

Social security

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6

In its *Charter of Fundamental Rights* (2007), the European Union ‘recognises and respects’ the notion that every citizen is entitled to social security benefits and social services to protect them against the consequences of maternity, illness, industrial accidents, dependency or old age, or loss of employment (chapter IV, article 34). The Charter also stipulates the right to housing and social assistance to ensure a ‘decent existence’ for all people living in the European Union who lack sufficient resources. The Charter is the result of a high degree of consensus at EU level that social security is a basic human right. However, it is not entirely clear what ‘the recognition of’ and ‘the respect for’ actually imply for the inhabitants of the various EU Member States. Supranational rights in particular tend to be very abstract, sometimes representing ‘no more than a requirement of the government to make some effort’ (Vrooman 2009: 41). Within the EU, social security is essentially a national responsibility of each Member State. Due to differences in the tradition of social security provision, there are considerable country differences (Castles 1993; Castles et al. 2010; Svallfors 2010; Vrooman 2012). Given this huge institutional variety, it is important to assess country differences in performance with regard to social security. In this chapter we do not limit our analysis of performance to the EU Member States, but add those of several other European and non-European countries in order to provide a broader picture of the functioning of the public sector of social security, as described earlier in the introductory chapter of this report.

Theoretically, social security¹ aims to generate positive social outcomes by protecting individuals against economic deficits. This is generally accomplished by granting rights or entitlements (e.g. benefits, normative claims on financial aid from others) and imposing duties, such as an obligation to pay taxes and contributions or to provide care. Typically, conditions and potential sanctions are attached to these rights and duties (Vrooman 2009: 126).

In delineating public social security, a number of supranational guidelines became important after WW II. In general terms, these include the Universal Declaration of Human Rights (1948) and the European Convention (1950). With respect to social protection, the International Labour Organisation’s (ILO) Convention on Social Security (Minimum Standards) (Convention No. 102, 1952), the European Social Charter (1961), the International Covenant on Economic, Social and Cultural Rights (1966) and the aforementioned EU Charter of Fundamental Rights (2007) are noteworthy.

¹ Throughout this chapter, we use the terms ‘social security’ and ‘social protection’ interchangeably.



As the first initiative on guaranteeing social rights, Convention No. 102 called for countries worldwide to protect their inhabitants through national legislation from the consequences of (1) sickness or disability, (2) unemployment, (3) old age, (4) employment injuries and (5) invalidity. Furthermore, countries should provide (6) maternity benefit, (7) family benefit and (8) survivors' benefit. Finally, according to Convention No. 102, governments need to safeguard (9) 'the provision of benefit in respect of a condition requiring medical care of a preventive or curative nature'. The minimum standards set by the Convention relate to the percentage of the population protected by social security, the minimum benefit level, the conditions for entitlement and its duration. How these standards are maintained is a national responsibility, and not part of the Convention; ratifying countries are free in this respect.²

Defining social security

Although the list of social risks may seem elaborate, from a theoretical point of view the ILO's demarcation of social security is often regarded as narrow (Viaene et al. 1990; Berghman 1986, 1990; Vrooman 2009). First of all, because it is restricted to public income replacement schemes. It disregards other means of social security delivery, e.g. through fiscal arrangements, employer's benefits, private insurance, family support and informal care and other types of intervention aiming at prevention and rehabilitation rather than providing benefits. Secondly, the ILO list is limited, because it consists of risks typically experienced by the traditional male breadwinner. It thus neglects new social risks, such as divorce, single parenthood, and the ability to combine work and family life. Finally, in a broader interpretation, social security not only offers income protection, but also ensures work and social participation.

In spite of its theoretical limitations, in this chapter we will largely follow the ILO's demarcation of social security. This is because the subject matter of this study focuses on public provisions. In most countries analysed, income replacement schemes (in benefits or in kind) take up the largest share of the social security budget. We therefore confine ourselves mainly to public social insurance schemes and national provisions relating to sickness leave, disability, unemployment, old age, family and children, and loss of a spouse or parent. We disregard health care as it is the subject of a separate chapter in this study. To this we add social assistance – in the literature often regarded as coverage of the general risk of poverty not insured by other social security schemes.

The goal of this chapter

This chapter aims to provide a picture of the functioning of the public sector of social security. As mentioned earlier, there are differences in the tradition of social security provision across countries, due to institutional variety. It is therefore important to assess country differences in performance with regard to social security. We will analyse the performance in

² Currently, 48 countries have ratified Convention No. 102, although not all of these countries have endorsed all parts of it.

36 countries by focusing on (1) their achievements in providing protection and combatting poverty, (2) the government expenditure on social security and (3) the delivery of social benefits. The selection of these aspects is inspired by Van Dooren, Bouckaert and Halligan (2010), see also Chapter 1. The general idea is that the government uses expenditure (inputs) to deliver public goods, services or benefits (output) in order to achieve the desired outcomes (i.e. providing protection and combating poverty).

Indicators for inputs, outputs and outcomes

Table 6.1 depicts the central elements of the chapter. The achievements of the social security sector are described using indicators for outcomes focusing on income protection (poverty and pension replacement rates) and job security (non-employment in youth and long-term unemployment) at different stages of life, inputs (expenditure) and outputs (production). In contrast to the other chapters in this study, we pay no attention to the relationship between countries' performance on outcomes and perceived quality in social security. This is because of a lack of recent cross-comparative data on perceptions of quality in the institutions of social security as a whole.

Table 6.1 Outcome, output and input indicators used in this chapter and corresponding data sources

Level	Indicators	Sources
Outcome	Poverty	Eurostat / OECD / EU-SILC
	Non-employment in youth	Eurostat
	Long-term unemployment	Eurostat
	Pension replacement rates	OECD
Input	Public (and private) expenditure on social security	Eurostat / OECD
Output	Number of old age pension recipients	ILO
	Coverage of unemployment benefit scheme	ILO

Structure of the chapter

This chapter is structured as follows. First, we elaborate a little more on the historical roots of social security and its institutional variety (Section 6.1). In Section 6.2 we then introduce the outcome indicators and compare countries' performance. In Sections 6.3 and 6.4 we document the expenditure on social security (inputs) and the beneficiaries (outputs) for each country. In Section 6.5 we identify possible interpretations and explanations of the results we found in the previous sections. Section 6.6 summarises the chapter.



6.1 Historical roots of and institutional variety in social security

Public social security schemes emerged in Western and Central Europe during the 19th century, superseding a long tradition of charity and occupational welfare, such as the poor relief offered by churches, municipalities and the pre-modern guilds. Their growth was connected to the new risks and longer chains of interdependence that followed the processes of industrialisation and urbanisation, and to the rise of the modern nation state and bureaucracy (De Swaan 1988). This resulted in two ‘pure’ forms of social security: social insurance and national provision.

In his study *The three worlds of welfare capitalism*, Esping-Andersen (1990) laid out different types of models of social security or ‘welfare state regimes’. That study sparked off a lively 25-year debate on the different models of social security (Emmenegger et al. 2015). Based on the academic literature, some general observations can be made on institutional variety in terms of public social security (see for instance Arts and Gelissen 2002, 2012; Castles et al. 2010; Ferragina and Seeleib-Kaiser 2011; Vrooman 2012).

6.1.1 Social insurance and national provision

Historically, the *social insurance* or ‘Bismarckian’ model of public social security came first. These collective schemes offer legal national coverage of workers against employment risks, especially old age, illness, disability, death of the breadwinner and unemployment. Such schemes apply semi-actuarial principles; the benefit level depends on the duration and level of contributions paid, and on the losses one has suffered, such as the degree of disability (‘equivalence’ of rights, contributions and damage). The main aim is to maintain the realised standard of living to a certain degree. In doing so, social insurance schemes tend to confirm existing status differentials through the selective attribution of rights and duties. Privileged employees (civil servants, the military, specialist workers) typically have better coverage than manual labourers, and certain groups (e.g. casual labourers, the self-employed, unemployed) have no coverage at all. After ww II, the *national provision* or ‘Beveridgean’ model of social security emerged. In order to prevent the squalor experienced by many during the Great Depression of the 1930s, national provision aimed to guarantee a social minimum to each inhabitant – for instance through a state pension or general social assistance. This model is explicitly redistributive. It is financed out of public revenue (taxation instead of earmarked contributions); rights are granted on the basis of what people need as a minimum, and do not depend on people’s previous contributions. The universalistic nature of national provision is expressed in flat-rate benefits for different types of households, while targeting the most needy is realised through means testing. An important characteristic of national provision schemes is their rights-based nature for all.



