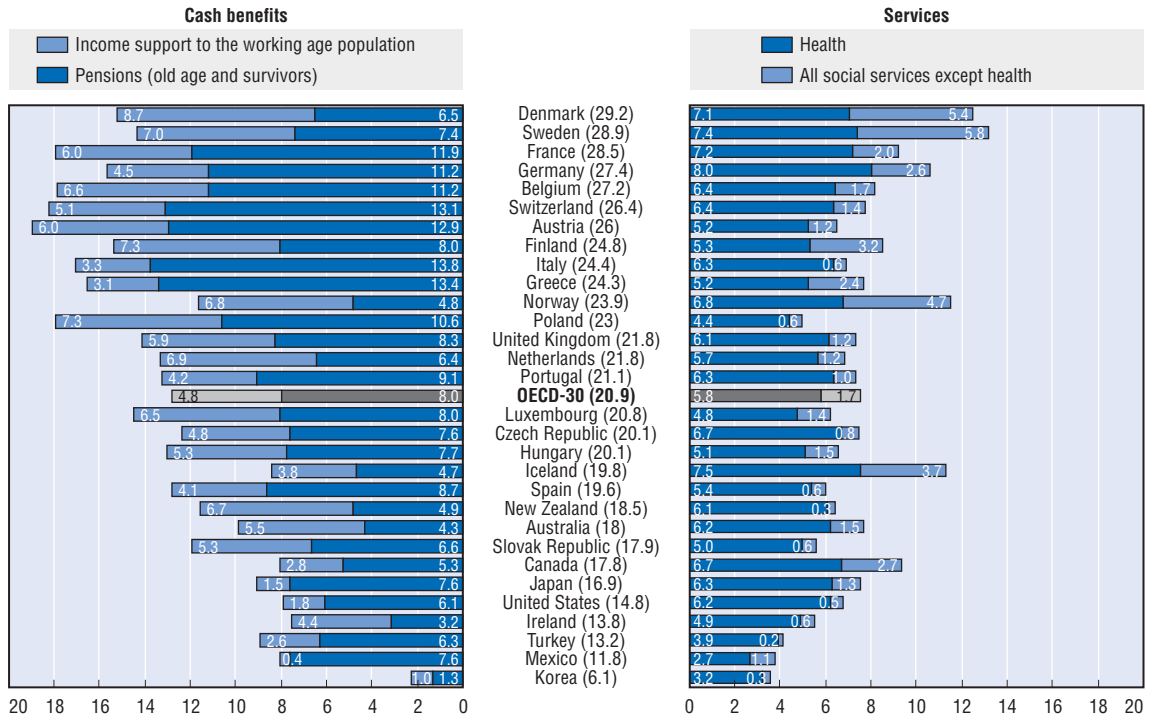
almost doubled in the 20 years to 1980, the expansion of gross public expenditure continued at a reduced rate with the OECD average peaking at 23% in 1993. Since then, gross public social expenditure has declined – on average – by around 1½ points of GDP by 2001, with all the decline accounted by non-health expenditures. In Finland, Ireland, the Netherlands and Sweden, gross public social spending declined from peak levels by more than 6 points of GDP, while in Greece, Iceland, Japan, Portugal, Switzerland and Turkey gross public social spending continued to increase.

Status indicators: Unemployment (SS2), Working mothers (SS4), Relative poverty (EQ1), Child poverty (EQ4).

Response indicators: Out-of-work benefits (SS5), Benefits of last resort (SS6), Total social spending (EQ7), Total health care expenditure (HE4).

EQ5.1. Public social spending represents close to one-fifth of GDP on average

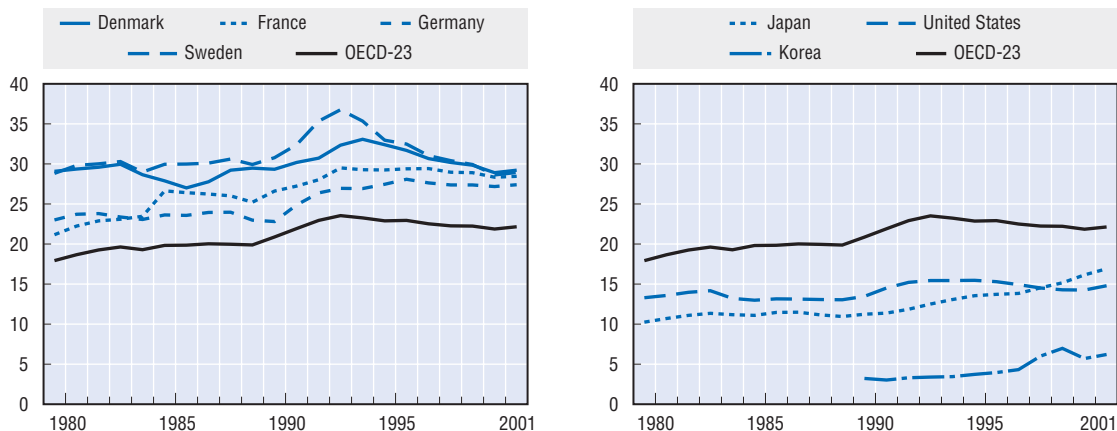
Gross public social expenditure by broad policy area, in percentage of GDP, 2001



Note: Countries are ranked by decreasing order of total public social expenditure as a percentage of GDP. Spending on Active Labour Market Programmes (ALMPs) cannot be split by cash/services breakdown. ALMPs are however included in total public spending in brackets.

EQ5.2. Small declines in public social spending since 1993

Gross public social spending for selected countries, in percentage of GDP, 1980-2001



Source: OECD (2004), Social Expenditure Database 1980-2001, OECD, Paris (available at www.oecd.org/els/social/expenditure).

StatLink: <http://dx.doi.org/10.1787/138143773102>

Further reading: ■ Adema, W. (2001), "Net Social Expenditure, 2nd Edition", Labour Market and Social Policy Occasional Papers, No. 52, OECD, Paris (see www.oecd.org/els/workingpapers).

Definition and measurement

Households can receive social support not only from governments but also from the private sector – where the private sector is defined as including all financing flows not controlled by general government. Excluded from these flows are direct transfers between individuals (e.g. gifts). Gross private social expenditure concerns all programmes with a social purpose that contain an element of interpersonal redistribution. The redistributive nature of private social benefits can be due to government legislation on benefit rules (mandatory private social benefits), stipulations in collective agreements or financial support provided by governments to voluntary individual arrangements and employment-related benefit plans. Private expenditure flows presented in this section are recorded on a gross basis (i.e. before deduction of tax payments levied on these flows and of tax expenditures).

Measurement problems are greater for private social spending than for public spending. Even when governments set benefit rules, providers often do not have to report relevant expenditure to government agencies. When direct information about these expenditure flows is lacking, indirect measures have to be used. For example, spending data on mandatory employer-provided sickness benefits reported here are often based on information on wages and on the number of work days lost because of sickness. Coverage of private expenditure flows is not full. For example, in the case of private social health benefits, current estimates do not include individual co-payments set through government regulations.

There are considerable differences across countries in the extent to which social protection systems rely on private provision. Gross private social spending is above 10% of GDP in the United States, while it is negligible or non-existent in about of the countries covered in Table EQ6.2. Private social benefits are common in the case of occupational accidents and diseases (e.g. Australia), sickness benefits (e.g. Germany) and old-age pensions, in the form of either mandatory participation in employer-based programmes (e.g. the United Kingdom) or of tax-supported individual pension plans (e.g. the United States). On average, around ¾ of all private social expenditure takes the form of voluntary spending, with the remainder being mandated by law.

In some OECD countries at least, the role of private social benefits has increased in recent years, especially in the United States and the Netherlands (Chart EQ6.1). Different factors underlie this trend. The maturing of private pension programmes largely account for the upward trend in private social expenditure, especially in Canada. Reductions in the generosity of public employment-related social benefits (sickness and incapacity related income support) since the 1980s have also encouraged the

growth of private benefits to top-up public programmes. In Denmark, the Netherlands and Sweden, governments have legislated increased employer's responsibility for the provision of sickness benefits during the first part of the 1990s.

In the United States, higher health care costs since the 1980s contributed to trend increase in private social spending, while a decline in the proportion of employers providing health care coverage (and lower benefit rates) partly offset this increase during the first part of the 1990s.

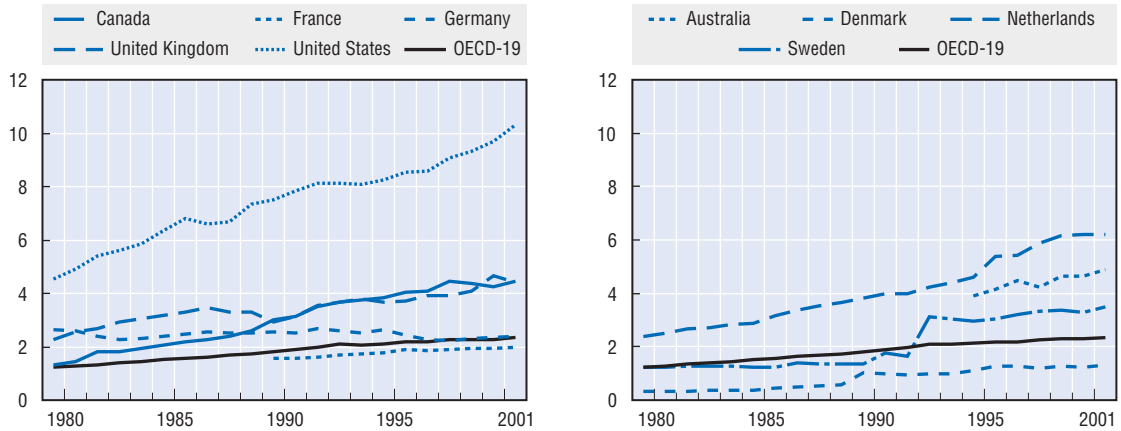
The importance of private social benefits is expected to grow in the future in most OECD countries, as capitalised pension programmes become more common and mature.

Status indicators: Employment (SS1), Income inequality (EQ2).

Response indicators: Public social spending (EQ5), Total social expenditure (EQ7), Total health care expenditure (HE).

EQ6.1. Gross private social spending is edging up in most OECD countries

Mandatory and voluntary private social spending, in percentage of GDP, 1980 to 2001



EQ6.2. Composition of private social expenditure

Total, mandatory and voluntary¹ gross private social spending, percentage of GDP, 2001

	Mandatory private					Voluntary private ¹					Total private	Share of private in total (public-private total spending) %
	Total	Old age	Incapacity	Health	Other	Total	Old age	Incapacity	Health	Other		
Australia	0.9	–	0.9	–	–	4.0	3.3	–	0.7	0.0	4.9	21.4
Austria	0.9	–	0.9	–	–	0.7	0.1	–	0.6	–	1.6	5.7
Belgium	–	–	–	–	–	–	–	–	–	–	–	–
Canada	–	–	–	–	–	4.5	3.4	–	1.1	0.0	4.5	19.7
Czech Republic	–	–	–	–	–	–	–	–	–	–	–	–
Denmark	0.3	–	0.3	–	–	1.0	0.9	–	0.1	–	1.3	4.3
Finland	0.1	0.1	0.0	–	0.0	1.0	0.1	0.7	0.2	0.0	1.2	4.5
France	–	–	–	–	–	2.0	0.2	0.3	1.2	0.3	2.0	6.5
Germany	1.4	–	1.3	–	0.1	1.0	0.6	0.1	0.3	0.0	2.4	8.1
Greece	–	–	–	–	–	–	–	–	–	–	–	–
Hungary	–	–	–	–	–	0.0	–	–	0.0	–	0.0	0.1
Iceland	1.4	–	1.4	–	–	–	–	–	0.0	–	1.4	6.7
Ireland	–	–	–	–	–	0.4	–	–	0.4	–	0.4	3.1
Italy	1.4	–	–	–	1.4	0.1	–	–	0.1	–	1.5	5.7
Japan	0.6	0.6	–	–	0.0	0.0	0.0	–	0.0	–	0.6	3.3
Korea	2.6	0.0	0.1	–	2.4	1.9	–	–	–	1.9	4.4	42.0
Luxembourg	–	–	–	–	–	0.1	–	–	0.1	–	0.1	0.5
Mexico	–	–	–	–	–	0.2	–	–	0.2	–	0.2	1.4
Netherlands	0.7	–	0.7	–	–	5.5	3.0	0.4	1.4	0.8	6.2	21.6
New Zealand	–	–	–	–	–	0.5	–	–	0.5	–	0.5	2.6
Norway	1.3	–	1.3	–	–	0.8	0.6	0.2	–	0.0	2.1	8.1
Poland	–	–	–	–	–	–	–	–	–	–	–	–
Portugal	0.4	–	0.4	–	–	0.3	0.2	0.0	0.0	0.1	0.8	3.4
Slovak Republic	0.3	0.2	0.1	–	0.0	0.1	–	–	0.1	–	0.4	2.0
Spain	–	–	–	–	–	0.3	–	–	0.3	–	0.3	1.5
Sweden	0.6	–	0.6	–	–	2.9	2.1	0.4	0.1	0.3	3.5	10.8
Switzerland	0.6	–	0.5	–	0.1	1.2	0.0	0.0	1.1	0.0	1.9	6.6
Turkey	–	–	–	–	–	–	–	–	–	–	–	–
United Kingdom	0.5	0.5	0.1	–	–	3.9	2.5	0.7	0.3	0.4	4.4	16.9
United States	0.4	–	0.2	0.2	0.0	9.9	4.7	0.2	5.0	0.0	10.3	41.1
OECD-30	0.5	0.0	0.3	0.0	0.1	1.4	0.7	0.1	0.5	0.1	1.9	8.2

–: No programme. 0.0: Programme exists, but it is less than 0.1% of GDP.

1. Estimates.

Source: Estimates based on Adema, W. and M. Ladaïque (2005), "Net Total Social Expenditure", Social, Employment and Migration Working Papers, forthcoming, OECD, Paris (www.oecd.org/els/workingpapers).StatLink: <http://dx.doi.org/10.1787/013227035342>**Further reading:** ■ Martin, J.P. and M. Pearson (2005), "Should We Extend the Role of Private Social Expenditure?", Social, Employment and Migration Working Papers, forthcoming, OECD, Paris (www.oecd.org/els/workingpapers).

Definition and measurement

A comprehensive account of the total amount of resources that each OECD country devotes to the pursuit of social goals has to take into account both public and private social expenditures, and the extent to which the tax system affects the effective amount of support provided. To capture the effect of the tax system on gross (before tax) social expenditures, account has to be taken of the government “clawback” on social spending through the direct taxation of benefit-income and the indirect taxation of the goods and services consumed by benefit recipients. Moreover, governments can pursue social goals by awarding tax advantages for social purposes (e.g. child tax allowances). From the perspective of society, “net” (i.e. after tax) social expenditure, from both public and private sources, gives a better indication of the resources used to pursue social goals. From the perspective of individuals, “net social expenditure” reflects the proportion of an economy’s production on which benefit recipients can lay a claim.

Measuring the impact of the tax system on social expenditure often requires estimates derived from micro-data sets and microsimulation models, as administrative data are frequently not available. Also, central recording of private social spending is not always available. Hence, relevant information is of lesser quality than data on gross public social expenditure. Since adjustments are required for indirect taxation, net social spending is related to GDP at factor costs rather than to GDP at market prices.

Table EQ7.1 illustrates the effect of tax payments and tax expenditures on gross social spending by governments in selected OECD countries in 2001. Three features stand out. First, the “clawback” of gross social spending through direct taxation of benefit income is highest in Denmark and Sweden, where around 13% of cash transfers returns to the government coffers through income and payroll taxes. Second, the amount of gross public spending clawed back through indirect taxation is generally larger in European than in non-European OECD countries. Third, countries with limited direct taxation levied on benefits – Canada, Germany, and the United States – make more extensive use of tax breaks granted towards non-pension expenditures. Because of gaps in data availability and of conceptual issues raised by their measurement, tax breaks towards old-age pensions – available for only a few countries – are shown in Table EQ7.1 as a memorandum item.

