



Society at a Glance

OECD SOCIAL INDICATORS



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OECD SOCIAL INDICATORS

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Foreword

This is the fourth 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 equal, healthier, and cohesive. It updates some of the indicators included in the first three editions, and adds new ones including measures of childcare costs, poverty persistence, health inequalities and trust in political institutions. This report also includes two special chapters: i) a “guide” to help readers in understanding the structure of OECD social indicators; and ii) an attempt to take stock of the role of social indicators for the broader agenda of measuring the well-being of OECD citizens and societies. 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/sag).

This report has been prepared by Anna Cristina D’Addio, Pauline Fron, Maxime Ladaique and Marco Mira d’Ercole. 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, Herwig Immervoll, Insook Jeong, Michael Förster, Rie Fujisawa, Gaétan Lafortune, David Morgan, Pascal Marianna, Christopher Prinz, Monika Queisser, Peter Whiteford and Ed Whitehouse. Mark Pearson, Head of the OECD Social Policy Division, took the lead in originally developing this project and supervising it.

This book has...



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PART I

Indicators Framework and Assessment

PART I
Chapter 1

An Interpretative Guide

1. The goals of social indicators

The present report aims to give insights relevant to answering two 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 question requires indicators covering a broad range of social issues. As social development requires health, education, economic resources and a stable basis for social interactions, indicators need to inform on all these dimensions. The second question is more challenging. Societies try to influence social outcomes, usually through government policy, and the question is whether such policies are effective in achieving their aims. Indicators help in making that assessment. A first step 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. While this comparison does not allow a comprehensive evaluation of the effectiveness of a particular programme, indicators can highlight areas where more analysis is needed.

2. The framework of OECD social indicators

While the structure applied in this volume falls short of being a full-scale framework for social statistics, it is nevertheless more than a one-dimensional listing. This structure has been informed by experiences in other parts of the OECD on how to assess the policies and the outcomes that they try to influence in a variety of fields. This structure draws, in particular, on the OECD experience with environmental indicators. These indicators are organised in a framework known as “Pressure-State-Response” (PSR).¹ In this framework human activities exert pressures on the environment, which affect natural resources and environmental conditions (*state*), and which prompt society to respond to these changes through various policies (*societal response*). The PSR framework allows highlighting these links, and helps decision-makers and the general public see the interconnection between environmental and other issues. It 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 for social indicators. Indicators are grouped along two dimensions. The first dimension considers the nature of these indicators, grouping them in three areas:²

1. **Social context** refers to variables that, while not usually the direct target of policy, 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 but it shapes how specific policies impact on the living standards of the elderly and on their costs. Unlike other indicators, social context indicators cannot 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.

2. **Social status** indicators describe 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. These indicators describe the general social conditions of the population or one particular dimension that social policy tries to influence.
3. **Societal response** indicators provide information about the scale and nature of social policy interventions, i.e. 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. 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.³ By comparing indicators of societal response with indicators of social status, one can get a first-order indication of policy effectiveness.

The second dimension of the OECD framework groups indicators 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 communiqués of OECD Social and Health Policy Ministers (www.oecd.org/socmin2005). Self-sufficiency of individuals is promoted by ensuring active participation in the economy and society, and autonomy in activities of daily living.
- B) **Equity** in this context refers to social or labour market disadvantage, and equality of opportunity. Equitable outcomes are measured mainly in terms of the access by households to resources.
- C) While improving the **health status** of populations is the fundamental objective of health care systems, attaining it implies a focus that is broader than disease and its cure, and which extends to other social factors that affect mortality and morbidity.
- D) **Social cohesion** is often identified as an over-arching objective of the social policies of countries. While little agreement exists on what precisely it means, a range of pathologies are informative about lack of social cohesion. This is true, for example of crime, imprisonment, suicides, industrial strife, and family instability. Falling under this heading are also measures of the extent to which individuals' participate in the community where they live.

Based on these two dimensions, OECD social indicators can be represented as a “matrix” (Table 1.1).

3. The selection and description of indicators

OECD countries differ substantially in their collection of statistics, especially in the social field. In selecting indicators for presentation in this report, the following choices were made.

- A first consideration relates to the degree of comparability of the indicators across countries. While this volume strives to present the best comparative information for each of the areas covered, the indicators presented are not confined to those for which

Table 1.1. Social indicators included in various editions of Society at a Glance

Content		Equity (E0)			Health (HE)		Social cohesion (C0)	
		Self-sufficiency (SS)	Equity (E0)	Health (HE)	Health (HE)	Social cohesion (C0)		
Nature	Social context	<ul style="list-style-type: none"> • National income • Age-dependency ratio • Migrants (2006, 2005, 2003) • Fertility rates (2006, 2005, 2001) • Marriage and divorce (2006, 2005, 2001) • Refugees and asylum-seekers (2001) • Lone parents (2001) 	<ul style="list-style-type: none"> • Income of old people (2005, 2003) • Relative poverty (2005, 2001) • Income inequality (2005, 2001) • Low paid employment (2001) • Gender wage gaps (2006, 2001) • Child poverty (2005, 2003) • Educational attainment (2005, 2003, 2001) • Material deprivation (2006) • Poverty persistence (2006) • Intergenerational mobility (2006) • Housing costs (2006) 	<ul style="list-style-type: none"> • Life expectancy (2006, 2005, 2001) • Health adjusted life expectancy (2005, 2003) • Infant mortality (2005, 2001) • Potential years of life lost (2003, 2001) • Disability-free life expectancy (2001) • Accidents (2001) • Low birth weight (2006, 2003) • Sick-related absences from work (2006) • Health inequalities (2006) 	<ul style="list-style-type: none"> • Suicides • Life satisfaction (2006, 2005) • Social isolation (2005) • Group membership (2005, 2001) • Teenage births (2005, 2003) • Drug use and related deaths (2005, 2001) • Strikes (2006, 2003, 2001) • Crime (2003, 2001) • Volting (2006, 2001) • Juvenile crime (2003) • Trust in political institutions (2006) • Work accidents (2006) 			
		Social status	<ul style="list-style-type: none"> • Employment • Unemployment • Mothers in paid employment • Jobless households (2005, 2003, 2001) • Youth inactivity (2005, 2001) • Age at retirement (2005, 2001) • Educational attainment (2005, 2003, 2001) • Childcare costs (2006) 	<ul style="list-style-type: none"> • Income of old people (2005, 2003) • Relative poverty (2005, 2001) • Income inequality (2005, 2001) • Low paid employment (2001) • Gender wage gaps (2006, 2001) • Child poverty (2005, 2003) • Material deprivation (2006) • Poverty persistence (2006) • Intergenerational mobility (2006) • Housing costs (2006) 	<ul style="list-style-type: none"> • Life expectancy (2006, 2005, 2001) • Health adjusted life expectancy (2005, 2003) • Infant mortality (2005, 2001) • Potential years of life lost (2003, 2001) • Disability-free life expectancy (2001) • Accidents (2001) • Low birth weight (2006, 2003) • Sick-related absences from work (2006) • Health inequalities (2006) 	<ul style="list-style-type: none"> • Suicides • Life satisfaction (2006, 2005) • Social isolation (2005) • Group membership (2005, 2001) • Teenage births (2005, 2003) • Drug use and related deaths (2005, 2001) • Strikes (2006, 2003, 2001) • Crime (2003, 2001) • Volting (2006, 2001) • Juvenile crime (2003) • Trust in political institutions (2006) • Work accidents (2006) 		
	Societal responses	<ul style="list-style-type: none"> • Out-of-work benefits • Students' performance (2006, 2003) • Activation policies (2001) • Education expenditure (2001) • Early childhood education and care (2001) • Literacy among adults (2001) • Tax wedge on labour (2006, 2001) • Students with impairments (2003) • Resources of disabled adults (2003) • Working disabled persons (2003) • Benefits of last resort (2005) 	<ul style="list-style-type: none"> • Public social spending • Total social spending • Private social spending (2005, 2001) • Benefit reciprocity (2003, 2001) • Earnings inequality (2006) • Minimum wages (2001) • Pension replacement rate (2006, 2005) • Pension promise (2005) 	<ul style="list-style-type: none"> • Total health care expenditure • Responsibility for financing health care (2003, 2001) • Long-term care (2006, 2005, 2001) • Health care infrastructure (2001) 	<ul style="list-style-type: none"> • Prisoners (2006, 2003, 2001) 			

Note: The data refer to the "domains" covered in the various editions of Society at a Glance – OECD Social Indicators. Within each domain, the specific indicators used may differ across the various issues. Indicators in bold have been included in each edition of Society at a Glance (2001, 2003, 2005 and 2006). The table refers only to indicators included in the printed version of Society at a Glance. Names shown for each domain of indicators are those used in the 2006 edition; some of the indicators may also have been moved from one category to another (e.g. prisoners was classified as a "response" indicator in the 2003 edition, and as a "status" indicator in the 2005 edition).

Source: Various editions of Society at a Glance – OECD Social Indicators, Paris.

there is “absolute” comparability; readers are, however, alerted as to the nature of the data used and their pitfalls.

- A second consideration relates to whether to include indicators that are available for all countries or, conversely, how far to depart from this principle. As a general rule, this volume includes only indicators that are available for a majority of OECD countries.
- A third consideration relates to the possible breakdown to use. Social indicators can often be decomposed into sub-categories, such as age of individuals, family type and gender. The breakdown available (e.g. by individual and household characteristics) varies according to the indicator considered, and several ones are used in this report. 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 headcounts, currency units, percentages of GDP, etc.

For each of the selected indicators, Part II of 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 (e.g. Labour Force Statistics, Social Expenditure Database, Health Data); others have been collected on an *ad hoc* basis. While some indicators have been included in all issues of *Society at a Glance*, others vary from volume to volume.

Individual indicators can be relevant for multiple areas of social policy, i.e. they can be recorded under more than one category. For example, the ability to undertake activities of daily living without assistance is an indicator of social cohesion, self-sufficiency and health. While this problem is not specific to social policy *per se*, the solution adopted in this volume is to present indicators under the heading to which they are more directly relevant rather than repeating them in different sections. Also, the entries of this report often contain several indicators, which provide information on both social status and societal responses. Throughout this volume, the code in-between brackets associated to each indicator (e.g. GE1) is used to relate it to a policy field (as listed in the tables below), while a numbering of the indicators is used to simplify cross-references. While the name and coding of indicators used in this volume may differ from those in previous issues of *Society at a Glance*, an effort is made to assure continuity in the areas covered.

3.1. Context indicators (GE)

When comparing *social status* and *societal response* indicators, it is easy to make 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 conditions than poor ones, irrespectively of societal responses. If the demand for health care services increases with income (as appears to be the case), rich countries might be expected to spend more on health care (as a percentage of national income) 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. Another characteristic of most context indicators is that it is not possible to *a priori* say whether a higher value is good or bad.

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 that society can afford to provide, but also of age-dependency ratios (GE2), fertility rates (GE3), migration (GE4) and marriage and divorce (GE5). As noted earlier, context indicators are not categorised as falling in any of the four fields of social policy – equity, self-sufficiency, health or cohesion.

List of general context indicators (GE)

GE1. National income per capita
GE2. Age-dependency ratio
GE3. Fertility rates
GE4. Migration
GE5. Marriage and divorce

3.2. Self-sufficiency indicators (SS)

For most people in the population of working age, paid employment (SS1) is the means through which they gain economic resources, identity, social interaction and status. In addition, almost all social security systems rely for their funding on the contributions by people in work. Hence, promoting higher employment is a priority for all OECD countries.

Nevertheless, unemployment (SS2) often implies that providing the means to support oneself and one's dependants through work is sometimes not a reality. Access to paid jobs is often especially difficult for mothers of young children (SS3), often reflecting high costs of formal childcare (SS4). Because labour market disadvantage is often concentrated among low-skilled workers, differences in students' performance at the end of compulsory schooling can have lasting consequences on their chances of a successful transition to working life (SS7).

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. However, when poorly designed, these two set of measures may pull in opposite directions. In particular, benefits provided by the social protection systems to unemployed persons may inadvertently reduce financial incentives to take up work (SS6) as well as firms' demand for labour (SS5).

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.

List of self-sufficiency indicators (SS)¹

Social status	Societal responses
SS1. Employment	SS5. Tax wedge on labour
SS2. Unemployment	SS6. Out-of-work benefits
SS3. Mothers in paid employment	
SS4. Childcare costs	
SS7. Students' performance	
<i>EQ2. Earnings inequality</i>	<i>EQ5. Public social spending</i>
<i>EQ3. Gender wage gaps</i>	<i>EQ6. Total social spending</i>
<i>EQ4. Intergenerational mobility</i>	
<i>EQ7. Poverty persistence</i>	

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

3.3. Equity indicators (EQ)

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. As it is hard to obtain information on all aspects of equity, most of the social status indicators that are relevant for assessing equity outcomes are limited to inequality in financial resources and, much more rarely, in consumption patterns.

While poverty is most assessed in terms of financial resources, it can also be measured by looking at the extent of material deprivation in different countries (EQ1). The effects of poverty depend on the extent to which it persists over time (EQ7) and compromises opportunities for intergenerational mobility (EQ4). Poverty has often its roots in wider earnings inequality (EQ2) and gender wage gaps (EQ3), while its financial consequences may be heightened by high housing costs (EQ9).

Social protection systems are the main tool through which policy makers have responded to these equity concerns. 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. These interventions take the form of social benefits provided by the social security system (EQ5) or through a combination of tax expenditures and private spending (EQ6). In most OECD countries, the largest large share of these resources is devoted to providing income following retirement, and indicators of the replacement rate provided by old-age pensions (EQ8) show the long-term impact of existing pension rules and parameters for tomorrow's retirees.

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 indicators (EQ)¹

Social status	Societal responses
EQ1. Material deprivation	EQ5. Public social spending
EQ2. Earnings inequality	EQ6. Total social spending
EQ3. Gender wage gaps	EQ8. Old-age pensions replacement rates
EQ4. Intergenerational mobility	
EQ7. Poverty persistence	
EQ8. Housing costs	
<i>SS2. Employment</i>	<i>SS6. Out-of-work benefits</i>
<i>SS3. Unemployment</i>	<i>HE2. Health care expenditure</i>
<i>SS4. Mothers in paid employment</i>	

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

3.4. Health indicators (HE)

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 significant improvements in health status, as measured, for example, by life expectancy (HE1). To a significant extent, these improvements have

reflected lower infant mortality and improvements in other indicators of child health (such as the prevalence of low birth weight, HE4). However, difficult challenges remain. Disparities in health conditions remain large not only between countries but also within them (HE6), and they often reflect a tendency for people with lower education income and social status to die younger. Poor health conditions have a direct impact on economic outcomes when they lead to high sick-related absences from work (HE4).

Health care expenditure (HE2) is part of the policy response of health care systems to concerns about health conditions in general and for specific groups. Another manifestation of this response has taken the form of the increasing number of frail elderly that are receiving different forms of long-term care either in institutions or, more often, in a home setting (HE5). Nevertheless, health problems have sometimes their root in interrelated social conditions – such as unemployment, poverty, and inadequate housing – that are outside the reach of health policies. Moreover, more than spending levels *per se*, the effectiveness of health interventions often depends on other characteristics of the health care system, such as low coverage of medical insurance or co-payments, which may act as barriers to seeking medical help.⁴ A much broader range of indicators on health conditions and interventions is provided in *OECD Health Data* and in the companion volume to this database, *Health at a Glance*, which is also published on a bi-annual basis.

List of health indicators (HE)¹

Social status	Societal responses
HE1. Life expectancy	HE2. Health care spending
HE3. Low birth weight	HE5. Long-term care recipients
HE4. Sick-related absences from work	
HE6. Health inequalities	
<i>EQ4. Intergenerational mobility</i>	<i>EQ5. Public social spending</i>
<i>CO4. Suicides</i>	<i>EQ6. Total social spending</i>
<i>CO5. Work accidents</i>	

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

3.5. Social cohesion indicators (CO)

Promoting social cohesion is a central goal for social policy in many OECD countries. However, because of the lack of a commonly-accepted definition of the term, identifying suitable indicators is especially difficult. The approach taken in this volume is to assess social cohesion through indicators that describe both the extent to which citizens participate in societal life and derive satisfaction from their daily activities; and those informing about various pathologies and conditions that put affected individuals at risk of exclusion from mainstream society, or that reveal the extent of social strife in a country.

Participation in voting (CO1) and the extent of trust that citizens have in the political institutions of their community (CO6) 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 (CO7) are also important “direct” measures of the well-being of individuals and of the cohesion in society as a whole.

Conversely, indicators providing evidence not just of personal difficulties but also of a deeper malfunctioning of society as a whole include measures of the prevalence of suicides

(CO3) and prisoners (CO2). Indicators of strikes (CO5) provide information about the consensual nature of the industrial relations system, while high levels of work accidents (CO4) often reflect a malfunctioning of the safeguards that apply to workers.

Beyond these indicators of social status, context indicators may also help to highlight the existence of different groups and households within society that are exposed to special risk of social exclusion (e.g. persons living alone). Finally, it should be noted that it is much more difficult to identify relevant response indicators. Conversely, all of the policies that are relevant to other dimensions of social policy (self-sufficiency, equity and health) also influence social cohesion.

List of social cohesion indicators (CO)¹

Social status	Societal responses
CO1. Voting	CO2. Prisoners
CO3. Suicides	
CO4. Work accidents	
CO5. Strikes	
CO6. Trust in political institutions	
CO7. Life satisfaction	
<i>SS2. Unemployment</i>	<i>EO5. Public social spending</i>
<i>EQ1. Material deprivation</i>	<i>EO6. Total social spending</i>
<i>EQ7. Poverty persistence</i>	<i>HE2. Health care spending</i>
<i>HE1. Life expectancy</i>	
<i>HE4. Sick related absences from work</i>	

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

4. What you can find in this publication

For each of the issues covered in Part II of this report, the text provides the definition of the relevant indicator(s) and what measurement problems, if any, exist. Countries differ in too many ways for it to be possible to pretend that some of the indicators are precisely defined: differences in data quality across countries are inevitable. Where this is the case, the text tries to make this explicit. This opening section on “definition and measurement” is then followed by a description of the basic trends and cross-country differences in the various indicators, and by some explanation as to why these may occur. In general, each section contains information for one year and for all OECD countries for which information is available, and presents trends for a selection of countries. Evidence is presented in the form of charts and tables, with selected references for “further reading” and titles of publications from which indicators are derived.

For most indicators, the underlying data 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 for all the indicators collected. The data underlying each indicator are available on the OECD website (www.oecd.org/els/social/indicators/sag), or by typing or clicking for “electronic books” on the “StatLink” at bottom right of each indicator (where data for all countries are also available).

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.
3. 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.
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, *The Well-being of Nations: The Role of Human and Social Capital*, Paris).

PART I
Chapter 2

**Measuring Well-being:
What Role for Social Indicators?**

1. Introduction

Social indicators aim to provide information on well-being beyond that conveyed by conventional economic measures.¹ While the level and change in gross domestic product (GDP) per capita have long been used as the main yardstick for measuring and comparing living standards across countries, policy makers and citizens are concerned with much more than just GDP per capita. In particular, they seek to ensure the overall well-being of society, both today and in the future.

But what precisely is “well-being”? Answers differ. Social indicators focus on observable outcomes in a variety of fields (health, literacy, poverty) based on the premise that most people would agree about the value of what is being described and that these social characteristics can be measured reliably and independently of people’s subjective perceptions. On the other hand, the economic literature assumes that individuals derive well-being from the satisfaction of their wants according to their preferences, chiefly as exercised in the marketplace. Satisfaction of wants is a function of what individuals consume, but since their consumption is ultimately determined by their income, this can be used as a proxy for well-being and reliably measured using national accounts income measures.

Up until the recent period, using a monetary measure like GDP per capita as a proxy for the population’s well-being made much sense. GDP per capita provides an accurate measure of a country’s capacity to deal with the material needs of its residents. And so long as the basic necessities of life remain scarce, additions to GDP per capita can be expected to equate closely with improvements in meeting the population’s basic needs, and hence in greater well-being. The consensus on the use of GDP per capita as a good proxy measure of well-being is, however, becoming less obvious as the more developed societies move from a situation of scarcity to a situation of plenty. The intuitive notion that, once a certain level of material needs has been met, further increments in economic growth will not necessarily yield the same improvements in the well-being of the citizens is backed up by numerous studies that indicate that this divergence between added income and added well-being holds true both within and across societies.

So there is a need for indicators that better reflect non-monetary factors – but is there a single indicator that can be measured reliably across countries and used as yardstick for well-being? Unfortunately, the answer is No. This may be seen as providing one argument for sticking with GDP per capita: after all, it can be calculated with a certain degree of reliability to yield a figure that can be readily compared across countries. This should not be viewed historically, however: the current development of comparable economic measures represents a relatively recent achievement. In the post-World War II era great efforts have been made to develop harmonized tools to measure economic growth. These tools have become increasingly sophisticated as economies have shifted from the production of goods like wheat and steel, which are more easily quantified, into the production of services, for which measurement is more elusive. But considerable progress has also been made in developing a comparable set of social indicators, particularly since

the 1980s, when the OECD first presented its social indicators (OECD, 1986). This progress needs to be sustained, *inter alia* through greater co-operation between the statistical offices of member countries and international organisations such as the OECD – whose role in this field can be similar to what it has achieved in respect to conventional economic statistics.

This chapter considers four approaches to measuring well-being.² First, it presents evidence on the importance for well-being of the social indicators presented in different issues of *Society at a Glance* and on the extent to which they are correlated with GDP per capita. Second, it reviews monetary measures of economic resources derived from national accounts. Third, it looks at ways in which these monetary measures can be adjusted to take into account other factors that influence well-being, in particular leisure time, household size and aversion to inequality. Finally, it considers subjective measures of happiness and life satisfaction, before concluding.

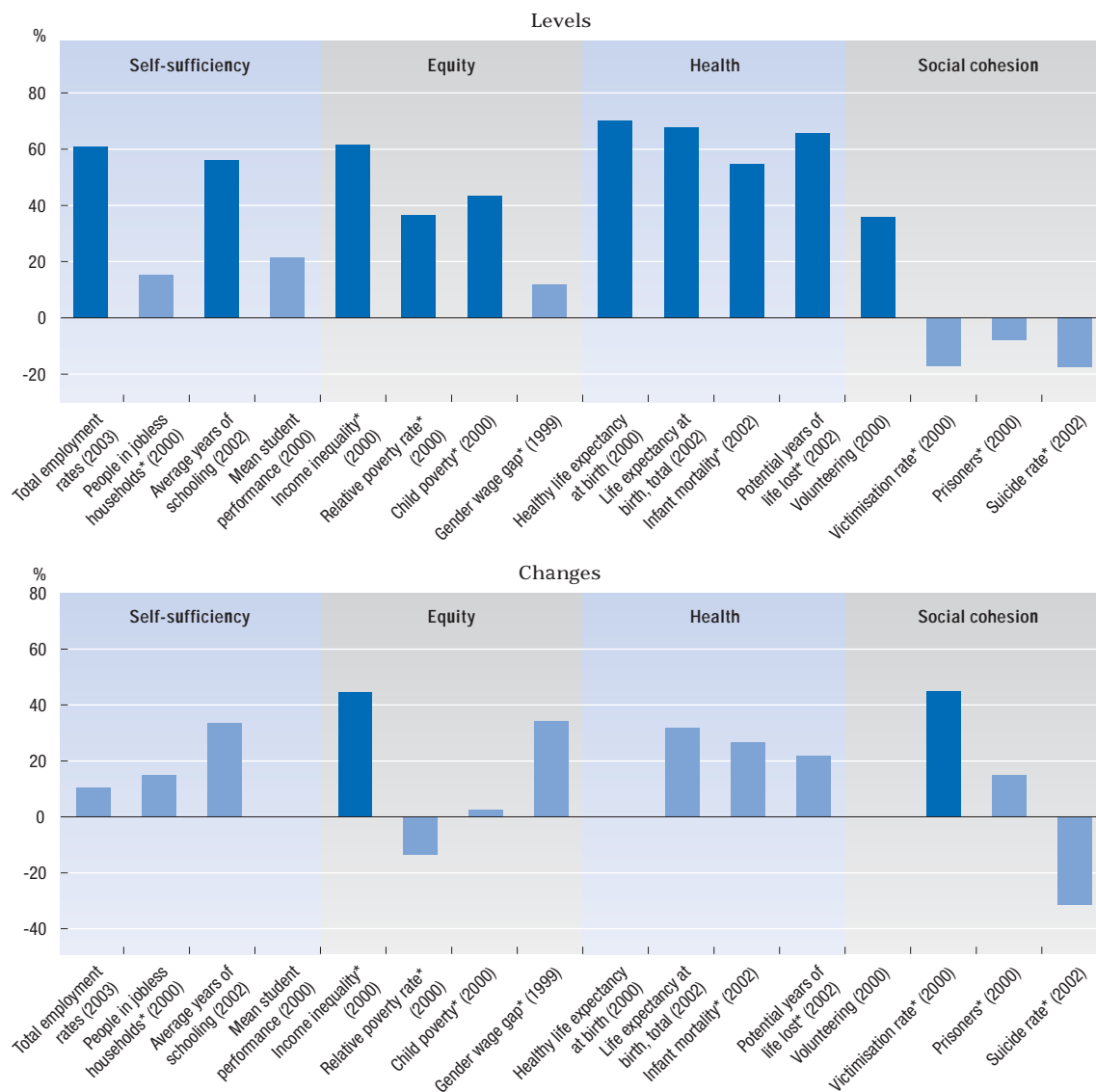
2. Social indicators

Social indicators provide a complementary approach to GDP-derived proxies for well-being. In this chapter, four indicators have been chosen for each of the four domains (self-sufficiency, equity, health status and social cohesion) described in Chapter 1.³ The selection of these indicators, while subjective, is based on both their importance to social well-being and their availability, so as to allow meaningful cross-country comparisons.

Do these indicators provide additional information relative to that conveyed by GDP per capita? To answer this question, the top panel of Figure 2.1 presents the simple correlation between the levels of these 16 social indicators and GDP per capita. The bottom panel of the figure presents the correlation between average annual changes in the two sets of variables. The panel shows varying degrees of correlation between the 16 social indicators and GDP per capita, with the highest degrees of correlation with health indicators and the lowest with social cohesion indicators.

- *Self-sufficiency* reflects the extent of participation in the economy and society and how well individuals are able to get through daily life on their own. It is measured in terms of the overall employment rate, the proportion of the population in households where nobody has a job, the average number of years of schooling, and the average school performance of children at age 15. All these factors affect or will affect the ability of individuals to earn a decent living. GDP per capita correlates significantly with employment rates but not with measures of how employment opportunities (and thus joblessness) are shared within the population. Likewise, in richer countries the average adult has completed more years of education, but the average 15-year-old student does not necessarily perform better. There is only a weak correlation between changes in these self-sufficiency measures and GDP per capita.
- *Equity* reflects the distribution of household incomes and the extent of equality of opportunity and autonomy of individuals. It may be measured in terms of income inequality, relative poverty rates, child poverty and the gender wage gap. Higher levels of GDP per capita correlate to some extent with lower inequity in income distribution. OECD countries with lower GDP per capita also tend to record higher relative poverty and poverty among children, but not necessarily lower earnings inequalities by gender. Increases in GDP per capita go hand-in-hand with reductions in income inequality and gender wage gaps, but this is only very weakly, if at all, related to changes in child poverty and relative poverty.

Figure 2.1. **Cross-country correlations between per capita GDP and different social indicators in OECD countries**



Note: Levels around 2002 and annual percentage change over the longest period available. Pearson coefficient of correlation: bars in a darker colour indicate statistically significant correlations (at a 5% level).

For variables where higher values of the indicator denote worse social outcomes (e.g. infant mortality, prisoners, denoted with an “*”), correlations with per capita income are shown with the opposite sign (e.g. countries with higher per capita income have lower infant mortality rates – shown with a positive sign – and higher rates of imprisonment – shown with a negative sign). Per capita income is measured as GDP in current prices and purchasing power parity exchange rates, divided by the total population. Correlations are computed between values of GDP per capita and of the social indicators in the same period; the number of countries considered may vary among different pairs of variables depending on data availability.

Source: Various editions of *Society at a Glance – OECD Social Indicators*.

StatLink: <http://dx.doi.org/10.1787/184757611082>

- **Health status** reflects not only disease and its cure, but other social factors that can affect mortality and morbidity. The four key indicators of health status used here are life expectancy at birth, “healthy” life expectancy at birth (i.e. lifespan free of disabling medical problems), infant mortality rates and the potential years of life lost as a result of accidents or preventable disease. These indicators are strongly correlated with GDP per

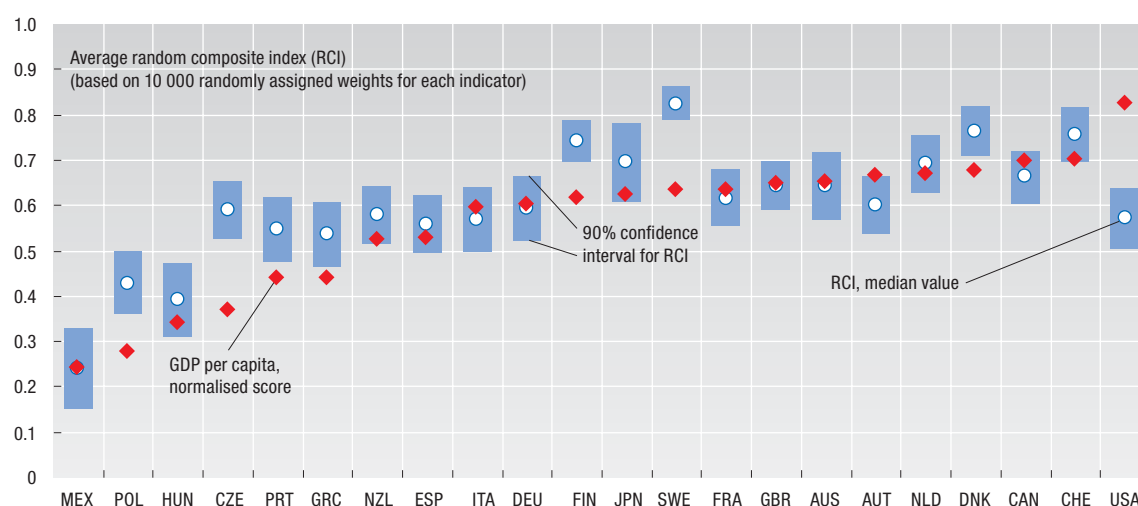
capita, meaning that on average OECD countries with higher incomes enjoy better health. Nevertheless, differences in country performance can still be significant – for example, infant mortality rates differ by a factor of around two between countries with similar GDP per capita. While changes in GDP per capita are positively related to changes in health status, the correlations are weak and not statistically significant.

- A feeling of belonging to a wider community and the satisfaction that derives from participation in the broader society are important to well-being. But social cohesion is measured not only through positive indicators, like the share of people who volunteer in community groups, but also through negative manifestations, such as levels of crime, victimisation and suicide. While people do more volunteering in countries with higher GDP per capita, there is no significant correlation with the negative indicators, although an increase in GDP per capita does seem to go hand-in-hand with a decline in the number of people who have been victims of crime.

Overall, social indicators provide information about a number of dimensions of well-being that seem to go beyond what is conveyed by GDP.⁴ The main weakness of social indicators is, however, that they do not allow a parsimonious representation of well-being, because of the lack of agreement on how to aggregate these indicators. A simple synthetic measure can be constructed by normalizing and then aggregating the 16 indicators described above into a composite index that can be compared across countries.⁵ This index then needs to be tested to see how robust it is when different weights are used to aggregate the various elementary indicators. The techniques used to perform this operation are described in Boarini et al. (2006).

Figure 2.2 shows the median value and confidence interval for a composite index constructed using the 16 social indicators weighted in a number of ways. The composite

Figure 2.2. Median value and confidence interval of a composite index based on selected social indicators in OECD countries and GDP per capita



Note: The composite index is based on the values of the 16 social indicators shown in Figure 2.1. The analysis is limited to OECD countries for which at least 13 of the 16 indicators were available. In order to allow comparisons between the composite index of social indicators and GDP per capita, values of the latter have been rescaled on a range given by the minimum and maximum median values of the composite index. The median value and 90% confidence interval are based on 10 000 trials where weights are assigned randomly to each of the elementary indicators, and the values are then compared to (normalised) GDP per capita in 2001. Luxembourg is excluded from the analysis to avoid the bias that would arise from its “abnormally” high GDP per capita.

Source: Calculations based on data in various editions of *Society at a Glance* – OECD Social Indicators.

StatLink: <http://dx.doi.org/10.1787/275423732624>

index of the social indicators yielded by this operation differs significantly from the relative performance indicated by GDP per capita in slightly more than half the countries.⁶ Using different methodologies to construct the composite indices yields similar results. In general, several composite indices developed in individual OECD countries highlight a common pattern of much smaller increases in well-being than in GDP per capita since the early 1970s, and in recent years they even indicate declines (Sharpe, 1999).

3. Monetary measures of economic resources

The second approach to the measurement of well-being is to use one or another way of calculating real income from the System of National Accounts. While more established, problems remain in ensuring cross-country comparability. Furthermore, the impact of non-monetary factors on well-being is excluded.

As mentioned above, the monetary measure most commonly used to assess the total value of the economic resources that affect well-being is GDP per capita. GDP measures the value of the goods and services produced within a country during a given period of time. In practice, this means the production of those activities that fall within the boundary of the System of National Accounts. The production of these goods and services is generally valued at market prices, based on the assumption that these prices accurately reflect the value (to individuals and society) of the resources used for their production, since they have alternative uses. Some activities that are included in GDP are, however, particularly difficult to measure. Government services, for example, are often provided free or at a subsidised price to direct users, and their output cannot be valued in terms of market prices. In the past the value of inputs has been used to make estimates, which amounts to equating government output to the cost of its production. Recently some OECD countries, such as the United Kingdom, have modified their approach and begun to measure changes in government production based on direct measures of output. While these adjustments remain controversial, their implications are significant: Atkinson (2005) reckons that methodological differences in accounting for government output explain nearly half of the difference between the GDP growth rates for the United Kingdom and the United States between 1995 and 2003.

Valuing quantities through market prices assumes that the prices are representative of the marginal contributions of the different goods consumed to the utility of individuals. In this approach, however, GDP per capita is only a proxy of well-being, meaning that there are several areas in which it fails to take into account factors that are of importance as well:

- GDP excludes a range of non-market activities that influence well-being, due frequently to practical concerns with measuring them, because their value is not easily defined in market terms. These include not only illegal activities and home activities like housework and do-it-yourself work, but also leisure, which is clearly of value to society and important to well-being.
- Conventional measurements of GDP exclude changes in asset values, although these clearly influence what an individual can consume in the current period without becoming worse off. Therefore, GDP more accurately reflects what a society produces than what it can consume.
- GDP does not take account of externalities, such as pollution or environmental deterioration, nor of depletion of non-renewable resources. This distorts how much market prices actually reflect the marginal contribution of certain items to well-being, including those of future generations.

- GDP does not distinguish inter-country differences in the distribution of income. To most people, a huge increase in national income that goes exclusively to a tiny handful of very wealthy families will not increase general well-being as much as if it were more equitably distributed.

For these and other reasons, various adjustments have been made to SNA-based measures to develop alternative monetary measures of well-being.

3.1. Gross national income: adjusting for net transfers from abroad

GDP takes into account only the production process that occurs within the borders of a country, and ignores that some of the income generated by these activities is paid to non-residents, while residents receive income from production in other countries. The purchasing power of residents may also increase or decrease with respect to foreign goods due to changes in the terms of trade, that is, the price of imported relative to exported goods. Factoring in the “net income from abroad” gives a figure for gross national income (GNI) that is more relevant to the well-being of the country’s residents.

To compare these figures between countries, the production data, which are collected in the local currency, need to be converted to a common currency, using purchasing-power-parity exchange rates (PPPs). In most OECD countries, the difference between GDP and GNI per capita is small, since gross income inflows from abroad tend to be offset by gross outflows, although there are some notable exceptions (e.g. Ireland and Switzerland, Figure 2.3). Changes in GDP and GDI per capita over the past decade are broadly similar, with the exceptions of Ireland and South Korea, countries that are large producers of ICT products and suffered, as a result, relatively large declines in their terms of trade.

3.2. Net national income: adjusting for capital consumption

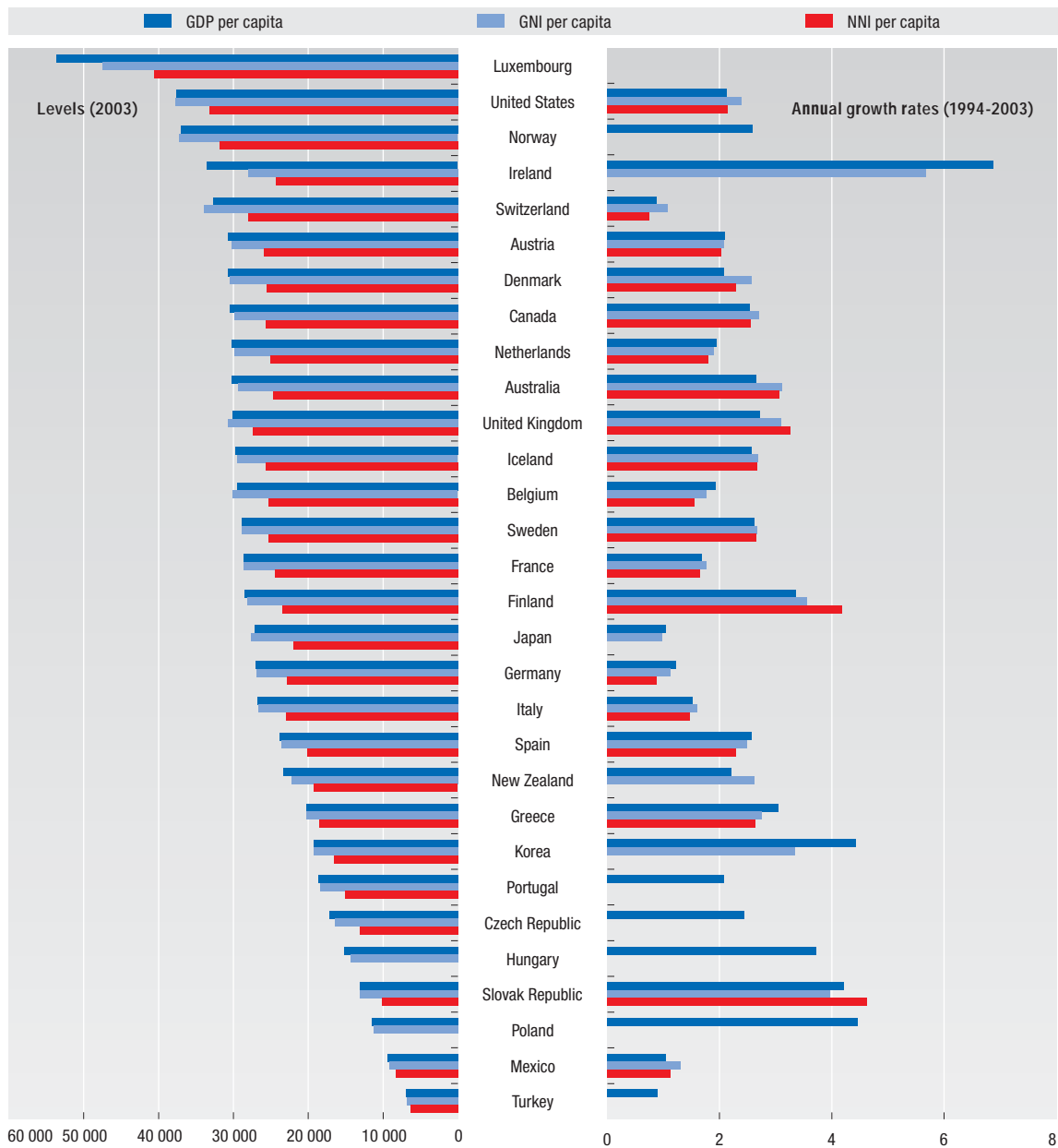
GDP does not reflect the consumption of capital during the production process, and thus overestimates the value of output that actually contributes to well-being without lowering future production. To correct for this, consumption of capital is estimated and then subtracted from GDP to yield the net domestic product (NDP). This is the maximum amount of output that can be spent on consumption while maintaining a country’s productive capacity unchanged. While all countries provide estimates of capital consumption, these are not calculated in the same way, which reduces the international comparability of NDP measures.

Nevertheless, the difference between GDP and NDP per capita does not vary much from one year to another, and neither do country rankings based on the two criteria. NDP per capita in OECD countries is on average 85% of the level of GDP per capita. NDP per capita has, however, grown slightly more slowly than GDP per capita over the past decade, which reflects that capital consumption has grown faster than GDP due to the growing investment in new technologies with a shorter service life.

As with GDP, it is possible to adjust NDP to take into account the affect of “net income from abroad” to obtain net national income (NNI). Keeping in mind the problem with calculating capital consumption, this figure gives, in principle, a more accurate picture of the actual economic resources available to the country as a whole to secure well-being, and shows that GDP per capita does tend to overstate them. Nevertheless, the ranking of countries based on NNI per capita is generally similar to that based on GDP per capita, although the difference is significant for a few countries (Figure 2.3). The growth rates are also broadly similar for the two measures.

Figure 2.3. **Gross domestic product, gross and net national income per capita in OECD countries**

At current prices and current PPPs in USD



Note: Countries are ranked, from top to bottom, in decreasing order of GDP per capita.

Source: OECD annual national accounts.

StatLink: <http://dx.doi.org/10.1787/025143474403>

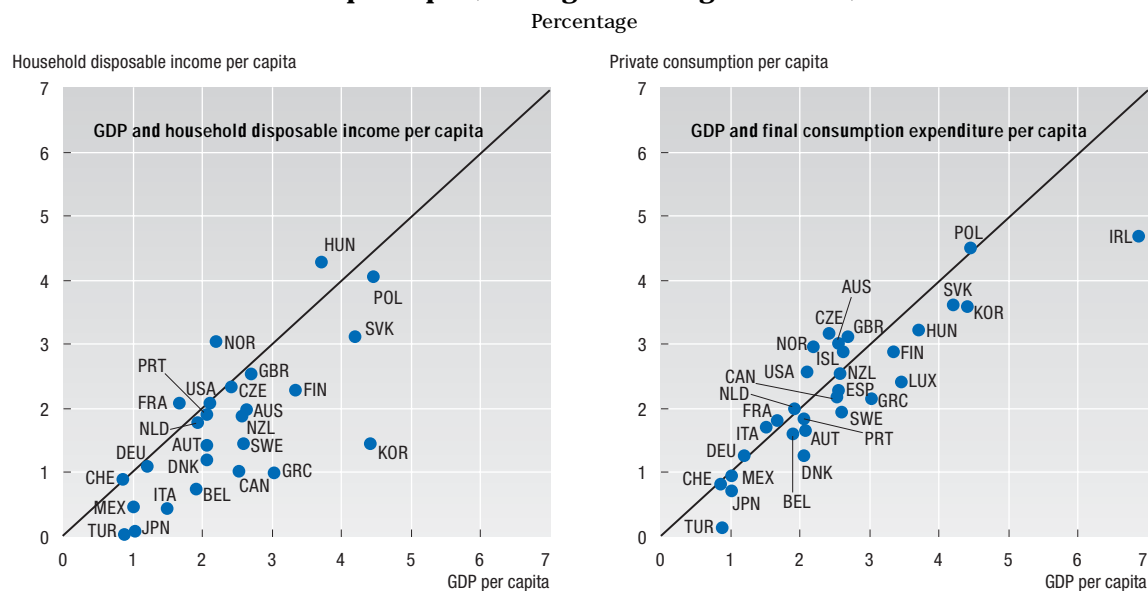
3.3. Measures of the economic resources of households

The aggregates described so far provide only an economy-wide measure of production or income. The notion of well-being, however, mainly refers to the situations of individuals and households. Looking at the economic resources of individuals and households, and taking into account the goods and services that people receive free of charge from the government and from non-profit institutions (NPIs), gives a more accurate picture of their

economic well-being. There are three ways to use the national accounts to calculate this: household disposable income per capita; household final consumption per capita; and “actual” household consumption per capita, which includes an estimate of the services provided by government and NPIs.⁷

Not surprisingly, all three of these measures are significantly lower than GDP per capita, especially for final consumption. Nevertheless, all the measures correlate strongly with GDP per capita, even though the gap between disposable income and GDP per capita ranges from 20% in Turkey to 57% in Denmark. Household income and actual consumption have, however, risen less rapidly than GDP per capita in most countries over the past decade (Figure 2.4) – with a gap of as much as one percentage point for a number of countries – reflecting shifts in the allocation of income between households, firms and the public sector.

Figure 2.4. **Real household disposable income, real final consumption expenditure and real GDP per capita, average annual growth rate, 1994-2003**



Source: OECD annual national accounts and OECD (2005), *OECD Economic Outlook*, No. 76, Paris.

StatLink: <http://dx.doi.org/10.1787/602121645683>

3.4. Summing-up on monetary indicators

Overall, when we remain confined within the borders of the System of National Accounts, there is a fair degree of convergence in the levels and, to a lower extent, the growth rates of the different measures of country-wide economic resources, whatever the different adjustments made. But the more realistic the picture of the economic resources that households actually have at their disposal to secure their well-being, the less convergence there is with economy-wide measures of resources.

The indicators of economic resources discussed above measure a key factor for securing the well-being of individuals and society. But however important economic resources are, they don't tell the whole story – as the old adage tells us, “money doesn't buy happiness”. This would seem to be particularly true as societies move beyond the point where they are capable of meeting the basic needs of the population for food, shelter and

clothing. Economists have recognised this limit themselves and have endeavoured to develop various other mechanisms for taking into account non-market factors.⁸

4. Additional adjustments to national accounts measures

The measures of the economic resources that are derived from the national accounts can be adjusted by attaching a monetary value to various non-monetary factors in order to obtain a better proxy of the well-being of individuals and societies. The main difficulty is how to price different non-market activities, such as leisure, and unrecorded economic activities, such as work in the home. Different estimates generally value the inputs into these activities based on either replacement costs or opportunity costs. Some results suggestive of the impact of some of these non-market factors are presented below.