Social insurance and national provision hardly occur in their purest forms today. Due to broadening of the target group and the introduction of need elements, social insurance systems have often acquired provision-like features. At the same time, national provisions began incorporating insurance elements, partly in order to curtail costs. Thus the population covered by the national provision may be limited; survivors' benefits, for instance, might be restricted to older widows or widows with young children. Another example is the dependence of old age pensions on the number of years someone has resided in the country. This 'blurring' also implies that many countries have a mix of schemes aimed at income maintenance and minimum income guarantees.

6.1.2 Institutional variety in public social security

Public social security is most limited in the liberal welfare regime, which is typical for the Anglo-Saxon countries: Canada, the United States, Australia, New Zealand, the United Kingdom and Ireland. In the liberal welfare state, collective schemes are intended to be 'residual', and consist of national provisions targeted at the lowest groups through extensive means testing. A well-developed private insurance system may exist for the middle classes. There is debate on the aptness of this regime type for Australia and New Zealand. This is because these countries supposedly have wider coverage than the other Anglo-Saxon nations, more lenient means testing, and provide 'social protection by other means'. However, since the 1980s many of these mechanisms have been dismantled (Castles 2010).

In the social-democratic regime type, public social security is theoretically the most extensive. Social benefits are available for all inhabitants (universality), at an earnings-related level appealing to the middle classes. Private insurance is less important. The social-democratic regime type prevails in the Scandinavian countries. The elaborate social security system requires high levels of taxation and near full employment of both sexes in order to be sustainable in a financial sense. There is an extensive active labour market policy to prevent people becoming dependent on social benefits. Social-democratic welfare regimes are highly redistributive, and aim to guarantee all citizens a reasonable standard of living, irrespective of their position on the labour market. In other words, there is a high level of 'decommodification' in these countries, i.e. 'the degree to which individuals, or families, can uphold a socially acceptable standard of living independently of market participation' (Esping-Andersen 1990: 37)

Public social security is also extensive in the corporatist (or 'conservative') regime type, but the collective rights are awarded on a selective basis, mostly through social insurance. This is evident particularly from the link between previous contributions and labour experience, and a limited safety net in terms of national provision. Furthermore, different occupational



groups have separate benefit schemes. Families with children are well protected through collective insurance ('formal familialism'), which results in a limited labour market participation of women. Corporate regimes have medium decommodification and seek to reproduce the social inequality between status groups. These systems are characteristic among Western European nations (excluding the United Kingdom and Ireland). However, the Netherlands and Switzerland are often regarded as 'hybrids', combining social-democratic and corporatist traits (cf. Ferragina and Seeleib-Kaiser 2011; Vrooman 2012).

The Southern European countries are representatives of the 'Latin Periphery' regime type. The Southern European countries were rather late in developing public social security (Ferrara 1996; 2010). An important trait of the Latin Periphery regime type is the strong polarisation of social security entitlements: generous benefits for civil servants, modest benefits for other people in formal employment, and (very) limited transfers for the large group working in agriculture and the informal economy. Furthermore, public social security is mainly developed with regard to pensions and health care. The Latin Periphery type include a great degree of patronage and clientelism in the granting of rights. Another trait of this regime type is the strong reliance on direct social security delivery within families. This 'informal familialism' contrasts with the formal familialism of the corporatist regime type. Some authors (e.g. Esping-Andersen 1999) therefore argue that the Southern European countries do not represent a separate type, but are a less developed corporatist welfare regime.

Whether social security systems in the East Asian countries form a separate regime type is debated (e.g. Peng and Wong 2010; Kim 2010). Several traits point in this direction. The East Asian countries in general have limited public social security (mainly confined to pensions and health care), extensive occupational welfare in large companies, and high private savings. They are also characterised by a great deal of informal familialism, and labour market measures that keep people employed in non-competitive industries (agriculture, building construction), resulting in low unemployment figures. However, there is great variety within the East Asian group (e.g. Croissant 2004; Kasza 2006). Japan, for instance, has a long Bismarckian social insurance tradition, leading to a rather well-developed and more costly social security system than elsewhere in the region. Other East Asian countries, such as South Korea, introduced their systems much later. In this country, before democratisation started, public social security was limited to groups deemed important to the ruling class. After the democratisation process, public pensions and health care expanded greatly.

The Central and Eastern European countries theoretically do not form a separate regime type. However, they do belong together to a certain degree as a result of their shared communist past (Cook 2010). During the communist period, universal national provisions were available covering a wide range of risks (pensions, health care, family benefits, free education, subsidies for



housing and food) but at a rather sparse level, mainly covering basic needs. The system was stratified: provisions for communist party officials exceeded those for the industrial workers, while the provisions for these latter workers were in turn much better than those for agricultural workers. Bismarckian social insurance principles remained most identifiable in Hungary, the former Czechoslovakia and a large part of Poland, and were less prominent in the Baltic States, Romania and Bulgaria. After the fall of the Berlin Wall, the Czech Republic and Slovenia retained the most extensive and universal public social security systems. The welfare regime in Poland and Hungary occupies an intermediate position, since the regime is a compromise between maintaining social protection and liberalisation. The Baltic States, the Slovak Republic, Bulgaria and Romania moved more towards a liberal welfare regime.

6.2 Outcomes

As discussed in the introduction of this chapter, providing protection and combating poverty are considered the main goals of the social security system. The achievements of the social security sector are described using the following four outcome indicators, focusing on different stages in life: poverty, non-employment in youth, long-term unemployment and pension replacement rates. There were some restrictions regarding the choice of indicators for social security outcomes, due to availability of information. To summarise the outcomes covering the social security sector, an overall outcome index is constructed for each country. This outcome index is based on country scores for each outcome indicator.

6.2.1 Poverty

“An individual actor is poor if he consistently lacks the means to obtain the minimum necessities of his community” (Vrooman 2009: 360). This definition reflects the absolute lack of necessities rather than relative shortages, meaning that poverty needs to be operationalised into absolute poverty lines. With absolute poverty lines, people are poor if they are unable to obtain a certain minimum level of necessities, whereas relative poverty lines reflect the disadvantage compared with a reference group. As perceptions of the minimum necessities vary across countries and over time, no commonly agreed measure of absolute poverty across countries exists. A starting point for measuring poverty is therefore to look at relative poverty, based on distance to the median income level in each country in each year.

Relative poverty

Relative poverty is usually measured as a percentage of the median disposable household income³ of a country, and is often used in international comparative research. Relative poverty lines reflect the general level of prosperity of a specific country at a certain point in time. The median divides a

³ Eurostat calculates the disposable household income by adding the personal income received by all household members plus income received at household level. It includes all income from work, private income from investment and property, transfers between households, and all transfers received in cash, including old-age pensions.



country's income distribution into two halves: the number of people earning more than this median amount is precisely the same size as the number of people earning less. A poverty line drawn at 60% of the median income value has been applied for a number of years by the European Commission, in order to compute the percentage of poor people in the different Member States to be compared. However, two countries with the same 'at-risk-of-poverty' rate may differ significantly in terms of the income level of the poor. For the 28 European Union countries plus Switzerland and Norway, data is available through Eurostat, which presents information based on EU-SILC. For non-European countries, data from the OECD is used.