In general, governments claw back more money through taxation of public social expenditure than they spend on tax breaks provided for social purposes. The only exceptions to this pattern are Mexico and the United States (where net public social expenditures exceed gross outlays) and Korea (where the two spending aggregates are equal).

On average, across 18 OECD countries in 2001, net total social expenditure accounted for a little more than 22% of GDP, ranging from more than 30% in Germany to less than 12% in Korea. Accounting for both private social benefits and the impact of the tax system considerably reduces differences in social spending to GDP ratios across countries. In fact, the proportion of an economy’s domestic production to which recipients of social benefits lay claim (as measured by total net social expenditure) is rather similar in Austria, Denmark, the Netherlands, Norway, the United Kingdom and the United States (Chart EQ7.2). However, a similar size of net social spending across countries does not imply that the degree of redistribution achieved through the tax and benefit systems is also similar, nor that the impact on the economy is the same.

Status indicators: Relative poverty (EQ1), Income inequality (EQ2).

Response indicators: Public social spending (EQ5), Private social spending (EQ6), Total health care expenditure (HE4).

EQ7.1. From gross to net public social spending

Percentage of GDP at factor costs, 2001

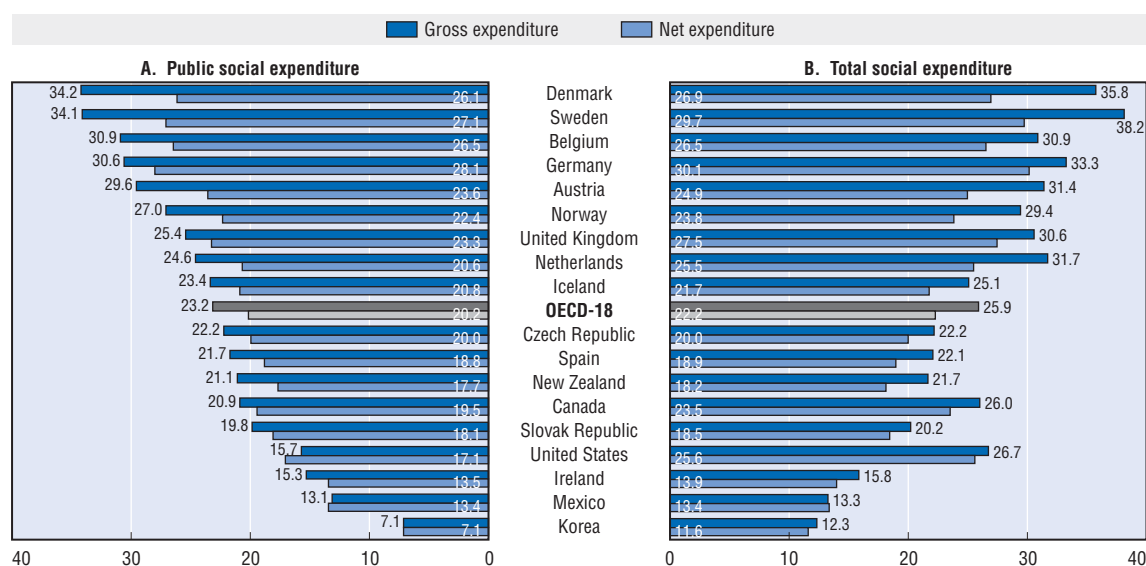
	Austria	Belgium	Canada	Czech Republic	Denmark	Germany	Iceland	Ireland	Korea	Mexico	Netherlands	New Zealand	Norway	Slovak Republic	Spain	Sweden	United Kingdom	United States
Gross public social expenditure	29.6	30.9	20.4	22.2	34.2	30.6	23.4	15.3	7.1	13.1	24.6	21.1	27.0	19.8	21.7	34.1	25.4	15.7
– Direct taxes and social contributions on benefit income	2.9	2.2	0.7	0.0	4.6	1.6	0.7	0.3	0.0	–	2.6	1.7	2.1	–	1.2	4.3	0.3	0.6
– Indirect taxes on goods and services consumed by benefit recipients	3.1	2.8	1.0	2.2	4.0	2.3	1.9	1.8	0.4	1.0	2.4	1.9	2.8	2.1	1.8	2.9	2.2	0.4
+ Tax breaks towards non-pension social policy spending (TBSPs)	0.0	0.5	0.2	2.2	0.0	1.3	–	0.2	0.4	1.3	0.8	0.1	–	0.4	0.0	–	0.4	2.3
= Net public social expenditure	23.5	26.4	19.0	22.1	25.7	27.9	20.8	13.5	7.1	13.4	20.4	17.6	22.2	18.1	18.7	26.8	23.3	17.1
Memorandum item: Tax breaks towards pensions spending	0.1	0.3	1.7	0.2	..	0.9	1.1	2.5	..	0.1	..	0.0	0.2	0.1	0.2	..	1.5	1.2

.. Data not available.

– Zero.

EQ7.2. From public to total social expenditure

Percentage of GDP at factor costs, 2001



Source: Estimates based on Adema, W. and M. Ladaïque (2005), "Net Total Social Expenditure", Social, Employment and Migration Working Papers, forthcoming, OECD, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://Dx.doi.org/10.1787/838027316736>

Further reading: ■ Adema, W. (2001), "Net Social Expenditure, 2nd Edition", Labour Market and Social Policy Occasional Papers, No. 52, OECD, Paris (www.oecd.org/els/workingpapers).

Definition and measurement

The old-age pension replacement rate is a measure of how effectively a pension system provides income during retirement to replace earnings which were the main source of income prior to retirement. The indicator here is the expected pension benefit for a full-career, single worker in the private sector entering the labour market at age 20. It includes all mandatory parts of the pension system, both public and private, while excluding voluntary pensions, which are important in some countries. This indicator aims to show the long-term stance of the pension system and takes account of all changes in rules and parameters that have been legislated; phased-in legislated changes will thus be fully in place by the time of retirement. Parameters are those for the year 2002. A standard set of economic assumptions is used for each country.

The replacement rate is defined as pension entitlement divided by pre-retirement earnings. It is calculated over the full earnings range: from 0.3 to 2.5 times average earnings. Indicators of expected replacement rates from old-age pensions are presented both on a gross (i.e. pre-tax) and net basis (i.e. taking account of the taxes and social security contributions paid on earnings when working and on pension when retired).

Chart EQ8.1 shows the pattern of gross replacement rates from old-age pensions relative to earnings in 10 countries. The countries are selected to show the full range of pension systems in the OECD area. In Australia, Denmark and the United Kingdom, the pension system pays a similar amount to people regardless of their earnings history. This means that the replacement rate declines with earnings. These countries all have public schemes that are wholly or mainly resource-tested (paying larger amounts to low-income pensioners) or flat-rate (paying the same amount to all for each year of contributions or residency).

In contrast, Finland, Italy and the Netherlands pay very similar replacement rates across the earnings range, meaning that the replacement rate curve is flat above half average earnings. Benefits are strongly related to previous earnings. Other countries are intermediate cases. France and Germany are both traditionally regarded as countries with a strong social-insurance tradition. However, ceilings in the public scheme (of around 125 and 150% of average earnings respectively), plus a generous minimum pension in France, means that replacement rates fall at higher earnings levels unlike the other three countries in the right-hand panel.

The United States' public pension has a strongly redistributive formula. At half-average earnings, the gross replacement rate is over 50%, falling to 40% at average earnings and to 30% at twice average earnings. Japan has a two-tier public pension programme, with flat-rate and earnings-related parts.

This delivers a similar pattern of benefits with earnings as in the United States.

It is the net replacement rate that matters to individuals as this is what determines their standard of living during retirement relative to when working (Chart EQ8.2). Averaging across OECD countries, net replacement rates at average earnings are 22% larger than gross replacement rates. Net replacement rates are substantially higher than gross rates in Belgium, France and Germany. The effect of taxes and contributions on low earners is more muted because they typically pay less in taxes and contributions than those on average earnings. The differential between net and gross replacement rates for low earners is 17% on average.

At average earnings, the average net replacement rate for OECD countries is 69%. There is substantial variation, with Ireland and New Zealand (which have just basic schemes) paying 40% or less, while in Turkey and Luxembourg pension entitlements exceed pre-retirement earnings. Net replacement rates at low earnings are much closer together than at high earnings.

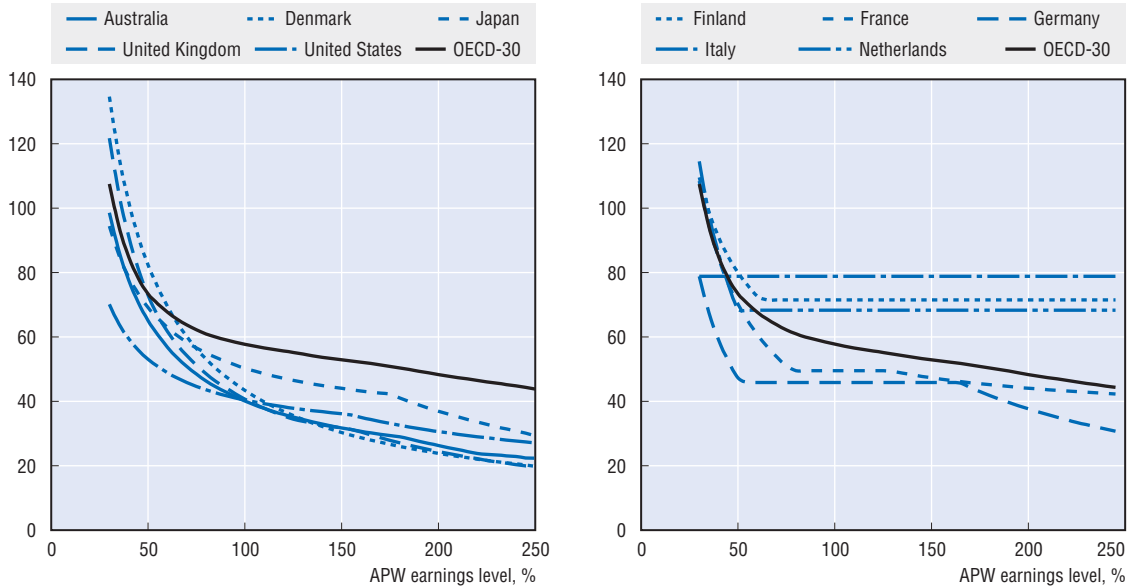
Status indicators: Age at retirement (SS8), Income of older people (EQ4), Health-adjusted life expectancy (HE2).

Response indicators: Public social spending (EQ5), Pension promise (EQ9).

EQ8. OLD-AGE PENSION REPLACEMENT RATE

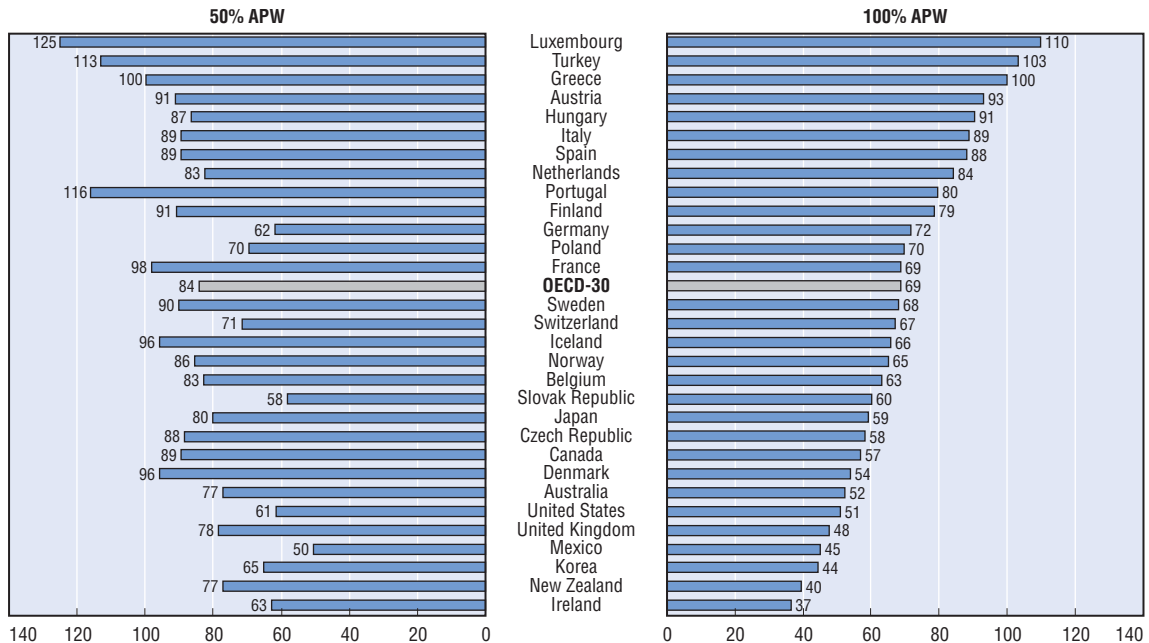
EQ8.1. Variation across countries in generosity of pension programmes

Gross replacement rates by earnings level, mandatory pension programmes, in percentage of individual pre-retirement gross earnings, men



EQ8.2. At average earnings, the average net replacement rate for OECD countries is 69%

Net replacement rates by earnings level, mandatory pension programmes, in percentage of pre-retirement net earnings at 50% and 100% of APW, men



Note: APW: Average production worker wage.

Source: OECD (2005), *Pensions at a Glance: Public Policies across OECD Countries*, forthcoming, OECD, Paris (see also www.oecd.org/els/social/ageing).

StatLink: <http://Dx.doi.org/10.1787/872465550831>

Further reading: ■ OECD (2000), *Reforms for an Ageing Society*, OECD, Paris. ■ OECD (2001), *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries*, OECD, Paris. ■ OECD (2005), *Pensions at a Glance – Public Policies across OECD countries*, forthcoming, OECD, Paris.

Definition and measurement

Old-age pension replacement rates as shown in EQ8 give a snapshot picture of the value of pension entitlements at the point of retirement. But a complete picture of the worth of pension entitlements to individuals and the cost of the resource transfer to older people needs to take account of three other factors. First, pension eligibility ages differ between countries and sometimes between the sexes. Second, life expectancies vary, again both between countries and between the sexes. These two factors change the expected duration of retirement and so the period over which the pension is paid. Finally, countries have different policies for adjusting pensions in payment: some to prices, some to average earnings and some to a mix of the two. If real wages grow, then earnings indexation of benefits is more expensive than linking them to prices.

Pension promise is defined as the net present value of pension benefits at the point of retirement. It depends on the replacement rate, but also on indexation, pension age and country-specific mortality rates by age. The calculations use the same models used to calculate old-age pension replacement rates: they are modeled on the basis of the rules of mandatory pension systems (both private and public) for private-sector workers in the year 2002.

Countries can more easily afford to promise a higher pension replacement rate if the benefit is paid for a shorter period, for example if the pension eligibility age is higher. A price-indexed pension paid from age 60 is worth nearly 20% more than one of the same value paid from age 65. The expected pension replacement rate can also be higher the shorter is life expectancy at retirement. Citizens of poorer OECD countries are projected to retain lower life expectancies than their counterparts in richer economies. In Hungary, Mexico, Poland, the Slovak Republic and Turkey, total life expectancy at 65 is 1½ to 3 years shorter than the OECD average. In Turkey, for example, it would cost 15% less to pay a certain pension from age 65 than it would at OECD average mortality rates. Iceland, Japan and Switzerland have significantly longer life expectancy than the OECD mean. The cost of a pension from age 65 in Japan is 12% higher than the OECD average because of this longer life expectancy.

