

Definition and measurement

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

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

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

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

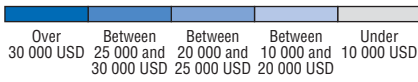
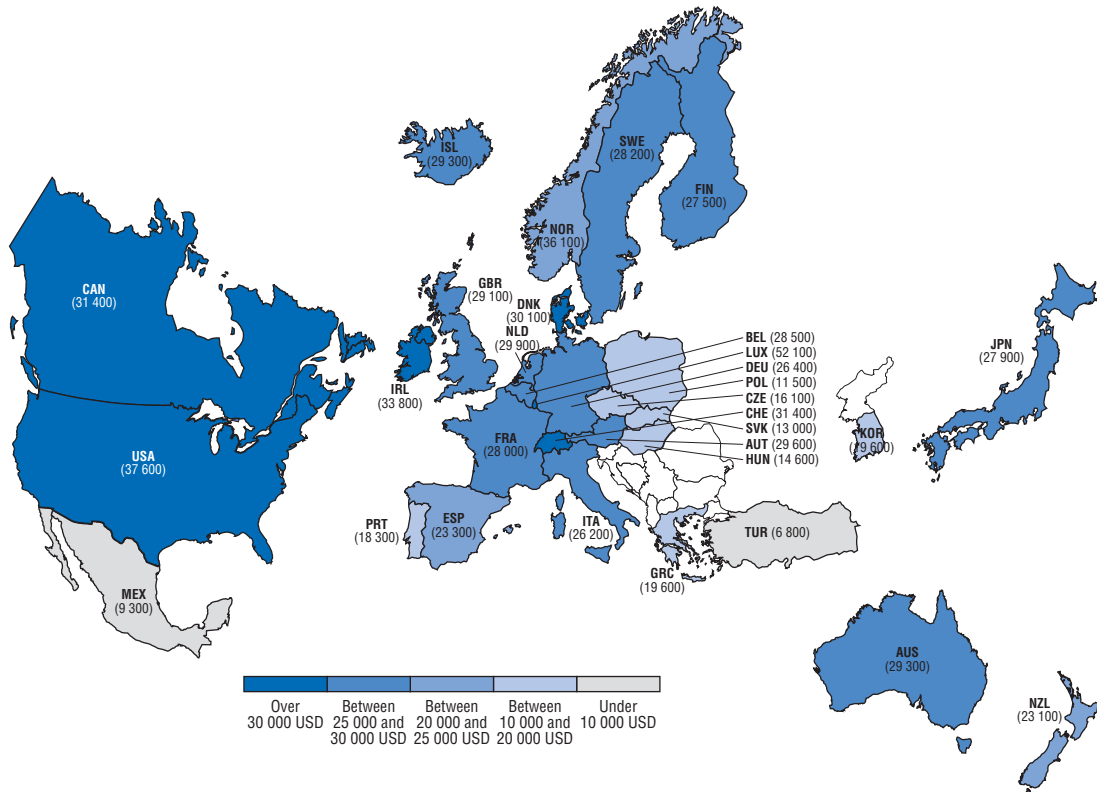
than might be expected given their income levels. Gross spending data, however, omit tax reductions and rebates provided for social purposes (*e.g.* related to private pensions), which are significant in some countries (EQ7).

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

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

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

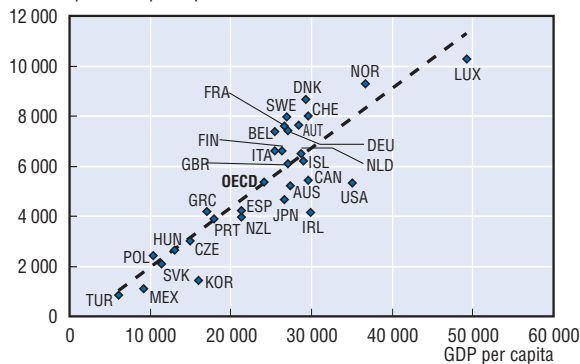
OECD unweighted average GDP per capita in current US dollars using PPPs: 25 600 USD