4.1. Well-being and leisure

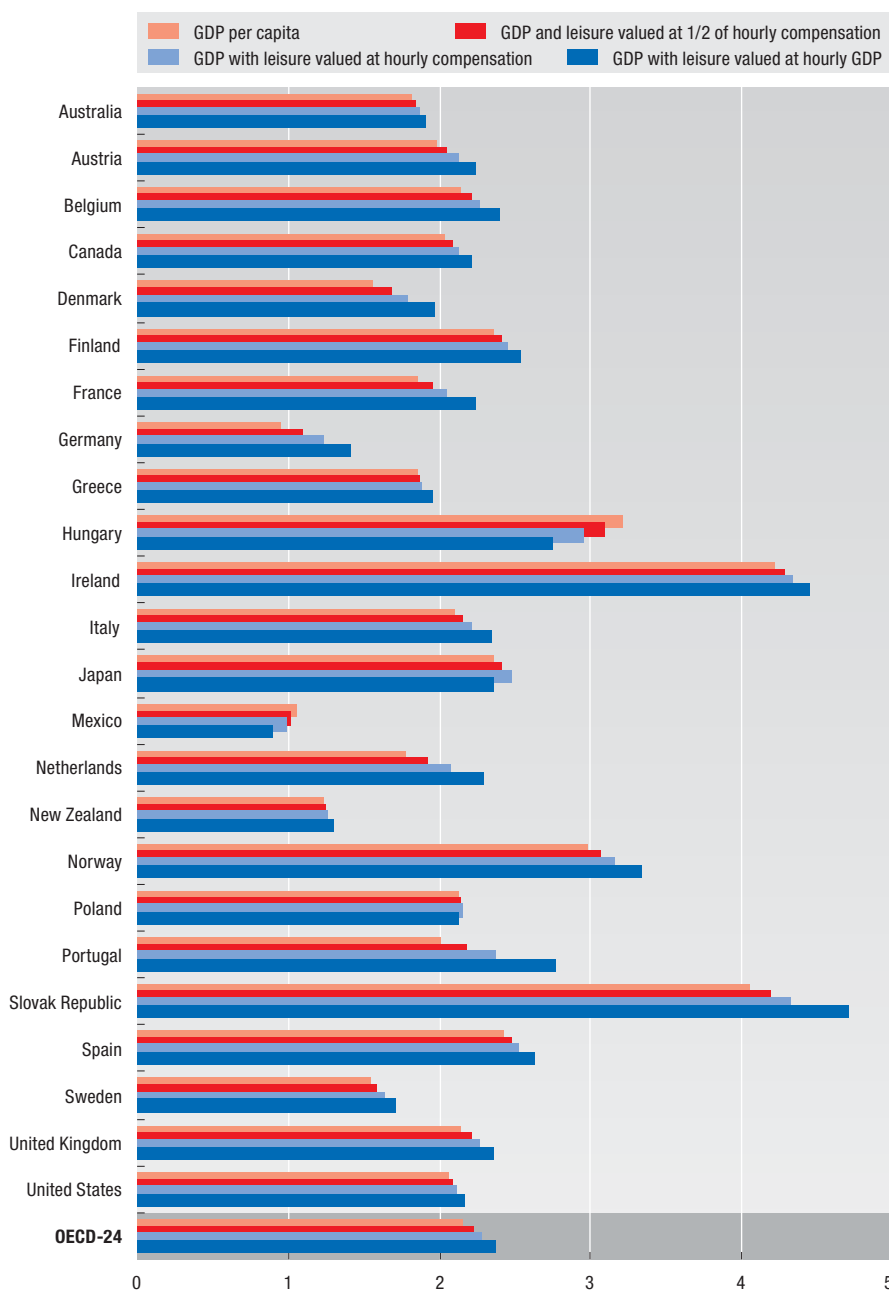
Using GDP-derived measures as proxies for well-being takes no account of leisure time. Yet leisure time is obviously of great importance to almost everyone's well-being. In this sense, it is a "good" that has a certain marginal utility. But how can we measure its quantity? And how should it be valued? We are certainly far from having satisfactory responses to these questions. Still, the large cross-country differences in the annual amount of paid work performed by workers suggest that there are big differences in the amount of leisure time that they enjoy in different countries. Part of the gap in GDP per capita between the United States and most other OECD countries reflects the greater number of hours American workers work each year. How much is this due to differences in culture and/or preferences, and how much to the impact of policies and institutions? While it is impossible to answer these questions precisely, any realistic evaluation of well-being needs to ascribe some monetary value to the leisure time of workers.⁹

This valuation is performed here by adding to GDP per capita an estimate of the quantity of leisure time annually enjoyed by each worker valued in three different ways: at GDP per hour worked, at the hourly compensation of each worker and at half of hourly compensation (to allow for the possibility that lower working hours in some countries reflect the impact of taxes and other policies). Plotting the gaps relative to the United States in "leisure-adjusted" GDP per capita using these three approaches shows that any positive valuation to leisure narrows the gaps relative to those based on GDP per capita (the higher the valuation placed on leisure, the narrower the gap). The average annual growth in "leisure-adjusted" GDP per capita tends to exceed that of GDP, with the difference being especially large in some European countries (Figure 2.5).

4.2. Well-being and household size

Estimates of per capita household income in the national accounts are obtained by summing up income across all households and dividing the total among the resident population. This approach does not take into account any variation in household size. In fact, households of different sizes have different abilities to pool resources and do not need the same income to assure the same level of well-being for their members. For instance, a household consisting of a couple with two children does not necessarily need twice the income of a childless couple to achieve the same level of well-being. One way this factor can be taken into account is by applying a common "equivalence scale" to survey data on household income to calculate what is called the "equivalised household disposable income" of each person.

Figure 2.5. **Average annual growth rate of GDP adjusted for leisure time of workers, 1970-2003**



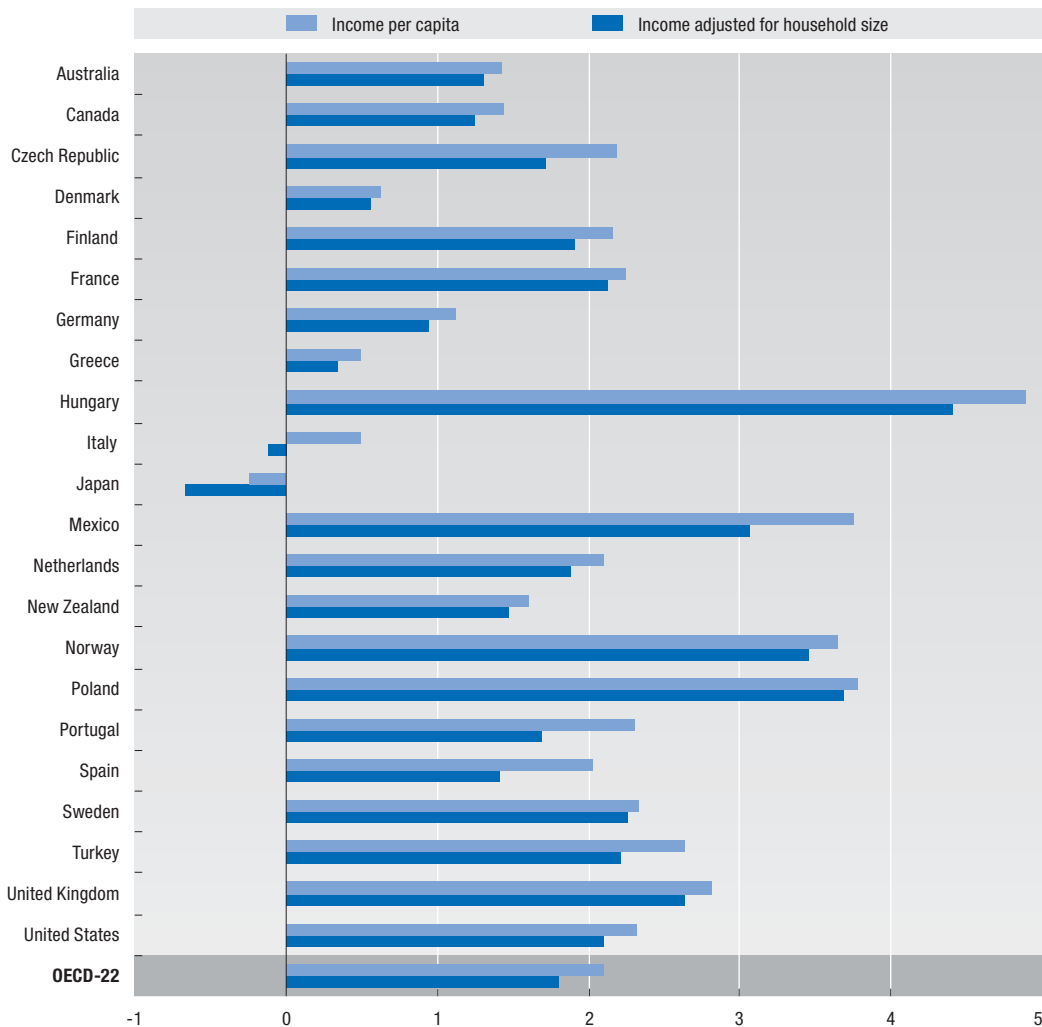
Note: The quantity of leisure time of workers is estimated by deducting from the time-endowment of each worker a (common) estimate of the time devoted to personal care and unpaid activities and (country-specific) estimates of annual working hours per worker. Leisure time is valued using three different prices: hourly compensation of employees; half of hourly compensation; and GDP per hour worked. While the time period considered extends from 1970 to 2003 for most countries, it is shorter for some (Austria, the Czech Republic, Germany, Greece, Hungary, Korea, Luxembourg, Mexico, New Zealand, Portugal and the Slovak Republic). For further details, see Boarini et al. (2006).

Source: OECD Productivity database and annual national accounts.

StatLink: <http://dx.doi.org/10.1787/568566035223>

Equivalence scales are computation devices, and there is little empirical consensus on their “true” value; they may also vary from country to country as well as over time. While the levels of equivalised disposable income are therefore not especially informative – estimates show that, as might be expected, equivalised household disposable income exceeds the non-equivalised measure, which assumes that everyone lives alone, and that the difference is greater in countries where the average household size is larger – changes in equivalised disposable income over time show that the general trend towards smaller family sizes has reduced economies of scale and well-being in all countries, sometimes by a considerable margin (e.g. Italy and Mexico, Figure 2.6).

Figure 2.6. **Real annual change of per capita household disposable income and adjustments for changes in household size, 1995 to early 2000s**



Note: Survey data on household disposable income refer to discrete years (in the mid-1980s, mid-1990s and early 2000s) that may differ across countries. To allow comparisons between the years shown, these data have been interpolated between available observations and (when necessary) extrapolated to 2002. Data on the average size of private households (as available through these surveys) have been applied to the national accounts “aggregate” measure of household disposable income (to avoid the comparability problem of differences in survey- and national account-based measures of household disposable income).

Source: Calculation based on OECD national accounts and OECD questionnaire on income distribution and poverty.
StatLink: <http://dx.doi.org/10.1787/534122818370>

4.3. Inequality in the distribution of economic resources

Income is not distributed equally in any OECD country, and OECD-wide trends since the mid-1980s indicate that the degree of inequality has increased, particularly in a few countries (Förster and Mira d'Ercole, 2005). Conventional measures of GDP per capita attach the same weight to each unit of income, regardless of how equally it is distributed. Yet many theories of social justice would argue for giving an added weight to income that goes to the poorest strata, especially in more unequal societies. For example, in a situation where the income of the richest decile of a population rises by amounts equal to the declines in income of the poorest decile, per capita income remains constant, whereas most observers would agree that the general well-being of the society has declined.

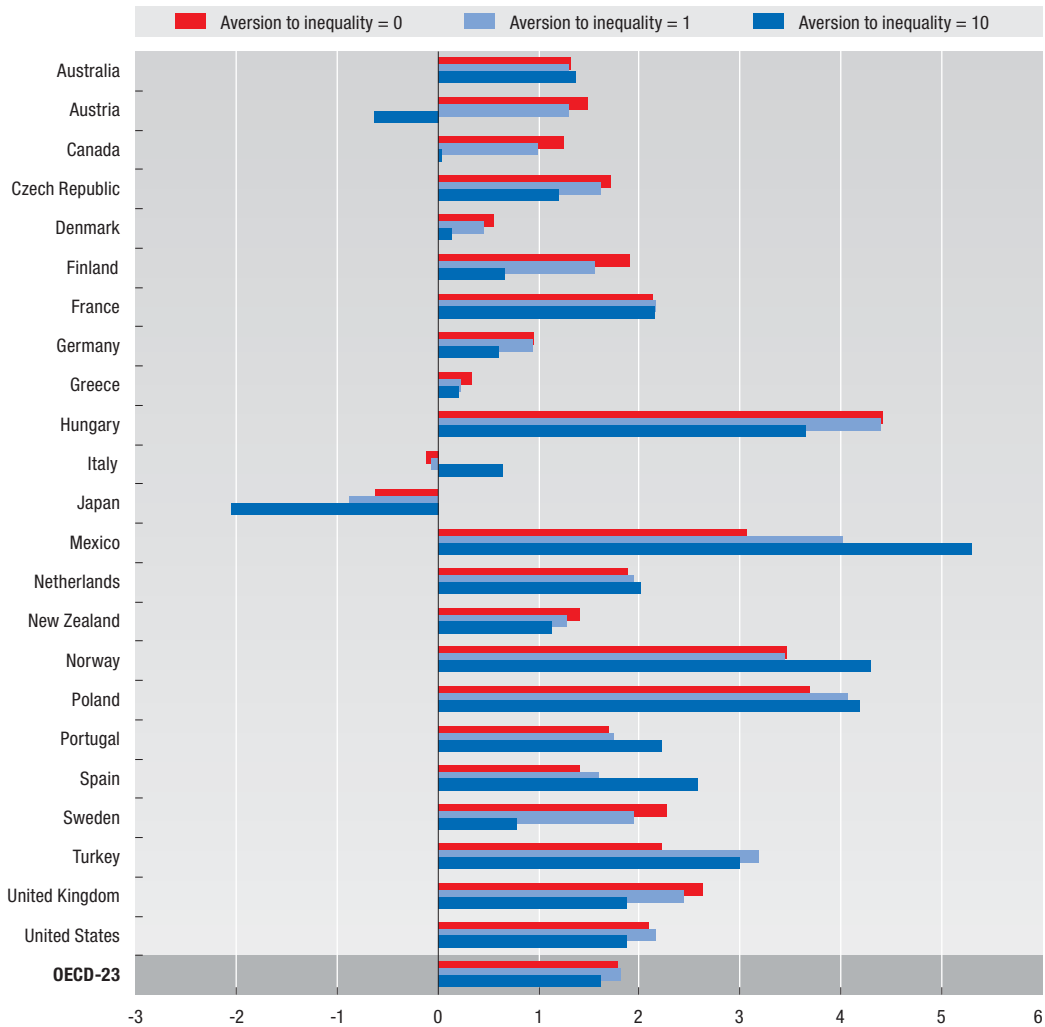
To take the issue of unequal distribution into account, it is possible to adjust GDP and household income by weighting the average income of each decile of the distribution by a coefficient that represents the degree of social aversion to inequality (Kolm, 1969). Figure 2.7 shows the results of calculations performed using three different weightings to adjust household disposable income to reflect the society's aversion to inequality. A higher value for this coefficient implies a higher degree of aversion to inequality, and therefore that less weight is given to higher incomes. So in countries where income growth has been skewed towards the better-off, applying the higher value of the coefficient will reduce the annual change in household income (the United Kingdom, the Czech Republic, the United States) while in those where the poorer deciles have benefited more it will tend to increase the annual change (Mexico, Spain, Norway). While a low or even intermediate degree of aversion to inequality does not change the country rankings much, a higher degree of aversion to inequality leads to significant changes. Using a coefficient to reflect the highest degree of aversion also lowers the adjusted growth rate for disposable income for the period 1985-2002 to 0.6%, as compared with 1.4% for conventional income, with greater declines in some countries (Figure 2.7). In conclusion, while the degree of inequality in income distribution can have a significant impact on the assessment of well-being, as compared with measures using conventional income, the extent of the impact depends crucially on the assumption of the degree of aversion to inequality in the given society.

4.4. Well-being and the environment

Well-being does not depend only on social and economic factors but also on environmental ones. Indeed, historically, much of the research on expanded measures of well-being has been driven by concerns about environmental degradation. Concern about sustainable development emphasises the need to take into account resources and capital stocks that are not included in the production boundary of conventional economic accounts. Although a sustainable development approach has direct implications for the measurement of income – in particular in terms of resources and environmental values that are affected by production but not calculated in market exchanges – there are not yet established mechanisms for integrating these concerns into measurements of economic resources.¹⁰ Further, as in the social area, the relation between environmental quality and economic development is complex. Higher GDP levels generally tend to stress the environment more, but also increase the capacities and resources for dealing with environmental problems.

Figure 2.7. **Real annual change in household disposable income for different values of the coefficient of aversion to inequality**

Average annual growth rate, 1995 to 2002



Note: National values of “equally-distributed” household disposable income are computed as the average of the values for each decile, using coefficients of aversion to inequality of 0, 1 and 10, respectively. Levels of household disposable income for each decile are computed as the product between national-account estimates of household disposable income, adjusted for household size, and survey-based estimates of the ratio between the disposable income of each decile to the mean. Data for household disposable income are converted into a common currency using purchasing power parities (PPPs) for private consumption expenditures; data for GDP per capita are based on PPPs for GDP.

Source: Calculations based on OECD national accounts and OECD questionnaire on income distribution and poverty.
StatLink: <http://dx.doi.org/10.1787/533254380580>

4.5. Summing up on adjustments to monetary measures

The various approaches described in the above section to take into account some of the factors that affect well-being but are omitted in conventional accounts are rooted in economic theory. But the different methods for valuing these factors inevitably lead to different conclusions. In addition, other factors that are of importance are still ignored, such as production in the home, defensive expenditure (i.e. spending undertaken to remedy some of the damage associated with economic growth) and environmental factors.

While these are difficult to measure, ignoring them may lead to misleading conclusions in so far as they vary over time and between countries.¹¹ This is particularly the case when these factors are directly affected by economic activities.

5. Well-being and happiness

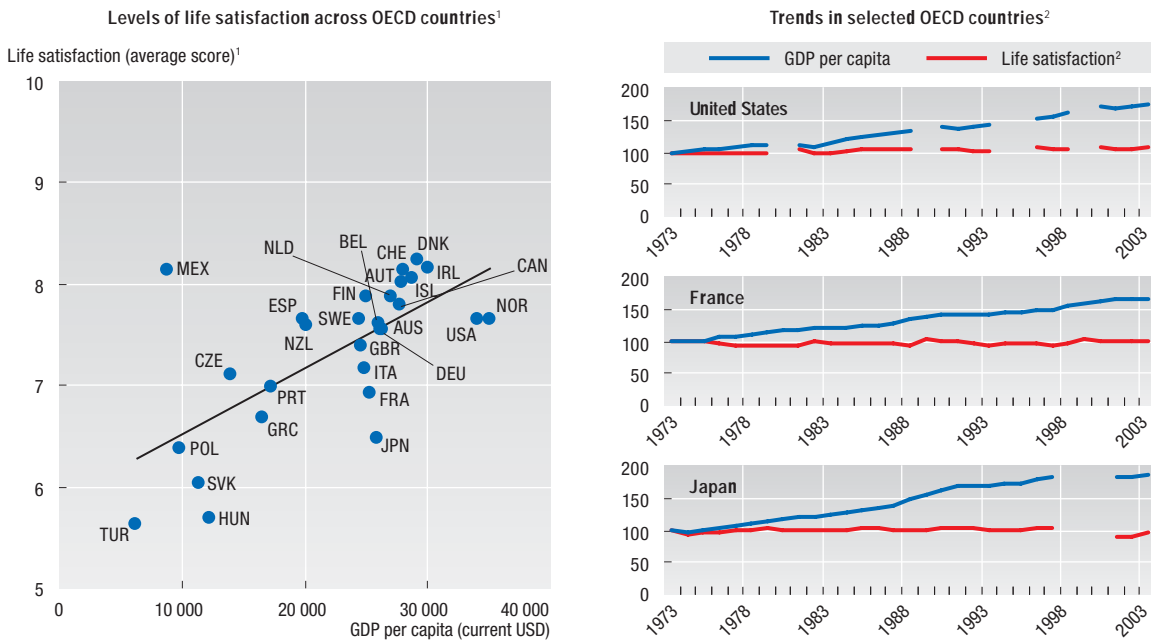
Instead of using objective measures as proxies for well-being, a third approach is simply to ask the individuals themselves how satisfied they are with their lives. Subjective measures of well-being are of course fraught with methodological difficulties. They could reflect different underlying concepts, be influenced by transient factors, or be affected by linguistic or cultural differences. Nevertheless, studies have shown that individuals who report higher levels of satisfaction with their lives are also rated as happier by their relatives and friends, tend to smile more during social interactions, have higher pre-frontal brain activity (the part of the brain associated with positive states), are more likely to recall positive life events, and have a higher resilience to stress (Layard, 2005). Several global surveys exist, such as the World Values Surveys, that utilise comparable criteria and ask a representative sample of people such questions as how satisfied they are with their lives.

Comparisons of subjective measures of life satisfaction with average income at the national level reveal two findings:

- Across countries, people living in countries with a higher GDP per capita tend to report being happier at a given point in time, but the size of the gain in subjective well-being tends to decline once GDP per capita exceeds USD 10 000 (Frey and Stutzer, 2002). This tapering-off is however less clear when referring only to OECD countries (Figure 2.8, left-hand panel), and varies with the measure of national income used (i.e. GDP or NNI per capita).
- Across time, the coexistence of a rapid rise in GDP per capita with stable levels of subjective well-being has been interpreted as evidence that greater material prosperity does not necessarily make people happier (see the right-hand panel of Figure 2.8 for an illustration based on data for selected OECD countries). The stability of the indicator for subjective well-being may however reflect to some extent that it is measured using a bounded variable (i.e. respondents are asked to rank their life satisfaction on a scale – e.g. by 1 to 10 – that is unchanged over time) whereas income is measured with an unbounded variable (GDP per capita).

While the conclusions concerning the link between income and subjective life satisfaction based on aggregate cross-country data remain controversial, there is firmer evidence about the determinants of happiness and life satisfaction at the level of individuals.

- First, while individual data do highlight a relation between income and well-being, they also show that the differences in reported well-being between individuals are not proportional to the differences in their income. Furthermore, changes in individual income do not bring comparable changes in subjective well-being, and depend strongly on the direction of changes in income – a loss has a much bigger effect than a comparable gain. This probably arises because individuals adapt to a certain level of income (“satisfaction treadmill”), and higher income levels lead to expectations that are more difficult to fulfil. Another factor at work here is the desire to “keep up with the Joneses”, although social comparison may sometimes work to increase subjective well-being too.

Figure 2.8. **Subjective well-being and GDP per capita across and within OECD countries**

1. Data on levels of life satisfaction are based on replies to the question: "All things considered, how satisfied are you with your life as a whole these days?" Average life satisfaction is measured as the weighted sum of ten satisfaction levels (from a level of zero, for persons reporting to be fully dissatisfied, to a level of ten, for those reporting to be fully satisfied) each weighted by the share of respondents indicating that level. GDP per capita is measured at USD at current PPP rates in 2000.
2. Data on trends in life satisfaction refer to survey answers to questions about satisfaction with life as a whole (assessed in terms of two categories of replies in the United States and of four categories for the other countries).

Source: Data in the left-hand panel are from the 1999–2001 World Values Surveys and the World Bank (2004), *World Development Indicators*; those in the right-hand panel are from the World Database of Happiness (www2.eur.nl/fsw/research/happiness/trendnat).

StatLink: <http://dx.doi.org/10.1787/108105853035>

- Second, differences in the personal income of individuals explain less of the difference in reported well-being than a range of other factors, such as employment, family relationships, health and education, and income inequality (Di Tella and MacCulloch, 2005). However, some of these factors are themselves correlated with differences in GDP per capita levels.

6. Conclusions

Overall, there is some consistency between the four approaches to measuring well-being (social indicators, money income, money income adjusted for different non-market factors and subjective measures) but also some important differences. While research based on social and subjective measures in particular is still in its infancy, the consideration of non-material factors strongly suggests that money income is not the only relevant factor. Furthermore, they also show that, as the English poet John Donne observed centuries ago, "no man is an island, entire of itself; every man is a piece of the continent": people's happiness depends to a large extent on the circumstances of the broader community they are part of and their relationship to it. Because of these reasons, the social indicators presented in this and subsequent editions of *Society at a Glance* may be expected to play an increasingly important role within any assessment of how individuals and society are faring.

Notes

1. This is, of course, only one of the goals of OECD social indicators. In addition to measuring the “social status” of OECD countries, the two other goals are describe the “social context” and “societal responses” to various problems (see Chapter 1).
2. This chapter draws on analysis provided in Boarini et al. (2006).
3. A full list of indicators published in all issues of *Society at a Glance* is provided in Table 1.1.
4. This conclusion is further reinforced when the analysis is limited to OECD countries with GDP per capita above a level of USD 25 000; in this case, none of the correlations between levels of social indicators and GDP per capita is statistically significant.
5. Practical guidance on the construction of composite indicators is provided by Hoffman et al. (2005).
6. The correlation coefficient between (normalised) GDP per capita and the median value of the composite index is 0.76.
7. The same adjustment for the services provided by governments and NPIs can also be applied to household disposable income.
8. A comprehensive approach to the construction of non-market accounts in the fields of home production, human capital, the environment, health and education, government and the non-profit sector is described in Abraham and Mackie (2005), which summarises the conclusions of a panel of the National Research Council for the United States.
9. Accounting for the leisure time of non-employed persons would have required controversial assumptions on whether unemployment is voluntary or involuntary, and to distinguish between the home production and the leisure time of housewives. An earlier assessment of the impact of leisure time (and income inequality) on well-being was provided by Beckerman (1978).
10. Practical steps to better integrate physical measures of environmental stress within national accounts are described in the 2003 *Handbook of Integrated Environmental and Economic Accounts* (a co-publication by United Nations, European Commission, IMF, OECD and the World Bank). However, such satellite accounts are not widely used in OECD countries.
11. Nordhaus and Tobin (1973) in their seminal contribution on measures of economic welfare adjust national accounts aggregates for leisure time, defence and other intermediate expenditures, household production and some of the dysfunctions arising from urbanisation. They conclude that their preferred measure of economic welfare per capita increased in the United States at an annual rate of 1% from 1929 to 1965, as compared with 1.7% in personal consumption per capita and 1.6% in net national product per capita.

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PART II

OECD Social Indicators



GENERAL CONTEXT INDICATORS

GE1. NATIONAL INCOME PER CAPITA

GE2. AGE-DEPENDENCY RATIOS

GE3. FERTILITY RATES

GE4. MIGRATION

GE5. MARRIAGE AND DIVORCE

Definition and measurement

Among the different measures available in the System of National Accounts (SNA), net national income (NNI) per capita is the best indicator for comparing economic well-being across countries. NNI is defined as gross domestic product (GDP) plus net receipts of wages, salaries and property income from abroad, minus the depreciation of fixed capital assets (dwellings, buildings, machinery, transport equipment and physical infrastructure) through wear and tear and obsolescence. Estimates of NNI per capita, however, are subject to greater uncertainties than those associated to GDP per capita, the most widely used indicator of national income (and the one included in previous editions of *Society at a Glance*), because of the practical difficulties in measuring international income flows and capital depreciation. Because of lack of data on capital depreciation, NNI estimates are not available for Hungary and Poland: based on values of their “gross” national income per capita (USD 14 000 and USD 11 000, respectively, in 2003), both countries would however appear to belong to the low half of the income range between USD 10 000 and 20 000 shown in Figure GE1.1.

To be compared across countries, measures of NNI in national currencies are converted into a common metric through the use of purchasing power parities (PPPs). These reflect the amount of a national currency that is required in each country to buy the same basket of goods and services as a US dollar does in the United States. These estimates of PPPs are computed (jointly by the OECD and Eurostat) by comparing the prices of about 2 500 items in different countries (Schreyer and Koechlin, 2002). NNI per capita is obtained by dividing NNI by the size of the resident population, which includes both people living in private households and those in institutions. Both NNI and PPPs estimates are affected by statistical errors: as a result, differences between countries of 5% or less are not significant.

On average, across the 28 OECD countries for which data are available, national income per capita reached a level of around USD 24 000 in 2004. In that year, three OECD countries had a per capita income in excess of USD 30 000 – Luxembourg, Norway and the United States – while six countries had a per capita income below USD 20 000 and two (Mexico and Turkey) below USD 10 000 (Figure GE1.1). On average, NNI per capita in OECD countries increased by around 15% since 2000, and by twice as much in Greece and the Slovak Republic. When assessed over a longer period, growth in NNI per capita in the OECD area has been accompanied by significant reductions in cross-country dispersion in the 1970s and 1980s, but this convergence stalled in the 1990s. Among major countries, France, Germany, Italy and Japan recorded a widening of their gap in NNI per capita relative to the United States since the early 1990s (to a range between 28% and 35%) while the United Kingdom recorded a significant narrowing (to less than 20%).

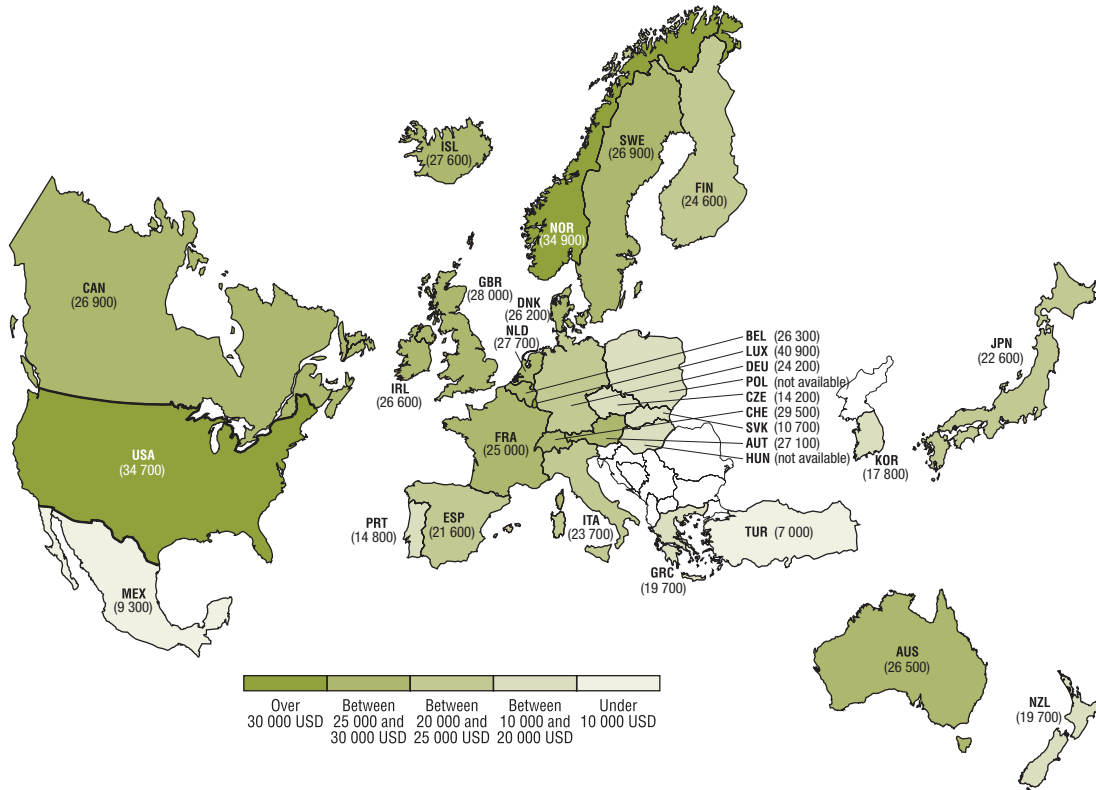
OECD countries with higher average income tend to spend more on social protection (public and private mandatory expenditure). This relation, which was documented in the 2005 issue of *Society at a Glance* with respect to GDP per capita, also holds for NNI per capita. The relation is very tight in the case

of health spending but also holds, to a lesser extent, for non-health expenditures. There are a number of explanations for this pattern. Much social expenditure is “income replacement” – benefit payments to those without work or who are elderly: as a country gets richer, so do benefit payments. Other social expenditures are, in effect, buying the services of others – medical or childcare, for example: as the earnings of such service providers increase alongside those of other workers, social expenditure rises (Arjona et al., 2001).

Because of these reasons, growth in national income does not reduce the demand for social expenditure. Indeed, as incomes go up, people may devote an increasing share of it to buy social services (i.e. the income-elasticity of social expenditures may be greater than one). Data for OECD countries confirm this pattern: the share of national income devoted to social expenditure rises as per capita income goes up, although with much variation across countries. This applies both to health care and to the non-health social spending (Figure GE1.2). Denmark and Sweden, spend significantly more on social expenditure than might be expected given their income per capita; conversely, Mexico, Korea and, to a lesser extent, the United States spend significantly less.

GE1.1. Net national income per capita of OECD countries varies between 7 000 and 40 000 USD

NNI in USD at current prices and current PPPs in 2004

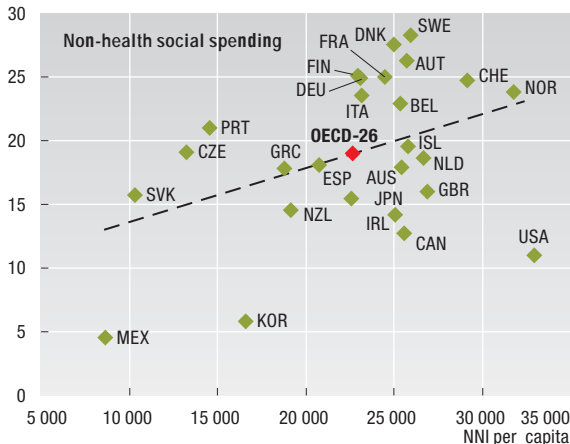


Source: OECD annual national accounts.

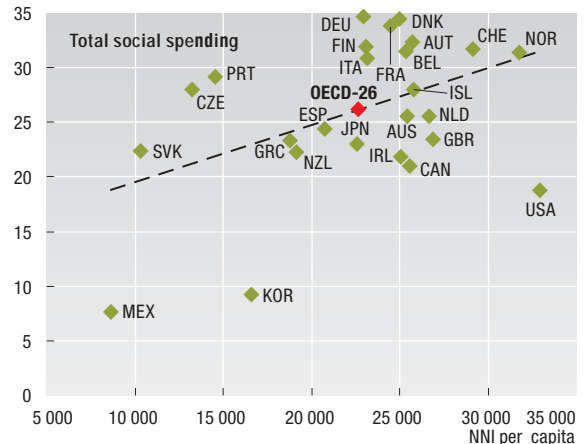
GE1.2. As income per capita rises, OECD countries spend more of their national income for social purposes

NNI per capita and shares of national income devoted to non-health and total social spending, 2003

Non-health social expenditures as a percentage of NNI



Total social expenditures as a percentage of NNI



Note: Total social expenditure includes public and mandatory private expenditure. Data are preliminary.

Source: OECD annual national accounts and Social Expenditure Database.

StatLink: <http://dx.doi.org/10.1787/785615632641>

Further reading ■ Arjona, R., M. Ladaique and M. Pearson (2001), "Growth, Inequality and Social Protection", OECD Labour Market and Social Policy Occasional Paper, No. 51, Paris. ■ OECD (2006), *National Accounts of OECD Countries: Main Aggregates, Volume I, 1993-2004* (2nd version), Paris. ■ Schreyer P. and F. Koechlin (2002), "Purchasing Power Parities – Measurement and Uses", OECD Statistics Brief, No. 3, March, Paris.

Definition and measurement

Age-dependency ratios are a measure of the age structure of the population. They relate the number of individuals that are likely to be “dependent” on the support of others for their daily living – youths and the elderly – to the number of those individuals who are capable of providing such support. The key indicator of age-dependency used below relates the number of individuals aged less than 20 and of those aged 65 and over to the population aged 20 to 64. Two other indicators are presented in this section: the youth-dependency ratio (for individuals aged less than 20) and the old-age-dependency ratio (for persons aged 65 and more), both calculated relative to the number of individuals aged 20 to 64. Taken together, these ratios provide information about the demographic shifts that have characterized OECD countries in the past and that are expected in the future.

The projections for age-dependency ratios used in this section are based on the most recent “medium variant” population projections established by each OECD country, as available in the OECD Demographic and Labour Force database. These estimates differ from those presented in previous issues of *Society at a Glance*, and which were based on UN population projections.

Age-dependency ratios affect the global environment where social policy operates and the types of needs that it will be called to meet. Their evolution is a function of mortality, fertility rates and of net migration. In all OECD countries, higher life expectancy and lower fertility rates have led to a rise in the old-age-dependency ratio and in a decline in the youth-dependency ratio over time, although to very different levels and with various degree of intensity in this decline.

The age-dependency ratio varied in 2005 between around 55% in Korea, the Czech and Slovak Republics and above 80% in Mexico and Turkey, with an average value across the OECD area of 65% (Figure GE2.1). The age-dependency ratio is projected to decline in Mexico and Turkey (to around 70%) and to rise sharply in all other OECD countries, with an increase of 23 points (around ¼) for the OECD as a whole. By 2050, this ratio is projected to exceed 100% (i.e. the number of “dependents” exceeding that of those capable to provide support to them) in Italy, Japan and Spain.

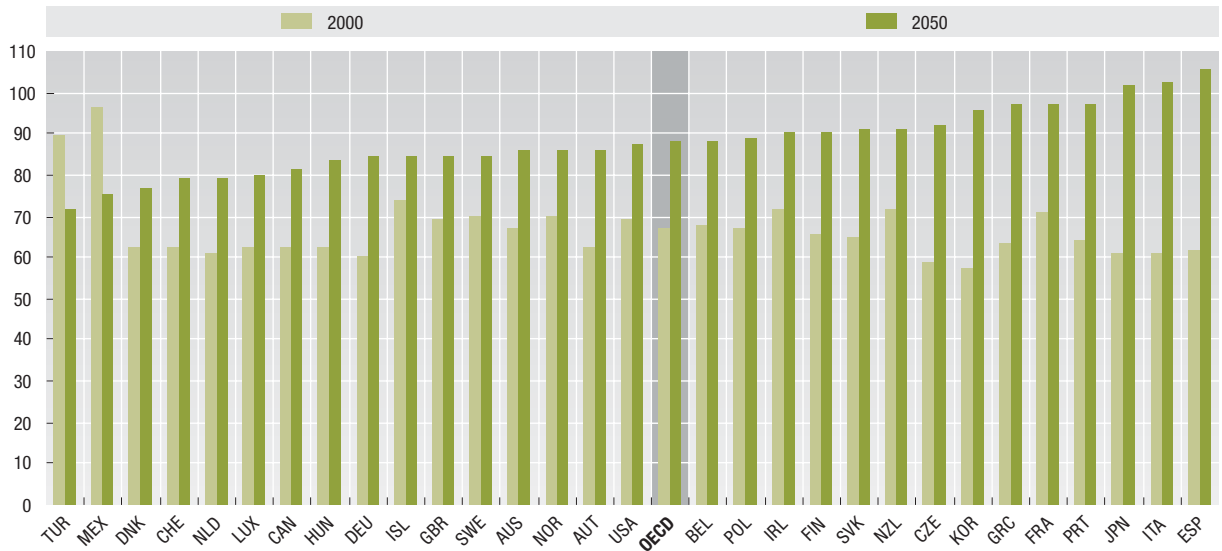
This change in the age-dependency ratio is the result of diverging trend at the two ends of the age distribution. With respect to the elderly, in 2005 there were, on average, 24 persons aged 65 and over for every 100 persons aged 20 to 64, a level around 1/5 higher than that recorded in 1980. Cross-country

differences are large (GE2.2, left-hand panel) – between 30 and 35% in Germany, Greece, Italy and Japan and only around 10% in Mexico and Turkey. By 2050, this ratio is projected to more than double in the OECD area (to 52%) and to triple in Mexico and the Slovak Republic. By 2050, the old-age-dependency ratio will exceed 70% in Italy, Spain and Japan, while remaining below 40% in Denmark, Iceland, Luxembourg, Mexico, Turkey and the United States. This OECD projects that this increase in old-age-dependency ratios is will contribute to higher public spending in health, long-term care and pensions; for health and long-term care alone, the increases may range between 3.5 and 6 percentage points of GDP, depending on the scenarios (OECD, 2006b).

Conversely, the youth-dependency ratio had reached a level of 41% across OECD countries in 2005 – with a decline of around 20 percentage points from its 1980 level – ranging between 31% in Italy and Japan, and 70% or more in Turkey and Mexico (GE2.2, right-hand panel). In most OECD countries, the youth-dependency ratio will decline further in the future (reaching a level of 37% in the OECD average by 2050) while stabilising in a large number of OECD countries. The small fall in the youth-dependency ratio may contribute to lower public expenditures in education, but these declines are not large enough to offset higher spending towards the elderly.

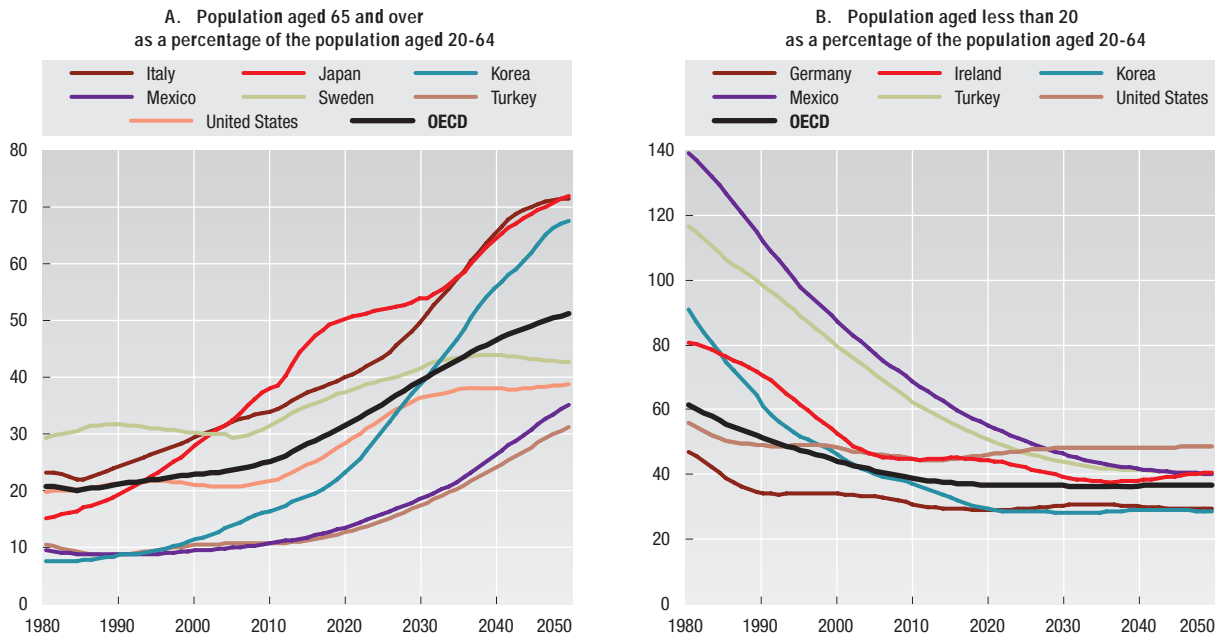
GE2.1. The age-dependency ratio will increase by around ¼ over the next 50 years

Share of population aged less than 20 and more than 64 as a percentage of the 20-64 population



GE2.2. Steep rise in the old-age-dependency ratio and stability for the youth-dependency ratio

Age-dependency ratios in selected OECD countries (projections from 2005)



Source: OECD Demographic and Labour Force Database.

StatLink: <http://dx.doi.org/10.1787/246286785342>

Further reading ■ OECD (2006a), *Live Longer, Work Longer*, Paris. ■ OECD (2006b), "Projecting OECD Health and Long-term Care Expenditures: What are the main drivers?", OECD Economics Department Working Paper, No. 477, 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 childbearing years and if the likelihood of her giving birth to children at each age was the currently prevailing age-specific fertility rates. It is generally computed by summing up the age-specific fertility rates defined over a five-year interval. A total fertility rate of 2.1 children per woman ensures broad stability of the population, on the assumptions of no migration flows and unchanged mortality rates.

The mean age of mothers at first childbirth reflects the age at which mothers have, on average, their first child and measures the postponement of motherhood. It is computed as the mean of the different ages, weighted by the fertility rate at that age. The share of births outside marriage, is the ratio of the number of living births, which occurred outside a registered marriage, in a year and the total number of living births in the same year.

The total fertility rate is below its replacement level in most OECD countries with the only exceptions of Mexico and Turkey (at 2.2) and Iceland and the United States (where it is around 2.1). In 2004, fertility rates averaged 1.6 across OECD countries, well below the level that ensures population replacement, but displayed a moderate recovery since 2002. This average value hides large cross-country differences, as well as differences in the timing and pace of fertility decline. Fertility rates fell sharply and continuously in Japan and Korea but rebounded in the United States and Denmark (since the mid-1980s in both cases) as well as in France (since the mid-1990s). Since the early 2000s, a mild recovery in fertility rates extended to Australia, Germany, Italy, Norway, Sweden and Spain (Figure GE3.1). The reasons for the rebound differ, and include specific policy measures introduced in several countries as well as the effect of higher births to immigrants.

The decline in fertility rates has a number of negative consequences for society. These include a loss of reproductive potential, measured in terms of women of childbearing age, a decline in the availability of family carers in old age, a growing burden on those of working age who have to finance pensions and health care, an older and less adaptable workforce and a smaller pool of domestic savings. Continuous low fertility rates may also lead to a “low fertility trap” where the fertility rate stabilises at levels of around 1.5 or less (Lutz et al., 2005).

Lower fertility rates reflect changes in both individuals’ life style preferences and in the constraints they face in everyday life, such as those related to labour market insecurity, difficulties in finding suitable housing and unaffordable childcare,

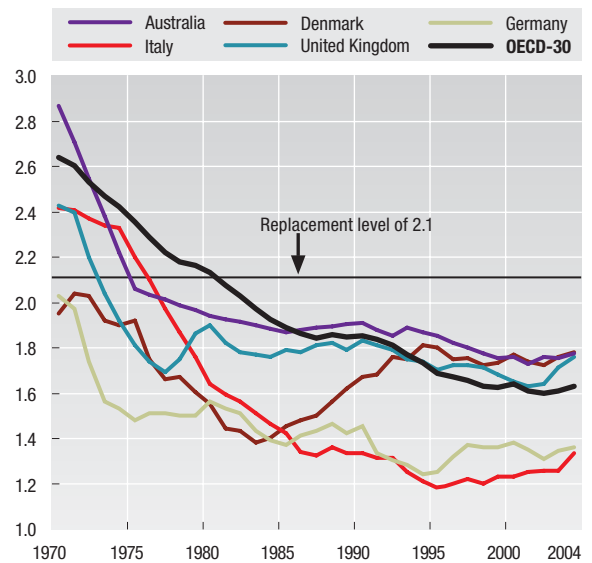
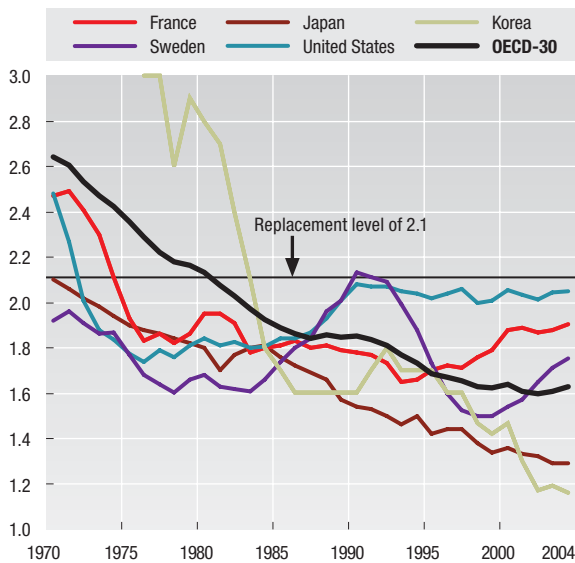
as well as a failure of policies to provide adequate support. The positive (and widening) gap between the number of children that women declare they want and the number they actually have suggests that these constraints go a long way in explaining the long-term decline in fertility rates that occurred in most OECD countries (D’Addio and Mira d’Ercole, 2005).

The trend towards lower fertility rates is accompanied by the postponement of childbirth at later ages. The mean age of mothers at first childbirth has increased on average by around one year per decade since 1970 (Table GE3.2). Besides contributing to fertility decline, postponement of childbearing has other lasting consequences: it increases the probability that women remain childless or have fewer children than desired as well as increasing morbidity risks for mothers and children. Around half of women (aged 35) with higher education is childless in Germany and around 40% in Switzerland (among women aged 40).

Fertility decline is partly related to changes in the marital status of women. The larger share of women that are unmarried may have depressed fertility rates in those countries where the link between nuptiality and maternity is strong (Japan, Korea and several southern European countries). However childbearing patterns of non-married women have also changed significantly. Because of this, and of a lower propensity to marry, more than half of all births occur today outside marriage in the Nordic countries as compared to 1 in 10 in 1960. In 2004, this share was close to 47% in France and to 37% in the United States. In general, OECD countries where the share of out-of-wedlock birth is higher also display higher fertility rates (Figure GE3.3).