In 2013, 17% of the inhabitants of the European Union had an income below 60% of median income in their country (Table 6.2). We will highlight the prominent findings across all 36 countries:

- 1 Relative poverty was lowest in Northern and Western Europe, especially in the Netherlands (10%) and Norway (11%).
- 2 The Czech Republic also stands out, having only 9% of its population at risk of poverty. A flat income distribution (low income inequality) results in a low percentage of Czechs being below the poverty line of 60% (OECD: Society at a Glance, 2014).
- 3 In five European countries, at least one fifth of households are regarded as poor: Greece (23%), Romania (22%), Bulgaria (21%), Lithuania (21%) and Spain (20%).
- 4 High relative poverty rates were also found in the non-European countries. However, we should keep in mind that we used a different data source for these countries which might not be completely comparable to the data we used for the European countries.
- 5 Between 1995 and 2013, we do not see a clear overall increase or decrease in relative poverty. Large increases in poverty are found in Luxembourg, Sweden, Romania and Bulgaria, whereas substantial decreases occurred in the United Kingdom and Ireland. One possible explanation for the variation in poverty rates between countries over time is that income inequality rates – which are highly correlated with relative poverty – have converged across the EU since the beginning of the financial crisis (European Commission, 2015). Countries with initially lower levels of income inequality (e.g. Sweden) came to experience higher income disparities, whereas in countries with high levels of income inequality (e.g. United Kingdom) a decrease occurred.

As discussed earlier, there are some limitations to this relative indicator for poverty. The level of the relative poverty threshold depends greatly on the general prosperity and income inequality of the country concerned. In a wealthy country, those on less than 60% of the median income need not by definition be poor, while in a poor country even those on the relatively higher incomes could be poor. For example, the monthly threshold for poverty is € 385 in the Czech Republic and € 1,042 in the Netherlands, even though both countries are found to have low poverty rates (Eurostat data). Furthermore, it provides no information on whether people are able to



make ends meet with the amount represented by the poverty line, making it unclear whether an income below the threshold actually makes people poor.

Contextual poverty

Absolute poverty refers to a set standard which is consistent between countries. To derive an absolute measure of poverty, consensus is required on the budget needed to obtain the minimum necessities. The latter varies across countries and over time, and a poverty line taking this into account may be considered 'contextual'. The Netherlands Institute for Social Research|SCP determined a *modest but adequate* reference budget. This budget includes expenses which strictly speaking exceed the minimum budget for unavoidable expenses, but excludes luxury items such as a car or foreign holidays (Vrooman, 2009: 385). In 2010, this poverty line was set at € 999 per month for a single person in the Netherlands. Norm amounts for other types of households were derived through an empirical equivalence scale developed by Statistics Netherlands (CBS). Using the country-specific equivalised household incomes and purchasing power parities (PPPs⁴) for actual individual consumption, we transferred the Dutch poverty line to the national currencies of the other countries to derive a country-specific percentage of persons living in poverty. A potential risk of this method is that, although 'translated' using PPPs, the standard of living in the Netherlands is imposed on the other countries. Country-specific reference budgets would be preferable, but are not available yet. Nonetheless, using this measure for contextual poverty obviates the dependency of poverty rates on income inequality.

Table 6.3 shows the contextual poverty rates in European countries. The following results stand out:

- 1 Contextual poverty was lowest in Northern and Western Europe, especially in Luxembourg, Norway and Switzerland (all below 10%).
- 2 In all Central and Eastern European countries, except Slovenia, at least half the population is considered to be living in poverty.
- 3 Between 2005 and 2011, no clear increasing or decreasing pattern can be observed. Most Western European countries show increases, whereas most Northern and Central and Eastern European countries show decreases. The time trend in Southern European countries is even more mixed. Noteworthy is the recent increase in contextual poverty in Greece: between 2011 and 2012, the poverty rate increased by 12 percentage points, from 45% to 57%.

Figure 6.1 shows that relative poverty and contextual poverty are correlated ($r=0.54$), but the association is by no means perfect. In certain Central and Eastern European countries, especially, the difference is considerable. The Czech Republic, Slovak Republic, Hungary and Estonia have low to moderate relative poverty rates, but over half the population is below the contextual poverty threshold, as in most other Central and Eastern European countries (with the exception of Slovenia).

⁴ PPPs are the rates of currency conversion that equalise the purchasing power of different currencies by eliminating the differences in price levels between countries.



SOCIAL SECURITY

Table 6.2 At risk of relative poverty (threshold is 60% of median equivalised income after social transfers) (in %)

For reading instructions see page 49

Region	Country	1995	2000	2005	2010	2013	2013	2013 vs 1995
Western Europe	Germany	15	▼ -5	▲ +2	▲ +4	0	16	
	Ireland	19	▲ +1	0	▼ -5	▲ +1	16 ^a	
	Luxembourg	12	0	▲ +2	▲ +1	▲ +1	16	
	United Kingdom	20	▼ -1	0	▼ -2	▼ -1	16	
	Switzerland	.	.	.	15	0	15	
	Belgium	16	▼ -3	▲ +2	0	0	15	
	France	15	▲ +1	▼ -3	0	▲ +1	14	
	Austria	13	▼ -1	▲ +1	▲ +2	▼ -1	14	
	Netherlands	11	0	0	▼ -1	0	10	
Northern Europe	Sweden	.	9 ^b	▲ +1	▲ +3	▲ +2	15	
	Denmark	10	0 ^b	▲ +2	▲ +1	▼ -1	12	
	Finland	8 ^b	▲ +3	▲ +1	▲ +1	▼ -1	12	
	Norway	.	11 ^b	0	0	0	11	
Southern Europe	Greece	22	▼ -2	0	0	▲ +3	23	
	Spain	19	▼ -1	▲ +2	▲ +1	▼ -1	20	
	Italy	20	▼ -2	▲ +1	▼ -1	▲ +1	19	
	Portugal	23	▼ -2	▼ -2	▼ -1	▲ +1	19	
	Malta	.	15	▼ -1	▲ +2	0	16	
	Cyprus	.	.	16	0	▼ -1	15	
Central and Eastern Europe	Romania	.	17	▲ +1 ^a	▲ +3	▲ +1	22	
	Bulgaria	.	14	0	▲ +7	0	21	
	Lithuania	.	17	▲ +4	0	0	21	
	Croatia	.	.	18	▲ +3	▼ -1	20	
	Estonia	.	18	0	▼ -2	▲ +3	19	
	Latvia	.	16	▲ +3	▲ +2	▼ -2	19	
	Poland	.	16	▲ +5	▼ -3	▼ -1	17	
	Slovenia	.	11	▲ +1	▲ +1	▲ +2	15	
	Hungary	.	11	▲ +3	▼ -2	▲ +2	14	
	Slovak Republic	.	.	13	▼ -1	▲ +1	13	
	Czech Republic	.	8 ^b	▲ +2	▼ -1	0	9	
Oceania	Australia	21	0	0 ^a	▲ +1	▼ -1	21 ^a	
	New Zealand	16	▲ +5	.	20 ^a	▼ -1	19 ^c	
Northern America	United States	24	0	0	0	▲ +1	25 ^a	
	Canada	17	▲ +1	▲ +1	▲ +1	▼ -1	19 ^c	
Eastern Asia	Japan	20	▲ +1	▲ +1 ^b	22 ^a	.	.	
	Korea	.	.	20 ^b	▲ +1	▼ -1	20	

a previous year; b following year; c 2011. Source: Eurostat (At risk of poverty rate by poverty threshold, 2014), OECD (Poverty rate after taxes and transfers, 2014).