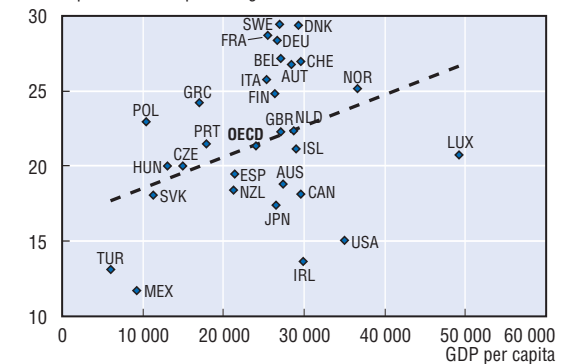
GE1.2. Gross total social expenditure and GDP per capita

In current US dollars using PPPs, 2001

Social expenditure per capita



Social expenditure as a percentage of GDP



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

Source: OECD (2004), National Accounts of OECD Countries, Main Aggregates, Vol. 1, OECD, Paris; OECD (2004), OECD Social Expenditure Database 1980-2001, OECD, Paris. StatLink: <http://Dx.doi.org/10.1787/773776625503>

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

Definition and measurement

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

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

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

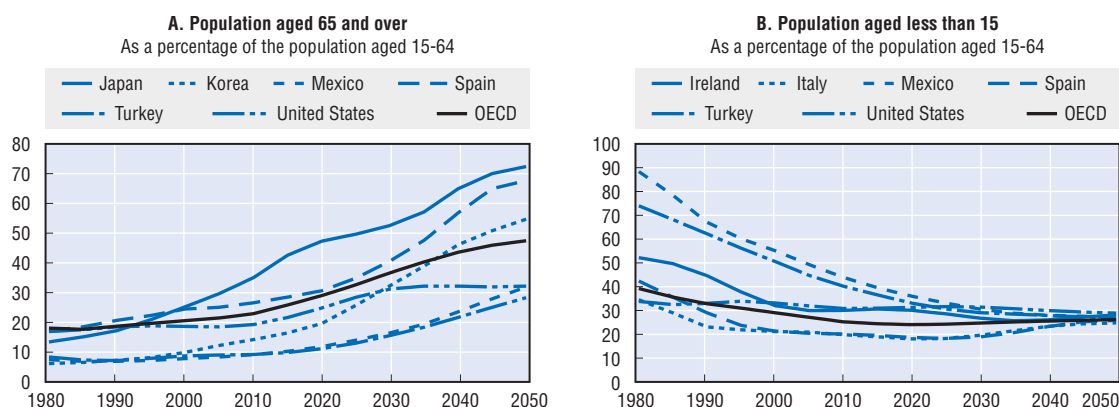
In the year 2000, the ratio between the number of individuals aged 65 and over to the population of working age ranged between less than 10% in Korea, Turkey and Mexico, to more than 25% in Sweden, Italy, Greece, Belgium and Japan. For the OECD area as a whole, there was one person above the age of 65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