Luxembourg has the highest pension wealth for a worker on average earnings (Chart EQ9.1). It is worth 20 times economy-wide average earnings for

men and nearly 25 times for women. Given average earnings in that country of over EUR 31 000, the pension wealth of an average earner at the time of retirement is around EUR 470 000 for a man and EUR 600 000 for a woman.

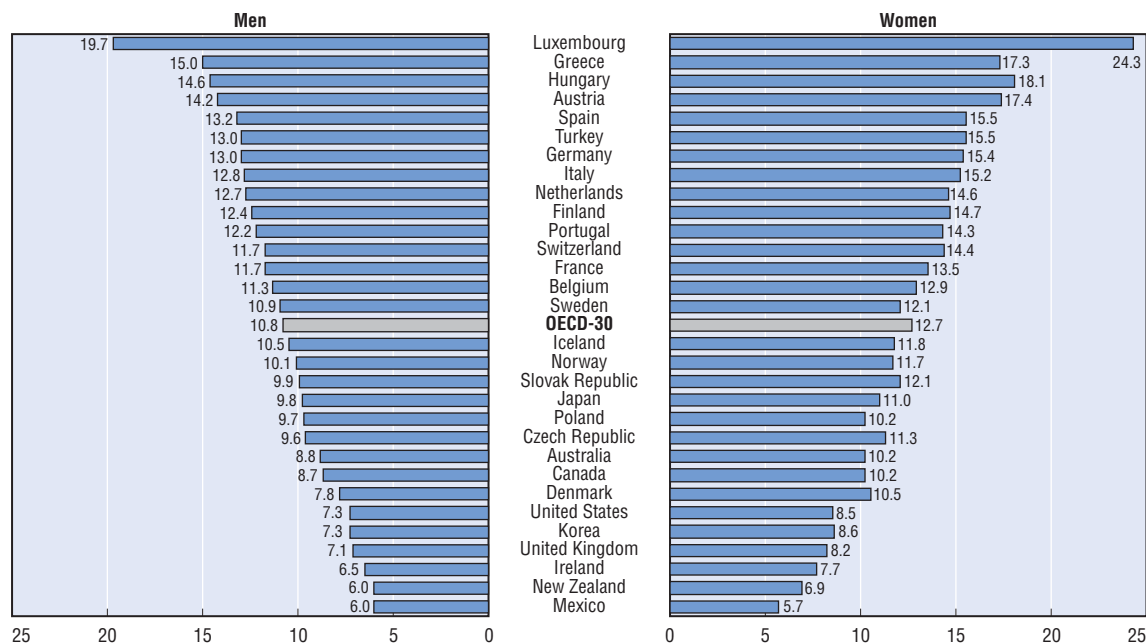
The effect of different standard pension ages is also evident. France, for example, has gross replacement rates significantly below the OECD average; however, pension wealth is above the OECD average because of lower standard pension age (60) and higher life expectancy.

Status indicators: Age at retirement (SS8), Relative poverty (EQ1), Income of older people (EQ4), Health-adjusted life expectancy (HE2).

Response indicators: Public social spending (EQ5), Old-age pension replacement rate (EQ8).

EQ9.1. Variation in pension wealth across OECD countries

Net present value of pension benefits at normal pension age, by gender, as a percentage of gross earnings of an average production worker



Source: OECD (2005), *Pensions at a Glance: Public Policies across OECD Countries*, forthcoming, OECD, Paris (see also www.oecd.org/els/social/ageing).

StatLink: <http://dx.doi.org/10.1787/305030625708>

Further reading: ■ OECD (2000), *Reforms for an Ageing Society*, OECD, Paris. ■ OECD (2001), *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries*, OECD, Paris. ■ OECD (2005), *Pensions at a Glance – Public Policies across OECD countries*, forthcoming, OECD, Paris.

Definition and measurement

Life expectancy is the most general and best known measure of the health status of the population. Changes in life expectancy are related to a range of interdependent variables such as living standards, lifestyles, and access to quality health services. As underlying socio-economic factors do not change overnight, changes in life expectancy are best assessed over long periods of time.

The indicators presented here, life expectancy at birth and in old age, are defined as the average number of years that a person could expect to live if he or she experienced the age-specific mortality rates prevalent in a given country in a particular year. They do not include the effect of any future decline in age-specific mortality rates. Each country calculates its life expectancy according to methodologies that can vary somewhat. These methodological differences can affect the comparability of reported estimates, as different methods can change a country's measure of life expectancy by a fraction of a year.

Gains in life-expectancy at birth realised in all OECD countries over the last four decades have been remarkable. These gains mirror the sharp reductions in mortality rates at all ages and higher survival rates in old age. On average, life expectancy at birth across OECD countries has increased from 66 to 74.7 years for men and from 71 to 80.6 years for women from 1960 to 2002 (Chart HE1.1), i.e. an increase per decade of around 2.1 years for men and 2.3 years for women. In 2002, life expectancy at birth was highest in Iceland (at 78.5 years) for men, and in Japan (85.2 years) for women.

Gains in life-expectancy at birth have been especially large in countries where this was lowest in 1960 (e.g. Korea, Mexico and Turkey), leading to convergence towards the OECD average. Much lower gains in life-expectancy at births have been realised in recent years by some Eastern European countries. In Hungary, for example, life-expectancy at births of men has remained broadly stable, at relatively low levels, over the second half of the 1990s – a result that has been attributed to unhealthy lifestyles, poor diets, and excessive alcohol and tobacco consumption (OECD, 1999) – followed by strong increases since 2000. While life-expectancy at birth has also increased outside the OECD area, there have also been major set-backs. In Russia, life-expectancy at birth of men fell by over seven years from the late 1980s to 1994, and despite a recovery since remain significantly lower than levels recorded before

the transition to a market system. In some of the African countries most affected by HIV (e.g. Zimbabwe and Zambia) life-expectancy at birth has declined by 20 years or more since 1990.

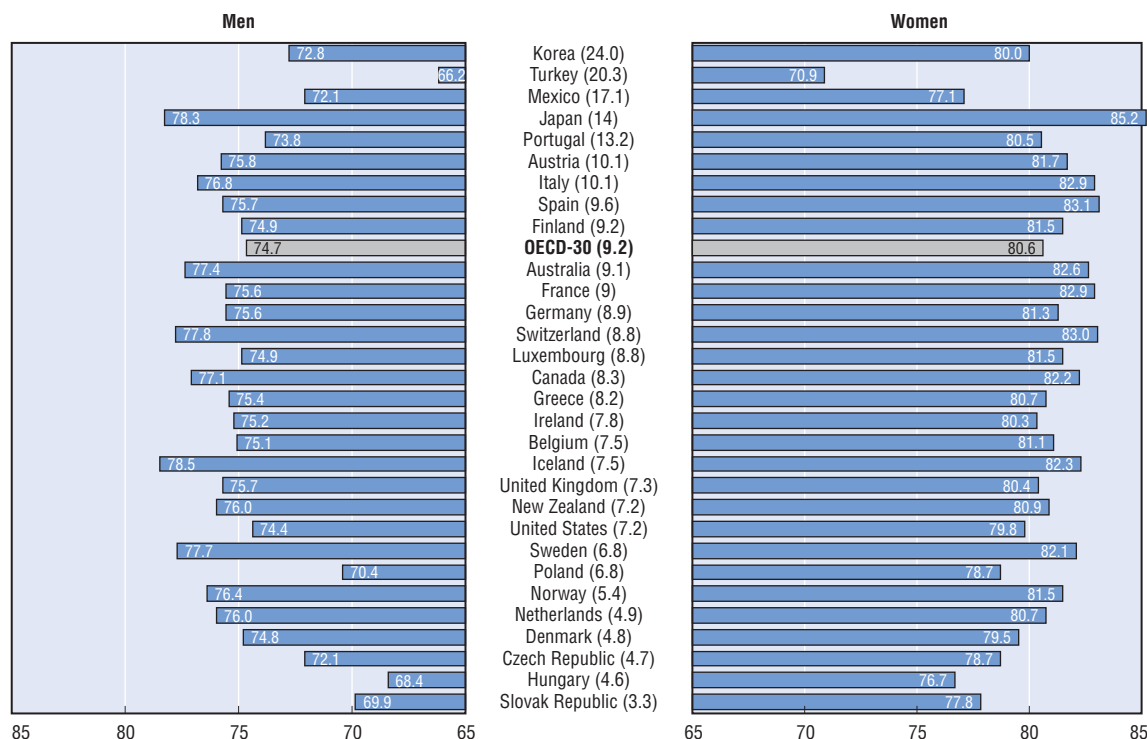
In OECD countries, life expectancies in old age have increased faster since 1970 than over the 1960s (Chart HE1.2). By 2002, women at age 65 could on average expect to live another 19 years, as compared to 16 years for men; at age 80, women could on average expect to live another 9 years, compared to 7 years for men. Improved access to quality health services and medical progress, especially for cardiovascular diseases, have contributed to much of this increase (AIHW, 1998). Gains in life-expectancy in old age since 1960 have generally been greater for women (4 additional years at age 65) than for men (3 at age 65), and the wider longevity gap has increased the share of older women that survive their spouses. Gender gaps in old-age are however stable on average since the mid-80s, and narrowing in several OECD countries (Australia, Canada, Denmark, Netherlands, United Kingdom and United States). This trend is projected to continue in future decades.

Status indicators: Healthy life expectancy (HE2), Infant mortality (HE3).

Response indicators: Total health care expenditure (HE4).

HE1.1. Women still live longer than men, with remarkable gains in life expectancy at birth for both sexes in the last decades

Life expectancy at birth, in years, men and women, in 2002¹

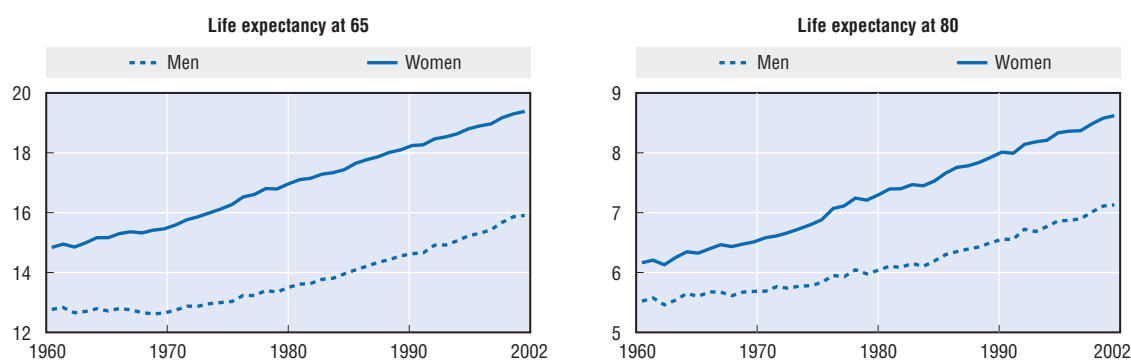


Note: Countries are ranked by decreasing order of 1960-2002² gains for total population (values in brackets).

1. 2001 for Canada, Germany, Korea, Luxembourg, United Kingdom and United States.
2. 1960-2001 for Germany, Korea, Luxembourg, United Kingdom and United States; 1961-2001 for Canada; 1961-2002 for Italy.

HE1.2. Elderly live longer, especially since the 1970s

Life expectancies at 65 and 80, in years, average of 21 OECD countries,³ men and women, 1960-2002



3. Excludes Denmark, Iceland, Ireland, Korea, Portugal, Slovak Republic, Switzerland and United Kingdom.

Source: OECD (2004), OECD Health Data 2004, first edition, OECD, Paris (see also www.oecd.org/health/healthdata).

StatLink: <http://dx.doi.org/10.1787/720553055715>

Further reading: ■ AIHW (1998), *Australia's Health 1998*, Australian Institute of Health and Welfare, Canberra. ■ OECD (1999), *OECD Economic Surveys: Hungary*, OECD, Paris. ■ OECD (2004), *Towards High-Performing Health Systems*, Paris.

Definition and measurement

The increase in life expectancy begs the question as to whether the extra years of life are spent in good health, or are leading to prolonged period of illness and dependency. In order to get a measure of life expectancy in good health, the World Health Organisation (WHO) calculates estimates of Healthy Life Expectancy (HALE). HALE aims to summarise the number of years to be lived in what might be termed the equivalent of “full health”. To calculate HALE, the World Health Organisation weights the years of ill-health according to severity and subtracts them from overall life expectancy to give the equivalent years of healthy life.

There remain however a number of issues regarding the reliability and comparability of HALE estimates. One of the main issues relates to the measurement of health status in a comparable manner across countries. HALE estimates are expected to be refined in the years ahead and to benefit from effort underway to improve the comparability of survey-based measures of health status and the results of new epidemiological studies.

Estimates of healthy life expectancy from WHO suggest that new-borns in 2002 can expect to live 70 years or more in good health in around two thirds of all OECD countries (Table HE2.1). Given the very strong correlation between healthy life expectancy and life expectancy at birth (a correlation coefficient of 0.95), it is not surprising that those countries which rank high in terms of life expectancy also rank high in terms of HALE. For the population as a whole, Japan registers the highest HALE at birth, followed by Sweden, Switzerland, Iceland and Italy. This ranking needs to be treated with caution, however, given uncertainties regarding the precision of current HALE estimates. The same factors that contribute to rising life expectancy also contribute to gains in HALE. These include rising standards of living, better lifestyles and working conditions, public health interventions and access to quality healthcare services.

Estimates of HALE show that while women live longer than men, they also tend to be ill for longer periods. In most OECD countries, women are likely to experience almost 2 more years of ill health than men during the course of their lives (Chart HE2.2). As a percentage of total lifetime, the burden of ill

health for women is estimated at 10%, as compared with almost 9% for men on average across OECD countries.

There are few trend data on HALE which would provide direct evidence of whether the observed gains in life expectancy at birth for women and men over time represent additional years lived in good or ill health. However, survey-based data on disability rates among the elderly population from several countries indicate a decline in the prevalence of disability among people aged 65 and over, although the evidence is not conclusive in some countries (e.g. Australia and the United States). To the extent that people at older ages remain healthy and are able to continue to live independently, this will reduce pressures on the provision of health and long-term care, although these might simply involve a postponement of care needs.

Status indicators: Life expectancy (HE1).

Response indicators: Total health care expenditure (HE4).