▲ largest increase
▼ largest decrease

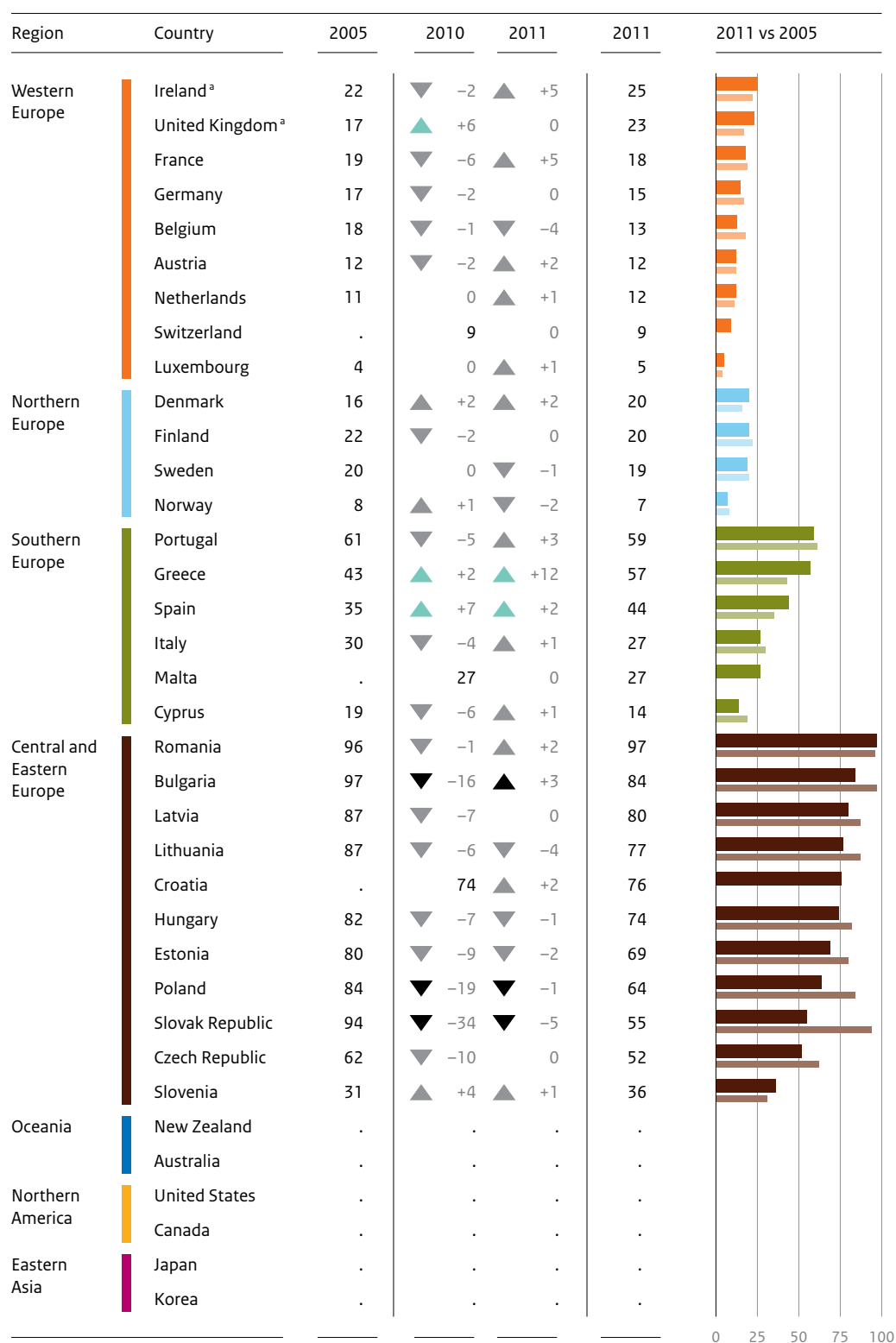
2013
1995



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Table 6.3 Contextual poverty (absolute threshold based on the Dutch modest but adequate reference budget) (in %)

For reading instructions see page 49



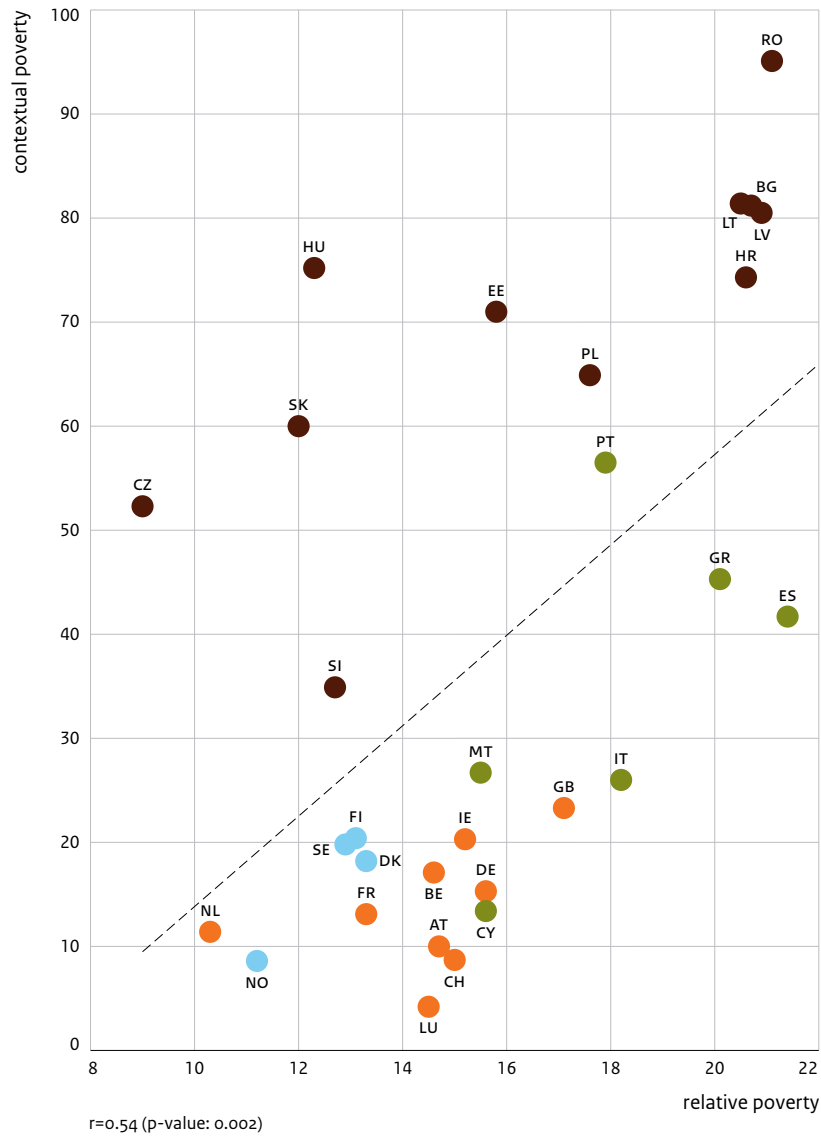
a Income data in the EU-SILC surveys from year t are from year t-1 (the income reference period). Two exceptions: Income variables from the United Kingdom refer to the 12-month period centred around the interview date. For Ireland it is the 12-month period prior to the interview date. Thus data from the United Kingdom and Ireland might be more recent than for the other countries. Source: EU-SILC, SCP treatment.

▲ largest increase
▼ largest decrease

2011
2005



Figure 6.1 Correlation between the relative poverty indicator measured by the threshold of 60% of median income and the contextual poverty indicator measured by the modest but adequate reference budget (2010, in %)



6.2.2 Non-employment in youth

In times of economic decline and growing pension take-up due to population ageing, non-employment in youth may be an extra burden for countries. Young people who are unemployed or inactive in the labour market will increase public spending, by increased benefit payments, lost income-tax revenues and a waste of human capacities as a result of possible ‘scarring effects’ (Morsy, 2012).



Young workers are often the ones with short-term contracts, which lead them into precarious situations. Because of their temporary contracts, young people are often the first to be laid off when a company downsizes, and they are often not eligible for redundancy payments due to their limited employment history. This makes them vulnerable to disadvantages in relation to work-related capacities but also to financial-related capacities.

The indicator for young people not in education, employment or training (NEET) corresponds to the percentage of the population aged 15-24 years who are not employed and not involved in further education or training i.e.: unemployed or inactive according to the International Labour Organisation definition and not having received any education or training in the preceding four weeks. This indicator is available in the 28 EU Member States through the Eurostat website, based on information collected by the European Union Labour Force Survey (EU-LFS). This covers the total population aged 15 years and older residing in Member States, except for persons living in collective or institutional households. Table 6.4 shows the NEET-percentage across the different countries. A few results stand out:

- 1 Western and Northern Europe have the lowest shares of young people not in education, employment or training. In 2013, non-employment among young people was lowest in Luxembourg (5%) and the Netherlands (5%), followed by Denmark (6%), Germany (6%), Austria (7%) and Sweden (8%).
- 2 The highest percentages are found in Southern and Central and Eastern Europe, with Italy (22%), Bulgaria (22%) and Greece (20%) all having at least one fifth of young people not in education, employment or training.
- 3 Since 2005, a mixed pattern of increases or decreases in the neet-percentage has emerged across countries. Large increases are found in Ireland, Italy, Portugal, Spain and Greece, due to the impact of the financial crisis. Substantial decreases have occurred in Germany and the Czech Republic.