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

Total fertility rates from 1970 to 2004



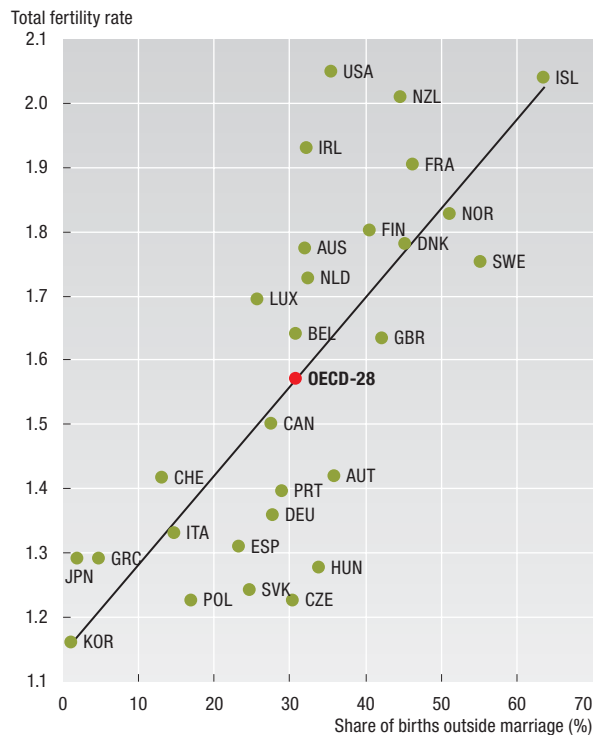
GE3.2. Mean age of mothers at first childbirth keeps growing

	Mean age of mothers at first childbirth			
	1970	1995	2000 ¹	2004 ²
Australia	23.2	26.8	..	..
Austria	..	25.6	26.4	27.0
Belgium	24.3	27.3	..	..
Czech Republic	22.5	23.3	25.0	26.3
Denmark	23.8	27.4	27.7	28.4
Finland	24.4	27.2	27.4	27.8
France	24.4	28.1	27.9	28.4
Germany	24.0	27.5	28.2	29.0
Greece	25.0	26.6	27.5	28.0
Hungary	22.8	23.8	25.1	26.3
Iceland	21.3	25.0	25.5	26.2
Ireland	..	27.3	27.6	28.5
Italy	25.0	28.0	..	..
Japan	25.6	27.5	28.0	28.9
Korean	..	..	..	28.9
Luxembourg	24.7	27.4	28.4	28.6
Netherlands	24.8	28.4	28.6	28.9
New Zealand	..	..	28.0	28.0
Norway	..	26.4	26.9	27.6
Poland	22.8	23.8	24.5	25.6
Portugal	..	25.8	26.5	27.1
Slovak Republic	22.6	23.0	24.2	25.3
Spain	..	28.4	29.1	29.2
Sweden	25.9	27.2	27.9	28.6
Switzerland	25.3	28.1	28.7	29.3
United Kingdom	..	28.3	29.1	29.5
United States	24.1	24.5	24.9	25.1
OECD-16	24.0	26.2	26.8	27.5

1. 2001 for New Zealand.
2. 2003 for Finland, Greece, Spain and the United Kingdom. 2002 for the United States.

GE3.3. Fertility rates are higher in countries where the share of births out of marriage is also higher

Share of births outside marriage and total fertility rate, 2004



Source: Council of Europe (2006), *Recent Demographic Development in Europe, 2004*; Eurostat and national statistical offices.

StatLink: <http://dx.doi.org/10.1787/114055050113>

Further reading ■ D'Addio, A.C and M. Mira d'Ercole (2005), "Trends and Determinants of Fertility Rates in OECD Countries: the Role of Policies", OECD Social, Employment and Migration Working Paper, No. 27, Paris. ■ Lutz, W, V. Skirbekk and M.R. Testa (2005), "The Low Fertility Trap Hypothesis", European Demographic Research Papers No. 01/06, Vienna Institute of Demography, Vienna.

Definition and measurement

Place of birth and nationality are the two criteria most commonly used by OECD countries to define their immigrant population. Based on the first criterion, migrants are persons residing in a country but born in another, i.e. first-generation migrants. According to the second criterion, migrants are residents who have the nationality of their home country, and may include persons born in the host country. Cross-country differences between the size of the foreign-born population and that of the foreign population depend on the rules governing the acquisition of citizenship in each country. In general, estimates of the foreign-born population are substantially higher than those based on nationality. While different national definitions have traditionally limited cross-country comparability of the stock of migrants in different OECD countries, this issue of *Society at a Glance* presents for the first time comparable data of the foreign-born population derived from population censuses (Dumont and Lemaitre, 2005).

Net migration is the number of arrivals of foreigners and returning nationals in a given year net of departures of foreigners and nationals in the same year. Although the inflow and outflow data are generally not comparable, the net migration statistics, which are calculated as the difference between inflows and outflows, tend to “net out” the main source of non-comparability in the flow data, namely short-term movements. The OECD annual report *International Migration Outlook* provides a consolidated analysis of recent trends and migration policies in OECD countries.

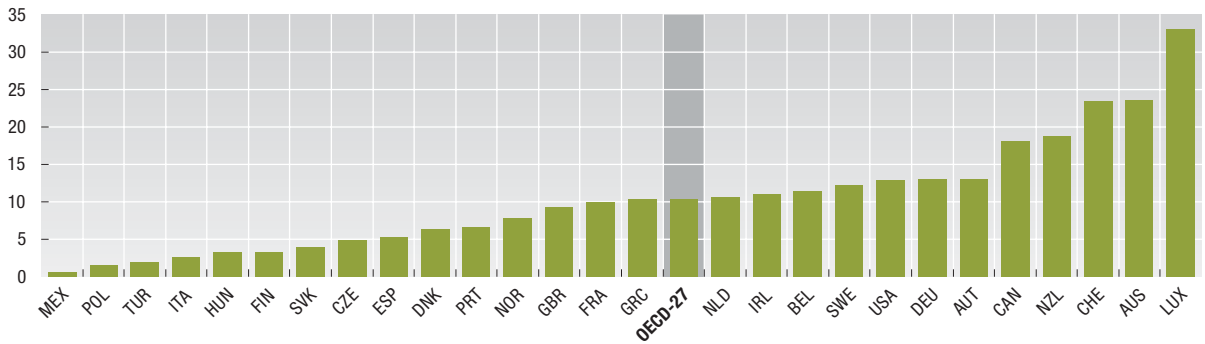
OECD countries differ sharply in the size of their migrant population. Overall, around 10% of the OECD population was foreign-born in 2004. This share was highest in Luxembourg, Switzerland and Australia, where it exceeded 20%, followed by New Zealand and Canada, where it was close to 18 %, and the United States, Austria and Germany, where it was around 13% (Figure GE4.1). Conversely, it was negligible in Mexico and Poland and below 2% in Turkey and Italy.

Data on the foreign-born population provide a comparable snapshot in a point in time, but do not allow trends over time to be assessed. For this, we need data on inflows and outflows over a given period, i.e. net migration rates. The net migration rate – for the 28 OECD countries shown in Figure GE4.2 – increased by around 1/3 in the early 2000s from the levels in the 1990s. This increase was however limited to some countries. Ireland, which has traditionally recorded net outflows towards the United Kingdom and other settlement countries, recorded highly positive net migration since 1996 as high economic growth encouraged the return of former emigrants. Southern European countries like Italy, Portugal and Spain have also become new immigration countries in the early 2000s, while higher net migration rates were also recorded in Australia, Canada and New Zealand. Net migration has remained low in the Czech Republic, Hungary and the Slovak Republic and negative in Poland (although negative flows were also recorded for several years in Iceland and Japan and, more recently, in the Netherlands), while it was stable or declined in several European countries (Denmark, the Netherlands, Finland, Greece, Germany and Switzerland).

Rising inflows of migrants confront OECD countries with the challenge of securing their economic and social integration. The success of integration is affected by the characteristics of migrants. Harmonised data on residence permits allow comparisons of the distribution of long-term inflows of migrants by category of entry. The data in Figure GE4.3 refer to long-term migrants, i.e. persons who have been granted permanent residence, as well as those with the right of free movement (such as citizens from other EU countries) and those admitted with a permit of limited duration that is more or less indefinitely renewable. The composition of these long-term inflows varies significantly among countries. Family members (which include both family reunification and accompanying family of workers) represented the main share of permanent inflows of immigrants in 2004 (around 60% on average), particularly in the United States and Sweden (OECD, 2006). Conversely, both admissions for humanitarian reasons (including accompanying family) and those granted for other reasons (e.g. ancestry) each accounted for 10% of these inflows. Workers account for around 20% of all long-term inflows on average and close to 50% in Portugal and Denmark. Their share has increased significantly since the end of the 1990s following the adoption, in several OECD countries, of measure to restrict other inflows and (often) to encourage those of skilled workers. The share of workers in these long-term inflows increased from 10% in 1995 to 35% in 2004 in the United Kingdom; and from 20% in 1995 to 32% in 2004 in Australia.

GE4.1. More than one in five people are born abroad in Australia, Luxembourg and Switzerland

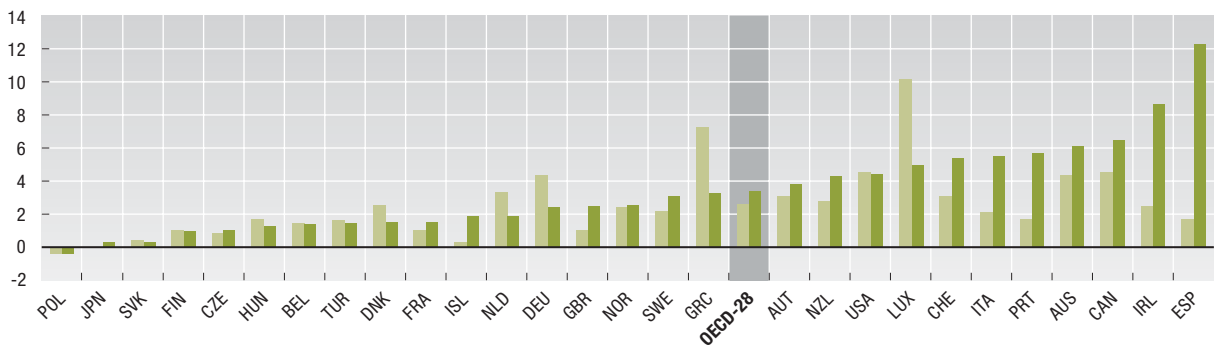
Foreign-born population, as a percentage of the total population, in 2004¹



1. Data refer to 2004 with the exception of France (1999), Mexico and Turkey (2000), Greece, Italy and Spain (2001) and Poland (2002). OECD estimates for Canada, the Czech Republic, Germany, Ireland, Luxembourg, New Zealand, Portugal, and Switzerland.

GE4.2. Net migration rates are increasing in most countries

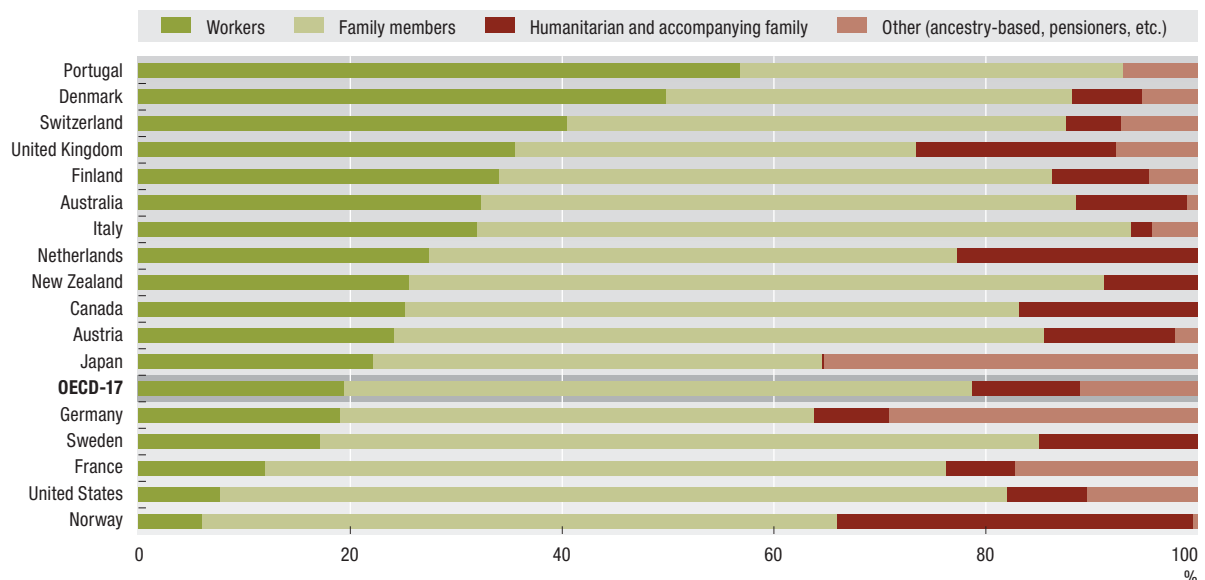
Yearly average net migration rates, per 1 000 population, average 1991-1999 (light) and 2000-2004 or latest period (dark)



Note: Countries are ranked by increasing order of net migration rates for the average 2000-2004.

GE4.3. Significant variation in composition of long-term inflows of migrants

Share of long-term inflows of migrants by category of entry, in 2004, percentages adding to 100%



Note: Countries are ranked by decreasing share of workers in total inflows in 2004. Data refer to harmonised figures mostly based on residence permits statistics. Family members include both family reunifications and accompanying family of workers.

Source: OECD (2006), *International Migration Outlook*, Paris (www.oecd.org/els/migration/imo2006).

StatLink: <http://dx.doi.org/10.1787/871482340543>

Further reading ■ Dumont, J.-C. and G. Lemaître (2005), "Counting Immigrants and Expatriates in Countries: A New Perspective", OECD Social, Employment and Migration Working Paper, No. 25, Paris.

Definition and measurement

The crude marriage rate expresses the number of marriages formed each year as a ratio to the total population; similarly, the crude divorce rate is the number of these marriages that is dissolved in a given year, also expressed with respect to population size. Both measures disregard families based on informal partnerships and other types of legal unions (as introduced recently in some OECD countries) as well as married but separated spouses. All of these statistics – which are derived from Council of Europe, Eurostat and other national sources – are based on administrative registers.

The indicator for cohabitation rates reported below measure the prevalence of this form of partnership relative to married and single people. Data on consensual unions are sparser and less comparable across OECD countries, partly reflecting the great diversity of these arrangements and differences in the extent to which these are formally recognised by the legal system of different countries. The data on cohabitations shown below are only available on a comparative basis for European countries; they are drawn from the European Social Survey of 2002 and are based on the self-assessment of respondents.

With a few exceptions, marriage rates have fallen in all OECD countries over the period 1970-2004. In 2004, the crude marriage rate – averaged across 26 OECD countries – was 5.1 per 1 000 people, more than 1/3 less than the level recorded in 1970. The pace of the decline in marriage rates differs across OECD countries. The decline was very sharp in Japan and Korea, while Spain, Denmark, Sweden show stable or even rising rates since the late 1990s (Figure GE5.1). Alongside declining crude marriage rates, most OECD countries recorded higher divorce rates. In 2004, the crude divorce rate was – on average – 2.3 per 1 000 people, twice the level recorded in 1970 and 0.2 points higher than in 2000. Over the period 1999-2003, divorce rates were stable or falling in Canada, the United States, Finland, Sweden, Switzerland and the Netherlands, while they continued to increase in Spain and Korea (Figure GE5.2). The decline in the marriage rate has been accompanied by a tendency to defer the age at which it occurs. On average, the average age of women at first marriage has increased from 24.8 years in 1990 to 27.7 in 2002/2003, with larger rises in Hungary, the Czech Republic and Iceland (Figure GE5.3).

The decisions to marry and to divorce depend on both the characteristics of individuals and those of society. Those that are economically well-off are more likely to marry and to stay married (Smock, 2004). But the decision to marry also reflects the individual's beliefs that economic conditions would lead to a lasting marriage. Marriage is thus frequently seen as a stage to enter only when economic security has been achieved (e.g. home ownership, financial

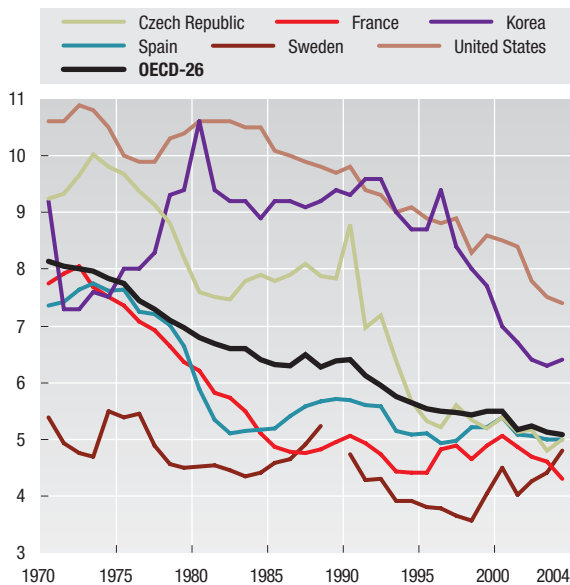
stability, etc.). The social context also matters for decisions to divorce. Some of the factors involved include the improved financial position of working women, higher awareness of the conflict between women's roles in the family and the workplace, and lower stigma attached to divorce. Cross-country differences in divorce rates may also reflect different legal rules concerning the time required to obtain divorce (which vary from zero in the Netherlands and several eastern European countries, to four years in Ireland and Greece), special norms applying to cases where the divorce is asked by mutual consent, and provisions regarding reconciliation counselling. In some countries (e.g. Poland) divorce is allowed only when there is fault by one spouse.

Family breakdowns can affect children, especially younger ones. The consequences include higher risks of financial poverty, lower school results and a higher probability of experiencing divorce in adult age (Diekmann and Schmidheiny, 2006). Causality is however difficult to establish, as the poor developmental outcomes of children from divorced families may reflect unobserved characteristics; indeed, some research suggests that children are better off if parents split rather than being exposed to parental conflict (Morrison and Coiro, 1999).

Parallel to the decline in marriage rates has been the increased frequency of other types of unions. On average, across European countries, around 8% of respondents declared that they cohabit with a partner, with much higher shares in Nordic countries and among people aged 20 to 40 (Table GE5.4).

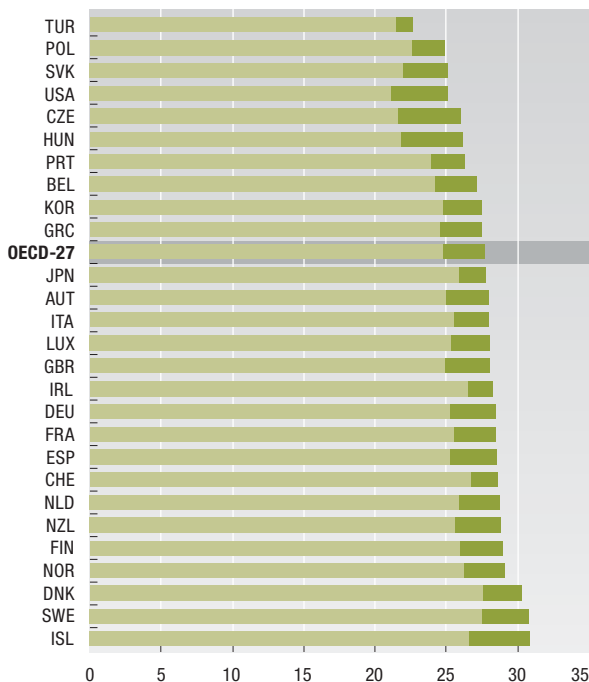
GE5.1. Strong decline in the crude marriage rate in many OECD countries

Marriages per 1 000 population, 1970 to 2004



GE5.3. Age at marriage has been deferred

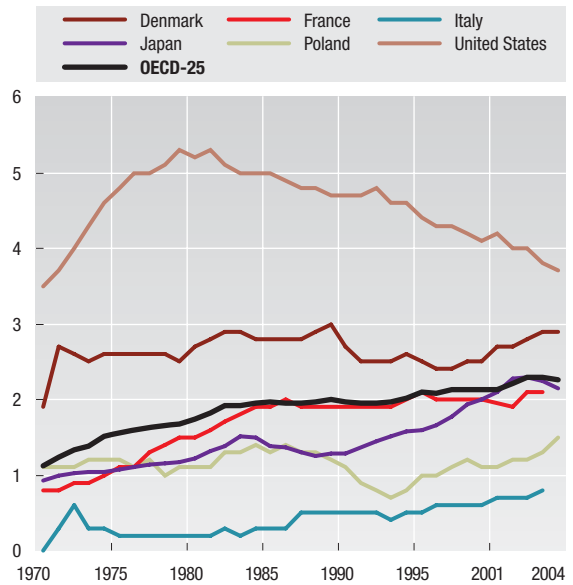
Mean age of women at first marriage, 1990 (light colour) and 2004 (darker colour)



Source: Eurostat NewCronos; Council of Europe: Recent Demographic Development in Europe; national statistical institutes.

GE5.2. Gradual increase in the crude divorce rate

Divorces per 1 000 population, 1970 to 2004



GE5.4. Large prevalence of cohabitations and other forms of partnership

Share of adults that are married, cohabiting or single, in 2002

	All ages			Ages 20-40		
	Married	Cohabiting	Single	Married	Cohabiting	Single
Austria	50.7	9.4	40.0	44.0	15.3	40.8
Belgium	52.4	7.4	40.2	42.1	13.6	44.4
Czech Rep.	53.9	4.1	42.0	53.6	6.1	40.3
Denmark	54.1	15.8	30.1	36.7	30.6	32.7
Finland	49.4	12.1	38.5	36.5	26.8	36.7
France	50.7	10.7	38.6	43.2	20.9	35.9
Germany	54.8	9.6	35.6	44.6	18.7	36.7
Greece	61.2	1.2	37.7	54.9	2.6	42.5
Hungary	54.8	6.7	38.5	49.6	10.8	39.6
Ireland	55.1	3.7	41.3	41.7	7.7	50.6
Italy	59.0	2.8	38.2	43.7	3.6	52.7
Luxembourg	52.7	6.1	41.2	48.2	12.0	39.8
Netherlands	56.4	9.2	34.3	53.7	19.5	26.8
Norway	50.9	18.1	31.1	32.1	34.8	33.2
Poland	56.6	1.7	41.8	57.7	2.9	39.4
Portugal	59.1	2.1	38.8	57.6	3.6	38.8
Spain	56.0	2.1	41.9	51.3	3.2	45.5
Sweden	45.5	19.8	34.7	28.0	35.4	36.6
Switzerland	51.7	9.9	38.5	48.9	14.7	36.4
United Kingdom	47.7	8.6	43.7	38.8	17.6	43.5
OECD-20	53.6	8.1	38.3	45.3	15.0	39.6

Source: Hamplová, D. (2005), "Educational Homogeneity in Marriage and Cohabitation in Selected European Countries", August 18-21 meeting on "Inequality and Mobility in Family, School, and Work" of the International Sociological Association Research Committee 28 on Social Stratification and Mobility, Los Angeles.

StatLink: <http://dx.doi.org/10.1787/436105386284>

Further reading ■ Diekmann, A. and K., Schmidheiny (2006), "The Intergenerational Transmission of Divorce - A Fifteen-Country Study with the Fertility and Family Survey", paper presented at the 2004 Annual Meeting of the Population Association of America. ■ Morrison, D. and M. Coiro (1999), "Parental Conflict and Marital Disruption: Do Children Benefit When High-Conflict Marriages are Dissolved?", *Journal of Marriage and the Family*, Vol. 61. ■ Smock, P. (2004), "The Wax and Wane of Marriage: Prospects for Marriage in the 21st Century", *Journal of Marriage and the Family*, Vol. 66.



SELF-SUFFICIENCY INDICATORS

SS1. EMPLOYMENT

SS2. UNEMPLOYMENT

SS3. MOTHERS IN PAID EMPLOYMENT

SS4. CHILDCARE COSTS

SS5. TAX WEDGE ON LABOUR

SS6. OUT-OF-WORK BENEFITS

SS7. STUDENTS' PERFORMANCE

Definition and measurement

In the definition of the International Labour Organisation, a person is considered as “employed” if he or 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 data from labour force surveys of OECD countries used in this section rely on this definition. The basic indicator for employment used here is the employment-to-population ratio (also called employment rate), which is measured as the proportion of the population of working age (persons aged between 15 and 64) who are employed, either as a self-employed or as an employee. Employment rates are presented for individuals grouped by age, gender and educational attainment.

This section also presents data on the incidence of part-time, as a percentage of total employment. Part-time employment refers to persons who usually work less than 30 hours per week in their main job, and the data include only persons answering questions about their usual hours of work. The OECD data on employment are gathered through national labour force surveys.

Employment rates among the population of working age have increased in most OECD countries since the mid-1990s. In many OECD countries, employment-to-population ratios in 2005 were at their highest level since 1980s (Figure SS1.1). The increase in employment rates since 1995 has exceeded 5 points in Canada, Finland, Greece, Italy and the Netherlands, and 10 points in Ireland and Spain. Conversely, employment rates are around 5 points lower than in the mid-1990s in several central and eastern European countries as well as in Turkey. Cross-country differences in employment rates remain substantial, ranging between 70% or more in the United States, Australia, Netherlands, Canada, the United Kingdom and Sweden and 60% or less in Turkey, Poland, Hungary, Italy, the Slovak Republic and Mexico (Table SS1.3).

The general increase in employment rates has not benefited all groups equally. Youths, women, older and less skilled workers continue to face more difficulties in finding a job than prime-age men. Employment rates of foreign-born people, especially among women, are also much lower than those of natives (OECD, 2006). The share of young people (those aged 15-24) in paid jobs has steadily declined over time, mainly due to longer periods spent in education. On average, the employment rate of young people is 1/3 lower than that of prime-age people, and the difference exceeds 1/2 in Luxembourg, the Czech Republic, France, Hungary and Belgium. The employment rates of older people (those aged 55-64) are also on average 25 percentage points lower than for prime-age people. Mobilising the potential labour supply of older people more effectively will play a key role in coping with population ageing in the future.

Employment rates for women are 16 percentage points lower than those of men in 2005. In Turkey,

Mexico, Italy, Greece and Poland, female employment rates are less than 50%, while they exceed 70% in Switzerland, Denmark, Sweden, Norway and Iceland. In many of these same countries (Denmark, Canada, Norway, Iceland, Sweden and Finland) the differences in employment rates among prime-aged men and women are less than 10 points. On average, employment rates of people with less than upper secondary education are 17 points lower than for those with upper secondary education, and 27 points less than among those with university and other tertiary degrees.

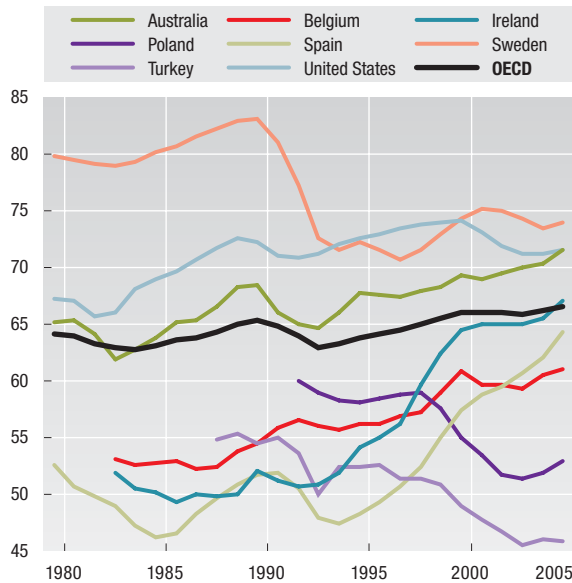
Higher employment rates have been accompanied by a greater incidence of part-time jobs in several OECD countries, particularly in Belgium, Germany, Ireland, Italy, Japan and the Netherlands (OECD, 2006). The importance of part-time work varies considerably across OECD countries (Figure SS1.2). In general, it is higher for older and younger people, as well as among women. The incidence of part-time employment among the working-age population exceeds 30% in eleven OECD countries, including Australia, Canada, Denmark, Japan, the Netherlands and the United States; among older people, it is close to this level in Japan, the Netherlands and the United Kingdom. For young people, part-time jobs make work and education more compatible. Similarly, for women, part-time jobs may help to better reconcile work and family tasks.

Status indicators: Unemployment (SS2), Mothers in paid employment (SS3), Gender wage gaps (EQ3).

Response indicators: Tax wedge on labour (SS3), Out-of-work benefits (SS6).

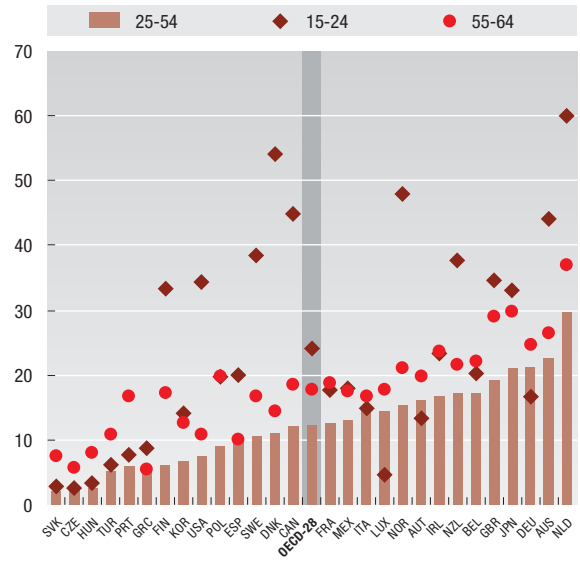
SS1.1. On average, more people are in work

Employment-to-population ratio, persons aged 15 to 64



SS1.2. Higher incidence of part-time jobs among seniors and youths

Incidence of part-time employment, by age group, 2005¹



1. 2004 in Mexico and Sweden.

SS1.3. Employment indicators, 2005¹

	Employment to population ratio for population aged 15-64	Employment to population ratio by:							Incidence of part-time employment in percentage of employment			
		Age			Gender		Educational level			Total	Men	Women
		15-24	25-54	55-64	Men	Women	Less than upper secondary education	Upper secondary education	Tertiary education			
Australia	71.6	63.6	78.8	53.7	78.5	64.7	60.6	78.8	83.3	27.3	15.7	41.7
Austria	68.6	53.1	82.6	31.8	75.4	62.0	52.2	73.9	82.5	16.2	4.8	29.6
Belgium	61.0	26.6	78.3	32.1	67.7	54.1	49.4	73.1	84.1	18.1	6.2	33.1
Canada	72.5	57.8	81.3	54.8	76.7	68.3	57.1	76.7	82.2	18.3	10.8	26.9
Czech Republic	64.8	27.3	82.0	44.6	73.3	56.3	42.3	74.8	86.4	3.3	1.6	5.5
Denmark	75.5	62.0	83.9	59.8	80.1	70.8	62.0	79.7	86.5	18.0	12.0	24.9
Finland	68.0	39.2	81.7	52.6	69.4	66.5	57.0	74.2	84.5	11.2	7.9	14.8
France	62.3	26.0	79.6	40.7	67.8	56.9	59.6	75.4	81.7	13.6	5.3	23.3
Germany	65.5	42.6	77.4	45.5	71.4	59.6	48.6	69.5	82.7	21.8	7.4	39.4
Greece	60.3	25.3	74.3	41.6	74.5	46.2	56.8	69.0	82.4	6.1	3.0	11.1
Hungary	56.9	21.8	73.7	33.0	63.1	51.0	36.9	70.9	82.7	3.2	1.8	5.0
Iceland	84.4	71.6	88.2	84.8	87.4	81.2	80.5	87.7	93.3	20.1	10.2	31.2
Ireland	67.1	46.3	78.0	51.7	76.2	58.0	57.2	75.7	86.1	18.6	6.8	34.8
Italy	57.5	25.5	72.2	31.4	69.7	45.3	51.6	73.5	82.3	14.7	5.3	29.2
Japan	69.3	40.9	79.0	63.9	80.4	58.1	66.7	73.6	79.2	25.8	14.2	42.3
Korea	63.7	29.9	73.4	58.7	75.0	52.5	66.4	70.1	76.7	9.0	6.5	12.5
Luxembourg	63.6	25.0	80.6	31.7	73.4	53.7	59.3	68.5	83.2	14.0	1.7	31.1
Mexico	59.6	43.7	68.7	52.5	80.2	41.5	64.8	63.8	82.2	15.1	8.1	27.6
Netherlands	71.1	61.9	80.9	44.9	77.4	64.8	59.0	77.7	85.6	35.7	15.3	60.9
New Zealand	74.6	56.9	82.0	69.7	81.5	68.0	65.1	82.0	83.9	21.7	10.2	35.3
Norway	75.2	52.9	83.2	67.6	78.3	72.0	62.1	78.9	89.3	20.8	10.0	32.9
Poland	53.0	20.9	69.5	29.1	59.0	47.0	37.5	61.3	82.3	11.7	7.1	17.4
Portugal	67.5	36.1	80.8	50.5	73.4	61.7	71.9	80.3	88.0	9.8	5.9	14.4
Slovak Republic	57.7	25.6	75.3	30.4	64.6	50.9	22.0	70.3	83.6	2.6	1.4	4.1
Spain	64.3	41.9	74.4	43.1	76.4	51.9	57.5	73.0	81.9	11.4	4.2	22.2
Sweden	73.9	42.5	83.9	69.6	75.9	71.8	67.0	80.7	85.4	..	..	..
Switzerland	77.2	59.9	85.1	65.0	83.9	70.4	66.1	79.8	89.7	25.1	8.0	45.8
Turkey	45.9	31.2	54.1	30.8	68.2	23.7	50.1	61.5	75.2	5.8	3.2	13.4
United Kingdom	72.6	58.1	81.1	56.8	78.6	66.8	53.0	79.4	88.8	23.6	10.0	39.3
United States	71.5	53.9	79.3	60.8	77.6	65.6	56.5	72.8	82.0	12.8	7.8	18.3
OECD	66.6	42.3	78.1	49.4	74.5	58.7	56.6	74.2	83.9	15.7	7.3	26.5

1. 2004 for Germany, Netherlands, and Sweden; 2004 by educational attainment; part-time: 2004 for Mexico and 2002 for Iceland.

Source: OECD (2006), OECD Employment Outlook, Paris (www.oecd.org/els/employmentoutlook/EmO2006).

StatLink: <http://dx.doi.org/10.1787/623335867553>

Further reading ■ OECD (2005), *Live Longer, Work Longer*, Paris.

Definition and measurement

The basic indicator of unemployment used here is the unemployment rate – the proportion of people out of work among the active population of working age (15 to 64). The data presented in this section are gathered through labour force surveys of member countries. According to the standardised ILO definition that is used in these surveys, unemployed individuals are 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 impairment, who are not actively seeking a job because they have little hope to find one, or are in full-time education, are not considered as unemployed. Various breakdowns are presented below: by age (15-24, 25-54 and 55-64), gender and educational attainment of the individual, and by duration of the unemployment spell.

This section also presents data on the incidence of long-term unemployment among all unemployed persons. The long-term unemployed are defined in two alternative ways: those who have been unemployed for 6 months and over and those whose unemployment spell has lasted 12 months and over.

After having increased for four consecutive years since 2001, the unemployment rate in the OECD area fell from 7.3 to 7% between 2004 and 2005 (Figure SS2.1). Recent developments have been quite diverse across countries, with declines in 19 countries – including Australia, Canada, Denmark, Finland, Greece, Iceland, Japan, Luxembourg, Spain, the Slovak Republic, Poland and the United States – and further increases in ten countries – including Germany, Korea, Norway, Mexico and Switzerland.

In 2005, unemployment rates were lower than 5% in eleven countries – including Denmark, Iceland, Japan, Korea, Mexico and New Zealand – and above 10% in Turkey, Poland and the Slovak Republic (Table SS2.3). On average, young people, women, low-skilled workers are more vulnerable to the risk of unemployment than others. Foreign-born people also face higher risks of unemployment than the native-born population, though with large cross-country differences. The unemployment rate of women is only slightly higher than that of men (1.1 points, on average) but with much larger differences (close to 4 points or more) in Italy, Spain and Greece. The unemployment rate of young people is much higher than that of both prime-age persons (9.3 points, on average) and older people (close to 11 points), while the unemployment rate of older workers is generally lower than that of prime-age people, with the notable exception of Germany. In all OECD countries, less-educated individuals face a higher probability of unemployment. On average, across OECD countries, individuals with less than upper secondary education have an unemployment rate that is 6 points higher than that of individuals with tertiary education. Unemployment rates for less educated individuals are especially high in the

Czech Republic, Germany, the Slovak Republic and Poland.

On average, close to 1/2 of all the unemployed have been so for at least 6 months, and close to 1/3 for more than one year, with a much higher incidence (at 50% or more) in the Slovak and Czech Republics, Belgium, Germany, Italy and Poland. Older people have a higher probability of experiencing long-term unemployment than persons of other ages (Figure SS2.2) because of greater difficulties in participating in training or re-training courses and age discrimination, among other reasons. While the unemployment spells of youths are often of short duration, frequent shifts between unemployment and very short-term jobs may lead to a deterioration of their skills, abilities and motivation.

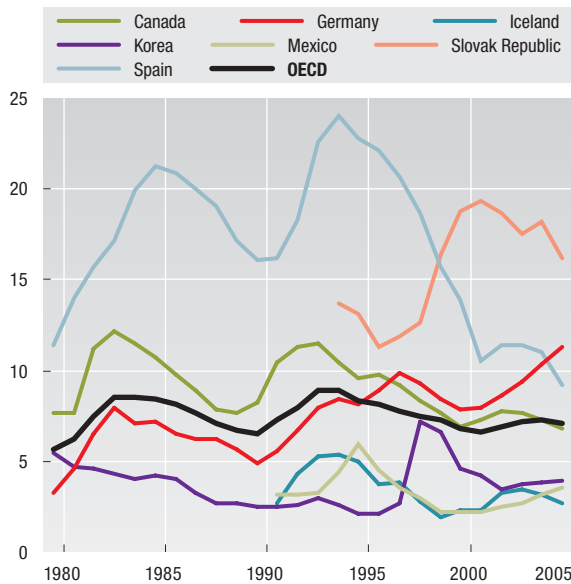
The causes of unemployment are complex and manifold. In particular, policies and institutions may mitigate the unemployment consequences of both demand and supply shocks but also amplify them (OECD, 2006). Unemployment is not just an individual tragedy, it also affects society as a whole, as work provides not only income and financial security but also social integration. The likelihood of unemployment leading to social exclusion become greater as the unemployment spell lengthens, as this may lead to lower skills, poor health conditions, lower self-esteem and social isolation.

Status indicators: Employment (SS1), Poverty persistence (EQ7).

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

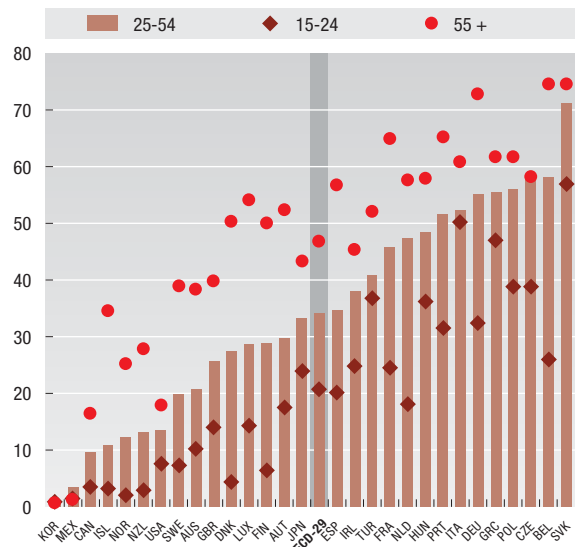
SS2.1. The OECD unemployment rate is stuck at around 7%

Unemployment rate, age 15-64, percentage of the labour force, 1980-2005



SS2.2. Elderly people remain unemployed longer

Persons unemployed for 12 months or longer as a percentage of all unemployed, by age group, 2005¹



1. 2004 in Austria, Iceland and Sweden.

SS2.3. Unemployment indicators, 2005¹

Unemployment rate for the population aged 15-64	Unemployment rate by:									Incidence of long-term unemployment in percentage of unemployment	
	Age			Gender		Educational level			6 months and over	12 months and over	
	15-24	25-54	55-64	Men	Women	Less than upper secondary education	Upper secondary education	Tertiary education			
Australia	5.2	10.8	3.9	3.2	5.0	5.3	6.2	3.9	2.8	30.2	17.7
Austria	5.2	10.3	4.4	3.6	4.9	5.5	7.8	3.8	2.9	43.2	25.3
Belgium	8.1	19.9	7.2	4.4	7.4	9.0	11.7	6.9	3.9	68.3	51.6
Canada	6.8	12.4	5.8	5.4	7.1	6.5	9.9	6.1	4.7	17.2	9.6
Czech Republic	8.0	19.3	7.1	5.2	6.5	9.8	23.0	6.4	2.0	72.7	53.6
Denmark	4.9	7.9	4.2	4.9	4.2	5.6	7.8	4.8	3.9	43.8	25.9
Finland	8.5	19.9	6.9	6.8	8.3	8.7	12.0	8.2	4.7	41.8	24.9
France	9.9	22.8	8.7	6.8	9.0	10.9	12.1	7.6	6.2	61.2	42.5
Germany	11.3	15.2	10.4	12.7	11.5	11.0	20.5	11.2	5.5	71.0	54.0
Greece	9.8	25.3	8.9	3.4	5.9	15.3	8.4	9.7	6.9	72.6	53.7
Hungary	7.3	19.4	6.4	3.9	7.0	7.5	10.8	5.0	1.9	63.4	46.1
Iceland	2.7	7.2	1.7	1.5	2.7	2.7	3.1	2.8	1.0	21.3	11.2
Ireland	4.3	8.3	3.7	2.9	4.7	3.8	6.4	3.2	2.1	52.6	34.3
Italy	7.8	24.0	6.7	3.5	6.3	10.1	7.8	5.3	4.8	67.7	52.2
Japan	4.6	8.7	4.2	4.1	4.7	4.4	6.7	5.4	3.7	49.1	33.3
Korea	3.9	10.2	3.4	2.5	4.1	3.6	2.6	3.5	2.9	11.6	0.8
Luxembourg	4.5	13.7	3.9	2.1	3.5	5.9	5.0	3.8	3.0	(51.0)	(26.3)
Mexico	3.6	6.6	2.8	2.0	3.5	3.7	1.9	2.8	3.0	6.8	2.4
Netherlands	5.2	9.6	4.4	4.5	4.9	5.6	5.7	3.9	2.8	59.9	40.1
New Zealand	3.8	9.4	2.7	1.9	3.5	4.1	4.2	2.4	2.4	21.5	9.4
Norway	4.7	12.0	4.0	1.7	4.9	4.4	3.6	3.8	2.4	25.3	9.5
Poland	18.0	37.8	16.0	11.2	16.9	19.4	27.8	17.4	6.2	71.6	52.2
Portugal	8.1	16.1	7.3	6.2	7.1	9.2	6.4	5.6	4.4	69.3	48.6
Slovak Republic	16.2	29.9	14.4	13.2	15.4	17.2	47.7	14.6	4.8	81.4	68.1
Spain	9.2	19.7	8.0	6.1	7.1	12.2	11.0	9.5	7.3	47.7	32.6
Sweden	7.8	22.3	6.2	4.5	7.9	7.6	6.5	5.8	4.3	37.3	18.9
Switzerland	4.5	8.8	3.8	3.8	4.0	5.2	7.2	3.7	2.8	59.2	38.8
Turkey	10.5	19.3	8.7	3.4	10.5	10.6	8.1	10.1	8.2	55.6	39.6
United Kingdom	4.6	11.8	3.5	2.7	5.1	4.1	6.6	3.7	2.2	38.2	22.4
United States	5.1	11.3	4.1	3.3	5.1	5.2	10.5	5.6	3.3	19.6	11.8
OECD	7.1	15.7	6.1	4.7	6.6	7.8	10.3	6.2	3.9	47.6	32.1

1. 2004 for Germany, Netherlands, and Sweden; 2004 by educational level; data in brackets for Luxembourg are based on small sample sizes and, therefore, must be treated with care.

Source: OECD (2006), *OECD Employment Outlook*, Paris (www.oecd.org/els/employmentoutlook/Em02006).

StatLink: <http://dx.doi.org/10.1787/043252338503>

Further reading ■ Bassanini A. and R. Duval (2006), "Employment Patterns in OECD Countries: Reassessing the Role of Policies and Institutions", *OECD Social, Employment and Migration Working Paper*, No. 35, Paris. ■ OECD (2005), *Live Longer, Work Longer*, Paris.

Definition and measurement

In all OECD countries, mothers confront obstacles when they try to reconcile their family responsibility and a paid job. To illustrate the extent of these obstacles, this section presents measures of the employment rates of mothers according to the number of children that they have (one child and two or more children) and the age of their children (less than 3, from 3 to 6, and 6 to 14) relative to those of childless women. Women employed include those working part-time, and the data are not expressed on a “full-time equivalent” basis.

Data on employment rates are taken from national labour force surveys and generally refer to the year 2003. The data presented in this section refer to women who are classified as “employed” (which includes those on maternity and other short-term leave) rather than to those counted as “being at work” (i.e. those declaring they have worked for at least one hour during the reference week of the survey). The difference between the two measures of employment rates may be especially large in countries with long-term parental leave arrangements, such as Austria, Finland and Sweden.

Employment rates of women have increased in almost all countries over the last ten years: in 2003, they ranged from less than 30% in Turkey to above 80% in Iceland. Maternal employment rates are, however, generally well below those of women without children, especially for mothers with two or more children (aged 14 or less). On average, across OECD countries, the difference in employment rates is around 4 points in the case of mothers with one child (Figure SS3.1) and 13 points for women with two or more children (Figure SS3.2). Differences across countries are large. In seven countries (including Denmark, Portugal and France), employment rates of mothers with one child are higher than those of childless women (Figure SS3.1), while differences in employment rates between the two groups of women are also marginal in Sweden and Canada. In the case of mothers with two or more children, however, their employment rates are similar (or higher) than those of childless women only in Portugal and Sweden. The gap in the employment rate of mothers is especially large in Ireland, New Zealand and the Czech Republic in the case of mother with only one child (with a gap of around 15 points); and in the same countries plus Hungary and Germany in the case of two or more children (with gaps above 20 points).

Employment rates of mothers also depend on the age of their youngest child (Table SS3.3). On average, mothers are more likely to have a paid job when children get older. In New Zealand, the Czech Republic and Finland employment rates of mothers with a youngest child aged 3 to 5 exceed those of mothers with a youngest child aged less than 3 by 15 points or more. In the same countries, employment rates of mothers with a youngest child aged 6 to 14 exceed those of mothers with a

youngest child aged less than 3 by more than 30 points.

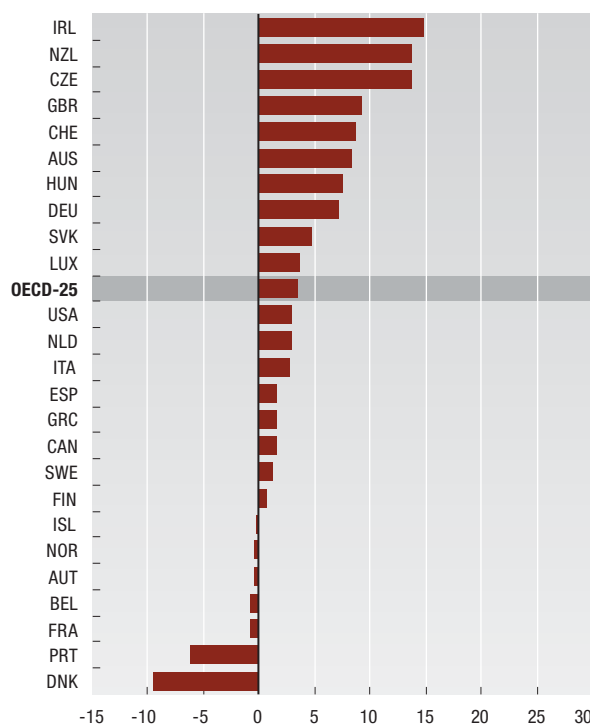
High or rising maternal employment rates are facilitated by a mixture of policy instruments that vary in importance across countries: access to affordable childcare; generosity of parental leave, tax and benefit systems that do not discourage employment, and the prevalence of flexible working-time arrangements. Generous parental leave arrangements and public childcare supports underlie high maternal employment rates in Nordic countries, while “family work reconciliation” in the Netherlands, the United Kingdom and Australia is mainly achieved through flexible working-time arrangements and part-time employment (although childcare capacity has grown rapidly in recent years in all three countries). Strong financial incentives to work and widespread use of informal care arrangements support high maternal employment rates in the United States.

Increasingly, public policy aims to encourage both parents, and particularly mothers, to stay in paid employment for reasons that include promotion of gender equity, a better use of labour market resources, and poverty alleviation (OECD, 2005). The same combination of policies that have proved effective in raising women employment rates will also help in supporting fertility rates: OECD countries with higher women employment rates also record higher fertility rates (D’Addio and Mira d’Ercole, 2005).

