

BENEFIT DEPENDENCY

Whereas relatively complete data for social protection expenditure are available from 1980 on, there are no equally comprehensive data sets relating to the number of beneficiaries of social protection spending. The NEI Labour and Social Policy in Rotterdam on behalf of the Dutch Ministry of Social Affairs and Employment has recently estimated the full-time

equivalent number of working-age recipients of earnings and income replacement benefits from 1980 to 1999 (Arents, Cluitmans and van der Ende 2000; Moore, Vossen and Arents 2002). The OECD has presented a revised version of the Dutch estimates for their member countries (OECD 2003).

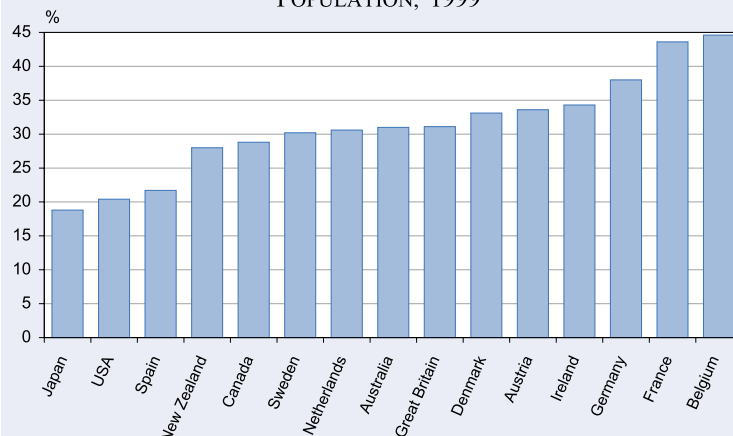
The OECD used the same principles as the Dutch studies:

- The number of persons dependent on some kind of social benefit was expressed in full-time equivalents, referred to as benefit years;

- Double counts were eliminated. In principle one person counts for no more than one full-time equivalent benefit dependent;
- Payments to couples have been individualised. Both partners are counted as beneficiaries;
- Only periodic benefits that are paid in the event of loss of earnings are included. Lump sum cash benefits that are paid for the purchase of specific goods and services are not included.

The OECD figures make it possible to examine patterns in the dependency rate, i.e. the proportion of the working-age population that receives a public income replacement benefit. As shown in Table

BENEFIT DEPENDENCY/EMPLOYMENT RATIO IN THE WORKING AGE POPULATION, 1999



Source: Employment Outlook 2003, p. 175; CESifo calculations.

Table 1

Employment rates and benefit dependency rates in the working-age population^{a)}, 1980 to 1999

Percentages

	Employment rates (full-time equivalent) ^{b)}			Benefit dependency rates			No benefit, no work		
	1980	1990	1999	1980	1990	1999	1980	1990	1999
Australia	57.5	57.9	56.4	13.0	13.7	17.5	29.5	28.4	26.1
Austria	60.2	61.8	64.0	15.5	18.0	21.5	24.3	20.2	14.5
Belgium	53.8	50.7	52.9	17.4	24.4	23.6	28.8	24.9	23.5
Canada	60.2	63.2	62.6	13.4	19.9	18.0	26.4	16.9	19.3
Denmark	65.7	67.3	69.7	20.1	23.2	23.1	14.1	9.5	7.2
France	60.8	56.3	55.5	13.9	20.2	24.2	25.3	23.5	20.4
Germany	59.7	59.5	58.9	15.2	18.1	22.4	25.0	22.4	18.8
Ireland	52.4	49.3	56.3	12.4	18.9	19.3	35.2	31.8	24.4
Japan	61.6	62.0	60.6	8.8	10.0	11.4	29.6	28.0	28.0
Netherlands	48.5	51.1	58.2	15.9	19.9	17.8	35.6	29.0	24.0
New Zealand	57.9	58.9	59.9	6.6	15.6	16.8	35.5	25.4	23.2
Spain	49.4	48.5	51.7	8.3	12.3	11.2	42.3	39.2	37.1
Sweden	68.7	72.0	66.2	16.1	17.0	20.0	15.2	11.0	13.8
United Kingdom	62.2	62.4	60.7	15.2	18.5	18.9	22.7	19.1	20.4
United States	60.0	65.2	67.0	16.8	15.6	13.7	23.2	19.2	19.3
Average	58.6	59.1	60.0	13.9	17.7	18.6	27.5	23.2	21.3

^{a)} Population aged 15 to 64. – ^{b)} Employment is measured in full-time equivalents. The distribution of hours worked for all employed persons is used to estimate the ratio of the average weekly hours of part-time workers, defined as those working less than 30 usual hours per week, and full-time workers. This ratio is applied to convert part-time employment to a full-time equivalent basis.