HE2. HEALTH-ADJUSTED LIFE EXPECTANCY

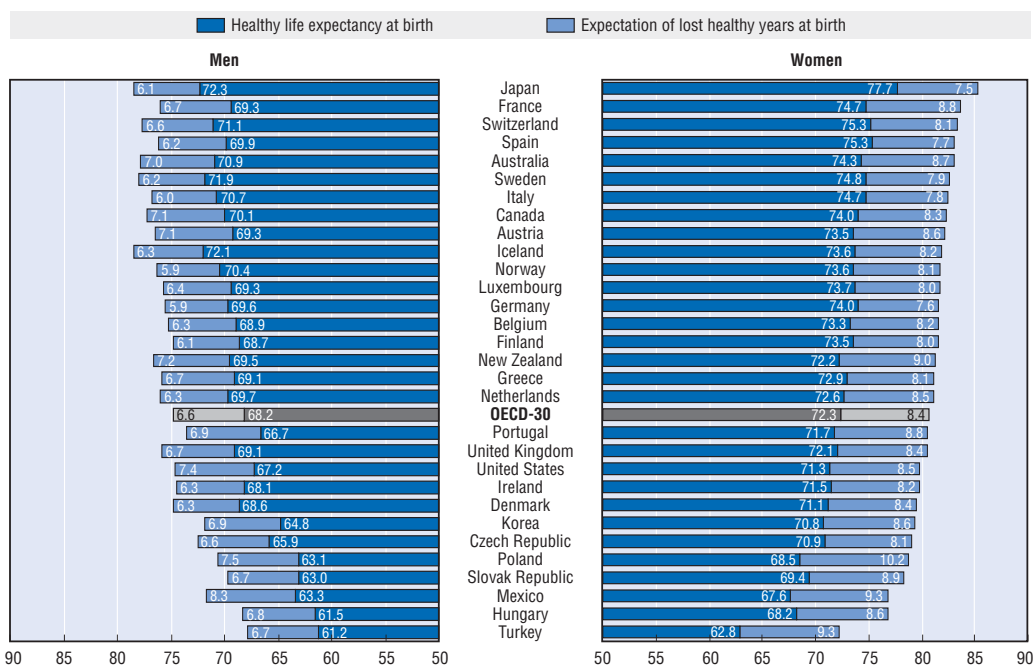
HE2.1. Healthy life expectancy reaches 70 years in two-thirds of OECD countries

Healthy life expectancy, estimates for 2002

	Healthy life expectancy at birth (years)			Expectation of lost healthy years at birth (years)		Percentage of total life expectancy lost	
	Total population	Men	Women	Men	Women	Men	Women
Australia	72.6	70.9	74.3	7.0	8.7	9.0	10.4
Austria	71.4	69.3	73.5	7.1	8.6	9.3	10.5
Belgium	71.1	68.9	73.3	6.3	8.2	8.3	10.1
Canada	72.0	70.1	74.0	7.1	8.3	9.2	10.0
Czech Republic	68.4	65.9	70.9	6.6	8.1	9.1	10.3
Denmark	69.8	68.6	71.1	6.3	8.4	8.4	10.5
Finland	71.1	68.7	73.5	6.1	8.0	8.1	9.9
France	72.0	69.3	74.7	6.7	8.8	8.8	10.6
Germany	71.8	69.6	74.0	5.9	7.6	7.8	9.3
Greece	71.0	69.1	72.9	6.7	8.1	8.9	10.0
Hungary	64.9	61.5	68.2	6.8	8.6	10.0	11.2
Iceland	72.8	72.1	73.6	6.3	8.2	8.1	10.0
Ireland	69.8	68.1	71.5	6.3	8.2	8.5	10.3
Italy	72.7	70.7	74.7	6.0	7.8	7.8	9.5
Japan	75.0	72.3	77.7	6.1	7.5	7.8	8.8
Korea	67.8	64.8	70.8	6.9	8.6	9.7	10.8
Luxembourg	71.5	69.3	73.7	6.4	8.0	8.4	9.8
Mexico	65.4	63.3	67.6	8.3	9.3	11.6	12.1
Netherlands	71.2	69.7	72.6	6.3	8.5	8.3	10.4
New Zealand	70.8	69.5	72.2	7.2	9.0	9.3	11.1
Norway	72.0	70.4	73.6	5.9	8.1	7.8	9.9
Poland	65.8	63.1	68.5	7.5	10.2	10.6	13.0
Portugal	69.2	66.7	71.7	6.9	8.8	9.4	10.9
Slovak Republic	66.2	63.0	69.4	6.7	8.9	9.6	11.4
Spain	72.6	69.9	75.3	6.2	7.7	8.2	9.3
Sweden	73.3	71.9	74.8	6.2	7.9	7.9	9.5
Switzerland	73.2	71.1	75.3	6.6	8.1	8.5	9.7
Turkey	62.0	61.2	62.8	6.7	9.3	9.8	12.9
United Kingdom	70.6	69.1	72.1	6.7	8.4	8.8	10.4
United States	69.3	67.2	71.3	7.4	8.5	9.9	10.7
OECD-30	70.3	68.2	72.3	6.6	8.4	8.9	10.4

HE2.2. Women are likely to live almost two more years than men in ill health

Healthy life expectancy, by gender, estimates for 2002



Note: Countries are ranked in decreasing order of the sum of healthy life expectancy and expectation of lost healthy years at birth of women.

Source: WHO (2004), World Health Report 2004, World Health Organisation, Geneva (see also www.who.int/whr).

StatLink: <http://dx.doi.org/10.1787/525456321557>

Further reading: ■ OECD (2003), *Health at a Glance – OECD Indicators*, OECD, Paris.

Definition and measurement

Infant mortality rates are one of the most widely used indicators in international comparisons to judge the effect on human health of technological, economic and social conditions. They are an important indicator of the health of both pregnant women and newborns.

Infant mortality is the number of deaths of children under one year of age expressed per 1 000 live births. Some of the international variation in infant mortality rates may be due to variations among countries in registering practices of premature infants (whether they are reported as live births or not). In several countries, such as in the United States, Canada and the Nordic countries, very premature babies (with relatively low odds of survival) are registered as live births, which increase mortality rates compared with other countries that do not register them as live births.

Infant mortality has dropped significantly in all OECD countries over the last decades, declining on average from 28 deaths per 1 000 live births in 1970 to less than 7 in 2002 (Chart HE3.1). Progress has been especially large in some of the countries with highest infant mortality rates in 1970. In Portugal, for example, infant mortality fell from 56 deaths per 1 000 live births in 1970 (close to double the OECD average at that time) to 5.5 by 2000 (below the OECD average). Cross-country differences in levels of infant mortality remain large (Chart HE3.2). Even excluding Turkey and Mexico, whose infant mortality rates are significantly higher than the OECD average, rates in the next three countries with highest rates are close to three times higher those of the three best-performing countries.

Over the second half of the 1990s, some of the countries with infant mortality rates below the OECD average (e.g. Finland, Iceland, Ireland, Luxembourg, the Netherlands and the United Kingdom) reported an increase in infant mortality in at least one year. This suggests that it may prove difficult to obtain further reductions once infant mortality rates are around four to five deaths per 1 000 live births.

Infant mortality is related to a number of social and economic factors. Countries with higher income levels tend to have lower infant mortality rates than poorer countries, although there are exceptions (e.g. the United States). At comparable income levels, countries with a more equal distribution of income also tend to report lower infant mortality rates than

countries with larger inequalities (Hales *et al.*, 1999). But it is unclear whether higher infant mortality is related to higher relative poverty *per se* or to the more limited accesses to health services among households at the bottom end of the income distribution. Cross-country variations in infant mortality are also associated with the availability of specific health care resources, such as the number of doctors and hospital beds.

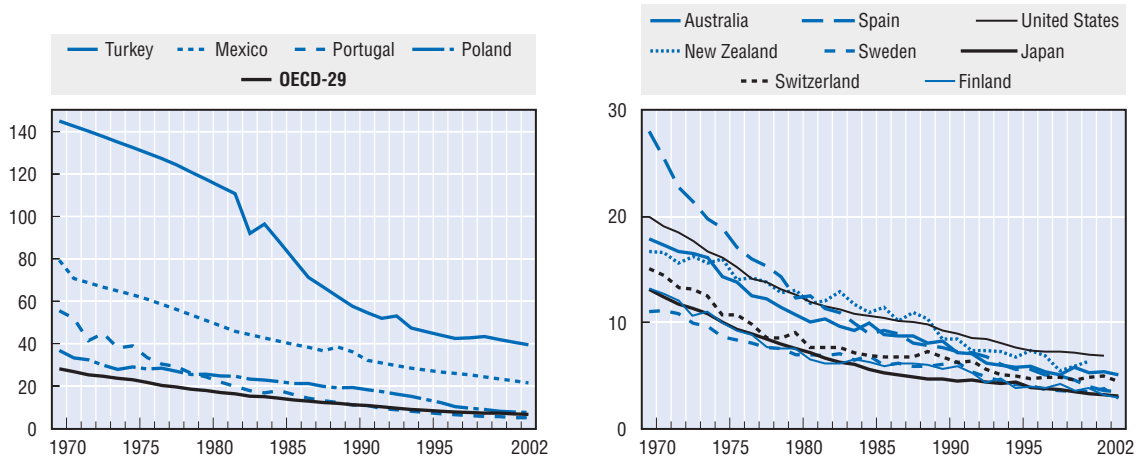
Neonatal deaths (those deaths occurring in the first four weeks) can account for up to two-thirds of all infant mortality. Most neonatal deaths in developed countries are a result of congenital anomalies or premature birth. Because of higher ages of first motherhood and the rise in multiple pregnancies (linked with fertility treatments), the number of premature births has tended to increase in most OECD countries. For some countries with historically low infant mortality rates, such as the Nordic and Western European countries, this may have contributed to the observed levelling-off or reversal of the downward trend in infant mortality observed over the past few years.

Status indicators: Relative poverty (EQ1), Income inequality (EQ2), Life expectancy (HE1).

Response indicators: Total health care expenditure (HE4).

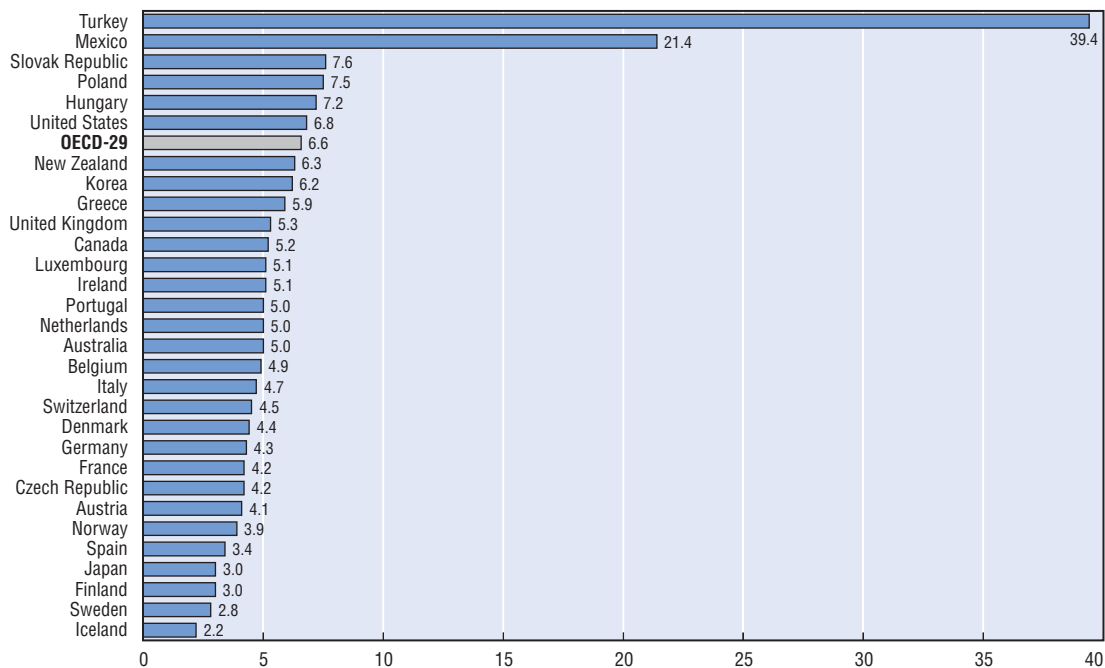
HE3.1. Strong decline in infant mortality rates

Deaths of children under one year of age per 1 000 live births, 1970 to 2002



HE3.2. Still high infant mortality rates in Turkey and Mexico, 5 per 1 000 otherwise on average

Deaths of children under one year of age per 1 000 live births, 2002¹



Note: Some of the international variations in infant mortality rates are due to variations among countries in registering practices of premature infants (whether they are reported as live births or not). In several countries, such as the United States, Canada and the Nordic countries, at least, very premature babies (with relatively low odds of survival) are registered as live births, which increases mortality rates relative to countries that do not register them as live births.

1. 2001 in Canada, Norway, United States; 2000 in New Zealand; 1999 in Korea.

Source: OECD (2004), OECD Health Data 2004, first edition, OECD, Paris (see also www.oecd.org/health/healthdata).

StatLink: <http://dx.doi.org/10.1787/626836671375>

Further reading: ■ Hales, S., P. Howden-Chapman, C. Salmond, A. Woodward and J. Mackenbach (1999), "National Infant Mortality Rates in Relation to Gross National Product and Distribution of Income", *The Lancet*, December 11. ■ Mayer, S.E. and A. Sarin (2004), "Some Mechanisms Linking Economic Inequality and Infant Mortality", *Social Science and Medicine*, No. 2005, pp. 439-455. ■ Retzlaff-Roberts, D., C.F. Chang and R.M. Rubin (2004), "Technical Efficiency in the Use of Health Care Resources: a comparison of OECD countries", *Health Policy*, No. 69, pp. 55-72.

Definition and measurement

Total expenditure on health is the amount spent on health care goods and services plus capital investment in health care infrastructure, by both public and private sources. Health expenditures include all outlays that have as a goal to promote health and prevent disease; cure illness and reduce premature mortality; care for persons affected by chronic illness who require nursing care; and provide and administer health programmes, health insurance and other funding arrangements.

Comprehensive health expenditure estimates for 2002, based on national health accounts that are in compliance with the recently developed System of Health Accounts (SHA), exist for 15 countries: Australia, Canada, Denmark, France, Germany, Hungary, Japan, Korea, Mexico, Netherlands, Spain, Switzerland, Turkey, the United Kingdom and the United States. Caution is needed when comparing these recent estimates with those for 1990. For other countries, spending estimates are based on health spending as reported in national accounts or locally developed health accounting systems. Cross-country comparisons of per capita expenditure require a conversion of national currencies into a common currency (USD at purchasing power parity conversion rates).

OECD countries spend on average around 8½ per cent of their GDP on health (Chart HE4.1). The share of health spending in GDP is highest in the United States, at close to 15% in 2002, and lowest in the Slovak Republic and Korea, at less than 6%. These differences in health care expenditure, however, are only weakly associated with differences in health outcomes (as measured by healthy life expectancy) achieved for a given level of health spending (Chart HE4.2). This suggests that other factors – including both features of the health delivery system and life-style and social factors – are at work.

Cross-country differences in terms of the structure of spending are also large (Chart HE4.1). In all countries health spending is financed by both public and private sources. The public sector is usually the main source of funding, accounting for 70% to 80% of total spending in most OECD countries. In contrast, in the United States and Mexico, more than half of health spending is paid by private sources.

Over the past decade, the annual increase in per capita health spending in OECD countries has outpaced per capita GDP growth by almost 70% (Chart HE4.3). Country variations in the growth of health spending per capita range from more than 7% in Turkey, Korea and Ireland, to less than 2% in Finland and Italy.

Growth in health spending is explained by several factors. First, health costs tend to rise faster than economy-wide inflation: the labour-intensive nature of health care means that its productivity

growth is lower than the economy-wide average, while wages in the health sector tend to rise in line with the economy-wide trends. Second, advances in the capability of medicine to treat and prevent health conditions are another major factor driving health cost growth, and this trend is likely to continue in the foreseeable future. Third, population ageing also plays a significant role in driving health spending, although there are uncertainties as to the extent to which this reflects higher health costs during the terminal years of a person's life (and the concentration of these years at higher ages) rather than the effect of ageing *per se*.

The interactions between health systems and the economy are important when considering the financial sustainability of such trends in expenditures. Just as economic factors influence population health, health also has an impact on the economy. In fact, the performance of health systems and economies are deeply intertwined. Decisions about health systems affect economic conditions and have economic implications for stakeholders – and vice versa. This relationship needs to be taken into account in both health and economic policy-making.