6.2.3 Long-term unemployment

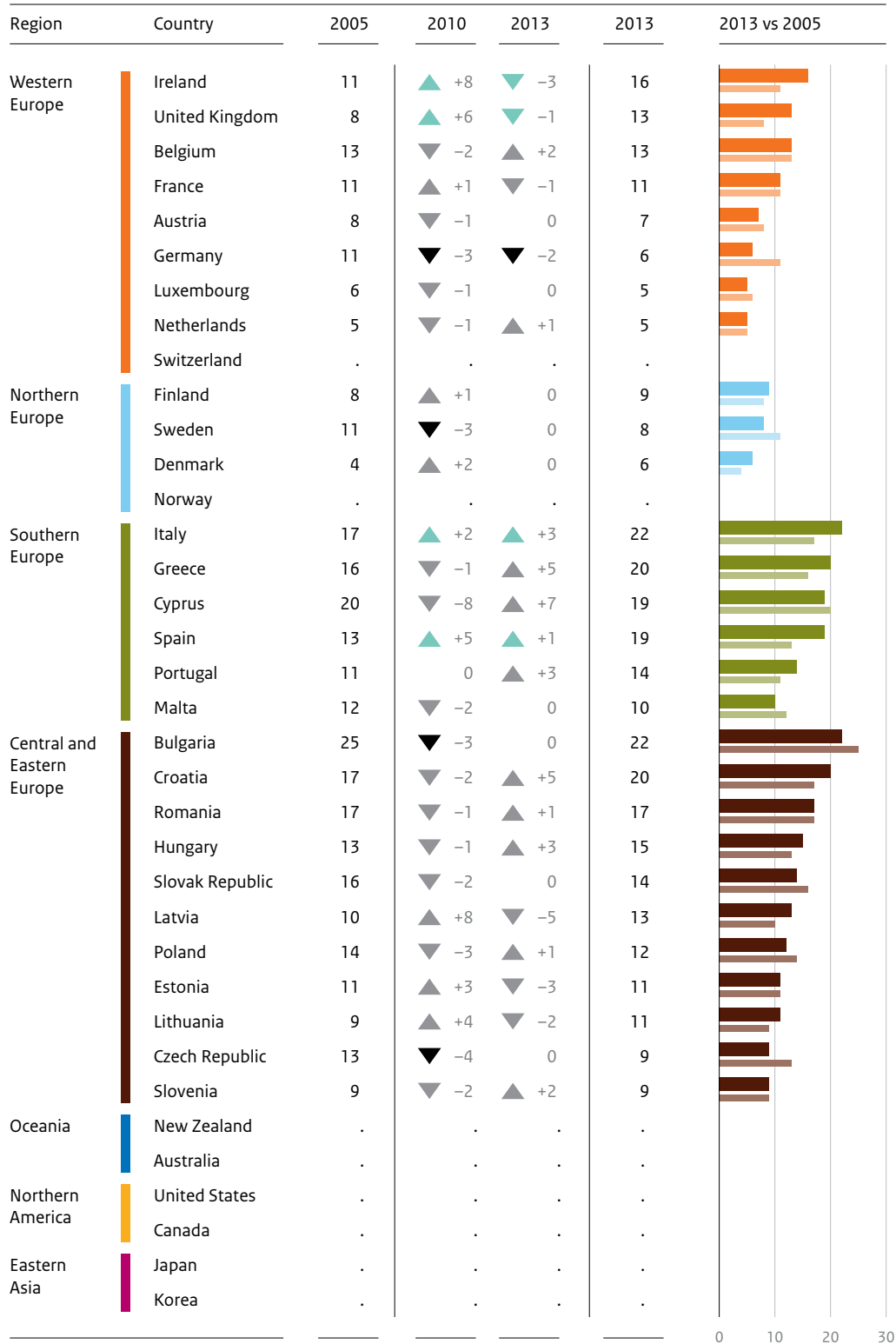
The duration of unemployment can vary greatly between individuals, and being unemployed for a short period of time is less problematic than being out of work for a prolonged period. Men, young people or low-skilled workers are generally most at risk of long-term unemployment. Particularly at risk of long-term unemployment are those who are “employed in declining occupations and sectors, whose skills often need upgrading” (European Commission, 2015). As the economy recovers, a key question is to what extent long-term unemployed people will re-enter the labour market. As a consequence, these long-term unemployed workers are of particular interest for social and economic policy.



SOCIAL SECURITY

Table 6.4 Non-employment in youth (% of young people aged 15-24 years who are not in education, employment or training)

For reading instructions see page 49



Source: Eurostat (Young people not in employment, education or training, 2015).

▲ largest increase
▼ largest decrease

2013
2005



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Table 6.5 Long-term unemployment (persons unemployed for at least 12 months as a percentage of the total number of active persons in the labour market)

For reading instructions see page 49

Region	Country	1995	2000	2005	2010	2013	2013	2013 vs 1995
Western Europe	Ireland	7.6	▼ -6.0	▼ -0.1	▲ +5.3	▲ +1.1	7.9	1.3
	France	4.0	▼ -0.7	▲ +0.4	0.0	▲ +0.5	4.2	0.2
	Belgium	5.8	▼ -2.1	▲ +0.7	▼ -0.3	▼ -0.2	3.9	-1.9
	Netherlands	3.4	▼ -2.6	▲ +1.3	▼ -0.9	▲ +1.2	2.4	-1.0
	Germany	4.0	▲ +0.1	▲ +1.8	▼ -2.6	▼ -1.0	2.3	-1.7
	United Kingdom	3.5	▼ -2.1	▼ -0.4	▲ +1.8	▼ -0.9	1.9	-1.6
	Luxembourg	0.7	▼ -0.2	▲ +0.7	▲ +0.1	▲ +0.5	1.8	1.1
	Austria	1.0	0.0	▲ +0.3	▼ -0.2	▲ +0.1	1.2	0.2
	Switzerland	.	.	.	.	.	.	0.0
Northern Europe	Denmark	2.0	▼ -1.1	▲ +0.2	▲ +0.4	▲ +0.3	1.8	-0.2
	Finland	.	2.8	▼ -0.6	▼ -0.2	▼ -0.3	1.7	-1.1
	Sweden	2.3	▼ -0.9	▼ -0.4	▲ +0.6	▼ -0.1	1.5	-0.8
	Norway	.	0.3	▲ +0.5	▼ -0.1	0.0	0.7	0.4
Southern Europe	Greece	4.6	▲ +1.6	▼ -1.0	▲ +0.5	▲ +12.8	18.5	13.9
	Spain	11.6	▼ -6.6	▼ -2.8	▲ +5.1	▲ +5.7	13.0	1.4
	Portugal	3.4	▼ -1.3	▲ +2.1	▲ +2.1	▲ +3.0	9.3	5.9
	Italy	7.1	▼ -0.9	▼ -2.3	▲ +0.2	▲ +2.8	6.9	-0.2
	Cyprus	.	1.2	▲ +0.1	0.0	▲ +4.8	6.1	4.9
	Malta	.	4.5	▼ -1.2	▼ -0.2	▼ -0.2	2.9	-1.6
Central and Eastern Europe	Croatia	.	.	7.6	▼ -0.6	▲ +4.0	11.0	11.0
	Slovak Republic	.	10.3	▲ +1.5	▼ -2.5	▲ +0.7	10.0	-0.3
	Bulgaria	.	9.4	▼ -3.3	▼ -1.3	▲ +2.6	7.4	-2.0
	Latvia	.	8.3	▼ -3.8	▲ +4.3	▼ -3.0	5.8	-2.5
	Slovenia	3.4 ^a	▲ +0.7	▼ -1.0	▲ +0.1	▲ +2.0	5.2	1.8
	Lithuania	.	8.0	▼ -3.6	▲ +3.0	▼ -2.3	5.1	-2.9
	Hungary	5.4 ^a	▼ -2.4	▲ +0.2	▲ +2.3	▼ -0.6	4.9	-0.5
	Poland	.	7.4	▲ +2.9	▼ -7.3	▲ +1.4	4.4	-3.0
	Estonia	.	6.7	▼ -2.3	▲ +3.2	▼ -3.8	3.8	-2.9
	Romania	.	3.9	▲ +0.1	▼ -1.6	▲ +0.9	3.3	-0.6
	Czech Republic	.	4.3	▼ -0.1	▼ -1.2	0.0	3.0	-1.3
Oceania	New Zealand	.	.	.	.	.	.	0.0
	Australia	.	.	.	.	.	.	0.0
Northern America	United States	0.5	▼ -0.3	▲ +0.4	▲ +2.2	▼ -0.9	1.9	1.4
	Canada	.	.	.	.	.	.	0.0
Eastern Asia	Japan	0.6	▲ +0.6	▲ +0.3	▲ +0.4	▼ -0.2	1.7	1.1
	Korea	.	.	.	.	.	.	0.0

a 1996. Source: Eurostat (Long-term unemployment in active population, 2015).