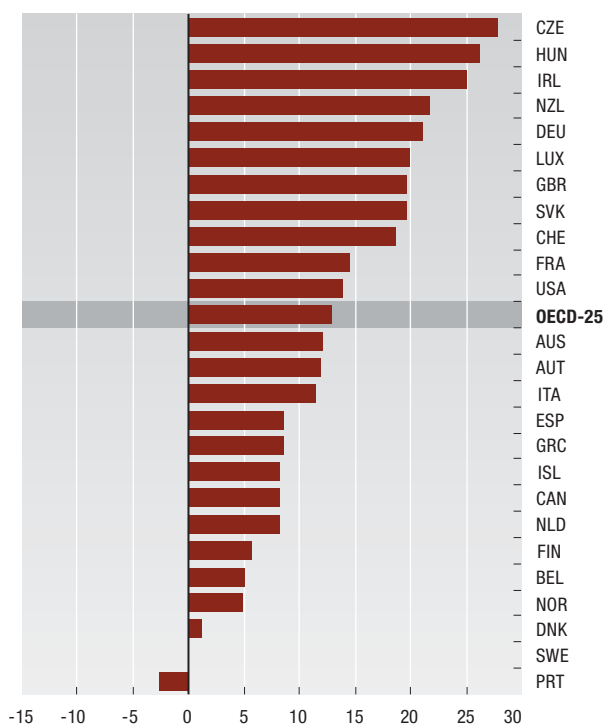
Status indicators: Employment (SS1), Childcare costs (SS4), Gender wage gaps (EQ3).

Response indicators: Public social spending (EQ5).

SS3.1. Differences in employment rates between childless women and women with one child, 2003



SS3.2. Differences in employment rates between childless women and women with two or more children, 2003



Note: A positive difference implies that childless women have higher employment rates than women in the other groups.
Source: 2003 national labour force surveys.

SS3.3. Lower maternal employment rates for mothers with youngest child aged under three

Mothers' employment rates by age of youngest child, in 2002,¹ as a percentage of 15-64 persons

	Age of youngest child				Age of youngest child		
	Under 3 ²	3 to 5	6 to 14 ³		Under 3 ²	3 to 5	6 to 14 ³
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	52.1	74.7	85.3	Sweden	72.9	82.5	77.4
France	66.2	63.2	67.5	Switzerland	58.2	64.5	77.8
Germany	56.0	58.1	64.3	United Kingdom	57.2	56.9	67.0
Greece	47.9	50.9	53.5	United States	56.6	60.0	69.4
				OECD-18	60.1	64.1	69.7

- 2001 in Canada, Denmark, Ireland, Japan, New Zealand and the United States.
- Figures include mothers on short- and long-term maternity or parental leave. Excluding these mothers could have a significant impact on measured employment rates; for example, employment for mothers with a youngest child under three years would be significantly lower in Austria (40.1%), Finland (33.8%) and in Sweden (45.1%).
- 6-13 years old in the United States; 6-16 years old in Canada, Finland, Sweden; 6-17 years old in New Zealand.

StatLink: <http://dx.doi.org/10.1787/620248580783>

Further reading ■ D'Addio, A. and M. Mira d'Ercole (2005), "Trends and Determinants of Fertility Rates in OECD Countries: The Role of Policies", OECD Social, Employment and Migration Working Paper, No. 27, Paris. ■ OECD (2005), *Extending Opportunities - How Active Labour Market Policies Can Benefit Us All*, Paris.

Definition and measurement

This indicator quantifies the out-of-pocket costs to families of purchasing centre-based childcare. These costs take into account a wide range of factors, including fees charged by childcare providers as well as childcare-related tax concessions and cash benefits available to parents. The cost figures are derived by comparing the disposable income, measured after deducting childcare expenses, of a family who does not purchase formal, centre-based childcare with that of an otherwise similar family who does. Childcare cost estimates are disaggregated to identify the different policy instruments used by government to reduce such costs, and presented for different characteristics of individuals and households, with a focus on those parents whose employment decisions are particularly responsive to financial incentives to work: lone parents and second earners with young children requiring care.

The calculations relate to the costs of full-time care for two children aged 2 and 3 provided in a typical childcare centre. Net childcare costs are the differences between fees (i.e. the gross amounts charged to parents for one month of full-time care, after any subsidies paid to the provider) and all types of childcare-related cash benefits paid to parents, including tax advantages or childcare refunds/rebates. Information refers to 2001 except for Canada (1998), Portugal (2000), New Zealand, Spain, Sweden and the United States (2002), and Belgium, France and the United Kingdom (2003). For some countries, available information relates to a particular region or city: Austria (Vienna), Belgium (Wallonie), Canada (Ontario), Germany (Nordrhein-Westfalen), Iceland (Reykjavík), Switzerland (Zürich), the United States (Michigan). Details are provided in Annex Tables A1-A2 in Immervoll and Barber (2005).

Childcare costs can represent an important obstacle to taking up paid work. On average, the out-of-pocket costs for two children in full-time care represent 17% of the net household income both of a single parent earning the wage of an average worker (AW) and of a two-earner family, where one spouse earns average wages and the other earns 2/3 of that (Figure SS4.1). Across countries, the range of cost estimates is very wide. Centre-based care is most expensive in English-speaking countries, Portugal and Switzerland, where the out-of-pocket expenses of couples with two young children can represent as much as 20% to 34% of the entire family budget. At the other end of the spectrum is a group of mostly eastern and northern European countries where net childcare costs for two children are close to or below 10% of overall family net incomes.

Cost considerations are arguably much more important for parents who have to do without the support of a partner and will therefore need to rely more heavily on non-parental childcare when they decide to look for paid employment. While public subsidies granted to lone parents considerably reduce out-of-pocket childcare expenses in some countries, in Canada, Portugal, New Zealand, the United States and Ireland lone parents with two children would typically spend more than one-fourth of their disposable income on childcare if they decide to work – an amount many of them will be unable to afford. The country ranking differs considerably from the two-parent case. For instance,

lone parents in the United Kingdom face below-average childcare costs, while they are very high for two-earner families: this reflects generous rebates or childcare-related cash transfers granted to low-income lone parents in that country.

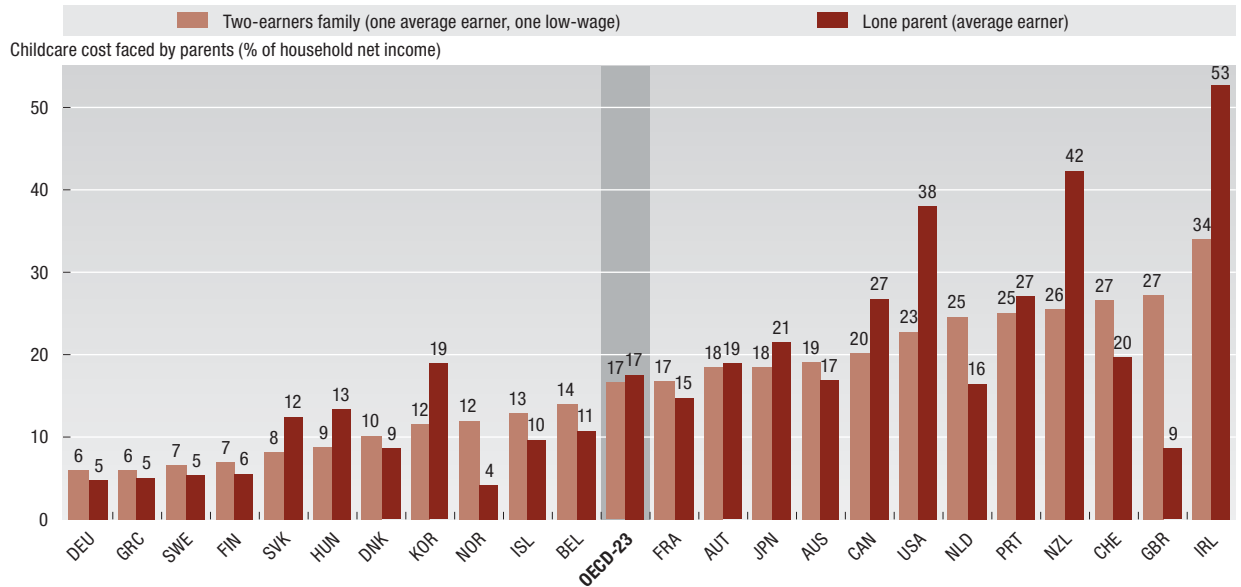
While childcare support is frequently targeted towards low-income families, this is not always the case. In Austria, Denmark, Hungary, Iceland, Ireland, Korea, New Zealand, the Slovak Republic and the United States, two-earner families incur the same out-of-pocket expenses for childcare at all earnings levels shown in Table SS4.2 (2nd panel). In general, families with lower gross earnings then spend a larger portion of their net household income on childcare than better-off families (1st panel of Table SS4.2). The proportion of family incomes spent on childcare is determined not only by the amount of childcare costs but also by the tax burden levied on families. For example, while childcare costs as a percentage of average earnings are lower in Belgium than in Korea, higher Belgian tax burdens reduce household income by much more: as a result, most Belgian families spend a larger part of their after-tax incomes on childcare than their Korean counterparts.

Status indicators: Mothers in paid employment (SS3).

Response indicators: Public social spending (EQ5).

SS4.1. Childcare costs represent a large part of net income for working couples and lone parents

Childcare costs including benefits and tax concessions of two-earner couples at full-time earnings of 167% of AW, and lone parents at full-time earnings of 100% of AW, both with two children



SS4.2. Childcare costs weigh heavily on families with low income in several OECD countries

Childcare costs for two-earner couples with two children, at three earnings levels, both in percentage of net household income and average earnings

	% of household net income			% of gross average earnings (AW)		
	100-100	100-67	67-67	100-100	100-67	67-67
Australia	22	19	18	34	26	20
Austria	16	18	21	26	26	26
Belgium	13	14	11	16	16	11
Canada	18	20	24	28	27	27
Denmark	9	10	12	10	10	10
Finland	8	7	6	11	9	6
France	18	17	15	28	23	17
Germany	6	6	5	8	7	5
Greece	6	6	6	10	9	7
Hungary	8	9	10	12	12	12
Iceland	12	13	15	18	18	18
Ireland	29	34	40	51	51	51
Japan	16	18	16	25	25	18
Korea	10	12	14	18	18	18
Netherlands	21	25	21	30	30	21
New Zealand	21	26	32	34	34	34
Norway	11	12	13	16	16	14
Portugal	21	25	27	38	38	34
Slovak Republic	7	8	10	12	12	12
Sweden	6	7	6	10	8	7
Switzerland	29	27	24	48	38	28
United Kingdom	26	27	22	42	38	26
United States	19	23	26	34	34	34
OECD-23	15	17	17	24	23	20

Source: Immervoll, H. and D. Barber (2005), "Can Parents Afford To Work? Childcare Costs, Tax-Benefit Policies and Work Incentives", OECD Social, Employment and Migration Working Paper, No. 31, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://dx.doi.org/10.1787/082738183216>

Further reading ■ OECD (2006), *Starting Strong*, Paris (www.oecd.org/edu/earlychildhood). ■ OECD (2007), *Benefits and Wages – OECD Indicators*, Paris (www.oecd.org/els/social/workincentives).

Definition and measurement

The measure of the tax wedge on labour presented in this section is defined as the difference between the salary costs of a single “average worker” to their employer and the amount of net income (“take-home-pay”) that the worker receives. The taxes included are personal income taxes, compulsory social security contributions paid by both employees and employers, as well as payroll taxes for the few countries that have them. The amount of these taxes is expressed as a percentage of the total labour costs for firms, i.e. the sum of gross earnings, employers’ social security contributions and payroll taxes. The “average worker” is taken to represent a full-time worker in industry sectors C-K of the International Standard Industrial Classification (ISIC) of All Economic Activities, Revision 3.

This indicator is derived from the 2005 edition of the OECD report *Taxing Wages*. This report presents data on the taxes paid by different types of workers (singles but also married couple, with different number of children and earnings levels) based on OECD tax benefit models. These models apply the tax provisions of each country and are based on a common typology and definitions of different types of taxes. It should be noted that, starting from 2005, a new and more comprehensive definition of the average wage has been used. This implies that the measure of the tax wedge on labour presented here for the years 2000 to 2005 are not comparable to those reported in previous editions of *Society at a Glance*.

The tax wedge on labour provides one measure of the extent to which the tax system discourages employment. On average, across 30 OECD countries, the tax wedge levied on a single average worker was around 37% of labour costs in 2005, ranging between 50% or more in Germany, Belgium and Hungary, and less than 20% in Korea and Mexico (Table SS5.1). On average, this tax wedge fell by around half a point since 2000, with declines exceeding 3 points in Denmark, Finland, Ireland and the Slovak Republic, and increases of 2 points or more in Iceland, Japan and Turkey. The mix of taxes and social security contributions levied on labour also varies. Personal income tax accounted in 2004 for less than 5% of total labour costs in Korea and Greece, and for more than 30% in Denmark (Figure SS5.2). Workers’ own social security contributions vary across countries by a large amount, ranging from zero in Australia and New Zealand to close to 20% in the Netherlands and Poland. Employers’ social security contributions represent the largest components of the tax wedge on labour (around 15% of total labour costs of average), ranging between close to zero in New Zealand and Denmark to 20% of labour costs or more in several European countries (the Slovak Republic, Greece, Spain, the Czech Republic, Italy, Austria, Sweden, Hungary and Belgium) and close to 30% in France.

Labour taxes are a significant element of total government receipts. OECD countries with a higher tax wedge on labour also tend to display a higher total tax burden (as measured by total government receipts as a share of GDP, see Figure SS5.3). There is, however, much variation. As a result, countries with a similar level of government receipts (e.g. Iceland

and Italy) may have a very different tax wedge on labour (16 points higher in the second country than in the first). This difference – which represents the importance of other types of taxes, such as indirect taxation, environmental taxes and taxes on alcohol and tobacco – may influence labour market outcomes to the extent that taxes not directly levied on labour costs may have a less distortionary effect on employment decisions.

The tax wedge on labour is a significant determinant of unemployment across OECD countries (OECD, 2006). However, a full evaluation of the effects of taxes on the labour market has to take into account the distribution of the tax burden, and also how the tax revenues are used. For instance, taxes levied on workers may finance programmes that redistribute income to other people (i.e. a “tax”) or they can pay for benefits that will accrue to each worker during a different phase of his or her life cycle (i.e. a form of savings). Estimates of the size of the redistributive and actuarial components of contributions to public pension schemes (i.e. the share of earnings required to finance current spending on public pensions without budgetary transfers or accumulation or decumulation of pension funds) suggests that the redistributive “tax” represents less than ¼ of the total (Disney, 2004).

Status indicators: Employment (SS1), Unemployment (SS2).

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

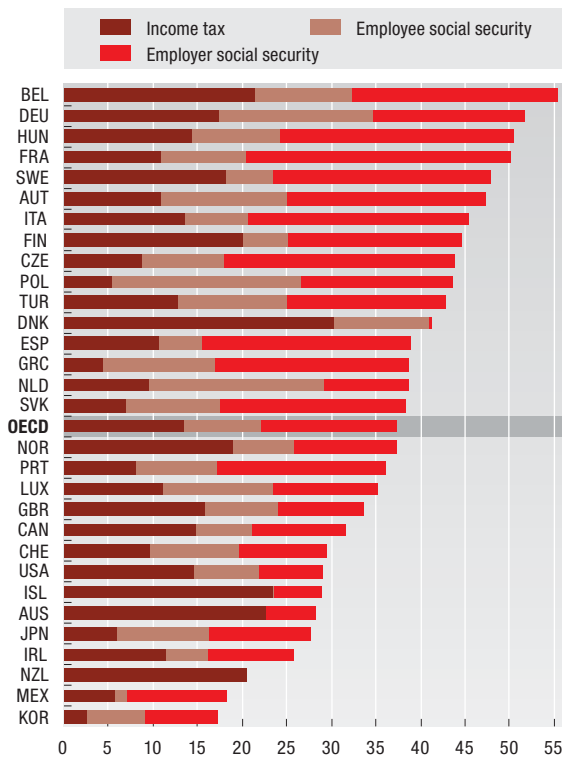
SS5.1. Broad stability of the tax wedge on labour

	2000	2001	2002	2003	2004	2005		2000	2001	2002	2003	2004	2005
Australia	30.6	27.3	27.7	28.0	28.0	28.3	Luxembourg	38.2	36.2	33.6	34.1	34.6	35.3
Austria	47.3	46.9	47.1	47.4	47.5	47.4	Mexico	16.8	15.9	17.5	18.1	16.2	18.2
Belgium	57.1	56.7	56.3	55.7	55.4	55.4	Netherlands	39.7	37.2	37.4	37.1	38.6	38.6
Canada	33.2	32.0	32.1	32.0	32.0	31.6	New Zealand	19.4	19.4	19.5	19.7	20.0	20.5
Czech Republic	42.7	42.6	42.9	43.2	43.5	43.8	Norway	38.6	39.2	38.6	38.1	38.1	37.3
Denmark	44.3	43.6	42.6	42.6	41.3	41.4	Poland	43.2	42.9	42.9	43.1	43.3	43.6
Finland	47.8	46.4	45.9	45.0	44.5	44.6	Portugal	37.3	36.4	36.6	36.8	36.8	36.2
France	49.6	49.8	49.8	49.8	49.8	50.1	Slovak Republic	41.8	42.8	42.5	42.9	42.5	38.3
Germany	53.9	53.0	53.6	51.5	53.3	51.8	Spain	38.6	38.8	39.1	38.5	38.7	39.0
Greece	38.4	38.1	37.7	37.7	38.3	38.8	Sweden	50.1	49.1	47.8	48.2	48.4	47.9
Hungary	52.7	54.0	53.7	50.8	51.8	50.5	Switzerland	30.0	30.1	30.1	29.7	29.4	29.5
Iceland	26.1	26.9	28.4	29.2	29.4	29.0	Turkey	40.4	43.6	42.5	42.2	42.8	42.7
Ireland	28.9	25.8	24.5	24.2	26.2	25.7	United Kingdom	32.1	31.8	31.9	33.3	33.4	33.5
Italy	46.4	46.0	46.0	45.0	45.4	45.4	United States	29.7	29.6	29.4	29.2	29.1	29.1
Japan	24.8	24.9	30.5	27.4	27.4	27.7							
Korea	16.4	16.4	16.1	16.3	17.2	17.3							
							OECD	37.9	37.5	37.5	37.2	37.4	37.3

Note: The tax wedge on labour is defined as the sum of income tax plus compulsory social security contributions paid by both employees and employers, for a single person earning as an "average worker". This tax wedge is expressed in percentage of labour costs.

SS5.2. Large differences across countries in the composition of the tax wedge on labour

Income taxes, employees and employers social security contributions, in percentage of labour costs, for a single person on average earnings, 2005

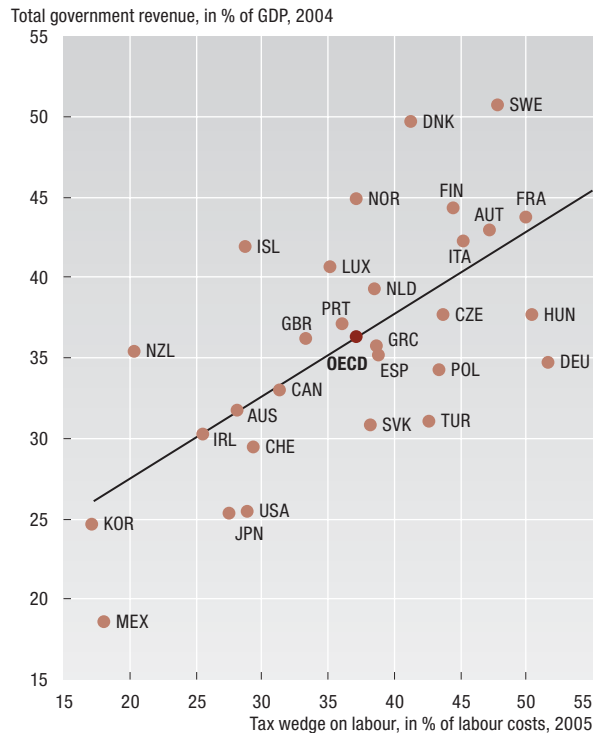


Note: Countries are ranked by decreasing 2005 tax wedge.

Source: OECD (2006), *Taxing Wages 2004-2005*, Paris (www.oecd.org/ctp/taxingwages) and OECD (2006), *Revenue Statistics 1965-2004*, Paris (www.oecd.org/ctp/statistics).

SS5.3. Countries with similar tax wedge on labour can have very different tax burdens

Tax wedge on labour, in percentage of labour costs, and total government revenues as a share of GDP, latest year available



Note: The tax wedge on labour refers to a single person at the earnings of an average production worker.

StatLink: <http://dx.doi.org/10.1787/725757462120>

Further reading ■ Disney, R. (2004), "Are Contributions to Public Pension Programmes a Tax on Employment?", *Economic Policy*, July. ■ OECD (2006), "Reassessing the Role of Policies and Institutions for Labour Market Performance: A quantitative analysis", Chapter 7 in *OECD Employment Outlook*, Paris.

Definition and measurement

The measure of out-of-work benefits compares the net income of a person when out of work to that when in work. The main indicator shown here is the net replacement rate, defined as ratio of net household income when the household head is out of work to that it previously enjoyed when its head was employed. Marginal effective tax rates present similar information in a different way, by considering the financial consequences of taking up or increasing the amount of paid work (i.e. they measure the percentage of additional earnings that are “taxed away” through a combination of reduced benefits and higher income taxes). The indicator of effective tax rates shown here refers to a person who has been unemployed for less than 60 months as they re-enter employment at different earnings levels.

These estimates of out-of-work replacement rates and effective tax rates are based on OECD tax-benefit models for individual countries, applied to persons in a variety of “typical” settings. Different family types are considered: persons living alone and in a couple family, with and without children (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 may vary according to the length of time spent receiving benefit. By averaging these replacement rates across durations of unemployment and different family types 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 family types and two levels of previous earnings (100% and 66.7% of the earnings of an “average worker”, AW). Estimates are shown separately for individuals entitled and not entitled to additional social assistance benefits. Starting from 2005 the indicators shown here are based on a new and more comprehensive definition of the “average worker”; as a result, the indicators presented here differ from those reported in previous editions of *Society at a Glance*.

Setting the “right” level of benefits for persons without work raises a dilemma for governments: a very low benefit can leave those receiving it in real distress, making it difficult for job-seekers to spend the time necessary for finding work that is both suitable and lasting; conversely, a very generous benefit may give individuals little financial incentive to seek work. There is much diversity in systems of unemployment compensation across OECD countries. Most countries provide time-limited unemployment insurance supplemented by additional social assistance when eligibility for unemployment insurance ceases; these additional social assistance benefits, while more important for long spells of unemployment, can also be paid to supplement family incomes during the initial period of unemployment in some countries, although this is not common (people's assets are often above relevant limits during that period). Others countries (such as Australia and New Zealand) provide income maintenance to the unemployed through a social assistance unemployment benefit that is not time-limited. On average across OECD countries, the synthetic measure of out-of-work replacement rate was 57% in 2004 when the unemployed person is considered as qualifying for all types of social assistance benefits that are available throughout his or her unemployment spell, and 41% when only unemployment benefits are considered (Figure SS6.1). The synthetic indicator of out-of-work replacement rates, including all types of social assistance benefits, is highest in Denmark and Switzerland (at 80%) and exceeds 70% in Finland, Germany, Iceland, Luxembourg, Netherlands and Sweden; it is lowest (at 30% or less) in Greece, Hungary, Italy and the United States.

In some countries, in particular several continental European countries, taking up work can be very costly or even punitive (effective tax rates above 100%), especially for earnings between 1/3 and 2/3 of average earnings (Figure SS6.2). Financial disincentives to take up work may be reinforced by work-related expenses (e.g. commuting or childcare) and benefits provided at the local level (e.g. reductions in local transport fees provided to unemployed people). In several countries, effective tax rates also vary according to family structure. For instance, these are considerably higher for childless people than for one-earner couples with children in the United States, but also in Belgium, the Slovak Republic and, at low earnings levels, in Poland and the United Kingdom. Conversely, average effective tax rates are higher for couples with children than for singles in Australia, Austria, Finland, Ireland and Switzerland.

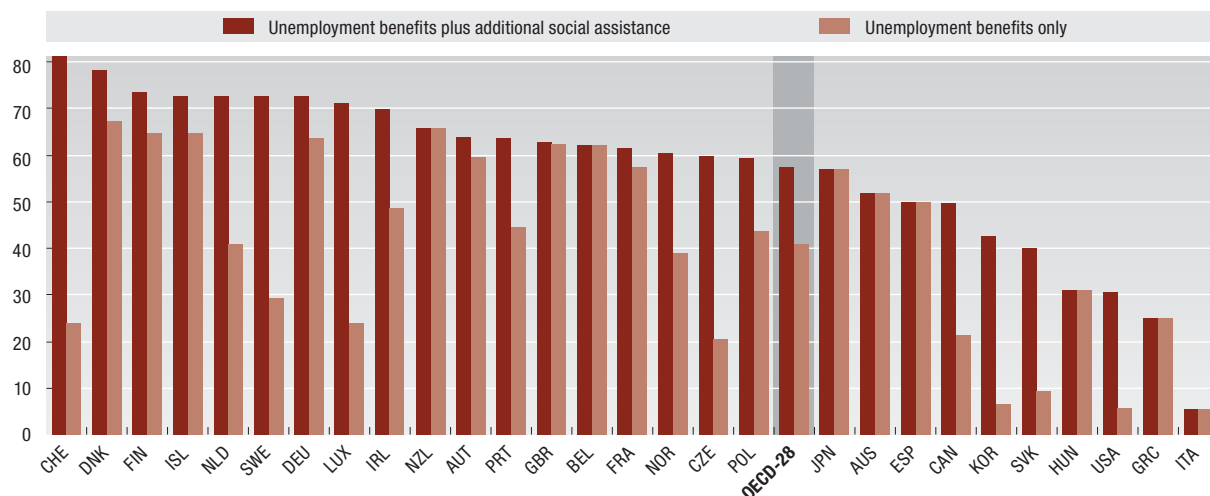
While out-of-work benefits are important determinants of the financial incentives for individuals to take-up paid employment, additional features also matter. These include work-test obligations embedded in unemployment and social assistance schemes, stigma associated with inactivity, and longer-term considerations about earnings and career prospects which may lead an unemployed person to accept a job even when the short-term consequence is a fall in family income.

Status indicators: Unemployment (SS2), Poverty persistence (EQ7).

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

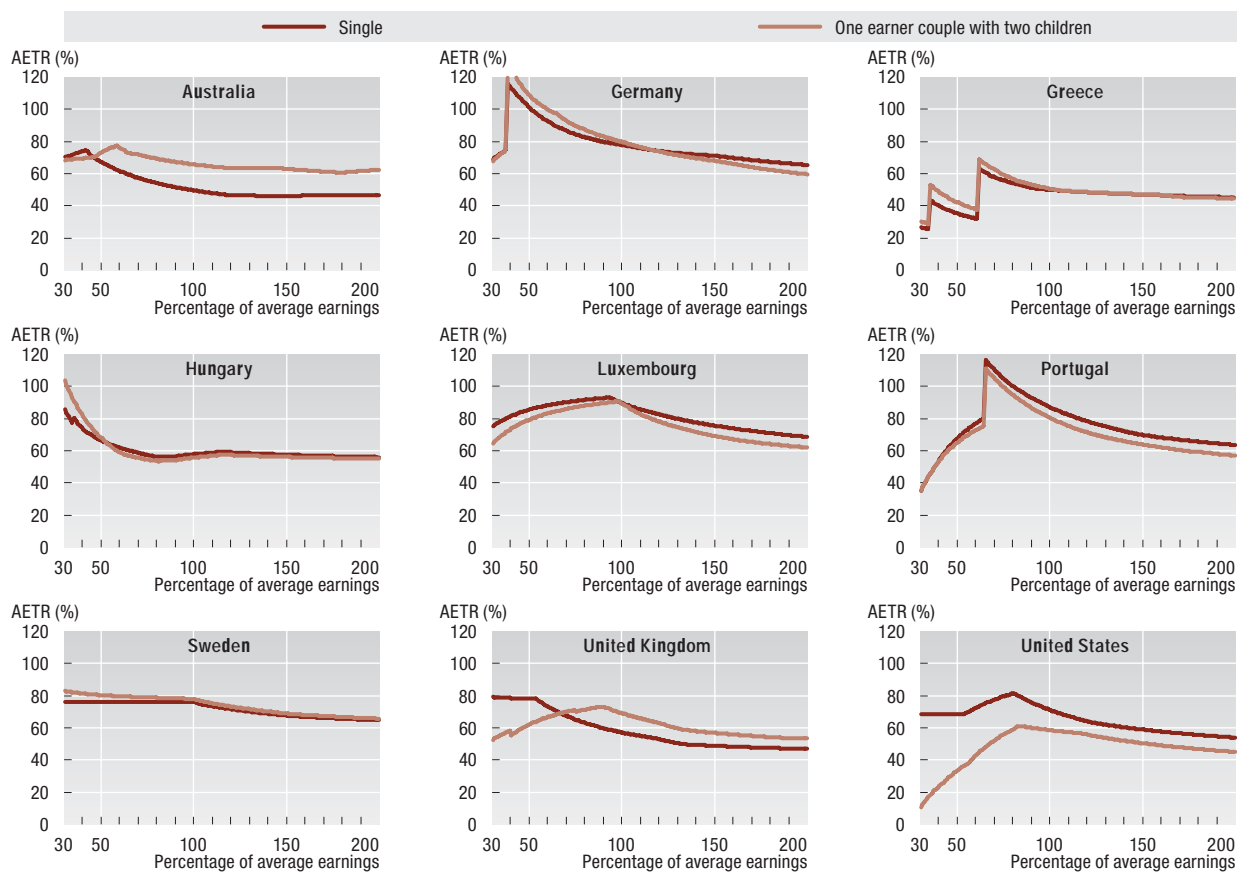
SS6.1. Unemployment benefits replace on average 40% of previous earnings

Average of net replacement rates over a period of 60 months of unemployment in 2004, for four family types and two earnings levels in percentage



SS6.2. Taking up work can be very costly in some countries

Average effective tax rates (AETR) for short-term unemployed persons re-entering employment, in 2004, in percentage



Source: OECD (2007), *Benefits and Wages*, forthcoming, Paris (www.oecd.org/els/social/workincentives).

StatLink: <http://dx.doi.org/10.1787/176515702117>

Further reading ■ Immervoll, H. (2004), "Average and Marginal Effective Tax Rates Facing Workers in the EU. A micro-level analysis of levels, distributions and driving factors", OECD Social, Employment and Migration Working Paper, No. 19, Paris.
 ■ Carone, G., H. Immervoll, D. Paturot and A. Salomäki (2004), "Indicators of Unemployment and Low-wage Traps", OECD Social, Employment and Migration Working Paper, No. 18, Paris.

Definition and measurement

Students' performance can be assessed through results from the OECD Programme for International Student Assessment (PISA), the most comprehensive and rigorous international effort to date to measure the knowledge and skills of students who are reaching the end of compulsory education. More than a quarter of a million 15-year-old students in 41 countries took these tests in 2003. Tests are administered under independently supervised conditions in order to assess students' competencies in different areas and to assure cross-country comparability. For the 2003 round of PISA, each participating student devoted 3½ hours of testing time to mathematics, and 1½ hour each to reading, science and problem solving. PISA tests are not tied to specific national curricula; instead, students are asked to apply knowledge acquired in school to situations they might encounter in the real world, such as planning a route, interpreting the instructions for an electrical appliance, or taking information from a chart or graph. All results are standardised so that, for each area, the average score across OECD countries is 500 points. PISA results from the 2003 wave in the areas of reading and science can be compared to those from the 2000 wave, although differences between surveys should be taken with care.

In addition to the mean test scores for students in each country in three literacy areas (mathematics, reading and science), this section presents a measure of inequality in test scores in mathematics, defined as the ratio between the average test score of students in the top quarter of the achievement scale relative to those in the bottom quarter.

Ensuring that children get a good education is a policy priority in all OECD countries. As tertiary level student enrolment has risen in all OECD countries, attention has progressively shifted to assessing the competencies that are gained in school. As shown in Figure SS7.1, cross-country differences in the performance of students towards the end of compulsory schooling are large. In 2003, the average performance of the three OECD countries at the top of the league of the mathematics scale (Finland, Korea and the Netherlands) exceeded that of the three countries at the bottom of the scale (Mexico, Turkey and Greece) by around 120 points, a difference equivalent to almost three school years. Differences in students' performance are equally large for reading and science. In general, countries that top the list in one domain do equally well in others, as highlighted by a correlation in country ranks between mathematics and, respectively, reading and science above 0.80 in both cases.

Differences in average students' performance across countries mainly reflect differences in performance among low achievers. In mathematics, cross-country differences in performance among students in the bottom quarter of the achievement scale are around 20% higher than for those at the top, and almost 60% higher when comparing the bottom and top decile of all students. As a result, OECD countries with higher inequality in students' test scores in mathematics also display lower average scores (Figure SS7.2).

These large differences across countries in students' learning outcomes partly relate to the

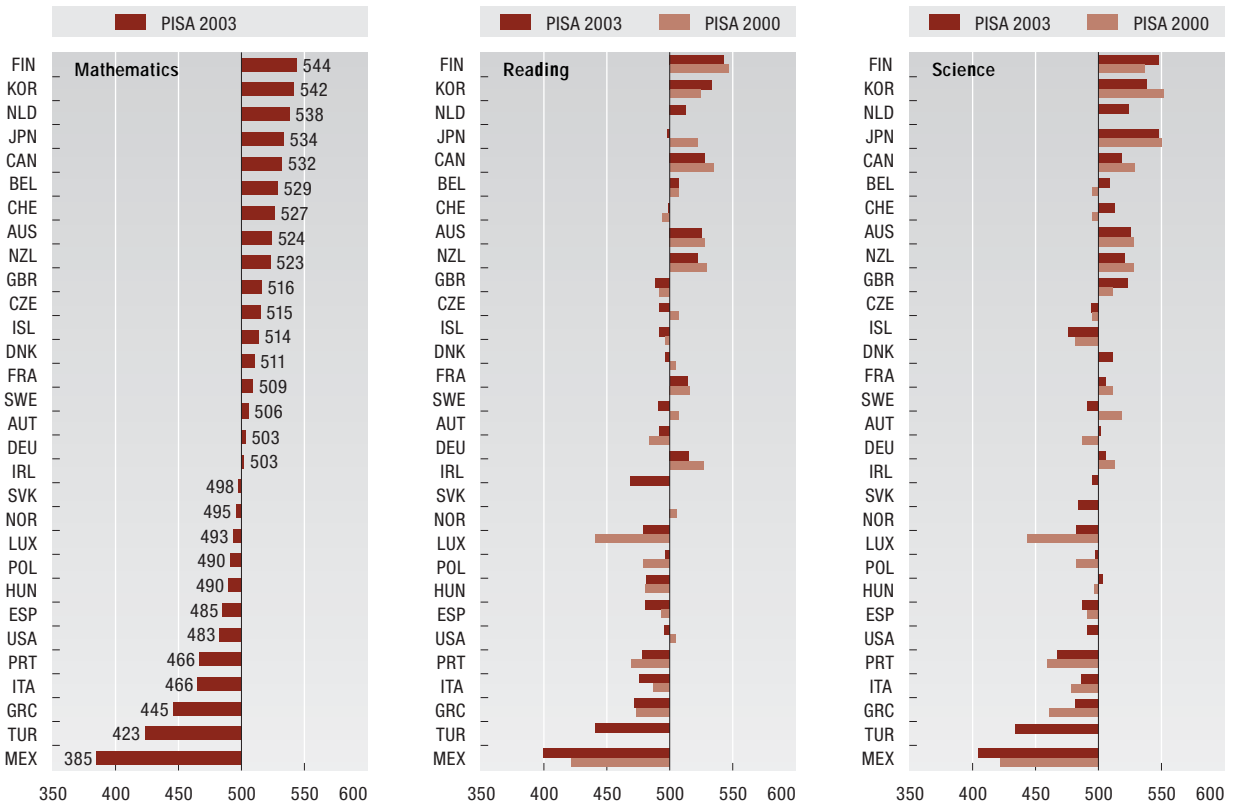
characteristics of the educational system of each country. There is only a weak positive relation between spending per student aged 6 to 15 and students' performance. There is conversely more evidence that the earlier the age at which students are streamed, the greater is inequality in learning outcomes and the lower average performance.

These differences in students' performance can have lasting implications for youths as they move to adult life, as well as for society at large. Poor learning outcomes at the end of compulsory schooling may lead to a higher probability of dropping out of school before completion of secondary education, worse earnings and career prospects as youths enter the labour market, lower probability of benefiting from on-the-job training and, in the most extreme cases, greater probability of depending on social assistance in adult life. While education can be an escalator out of social disadvantage, it is also a powerful driver of social selection (Machin, 2006). As social policies move towards giving greater importance to integration into work as the main way of fighting poverty and social exclusion, they will need to pay greater attention to the learning outcomes of students at the lower end of the achievement scale.

Status indicators: Employment (SS1), Earnings inequality (EQ2), Intergenerational mobility (EQ4).
Response indicators: Public social spending (EQ5).

SS7.1. Large differences in students' performance among OECD countries

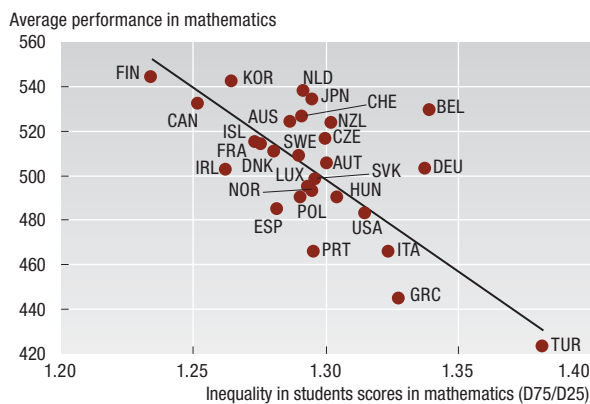
Mean scores on the mathematics, reading and science scales, PISA 2003 and 2000



Note: Countries are ranked, from top to bottom, in decreasing order of students' performance in mathematics. The values shown refer to difference in the average score for each country relative to the OECD average (500).

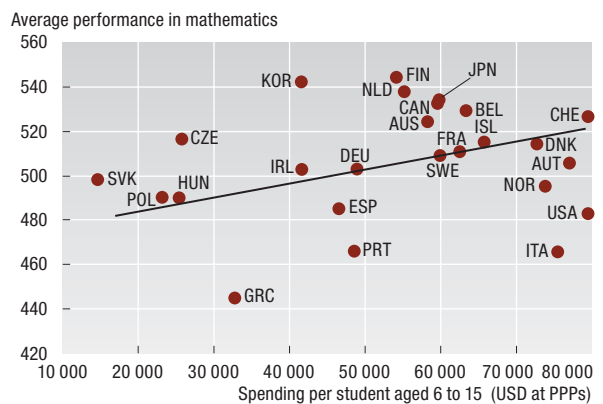
SS7.2. Higher students' performance in countries with lower inequality in students test scores

Average performance in mathematics and inequality in students' scores in mathematics, 2003



SS7.3. Average students' performance rises only moderately with higher spending per student

Average performance in mathematics and expenditure on educational institutions up to age 15, 2003¹



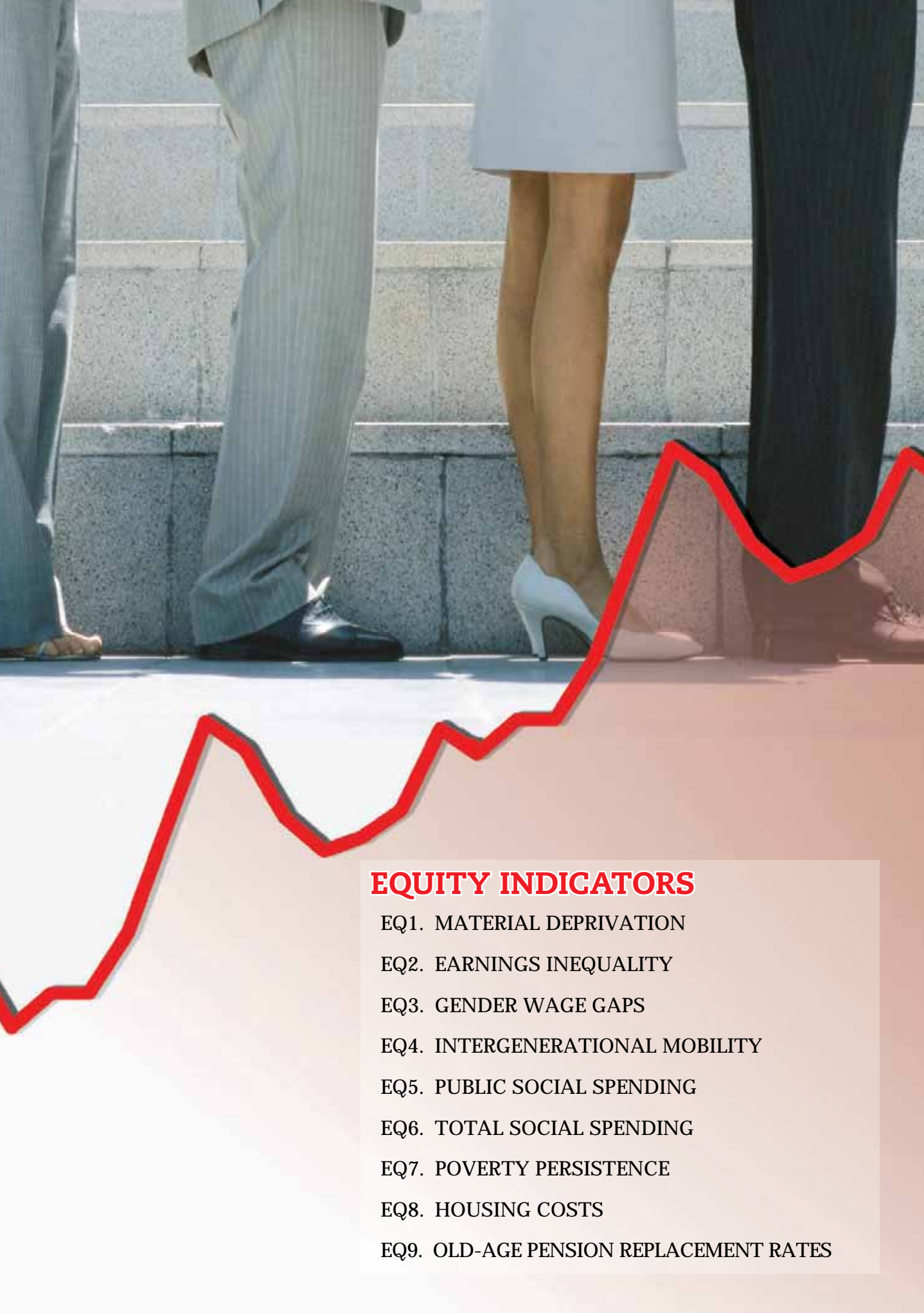
1. Actual spending per student in 2002 is obtained by multiplying public and private expenditure per student at each level of education by the theoretical duration of education at that level, up to age 15.

PISA: Programme for International Students Assessment.

Source: OECD (2004), *Learning for Tomorrow's World – First Results from PISA 2003*, Paris (www.pisa.oecd.org).

StatLink: <http://dx.doi.org/10.1787/787232841255>

Further reading ■ Machin, S. (2006), "Social Advantage and Education Experiences", OECD Social, Employment and Migration Working Paper, No. 32, Paris.



EQUITY INDICATORS

EQ1. MATERIAL DEPRIVATION

EQ2. EARNINGS INEQUALITY

EQ3. GENDER WAGE GAPS

EQ4. INTERGENERATIONAL MOBILITY

EQ5. PUBLIC SOCIAL SPENDING

EQ6. TOTAL SOCIAL SPENDING

EQ7. POVERTY PERSISTENCE

EQ8. HOUSING COSTS

EQ9. OLD-AGE PENSION REPLACEMENT RATES

Definition and measurement

Measures of material deprivation provide a complementary perspective on poverty to that provided by conventional income measures. Material deprivation refers to the inability for individuals or households to afford those consumption goods and activities that are typical in a society at a given point in time, irrespective of people's preferences with respect to these items. Indicators of material deprivation are available through household surveys for several OECD countries, though income-based measures of poverty are available for more countries.

The information presented below refers to the share of households declaring that they could not afford different items and activities. A simple summary indicator of material deprivation is derived in two steps. First, after having collected data on the prevalence of several forms of deprivation within six broad categories (basic needs, basic leisure activities, availability of consumer durables, housing conditions, financial stress and depending on support from others) an average is computed for each of these six categories. Second, an overall summary index is constructed as a simple average of these six aggregates measures. Cross-country comparability is affected by different wording of survey questions, by different survey features (e.g. sample size, use of proxy respondent, etc.) and by the fact that data on some items may be lacking for some countries. More detailed information on these measures is available in Boarini and Mira d'Ercole (2006).

A significant share of households in all OECD countries report different forms of material deprivation. Information on some of these forms is shown in Table EQ1.1. In the early 2000s, across the OECD countries included in Table EQ1.1, around 10% of OECD households failed to satisfy basic needs – such as adequately heating their home, having a healthy diet or having restricted access to health care – and around 1/3 could not afford to take one week of holiday away from home over the past 12 months. In terms of consumer durables, only few households lacked a television or a telephone, but close to 1/5 did not have a personal computer at home. If most households in OECD countries had an indoor toilet, one in ten reported that their house was in need of repairs, and 13% that it was exposed to pollution. Less than 10% of OECD households reported having incurred payment arrears during the past year but the share was 20% for those declaring that in the past year they could make ends meet only with great difficulty or that occasionally they could not meet essential expenses.

Cross-country differences in the prevalence of material deprivation are large. A summary index of material deprivation – the simple average of the deprivation indicators across the six categories considered in Table EQ1.1 – suggests that more than 20% of households in Greece, Hungary, Poland and Turkey are exposed to different forms of deprivation, while this share is only 5% in Denmark, Luxembourg and Sweden. When considering all OECD countries for which information is available, this summary

index of material deprivation is only weakly correlated with the prevalence of income poverty (measured using a threshold set at half of median income) while it is stronger with respect to GDP per capita (Figure EQ1.2). However, the reverse is the case (i.e. stronger correlation with relative income poverty, and a weaker one with average per capita income) when excluding OECD countries with GDP per capita below USD 25 000. This suggests that this simple index of material deprivation provides information about both absolute living standards and on the lower tail of income distribution of each country.

National studies of the extent to which households experience different forms of material deprivation at the same time consistently show that the overlap between multiple deprivation and income poverty is surprisingly low, even when choosing a deprivation threshold that leads to the same poverty count as one based on income (e.g. Perry, 2002); and that there are important differences in the composition of those counted as income- and deprivation-poor (even when relying on longitudinal measures of both phenomena, e.g. Whelan et al., 2004).

Status indicators: Intergenerational mobility (EQ4), Poverty persistence (EQ7), Unemployment (SS2).

Response indicators: Public social spending (EQ5), Out-of-work benefits (SS6), Health care expenditure (HE2).