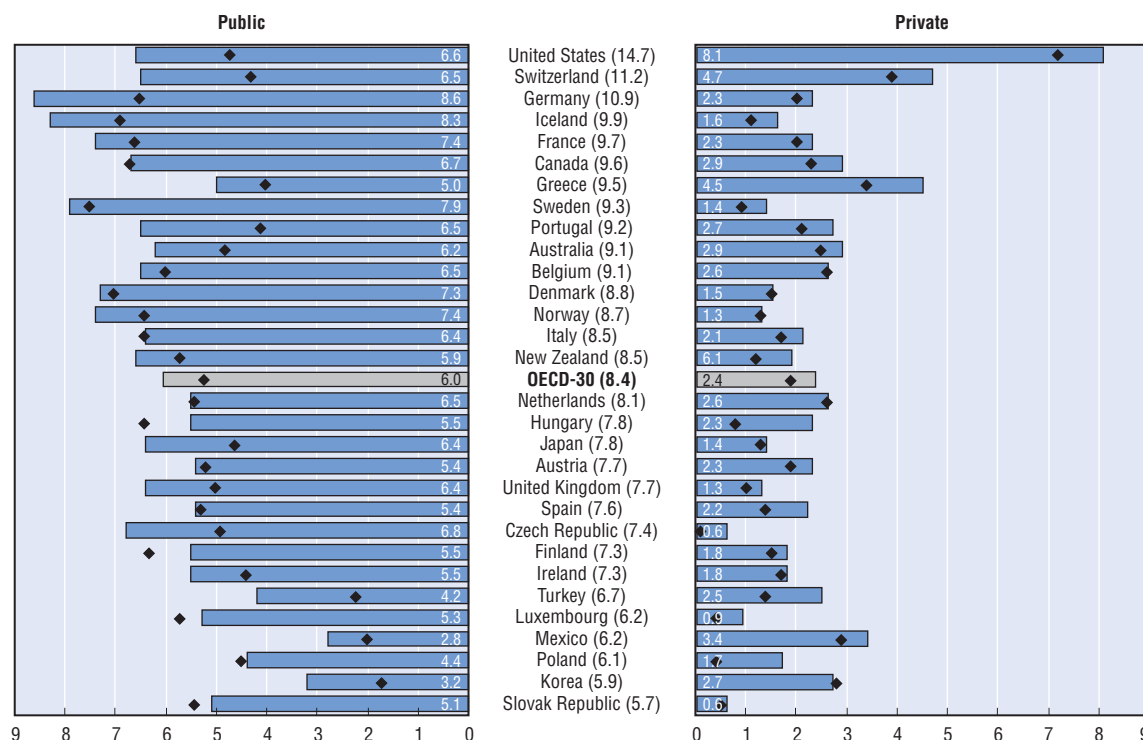
Status indicators: Life expectancy (HE1); Healthy life expectancy (HE2).

Response indicators: Public social spending (EQ5).

HE4. TOTAL HEALTH CARE EXPENDITURE

HE4.1. More spending on public and private health since 1990

Public and private spending of health, in percentage of GDP, 2002¹ (blue bar) and 1990² (diamond marker)



Note: Countries are ranked by decreasing order of total health spending in 2002 (values in brackets in central column).

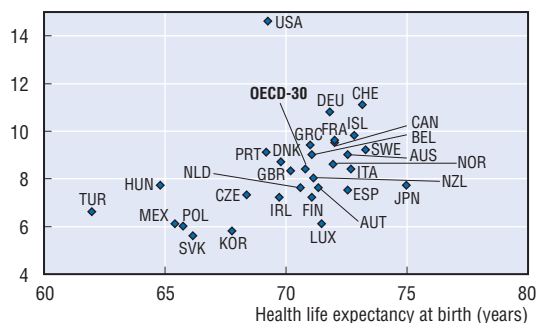
1. 2001 in Australia, Korea, Japan, New Zealand and in the United States; 2000 in Turkey; 1997 in the Netherlands.

2. 1991 in Hungary; 1995 in Belgium; 1997 in Slovak Republic.

HE4.2. Variation across OECD countries between health spending and health outcome

Health care spending in percentage of GDP and healthy life expectancy at birth, 2002

Public and private health spending (% GDP)



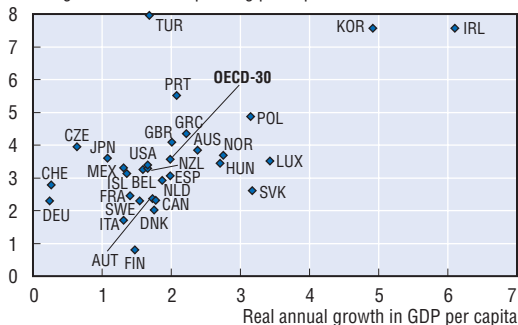
1. 1990-2001 for Australia, Japan, Korea; 1990-2000 for Turkey; 1991-2002 for Hungary, 1997-2002 for Slovak Republic.

Source: OECD (2004), OECD Health Data 2004, first edition, OECD, Paris (see also www.oecd.org/health/healthdata).

HE4.3. Increase in health care expenditure and GDP per capita in the 1990s

Annual real growth per capita for GDP and total health expenditure, 1990-2002,¹ percentages

Real annual growth in health spending per capita



StatLink: <http://dx.doi.org/10.1787/501111843525>

Further reading: ■ OECD (2004), *Towards High-Performing Health Systems*, OECD, Paris.

Definition and measurement

While older persons with various limitations in their capacity to live autonomously are provided long-term care in a variety of settings, often outside the health care system, indicators on long-term care are included among health indicators as they generally involve provision of medical services. Long-term care is either provided informally by other family members, or through formal care services provided to people living in institutions or at home. Institutionalisation of older people covers a range of settings, varying with the extent of medical services that are available: nursing homes, assisted living facilities, centres for day- and respite-care. Sometimes, care is also provided through long-term stays in acute hospital beds. Frail elderly people living at home may receive formal care services, either in the form of services provided or as cash-transfers to pay for these services.

The institutionalisation rate of older people is the share of the population aged 65 and over receiving long-term care in institutions. These exclude certain types of service flats in Nordic countries. Public programmes support home care in various ways: by providing personal services at home and in the community; in the form of day- and respite-care and of other services to support informal carers (e.g. counselling, income payments, or social benefits such as pension rights accrued for the time spent on caring for an older person). Measurement problems exist regarding the distinction between homes and institutions and because of the variety of different sources for national data (local and central governments, health and social care agencies). The growing number of programmes supporting care at home in the form of personal budgets, consumer-directed employment of care assistants and payments for informal care raise issues of where to draw the boundary between care allowances and income protection. Data on the proportion of older people living alone in different years, as presented in this section, are based on special tabulations from household income and expenditure surveys.

Institutionalisation rates for older people vary significantly across countries (Chart HE5.1). The share of the elderly population receiving care in institutions around the year 2000 is relatively high in the northern and continental European countries – at between 5 and 7% – while in southern European countries it is below 4%. Cross-country differences in institutionalisation rates among the elderly are not explained by differences in the prevalence of disability in old age.

In all countries for which data are available, institutionalisation rates for older people declined since the mid-1980s. This trend towards de-institutionalisation reflects a range of interdependent factors which include: increased reluctance among the elderly to enter institutions, particularly where they feel stigmatised for receiving care services within a social assistance framework; the high costs of institutional care; and a shift in policies towards promoting autonomy and independent living.

As a result, alternative forms of long-term care arrangements have been created. While a full continuum of care services adapted to the circumstances of each individual is often unavailable in many countries, the share of the elderly living in more medically oriented care institutions has certainly fallen, while other forms of assisted living arrangements have developed. Often, new institutions provide older people with alternative housing arrangements, as for example in the Nordic

countries, and provide formal care services to frail elderly living at home. On average, across the 15 OECD countries shown in Chart HE5.1, around 9% of older people receive formal care services or public support in the form of cash benefits for care at home, with this share ranging from less than 3% in the United States to 20% in the United Kingdom.

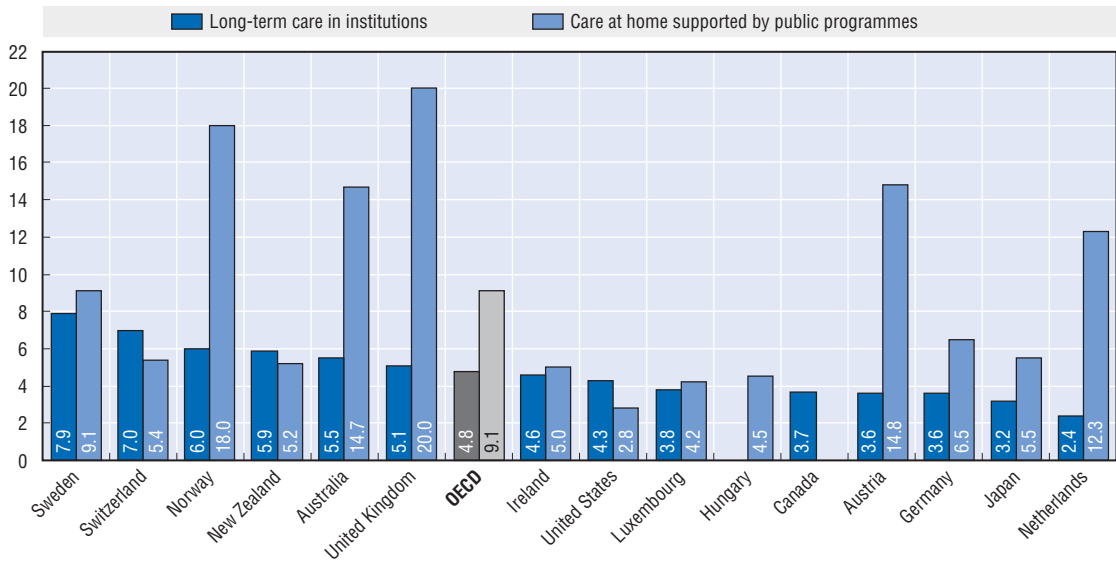
Demand for formal long-term care services is shaped by living arrangements of the elderly. In most OECD countries, large proportions of older people live on their own (Chart HE5.2). Because of differences in life expectancy between men and women, most of them are women. This proportion also appears to have increased in most OECD countries, with the exception of the United States. Conversely, the proportion of elderly living within the extended family environment is diminishing, although it remains high in Japan, Korea and southern Europe. Even in countries where cohabitation does not prevail, however, members of the (extended) family provide the bulk of care as informal caregivers to the frail elderly living alone.

Status indicators: Life expectancy (HE1), Health-adjusted life expectancy (HE2).

Response Indicators: Public social spending (EQ5), Total health care expenditure (HE4).

HE5.1. Higher variation across countries in the proportion of the elderly receiving formal care at home than in those receiving care in institutions

Persons aged 65 and over receiving long-term care in institutions or public support at home as a percentage of the population aged 65 and over, around 2000

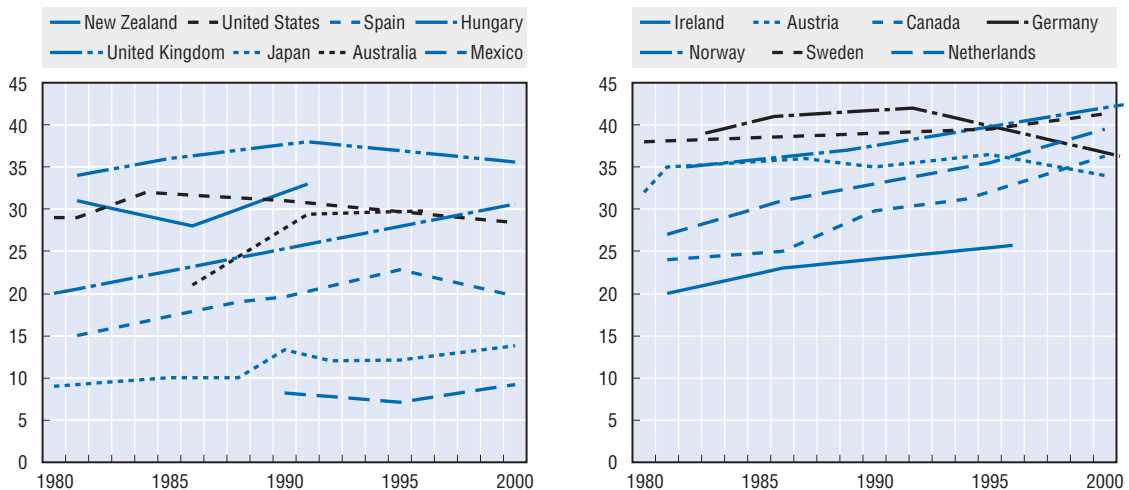


Note: Countries are ranked in decreasing order of the proportion of persons aged 65 and over receiving care in institutions. Data refer to year 2000 for all countries except: 2003 for Germany; 2002 for the United Kingdom; 2001 for Luxembourg; 1999 for the United States (institutional care only); and 1998 for Canada.

Source: OECD (2005), *Long-term Care for Older People*, forthcoming, OECD, Paris.

HE5.2. The share of older people living alone is increasing in many countries

Proportion of individuals aged 65 and over living alone, percentages



Source: OECD (2005), *Long-term Care for Older People*, forthcoming, OECD, Paris.

StatLink: <http://Dx.doi.org/10.1787/213755005800>

Further reading: ■ OECD (2004), *Towards High-Performing Health Systems*, OECD, Paris; OECD (2005), *Long-term Care for Older People*, forthcoming, OECD, Paris

Definition and measurement

Measures of subjective well-being are a useful complement to objective measures of living standards in comparing quality of life across countries (EFILWC, 2003). These data provide a measure of the subjective evaluation of an individual's health, education, income, personal fulfilment and social conditions. The indicators shown here are based on survey responses to two standard questions: first, how satisfied are respondents with their own life as a whole; and second, how happy do they feel. The indicators of subjective well-being presented here – as well as those on social isolation and group membership presented later in this volume – use data from the *World Values Surveys* of 1999-2002. In these surveys, respondents rate life satisfaction on an increasing scale of 1 to 10, and the indicator shown refers to the proportion of respondents indicating a score of 7 or above. Feelings of happiness are scored according to four categories (“very happy”, “quite happy”, “not very happy” and “not at all happy”), and the indicator shown refers to the proportion of respondents reporting that they feel quite or very happy.

The *World Values Surveys* cover over 80 countries containing 85% of the world's population. The use of a common questionnaire allows for a comparison of beliefs and values on a broad range of aspects such as perceptions of life, work, family, the environment, politics and religion. Previous waves of these surveys were conducted in 1981-82, 1990-91 and 1995-96. Although the questionnaires used in each country have a similar structure, the exact wording may change as questions asked are sometimes adjusted to reflect individual country characteristics. Sample sizes for most OECD countries are of around 1 000 (but higher for larger countries, e.g. Turkey).

Life satisfaction and feelings of happiness for any individual can depend on the fulfilment of personal goals in a broad range of areas such as family life, work, cultural and leisure activities. Chart CO1.1 ranks OECD countries by values of a simple average of the proportions of satisfied and happy respondents around the year 2000.

In several OECD countries, more than 80% of respondents report being satisfied with their life, with this proportion exceeding 85% in the Netherlands, Iceland, Ireland, Denmark and Switzerland. These same countries also feature some of the highest happiness rates, at or above 95%. The proportion of respondents indicating that they are happy with their life is 90% or more in a majority of OECD countries. Countries at the bottom of the ranking in Chart CO1.1 have significantly lower proportions of “satisfied” or “happy” respondents. These include Eastern European countries as well as Turkey. Japan and Korea combine relatively low rates of life satisfaction and relative high rates of happiness. Across countries, these two measures of subjective well-being are highly correlated and this correlation has increased from 0.74 in 1990-91 to 0.85 in 1999-2002. Over time, there is strong persistence in country rankings according to mean life-satisfaction and happiness throughout the four waves of the surveys.