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

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

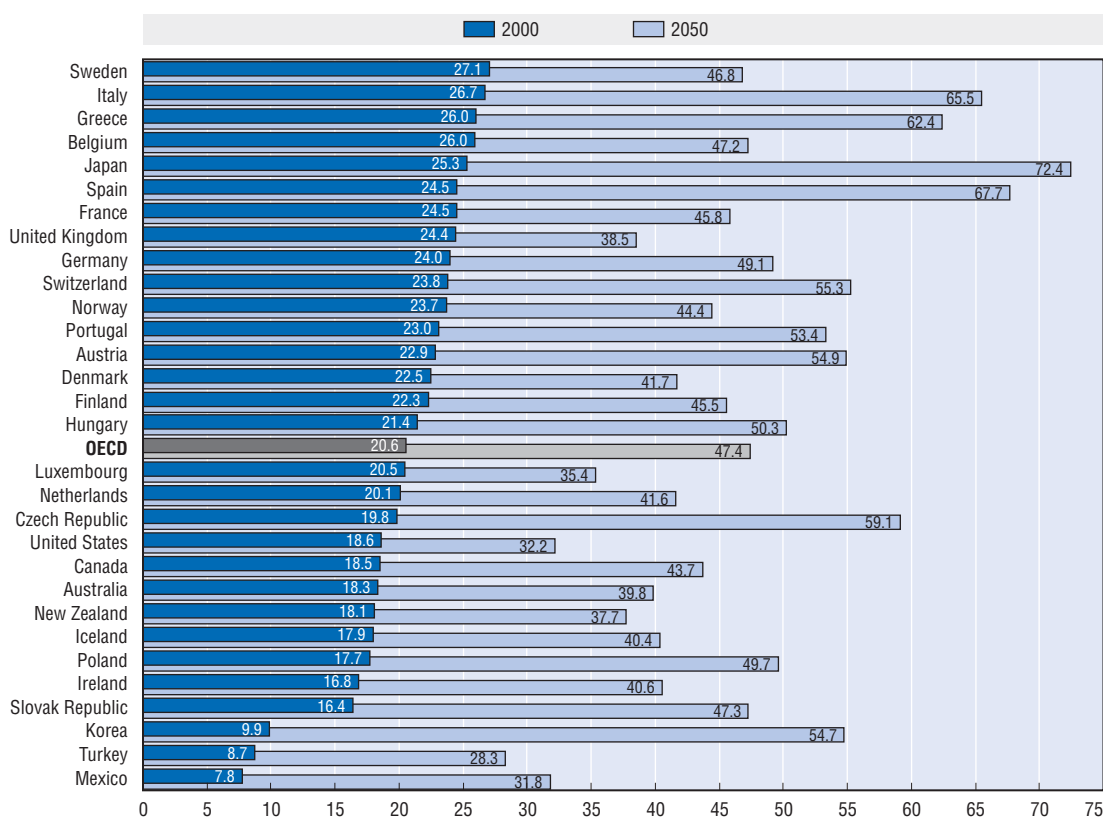
There is more diversity across OECD countries in the projected growth rates of the old-age dependency ratio over the next 50 years than in the levels of these ratios in 2000 (Chart GE2.2). In the three countries where the ratio is the lowest (Korea, Turkey and Mexico), projected growth is largest, pointing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

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



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

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



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

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

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

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

Definition and measurement

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

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

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

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

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

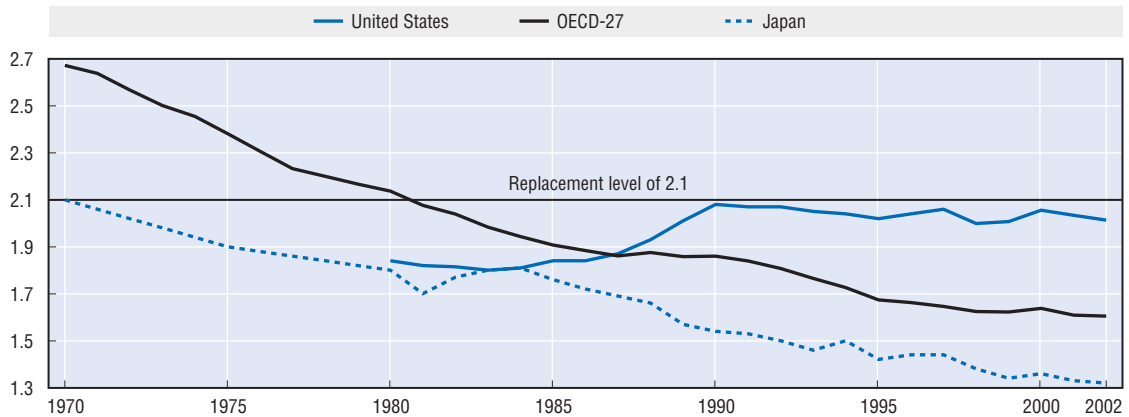
Lestaeghe and Moors (2000) as the most important element of what has been labelled as the “second demographic transition” of OECD countries.