EQ1.1. A significant share of households report different types of material deprivation
Share of households reporting different types of material deprivation, around 2000

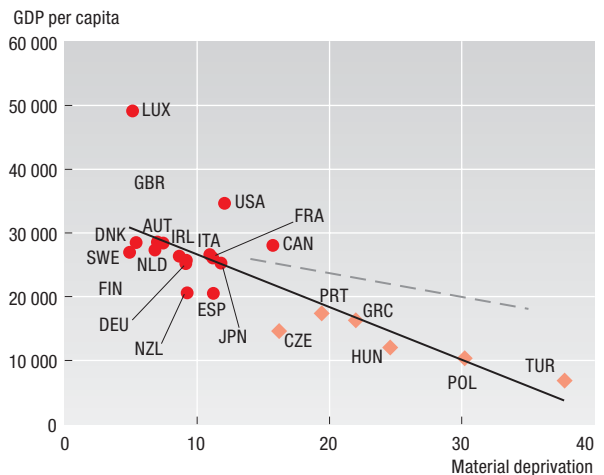
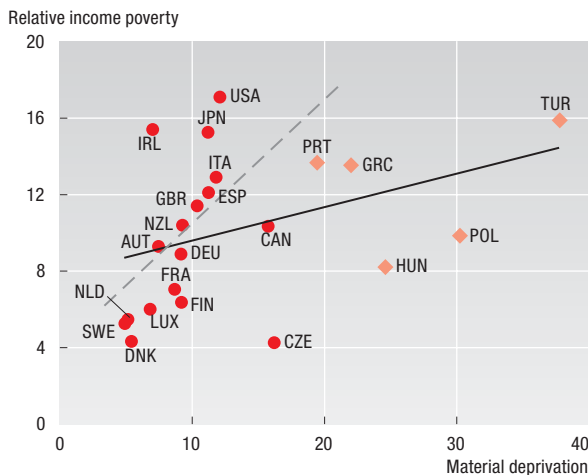
	Households deprived in terms of:												
	Basic needs			Basic leisure	Consumer durables			Housing			Financial stress		Support from others
	Inability to adequately heat home	Inability to have a healthy diet	Restricted access to health care	Having one week holiday away from home per year	Television	Telephone	Personal computer	Needing repair	Lacking indoor toilet	Exposed to pollution	Arrears in bills	Inability to make ends meet	Receiver regular help from others
Austria	1	6	5	21	0	1	9	4	3	4	1	14	13
Belgium	4	3	8	20	0	1	5	6	2	10	5	11	7
Canada	..	8	..	0	..	4	..	8	..	..	14	..	..
Czech Republic	8	19	3	34	..	..	18	9	5	20	7	19	14
Denmark	2	1	1	11	0	0	5	5	0	4	2	11	10
Finland	7	4	3	26	1	0	8	2	1	14	6	12	13
France	4	3	4	24	0	1	11	9	2	17	5	12	9
Germany	3	2	3	21	0	1	18	7	1	5	4	9	8
Greece	31	26	21	51	2	2	16	9	6	15	21	49	19
Hungary	11	34	8	63	..	..	23	19	9	22	18	28	20
Ireland	4	1	10	24	1	2	15	5	1	7	3	10	8
Italy	17	5	26	36	1	1	15	6	1	15	3	22	6
Japan	1	..	2	26	..	2	12	17	1	..	5	25	10
Luxembourg	6	2	5	8	0	0	2	6	14	16	3	7	6
Netherlands	3	2	3	13	0	0	4	8	0	11	1	9	10
New Zealand	4	11	8	21	0	2	..	14	0	7	10	..	14
Poland	30	17	19	68	..	..	40	25	11	22	28	53	17
Portugal	56	3	17	59	2	5	26	23	7	19	1	34	12
Slovak Republic	17	33	21	64	..	..	28	26	7	18	15	24	17
Spain	42	3	4	37	0	2	21	9	0	10	3	21	12
Sweden	1	2	3	15	0	..	4	4	1	5	4	5	0
Turkey	45	53	33	66	..	..	61	20	12	29	26	48	19
United Kingdom	2	8	3	24	0	0	10	6	1	7	11	7	11
United States	7	11	8	..	1	5	33	5	..	3	10	15	24
Simple average	13	11	9	32	1	2	18	10	4	13	9	20	12

..: Data not available.

Note: Data refer to the average across items for each of the six forms of material deprivation shown. Because of data availability, the number of items considered may differ across countries.

EQ1.2. Higher material deprivation in countries with higher relative income poverty and lower GDP per capita

Around 2000



Note: Material deprivation refers to the share of households reporting different forms of deprivation among the six main categories shown in Table EQ1, averaged across them. Relative income poverty is based on a threshold set at half of median disposable income. OECD countries with per capita GDP below USD 25 000 are denoted with a diamond. The grey dashed line in each panel is the trend line between the two variables obtained when limiting the analysis to countries with per capita GDP above USD 25 000 (those shown with a round marker).

Source: Boarini, R. and M. Mira d'Ercole (2006), "Measures of Material Deprivation in OECD Countries", OECD Social, Employment and Migration Working Paper, No. 37, Paris (www.oecd.org/els/workingpapers).

StatLink: <http://dx.doi.org/10.1787/365101528828>

Further reading ■ Perry, B. (2002), "The Mismatch between Income Measures and Direct Outcome Measures of Poverty", *Social Policy Journal of New Zealand*, Vol. 19, pp. 101-127. ■ Whelan, C., R. Layte and B. Maitre (2004), "Understanding the Mismatch Between Income Poverty and Deprivation: A Dynamic Comparative Analysis", *European Sociological Review*, Vol. 20, No. 4.

Definition and measurement

Earnings inequality can be assessed using a variety of statistics. The indicator used here is the “decile ratios”, which is obtained by comparing earnings in the top and the bottom deciles of the distribution (the 10% of workers with the highest and lowest earnings) to median earnings (the earnings level which divides employees into two groups of equal size). In this section, D9 denotes the upper limit of the 9th decile of the earnings distribution (which is equal to the lower limit of the top decile), D1 is the upper limit of the bottom decile while D5 denotes median earnings.

The information presented here generally refers to employees working *full time*. Earnings are measured on a gross basis, i.e. before deduction of income taxes and social security contributions paid by workers. They include basic wages and salaries, overtime payments, bonuses and gratuities, extra monthly payments, and regular and irregular allowances but may exclude elements of the remuneration package of managers and other executives such as stock options. The data included in the *OECD Earnings Database* are derived from different national sources (household surveys, establishment surveys and administrative records), which may differ in terms of coverage of earnings components, reference periods over which earnings are measured (yearly, monthly, daily and hourly) and treatment of very high earnings in survey-based estimates (top-coding). These differences may affect the assessment on differences in the earnings distribution across countries, and how they are changing over time.

Trends in earning inequality since the early 1990s differ between workers in the upper and lower parts of the earnings distribution. With respect to the first group, the D9/D5 ratio increased moderately but steadily in most OECD countries. The average increase was above 4% among the 11 OECD countries for which data are available over the entire period but was close to 10% or more in Australia, Denmark and Sweden, while the ratio fell moderately in Japan. When looking at the lower half of the distribution, however, changes were negligible. The D5/D1 ratio edged up marginally on average, falling in five OECD countries and only increased significantly (at or above 5%) in Denmark, Germany and Sweden.

There are also some important cross-country differences in the levels of earnings inequality. Not surprisingly, earnings inequalities among full-time workers are larger in the upper part of the distribution than in the lower part in most OECD countries (but not in Canada, Korea and Switzerland). Throughout the 1990s and the early part of 2000s, both the D9/D5 and D5/D1 decile ratios had values below two in all countries represented in Table EQ2.1 except the United States.

Cross-country differences in earnings inequality in the lower part of the distribution partly reflect the existence of a *statutory minimum wage* in some countries that applies to most workers. These minimum wages affect earnings inequality by establishing a floor for the wage levels of low-paid workers, even if at the risk of pricing some workers (e.g. the less skilled ones) out of the labour market. The data in Figure EQ2.2 refer to statutory minimum wages that apply to *adult workers*, as a ratio of the median earnings of full-time workers. In 2003, this ratio varied considerably across OECD countries, from 30% or less in Mexico, Korea and Spain to 50% or more in France, Australia, Luxembourg and the Netherlands. In Ireland and the United Kingdom, where national minimum wages were introduced in the late nineties, the ratio is around 40%. Since 1980, the ratio of minimum to median earnings has fallen on average from 50% to 43%, but increased in France and other countries in continental Europe.

Status indicators: Intergenerational mobility (EQ4), Poverty persistence (EQ7), Employment (SS1).

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

EQ2.1. Moderate rises in earnings inequality in the upper half of the distribution, stability in the lower half

Decile ratios, gross earnings of full-time employees

	D9/D5 ratio				D5/D1 ratio			
	1990 ¹	1995 ²	2000 ³	2003 ⁴	1990 ¹	1995 ²	2000 ³	2003 ⁴
Australia	1.7	1.8	1.8	1.9	1.7	1.6	1.7	1.6
Belgium	..	..	1.5	1.5	..	..	1.3	1.4
Canada	..	..	1.8	1.9	..	..	2.0	2.0
Czech Republic	..	1.7	1.8	2.3	..	1.6	1.7	1.7
Denmark	1.6	1.7	1.7	1.8	1.4	1.4	1.4	1.5
Finland	1.7	1.7	1.7	1.7	1.5	1.4	1.4	1.4
France	2.0	1.9	2.0	2.0	1.6	1.6	1.6	1.6
Germany	1.7	1.8	1.8	1.8	1.6	1.6	1.6	1.7
Japan	1.9	1.8	1.8	1.8	1.7	1.6	1.6	1.6
Korea	2.1	1.9	1.9	2.0	1.9	1.9	2.1	2.0
New Zealand	..	..	1.7	1.8	..	..	1.5	1.6
Norway	..	..	1.4	1.5	..	..	1.4	1.4
Poland	1.8	2.0	2.0	..	1.7	1.7	1.8	..
Portugal	..	..	2.1	2.2	..	..	1.5	1.4
Spain	..	2.1	..	2.1	..	2.0	..	1.6
Sweden	1.5	1.6	1.7	1.7	1.3	1.4	1.4	1.4
Switzerland	1.7	1.7	1.7	1.8	0.0	1.6	2.0	1.8
United Kingdom	1.9	1.9	1.9	2.0	1.8	1.8	1.8	1.8
United States	2.1	2.2	2.2	2.3	2.0	2.1	2.0	2.1
OECD-11	1.8	1.8	1.9	1.9	1.7	1.7	1.7	1.7

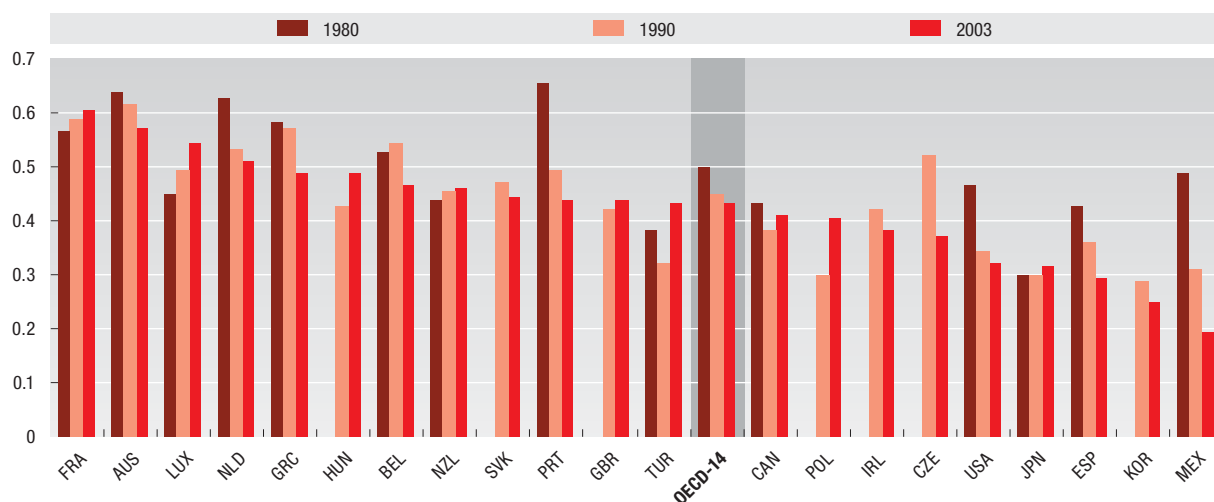
Note: The data refer to full-time employees. D9/D5 is the ratio of the upper limit of earnings of employees in the 9th decile of the earnings distribution to median earnings. D5/D1 is the ratio of median earnings to the upper limit of earnings of employees in the 1st decile of the earnings distribution.

1. 1991 for Switzerland.
2. 1996 for the Czech Republic.
3. 1999 for the Czech Republic and Poland; 2001 for Portugal.
4. 2002 for Finland, France, Germany, Korea, Norway, Spain and OECD-11.

Source: OECD Earnings Database.

EQ2.2. Minimum wages are falling on average relative to the median

Ratio of minimum wages to median earnings of adults working full time, 1980, 1990 and 2003



Note: The data refer to statutory minimum wages set by legislation, decree or through collective agreements or awards that are effectively national in coverage, as they apply to adult workers. Countries are ranked, from left to right, in terms of decreasing level of the ratio of minimum to median full-time earnings in 2003. In the case of Australia, the data refer to the federal minimum wage which specifically covers workers under federal awards but has also generally been extended to employees under state awards and thus covers the large majority of workers, especially low-wage workers who are most likely to be affected by the minimum.

Source: OECD Minimum Wages Database.

StatLink: <http://dx.doi.org/10.1787/035182557721>

Further reading ■ OECD (1996), "Earnings Inequality, Low-paid Employment and Earnings Mobility", OECD *Employment Outlook*, Paris, June. ■ OECD (1998), "Making the Most of the Minimum: Statutory Minimum Wages, Employment and Poverty", OECD *Employment Outlook*, Paris, June.

Definition and measurement

Gender differences in wages provide an indicator of the degree to which men and women do or do not receive equal incomes from paid work. The “gender wage gap” is measured here as the difference between male and female median full-time earnings expressed as a percentage of male median full-time earnings. It is also measured at low and high earnings levels (the 20th percentile and 80th percentile respectively).

Data about gender wage gaps are extracted from the OECD earnings database. As noted for earnings inequality, this measure should not be taken as a precise indicator of differences across countries because of differences in the way full-time earnings are measured; also, this measure does not take into account differences in the amount of hours worked by full-time employees.

The gender wage gap is particularly important in the light of the need for increasing women’s participation to the paid labour market and to achieve equal opportunities. There are still significant wage differentials between women and men across OECD countries. The gender wage gap at the median averages 18% across 21 OECD countries (Figure EQ3.1). Differences across countries are noteworthy. The gender wage gap ranges from a low of between 6 and 9% in New Zealand and Belgium to a high of between 30 and 41% in Japan and Korea. A substantial part of the gender wage gap in each country, and part of the differences between countries, can be accounted for by gender differences in the composition of the workforce. The overall degree of wage inequality in each country also underpins, and possibly accounts for much of, the cross-country variation in the size of the gender wage gap (Blau and Kahn, 2001). The interruptions to women’s working careers associated with motherhood also contribute to the wage gap.

In most countries, gender wage gaps are wider for high-income workers (at the 80th percentile) than they are for low-income workers (at the 20th percentile) (Figure EQ3.2). Exceptions exist – the United Kingdom, Switzerland and Portugal – while in Denmark and Belgium the differences are not significant. The higher degree of gender wage equity towards the bottom of earnings distributions is likely to reflect institutional factors such as the influence of the minimum wage and coverage of collective bargaining (Blau and Kahn, 2001). The wider gap at higher earnings levels is often taken as an indicator of the existence of the “glass ceiling” (Arulampalam et al., 2006).

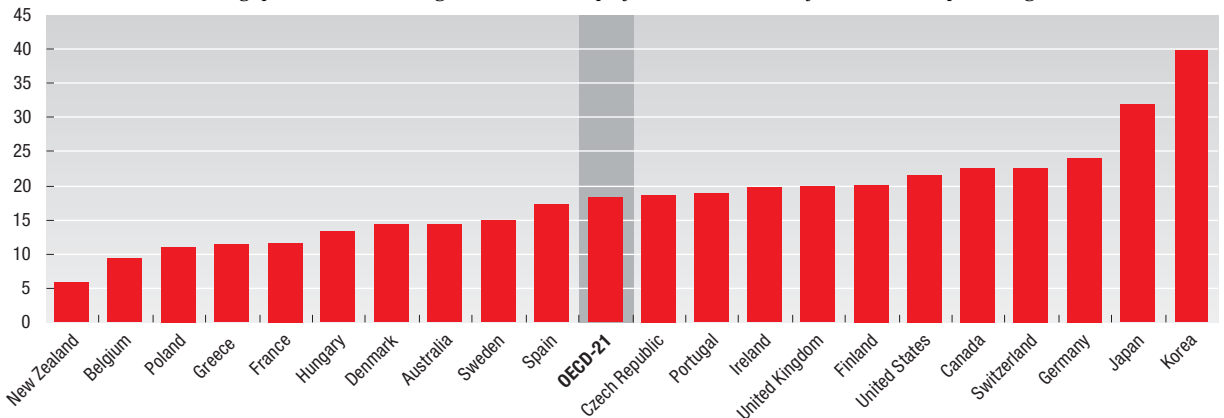
Reflecting a rise in educational attainment and training and work attachment for women relative to men, the size of the gap has tended to decline over time in all countries for which data are available (Table EQ3.3). Since the early 1980s, the largest declines have occurred in the United States from a relatively high level. In Japan and the United Kingdom the gender wage gap is also steadily narrowing over time. By contrast, in France and Austria gender wage gaps are now on the rise. In France, this increase reverses a prolonged narrowing. The majority of OECD countries show fluctuating trends.

Despite “equal pay for equal work” provisions and anti-discrimination legislation in most OECD countries, part of the earnings gender gap in each country reflects discrimination against women in the labour market. However, given that discrimination is rarely directly observable and because of other measurement problems, it is difficult to pin down precisely its contribution to the size of the gender wage gap within and across countries. An indirect and rough measure of discrimination is given by the “unexplainable” difference in pay. Comparing pay differences among men and women in very similar jobs or by comparing pay to specific measures of productivity, some studies find convincing evidence of differential treatment of men and women.

Status indicators: Earnings inequality (EQ2), Mothers in paid employment (SS3).

EQ3.1. Women are paid less than men

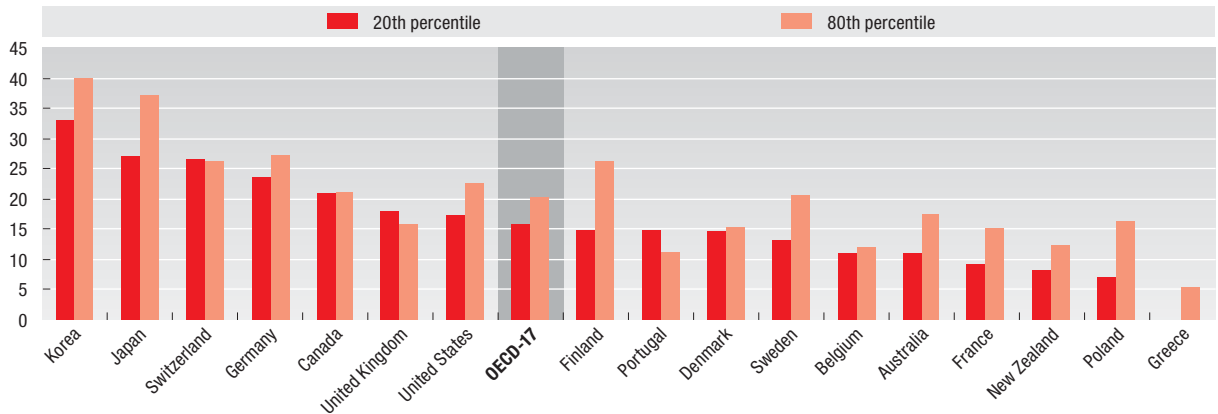
Gender gap in median earnings of full-time employees, 2004 or latest year available, percentage



Note: Countries are ranked, from left to right, in increasing order of the gender wage gap.

EQ3.2. Wider gender wage gap at higher earnings levels

Gender wage gaps at the top and bottom of the earnings distribution, 2003 or latest year available



Note: Countries are ranked, from left to right, in decreasing order of the gender wage gap in the bottom 20th percentile of workers.

EQ3.3. Lower gender wage gaps in most OECD countries

Gender gap in median earnings of full-time employees

	1980	1985 ¹	1990 ²	1995 ³	2000 ⁴	2004 ⁵		1980	1985 ¹	1990 ²	1995 ³	2000 ⁴	2004 ⁵
Australia	18.8	19.6	18.2	14.5	17.2	14.4	Ireland	..	..	..	..	19.7	..
Austria	35.1	..	32.2	31.2	32.9	..	Italy	..	18.8	19.5	17.1	..	..
Belgium	..	..	..	..	8.8	9.3	Japan	41.7	41.7	40.6	37.1	33.9	..
Canada	..	..	..	..	24.0	22.6	Korea	..	51.9	..	43.1	40.7	39.8
Czech Republic	..	..	..	21.1	21.8	18.6	Netherlands	..	25.6	25.0	23.1	21.7	..
Denmark	..	..	..	14.1	14.7	12.3	Poland	..	..	19.9	19.9	16.8	11.0
Finland	26.6	22.5	22.9	22.4	20.4	20.1	Sweden	14.5	18.4	19.6	19.0	15.5	14.8
France	19.7	17.0	15.3	10.3	10.8	11.7	Switzerland	..	..	26.4	25.5	25.7	22.6
Germany	..	27.0	27.2	23.5	23.0	24.1	United Kingdom	35.3	33.6	31.2	26.6	24.0	20.0
Hungary	..	..	..	17.8	13.2	..	United States	36.6	33.0	28.5	24.6	24.5	21.6

..: Data are not available.

- 1986 for Finland and Italy.
- 1991 for Poland and Switzerland.
- 1996 for the Czech Republic, Denmark and Hungary.
- 1999 for Austria, Netherlands and Poland.
- 2003 for Belgium, the Czech Republic, Finland, Switzerland, the United Kingdom and the United States; 2002 for France, Germany, Korea and Poland

Source: OECD Earnings Database.

StatLink: <http://dx.doi.org/10.1787/364104645170>

Further reading ■ Arulampalam, W., A. Booth and M.L. Bryan (2006), "Is There a Glass Ceiling over Europe? Exploring the Gender Pay Gap across the Wages Distribution", Discussion Paper No. 510, Centre for Economic Policy Research, Research School of Social Sciences, Australian National University. ■ Barth, E., M. Røed and H. Torp (2002), "Towards a Closing of the Gender Pay Gap. A comparative study of three occupations in six European countries", Institute for Social Research and the Norwegian Centre for Gender Equality, Oslo. ■ Blau, F.D. and L.M. Kahn (2001), "Understanding International Differences in the Gender Pay Gap", NBER Working Paper, No. W8200, Cambridge, MA (<http://ssrn.com/abstract=265295>).

Definition and measurement

Intergenerational mobility is defined as the extent to which some key characteristics and outcomes of individuals differ from those of their parents. Different strands of analysis have focused on different types of indicators. The economic literature has mainly focused on movements between income (or earnings) classes or percentiles of the distribution. The sociological literature has mainly focused on movements between occupations ranked according to their prestige or social class.

The main measure of intergenerational mobility used here is the intergenerational earnings elasticity that measures the fraction of earnings differences among fathers that is passed, on average, to their sons (the lower the elasticity, the higher intergenerational mobility). While the cross-country comparability of these estimates is limited by a number of factors, those presented here are the “preferred” estimates reported by Corak (2006), based on a meta-analysis of national studies which controls for different factors (differences in ages of fathers and sons, length of period over which earnings are observed, methodologies used), integrated by D’Addio (2006) with data from Australia, Italy and Spain. This indicator is complemented with information on differences in literacy outcomes (in mathematics) among students aged 15 according to their family background; the data used are those from the 2nd wave of the OECD Programme for International Student Assessment (PISA).

The extent of transmission of resources from parents to their offspring is a measure of equality of opportunities, which in turn can be seen as showing the degree of openness of a society. Much of the complexity in dealing with intergenerational mobility of socio-economic status relates to the definition of what exactly is transmitted from one generation to another and of how the resources transmitted will affect the future outcomes of children as they grow up. In general, the transmission mechanisms operate through parents’ capital (e.g. financial, human and social) as well as intelligence, personality, lifestyles and behaviours of parents. Outcomes affected include family income, earnings, wealth, education, occupations and many more.

Intergenerational mobility can be measured through estimates of the intergenerational earnings elasticity. On this measure, intergenerational mobility is highest in Denmark, Norway, Finland, Australia and Canada (with values of this earning elasticity below 0.2) and lowest in Italy, the United States and the United Kingdom (with values of around 0.5, see Figure EQ4.1). Intergenerational earnings mobility is lower in countries with wider income inequality and (to a lesser extent) in those with higher economic returns to education (Corak, 2006).

Educational achievement is an important mechanism for intergenerational mobility. Table EQ4.2 shows the gaps between the mean mathematics score of students aged 15 with different family characteristics, relative to those from a different parental background (point differences in scores can be translated in difference in achievement; OECD, 2004). Among the factors shaping students’ competencies, parental education seems by

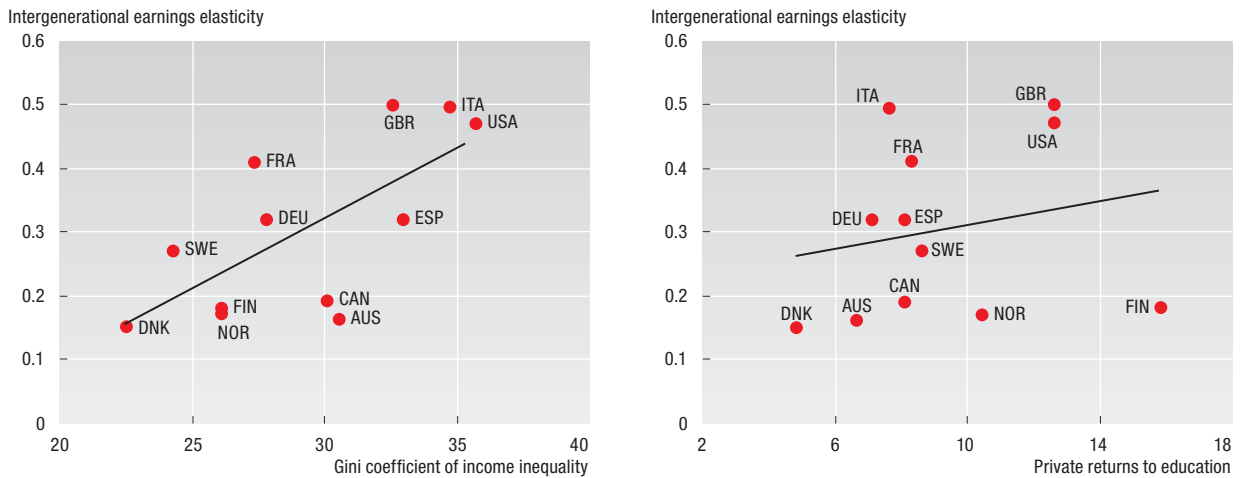
far the most important. Students whose parents (either fathers or mothers) have a low educational attainment have, on average, mathematics scores equivalent to around one and a half year less than those with highly educated parents (and above two years of education in Hungary, the Czech and Slovak Republics). For students with medium-educated parents, the gap in mathematics scores is lower (around half a year difference for both fathers and mothers) with some exceptions (e.g. Italy and Mexico). Students from single-parent households show lower competencies (varying from more than one grade-year in Belgium and the United States and almost no difference in Austria, the Czech and Slovak Republics) while students born in a different country from the one where they attend school and from first-generation immigrants also record lower performance (with a gap equivalent to more than one grade-year, on average, relative to natives). Students whose parents speak a different language at home also experience worse performance, particularly in Belgium and Germany. The achievement gap of students whose parents belong to the bottom quarter of the PISA index of social, economic and cultural status (an index that summarizes the parental background) relative to those in the top quarter corresponds, on average, to two and a half grade-years (ranging between three years or more in Hungary and Belgium and less than two years in Iceland, Finland and Canada).

Status indicators: Material deprivation (EQ1), Employment (SS1), Students’ performance (SS7), Health inequalities (HE6).

Response indicators: Public social spending (EQ5).

EQ4.1. Lower intergenerational earnings mobility earnings in countries with wider income-inequality and higher returns to education

Intergenerational earnings elasticity, income inequality and returns to education in selected OECD countries



Source: Data on intergenerational earnings elasticity are based on the meta-analysis carried out by Corak (2006) for most countries. Those for Spain, Australia and Italy are from D'Addio (2006). Data on private returns of education are from OECD, *Education at a Glance*, various years; those on the Gini coefficient on income inequality are from previous issues of *Society at a Glance – OECD Social Indicators*.

EQ4.2. Students with less educated parents perform worse

Point differences in students' test scores in maths relative to other students

	Father's education High relative to:		Mother's education High relative to:		Couples relative to:	Country of origin Natives relative to:		Language spoken at home The same language relative to:	Economic social and cultural index Top quarter relative to:
	Low	Medium	Low	Medium	Single parents	First generation	Non-natives	Different language	Bottom quarter
Australia	-47	-35	-39	-29	-27	-5	-2	-12	-93
Austria	-46	-7	-53	-12	-3	-56	-63	-57	-94
Belgium	-62	-28	-67	-32	-42	-92	-109	-95	-133
Canada	-41	-23	-45	-21	-20	6	-7	-13	-74
Czech Rep.	-111	-62	-103	-54	-5	..	..	..	-107
Denmark	-63	-41	-61	-25	-26	-70	-65	-43	-101
Finland	-34	-21	-36	-17	-9	..	..	..	-71
France	-50	-19	-55	-17	-18	-48	-72	-66	-105
Germany	-96	-30	-88	-21	-10	-93	-71	-90	-120
Greece	-48	-16	-58	-21	-19	..	-47	-48	-96
Hungary	-120	-64	-115	-58	-16	..	..	..	-127
Iceland	-38	-20	-38	-22	-8	..	..	..	-61
Ireland	-49	-24	-49	-19	-33	..	..	..	-86
Italy	-39	3	-44	-1	-15	..	..	..	-90
Japan	-66	-34	-57	-28	..	..	..	..	-88
Korea	-66	-31	-60	-20	-9	..	..	..	-90
Luxembourg	-61	-24	-53	-25	-19	-31	-45	-42	-102
Mexico	-48	11	-40	20	-10	..	..	..	-91
Netherlands	-46	-29	-40	-33	-31	-59	-79	-81	-99
New Zealand	-67	-32	-61	-13	-22	-32	-5	-16	-105
Norway	-40	-23	-53	-27	-22	..	-61	-45	-89
Poland	-86	-55	-95	-54	-13	..	..	..	-95
Portugal	-31	11	-41	-2	-10	-30	..	..	-95
Slovak Rep.	-127	-62	-125	-49	-4	..	..	..	-116
Spain	-47	-27	-43	-25	-12	..	..	..	-85
Sweden	-31	-2	-48	-3	-29	-34	-92	-65	-91
Switzerland	-60	-9	-56	2	-16	-59	-89	-79	-103
Turkey	-98	-50	-108	-35	-5	..	..	..	-116
United States	-74	-35	-76	-29	-43	-22	-36	-46	-109
OECD-29	-62	-27	-62	-23	-18	-45	-56	-53	-98

Note: Each column shows the difference with respect to the average score in mathematics reported by students in each country. The last row shows the unweighted OECD average, computed giving the same weight to each country (rather than weighted averages shown in OECD, 2004).

Source: Calculation based on OECD (2004), *Learning for Tomorrow's World: First Results from PISA 2003*, Paris (www.pisa.oecd.org).

StatLink: <http://dx.doi.org/10.1787/618651183876>

Further reading ■ Blanden, J., P. Gregg and S. Machin (2005), *Intergenerational Mobility in Europe and North America*, Sutton Trust.
 ■ Corak, M. (2006), "Do Poor Children Become Poor Adults?", IZA Discussion Paper, No. 1993. ■ D'Addio, A.C. (2007), "Mobility or Immobility across Generations? A review of the evidence for OECD countries", OECD Social, Employment and Migration Working Paper, forthcoming, Paris. ■ Solon, G. (2002), "Cross-Country Differences in Intergenerational Earnings Mobility", *Journal of Economic Perspectives*, Vol. 16, No. 3.

Definition and measurement

Social support to individuals and households in need is provided by a range of people and institutions (relatives and friends, public and private entities) through a variety of means. In developed market economies, much of this support takes the form of social expenditures, which comprises both financial support (through cash benefits and tax advantages) and “in-kind” provision of goods and services. To be included in social spending, benefits have to address one or more contingencies, such as low income, old age, unemployment and disability. Programmes regulating the provision of social benefits involve either redistribution of resources across households or compulsory participation.

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

In 2003, gross public social expenditure represented 21% of GDP on average across OECD countries (Figure EQ5.1), with cash benefits twice as large as in-kind services. Cross country differences in spending levels are wide, ranging from 6% of GDP in Mexico and Korea to more than 30% in Sweden.

The three largest categories of public social spending are pensions (which include spending on old age and survivors, 7% of GDP on average), health (6%) and income transfers to the working-age population (5%). Within the latter category, public spending targeted to families with children and to persons with disabilities each represented nearly 2% of GDP. Spending on old-age and survivor pensions accounts for more than 12% of GDP in Austria, France, Greece, Italy and Poland, and less than 4% in Australia, Iceland, Ireland, Korea, Mexico and Turkey. 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 extensive.

Changes over time in gross public social spending-to-GDP ratios are also significant (Figure EQ5.2). Since 1980, gross public social expenditure has increased from about 16% to 21% of GDP in 2003, on average, across 27 OECD countries.

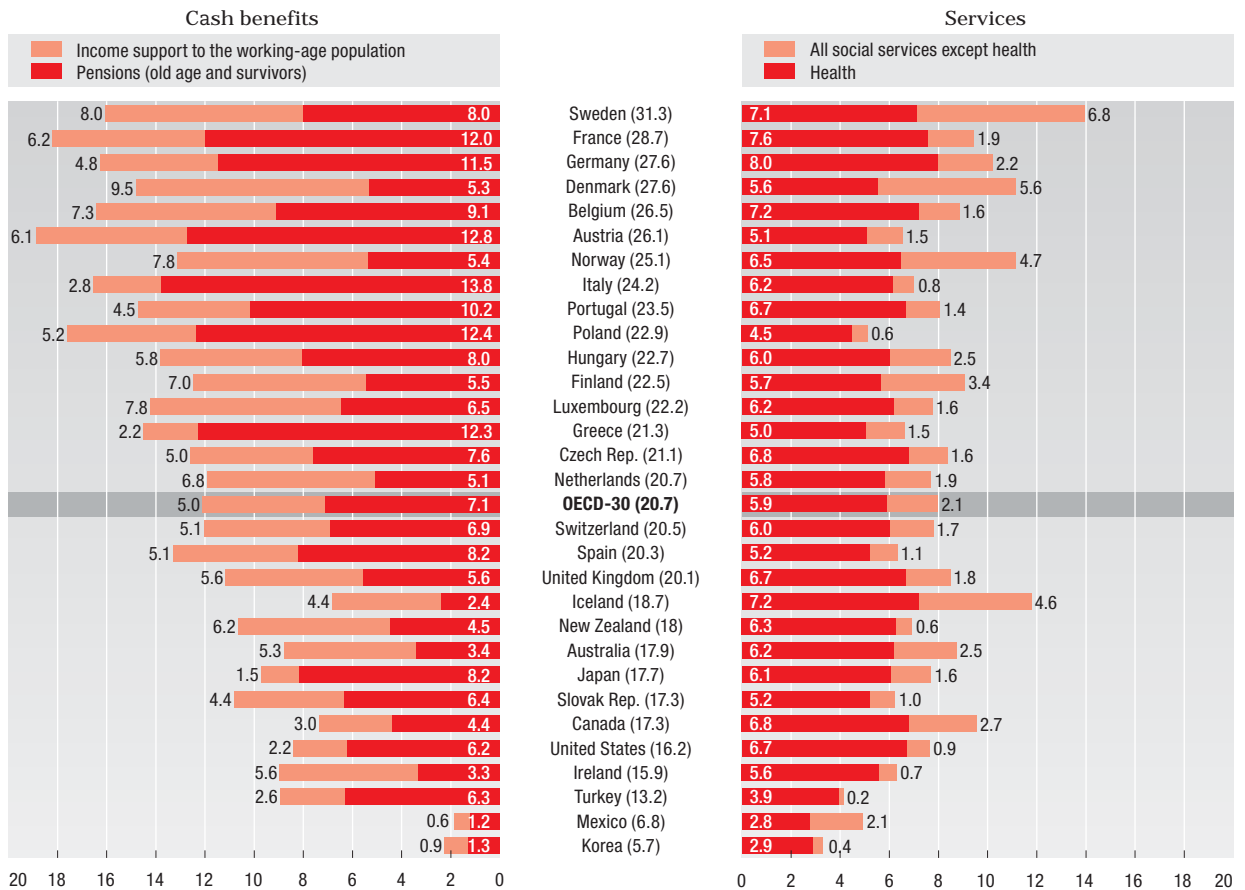
Experiences differ across OECD countries, but on average public social spending-to-GDP ratios increased most significantly in the early 1980s, early 1990s and again in the beginning of this millennium, when the average public spending to GDP increased by 1% of GDP from 2000 to 2003. In between these decennial turning points spending-to-GDP ratios changed little; during the 1980s the average OECD public social spending-to-GDP ratio oscillated just below 20% of GDP while during the 1990s it trended downwards after the economic downturn in the early 1990s, but nevertheless remained above 20% of GDP. In most OECD countries, spending-to-GDP ratios in 2003 were well above 1980s levels, except for the Benelux countries, and the Netherlands in particular, where during the 1990s persistent economic growth, tightening of generosity of, and inflow into, disability benefits, and the privatisation of sick-pay led to a decline in the public social spending-to-GDP ratio by 4% of GDP.

Status indicators: Material deprivation (EQ1), Poverty persistence (EQ7), Unemployment (SS2).

Response indicators: Total social spending (EQ6), Out-of-work benefits (SS6), Total health care expenditure (HE2).

EQ5.1. On average, public social spending accounts for one-fifth of GDP across OECD countries

Gross public social expenditure by broad policy area, in percentage of GDP, 2003¹

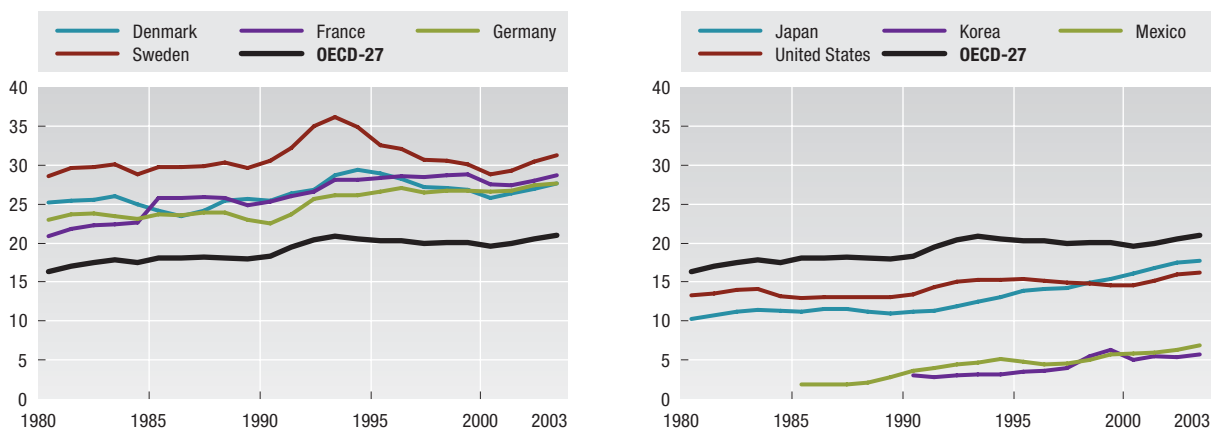


1. 1999 instead of 2003 for Turkey.

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

EQ5.2. The ratio of public social spending to GDP has been rising again since 2000

Public social spending for selected countries, 1980-2003, in percentage of GDP



Note: Information for 1980 to 2003 is available for 22 countries, while information for the Czech Republic, Iceland, Korea, Mexico, and Poland is available for 1990 onwards. OECD-27 refers to an unweighted average of OECD countries, not including Hungary (data from 1999 onwards), the Slovak Republic (data from 1995 onwards) and Turkey (no data since 2000).

Source: OECD (2006), *Social Expenditure Database 1980-2003*, Paris (www.oecd.org/els/social/expenditure).

StatLink: <http://dx.doi.org/10.1787/634461464361>

Further reading ■ Adema, W. and M. Ladaique (2005), "Net Social Expenditure, 2005 Edition – More comprehensive measures of social support", OECD Social, Employment and Migration Working Paper, No. 29, Paris (www.oecd.org/els/workingpapers).

Definition and measurement

A comprehensive account of the total amount of resources that each OECD country devotes to social support has to account for both public and private social expenditures, and the extent to which the tax system alters the effective amount of support provided. To capture the effect of the tax system on “gross” (i.e. 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 lay claim.

Measuring the impact of the tax system on social expenditure often requires estimates derived from microdata 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 lower 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 EQ6.1 illustrates the effect of tax payments and tax expenditures on gross social spending by governments in selected OECD countries in 2003. Three features stand out. First, the “clawback” of gross social spending through direct taxation of benefit income is highest in Denmark and Sweden, where almost 15% 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 EQ6.1 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. As a result, across the 24 OECD countries shown in Table EQ6.1, net public spending for social purposes in 2003 was around 3 points lower than the corresponding gross flows. 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 approximately equal).

On average, across 24 OECD countries in 2003, total net social expenditure accounted for a little more than 23% of GDP, ranging from more than 30% in France, Germany and Sweden, to less than 10% in Korea and Mexico. 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 (Figure EQ6.2). 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: Material deprivation (EQ1), Poverty persistence (EQ7), Unemployment (SS2).

Response indicators: Public social spending (EQ5), Out-of-work benefits (SS6), Total health care expenditure (HE2).

EQ6.1. From gross to net public social spending

Percentage of GDP at factor costs, in 2003

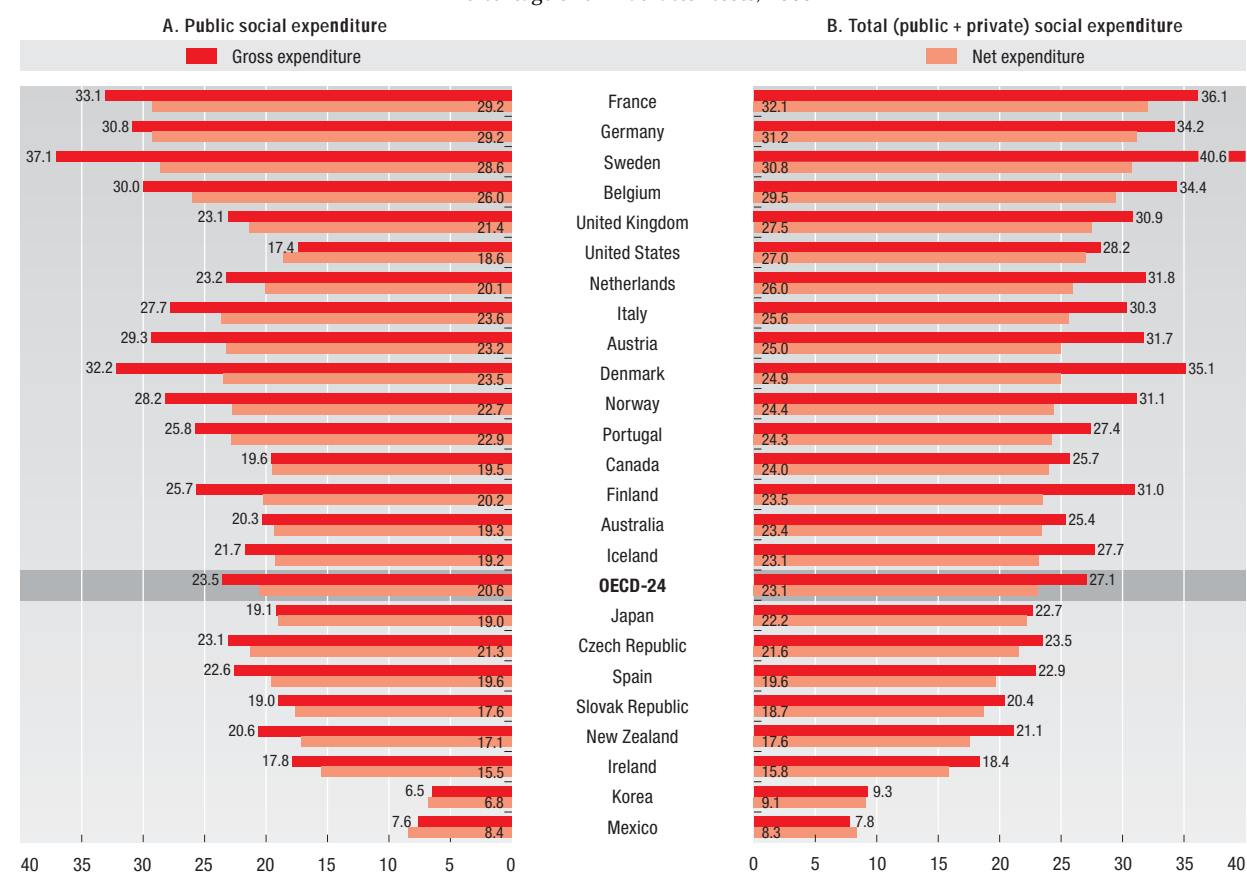
	Australia	Austria	Belgium	Canada	Czech Republic	Denmark	Finland	France	Germany	Iceland	Ireland	Italy	Japan	Korea	Mexico	Netherlands	New Zealand	Norway	Portugal	Slovak Republic	Spain	Sweden	United Kingdom	United States	OECD-24
Gross public social expenditure	20.3	29.3	30.0	19.6	23.1	32.2	25.7	33.1	30.8	21.7	17.8	27.7	19.1	6.5	7.6	23.2	20.6	28.2	25.8	19.0	22.6	37.1	23.1	17.4	23.4
- Direct taxes and social contributions on benefit income	0.2	2.9	1.8	0.4	0.0	4.8	2.5	1.5	1.3	0.8	0.3	2.0	0.3	0.0	-	1.8	1.6	2.4	0.7	-	1.3	5.0	0.2	0.7	1.5
- Indirect taxes on goods and services consumed by benefit recipients	1.0	3.2	2.7	1.0	2.3	3.9	3.0	3.3	2.5	1.7	2.4	2.4	0.7	0.4	0.2	2.2	2.0	3.2	3.2	2.0	2.1	3.4	2.0	0.4	2.1
+ Tax breaks towards non-pension social policy spending	0.2	0.0	0.5	1.3	0.5	0.0	-	1.0	2.1	-	0.4	0.3	0.8	0.6	1.0	0.8	0.1	0.1	1.0	0.6	0.4	-	0.5	2.3	0.7
= Net public social expenditure	19.3	23.2	26.0	19.5	21.3	23.5	20.2	29.2	29.2	19.2	15.5	23.6	19.0	6.8	8.4	20.1	17.1	22.7	22.9	17.6	19.6	28.6	21.4	18.6	20.5
Memorandum item																									
Tax breaks towards pensions	2.0	0.1	0.2	1.9	0.1	..	0.2	0.0	0.9	1.2	2.2	0.0	0.7	..	0.1	..	..	0.8	0.1	0.0	0.3	0.0	1.1	1.3	..

.. : Data not available.

- Zero.

EQ6.2. From public to total social expenditure

Percentage of GDP at factor costs, 2003



Note: Countries are ranked in decreasing order of total net social spending; since adjustments are required for indirect taxation, net social spending is related to GDP at factor costs rather than to GDP at market prices.

Source: OECD (2006), Social Expenditure Database 1980-2003, Paris (www.oecd.org/els/social/expenditure).

StatLink: <http://dx.doi.org/10.1787/535736620712>

Further reading ■ Adema, W. (2001), "Net Social Expenditure, 2nd Edition", OECD Labour Market and Social Policy Occasional Paper, No. 52, Paris (www.oecd.org/els/workingpapers). ■ OECD (2006), Social Expenditure Database, 1980-2003, Paris. (www.oecd.org/els/social/expenditure). ■ Adema, W. and M. Ladaique (2005), "Net Social Expenditure, 2005 Edition - More comprehensive measures of social support", OECD Social, Employment and Migration Working Paper, No. 29, Paris (www.oecd.org/els/workingpapers).

Definition and measurement

Poverty persistence can be measured by looking at those individuals whose income is below a fixed threshold (usually a proportion of median disposable income) over a three-year period. This measure is computed on the basis of special tabulations from surveys that follow individuals over time. A number of different definitions of persistent poverty are possible. One is to measure the share of individuals who are always poor over the three years (i.e. “the persistent poor”). Others include how many people are poor in two out of the three years (“recurrent poor”) and how many are poor only once over this period (“poor only once”). The income concept used is that of yearly disposable income (i.e. after transfers and payments of income taxes and social security contributions) of households, where each person is attributed the “equivalised” income of the household where he or she lives, based on a commonly used factor to adjust for differences in household size (the squared root elasticity).

Data refer to 1999-2001 for European countries, based on the *European Community Household Panel (ECHP)*; to 2001-2003 for the United States, based on data from the *Survey of Income and Program Participation (SIPP)*; to 2001-2003 for Canada, based on data from the *Cross National Equivalent File of the Survey of Labor and Income Dynamics (SLID)*; and to 2002-2004 for Australia, based on the survey *Household Income and Labour Dynamic in Australia (HILDA)*.

The most commonly used measure of relative-income poverty (the “headcount ratio”, which is most often computed from data that provide only a snapshot of the situation at a given time) does not measure whether low income is experienced over a long or short spell. Most people can cope with a short period of low income, while longer periods can lead to material hardship and exclusion. Table EQ7.1 – which is based on surveys that follow the same individual or household over time – shows the relation between different measures of poverty.