While subjective well-being may be expected to be related to several dimensions of material well-being, of special interest is whether higher incomes lead to higher life satisfaction. The first panel of

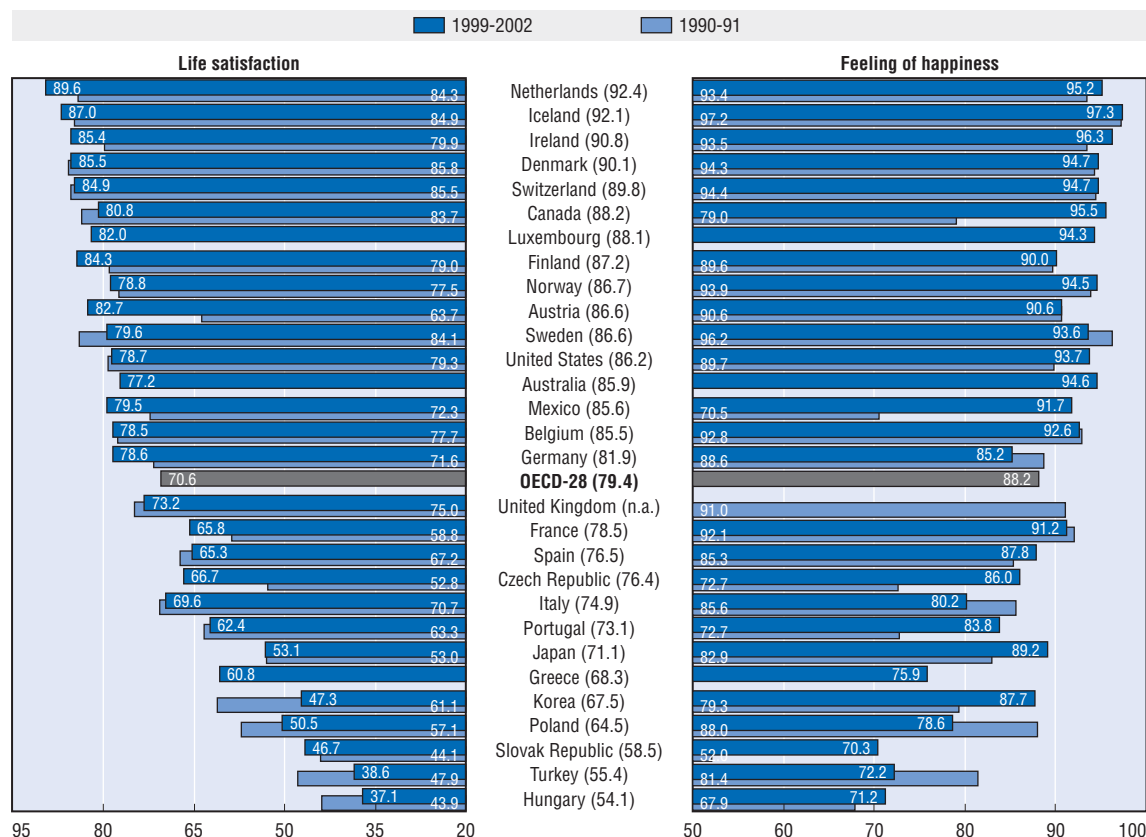
Chart CO1.2 compares the average level of the satisfaction response for each country to its per capita income (in PPP rates). Average life satisfaction tends to increase with higher per capita incomes. There is also much diversity across countries in average life satisfaction for a given level of per capita income: at per capita incomes of around USD 30 000, average satisfaction varies from 6.5 in Japan to 8.3 in Denmark. Similarly, Turkey and Mexico – the two OECD countries with the lowest per capita income – record large differences in average life satisfaction.

There is also evidence of an inverse relationship between the variance of satisfaction responses across individuals in each country and average GDP per capita (2nd panel of Chart CO1.2). The largest within-country variation of responses is observed in Turkey and the lowest in the Netherlands. In other words, as average per-capita income increases, there tends to be less and less diversity in responses to the life satisfaction question. Although this suggests that higher per capita incomes translate into lower inequalities in life satisfaction, this may also relate to the tendency for income inequality to be lower in countries with higher per capita income.

Status indicators: Income inequality (EQ2), Employment (SS1), Educational attainment (SS7), Health-adjusted life expectancy (HE2), Social isolation (CO2), Suicides (CO6).

CO1.1. Life satisfaction and feeling of happiness, 1999-2002 and 1990-91

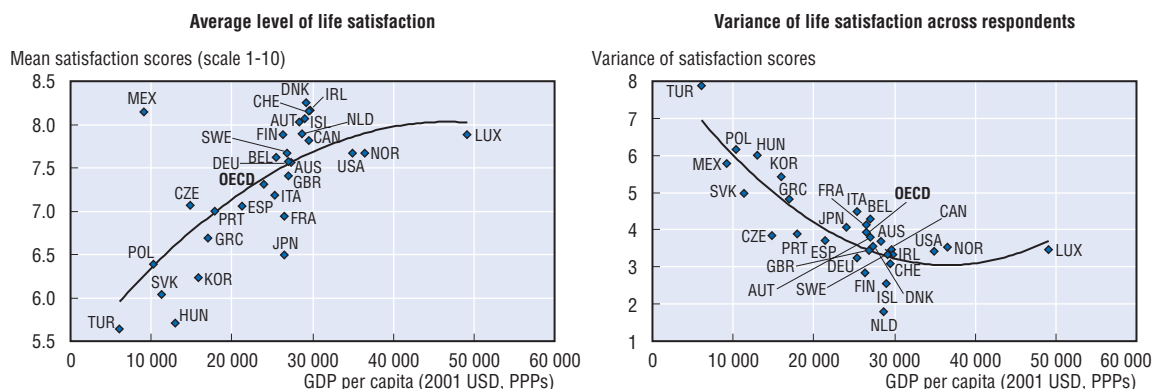
Percentage of total respondents



n.a. = Not available.

Note: Data for Germany in 1990-91 refer to West Germany only. Data for the United Kingdom refer to Great Britain only. The countries are ranked in decreasing order of the average of satisfaction and happiness levels in 1999-2002, which are shown in parentheses. Values shown at the top and bottom of each bar refer to 1990-91 and 1999-2002 responses, respectively.

CO1.2. Higher incomes lead to higher satisfaction on average, and lower differences within each country



Source: Estimates based on Inglehart, R. et al. (2004), "Human Beliefs and Values: A Cross-cultural Sourcebook", based on the 1999-2002 Values Surveys, Siglo XXI Editores, México.

StatLink: <http://dx.doi.org/10.1787/236488100807>

Further reading: ■ EFILWC (2003), *Quality of Life in Europe: an illustrative report*, European Foundation for the Improvement of Living and Working Conditions, Dublin. ■ Diener E. and E. M. Suh (1999), "National Differences in Subjective Well-Being", in D. Kahneman, E. Diener and Schwartz (eds.), *Well-Being – The Foundations of Hedonic Psychology*, Russell Sage Foundation, New York.

Definition and measurement

Social isolation is characterised by the lack of contact with other people in normal daily living. Social contact occurs in variety of settings – in the workplace, in social activities and within families – and can be assessed through data measuring the frequency of contacts reported by individuals.

Most of the data reported in this section are from the *World Values Surveys* of 1999-2002. Questions about the frequency of contacts with other persons ask respondents how often they spend their time socialising with family members, friends and colleagues from work; with other people in churches, mosques or synagogues; or in sports and cultural associations. Responses in each of these categories distinguish among contacts that occur: i) weekly; ii) once or twice a month; iii) rarely; and iv) never. The indicators of social isolation reported in this section measure the proportion of respondents who report spending time socialising with others only rarely or not at all. As data concerning contact with family members are only available for a limited number of countries, this category of contacts is excluded in the composite indicator shown below. People who are living alone, particularly if they are not active professionally or if they have no children at home, are exposed to special risks of social isolation: to assess the size of this group, this section presents information about the share of adults who are living alone and have no children, as available from household income surveys of member countries.

Social isolation is both a symptom and a cause of social distress. Experiences of social isolation may follow family breakdown, the loss of a job, illness or financial difficulties. Once socially isolated, individuals may face greater difficulties not only reintegrating society as a contributing member, but also fulfilling personal aspirations with respect to work, family and friends. Social isolation can be a downward spiral: feelings of exclusion affect morale, and lack of contacts with other people may reduce both social and economic opportunities.

There are significant differences across OECD countries in the proportion of respondents at risk of social isolation (Chart CO2.1). The share of respondents who report socialising with others only rarely ranges from around 15% in Japan and Mexico to less than 3% in the Netherlands and Ireland. The proportion of respondents who report never socialising with others is substantially smaller, ranging from 0.2% in Greece and Iceland to 4.7% in Mexico. In almost all countries, both these shares are lower for people in the (self-reported) high-income group than for those in the low- and middle-income groups. Those in the oldest group (50 and over) are more likely to have infrequent contacts than prime working-age (30-49 years) and young (15-29 years) respondents.

Table CO2.2 distinguishes different types of social contacts. In all countries, the proportion of people who report having infrequent contact (i.e. rarely or never) with friends is lower than those reporting lack of contacts with either colleagues or people in social

groups. In some countries, it is more common for respondents never to spend time socialising with colleagues from work than it is to see them socially only infrequently. In most countries, a majority of people rarely or never spend time with people from church, sports or cultural groups.

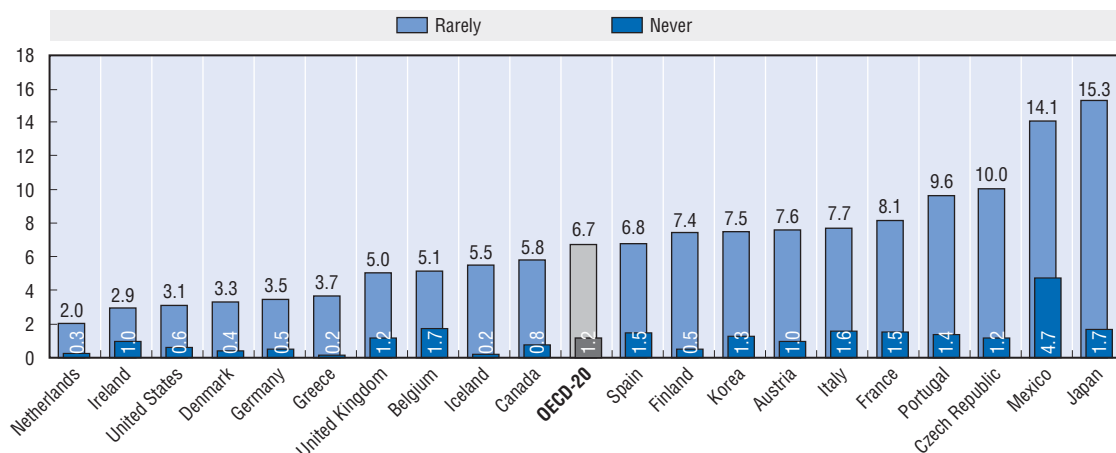
Contact with family members is, in general, far more common, although information on this is available for only a few OECD countries. The proportions of respondents indicating that they never have contacts with other family members are generally less than 5%. In Japan and Korea, however, more than one respondent in four reports rarely or never spending time with family members.

While living alone does not always imply less frequent contacts with other persons, the risks of social isolation are especially high for persons lacking social interaction within the home. The proportion of individuals living alone ranges from less than 2% in Mexico, to more than 25% in Belgium and Sweden. In all OECD countries, the probability of living alone is especially high among older people, with more than one in four in such situation on average: this proportion is above 40% in all Nordic countries, while is below 6% in Mexico and Turkey.

Status indicators: Unemployment (SS2), Jobless households (SS3), Youth inactivity (SS9), Subjective well-being (CO1), Group membership (CO3), Suicides (CO6).
Response indicators: Public social spending (EQ5).

CO2.1. Proportion of respondents who rarely or never spend time with friends, colleagues, or others in social groups

Percentages, 1999-2002



Note: The proportion "Rarely" includes those who respond either "rarely" or "never" to all of the categories of contacts (friends, colleagues or others in social groups). The proportion "Never" includes those who respond "never" to all of the categories.

CO2.2. Frequency of contacts with others in various settings

Percentages of respondents who rarely or never spend time with others, 1999-2002

	Contacts with friends		Contacts with colleagues from work		Contacts with people in social groups		Contacts with family members		Percentage of respondents living alone ¹
	Rarely	Never	Rarely	Never	Rarely	Never	Rarely	Never	
Austria	9.9	2.0	26.5	37.4	45.9	25.8	..	..	11.7
Belgium	13.6	5.2	34.3	31.2	29.1	20.2	..	..	26.0
Canada	8.1	1.8	28.2	30.3	46.0	24.4	17.5	4.2	10.0
Czech Republic	15.3	3.9	33.3	26.2	49.5	32.0	..	..	9.7
Denmark	7.5	1.8	40.0	23.0	35.1	17.7	..	..	17.9
Finland	10.9	1.0	33.8	19.1	45.7	24.8	..	..	17.6
France	11.0	2.5	24.0	44.7	57.5	43.3	..	..	11.5
Germany	12.3	1.7	39.9	21.8	24.5	12.8	..	..	17.8
United Kingdom ²	5.2	2.1	26.8	30.4	46.1	32.2	..	..	12.0
Greece	6.9	1.2	26.0	17.7	44.9	26.0	..	..	6.7
Hungary	22.0	11.8	..	..	..	..	..	..	8.9
Iceland	10.1	0.5	44.7	15.7	54.8	27.0	..	..	..
Ireland	5.2	1.6	20.4	27.1	28.1	16.7	..	..	7.5
Italy	13.3	4.6	26.4	35.0	47.5	30.6	..	..	7.4
Japan	30.1	3.7	32.3	21.3	62.2	45.0	26.7	1.5	6.8
Korea	18.1	3.7	18.6	17.8	51.1	30.3	23.3	2.2	..
Luxembourg	9.8	2.7	..	..	..	..	..	..	..
Mexico	19.8	16.1	19.5	35.9	36.7	19.3	11.0	4.4	1.8
Netherlands	6.7	1.3	35.7	18.9	30.8	20.0	..	..	16.2
Poland	22.9	9.9	..	..	..	..	..	..	3.8
Portugal	16.3	5.6	16.5	30.2	36.4	16.2	..	..	5.0
Slovak Republic	17.4	2.8	..	..	..	..	..	..	..
Spain	9.7	4.1	15.9	37.5	50.6	30.9	8.7	3.3	4.1
Sweden	5.0	0.3	37.0	9.3	23.0	14.4	..	..	25.2
Turkey	4.2	4.0	5.4	40.0	..	0.1	13.5	4.4	6.3
United States	6.3	1.5	26.6	19.5	30.0	13.8	15.9	1.9	10.2
OECD-22	11.2	3.2	27.8	26.8	41.7	23.8	..	..	..

1. Percentage of respondents living alone does not include lone parents and uses 1995 data for Belgium and Spain.

2. Data for the United Kingdom refer to Great Britain only.

Source: Estimates based on Inglehart, R. et al. (2004), "Human Beliefs and Values: A Cross-cultural Sourcebook", based on the 1999-2002 Values Surveys, Siglo XXI Editores, México.

StatLink: <http://Dx.doi.org10.1787/847811387032>

Further reading: ■ Gallie D. and S. Paugman (2004), "Unemployment, Poverty and Social Isolation: An assessment of the current State of Social Exclusion Theory", in D. Gallie (ed.), *Resisting Marginalisation, Unemployment Experience and Social Policy in the European Union*, Oxford.

Definition and measurement

The extent to which people participate in formal and informal groups in society is an important dimension of social cohesion. While the importance of informal networks is more difficult to quantify, the indicators presented in this section focus on membership of formal groups and associations. Even when concentrating on formal groups, it is difficult to distinguish between active and inactive membership. To assess how actively individuals are engaged in the groups to which they belong, information is also presented on the extent of volunteer work that individuals perform in each of them.