▲ largest increase
▼ largest decrease

2013
1995



The long-term unemployment rate is defined as the share of persons who have been unemployed for 12 months or more as a percentage of the total number of active persons in the labour market (aged 15-64 years). Active persons are those who are either employed or unemployed. Levels of long-term unemployment may be reduced when long-term unemployed persons have left the active population by entering into retirement or disability schemes. Table 6.5 shows the cross-national results for long-term unemployment. In short:

- 1 Long-term unemployment is relatively low in Western and Northern Europe, and in the United States and Japan. The best-scoring countries are Norway (0.7%), Austria (1.2%) and Sweden (1.5%).
- 2 In four countries, one tenth of the active persons in the labour market are long-term unemployed: Greece (19%), Spain (13%), Croatia (11%) and the Slovak Republic (10%).
- 3 Most countries have seen an increase in long-term unemployment in recent years. This increase was most marked in some Southern European and Central and Eastern European countries and in Ireland, possibly reflecting the impact of the financial crisis.

Share of long-term unemployment in total unemployment

When looking at long-term unemployment as a percentage of total unemployment, we see that in Northern Europe only about a fifth of the unemployed have been out of work for 12 months or longer (see Table A6.1 in the appendix to this chapter (www.scp.nl)). Within this group, the proportion is lowest in Sweden (19%); but this is far above the level reached in Korea, where long-term unemployment is virtually non-existent (0.3%). Fairly low shares (less than a quarter) are found in Austria (24%), Australia (20%), New Zealand (12%), Canada (12%). At least half the unemployed are long-term unemployed in the Slovak Republic (70%), Greece (67%), Ireland (61%), Bulgaria (57%), Italy (57%), Portugal (56%), Slovenia (51%) and Croatia (64%). Overall, the same pattern emerges as with the percentages of long-term unemployment in the previous section.

6.2.4 Pension replacement rates

The level of income from pensions relative to earnings⁵ when working may be captured in a replacement rate. The net replacement rate is defined as the individual net pension entitlement as a share of pre-retirement net earnings (OECD, 2013). These may be regarded as the expected pension outcome for a person entering the labour market and spending their entire working lives under the same set of rules. The net replacement rates used here are based on total mandatory pension schemes, including public schemes and (quasi-)mandatory private schemes.⁷ Voluntary contributions are not included.⁶ The results of this theoretical outcome measure are presented in Table 6.6, and show that:

5 Individual net pension entitlement, taking into account personal income taxes and social security contributions paid by workers and pensioners.

6 The oecd classifies the second tier of the Dutch pension scheme as a quasi-mandatory private contribution since there is no statutory obligation for employers to offer a pension scheme to their employees. However, because of industrial relations around 90% of employees are covered by the second tier (oecd 2013).

7 An example of a voluntary contribution is the third tier of the Dutch pension scheme.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Table 6.6 Net pension replacement rates by individual earnings for men (women where different), as % of pre-retirement earnings, 2012

Region	Country	Low Earners (0.5 of average wage)	Average Earners (1.0 of average wage)	High Earners (1.5 of average wage)
Western Europe	Austria	91	90	86
	Belgium	81	62	48
	France	76	71	61
	Germany	55	57	56
	Ireland	76	45	35
	Luxembourg	87	69	67
	Netherlands	105	101	97
	Switzerland	78	75 (73)	49 (48)
	United Kingdom	67	42	31
Northern Europe	Denmark	117	77	67
	Finland	71	63	63
	Norway	91	63	51
	Sweden	69	55	73
Southern Europe	Cyprus	71	75	74
	Greece	93	70	65
	Italy	84	81	83
	Malta	66	70	50
	Portugal	78	68	68
	Spain	79	80	80
Central and Eastern Europe	Bulgaria	108 (100)	108 (100)	85 (80)
	Croatia	.	.	.
	Czech Republic	98	64	51
	Estonia	80	62	55
	Hungary	94	95	96
	Latvia	73	68	65
	Lithuania	101	73	62
	Poland	61	60	59
	Romania	52 (50)	54 (52)	53 (51)
	Slovak Republic	88	85	85
Oceania	Slovenia	64 (67)	63 (67)	61
	Australia	100 (96)	68 (62)	54 (48)
New Zealand	New Zealand	82	43	31
	Canada	91	59	41
Northern America	United States	59	47	43
	Japan	54	41	36
Eastern Asia	Korea	65	45	34

Source: oecd Statistics (ELS Pensions, 2015).



- 1 The future net replacement rate for workers earning the average wage is highest in the Netherlands (101%) and Bulgaria (108% for men and 100% for women), followed by Hungary (95%) and Austria (90%).
- 2 The lowest replacement rates are found in Japan (41%) and the United Kingdom (42%). Other countries with low replacement rates are New Zealand, Ireland, Korea and the United States (all with replacement rates below 50%).
- 3 Southern European countries provide relatively generous pensions for their retirees; their replacement rates are generally high. This is due to the one-sided development of public social security in Southern European countries, which is heavily biased towards pensions and health care (Ferrara 1996, 2010).

Outside the scope of this chapter, but still noteworthy, is that when voluntary contributions are included, the pension replacement rate is much higher (OECD, 2013). This is particularly relevant for some of the Anglo-Saxon countries.

Inequality in net pension replacement rates

To prevent poverty among low-income workers entering retirement, many countries provide comparatively high replacement rates for low earners. Several countries provide low earners with pensions that are higher than their earnings when working; this is the case in Denmark (117%), Bulgaria (108% for men, 100% for women), the Netherlands (105%), Lithuania (101%) and Australia (100% for men, 96% for women).⁸ On the other hand, in eight countries replacement rates are about the same or worse among low earners compared to average earners: Germany, Spain, Cyprus, Malta, Bulgaria, Hungary, Slovenia, Romania. The net replacement rate for workers earning 1.5 times the average wage is highest in the Netherlands (97%) and Hungary (96%). The lowest replacement rates among high earners are found in the United Kingdom and New Zealand (both 31%).

6.2.5 Outcome index

For each stage in life, one outcome indicator is used to construct an overall outcome index in order to be able to compare the outcomes of the social security system (Figure 6.2). The social security outcome index is derived from the average standardised scores for contextual poverty (2011)⁹, youth non-employment (2013), long-term unemployment (2013) and pension replacement rates for average earners (2012).¹⁰ The outcome index is constructed as the unweighted average of these four indicators that each have an average of 0 and a standard deviation of 1 (also see chapter 1). The indicators included are contextual poverty, non-employment in youth, long-term unemployment and pension replacement rates for male average earners. The index measures the performance across countries based on the above four outcomes; higher scores correspond with a better

8

This is due to fiscal measures. Pensioners often do not pay social security contributions and receive preferential treatment under the income tax regime (OECD 2013).

9

Countries are grouped into five classes based on the poverty prevalence: 1) extremely high (PL, EE, HU, HR, LT, LV, BG, RO); 2) high (ES, CZ, SK, GR, PT); 3) medium (GB, IE, MT, IT, SI); 4) low (BE, CY, DE, FR, SE, FI, DK); 5) very low (LU, NO, CH, AT, NL).