For a threshold set at half of median income, the “average” poverty headcount ratio prevailing over a three-year period was around 10% among the 17 OECD countries considered in Table EQ7.1, ranging between 6% or less in the Netherlands, Denmark and Germany and 14% or more in Australia, Ireland, the United States and Greece. For a threshold set at 40% of the median, the OECD-average poverty rate falls to 5%, while it exceeds 16% when using a threshold of 60% of the median. On this measure, country rankings are little affected by the specific threshold used, i.e. those countries that top the poverty league based on one threshold also record high values based on the others.

This “headcount ratio” provides, however, only a partial view of poverty as many individuals may experience temporary spells of poverty while some may be in that condition over prolonged periods of time or repeatedly for many years (Burkhauser, 2001; OECD, 2006). Based on an income threshold set at half of the median – the one most commonly used in OECD analysis – on average around 83% of all

respondents was never poor in any of the three years, i.e. 17% was poor at least once over that period. Among the latter, those who had been poor in only one of the three years represent the largest category (7.7% of all individuals) while around 5% of the population had been continuously poor over this period. A marginally smaller share of people (4%, on average) was poor in two of the three years considered. Differences across countries in the prevalence of persistent poverty are as large as in the case of the average poverty rates. Indeed, as suggested by Figure EQ7.2, OECD countries where the simple “headcount ratio” poverty is higher also record a greater prevalence of both persistent and recurrent poverty.

Children and older people appear to face not only a higher risk of being poor in any given year relative to people of working age based on the “headcount ratio” but also a higher probability that that poverty will last over time. Based on a half-of-median income threshold, the “persistent poor” represent, on average, around 40% of those who have low income at any moment in time among people aged 25 to 64, but close to 50% for children and more than 60% among the elderly. Women living alone also face a higher probability of persistent poverty compared to men with an “always poor” rate above 10% in around half of all countries.

Status indicators: Material deprivation (EQ1).

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

EQ7.1. Close to 5% of individuals are persistently poor over a three-year period

Duration of the poverty spell over three years in selected OECD countries

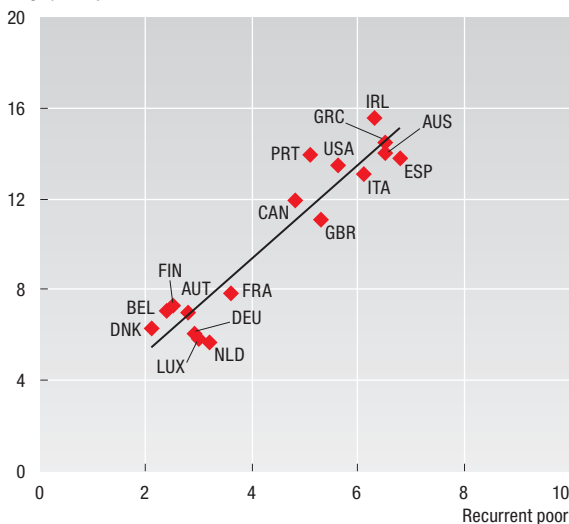
	Duration of the poverty spell over a three-year period, for different income thresholds											
	40% of median income				50% of median income				60% of median income			
	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor	Average of poverty rates over the three years	Poor only once	Recurrent poor	Persistent poor
Australia	6.2	9.0	2.5	1.6	14.0	10.5	6.5	6.5	20.8	11.5	8.1	11.8
Austria	3.6	4.7	1.3	1.2	7.1	6.7	2.8	2.9	13.0	9.1	4.8	6.6
Belgium	3.0	4.5	1.2	0.7	6.7	7.2	2.4	2.6	13.7	10.3	5.4	6.5
Canada	6.9	5.9	3.4	3.0	11.8	7.4	4.8	6.6	18.7	8.3	6.9	11.8
Denmark	2.4	4.4	0.9	0.2	5.7	7.3	2.1	1.7	11.0	9.4	4.2	4.8
Finland	2.9	3.2	1.1	0.9	6.8	5.9	2.5	2.8	12.9	5.9	5.9	6.5
France	3.6	4.7	1.9	0.7	7.9	7.6	3.6	2.8	14.9	9.4	6.4	7.2
Germany	3.3	3.8	1.5	0.9	6.1	5.6	2.9	2.3	11.0	7.2	4.3	5.7
Greece	9.1	7.8	4.5	3.5	14.6	9.7	6.5	7.1	21.4	11.6	8.2	12.1
Ireland	6.9	7.3	3.6	1.9	15.0	7.9	6.3	8.1	22.2	9.6	9.4	12.6
Italy	7.9	7.2	4.3	2.6	12.6	8.3	6.1	5.6	19.6	10.1	8.5	10.3
Luxembourg	1.7	3.2	0.8	0.2	5.9	4.4	3.0	2.6	13.0	6.0	5.0	7.9
Netherlands	2.9	4.8	1.5	0.4	5.2	5.7	3.2	1.3	9.6	8.4	5.1	3.7
Portugal	7.6	6.9	2.6	3.5	13.5	8.4	5.1	7.1	20.4	10.8	6.5	12.3
Spain	7.3	9.8	3.1	1.9	13.9	11.1	6.8	5.5	20.9	12.6	8.8	10.4
United Kingdom	6.5	8.4	3.0	1.6	11.9	9.4	5.3	5.1	19.2	10.9	7.9	10.1
United States	8.7	6.5	3.5	3.6	13.9	8.6	5.6	7.2	20.9	10.6	7.3	12.4
OECD-17	5.3	6.0	2.4	1.7	10.0	7.7	4.4	4.6	16.8	9.5	6.6	9.0

Note: Data refer to three years in the early 2000s. Relative income poverty is based on equivalised household disposable income. All measures are based on the set of individuals present in each of the three-year period.

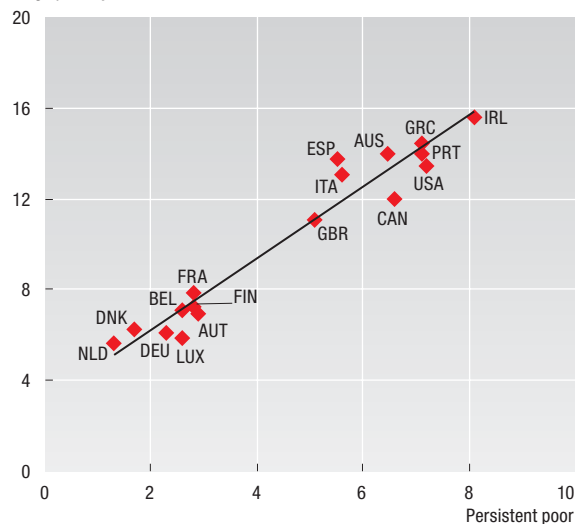
EQ7.2. Persistent and recurrent poverty are higher in countries with a higher poverty rate

Poverty threshold set at 50% of median income

Average poverty rates



Average poverty rates



Source: Computations are based on the ECHP for European countries and on SLID for Canada (CNEF remote access). Estimates for the United States and Australia, based on SIPP and HILDA respectively, are provided courtesy of John Iceland (University of Maryland) and Bruce Headey (University of Melbourne).

StatLink: <http://dx.doi.org/10.1787/317368241530>

Further reading ■ Burkhauser, R. (2001), "What Policymakers Need to Know about Poverty Dynamics", *Journal of Policy Analysis and Management*. ■ OECD (2006), "Social Implications of Policies Aimed at Raising Employment", Chapter 5 in *OECD Employment Outlook*, Paris.

Definition and measurement

Housing costs are critical determinants of the living conditions of individuals and households. The main indicator of housing costs used below is the share of household income that is devoted to housing, based on data from the annual national accounts of OECD countries. Housing expenditures of households, as defined in national accounts, include actual and imputed rents (the rent-equivalent that home owners would pay for a house with similar characteristics to the one they own), spending on housing maintenance and repairs, as well as the costs for water, electricity, gas and other fuels. They exclude the interest and repayments on loans for home purchases as inclusion of these alongside imputed rents would amount to double counting. Imputed rents are a better measure of “true” housing costs, as some part of mortgage repayments should really be seen as household savings. Because of the long delays in data collection and dissemination, national account data on housing costs presented here only extend to 2003 for most countries.

Information on housing costs is also available through household income and expenditure surveys. The advantage of survey data is that they allow analysis of housing costs by different characteristics of households and individuals. The disadvantage is that the range of items included varies across countries (according to whether these costs include public rent subsidies, the cost of utilities and mortgage payments). This section presents information on the ratio of rental costs to income for people at different points in the distribution of (equivalised) disposable income. Computations are based on micro-records from the Luxembourg Income Study and national surveys (France and Canada), as well as from published summary tables for the United States (based on similar but not fully comparable definitions). Apart from differences in definitions, cross-country comparability of these survey data is also affected by different sampling and non-sampling errors.

Concerns about housing affordability have become more important following the sharp rises in home prices and rents recently recorded in most OECD countries. Housing is the largest component of both the expenditures and assets of households. As a consequence, higher housing prices can both strain the budget of those households that do not own their main residence and increase households’ wealth and financial well-being for those that do. On average, across the 15 countries included in Figure EQ8.1, the importance of housing costs as a share of household disposable income has increased moderately since 1995, from close to 20% in 1995 to more than 21% in 2003. The increase extended to 2005 in the United Kingdom, and to 2004 in France and Germany. Most of this rise appears however to reflect higher rents imputed to home owners, while actual rents paid by households increased only marginally (from 4.1 to 4.3% of household disposable income, on average) from 1995 to 2003.

House-price inflation will affect the living conditions of households differently depending on whether they are home owners or renters, and whether they rent in the private sector or in public housing. Patterns of home ownership vary largely across OECD countries. The share of the housing stock occupied by owners is above 60% in Mexico, the Slovak Republic, Greece, France, Finland, Norway and the United States but below 40% in Germany (Figure EQ8.2). Social housing is very important in Canada but also in France, Finland, Denmark and

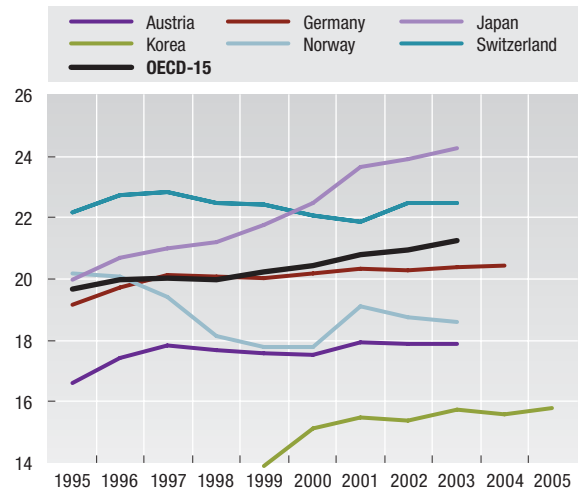
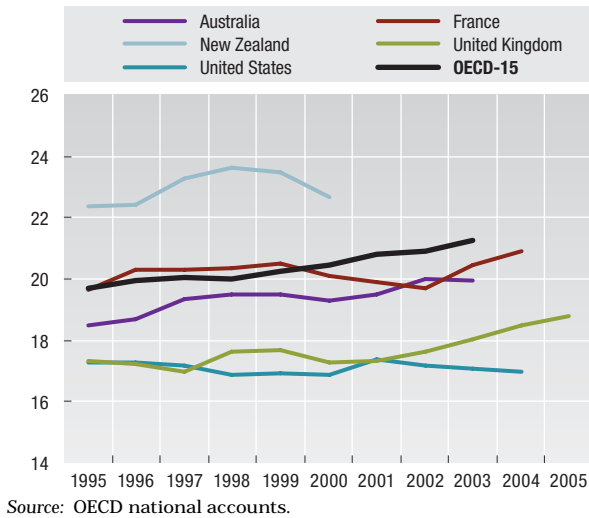
Poland. While the provision of social housing, rented at below market prices, implies a subsidy to households, this subsidy often does not benefit the poorest households society: in France, for example, 80% of social housing units are occupied by households that are not income poor, while less than 1/3 of the income poor live in a social housing unit.

Rental costs weigh more heavily on households with low income. On average, across the 16 OECD countries shown in Figure EQ8.3, rental costs in the early 2000s accounted for more than 30% of the income of households in the bottom quintile of the distribution, as compared to 22% and 16% for those at the middle and the top. When these costs exceed a given level of household income, housing becomes unaffordable (ICCRSS, 2001). Some OECD countries use specific measures of housing affordability: in Canada, around 35% of households devoted 30% or more of their pre-tax income to housing in 2001, well above the level recorded ten years earlier but below that of 1996; in Australia, 8.8% of households were classified in 2004 as living in “housing stress” (i.e. belonging to the lowest 40% of the income range and paying for housing more than 30% of their income).

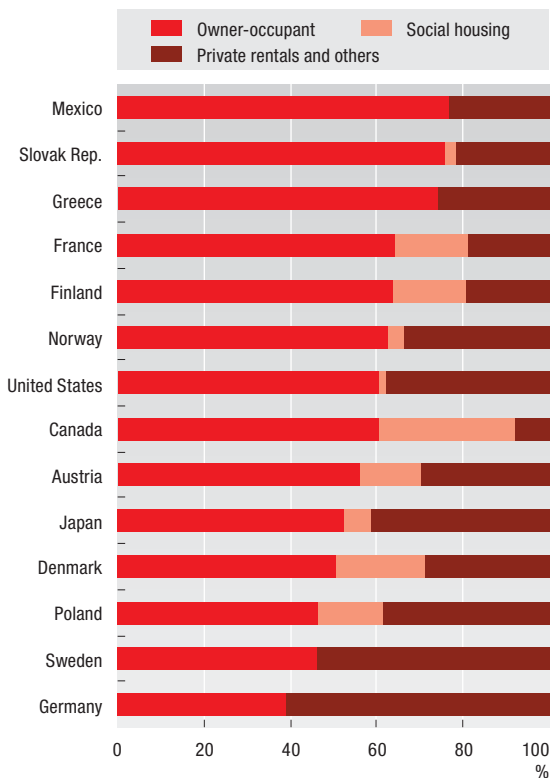
Status indicators: Material deprivation (EQ1), Earnings inequality (EQ2), Poverty persistence (EQ7).

Response indicators: Public social spending (EQ5).

EQ8.1. Rising housing costs in most OECD countries
 Spending on housing, in percentage of household disposable income, 1995-2005



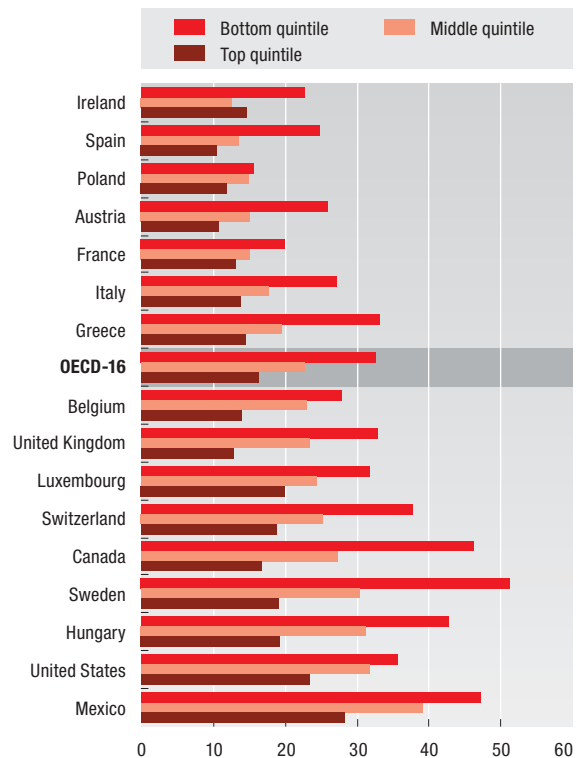
EQ8.2. Different patterns of home ownership
 Composition of the housing stock, in percentage



Source: Data collected by the OECD Public Governance and Territorial Development Directorate in the context of the project on "socially sustainable housing".

EQ8.3. Poor tenants spend a larger proportion of their income on rents than the rich

Rental costs in percentage of net disposable income among tenants by income quintile, percentage



Note: Rental costs refer to net rents paid (including utilities in some countries). Individuals are ranked by their equivalised disposable income except in the United States (where they are based on discrete levels of gross family income).

Source: Calculations based on the Luxembourg Income Study (LIS) and national data.

StatLink: <http://dx.doi.org/10.1787/562376451186>

Further reading ■ Harding, A., B. Phillips and S. Kelly (2004), *Trends in Housing Stress*, NATSEM, Canberra. ■ Interdisciplinary Centre for Comparative Research in the Social Sciences - ICCRSS (2001), *Housing Stress: An Overview of Risk Populations and Policies in the EU*, Vienna.

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 shown 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 a person entering the labour market in 2004. 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 shown here at 0.50, 0.75, 1.0, 1.5, 2.0 and 2.5 of average earnings levels, using the newly defined OECD “average worker” concept. 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).

Table EQ9.1 shows gross replacement rates from old-age pensions relative to earnings in all 30 OECD countries. Various types of pension systems can be observed. In Ireland, New Zealand, and the United Kingdom, the pension system pays a similar amount to all retirees regardless of their earnings history. This means that the replacement rate declines with earnings. These countries all have public schemes that are flat-rate (paying the same amount to all for each year of contributions or residency) or resource-tested (paying larger amounts to low-income pensioners). In contrast, Finland, Italy and the Netherlands pay very similar replacement rates across the earnings range, meaning that benefits are strongly related to previous earnings. The Polish pension system has a public and a private defined-contribution component; thus, gross replacement rates do not vary with 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 in the previous “earnings related” group of countries.

The United States’ public pension system uses a strongly redistributive formula for benefit calculation. At half-average earnings, the 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 (Figure EQ9.2). Averaging across OECD countries, net replacement rates at average earnings are 15% 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.

At average earnings, the average net replacement rate for OECD countries is 71%. There is substantial variation, with the basic pension schemes in Ireland and New Zealand paying 40% or less, while in Greece and Turkey the pension entitlements exceed pre-retirement earnings.

Status indicators: Intergenerational mobility (EQ4), Life expectancy (HE1).

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

EQ9. OLD-AGE PENSION REPLACEMENT RATES

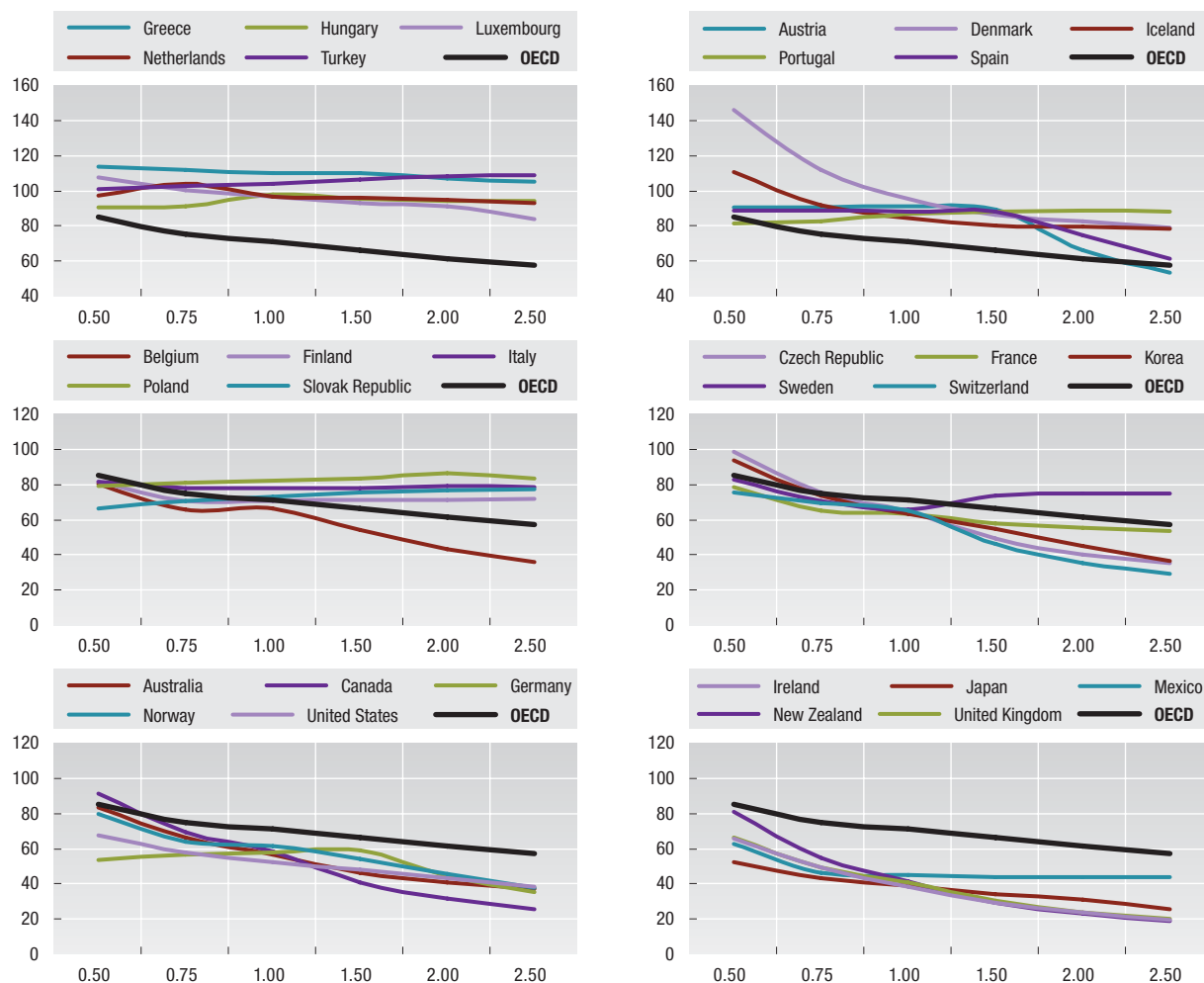
EQ9.1. More generous old-age pensions for workers with lower earnings

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

	Ratio of pre-retirement earnings						Ratio of pre-retirement earnings						
	0.5	0.75	1.0	1.5	2.0	2.5	0.5	0.75	1.0	1.5	2.0	2.5	
Australia	70.7	52.3	43.1	33.8	29.2	26.5	Korea	88.8	69.2	59.4	49.6	40.1	32.1
Austria	80.1	80.1	80.1	78.5	58.8	47.1	Luxembourg	99.8	92.1	88.3	84.5	82.5	76.2
Belgium	57.3	40.9	40.4	31.3	23.5	18.8	Mexico	52.8	37.3	35.8	34.4	33.6	33.2
Canada	75.4	54.4	43.9	29.6	22.2	17.8	Netherlands	80.6	81.5	81.9	82.4	82.6	82.7
Czech Republic	78.8	59.0	49.1	36.4	28.9	24.4	New Zealand	79.0	52.7	39.5	26.3	19.8	15.8
Denmark	121.6	92.4	77.8	63.7	59.9	57.7	Norway	60.4	54.3	51.9	42.4	34.6	27.7
Finland	71.3	63.4	63.4	63.4	63.4	63.4	Poland	61.2	61.2	61.2	61.2	61.2	57.5
France	63.8	51.2	51.2	46.9	44.7	43.4	Portugal	70.4	68.3	67.8	66.9	66.0	65.4
Germany	39.9	39.9	39.9	39.9	30.0	24.0	Slovak Republic	56.7	56.7	56.7	56.7	56.7	56.7
Greece	95.7	95.7	95.7	95.7	95.7	95.7	Spain	81.2	81.2	81.2	81.2	67.1	53.7
Hungary	73.0	73.0	73.0	73.0	73.0	73.0	Sweden	79.3	66.8	62.5	65.4	66.8	67.6
Iceland	109.9	85.8	77.5	74.4	72.9	71.9	Switzerland	62.5	62.1	58.4	40.7	30.5	24.4
Ireland	65.0	43.3	32.5	21.7	16.2	13.0	Turkey	72.5	72.5	72.5	72.5	72.5	71.7
Italy	67.9	67.9	67.9	67.9	67.9	67.9	United Kingdom	53.4	37.8	30.8	22.6	17.0	13.6
Japan	47.8	38.9	34.4	29.9	27.2	21.8	United States	55.2	45.8	41.2	36.5	32.1	28.2
							OECD	74.5	62.5	58.0	52.4	47.6	44.4

EQ9.2. At average earnings, the net replacement rate for OECD countries is 71%

Net replacement rates by earnings level, mandatory pension programmes, in percentage of selected pre-retirement net earnings, men



Source: OECD (2007, forthcoming), *Pensions at a Glance: Public Policies across OECD Countries*, Paris (www.oecd.org/els/social/ageing/PAG).

StatLink: <http://dx.doi.org/10.1787/041567813082>

Further reading ■ OECD (2000), *Reforms for an Ageing Society*, Paris. ■ OECD (2001), *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries*, Paris. ■ Whitehouse, E. (2004), "The Value of Pension Entitlements: A Model of Nine OECD Countries", OECD Social, Employment and Migration Working Paper, Paris (www.oecd.org/els/workingpapers).



HEALTH INDICATORS

HE1. LIFE EXPECTANCY

HE2. HEALTH CARE EXPENDITURE

HE3. LOW BIRTH WEIGHT

HE4. SICK-RELATED ABSENCES FROM WORK

HE5. LONG-TERM CARE RECIPIENTS

HE6. HEALTH INEQUALITIES

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 at age 65, 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.

Life expectancy at birth has increased remarkably in OECD countries over the last four decades, reflecting sharp reductions in mortality rates at all ages. On average, across OECD countries, life expectancy at birth increased by 10.1 years since 1960 for women, to a level of 81.1 years in 2004, and by 9.4 years for men, to a level of 75.4 years (Figure HE1.1). In 2004, life expectancy at birth among women was highest in Japan (85.6 years), followed by France, Spain, Switzerland and Australia; for men, life expectancy was highest in Iceland (79.2 years) followed by Japan, Switzerland, Sweden and Australia.

The increase in life expectancy at birth in the OECD area was accompanied by a large reduction in cross-country differences, reflecting rapid catching-up relative to the country with the best performance. In Turkey, life expectancy at birth for women and men combined increased by 23 years between 1960 and 2004, while in Mexico the gain exceeded 17 years. For both countries, these gains in life expectancy mainly reflected a significant reduction in infant mortality rates.

Although rapid progress in life expectancy during the catch-up period is typically followed by a slower rise, there is little evidence that this rise in approaching a ceiling: gains in life expectancy at birth for Japanese women halved after the period of catching-up, but has since continued at a rate of around 3% per year.

Since gains in life expectancy at birth since 1960 were slightly greater for women than for men, the

gender gap in life expectancy widened slightly on average, from 5.0 years in 1960 to 5.7 years in 2004. However, this hides different trends between earlier and later decades. While the gender gap in life expectancy increased substantially in many countries during the 1960s and 1970s (to a peak of 6.7 years, on average, in 1980), it narrowed during the past 25 years in several OECD countries. This narrowing reflects, in part, the lower differences in the prevalence of risk-factor behaviours (e.g. smoking) between men and women and lower mortality rates from cardiovascular disease among men.

Life expectancy at older ages has also increased substantially in recent decades, thanks to improved access to health services and medical progress, especially in the treatment of cardiovascular diseases. In 2004, on average, women aged 65 could expect to live an additional 19.5 years, up by 4.5 years since 1960; men of the same age could expect to live 16 more years, with a gain of 3.3 years since 1960 (Figure HE1.2). As for life expectancy at birth, gender gaps in longevity in old age have narrowed in several OECD countries since the mid-1980s, and this trend is projected to continue in the future.

Status indicators: Health inequalities (HE6).

Response indicators: Health care expenditure (HE2), Long-term care recipients (HE5).

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

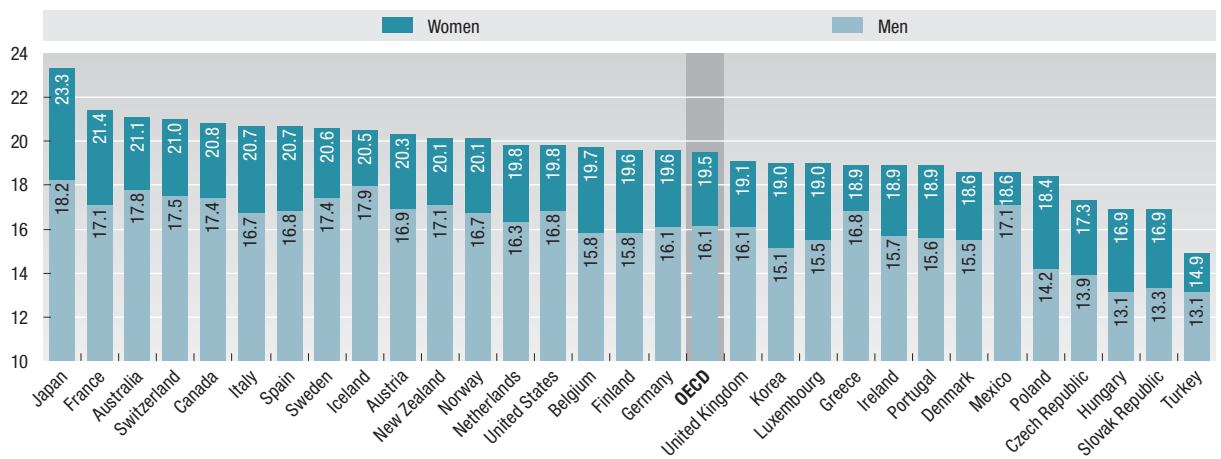
Life expectancy at birth, in years, men and women, in 1960 and 2004¹



1. 2003 for Belgium, Canada, Ireland, Italy, Korea, Luxembourg, Portugal, the United Kingdom and the United States.

HE1.2. Longer life expectancy among women also in old age

Life expectancies at 65, in years, men and women, in 2004¹



1. 2003 for Canada, the Czech Republic, Denmark, Germany, Greece, Ireland, Korea, Luxembourg, Norway, Portugal, the Slovak Republic, Switzerland and the United States; 2002 for Belgium, Finland, France, Spain and the United Kingdom; 2001 for Italy.

Source: OECD (2006), OECD Health Data 2006, CD-Rom, Paris (www.oecd.org/health/healthdata).

StatLink: <http://dx.doi.org/10.1787/000064274156>

Further reading ■ OECD (2004), *Towards High-Performing Health Systems*, Paris. ■ OECD (2005), *Health at a Glance – OECD Indicators 2005*, Paris.

Definition and measurement

Total expenditure on health measures the final consumption of health care goods and services (*i.e.* current health expenditure) plus capital investment in health care infrastructure. It includes spending by both public and private sources (including households) on medical goods and services, as well as expenditures of public health and prevention programmes and administration. Excluded are a number of health-related expenditure such as training, research and environmental health. The two major components of total current health expenditure are: expenditure on personal health care and expenditure on collective services.

To compare the overall level of consumption of health goods and services across countries at a given point in time, health expenditure per capita is converted to a common currency (USD) and adjusted to take account of the different purchasing power of the national currencies in each country. Economy-wide (GDP) purchasing power parities (PPPs) are used as the most available and reliable conversion rates.

In 2004, OECD countries devoted, on average, 8.9% of their GDP to health spending. This proportion varies considerably across countries, ranging from 15.3% in the United States to less than 6% in the Slovak Republic and Korea (Figure HE2.1). Following the United States, in terms of highest health spending as a percentage of GDP, were Switzerland and Germany which spent 11.6% and 10.9% of their GDP on health, respectively. In 2004, eight countries devoted more than 10% of their GDP to health care, whereas in 1997 there were only three. Public spending on health accounted for more than 8% of GDP in Germany, France, Iceland and Norway, but for only about 3% in Korea and Mexico.

The public sector still pays the bulk of health costs in all OECD countries apart from the United States and Mexico. On average in OECD countries, 73% of health spending was publicly funded in 2004. This average public share has been quite stable over time though there have been significant changes in a number of countries. Also, with a few exceptions, the share of public health expenditure in the total has converged among OECD countries since the early 1990s. Many countries with a relatively high share of public health expenditure in 1990, such as Poland, Hungary and the Czech Republic, have recorded decreases. On the other hand, several countries with a low public share in 1990 have seen this share increase over time (*e.g.* Korea, the United States, Mexico and Switzerland). In Korea, the share of public health spending increased from 38% in 1990 to just over half of health spending in 2004.

The changes over time in the ratio of health expenditure to GDP reflect the combined effect of the trends in GDP and health expenditure. Nearly all OECD countries have experienced a rise in the proportion of economic production devoted to health over the period from 1990 to 2004 due to faster growth in health expenditure than in the economy as a whole. On average, across OECD countries, the health expenditure-to-GDP ratio has increased from 7.0% to 8.9%. In particular, Norway, Iceland and the United

States experienced a high increase, as health expenditure grew more than two times faster than GDP in these countries. In Finland and Italy, however, the share of health expenditure in GDP increased only slightly.

Figure HE2.2 highlight a positive association between net national income (NNI) per capita and health expenditure per capita across OECD countries. While countries with higher NNI per capita spend a larger proportion of their NNI on health, there is wide variation across countries, as NNI is not the only factor. The association is also stronger for lower-income countries than among those with higher NNI per capita. Among countries with a NNI per capita of 25 000 USD PPP and above, there are substantial differences in health expenditure at a given level of NNI. For instance, Germany spends around a third more on health than both Italy and Japan, despite similar levels of NNI per capita.

Figure HE2.3 shows the relationship between life expectancy at birth and health expenditure per capita across OECD countries. Higher health spending per capita is generally associated with higher life expectancy at birth, although the relation is less pronounced in countries with higher health spending per capita. Again, Japan and Spain stand out for their relatively high life expectancies, given their level of health spending, and the United States, Hungary and Turkey for their relatively low life expectancies. These simple correlations are, of course, only suggestive: variations in NNI per capita may influence both life expectancy and health expenditure per capita; also, many other factors, beyond national income and health spending, need to be taken into account to explain variations in life expectancy across countries.

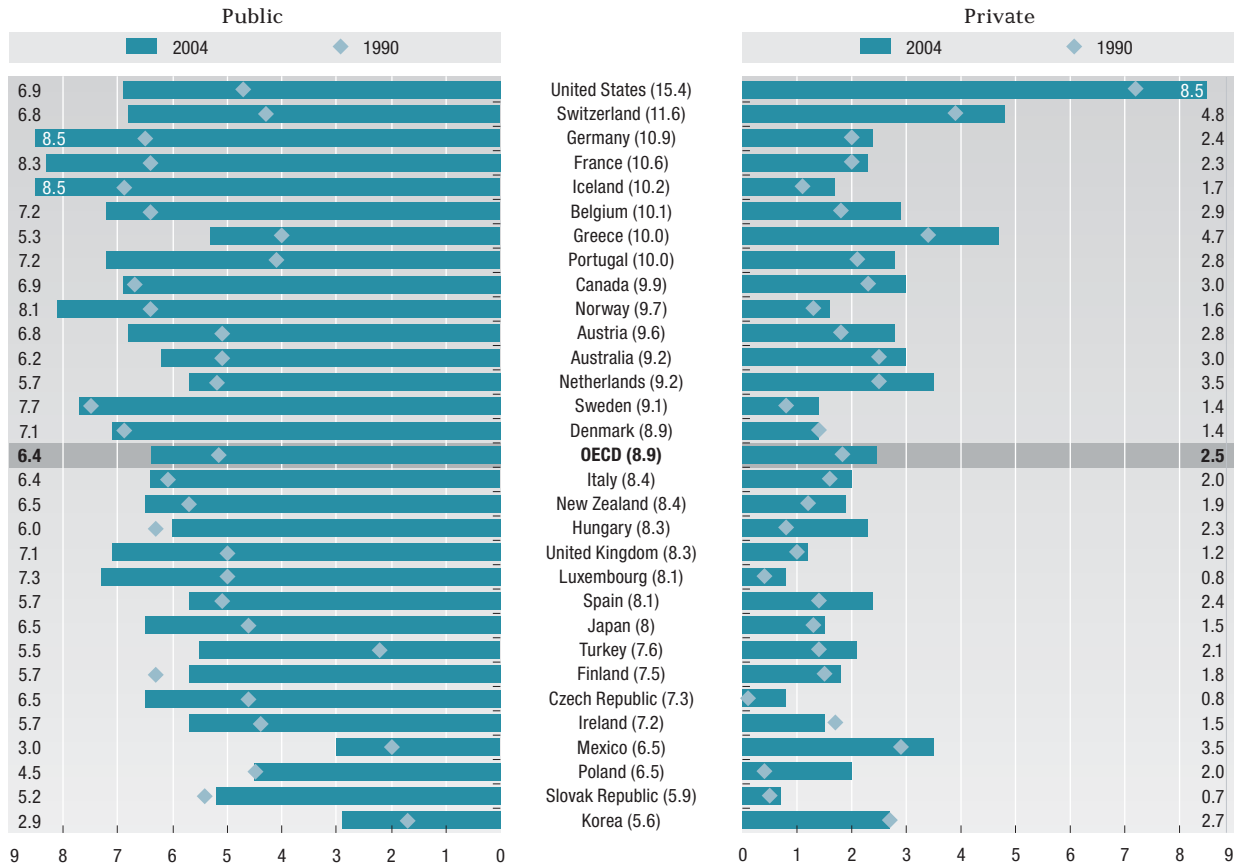
Status indicators: Life expectancy (HE1).

Response indicators: Long-term care expenditure (HE5), Public social spending (EQ5).

HE2. HEALTH CARE EXPENDITURE

HE2.1. More spending on public and private health since 1990

Public and private spending of health, in percentage of GDP, in 2004¹ (blue bars) and 1990² (diamond markers)

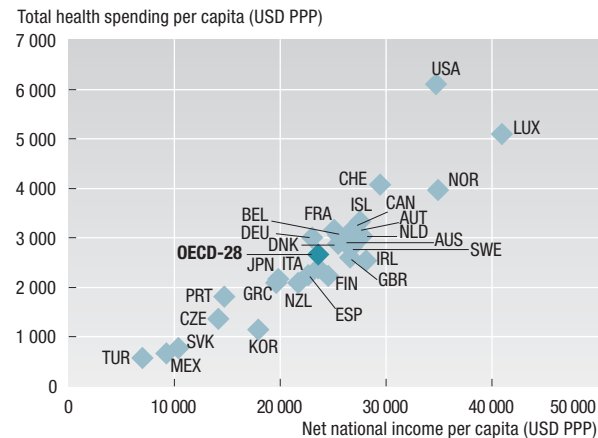


Note: Countries are ranked by decreasing order of total health spending in 2004 (values in brackets in central column).

- 2003 in Australia, Belgium, Germany, Japan and the Slovak Republic; current expenditure for Denmark.
- 1991 in Hungary; 1995 in Belgium; 1997 in the Slovak Republic.

HE2.2. Health care expenditure and national income per capita in 2004

Per capita for NNI and total health expenditure, 2004,¹ USD PPP

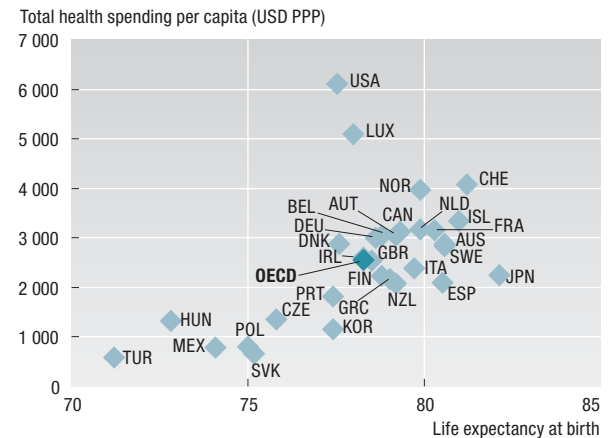


1. 2003 for Australia, Belgium, Germany, Japan and the Slovak Republic.

Source: OECD (2006), OECD Health Data 2006, Paris (www.oecd.org/health/healthdata).

HE2.3. Variation across OECD countries between health spending and health outcome

Health care spending per capita and life expectancy at birth, 2004



StatLink: <http://dx.doi.org/10.1787/708368548062>

Further reading ■ OECD (2004), *Towards High-Performing Health Systems*, Paris. ■ OECD (2005), *Health at a Glance – OECD Indicators 2005*, Paris.

Definition and measurement

Low birth weight is defined by the World Health Organisation (WHO) as the weight of an infant at birth of less than 2 500 grams (5.5 pounds) irrespective of the gestational age of the infant. This cut-off figure is based on epidemiological observations regarding the increased risk of death to the infant and serves for international comparative health statistics. The number of low birth weight births is then expressed as a percentage of total live births. The majority of the data comes from birth registers; however, in the case of the Netherlands the source is a national health interview survey.

This section also present data on infant mortality rates, i.e. the number of deaths of children under one year of age in a given year, 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 fetal deaths); countries where very premature babies with relatively low odds of survival are registered as live births (e.g. the United States, Canada and the Nordic countries) this increases mortality rates compared with other countries.

Low birth weight is an important indicator of infant health because of the relationship between birth weight and infant mortality and morbidity. There are two categories of low birth weight babies: those resulting from pre-term birth and those as a result of inhibited foetal growth or intra uterine growth retardation. Low birth weight infants have a greater risk of poor health or death, require a longer period of hospitalisation after birth, and are more likely to develop significant disabilities (UNICEF and WHO, 2004). Possible determinants of low birth weight include the socio-economic status of parents, demographic factors (maternal age, multiple fertility, etc), individual behavioural (e.g. smoking and alcohol consumption) as well as the level of pre-natal care.

In 2004 (or the latest year available), Iceland, Finland, Korea and Sweden reported the smallest proportions of low weight births among OECD countries, with 4.5% or less of live births defined as low birth weight. Japan, Hungary and Greece are at the other end of the scale, with rates of low birth weight infants above 8% (Figure HE3.1). Turkey, the United States and the United Kingdom are close behind with nearly 8% of all live births reported as low birth weight infants. These figures compare with an overall OECD average of 6.5%.

Since 1980 the prevalence of low birth weight infants has increased in several OECD countries (Figures HE3.2 and HE3.3). This increase reflects a number of reasons. First, the number of multiple births (which imply an increased risk of pre-term births and low birth weight) has risen steadily, partly as a result of the increase in fertility treatments. Second, women are increasing delaying childbearing until their thirties or later, which again implies an increase of the risk of low birth weight infants. Third, new medical technology and improved pre-

natal care are giving very small foetuses an increased chance of being born alive.

Figure HE3.4 shows a positive correlation between the percentage of low birth weight infants and infant mortality rates. In general, countries reporting a low proportion of low birth weight infants also report relatively low infant mortality rates. This is the case, for instance, for the Nordic countries. Japan, however, is an exception, reporting the highest proportion of low birth weight infants but one of the lowest infant mortality rates. Japan, historically amongst the group of countries with a low proportion of low birth weight, has recorded the greatest increase in this proportion, rising from around 5% of newborns in the late 1970s to over 9% by 2003. A number of factors have been cited as contributing to this increase. One of them is the rising prevalence in smoking among younger Japanese women since the 1970s; another is the significant trend towards later motherhood amongst Japanese women (Jeong and Hurst, 2001). On the other hand, it has been suggested that Japanese medical care for newborns has been particularly successful in reducing infant mortality, despite the increase in low birth weight babies.

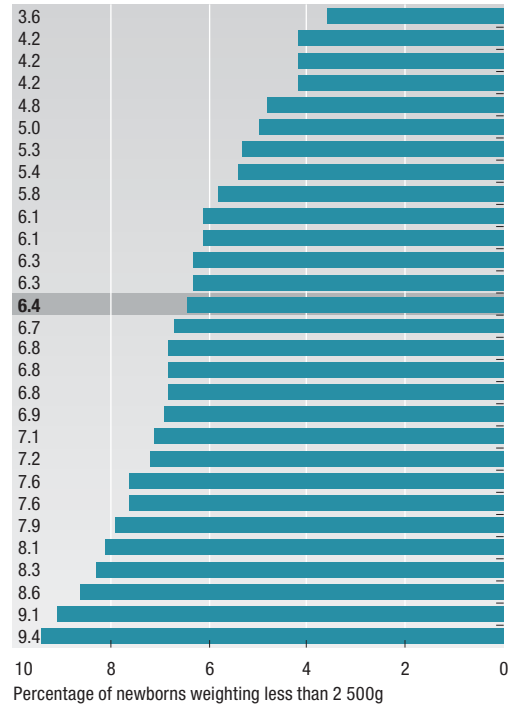
Comparisons of different population groups within countries suggest that the proportion of low birth weight infants is also influenced by differences in education, income and ethnicity. In the United States, black infants have a rate almost double that of white infants; similar differences have been observed among the indigenous and non-indigenous populations in Australia and Mexico.

Status indicators: Life expectancy (HE1).

Response indicators: Health care expenditure (HE2).

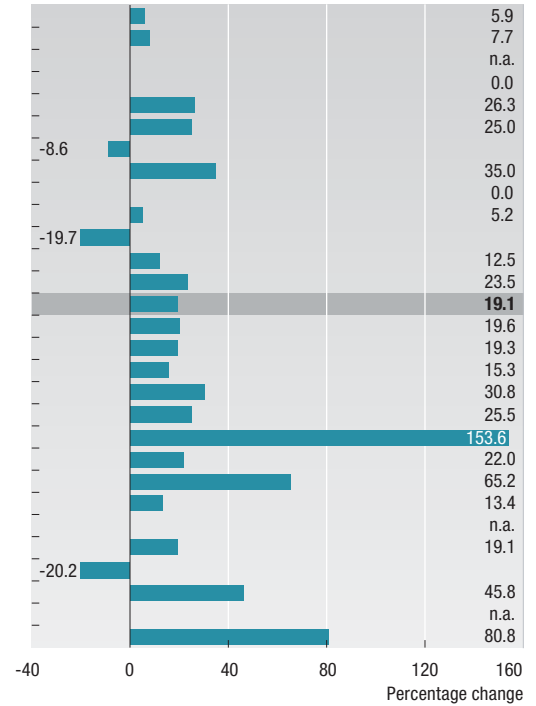
HE3.1. Up to 1 in 10 newborns weigh less than 2.5 kg

Numbers of low birth weight infants per 1 000 live births, 2004

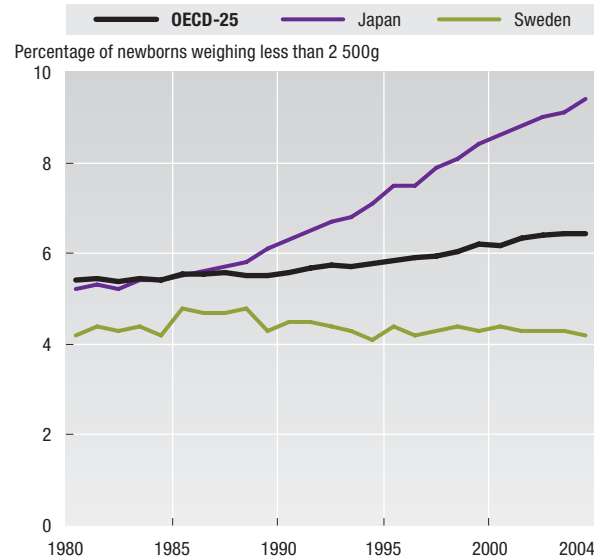


1. 2003.
2. 2002.

HE3.2. Increase in the numbers of low birth weight infants, 1980 to 2004

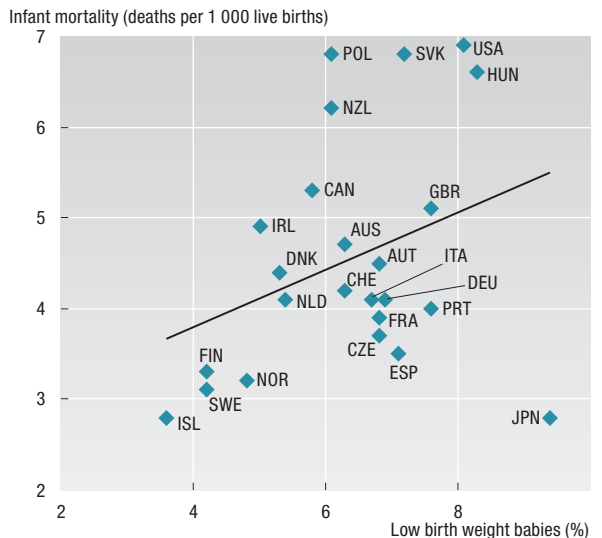


HE3.3. Trends in low birth weight infants, 1980-2004



Source: OECD (2006), OECD Health Data 2006, CD-ROM, Paris (www.oecd.org/health/healthdata).