The data on group membership in this section come from the *World Values Surveys*. Data for most countries rely on the 1999-2002 wave, although for some countries data come from the 1995-96 wave. In the most recent survey, respondents were asked whether they belonged to groups of a particular type, whereas in the previous waves they were also asked whether they consider themselves to be an “active” or “inactive” member. Respondents in the most recent survey were also asked for which groups, if any, they were currently doing unpaid voluntary work. The indicator on the density of group membership is defined as the average number of groups of which respondents are members. The proportion of respondents doing unpaid work for at least one group is also shown. The groups covered in this survey include a variety of organisations and advocacy groups. These are separated into four categories: groups based on religious affiliation; sports and cultural associations; organisations with a political orientation, including labour unions; and other groups including single issue movements and specific causes (Inglehart et al., 2004).

Density of associational activity is to a large measure determined by historical and cultural factors, particularly with respect to the types of groups of which people are members. In societies where membership of a single group can affect various aspects of societal life, or where the role of informal networks is relatively strong, individuals have fewer reasons to belong to different groups at the same time. Traditionally, civil society involvement in public life is strongest in Nordic countries, the Netherlands, Canada and the United States.

Chart CO3.1 shows that the mean number of groups to which respondents belong is above three in the United States, Sweden and the Netherlands, while it is below one in some southern and eastern European countries. The proportion of people who report doing voluntary work for the groups to which they belong is closely related to average membership: it is highest (at 50% or above) in the three countries mentioned above (as well as in Canada, Korea and the Slovak Republic) and lowest (at less than 10%) in Spain, Hungary, Portugal and Turkey. There is a wide variation in both group membership and volunteer work across the OECD. On average, in the OECD area, respondents are members of 1.5 groups.

Chart CO3.2 shows significant diversity across countries with respect to the types of groups in which most individuals belong. In Sweden and Iceland, high membership rates are found in both church groups and those of a political orientation, with close to 75% of respondents purporting to be members of groups

in each of the categories. In the Netherlands and Australia, roughly two out of three respondents are members of sports clubs or cultural associations.

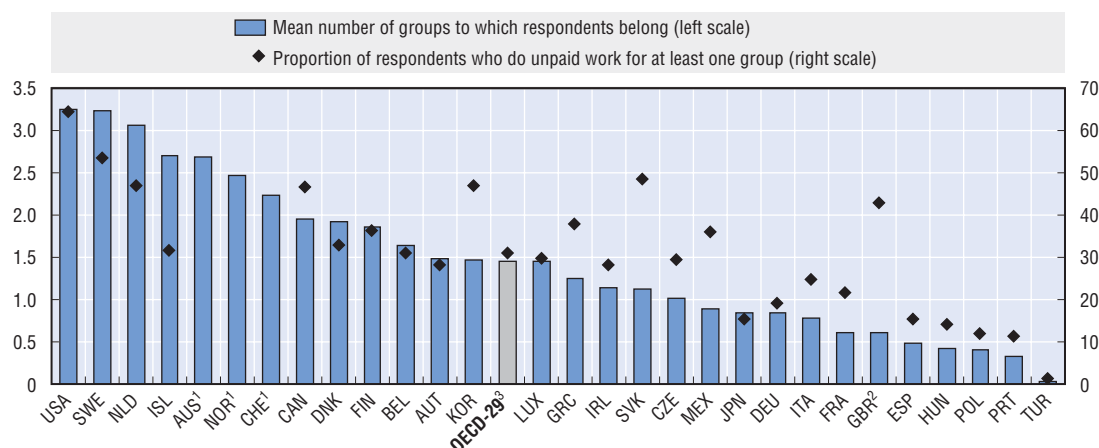
Within countries, membership depends strongly on the type of group activity. For example, Denmark shows a high proportion of members in political groups and professional associations, and a relatively low proportion in groups based on religious affiliation. Conversely, in Korea, membership in the latter groups is much higher than in the former.

Membership of organisations that can advance or protect individual's economic and employment-related interests (e.g. trade unions, professional associations and political parties) is more common among the prime working-age (30-49 years) population than among those younger (15-29 years) or older (50 and over). Indeed, throughout the OECD, prime-age persons belong to more groups on average and are more likely to do volunteer work for groups than younger people. A positive relationship also exists between income level and group membership: in all OECD countries, the mean number of groups to which respondents belong and the proportion of volunteers both increase with income.

Status indicators: Employment (SS1), Social isolation (CO2).

CO3.1. Wide gap between countries with highest and lowest group activity

Density of associational activity, 1999-2002



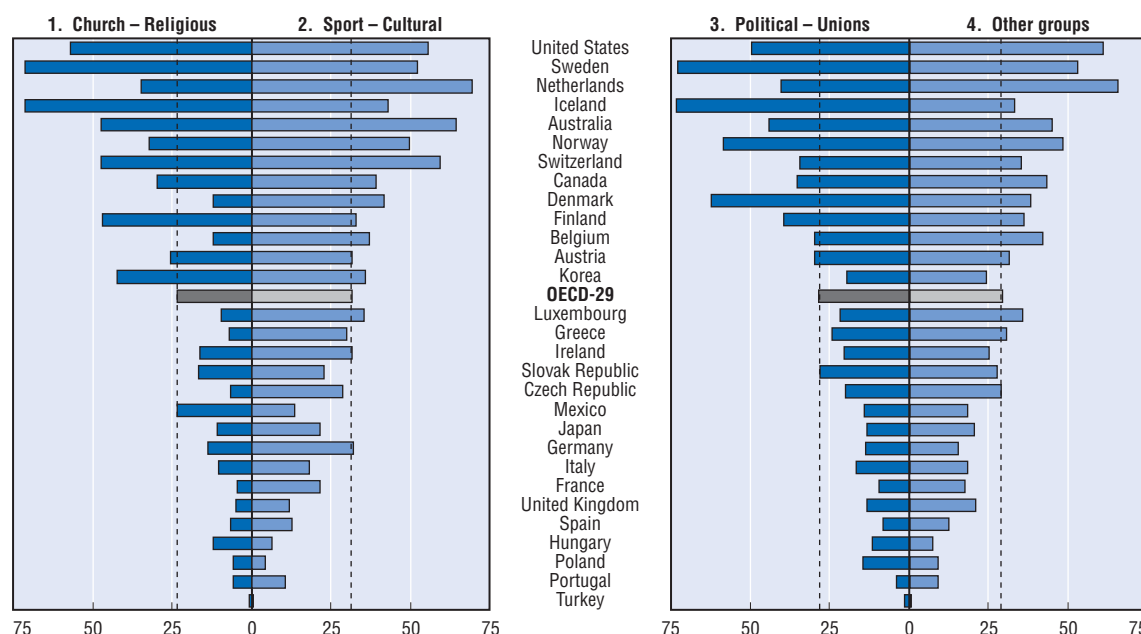
1. Data for Australia, Norway and Switzerland refer to 1995-96. Unpaid work data for these countries are missing.

2. Data for the United Kingdom refer to Great Britain only.

3. The OECD average excludes New Zealand.

CO3.2. Membership varies according to the type of groups

Proportion of respondents who are active or inactive group members, by type of group



Note: Countries are ranked in decreasing order of the average number of groups to which respondents belong. The category "Political – Unions" includes recreational activities. The category "Sports – Cultural" includes recreational activities. The category "Political – Unions" includes political parties, local political groups, labour unions and professional associations. The "Other" category includes youth work, welfare service for the elderly, conservation and ecological groups and single issue movements such as health, peace, human rights and women groups.

The vertical bars represent OECD averages (which exclude New Zealand). Data for Australia, Norway and Switzerland are from the 1995-96 waves of the World Values Survey. Data for the United Kingdom refer to Great Britain only.

Source: Estimates based on Inglehart, R. et al. (2004), "Human Beliefs and Values: A Cross-cultural Sourcebook", based on the 1999-2002 Values Surveys, Siglo XXI Editores, México.

StatLink: <http://Dx.doi.org/10.1787/418783833417>

Further reading: ■ OECD (2001), *The Well-Being of Nations: The role of Human and Social Capital*, OECD, Paris.

Definition and measurement

Teenage births rates are here defined as the number of (live) births to mothers aged 15 to 19, expressed per 1 000 teenagers (i.e. the 15 to 19 age specific fertility rate). The data are based on population registers of member countries, as collected by Council of Europe and the International Data Base at the US Census Bureau, Population Division.

Teenage births are often seen as a problem for policy because they are strongly associated with a wide range of disadvantages for mothers, children and society in general. Teenage mothers are more likely to drop out of education, hold low-paid jobs and live on welfare. Their babies may encounter health problems such as low birth weight. Children from teenage mothers may also be more likely to become victims of neglect and to be less successful in school.

Teenage birth rates have declined sharply during the past 20 years, from around 34 births for 1 000 teenagers in 1980 to 16 births in early 2000s on average (Chart CO4.1). The decline has affected all OECD countries with the exception of Japan and the United Kingdom.

Cross-country differences in the level of teenage birth rates are large (Chart CO4.2). In 2002, teenage birth rates were lowest in Korea, Japan and Switzerland and highest in the United States, Turkey and Mexico – where they exceed the OECD average by a factor of three or more. In the United States, high teenage births mainly reflect high rates among younger girls (aged between 15 to 17), as well as some ethnic groups (in 2003, birth rates of Hispanic and black teenagers exceeded those of white Americans by around 50% and 80%; Census Bureau, 2003). Research in the United States indicates that teenage mothers are less likely to have received prenatal care, and more likely to have experience health problems during pregnancy.

The situation of teenage mothers is very heterogeneous across countries. Teenage pregnancy is rarely intended in most of countries, and mainly results from inappropriate use of contraception. While some of the factors contributing to teenage births are common across countries – e.g. age at first sexual experience is falling in most OECD countries (UNICEF, 2001) – different policies exist in the various countries to influence teenage childbirth (family planning). In Continental Europe – where levels of

teenage births are lower than in the United States and declines over the past thirty years have been larger and more consistent – the Dutch and Scandinavian experience are often identified as providing evidence of the impact of open attitudes towards sex and provision of contraception in limiting the socio-economic consequences of teenage births for both mothers and children. In addition, teenage births rates are highest in poorer and more deprived groups of society. Households headed by teenage lone mothers are among the poorest in both the United Kingdom and the United States, and often depend on government benefits as their unique or major source of income. The debate on teenage births in these two countries has mainly focused on welfare as a cause of their rise. However, prior experience of poverty, school drop-out and educational failures are also important predictors of teenage childbearing.

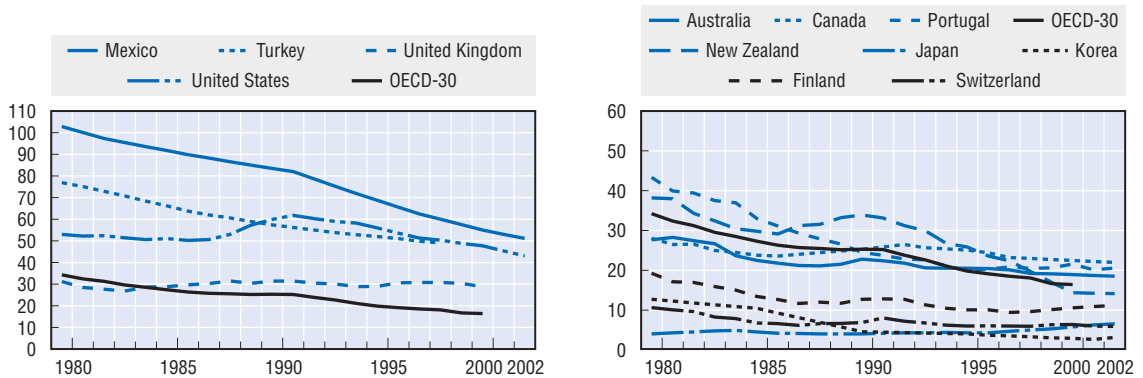
Enabling young women to choose when to become a mother – so as to provide children with a favourable family environment and the necessary care they need – is an important justification for policy intervention in this field.

Status indicators: Relative poverty (EQ1), Income inequality (EQ2), Drug use and related deaths (CO5).

Response indicators: Educational attainment (SS7), Public social expenditure (EQ5), Total health care expenditure (HE4).

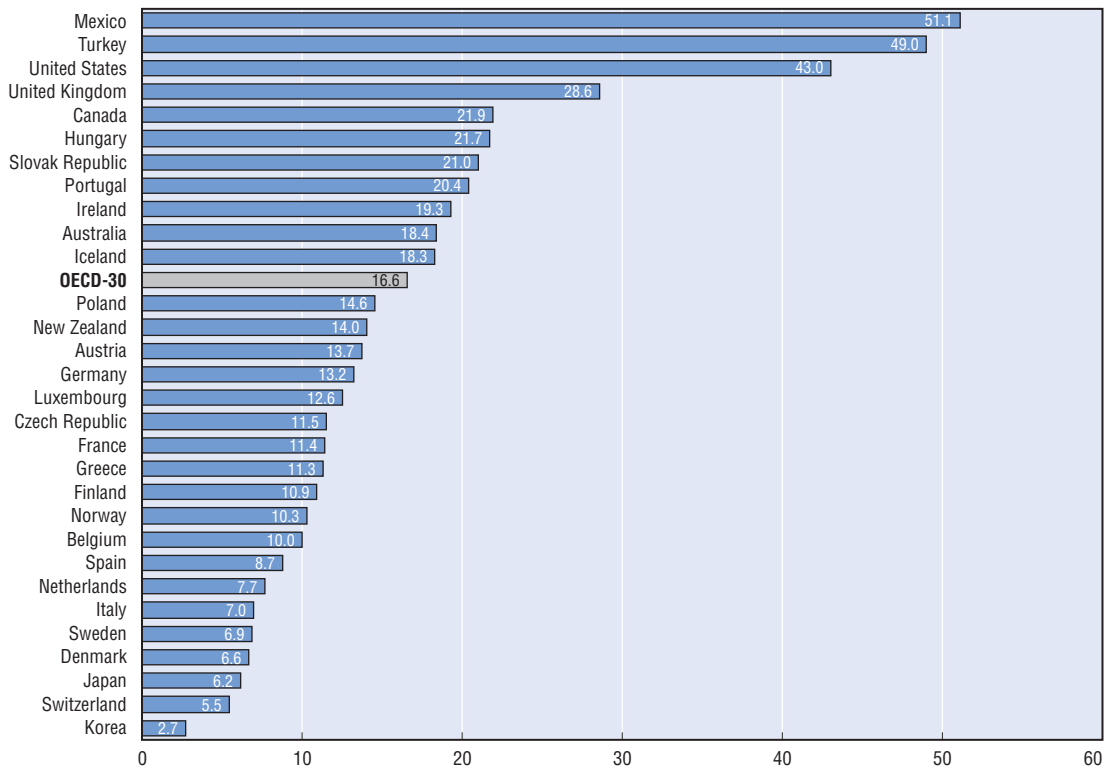
CO4.1. Overall decline in teenage births

Births to mothers aged 15-19 per 1 000 women (aged 15-19), 1980-2002



CO4.2. Large cross-country differences in teenage birth rates

Births to mothers aged 15-19 per 1 000 women (aged 15-19), 2002¹



1. 2001 for France, Germany and Ireland; 2000 for Italy, Spain, Turkey and the United Kingdom; 1999 for Greece; 1998 for Turkey; 1997 for Belgium. Source: Council of Europe (2003), Recent Demographic Developments in Europe; US Bureau of the Census, International Data Base www.census.gov/ipc/www/idbprd.html; Japan: Ministry of Health and Welfare, Vital Statistics of Japan; United States: DHHS, National Vital Statistics.

StatLink: <http://dx.doi.org/10.1787/228334614167>

Further reading: ■ Census Bureau (2003), "Fertility of American Women: June 2002", Current Population Reports, Washington DC. (see also www.teenpregnancy.org). ■ UNICEF (2001), "A League Table of Teenage Births in Rich Nations", Innocenti Research Centre, Florence.