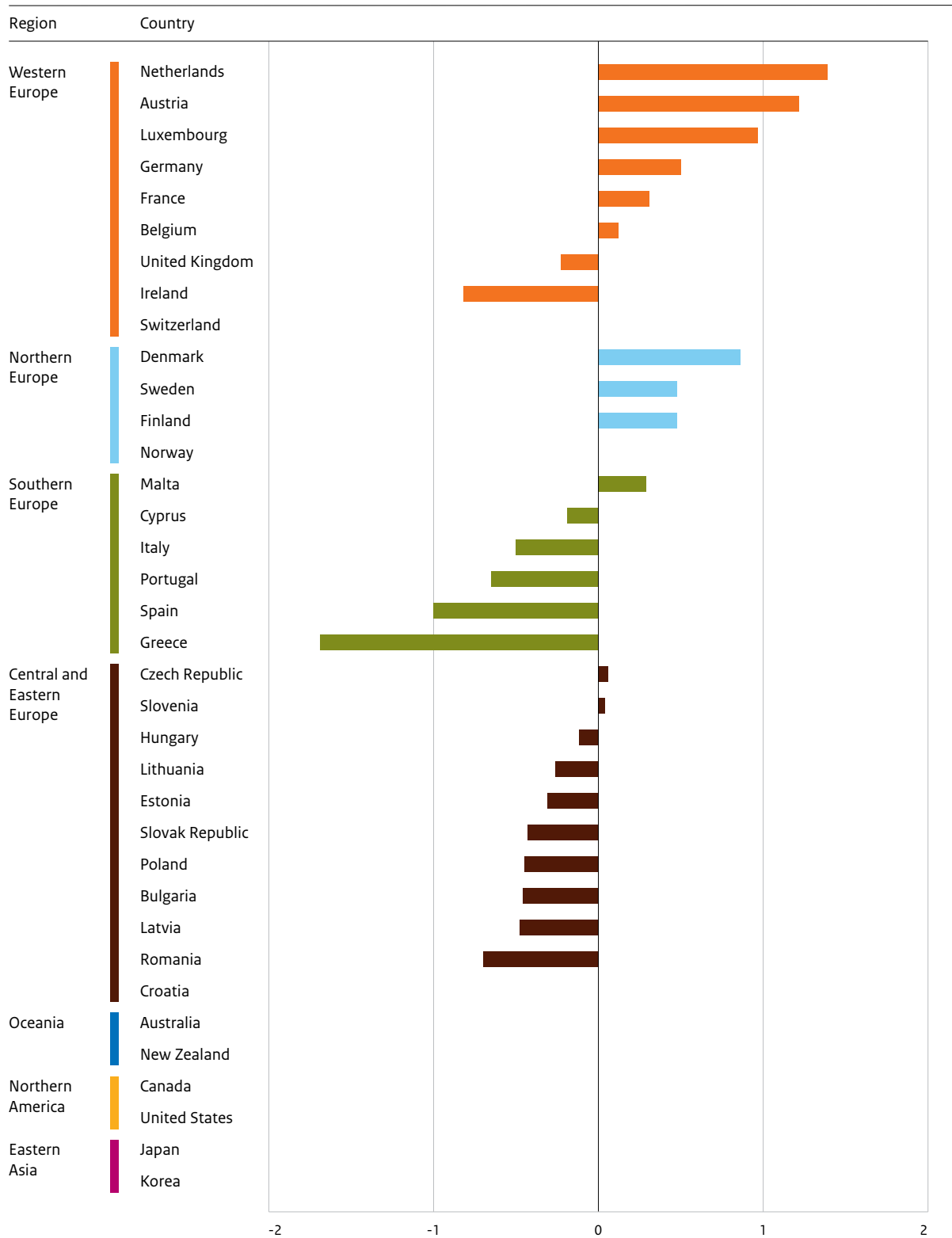
10

We multiply the resulting z-scores for youth non-employment and long-term unemployment by -1 to reverse the scoring into positive scores.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Figure 6.2 Social security outcome index (in index scores)



Source: Eurostat (young people not in employment, education or training, 2015; Long-term unemployment inactive population, 2015), oecd Statistics (ELS Pensions, 2015), EU-SILC (2012); SCP treatment.



performance. Based on the completeness of the data for each outcome, we derived an index score for all 28 EU Member States, except Croatia.

Northern and continental Western Europe score best on social security outcomes
Overall, the highest scores for the social security outcome index in the 28 EU Member States are obtained for the Netherlands, Austria, Luxembourg and Denmark, followed by the other Northern and Western European countries, except the United Kingdom and Ireland. Both the Netherlands and Austria score remarkably well on pension replacement rates; not only for average earners, but also for low and high earners. The lowest outcome index scores occur in Greece, Spain and Romania. Most Southern and Central and Eastern European countries have low scores on the index, with the positive exceptions of Malta, Slovenia, the Czech Republic and Hungary (around or slightly above the general average).

6.3 Inputs

To assess the performance of countries on social security outcomes, insights into the achievement of the goals of social security, as reported in the previous section, are not sufficient: an understanding of the government expenditure on social security is also needed. Countries with a relatively low share of government expenditure on social security and a relatively high score on outcome perform better than countries with a relatively low share of government expenditure and a relatively low outcome score. However, how well countries perform should not be based solely on the relationship between public expenditure and the outcome scores. Employers and employees also contribute to social security, and thus influence the outcome scores on social security. Their contribution can be either mandatory or voluntary. Whether mandatory contributions by employers and employees are classified as government expenditure depends on who controls the financial flows: the government or private parties (see also A6.2 in the appendix to this chapter on how public social expenditure is defined).¹⁰ To obtain a more complete picture of the performance of the different countries, in this section we present both public and private expenditure on social security. We have to rely on different data sources for private social security expenditure, and are therefore not able to include information on all selected countries.

6.3.1 Public expenditure on social security

Table 6.7 presents the total government expenditure on social security for the period 1995-2012. Expenditure is shown as a percentage of GDP. In the Northern European countries, government spending on social protection as a share of GDP is high. In 2012 the share is highest in Denmark (25%), followed by Finland, where the government also spent 25% of GDP on social

¹⁰ To give an example, the financial management of the old age risk in AU, CA, DK, NL, SE and GB is not in the hands of the government. The outlays on old age risks in these countries therefore do not form part of the public expenditure on social security.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Table 6.7 Total government expenditure on social protection, as % of GDP, 1995-2012

For reading instructions see page 49

Region	Country	1995	2000	2005	2010	2012	2012 ^a	2012 vs 1995
Western Europe	France	22	▼ -1 ▲ +1 ▲ +2	0	24			
	Austria	22	▼ -1	0 ▲ +1	▼ -1	21		
	Belgium	18	▼ -1 ▲ +1 ▲ +1	▲ +1	20			
	Germany	21	0	0	0 ▼ -2	19		
	Luxembourg	17	▼ -1 ▲ +1 ▲ +2	0	19			
	Netherlands	19	▼ -3	0 ▲ +1	▲ +1	18		
	United Kingdom	17	▼ -2 ▲ +1 ▲ +2	0	18			
	Ireland	14	▼ -5 ▲ +2 ▲ +6	▼ -1	16			
	Switzerland	.	.	14 ▼ -1	0	13		
Northern Europe	Denmark	26	▼ -3	0 ▲ +2	0	25		
	Finland	26	▼ -6 ▲ +1 ▲ +3	▲ +1	25			
	Sweden	27	▼ -4	0 ▼ -1	▼ -1	21		
	Norway	18	▼ -2	0 ▲ +2	▼ -1	17		
Southern Europe	Greece	17	0 ▼ -2	▲ +4	▲ +2	21		
	Italy	18	▼ -1	▲ +1 ▲ +3	0	21		
	Portugal	12	0 ▲ +3	▲ +3	▲ +1	19		
	Spain	15	▼ -2	0 ▲ +4	▲ +1	18		
	Malta	12	0 ▲ +2	0	▲ +1	15		
	Cyprus	7	▲ +1	▲ +3	▲ +1	0	12	
Central and Eastern Europe	Slovenia	.	17	0 ▲ +2	0	19		
	Hungary	18	▼ -3	▲ +2	▲ +1	▼ -1	17	
	Poland	.	.	17	0 ▼ -1	16		
	Czech Republic	11	▲ +2	▼ -1	▲ +2	0	14	
	Romania	11	0	0	▲ +4	▼ -1	14	
	Bulgaria	.	13	▼ -2	▲ +3	▼ -1	13	
	Croatia	.	.	.	.	13		
	Estonia	12	▼ -1	▼ -1	▲ +5	▼ -2	13	
	Lithuania	10	▲ +3	▼ -3	▲ +4	▼ -2	12	
	Slovak Republic	13	▲ +2	▼ -2	▼ -1	0	12	
	Latvia	13	0	▼ -3	▲ +4	▼ -3	11	
Oceania	Australia ^b	12	0	▼ -1	0	▲ +1	12	
	New Zealand ^b	13	0	▼ -2	▲ +2	▼ -1	12	
Northern America	United States ^b	9	0	0	▲ +2	0	11	
	Canada ^b	12	▼ -2	0	▲ +1	▼ -1	10	
Eastern Asia	Japan ^b	9	▲ +2	▲ +1	▲ +3	0	15	
	Korea ^b	2	▲ +1	▲ +1	▲ +1	0	5	