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

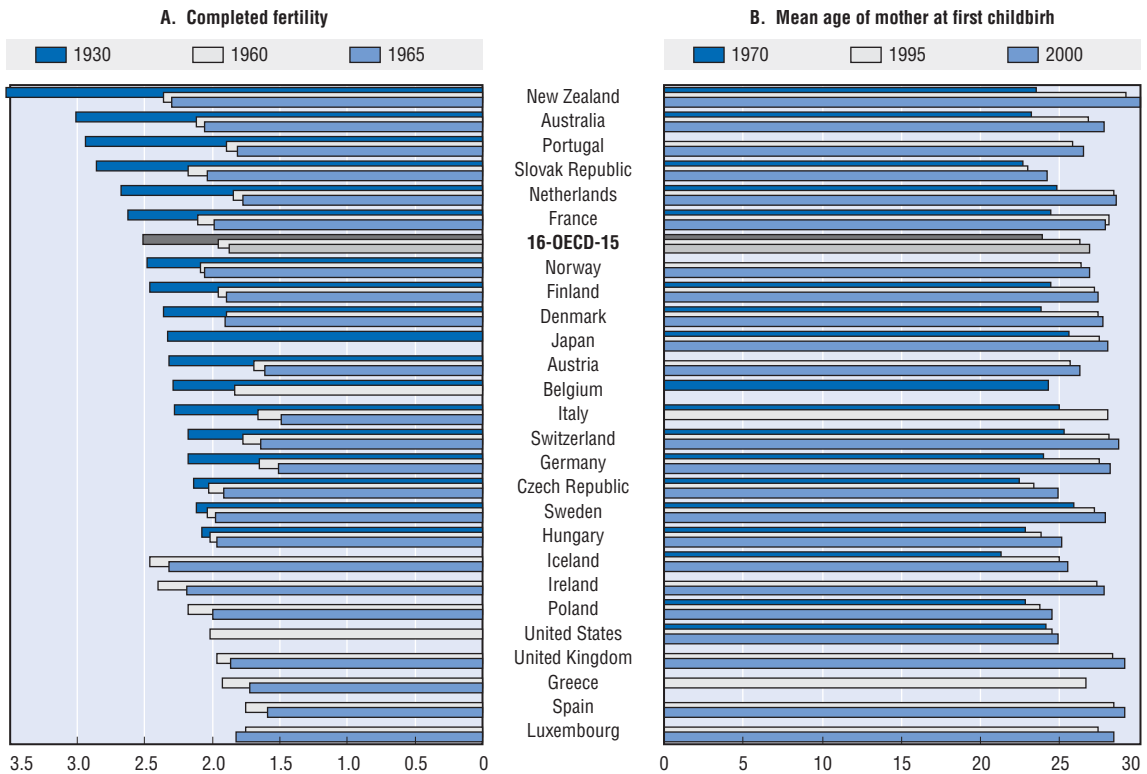
Because of their impacts, many OECD countries are considering how their policies may directly or indirectly affect fertility behaviours. Family-friendly policies, by making it easier for women to combine childrearing with their education and work career, may indirectly play a role in raising low fertility.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

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

Total fertility rates from 1970 to 2002



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



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

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

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

Further reading: ■ Lestaeghe, R. and G. Moors (2000), "Recent Trends in Fertility and Household Formation in Industrialised World", *Review of Population and Social Policy*, No. 9, Tokyo. ■ Sleebos, J. (2004), "Low Fertility Rates in OECD Countries: Facts and Policy Responses", *Social, Employment and Migration Working Papers*, No. 15, OECD, Paris. ■ United Nations (2000), *Below Replacement Fertility*, New York.