Definition and measurement

Drug use is both a symptom and a cause of social problems. Efforts to escape or avoid the stresses and responsibilities of everyday life can lead to drug addiction. This, in turn, reduces the chances of having a decent job, maintaining family relationships and realising personal goals. Illicit drug use is also linked with crime. These problems often concern a relatively small group of “problem users” that face a multitude of social problems including homelessness.

The first indicator used here refers to the number of people who report having consumed an illicit drug at least once in the last twelve months prior to the survey, as percentage of the population aged 15 to 64. These data come from confidential surveys amongst people, and are may be subject to considerable response bias. In addition they may be affected by differences across countries in the definition of drug use, the frequency and comprehensiveness of surveys, and other differences in research methodologies. Drug-related deaths (the second indicator presented here) are a cause of grave social concern. Information is presented on the number of drug-related deaths per 1 million persons. In the EU countries, statistics on drug-related deaths generally refer to deaths occurring shortly after drug use (because of acute intoxication, overdose, poisoning or drug-induced deaths), while longer time-periods can be used in other countries. Direct comparisons between national statistics are difficult because of the variety of reporting systems and definitions. Bearing this in mind, drug-related deaths can highlight trends for severe forms of drug use.

Available information about the prevalence of drug use covers a variety of substances such as cannabis, amphetamines, opiates, ecstasy, and cocaine. Cannabis continues to be, by far, the most widely consumed drug in most OECD countries. Prevalence of “self-reported” cannabis use appears to be higher in Australia, New Zealand and the United States, and lower in Japan and Korea (Table CO5.1), although these variations may reflect methodological differences. Significant proportions of the adult population (between 2 and 4%) also report use of ecstasy (in particular in Australia, the Czech Republic and Ireland) and amphetamines (in Australia and New Zealand).

Information on trends in drug use is more sparse. Cannabis consumption appears to be rising in Europe except for Ireland and the United Kingdom (EMCDDA, 2003).

The risk of drug-related death varies with the substance and the pattern of use. Trends in drug-related deaths also differ from country to country because of differences changes in recording procedures. Despite these limitations, Chart CO5.2

suggests that the number of drug-related deaths increased in most countries until the mid-1990s. Since that date, national trends have become more diverse. In many countries, the number of drug-related deaths has stabilised (e.g. Denmark and the United Kingdom) or even decreased (e.g. France and Italy).

In a few countries, the trend is still upwards. This is especially the case in those countries where opiate use appears to have increased in recent years (Greece, Ireland and Portugal). In other countries, the stabilisation in drug-related deaths may be explained by changes in patterns of use (such as a decrease in injecting) or to the effects of policy interventions (such as the spread of opiate substitution programmes).

Status indicators: Life expectancy (HE1), Suicides (CO6).
Response indicators: Total health care expenditure (HE4).

CO5. DRUG USE AND RELATED DEATHS

CO5.1. Variation across countries in drugs consumption

Annual prevalence of use of cannabis, amphetamines and ecstasy, latest year, percentage of the population aged 15-64¹

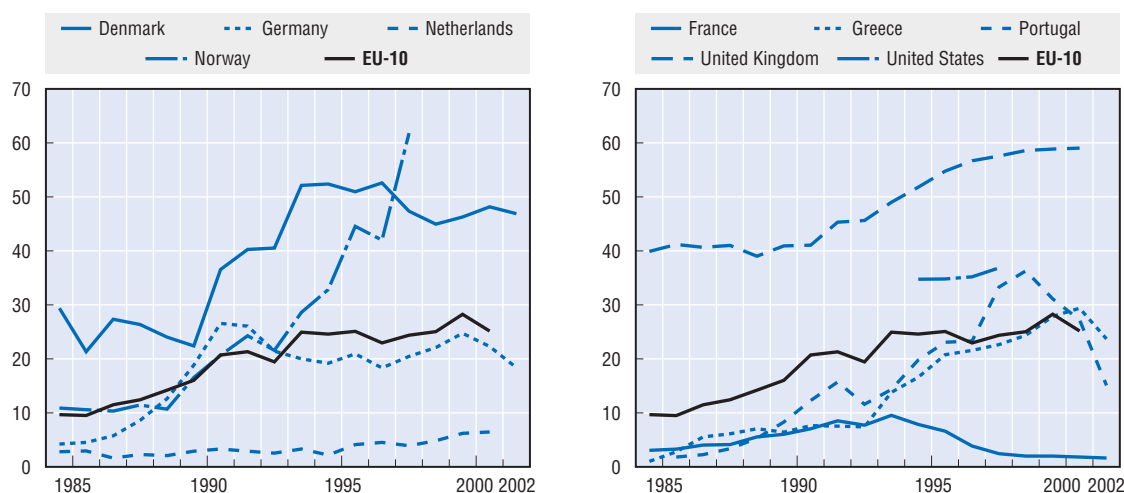
		Cannabis	Amphetamines	Ecstasy
Australia	2001	15.0	4.0	3.4
Austria	2002	5.6	0.3	0.6
Belgium	2001	6.1	0.6	0.9
Canada (Ontario)	2000	10.8	1.0	1.8
Czech Republic	2002	10.9	1.1	2.5
Denmark	2000	6.9	1.3	0.5
Finland	2002	2.9	0.5	0.5
France	2002	9.8	0.2	0.3
Germany	2000	6.0	0.6	0.7
Greece	1998	4.4	0.1	0.1
Hungary	2001	2.2	0.7	1.0
Iceland	2000	5.0	0.6	0.9
Ireland	2002	9.0	1.6	3.4
Italy	2002	6.2	0.1	0.2
Japan	2001	0.1	0.3	–
Korea	late 90s	0.1	0.2	–
Luxembourg	1999	4.0	0.4	0.4
Mexico	2002	0.6	0.1	0.0
Netherlands	2001	6.1	0.6	1.5
New Zealand	2001	13.4	3.4	2.2
Norway	1999	4.5	1.0	0.6
Poland	2000	2.4	0.6	0.2
Portugal	2001	3.3	0.1	0.4
Slovak Republic	1999	3.6	0.4	0.8
Spain	2001	9.7	1.2	1.8
Sweden	2000	1.0	0.1	0.2
Switzerland	1999	7.0	0.2	0.4
Turkey	2003	1.8	0.2	0.3
United Kingdom	2003	10.6	1.6	2.0
United States	2002	11.0	1.4	1.3
OECD-30		6.0	0.8	1.0

1. Persons aged 15 to 64 except 16-64 in Denmark, 18-59 in Germany, 18-65 in Hungary, 18 and older in Ireland, 15-44 in Italy, 15-99 in Japan, 12-65 in Mexico, 15-75 in Sweden, 16-59 in United Kingdom and 12 and older in the United States.

Source: UNODC (2004), *World Drug Report*, United Nations Office on Drug and Crime (www.unodc.org/unodc/en/world_drug_report.html).

CO5.2. Drug-related deaths have stabilised since the mid-1990s

Acute drug-related deaths per 1 000 000 persons, 1985 to 2002



Source: EMCDDA (2003), *Annual Report 2003: the State of the Drugs Problem in European Union and Norway*, European Monitoring Centre for Drugs and Drug Addiction, Lisbon (www.emcdda.eu.int); United States: Office of Applied Studies, Substance Abuse and Mental Health Services Association (SAMHSA), *Drug Abuse Network 1998* (www.samsha.gov).

StatLink: <http://Dx.doi.org/10.1787/184760004607>

Further reading: ■ UNODC (2004), *World Drug Report*, United Nations Office on Drug and Crime (www.unodc.org/unodc/en/world_drug_report.html).

Definition and measurement

The intentional killing of oneself is evidence not only of personal breakdown, but also about the social context in which individuals live. Although mental disorders are involved in 90% of all suicide cases, especially as a consequence of depression or substance abuse, this does not imply that all persons committing suicides are “mentally ill”, and only few people who commit suicide have been under psychiatric observation or treatment. Suicide results from many different social and cultural factors: it is more likely to occur during crisis periods associated to economic, family or individual events, for example the breakdown of a relationship, drinking, drug use, and unemployment.

Data on suicides shown below are based on official registers of “causes of death”, expressed per 100 000 individuals. As great stigma surrounds suicide in many countries, those recording deaths may come under pressure from surviving family and friends to record deaths from suicide as being due to other causes. As administrative records are the only source of information on suicide rates, this inevitably reduces data comparability across countries. That said, the large differences shown below presumably do reflect real differences in the frequency of suicides across countries, although they are also affected by the small number of cases in some countries (e.g. Iceland) and by differences across countries in the proportion of deaths from unreported causes.

Over the twenty years to 2000, the average suicide rate has been declining moderately, though steadily, since the peaks of the late 1980s (Chart CO6.1, left-hand panel). Such progress can be observed for both sexes, although suicide remains a predominantly male phenomenon. Indeed, men are twice as likely to kill themselves as women. The frequency of suicides also rises with the age of individual (Chart CO6.1, right-hand panel), although these age differences have declined over the past two decades. Suicide rates among the elderly (persons aged 65 and over) have declined significantly over the past two decades, reflecting higher well-being of the elderly in today’s society. However, almost no progress has been observed for younger cohorts.

Average suicides rates – across 23 OECD countries – hide large cross-country differences. Suicide rates range from below 5 per 100 000 persons in most Mediterranean countries to above 20 per 100 000 persons in Hungary, Japan, Belgium or Finland (Chart CO6.2). People aged under 25 seems to be more prone to commit suicide in Finland, New Zealand, Ireland and in Iceland, and these rates seems to have increased dramatically since 1980 in the latter three countries. In contrast, Southern

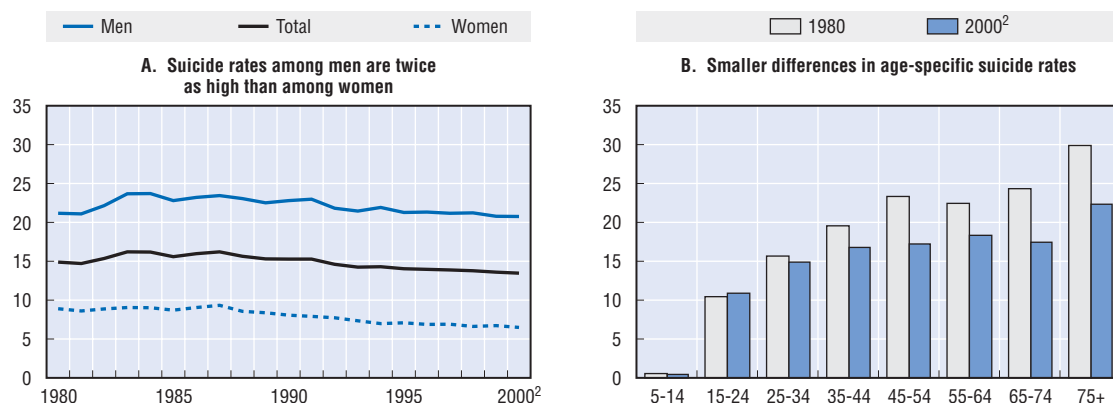
European countries together with Mexico have among the lowest suicide rates among youths.

While drug addiction, prolonged unemployment and social isolation often characterise the lives of those who commit suicide, their underlying causes are complex and cannot be reduced to a single factor. External pressures from the social and family environments, combined with difficulties in making the transition from childhood into adulthood may also bring young people consider toward extreme responses. Attempted suicides are even more common than fatal outcomes. Prevention needs to start before the act, and address a wide range of aspects related to health conditions and the educational and socialisation process during adolescence (Ruzicka and Choi, 1999).

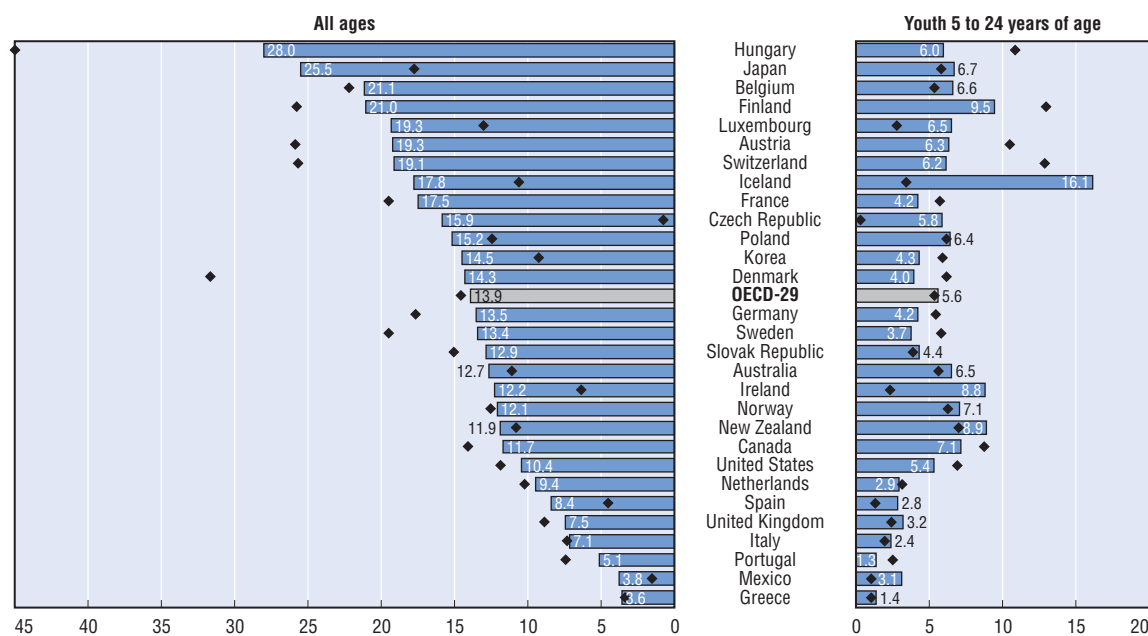
Status indicators: Unemployment (SS2), Social isolation (CO2), Drug use and related deaths (CO5).

Response indicators: Public social spending (EQ5), Total health care expenditure (HE4).

CO6.1. Declining suicide rates in the last two decades

Suicides per 100 000 persons, by gender and age, average of 23¹ OECD countries

1. Excludes Belgium, Czech Republic, Germany, Korea, Poland, Slovak Republic and Turkey.
2. 1999 for Denmark, France, Greece and the United Kingdom.

CO6.2. Variation in suicide rates across OECD countries¹Suicides per 100 000 persons, latest year¹ (bars) and 1980² (diamond markers)

1. 1997 for Belgium; 1999 for Denmark, France, Greece and the United Kingdom; 2000 for Canada, Iceland, Ireland, Italy, Japan, Netherlands, New Zealand, Portugal, Spain, Switzerland and the United States; 2001 for Australia, Czech Republic, Germany, Korea, Mexico, Norway, Poland, Slovak Republic, Sweden; 2002 for Austria, Finland, Hungary and Luxembourg; 2003 for Japan.
 2. 1983 for Poland; 1985 for the Czech Republic; 1990 for Germany; 1992 for the Slovak Republic.
- Source: World Health Organisation, "Live your Life", Mental Health Project on Suicide prevention (www.who.int/mental_health); Japan: Ministry of Health and Welfare, Vital Statistics of Japan.

StatLink: <http://Dx.doi.org/10.1787/431364466722>

Further reading: ■ OECD (2003), *Health at a Glance: OECD Indicators 2003*, OECD, Paris; OECD (2004), *OECD Health Data*, OECD, Paris (see also www.oecd.org/health/healthdata). ■ Ruzicka, L. and C.Y. Choi (1999), "Youth Suicide in Australia", Working Papers in Demography, No. 78, The Australian National University.

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