HE3.4. Low birth weight and infant mortality, 2004



StatLink: <http://dx.doi.org/10.1787/128205010012>

Further reading ■ Jeong, H.S. and J. Hurst (2001), "An Assessment of the Performance of the Japanese Health Care System", OECD Labour Market and Social Policy Occasional Paper, No. 56, Paris. ■ OECD (2004), *Towards High-Performing Health Systems*, Paris. ■ OECD (2005), *Health at a Glance - OECD Indicators 2005*, Paris. ■ UNICEF and WHO (2004), *Low Birthweight: Country, regional and global estimates*, UNICEF, New York.

Definition and measurement

Measures of sick-related absences from work are important in several respects. They inform about the labour-supply loss (i.e. forgone output) and the expenditure pressures arising from sickness absences from work; and they provide evidence about workers' health, the extent of their job satisfaction and integration into the workplace. There is no internationally agreed definition of sickness absences nor a unique data source to be used for international comparisons. Those based on records from health insurance or company registers, while providing the main source of information for each country, are affected by different national practices in the recording of such absences. A better alternative is represented by self-reported sick absences measured through household surveys, although these may be affected by small sample sizes, differences in the frequency of surveys and in the wording of questions.

This section presents two indicators of sick-related absences from work based on labour force surveys (the European Labour Force Survey for 22 European countries and national surveys for other countries). The first indicator, for full-time employees, refers to employed people who declare themselves to be temporarily absent from their job in the reference week of the survey due to sickness. The data from European countries identify sick-related absences from work that last for both the entire week and for only part of it, while those for some non-EU countries are often limited to the first category. The indicator shown is the average number of days lost per year by each worker. The second indicator, for people classified as being out of the labour force, refers to those indicating "sickness and disability" as the main reason for their inactivity; the indicator shown is the share of the population in that condition. Labour force surveys may underreport the extent of sick-related absences from work as they only identify the "main" reason for work absences.

In 2005, the number of work days lost due to sickness by full-time employees varied from around 25 days in Sweden to less than 1 day in Greece (Figure HE4.1). Next to Sweden, full-time employees in Finland and Norway recorded 17 and 20 days of absences, while sick-related absences of five days or less were recorded in the Slovak Republic and the United States. Women are more prone to sickness absences than men (with 31 working days lost in Sweden and 5 days in the United States, Table HE4.2). Sick-related absences of less than one week lasted, on average, less than 2 days in European countries; the duration of sickness is highest in countries where full-week sick-absences are more frequent (e.g. Finland, Norway and Sweden) but also in the Netherlands and the United Kingdom (where they ranged between 3 to 6½ days). Sick-related absences from work lasting one week or more show large differences in duration across countries (with Sweden topping the list with 17 days of sick leave).

Since 1995, sick-related absences from work among full-time employees have increased markedly in Belgium, Norway and Sweden, while they have fallen in the Netherlands (from 18.8 in 1995 to 10 days in 2005) and Portugal. In general, sick leave displays strong seasonal patterns, being more frequent during winter and less so during summer. Sickness absences appear to be pro-cyclical in some countries (Belgium, Netherlands Norway and Sweden), a pattern that may reflect the greater work pressure during business-cycle picks and the shedding of absence-prone workers during troughs (Bonato and Lusinyan, 2004).

Sick-related absences from work, when of long duration, may also lead to permanent withdrawals

from the labour market. In 2005, between 5% and 8% of men aged 15 to 64 years declared that they were neither working nor looking for work because of sickness and permanent disability in Finland, Hungary, Norway, Poland, Sweden and the United Kingdom; Denmark, Iceland and the Netherlands recorded similar shares for women. The share of respondents reporting labour market inactivity because of sickness and permanent disability rises with age, with rates of 10% or more among persons aged 50 to 64 years in several countries and exceeding 20% in Poland (for both men and women) and Norway (limited to women).

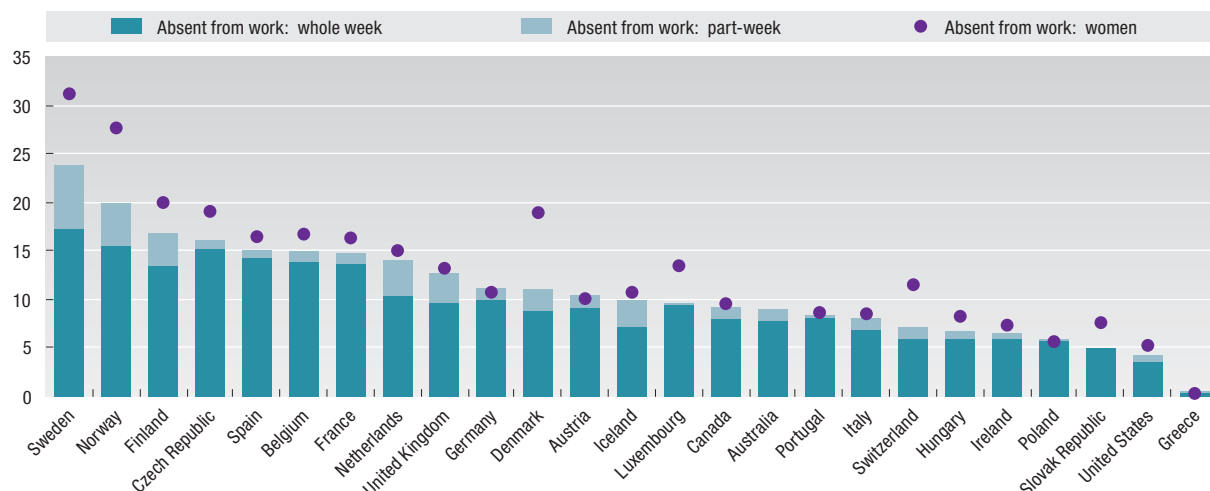
Sick-related absences from work and withdrawals from the labour market represent a burden on public finances and firms' costs, a waste of human resources, and a strain for persons affected. Cash benefits (public and private mandatory) disbursed for sick absences in 2001 (excluding disability benefit payments) accounted for around 0.8% of GDP in the OECD area, but for more than 2% in the Netherlands and Norway. Reducing these outlays is today a policy priority in several OECD countries. A system of mutual obligations between workers and insurance agencies, coupled with effective rehabilitation services, has proved effective in many countries at enabling able-bodied individuals to quickly return to work (Rae, 2005; Bonato and Lusinyan, 2004).

Status indicators: Employment (SS1), Work accidents (CO4).
Response indicators: Public social spending (EQ5), Total social spending (EQ6), Long-term care expenditure (HE5).

HE4. SICK-RELATED ABSENCES FROM WORK

HE4.1. High numbers of days lost due to sickness in Nordic countries

Selected OECD countries in 2005, full-time employees



Note: Annual average of quarterly estimates for European countries; average of monthly estimates for Canada and the United States. For Australia and Canada, part-week and full-week sick-related absences from work are estimated. For the United States, sick-related absences from work that last for less than the full week are estimated.

Source: European Labour Force Survey and Current Population Survey, 2004 National Health Survey for Australia and Monthly Labour Force Survey for Canada and the United States (CPS).

HE4.2. Sickness and disability are major causes of labour market inactivity

Selected OECD countries in 2005, share of the population in each group

	Working-age population (15-64 years)				Adult population (25 to 49 years)				Seniors (50 to 64 years)			
	Men		Women		Men		Women		Men		Women	
	All inactives	Sickness and disability	All inactives	Sickness and disability	All inactives	Sickness and disability	All inactives	Sickness and disability	All inactives	Sickness and disability	All inactives	Sickness and disability
Australia	16.9	2.6	30.9	2.9	9.0	2.3	25.4	2.4	32.9	6.5	53.8	7.4
Austria	22.9	2.2	36.5	1.8	7.4	1.7	19.2	1.6	45.7	4.1	63.6	3.0
Belgium	27.3	3.6	42.3	3.1	6.6	2.5	22.1	3.1	43.9	8.1	65.4	5.1
Czech Republic	22.4	4.5	37.9	4.4	4.2	2.9	19.8	3.3	28.3	10.1	48.4	8.6
Denmark	15.8	4.6	23.9	7.0	8.0	3.3	14.0	4.9	21.2	9.1	33.6	14.1
Finland	21.6	7.4	25.9	6.0	8.1	3.8	14.7	3.0	32.4	16.9	33.8	13.8
France	24.7	2.5	36.3	2.0	5.6	2.2	19.3	1.5	37.6	4.7	49.2	3.8
Germany	21.0	2.4	34.9	2.2	6.6	1.7	20.8	1.6	31.3	4.9	48.4	4.3
Greece	20.9	2.2	45.9	1.3	4.0	1.8	29.0	1.0	30.0	3.8	66.1	2.4
Hungary	32.9	5.4	46.4	5.5	12.5	3.9	28.8	4.2	47.1	11.7	58.4	10.6
Iceland	8.7	2.4	17.7	5.6	4.1	1.8	13.5	5.0	7.1	6.0	18.5	11.0
Ireland	20.8	3.9	42.0	2.0	6.3	3.0	30.0	1.9	25.9	9.1	56.9	3.3
Italy	24.9	2.4	49.6	3.0	7.0	1.7	33.7	2.1	41.6	4.7	69.7	5.8
Luxembourg	25.2	3.3	45.7	2.3	3.9	1.6	28.7	0.9	39.8	9.0	65.6	6.6
Netherlands	16.1	4.5	30.8	7.4	4.3	2.5	19.0	5.3	29.7	11.1	53.8	15.8
Norway	18.2	7.0	24.5	9.0	9.2	4.9	16.4	6.0	21.7	15.0	31.8	20.3
Poland	30.1	8.1	42.4	7.8	8.2	4.9	19.2	4.3	47.1	21.6	64.4	20.5
Portugal	20.9	2.8	33.3	3.3	6.5	2.6	16.6	2.1	27.4	4.4	47.1	7.5
Slovak Republic	23.5	4.9	37.0	4.1	4.8	3.7	14.5	3.5	32.1	12.3	58.1	8.8
Spain	19.8	3.9	43.4	2.7	6.9	2.9	29.1	2.0	27.9	8.7	64.5	5.8
Sweden	20.2	6.2	24.5	8.3	8.4	4.2	14.0	4.9	20.1	12.9	25.1	18.2
Switzerland	12.0	2.7	26.1	2.5	3.9	1.9	18.7	1.7	15.6	5.8	36.0	5.5
United Kingdom	18.4	6.7	31.6	6.3	7.5	4.8	22.2	4.8	25.6	13.9	42.0	12.5
United States	19.6	4.7	31.9	4.6	8.7	3.9	24.5	3.8	24.0	9.3	36.0	8.9
OECD-24	21.0	4.2	35.0	4.4	6.7	2.9	21.4	3.1	30.7	9.3	49.6	9.3

Source: European Labour Force Survey; September Labour Force Survey for Australia; and Current Population Survey for the United States.

StatLink: <http://dx.doi.org/10.1787/724847157230>

Further reading ■ Bonato, L. and L. Lusinyan L. (2004), "Work Absence in Europe", IMF Working Paper European Department, Washington D.C. ■ OECD (2004), "Clocking in (and out): several facets of working time", Chapter 1 in *OECD Employment Outlook*, Paris. ■ Rae, D. (2005), "How to Reduce Sickness Absences in Sweden: lessons from international experience", OECD Economics Department Working Paper, No. 442, Paris.

Definition and measurement

Long-term care refers to the range of services required by persons suffering from a reduced degree of functional capacity, physical or cognitive, and who are dependent on help with basic activities of daily living, such as bathing, dressing, eating, getting in and out of bed or chair, moving around and using the bathroom. This personal care is frequently provided in combination with help with basic medical services such as help with wound dressing, pain management, medication, health monitoring, prevention, rehabilitation or services of palliative care.

Long-term care can be provided either at home or in different types of institutions, including nursing homes and long-stay hospitals. As new forms of residential care for elderly people have emerged in many OECD countries over the past 15 years, it is becoming more difficult to rely on a simple breakdown of home care versus institutional care. At the international level, the problem is compounded by the fact that the same term may refer to institutions quite different from those designated by the same name in another country. In this section, a long-term care institution is defined as a place of collective living where care and accommodation are provided as a package. Unless otherwise stated, these institutions are both public and private. Data on home-based care only refer to services for which payment are made (i.e. services provided free-of-charge within households are excluded). In general, the data relate to people aged 65 and over, but for the Czech Republic, Hungary and the Slovak Republic they include long-term care recipients of all ages, resulting in an over-estimation compared with data reported by other countries

The provision and financing of long-term care is hugely important as population ageing takes effects and the growing participation of women in the paid labour market reduces their capacity and willingness to act as carers of other family members. In 2004 (or the latest year available), between 3% and 6% of people aged 65 and over were living in long-term care institutions in most OECD countries (Figure HE5.1). The share of the elderly people receiving long-term care in institutions ranged from less than 1% in Korea to 7.5% in Sweden.

Over the past decade, the percentage of elderly people in long-term care institutions has fallen in many countries, reflecting at least partly the preference of most elderly people to receive care at home where possible. For instance, in the Netherlands the rate of elderly people in long-term care institutions fell from 7.6% in 1995 to 5.6% in 2004, while in Sweden it fell from 8.8% in 1995 to 7.5% in 2004. In the United States, the development of alternatives to care provision in institutions, such as new types of residential facilities for elderly people with only mild disability, has led also to a reduction in institutionalisation rates over the past ten years but this has meant that residents of long-term care institutions are now older and more disabled than in the past. Conversely, the share of elderly people living in long-term care institutions has increased over the past decade in Austria and Germany, as well as Luxembourg and Japan (between 2000 and 2004). In these countries, this increase has coincided with the introduction of a

long-term care insurance programme, which reduced the cost of long-term care borne directly by individuals (in 1993 in Austria, in 1995 in Germany, in 1998 in Luxembourg, and in 2000 in Japan).

In order to allow people more choice over care decisions, and to support care provided at home, a number of countries have introduced programmes which offer allowances to persons with long-term care needs who live in their own homes. The design of these programmes varies across countries. Two broad types of programmes can be distinguished. A first category refers to payments to the person needing care who can spend it as they like to acquire appropriate care. The second category refers to income support provided to informal caregivers. Reflecting the current policy priority to support (where possible) the maintenance of elderly disabled people in their homes, the share of people aged 65 receiving some type of formal (paid) home-based care has increased, over the past decade, in Denmark, Norway and Sweden and, over the past five to ten years, in Austria, Japan and Luxembourg (Figure HE5.2). In most OECD countries now, between 5% and 10% of elderly people receive some type of formal long-term care at home.

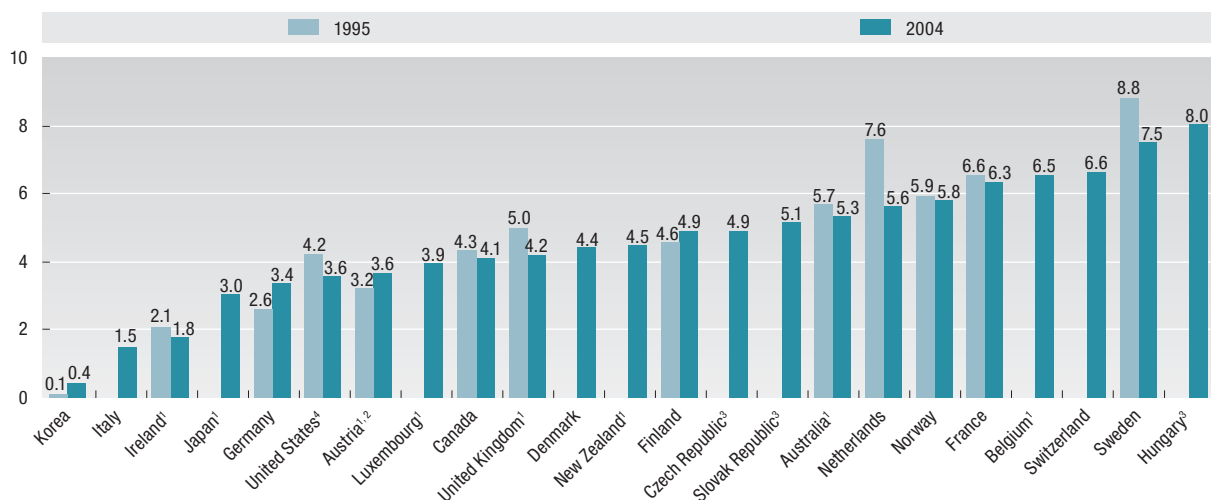
Status indicators: Life expectancy (HE1).

Response indicators: Public social spending (EQ5), Total social spending (EQ6), Long-term care expenditure (HE5).

HE5. LONG-TERM CARE RECIPIENTS

HE5.1. A smaller proportion of elderly people are in institutions in most OECD countries

Share of people aged 65 and over living in institutions, in percentage of people aged 65 and over, 1995 and 2004

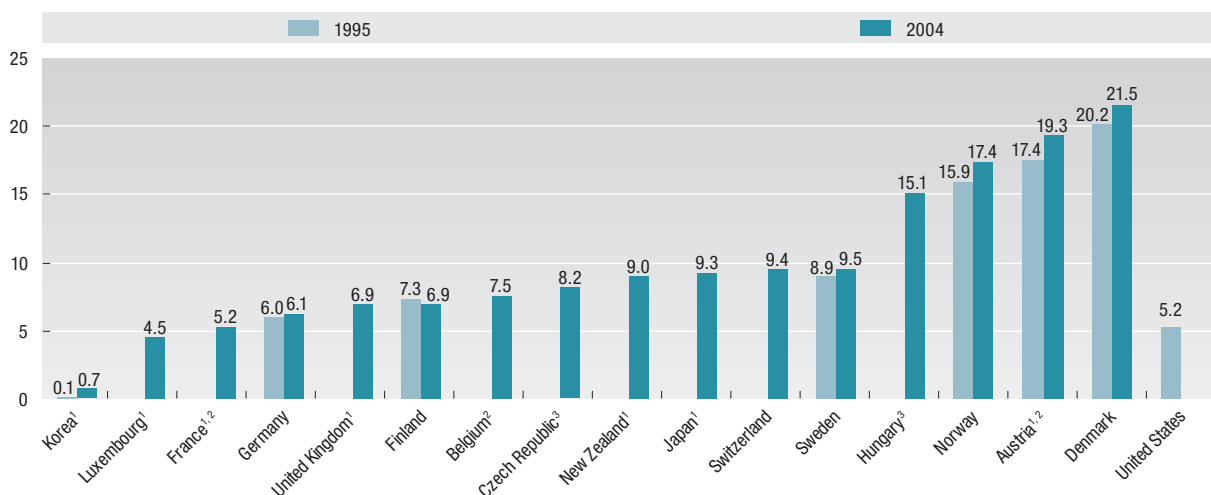


Note: Countries are ranked, from left to right, in increasing order of the share of elderly people being cared in institutions in the most recent year. Data for the earlier period refer to 1996 for Australia and Germany, 1997 for Austria and the United Kingdom, 1994 for France. Data for the later period refer to 2001 for Canada, 2003 for Austria, the Czech Republic, Finland, France, Hungary, Italy, Norway, the Slovak Republic and Switzerland.

1. Data refer only to people receiving publicly-funded long-term care in institutions.
2. Data refer to the population aged 60 years and older.
3. Data refer to the population of all ages.
4. US data for 2004 excludes people of unknown age (about 1.5% of nursing home residents in 2004).

HE5.2. More elderly people are receiving formal care in their homes

Share of home care recipients 65 years and older, in percentage of people aged 65 and over, 1995 and 2004



Note: Data for Germany refer to the year 1996, data for Austria refer to the year 1997 and data for France refer to the year 1994 (rather than 1995). Data for Austria, the Czech Republic, Finland, France, Hungary, Italy, Norway, the Slovak Republic and Switzerland refer to the year 2003 (rather than 2004).

1. Data for Austria, Ireland, Japan, Luxembourg, New Zealand, and the United Kingdom refer only to people receiving publicly-funded long-term care at home, resulting in an underestimation of the rates reported for these countries.
2. Data for long-term care recipients in Austria, Belgium and France refer to the population age 60 years and older. This results in an over estimation (given that the denominator to calculate the rates include only the population 65 and over).
3. Data on long-term care recipients at home for the Czech Republic and Hungary are available only for the population of all ages, including those under 65.

Source: OECD (2006), OECD Health Data 2006, Paris (www.oecd.org/health/healthdata).

StatLink: <http://dx.doi.org/10.1787/013105642736>

Further reading ■ Lunsgaard, J. (2005), "Consumer Direction and Choice in Long-Term Care for Older Persons", OECD Health Working Paper, No. 20, Paris. ■ OECD (2005), *Long-Term Care for Older People*, Paris.

Definition and measurement

Health inequalities can be described in different ways. Two indicators are presented in this section, and they both relate to mortality (rather than morbidity). The first is a measure of the dispersion in the ages of death – or, alternatively, in the length of life – among individuals in different OECD country, as defined by Edwards and Tuljapurkar (2005). The specific measure of dispersion in the age of death used is the standard deviation of all deaths above the age of 10. The main advantages of this indicator are its simplicity and the fact that it provides a direct measure of health inequality between individuals. This indicator is based on data from the *Human Mortality Database*, and is available as a time series for most OECD and non-OECD countries, for both the total population and by gender.

The second indicator relates to the average mortality rate among people with different characteristics. These between-group inequalities can be expressed in both absolute (the difference between life expectancy of different groups) and relative terms (the ratio of life expectancies). Most studies on health inequalities between groups rely on matched data from death registries (on the number of deaths occurring in a given period within subgroups of the population) linked with census data (on the number of persons within those subgroups). While several studies have documented such inequalities for individual countries, evidence is sparse internationally, with existing measures differing in terms of individuals' characteristics (education, income, place of residence, ethnicity), reference population (often limited to the elderly), geographical coverage (often specific cities within a country) and years. Because of these differences, the magnitude of these health inequalities cannot always be directly compared between countries. The estimates presented here are from Mackenbach (2006) and are limited to European countries.

Health inequalities are pervasive not only between countries but also within them. Figure HE6.1 plots trend in one indicator of health inequalities – the standard deviation in the age of deaths above ten (to abstract from the decline in child mortality rates that occurred in all OECD countries). Among OECD countries, this dispersion was highest in 2003 in the United States and France and lowest in the Netherlands and Sweden. Japan, which started from a level close to that of the United States in 1960, recorded large declines until the early 1990s but increases since that date (Edwards and Tuljapurkar, 2005). Conversely, Denmark, which started from low levels close to those of Sweden, recorded strong rises until 1990 and declines thereafter. Overall, the declines in this measure of health inequalities since 1960 are small when compared to the declines in earlier periods.

Cross-country differences in health inequalities at the level of individuals reflect both within- and between-group differences. People with lower education, lower income and from lower occupational classes tend to die at younger ages and to have, within their shorter life, a higher prevalence of different health problems (Mackenbach, 2006). Figure HE6.2 provides evidence of an upward “social gradient” in life expectancy at birth by skill level in England and Wales – life expectancy increases when moving from unskilled manual workers to skilled ones, from manual to non-manual workers, from lower ranked office workers to higher ranked staff. Inequalities in average life expectancy are also significant between ethnic groups, ranging between

six and a half years between Afro-American and white men in the United States (2003) and between registered Indians and non-Indians in Canada (1998) to 18 years for Aboriginal and Torres Strait Islanders compared with the non-aboriginal population in Australia (1996-2000).

In European countries, less educated people have, on average, a life expectancy around 15% lower than that of more educated people (Figure HE6.3). These inequalities are larger for men than for women, and decline as people age. There is no consistent narrowing of these health inequalities between groups over time and a widening in some European countries (Machenbach, 2006). While large, however, these between-groups inequalities explain only part of the cross-country differences in the dispersion in the age of death among individuals, suggesting that other factors – e.g. related to generics and diversity in life styles – are important (Edwards and Tuljapurkar, 2005).

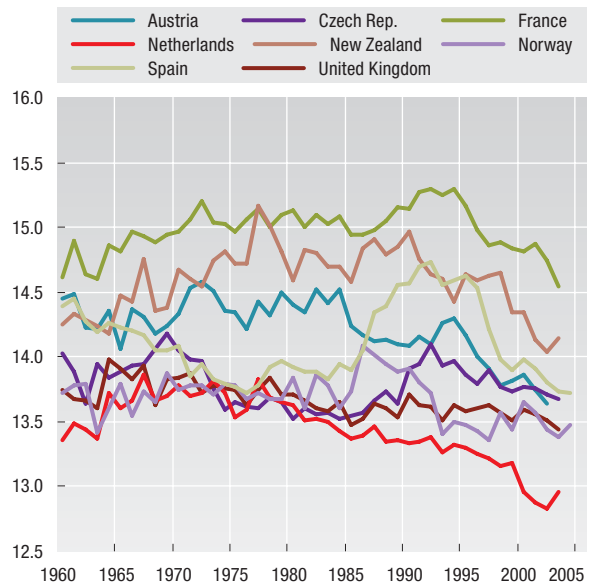
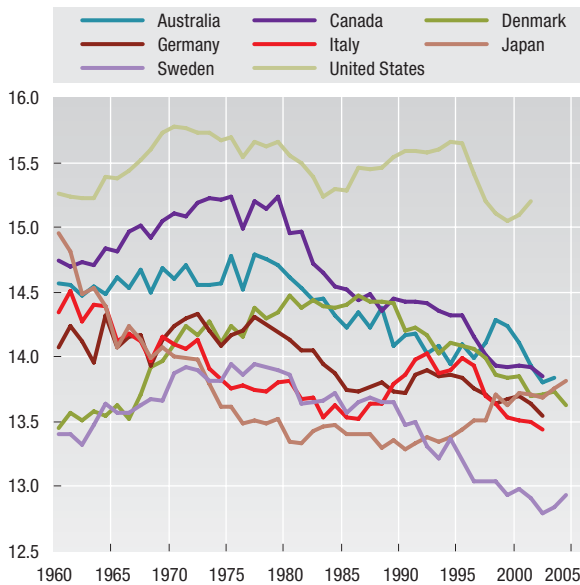
The awareness of these health differentials is reflected in the adoption by several European countries of public health strategies or other initiatives aimed to reduce them (Mackenbach and Bakker, 2003). Internationally, both the World Health Organisation and the European Union have recently established commissions on the social determinants of health.

Status indicators: Life expectancy (HE1), Mental health (HE7), Intergenerational mobility (EQ4).

Response indicators: Long-term care expenditure (HE5).

HE6.1. Dispersion in the age of death is highest in the United States and France

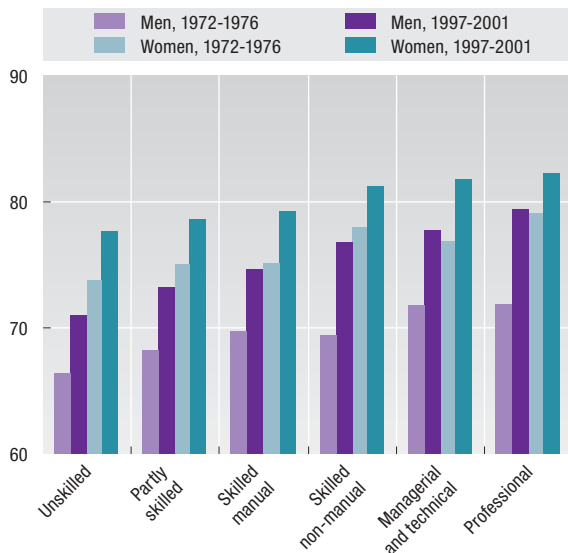
Standard deviation in the age at death above 10 for men and women combined



Source: Edwards, R.D. and S. Tuljapurkar (2005), "Inequality in Life Spans and a New Perspective on Mortality Convergence Across Industrialised Countries", *Population and Development Review*, Vol. 34, No. 4, December.

HE6.2. Upward social gradient in life expectancy by skill level

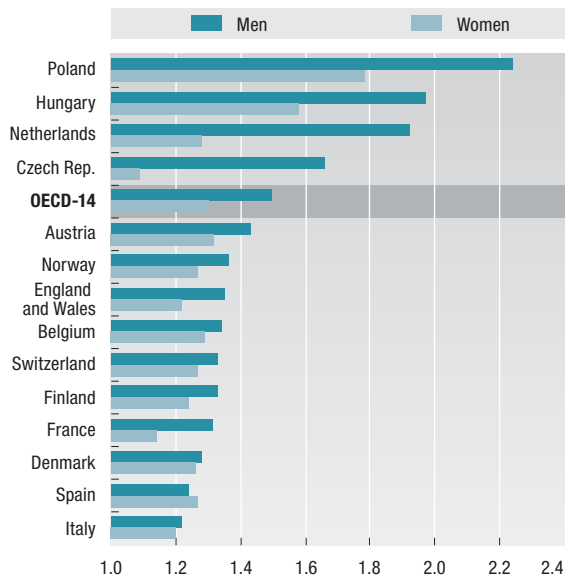
Life expectancy at birth by skill level in England and Wales



Source: National Statistics, "Trends in Life Expectancy by Social Class, 1972-2001", United Kingdom Statistical Office.

HE6.3. Higher mortality for less educated people

Ratio of the mortality rates between less and more educated people in selected European countries



Note: Countries are ranked in decreasing order of relative inequalities among men. Relative inequalities are measured by the ratio of the mortality rate in the less educated group as compared to the better educated ones. National estimates may refer to people of different ages.

Source: Mackenbach, J.P. (2006), "Health Inequalities: Europe in Profile", UK Presidency of the EU, February.

StatLink: <http://dx.doi.org/10.1787/564263058115>

Further reading ■ Edwards, R.D. and S. Tuljapurkar (2005), "Inequality in Life Spans and a New Perspective on Mortality Convergence Across Industrialised Countries", *Population and Development Review*, Vol. 34, No. 4, December. ■ Mackenbach, J.P. and M.J. Bakker (2003), "Tackling Socioeconomic Inequalities in Health: analysis of European experiences", *The Lancet*, October.



SOCIAL COHESION INDICATORS

CO1. VOTING

CO2. PRISONERS

CO3. SUICIDES

CO4. WORK ACCIDENTS

CO5. STRIKES

CO6. TRUST IN POLITICAL INSTITUTIONS

CO7. LIFE SATISFACTION

Definition and measurement

Voting is one dimension indicators of people's participation in the life of their community. The indicator used here to measure the participation of individuals to the electoral process is the "voter turnout", i.e. the number of individuals that cast a ballot during an election as a share of the voting-age population – generally the population aged 18 or more – as available from administrative records of member countries. Different types of elections occur in different countries according to their institutional structure and for different geographical jurisdictions. The elections considered here are those that attract the largest number of voters in each country: presidential elections for Finland, France, Korea, Mexico, Poland and the United States, and parliamentary and legislative elections for other OECD countries. Data about voter turnout are extracted from the international database organised by the *Institute for Democratic and Electoral Assistance (IDEA)*.

This section also presents data on the turnout of voters by selected socio-demographic characteristics. These data, based on surveys of individuals undertaken after major elections, are based on the *Comparative Study of Electoral Systems (CSES)*, an international research programme that collects comparable data on elections. Estimates of the total voter turnout from these surveys may differ from those, based on administrative data, shown in Figure CO1.1.

A high voter turnout is a sign that a country's political system enjoys a strong degree of legitimacy. While, in principle, a low voter turnout might reflect people's satisfaction in the way their country is run, it also implies that the political system of that country will reflect the will of a limited number of individuals. After having increased for many decades, voter turnout declined in most OECD countries and on average in the last decade (Figure CO1.1). Voters turnout rates vary hugely across OECD countries, with rates below 60% in Switzerland, Poland, Canada, the United States, Luxembourg, Hungary and the United Kingdom and above 80% in Spain, Denmark, Italy, Korea, Belgium and Iceland. While the compulsory character of voting may be expected to matter for voter turnout, it does not appear to explain much of the observed cross-country variation. Voting is compulsory in Australia, Austria (for presidential elections), Belgium, Greece, Luxembourg, Mexico (not enforced), (parts of) Switzerland and Turkey (not enforced), and many of these countries also record low rates of voter turnout.

The socio-demographic characteristics of individuals – age, education, income – have an important bearing on the probability that they participate in elections (Table CO1.2). On average, across OECD countries, voter turnout is slightly lower for women than for men, with larger differences in Hungary, Mexico, Belgium, Switzerland and Ireland but, conversely, higher turnout among women is observed in nine OECD countries, including the United States, the United Kingdom, Australia and France. Voter turnout tends to increase monotonically with age, with the voter turnout of young people being, on average, 20 points

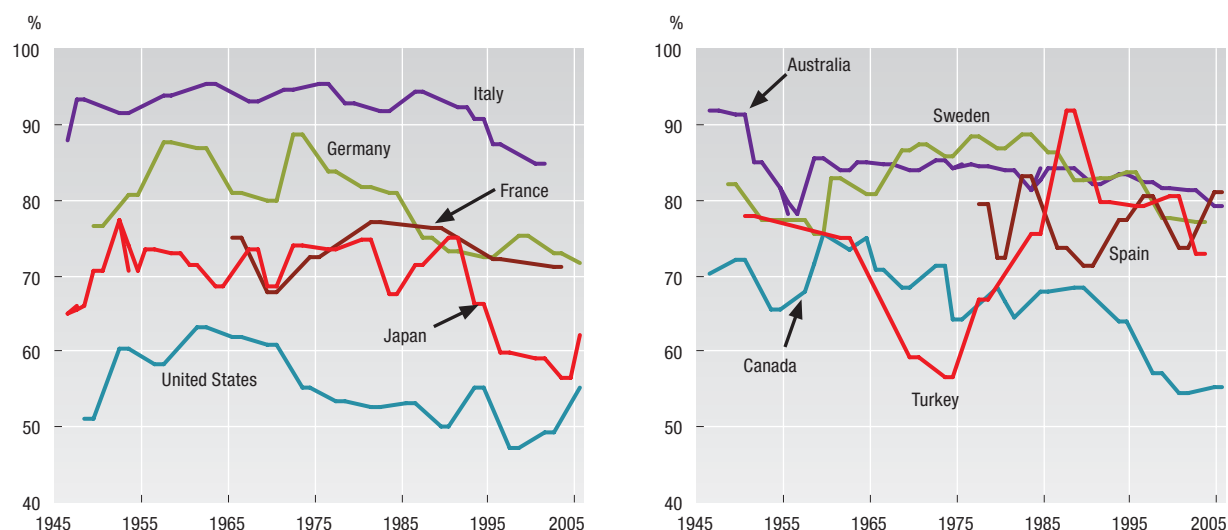
lower than that of individuals aged 65 and more. In around half of OECD countries, elderly people display the highest voter turnout among all the age groups considered. The higher participation of elderly people in national elections may also influence the political process, increasing the risk of electoral sanctions for governments introducing cuts to social programmes that disproportionately benefit the elderly.

Education is another crucial determinant of voter turnout. On average, voter turnout is 12 percentage points higher among the most educated than among the lowest educated, with larger gaps in the Czech Republic, France, Portugal and Switzerland. Relative to employed people, voter turnout is also high among the retired, while it is lower among "housewives" and, to a larger extent, students, the unemployed and people reporting some forms of disability. Finally, voter turnout increases with individuals' income, with this effect tapering off at the very top of the distribution. Overall, people in the lower quintile of the income distribution report rates of voter turnout 12% lower than those in the top, with a gap of 20% or more in Canada, Finland, Hungary, Korea, Mexico, Norway, Portugal, the United Kingdom and the United States. There are smaller differences in voter turnout between medium and high-income earners, with higher rates in the former group than in the latter in several countries.

Status indicators: Trust in political institutions (CO6), Life satisfaction (CO7).

CO1.1. Lower voter turnout in most OECD countries in the last decade

Number of individuals that cast a ballot during an election as a share of the voting-age population



Note: For some countries, voter turnout rates in the most recent elections are computed as the ratio between individuals that cast a ballot, as reported in the IDEA database and the voting age population, as estimated by the OECD.

Source: International Institute for Democracy and Electoral Assistance (IDEA), Stockholm.

CO1.2. People who are younger, less educated and with lower income are less likely to vote

Voter turnout by selected socio-economic characteristics, ratios relative to different groups

	Gender	Age			Educational attainment		Self-reported main status of respondents					Income		
		Women relative to men	Persons aged 65 and over relative to			University relative to		Employed relative to					High income relative to	
			15-24	25-50	51-64	Less than secondary	Secondary	Unemployed	Students	Retirees	Disabled	Housewives and others	Low	Medium
Australia	2004	1.03	0.99	1.02	1.02	0.97	0.95	0.99	1.01	1.00	-	0.95	0.99	1.06
Belgium	2003	0.93	0.95	1.03	1.06	0.88	0.91	1.02	0.86	0.91	0.85	0.93	0.88	1.02
Canada	2004	0.96	0.75	0.87	0.95	0.88	0.94	0.90	1.02	1.12	0.98	1.10	0.78	0.95
Czech Republic	2002	0.98	0.73	0.95	0.97	0.66	0.68	0.85	1.00	1.10	-	0.69	0.97	1.05
Finland	2004	1.02	0.92	0.98	1.01	1.00	1.02	0.85	0.93	1.02	-	0.85	0.77	0.92
France	2003	1.09	0.79	0.93	1.06	0.72	0.78	0.93	0.91	1.08	-	1.03	0.90	0.97
Germany	2002	0.99	0.86	1.04	1.05	0.88	0.95	0.92	0.87	1.02	-	1.09	0.89	0.96
Hungary	2005	0.84	0.63	0.76	0.93	0.94	0.87	0.92	0.94	1.01	-	0.75	0.80	0.86
Iceland	2002	1.02	0.77	0.99	1.07	1.05	1.07	0.83	0.95	0.97	0.92	0.95	0.93	0.93
Ireland	2002	0.93	0.86	0.94	1.09	0.78	0.91	0.96	0.80	1.10	0.97	1.06	1.08	1.13
Japan	2003	0.98	1.05	1.03	1.02	0.95	0.91	1.09	0.96	1.17	1.03	1.13	0.89	1.02
Korea	2004	0.95	0.61	0.81	0.98	0.95	1.04	0.93	0.89	1.23	-	1.09	0.80	0.86
Mexico	2004	0.95	0.60	0.86	0.91	1.02	0.89	0.88	0.88	1.09	0.79	0.91	0.79	0.84
Netherlands	2003	1.01	0.79	0.96	1.05	0.91	0.94	0.98	1.03	0.99	0.98	1.00	0.92	1.01
New Zealand	2001	1.01	0.70	0.78	0.92	0.79	0.88	0.86	0.99	1.04	0.82	0.91	1.14	1.19
Norway	2002	1.01	0.98	0.99	1.00	0.99	0.99	0.88	0.85	1.09	0.61	0.92	0.71	0.84
Poland	2002	0.96	0.82	0.90	1.00	0.89	0.88	0.70	1.04	1.25	0.79	0.73	0.92	1.05
Portugal	2001	0.94	0.66	0.72	0.94	0.61	0.83	0.88	0.76	1.12	1.11	0.99	0.77	0.95
Spain	2001	1.00	0.83	0.94	1.00	0.99	1.01	1.03	1.14	1.04	-	1.14	1.04	1.05
Sweden	2005	0.98	0.77	0.92	1.11	0.90	0.98	0.95	0.99	1.02	-	0.83	0.87	0.88
Switzerland	2003	0.92	0.62	0.75	0.86	0.68	0.89	0.81	0.97	1.18	1.10	0.90	0.91	1.05
United Kingdom	2002	1.05	0.82	0.92	1.04	0.89	0.88	0.88	0.84	1.16	-	1.01	0.80	0.87
United States	2002	1.02	0.95	0.93	0.98	0.94	0.92	0.68	0.75	1.04	0.86	1.04	0.74	0.95
OECD-23 Average		0.98	0.80	0.91	1.00	0.88	0.92	0.90	0.93	1.08	0.91	0.96	0.88	0.97

Note: Simple average across the countries listed above. Estimates of the total voter turnout from these surveys may differ from those, based on administrative data, shown in Figure CO1.1.

Source: Module 2 of the Comparative Study of Electoral Systems (CSES).

StatLink: <http://dx.doi.org/10.1787/580368180314>

Further reading ■ López Pintor, R. and M. Gratshev (2002), *Voter Turnout since 1945 – A Global Report*, International Institute for Democracy and Electoral Assistance (IDEA), Stockholm.

Definition and measurement

Crime is not only a cause of suffering to victims and their families but also a manifestation of the extreme marginalisation from mainstream society that affects some individuals. Crime also generates high costs to society in the form of imprisonment, where these costs are normally justified by reference to a combination of three societal “needs”: to inflict retribution, to deter others from behaving in a similar way, and to prevent re-offending.

The basic indicator of the size of the prison population in each country is the number of persons in prison (including pre-trial detainees and remand prisoners) per 100 000 of national population. Data on the prison population can also be broken down according to their demographic characteristics and legal status. The indicators shown here are gathered by the International Centre for Prison Studies (www.prisonstudies.org).

Over the last 15 years, most OECD countries have experienced a continuous rise in their prison population rates. On average, across the 30 OECD countries, this rate has increased from a level of 100 persons per 100 000 unit of the total population in the early 1990s to around 130 persons in the mid-2000s (Figure CO2.1). The prison population rate is highest in the United States, where more than 700 per 100 000 population were in prison in 2005: such level is three to four times higher than second highest country (Poland), and has increased rapidly over the period shown in Figure CO2.1. This increase extends to most other OECD countries. Since 1992, the prison population rate has more than doubled in the Netherlands, Mexico, Japan, the Czech Republic, Luxembourg, Spain and the United Kingdom, while it appears to have declined only in Canada, Iceland and Korea.

There are large differences across countries in the make-up of the prison population. On average, one in four prisoners is a pre-trial detainee or a remand prisoner, but these two categories account for a much higher share of the prison population in Turkey, Mexico and Luxembourg (Table CO2.2). Women and youths (aged below 18) account, on average, for 5% and 2% of the prison population – but in the case of minors this may reflect the specific forms of correction applied to them in different OECD countries (forms which may fall outside the scope of the statistics used here). A much larger share of prisoners is accounted by foreigners (close to 20% of all prisoners, on average), with this share exceeding 40% of the total in Luxembourg, Switzerland, as well as Australia, Austria, Belgium and Greece.

In several countries, the rapid rise in the prison population has stretched beyond the receptive capacity of existing institutions. Occupancy levels are above 100% in more than half of OECD countries,

and above 125% in Greece, Hungary, Italy, Spain and Mexico. Such overcrowding feeds violence and rebellion against institutions.

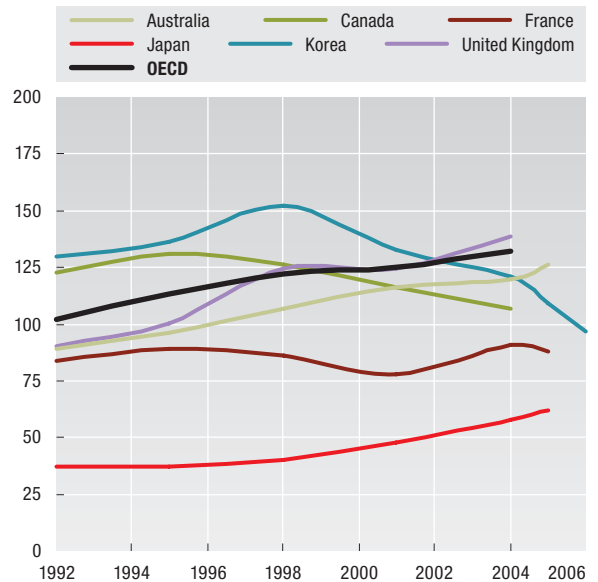
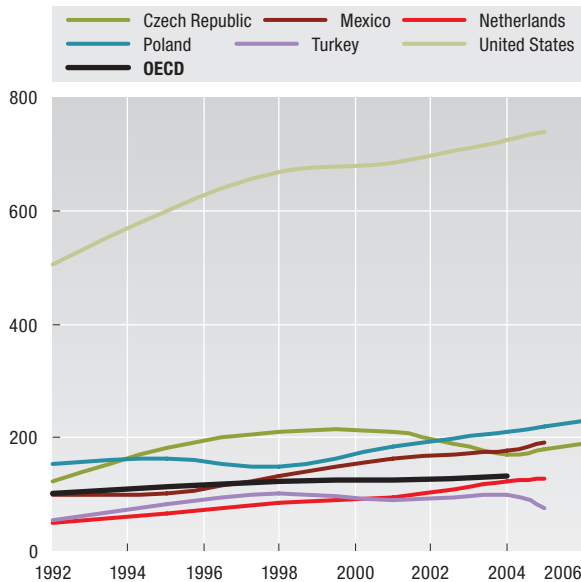
The criminal justice systems of different OECD countries typically lack statistical instruments that would allow analysis of the individual trajectories that lead some individuals to crime and prison and of the effectiveness of the penitentiary system in promoting their re-insertion. Despite this, several studies have documented the close link between incarceration, on one side, and extreme poverty and marginalisation on the other. Incarceration predominantly affects individuals with few social ties, and that have experienced family breakdown, educational failure and violent treatment. Also, incarceration appears to have (at best) limited effects in helping the social re-insertion of former detainees: in France, Kensey and Tournier (2004) report that around 3/4 of people condemned for burglary repeat that offence within five years, while in the United States national statistics show that 1/3 of all those who are released from prison (more than 630 000 individuals every year) will be arrested within three years. Because of the risk that imprisonment may amplify social exclusion, some countries have taken some (limited) steps to help the labour market re-insertion of these individuals. These steps may take the form of interventions by public employment offices to help detainees to prepare their return to the labour market or of more structured programmes (often implemented locally) that combine pre-employment training, short-term transitional employment and full-time job placement services (CEO, 2006).

Status indicators: Trust in political institutions (CO6), Life satisfaction (CO7), Unemployment (SS2).

Response indicators: Public social spending (EQ5).

CO2.1. A larger share of OECD population is in prison

Prison population rate, per 100 000 population



CO2.2. Large differences in the make-up of the prison population across OECD countries

Prison population rate and composition, and occupancy level, latest year available

		Prison population rate (per 100 000 pop.)	Composition of the prison population (percentage)				Occupancy level (per cent)
			Pre-trial and remand detainees	Women and girls	Youths (aged less than 18)	Foreigners	
Australia	2005	126	20	7	0	17	106
Austria	2005	108	23	5	2	45	107
Belgium	2005	90	38	4	1	41	114
Canada	2004	107	30	5	6	-	90
Czech Republic	2006	189	14	5	1	8	104
Denmark	2005	77	25	5	1	18	95
Finland	2006	75	12	6	0	8	112
France	2005	88	36	4	1	21	110
Germany	2005	97	19	5	4	28	100
Greece	2005	90	28	6	7	42	179
Hungary	2005	163	25	6	3	4	145
Iceland	2004	39	8	6	0	6	-
Ireland	2004	85	16	3	2	9	95
Italy	2004	97	36	5	1	32	132
Japan	2005	62	15	6	0	8	106
Korea	2006	97	29	5	1	1	100
Luxembourg	2005	143	46	4	2	73	-
Mexico	2005	191	42	5	-	1	126
Netherlands	2005	127	31	9	1	33	98
New Zealand	2006	189	16	6	1	9	102
Norway	2005	68	19	5	0	18	97
Poland	2006	228	16	3	1	1	121
Portugal	2006	123	23	7	2	17	105
Slovak Republic	2005	169	32	4	3	3	-
Spain	2006	143	23	8	0	30	130
Sweden	2005	78	20	5	0	26	103
Switzerland	2005	83	39	5	1	71	93
Turkey	2005	76	48	3	3	2	-
United Kingdom	2006	143	18	6	3	11	109
United States	2005	738	21	9	0	6	108
OECD		136	26	5	2	20	111

Source: World Prison Brief, International Centre for Prison Studies, School of Law, King's College, University of London, United Kingdom (www.prisonstudies.org).

StatLink: <http://dx.doi.org/10.1787/613855171184>

Further reading ■ Kensey, A. and P. Tournier (2004), "La récidive des sortants de prisons", *Cahiers de démographie pénitentiaire*, March. ■ CEO (2006), *The Power of Work*, Center for Employment Opportunities Comprehensive Prisoner Reentry Program, New York, March.

Definition and measurement

The data on suicides presented in this section are based on official registers providing information on “causes of death” of each person in each year, as presented in OECD (2006). These suicide rates are standardised to remove the effect of differences in age structures across countries and over time by using the OECD population structure in 1980, and are expressed per 100 000 individuals. The *World Health Organisation* defines “suicide” as an act deliberately initiated and performed by a person in the full knowledge or expectation of its fatal outcome. Cross-country comparability of suicide data is affected by the criteria retained by certifying officers to establish the person’s “intention” of killing themselves, by who is responsible for filling the death certificate, the frequency of forensic investigations, confidentiality rules on the causes of death of each person. All of these factors are affected by the cultural and religious context of each country.