Source: OECD, Employment Outlook 2003, p. 175.

Table 2

Reciprocity rates by type of benefit in the working-age population, 1999

Percentages

	Old age	Sickness	Disability	Unemployment	Social assistance	Other	Total
Australia	1.87	1.44	4.90	5.56	3.17	0.60	17.54
Austria	7.41	1.99	3.46	3.79	0.80	4.12	21.57
Belgium	7.21	1.06	3.58	6.94	2.37	2.29	23.45
Canada	3.14	0.20	4.91	5.76	1.88	2.13	18.02
Denmark	4.00	4.61	6.70	4.35	1.62	1.63	22.91
France	7.03	1.82	4.79	4.70	3.04	2.27	23.65
Germany	4.63	2.51	4.08	6.64	2.24	1.86	21.96
Ireland	0.49	1.86	3.88	6.72	4.17	2.19	19.31
Japan	5.14	1.24	1.94	1.07	0.32	1.73	11.44
Netherlands	0.76	3.39	7.21	4.10	1.22	1.01	17.69
New Zealand	1.44	1.46	2.31	6.61	4.42	0.37	16.61
Slovak Republic	9.35	3.07	5.63	3.55	11.07	5.49	38.16
Spain	1.07	0.36	3.86	3.91	0.26	1.80	11.26
Sweden	0.42	5.76	6.46	3.96	1.14	2.37	20.11
United Kingdom	3.38	0.84	6.38	2.88	2.80	2.11	18.39
United States	1.76	2.13	6.30	1.25	1.68	0.58	13.70
Mean	3.60	2.02	4.63	4.07	2.36	2.34	19.02

Source: OECD Employment Outlook 2003, pp. 224–26.

1, there is considerable cross-country variation in benefit dependency rates among the working-age population across the 15 countries for which the estimates were made. In 1999, this benefit dependency rate ranged from 11 percent in Spain and Japan to about 24 percent in Belgium and France.

There was a nearly universal rise in the aggregate benefit dependency rate among the working-age population between 1980 and 1999, with the United States being the only exception. This rise took place mainly in the 1980s. In the 1990s some countries were able to reduce the benefit dependency rate. The increase in the benefit dependency rate was accompanied by a decrease in the number of unemployed receiving no benefit, whereas the employment rate remained rather stable, the main exceptions being the Netherlands and the United States (Table 1).

The aggregate benefit dependency rates may be compared with the rates of employment, also measured on a full-time equivalent basis. This ratio shows how many benefit recipients are supported by 100 employed persons. Benefit dependency among people of working age is about 20 percent in Japan, the United States and Spain but at about 40 percent in Germany, France and Belgium (see Figure).

Table 2 shows the breakdown of the reciprocity rates by benefit category. The largest categories in 1999 were disability (4.6 percent of the population of working age), unemployment (4.1 percent) and

old age (3.6 percent, referring to benefits paid to people aged under 65). The population share relying on the different types of benefits varies considerably from one country to another:

- Disability benefit reciprocity is higher in the Netherlands (7.2 percent), Denmark (6.7 percent), Sweden (6.5 percent), the United Kingdom (6.4 percent) and in the United States (6.3 percent), whereas the reciprocity rate in Japan was below 2.0 percent.
- More than six percent of the working-age population in Belgium, Ireland, Germany and New Zealand received unemployment benefits in 1999.
- Early retirement is wide spread in Austria (7.4 percent), Belgium (7.2 percent) and France (7.0 percent).
- In Sweden, Denmark and the Netherlands many employees receive sick pay from employers.
- Reciprocity rates for social assistance are relatively high in New Zealand and Ireland.

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References

Arents, M., M. Cluitmans and M. van der Ende (2002), *Benefit Dependency Ratios: An Analysis of Nine European Countries, Japan and the US*: Final Report, SZW (Dutch Ministry of Social Affairs), no. 16/153/2000.

Moor, I., I. Vossen and M. Arents (2002), *Benefit Dependency Ratios by Gender: An International Comparison*: Final Report, SZW (Dutch Ministry of Social Affairs) no. 16/317/02.

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