Definition and measurement

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

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

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

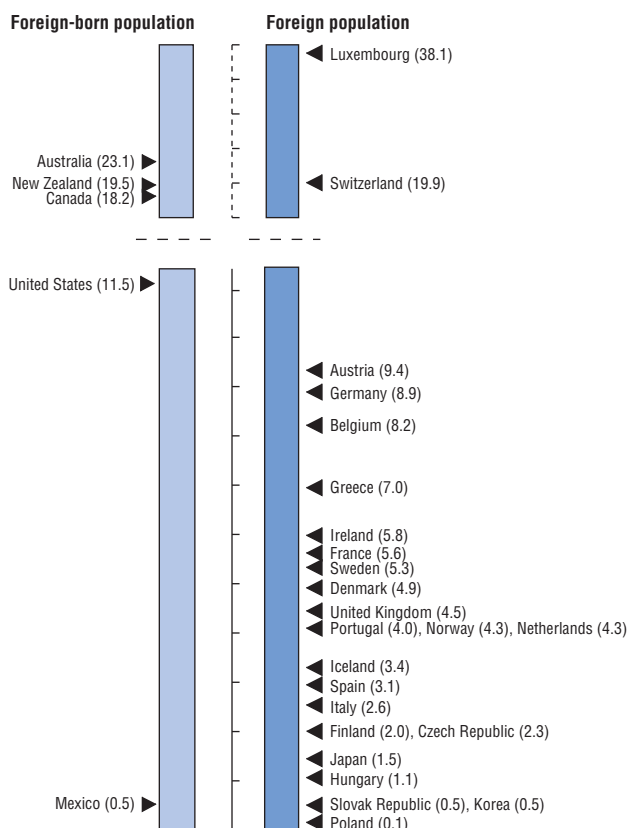
foreigners tripled in 10 years, at the same time as naturalisations also increased strongly. In Italy and Portugal, the doubling of the foreign population reflected immigration from Morocco, Albania and former Portuguese colonies. Belgium, France, the Netherlands and Sweden are partial exceptions to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

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

GE4. FOREIGNERS AND FOREIGN-BORN POPULATION

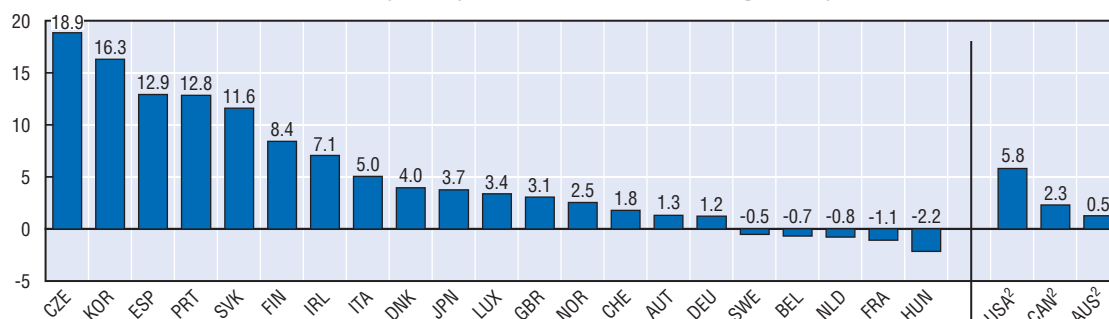
GE4.1. Large differences in the proportion of foreign population/foreign-born population across OECD countries

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



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

Annual average change between 1992 and 2002,¹ in percentage



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

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

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

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

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

Definition and measurement

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

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

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

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

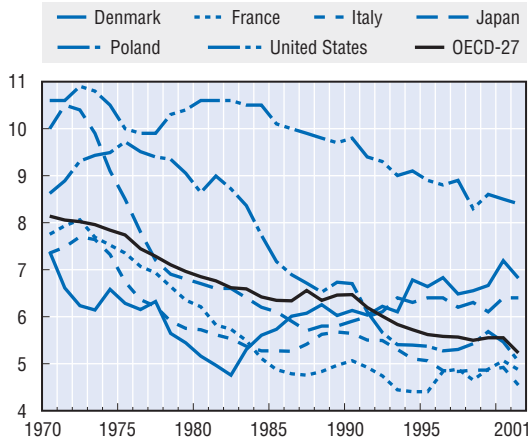
In addition to the aforementioned socio-economic factors, changes in society's attitudes towards divorce, as well as legislative reform in the 1970s, have translated into significant increases in divorce rates in most countries. On average, for the OECD countries considered, the trend divorce