It is difficult to assess how these factors affect cross-country comparisons. One approach relies on investigations of cases of death that may hide a person’s intention of killing himself, such as death from unknown causes, accidental deaths, and violent deaths where the person’s intention is indeterminate. Based on this approach, Jougla *et al.* (2002) conclude that the French statistics underreport the true number of suicides by around 20%, although with little impact on the temporal evolution of the data, the characteristics of those committing suicides and the ranking of regions.

The intentional killing of oneself is evidence not only of personal breakdown, but also of a deterioration of the social context in which individuals live. Suicide results from many different factors: it is more likely to occur during crisis periods associated to divorce, alcohol and drug abuse, unemployment and to the occurrence of clinical depression and other forms of mental illness. While these conditions often characterise the lives of those who commit suicide, their impact is mediated by different factors at the societal level that either increase or reduce the resilience of individuals to external events.

The average suicide rate observed in OECD countries has declined moderately but steadily since the peaks of the late 1980s (Figure CO3.1). While such progress can be observed for both sexes, suicide remains a predominantly male phenomenon: men are twice as likely to kill themselves than women (Figure CO3.2), although women are more likely to have attempted suicide. The frequency of suicides also depends on the age of individual, although these differences have declined over time. In general, suicide rates among the elderly have declined significantly over the past two decades, while almost no progress has been observed for younger cohorts. People aged under 25 are more prone to commit suicide than the national average

in Finland, New Zealand, Ireland and in Iceland – where these rates have increased sharply since 1980 – while they are less exposed to risks of suicide in southern Europe and Mexico.

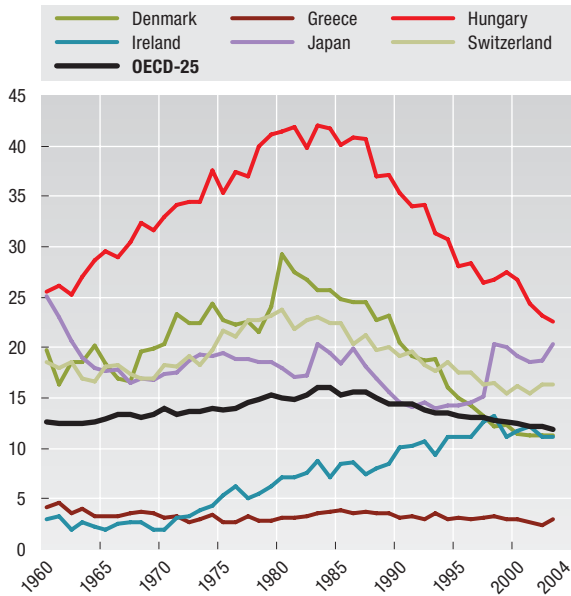
Average suicide rates – across 23 OECD countries – hide large cross-country differences. Suicide rates range from 5 per 100 000 persons or less in most Mediterranean countries to above 20 per 100 000 persons in Hungary, Japan, Belgium or Finland. Differences in suicide rates among OECD countries (Figure CO3.3) are not related to their per capita income while they are weakly related to self-reported levels of life satisfaction (Figure CO3.4). Empirical studies have found that the same range of factors explain cross-country differences in both subjective life satisfaction and suicides rates, with close to 80% of the variance in suicide rates across 50 countries reflecting differences in the prevalence of divorce, unemployment, quality of government, religious beliefs, trust in other people and membership of non-religious organisations (Helliwell, 2004).

Status indicators: Life satisfaction (CO7), Life expectancy (HE1).

Response indicators: Health care expenditure (HE2).

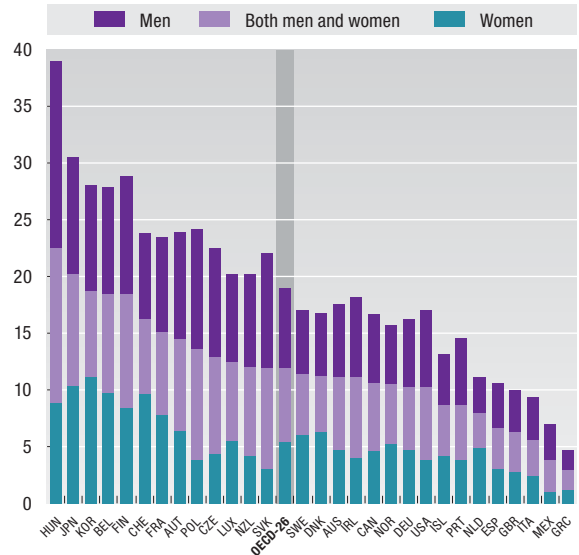
CO3.1. Lower suicide rates in most OECD countries over the past two decades

Suicides per 100 000 persons, 1960-2004



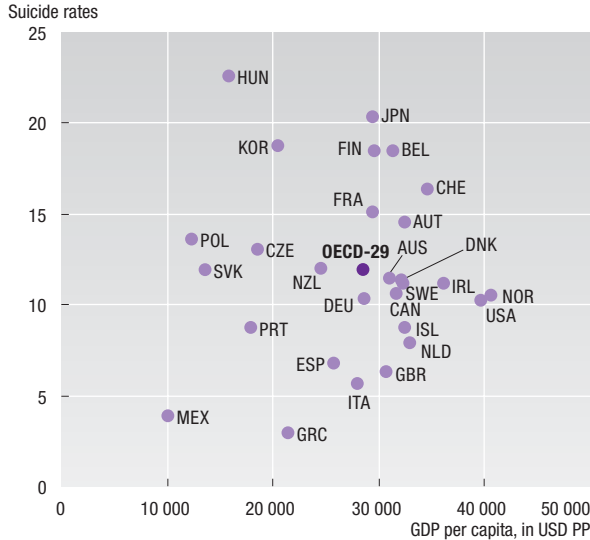
CO3.2. Higher suicides among men than women

Suicides per 100 000 persons across countries and gender, 2004 or latest year available



CO3.3. Little relation across OECD countries between suicide rates and per capita income

Suicides rates and GDP per capita, 2004¹

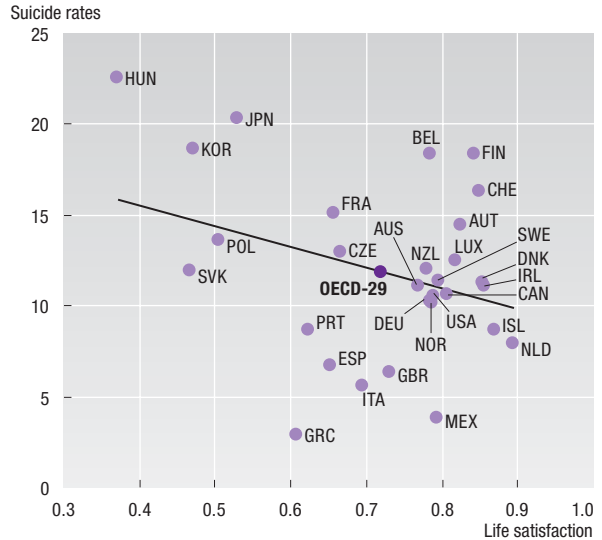


1. 2003 for Greece, Hungary, Iceland, Japan, Norway, Poland, Portugal and Spain; 2002 for Australia, Canada, France, Ireland, Italy, Korea, the Slovak Republic, Sweden, Switzerland, the United Kingdom and the United States; 2001 for Denmark and New Zealand; 1997 for Belgium; 1995 for Mexico.

Source: OECD (2006), OECD Health Data, CD-ROM, Paris (see also www.oecd.org/health/healthdata); and annual national accounts.

CO3.4. Lower suicides rates in OECD countries with higher subjective well-being

Suicides rates and mean life satisfaction¹



1. Suicide rate refer to different years, as indicated in note 1 of Figure CO3.3. Data on life satisfaction are based on the 1999/2001 wave of the World Values Survey for all countries except New Zealand and Switzerland, where they refer to the 1994/1999 wave of the same survey.

Source: OECD (2006), OECD Health Data, CD-ROM, Paris (see also www.oecd.org/health/healthdata); and calculations from World Values Survey.

StatLink: <http://dx.doi.org/10.1787/867063480631>

Further reading ■ Baudelot, C. and R. Establet (2006), *Suicide - L'envers de notre monde*, Seuil, Paris. ■ Helliwell, J. (2004), "Well-Being and Social Capital: Does Suicide Pose a Puzzle?", NBER Working Paper No. 10896, Boston. ■ Jougla, E., F. Pequignot, J.L. Chappert, F. Rossolin, A. Le Toullec and G. Pavillon (2002), "La qualité des données de mortalité sur le suicide", *Revue d'Épidémiologie et Santé Publique*, Paris.

Definition and measurement

Work accidents are sudden and sometimes violent events occurring during the execution of work leading to health damage or loss of life of the worker. International comparisons of work accidents are difficult, because of differences in record-keeping – e.g. statistics sometimes only record “compensated” accidents in workplaces of a sufficient size and exclude minor injuries – and in data-sources – insurance companies, social security registers, labour inspectorates, establishment censuses and special surveys. Comparability has however improved since the adoption of an ILO Resolution on “Statistics on occupational injuries resulting from accidents at work” in 1998, which sets out standards for data collection and presentation. The Resolution recommends capturing data on all work-related accidents causing an absence from work of at least one day (excluding the day of the event) during a given reference period (usually one year).

The figures shown here are compiled by Eurostat through a harmonized questionnaire covering EU-15 countries and Norway, extended to other OECD countries for which the data are available in *Laborsta*, an ILO database on labour statistics. The reporting of non-fatal injuries is limited to injuries causing absences from work of more than three days in European countries and Japan, of six or more days in Australia, and of one or more days in other countries; and in all countries it excludes absences causing lower working hours rather than an outright absence from the workplace. The frequency of fatal and non-fatal work accidents is expressed as the number of work accidents during 12 consecutive months per 100 000 workers. The severity of workplace injuries is measured by the number of workdays lost due to work accidents per 100 000 workers. Data for some countries may exclude accidents affecting the self-employed and employees in small firms. In some case, they refer to compensated rather than reported injuries, and express accidents relative to insured rather all workers.

Workplace accidents are the most visible manifestation of the hazards of paid work. Most work accidents are non-fatal. In 2003, fatal work-accidents were most frequent in Turkey, Korea and Mexico and least frequent in the United Kingdom and Sweden (Table CO4.1) and have declined since 1995 in all countries for which the data are available. Non-fatal accidents are more common, ranging in 2003 from 1 200 cases per 100 000 workers in the Netherlands to 6 500 cases in Spain, and also appear to have declined in all countries except Spain (Figure CO4.2). In the United States, this decline might have resulted from a tightening in insurance rules, which have increased employers' incentives to under-report minor accidents or to offer injured employees to work reduced hours: as a result, the total number of occupational injuries (6 200 cases per 100 000 workers in 2000) is more than three times higher than that of work accidents leading to days away from work shown in Table CO4.1, due to the importance of accidents leading only to restricted work activity (1 200) or without lost work days (3 200 cases; Ruser, 2002).

Both fatal and non-fatal work accidents are strongly concentrated in agriculture, certain manufacturing industries, construction and road transports. As workers in these sectors are predominantly adult men, workers aged 45 to 54 account for more than half of all fatal accidents (and workers aged 25 to 44 for more than half of non-fatal ones). In Europe, a 25% decline in fatal

accidents since 1995 has been accompanied by increasing concentration of work accidents among older workers. While sectoral shifts in employment account for part of the decline in work accidents, this decline has taken place in all sectors in the United States (at least for non-fatal accidents).

The average duration of absences from work due to work accidents was less than six days in 2001 but close to eight days in Spain. In the United States, the median number of workdays lost due to work accidents was six days per full-time worker. In all countries, the duration of these absences is particularly high in manufacturing as well as agriculture and construction.

Work accidents impose significant economic costs on workers, firms and communities. While difficult to quantify, estimates of these costs – combined with those of occupational illness – ranged between 0.4 to 4% of GDP in several European countries (EASHW, 1998). Reducing work accidents requires a work environment where employees have the appropriate skills and training to perform the tasks involved in their jobs, and where firms have incentives to avoid the occurrence of work accidents.

Status indicators: Sick-related absences from work (HE4).
Response indicators: Public social spending (EQ5), Health care expenditure (HE2).

CO4.1. Fatal work accidents are more frequent in Turkey, Korea and Mexico than in other OECD countries

Fatal and non-fatal accidents in 2003 per 100 000 workers, lost workdays per worker involved in 2001

	Work accidents			Non-fatal work accidents by industry			
	Fatal	Non-fatal	Days lost per worker involved	Agriculture	Manufacturing	Construction	Transport
<i>Compensated injuries</i>							
Australia	2.0	1 230	6.0	2 561	2 070	2 201	2 056
Finland	2.7	2 847	5.7	5 226	3 339	5 908	3 534
Germany	3.5	3 674	4.3	12 160	3 432	7 029	3 702
Luxembourg	3.6	5 033	..	9 795	4 887	10 812	4 415
Belgium	3.9	3 456	5.7	5 387	3 572	6 398	3 898
Greece	3.9	2 090	..	1 265	3 226	4 519	1 820
New Zealand	5.2	1 605	..	..	..	..	..
France	5.4	4 689	5.9	4 778	4 232	10 066	6 123
Canada	6.1	2 227	5.7	2 212	3 914	3 428	2 650
Korea (2001)	15.5	..	..	..	..	..	..
<i>Reported injuries</i>							
United Kingdom	1.0	1 614	..	2 139	1 519	2 493	1 868
Sweden	1.6	1 252	5.3	1 355	1 717	2 090	1 583
Netherlands	1.8	1 188	..	..	..	..	..
Denmark	2.4	2 443	..	1 284	4 141	3 773	2 991
Japan	3.1	233	..	1 028	287	584	440
Norway	3.1	3 325	..	3 161	5 563	5 835	4 448
Hungary	3.4	656	..	748	1 235	469	960
Ireland	3.9	1 262	..	..	..	..	..
Czech Republic	4.5	1 872	6.4	3 947	3 256	3 429	1 966
Slovak Republic	4.7	801	5.1	2 720	1 601	2 049	882
Poland	4.9	..	5.0	..	..	..	..
Italy	5.6	3 267	..	..	..	..	..
Spain	6.0	6 520	7.7	2 401	8 820	13 651	6 526
Austria	6.6	2 629	..	..	..	..	..
United States	8.0	1 626	6.0	..	..	..	..
Portugal	8.4	4 054	..	880	5 773	6 851	3 624
Mexico	12.0	2 968	..	..	..	..	..
Turkey (2001)	20.6	..	..	..	..	..	..

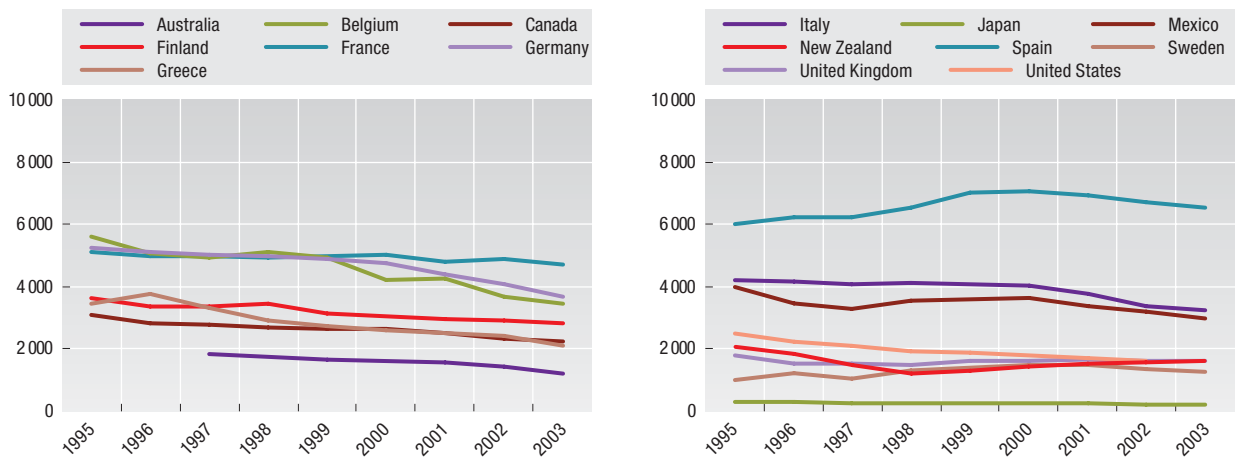
.. : not available.

Note: Countries in each panel are ranked in increasing order of fatal accidents. Data on the frequencies of fatal and non-fatal injuries for EU-15 and Norway are weighted based on the EU-15 employment structure (by industry).

Source: ILO Laborsta database; Eurostat New Cronos database; and BLS website on fatal work accidents and occupational injuries (www.bls.gov/iif/).

CO4.2. Non-fatal work accidents are declining in most countries

Work-related non-fatal accidents per 100 000 workers, 1995 to 2003



Source: ILO Laborsta database; Eurostat New Cronos Database.

StatLink: <http://dx.doi.org/10.1787/552432835786>

Further reading ■ European Agency for Safety and Health at Work – EASHW (1998), *Economic Impact of Occupational Safety and Health in Member States of the European Union*, Bilbao. ■ Ruser, J. (2002), *Measuring Workplace Safety and Health: general considerations and the US case*, US Bureau of Labor Statistics, UNECE-Eurostat-ILO seminar on Measurement of the quality of employment, Geneva, May.

Definition and measurement

Strikes are one manifestation of industrial conflict. The ILO's International Conference of Labour Statisticians defines strikes as a temporary work stoppage or closure of a workplace resulting from the initiative of one or more groups of workers or employers to enforce or resist demands and express grievances, or to support other workers or employers in their demands or grievances. The most comprehensive indicator of industrial conflicts is the proportion of the hours of work that is lost because of strikes, but this is available only in a few countries. Therefore, the main indicator used here is the ratio between the number of working days lost because of strikes and that of all employees.

International comparability of data on strikes is affected by differences in definitions and measurement. Many countries exclude from their official records small work stoppages, and use different thresholds relating to the number of workers involved and/or the number of days lost. Strikes statistics in some countries may also exclude stoppages in particular industries, such as the public sector, or of a particular type, such as political and unauthorised strikes. Conversely, some countries may include workers indirectly involved (i.e. those who are unable to work because others at their workplace are on strike) or work stoppages caused by the shortage of materials supplied by firms involved in strikes. In general, forms of industrial action that do not involve full-work stoppages, such as "go-slows", silent and other protests on the workplace are not included. The OECD periodically collects data on strikes and lockouts, from international and national sources, for monitoring labour market trends in member countries.

As strike activity can vary substantially from year to year, averages taken over consecutive years are the most reliable way to monitor trends in labour disputes. Figure CO5.1 presents five-year averages of the strike rate, i.e. the total number of working days lost because of strikes per 1 000 employees, over two periods – 1980-1984 and 2000-2004 – for 25 OECD countries (Panel A). In both periods, Canada, Iceland, Italy and Spain recorded the largest number of days lost per employee through industrial conflicts, while these were lowest in Germany, Japan, Netherlands and Switzerland.

In the OECD area, the strike rate has roughly halved in each decade since the early 1980s. The decline since the early 1980s was especially strong in Australia, Canada, Finland, Iceland, Ireland, Italy, Spain and the United Kingdom. Changes in the structure of employment by industry, with a shift towards service sectors, partly explain these declines, as strike rates are usually twice as high in industry (mining, manufacturing, electricity, utilities and construction) than in the service sector (with the exception of transportation). However, in most OECD countries, strike rates have declined over the past ten years in both the industry and service sector (Beardsmore, 2006).

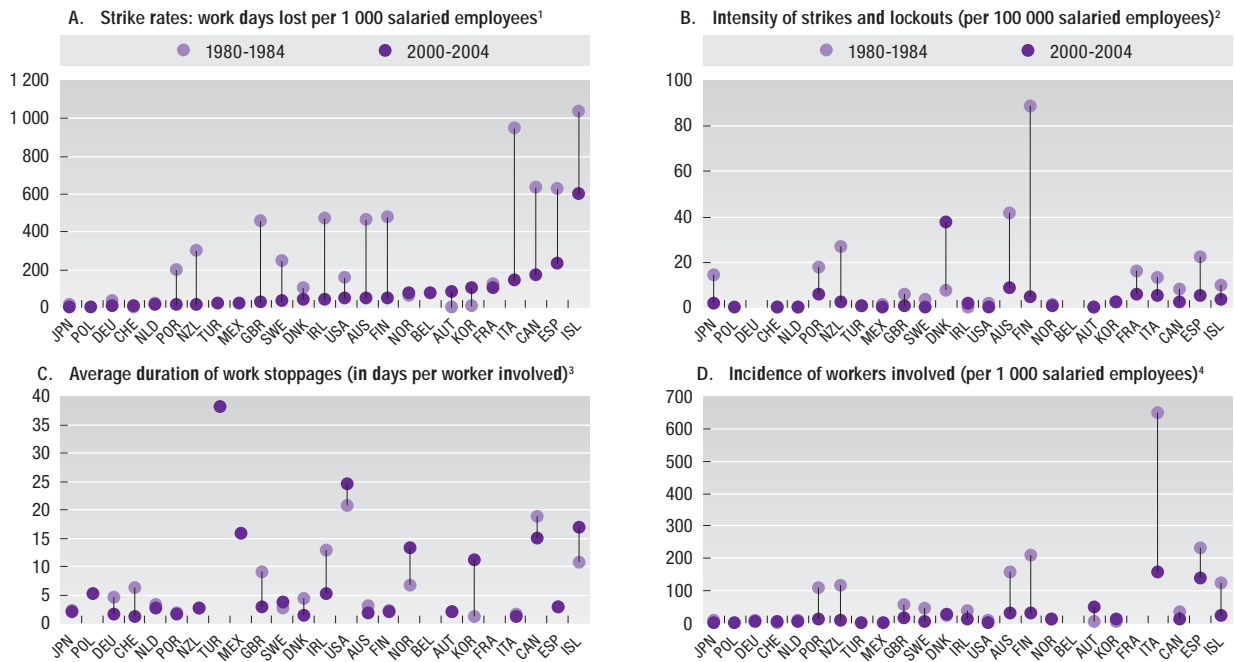
The strike rate can be expressed as a function of the share of workers involved in industrial disputes and the average duration of these disputes per worker involved (Panels C and D). The average duration of industrial disputes was around 7½ days on average in 2000-2004, with only seven countries recording more than ten days of work stoppages per worker involved. Turkey and the United States reported a larger number of strike days, albeit involving relatively few workers and work stoppages (but data for the United States exclude strikes involving less than

10 000 workers). In all OECD countries, the decline in strike rates was accompanied by a fall in the number of workers concerned, while the duration of strikes increased in Iceland, Korea, Norway and the United States. The number of industrial conflicts increased recently only in Denmark, but this did not translate into a higher strike rate (Panel B).

There is no simple relation between strikes and other characteristics of the industrial relations systems. Figure CO5.2 plots strike rates in the recent period against the degree of coverage of collective bargaining (the share of employees whose pay and working conditions are governed by a collective agreement between trade unions and employers) and the degree of unionisation (the share of employees affiliated to a trade union). Strike rates are very low both in countries where most workers are covered by collective agreements (e.g. Finland and Sweden) and in those where few workers are covered (e.g. Japan, although data for this country exclude unofficial strikes and those lasting less than half a day). Similarly, strike rates are relatively low both in countries where most workers belong to trade unions (e.g. Denmark) and in those where the unionisation rate is below 20% (e.g. the United States), with a weak tendency for strike rates to be higher in countries with lower union density. Recent research suggests that the quality of industrial relation matters for labour market performance. For example, Addison and Texeira (2006) concluded that, after controlling for a range of other factors, OECD countries characterised by a less conflictual system of industrial relations (as measured by strike rates) had lower unemployment than other countries.

Status indicators: Voting (CO1), Trust in political institutions (CO6), Life satisfaction (CO7), Employment (SS1).

CO5.1. Measures of strikes in OECD countries

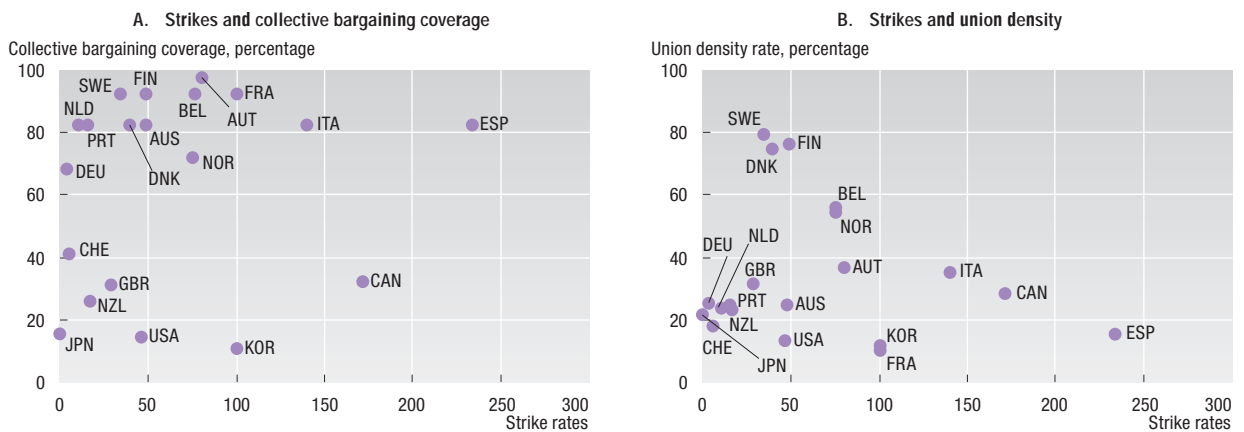


Note: Countries are ranked in ascending order of work days lost per 1 000 employees (strike rates).

1. Number of days of work stoppages per 1 000 salaried employees.
2. Number of work stoppages per 100 000 salaried employees.
3. Number of days of work stoppages per worker involved.
4. Number of workers involved per 1 000 salaried employees.

Source: OECD data derived from ILO Laborsta, Eurostat New Cronos and NSOs websites. Data on paid civilian employee are from OECD Labour Force Statistics.

CO5.2. Strikes are not correlated with coverage of collective bargaining and union density



Note: All rates data are expressed as a percentage of civilian dependent employees.

Source: Data on union density and collective bargaining are from Table 3.3 of OECD (2004), *OECD Employment Outlook*, Paris; for data on strike rates, see Figure CO5.1.

StatLink: <http://dx.doi.org/10.1787/617431661727>

Further reading ■ Addison, J.T. and P. Texeira (2006), "Does the Quality of Industrial Relations Matter for the Macro-economy? A cross-country analysis using strikes data", IZA Discussion Paper, No. 1968, February. ■ Beardsmore, R. (2006), "International Comparisons of Labour Disputes in 2004", *Labour Market Trends*, Special feature, United Kingdom Office for National Statistics. ■ ILO (2005), *Yearbook of Labour Statistics 2005*, International Labour Organisation, Geneva.

Definition and measurement

Trust in political institutions refers to the extent to which individuals have a high degree of confidence in the institutions (government and parliament) and public administration of the country where they live. Data on these variables are derived from the 1999-2004 wave of the *World Values Survey*, which ask individuals to rate their confidence in a number of organisations, with responses grouped in four categories (a great deal of confidence, quite a lot, not very much and no confidence at all). The indicators presented below refer to respondents that indicate either “a great deal” or “quite a lot of confidence” in government, parliament and civil service, as a percentage of all respondents. Data comparability across countries may be affected by the small sample size and other survey features.

This section also presents data on trends in the satisfaction of individuals about the way democracy works in their country. Data are derived from different surveys, as described in OECD (2005). The indicator used refers to the percentage of respondents that are either “very” or “fairly” satisfied with the democratic process.

Trust in political institutions is crucial for the stability of societies and for the functioning of democracy in each country; it also shapes people’s willingness to cooperate in achieving collective goals and financing of public goods (Meikle-Yaw, 2006). There are large differences across OECD countries in the extent of citizens’ trust in various public entities (Figure CO6.1). On average, 38% of individuals across 24 OECD countries, in the early 2000s, reported high trust in parliament, with higher shares in Iceland, Luxembourg, Norway, Netherlands, Spain and Sweden and lower ones in Korea, the Czech Republic, Japan, Mexico and Australia. A marginally lower share of respondents, across 17 OECD countries, reported high confidence in their government, with lower levels in New Zealand, Germany, Australia, the Czech Republic and Korea, and larger shares in Sweden, the Slovak Republic, Spain, Switzerland and Turkey.

Cross-country differences are also significant when considering individuals’ perceptions about the functioning of civil service – the government branch that is in closest contact to citizens in its day-to-day operations. Around 44% of OECD citizens report high confidence in the civil service, with lower levels in Greece, Japan, Mexico and the Czech Republic, and higher levels in Turkey, Korea, Luxembourg and Ireland. In a majority of OECD countries, people reported higher trust in the civil service than in government, the main exceptions being the Czech Republic, Mexico, Poland and New Zealand. The civil service plays a key role in society: when citizens have little confidence in it, this may lead to

dissatisfaction in collective action and in the entire political process. Badly designed reforms may also erode citizens’ trust in the civil service. Though no direct link between public sector performance and citizens’ subjective evaluation appears to exist, OECD (2005) suggests that higher trust in the civil service goes in hand with higher trust in parliament.

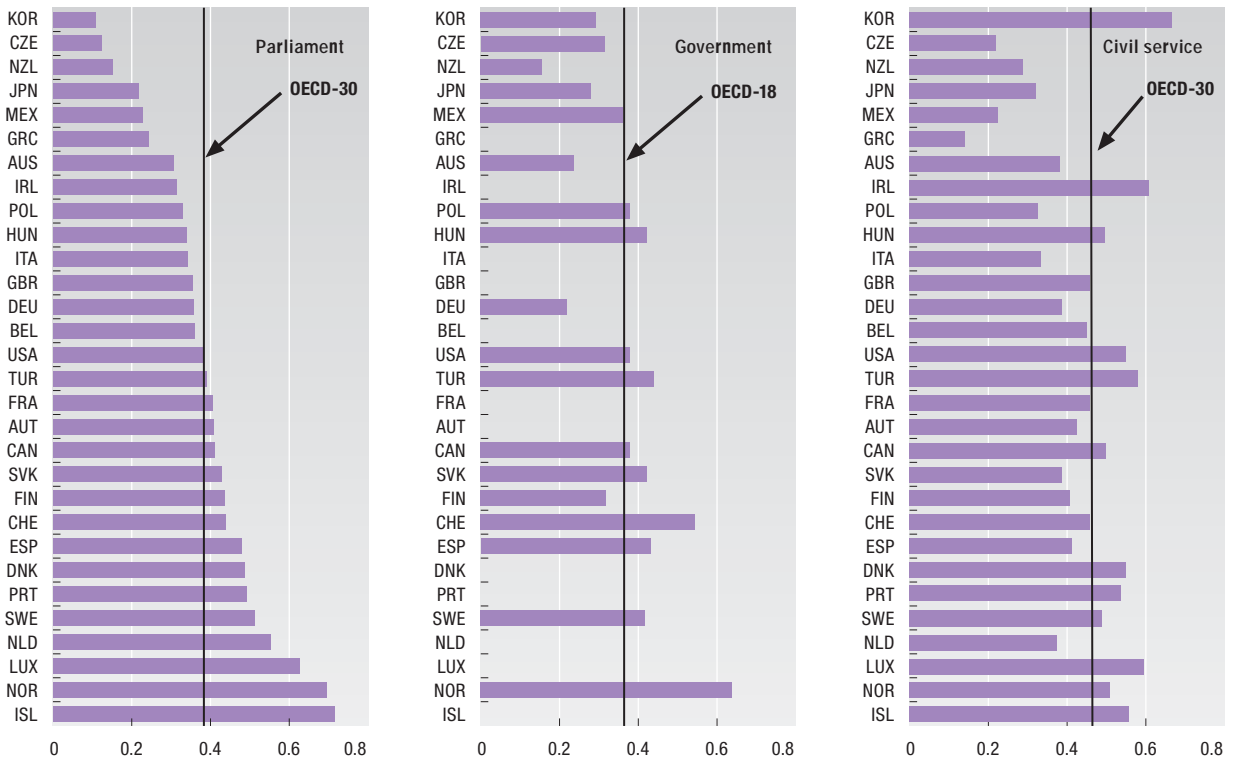
It is more difficult to assess how citizens’ trust in political institutions has changed over time. Much discussion has focused on the role of modernisation, with some authors suggesting that the diffusion of information and the higher education of citizens might have led to lower trust in governments. Trends in citizen’s satisfaction provide, however, little evidence of a general decline in satisfaction with democracy (Figure CO6.2). Cross-country differences are, however, important: lower satisfaction in the way democracy works is recorded in Japan and, more recently, in the Netherlands; satisfaction with democracy is low in Italy, but has been improving; higher levels of satisfaction in democracy have been recorded in Denmark and other Nordic countries. More generally, citizens often ask for more involvement and participation in public affairs. In response to these demands, governments in several OECD countries have introduced reforms to make public services more open, transparent and client-oriented.

Status indicators: Voting (CO1), Life satisfaction (CO7).

CO6. TRUST IN POLITICAL INSTITUTIONS

CO6.1. Less than half of OECD citizens report high trust in different public institutions

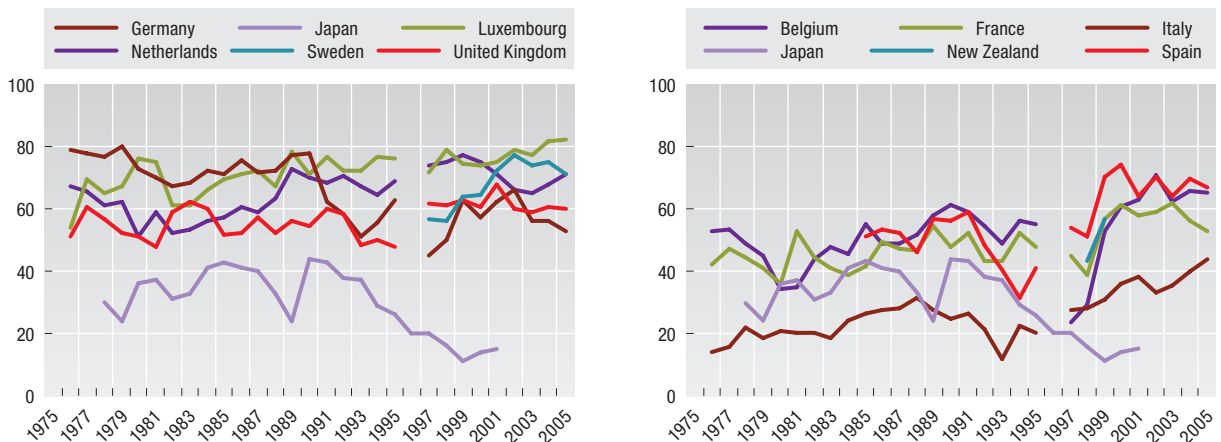
Share of respondents reporting high levels of trust in different entities in the early 2000s



Source: Data extracted from the World Values Survey, wave 1999-2004. For Australia, Norway, New Zealand and Switzerland data refer to the wave 1994-1999.

CO6.2. No generalised decline in satisfaction with democracy

Percentage of respondents that are either "very" or "fairly" satisfied with the democratic process, 1975-2005



Source: Data for European countries are from Eurobarometer surveys; data for Japan, from national sources, refer to the percentage of respondents satisfied with politicians. For details, see OECD (2005), "Data on Trust in the Public Sector", Meeting of the Public Governance Committee at Ministerial Level, Paris, 27-28 November, Paris.

StatLink: <http://dx.doi.org/10.1787/020765758801>

Further reading ■ Meikle-Yaw, P.A. (2006). "Democracy Satisfaction: The Role of Social Capital and Civic Engagement in Local Communities", Department of Sociology, Anthropology, and Social Work, Mississippi State University.

Definition and measurement

Subjective measures of life satisfaction assess the extent to which individuals evaluate favourably the overall quality of their life. Data are gathered through surveys that ask respondents “how satisfied” they are with their lives in general (and in specific domains), with respondent rating satisfaction on a scale of 1 to 10 (from lowest to highest levels of satisfaction). The indicator used in this section is the share of respondents that report a life-satisfaction score equal or higher than seven. The focus is on how life-satisfaction scores differ across groups of individuals (by gender, age, education, employment status, marital status and income) as well as on how the average score for each country correlates to a range of other social and economic outcomes.

The indicator of life satisfaction used here is compiled from the wave 1999-2004 of the World Values Surveys. This survey collects data that enable comparisons of values, norms and attitudes in different social domains. The surveys are carried out through face-to-face interviews with individuals aged 18 or over. The indicators of trust in parliament (the share of respondents that indicate either “a great deal” or “quite a lot of confidence” in the parliament) and trust of people (the share of respondents that believe that “most people can be trusted”) presented in Figure CO6.2 are compiled from the same survey.

The rich literature on subjective wellbeing has documented that this varies systematically among individuals with different genetic, personality and economic characteristics. Table CO7.1 presents evidence on life satisfaction by gender, age, marital status, education and (self-reported) levels of income. On average in the OECD area, life satisfaction is marginally higher among men than women, although the opposite occurs in several countries (e.g. Finland, Japan and Turkey); there are also small differences with respect to age. Average life satisfaction is higher among the elderly than among youths in eleven OECD countries, including Japan and Korea. By contrast, in Hungary, Poland and the Slovak Republic life satisfaction of youths is, on average, 10% higher than that of elderly people.

The indicator used here suggests that, on average, life satisfaction increases with educational attainment. This may reflect the effect of education on other domains that matter for life satisfaction (e.g. more educated people are more likely to have better health, higher incomes and more social interaction). Life satisfaction varies much more strongly with marital status. On average, life satisfaction for married people is around 10 points higher than for those divorced and widowed, and the difference is even higher with respect to separated individuals. Single or never married individuals are also less satisfied with their life, on average, than married people (with the exception of

Germany, Poland, the Slovak Republic and Turkey). Life satisfaction also varies by socio-economic status (not shown in the table). Unemployed people report levels of life satisfaction around 20 points lower than among those with jobs, as unemployment leads not just to higher financial stress but also to lower self-esteem, fewer social contacts and greater prevalence of mental problems. Conversely, differences in life satisfaction between full-time and part-time workers, the self-employed and students are generally small. Finally, people with higher incomes (those in the top three deciles of the distribution) tend to be more satisfied with their life than people with lower incomes, although this difference is less than proportional to their difference in income (Helliwell, 2002).

Life satisfaction also relates to the characteristics of the society where individuals live. Average life satisfaction is higher in countries characterised by high levels of trust in others and in parliament (Figure CO7.2, top panels; Bjornskov *et al.*, 2005; Helliwell and Hang, 2006). Conversely, higher inflation rates and hours of paid work appear to affect life satisfaction negatively (bottom panels).

Status indicators: Trust in political institutions (CO6), Material deprivation (EQ1), Poverty persistence (EQ7).

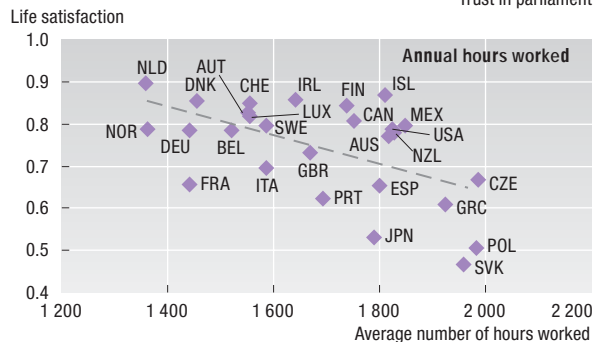
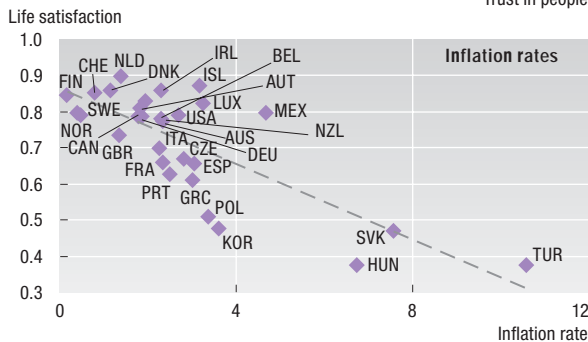
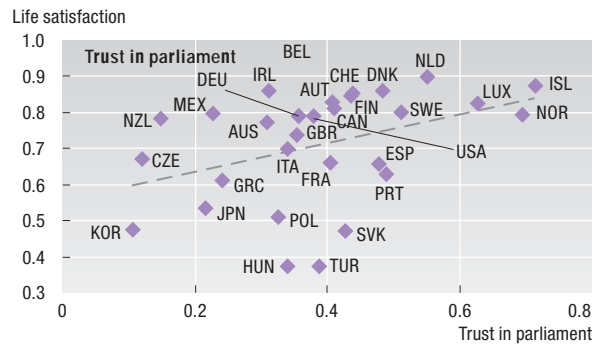
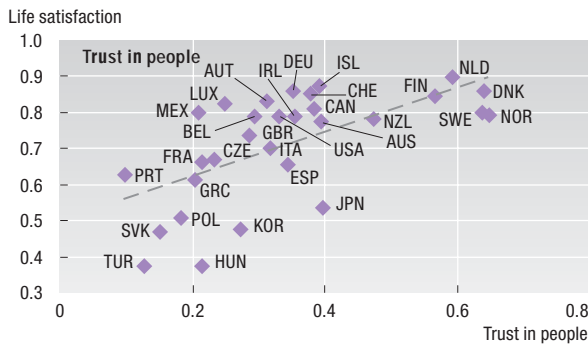
CO7.1. Life satisfaction varies between people with different characteristics

Share of respondents reporting a high level of life satisfaction

	Gender		Age				Education			Marital status				Income		
	Men	Women	< 25	25-50	51-64	65+	Low	Middle	High	Divorced	Married	Single never married	Widowed	High	Medium	Low
Austria	0.83	0.80	0.83	0.82	0.82	0.79	0.78	0.85	0.88	0.71	0.85	0.80	0.76	0.88	0.78	0.77
Belgium	0.73	0.75	0.81	0.71	0.78	0.75	0.67	0.75	0.80	0.63	0.82	0.69	0.61	0.85	0.75	0.61
Canada	0.78	0.79	0.85	0.75	0.81	0.80	0.78	0.77	0.83	0.69	0.85	0.70	0.80	0.85	0.82	0.70
Czech Republic	0.67	0.65	0.64	0.69	0.60	0.66	0.59	0.69	0.76	0.54	0.71	0.65	0.52	0.75	0.66	0.57
Denmark	0.85	0.81	0.85	0.85	0.82	0.78	0.82	0.88	0.84	0.72	0.87	0.83	0.76	0.92	0.87	0.75
Finland	0.83	0.86	0.82	0.86	0.84	0.82	0.79	0.91	0.86	0.76	0.91	0.78	0.79	0.89	0.88	0.76
France	0.67	0.64	0.72	0.66	0.61	0.65	0.63	0.67	0.70	0.58	0.72	0.64	0.53	0.78	0.64	0.54
Germany	0.72	0.74	0.78	0.71	0.71	0.79	0.70	0.76	0.75	0.61	0.75	0.76	0.74	0.78	0.79	0.66
Greece	0.59	0.58	0.57	0.58	0.61	0.62	0.52	0.56	0.64	0.61	0.63	0.56	0.51	0.69	0.58	0.49
Hungary	0.38	0.39	0.49	0.38	0.32	0.39	0.33	0.43	0.54	0.29	0.43	0.38	0.26	0.56	0.31	0.23
Iceland	0.85	0.86	0.84	0.89	0.82	0.79	0.81	0.87	0.95	0.69	0.91	0.85	0.81	0.93	0.89	0.77
Ireland	0.86	0.83	0.82	0.84	0.83	0.87	0.82	0.85	0.88	0.82	0.90	0.80	0.85	0.90	0.84	0.80
Italy	0.71	0.66	0.67	0.69	0.70	0.67	0.64	0.70	0.74	0.72	0.73	0.66	0.54	0.77	0.66	0.62
Japan	0.50	0.53	0.50	0.47	0.54	0.59	0.45	0.50	0.62	0.44	0.55	0.42	0.58	0.65	0.48	0.46
Korea	0.45	0.45	0.45	0.44	0.45	0.57	0.33	0.46	0.46	0.23	0.50	0.39	0.35	0.60	0.47	0.33
Luxembourg	0.83	0.81	0.79	0.82	0.87	0.82	0.76	0.84	0.85	0.81	0.85	0.80	0.81	0.89	0.88	0.75
Mexico	0.79	0.81	0.82	0.78	0.79	0.87	0.78	0.80	0.85	0.77	0.82	0.80	0.78	0.81	0.80	0.76
Netherlands	0.90	0.89	0.96	0.90	0.88	0.85	0.85	0.92	0.91	0.80	0.96	0.88	0.76	0.94	0.92	0.79
Poland	0.47	0.49	0.63	0.48	0.43	0.46	0.43	0.49	0.61	0.32	0.50	0.56	0.36	0.60	0.53	0.38
Portugal	0.66	0.65	0.70	0.69	0.60	0.62	0.53	0.74	0.83	0.65	0.69	0.63	0.53	0.77	0.60	0.43
Slovak Republic	0.45	0.44	0.53	0.44	0.43	0.40	0.37	0.47	0.54	0.30	0.45	0.50	0.38	0.54	0.40	0.35
Spain	0.65	0.66	0.65	0.66	0.67	0.61	0.60	0.70	0.70	0.71	0.69	0.65	0.51	0.70	0.69	0.52
Sweden	0.80	0.78	0.77	0.79	0.80	0.80	0.78	0.78	0.82	0.72	0.87	0.71	0.63	0.87	0.83	0.70
Turkey	0.33	0.42	0.41	0.34	0.38	0.39	0.37	0.35	0.38	0.25	0.38	0.38	0.35	0.49	0.32	0.29
United Kingdom ¹	0.76	0.71	0.76	0.73	0.73	0.71	0.74	0.72	0.77	0.65	0.78	0.73	0.70	0.80	0.71	0.64
United States	0.77	0.76	0.78	0.72	0.81	0.85	0.73	0.76	0.79	0.70	0.84	0.74	0.75	0.89	0.76	0.72
OECD-26	0.69	0.68	0.71	0.68	0.68	0.69	0.64	0.70	0.74	0.60	0.73	0.66	0.61	0.77	0.69	0.59

1. Great Britain only.

CO7.2. Average life satisfaction across OECD countries depends on a range of national features



Source: Data from different waves of the World Values Survey and other OECD data. Life-satisfaction data are drawn from the 1999-2004 wave of the World Values Surveys for all countries except New Zealand and Switzerland, where they refer to the 1994-1999 wave.

StatLink: <http://dx.doi.org/10.1787/687418556206>

Further reading ■ Bjornskov, C., A. Dreher and J. A.V. Fischer (2005), "Cross Country Determinants of Life Satisfaction", Discussion Paper No. 2005-19, Univesitat St. Gallen. ■ Helliwell, J.F. (2002), "How' Life? Combining Individual and national variables to explain subjective well-being", Working Paper No. 11988, NBER, Boston. ■ Helliwell, J.F. and H. Huang (2006), "How's your Government? International evidence linking good government and well-being", Working Paper No. 11988, NBER, Boston.

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Society at a Glance

OECD SOCIAL INDICATORS

Social problems rarely have a single cause. For example, tackling social exclusion involves simultaneously addressing barriers to labour market integration, health problems and low education. Coping with an ageing society requires new approaches to health care and employment, as well as to pensions. Social indicators provide the broad perspective needed for any international comparison and assessment of social trends, outcomes and policies. By linking status and response indicators across a broad range of policy areas, social indicators help readers to identify whether and how the broad thrust of policies and societal actions are addressing the key social issues that confront OECD societies.

Social indicators provide a concise overview of social trends and policies while paying due attention to the different national conditions in which such policies are being pursued. The social indicators in *Society at a Glance* may be represented along a two-dimensional classification. The first dimension corresponds to three main goals of social policy, *i.e.* self-sufficiency, equity and social cohesion. The second dimension corresponds to the nature of the indicators, *i.e.* social context, social status and societal responses. This edition includes a wide range of information on social issues including demography, family characteristics, employment, working mothers, out-of-work replacement rates, poverty persistence, social expenditure, health care expenditure, subjective well-being and suicides. This report also includes a “guide” to help readers in understanding the structure of OECD social indicators and an attempt to take stock of the role of social indicators for the broader agenda of measuring the well-being of OECD citizens and societies.

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