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

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

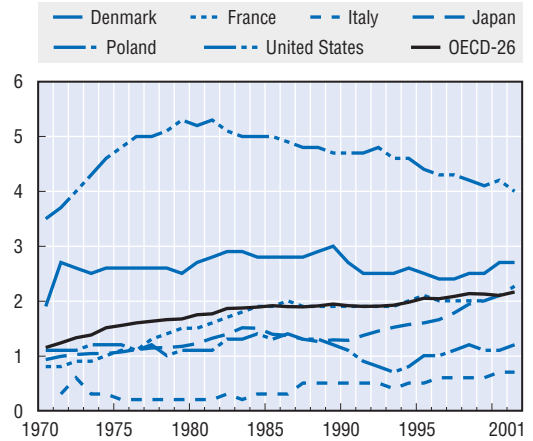
GE5.1. Strong decline in the crude marriage rate in many countries

Marriages per 100 000 population, 1970 to 2001



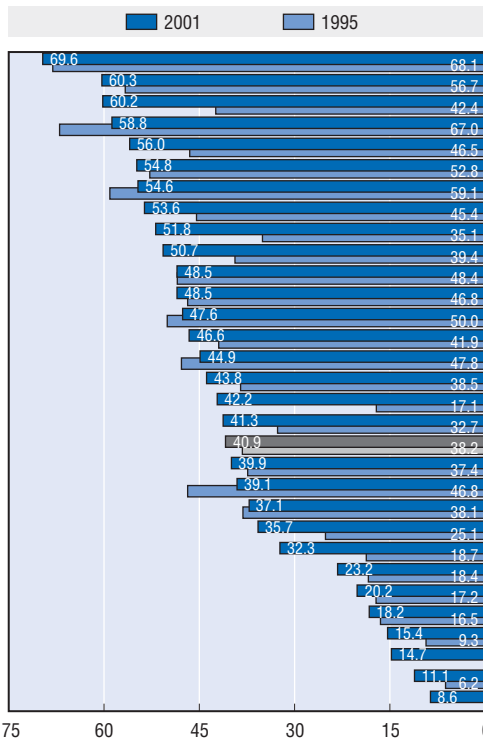
GE5.2. Gradual increase in the crude divorce rate

Divorces per 100 000 population, 1970 to 2001

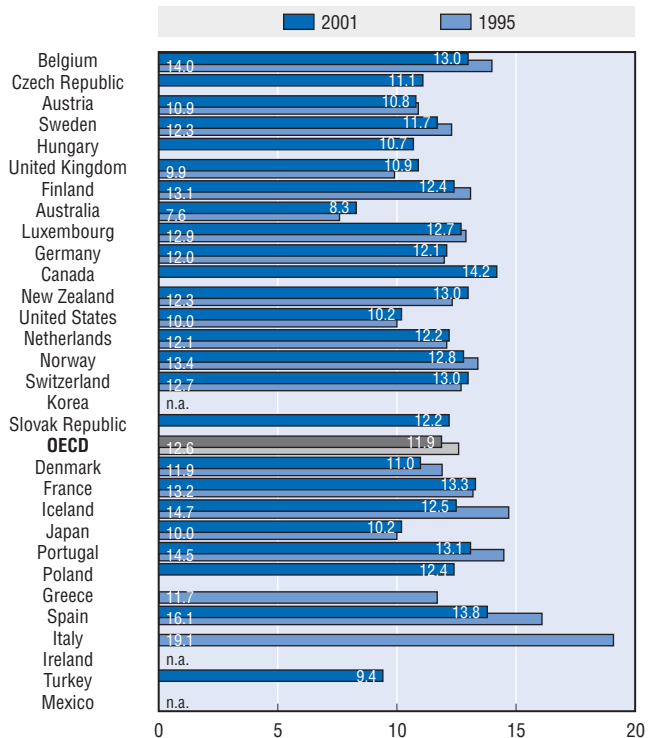


GE5.3. The ratio of divorces to marriages increased in most countries from 1995 to 2001

Number of divorces per 100 marriages



Mean marriage duration at divorce in years



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

n.a. = not available.

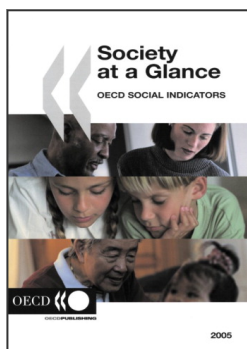
Source: Eurostat NewCronos; Council of Europe Demographic Trends; national statistical institutes.

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

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

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