a The data for the non-European countries relate to 2011. b In the OECD data the percentage of GDP spend on health is excluded from the percentage of the public social expenditure reported in this table. Source: Eurostat (COFOG) & OECD (SOXC for non-European countries).

▲ largest increase
▼ largest decrease

2012
1995



protection. France also devotes a large share of government expenditure to social protection (24% in 2012). In Central and Eastern Europe the share of GDP spent on social protection is low, typically 15%. Other European countries with comparatively low expenditure levels are Cyprus (12%), Switzerland (13%) and Malta (15%). The same applies for the non-European countries. In South Korea, especially, public spending on social protection makes up a small percentage of GDP. However, due to different data sources we have to be careful in comparing expenditure in the non-European countries with that in the European countries.

Over the period 2005-2012 most European governments are confronted with an increasing share of GDP spent on social expenditures. During this period, countries had to face the repercussions of the economic and financial crisis that began in 2008 –although the impact of the crisis differed between countries. Most countries were also having to deal with an ageing population. As a result, the growth in the share of government expenditure on social protection as a percentage of GDP is quite strong in some countries. Greece, for instance, spent 15% of GDP on social protection in 2005, and this had risen to 21% by 2012. This is one of the countries most severely affected by the economic and financial crisis. Other countries that experienced a relatively large increase are Ireland and Spain, with an annual increase of 6.0% and 4.6%, respectively, between 2005 and 2012. Only a small number of countries saw a decrease in the share of government spending devoted to social protection, namely Germany, Sweden and the Slovak Republic.

6.3.2 Public expenditure on different social risks

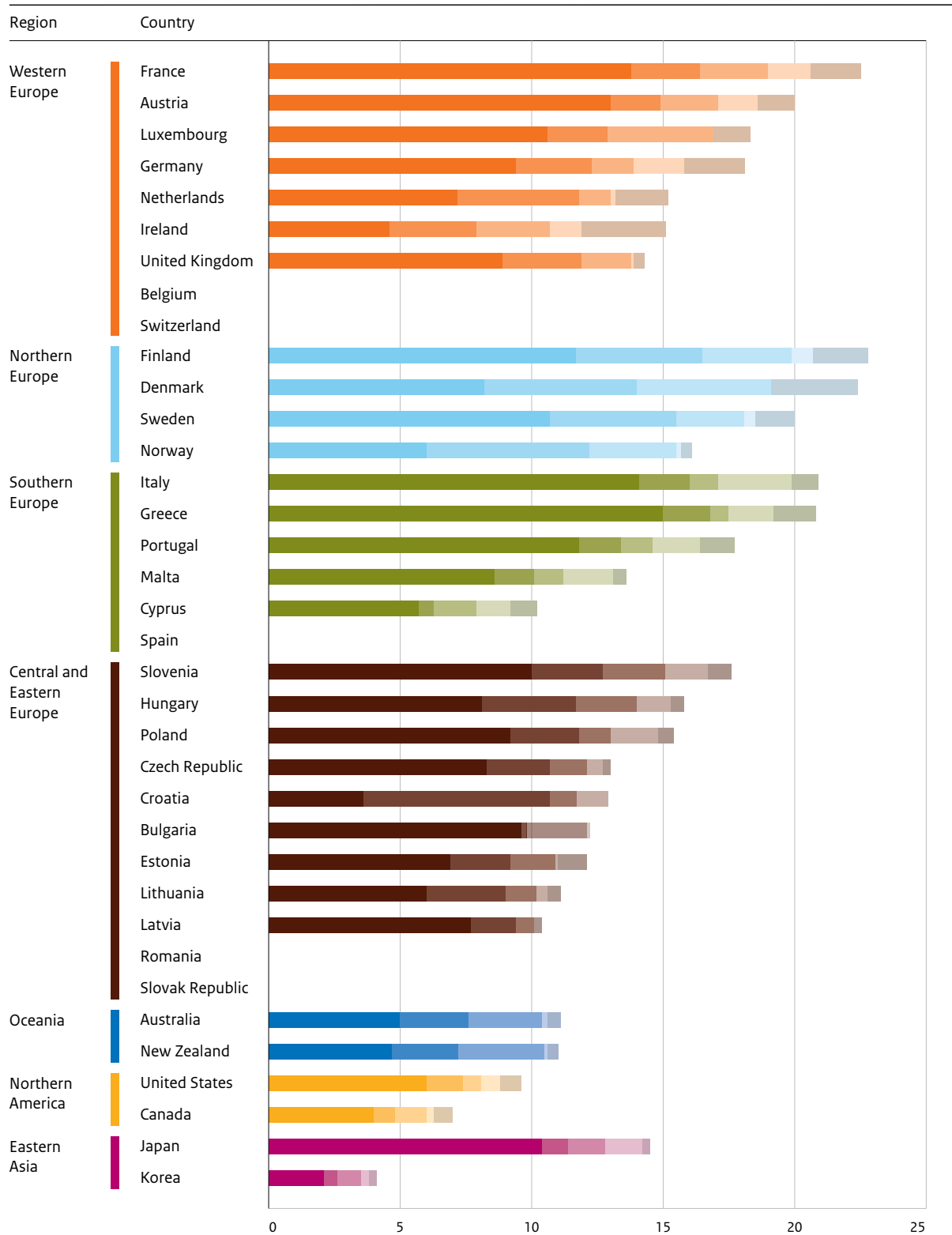
Figure 6.3 shows the composition of social security expenditure in 2012. It can be clearly seen that in almost all countries, the largest share in total expenditure is taken by old age benefits; on average, countries spent half their social security budget on pension benefits. The majority of countries in Southern Europe reserve a larger share of government expenditure for pension benefits, with approximately two-thirds of the social security budget set aside for covering the risk of old age. As explained in Section 6.1.2, this is due to their ‘late developer’ status and the one-sided development of their social security systems (slanted towards pensions and health care).

For most countries, the next largest share of total spending on social protection is taken by sickness and disability benefits. On average, government expenditure on these benefits accounts for almost a fifth of total government spending on social security. In a few countries, the next largest share is related to expenditure on family and children benefits; on average, governments spend just over 10% of the total social protection budget on these benefits. Survivors’ benefits make up around 5% of total public social security expenditure on average, as do unemployment benefits.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Figure 6.3 Government expenditure on social protection by risk, as % of GDP, in 2012^{a,b}



a The data for the non-European countries relate to 2011. b Total percentages in Table 6.7 and Figure 6.3 do not match. This is because not all social risks are included in Figure 6.3. The figure covers more than 90% on average of total public social expenditure (reported in Table 6.7). Source: Eurostat (cofoG) & OECD (socx for non-European countries).

old age sickness & disability family & children survivors unemployment



6.3.3 Public versus private expenditure

Private social expenditure may have either a mandatory or voluntary character. Expenditure prescribed by legislation but operated through the private sector is mandatory private expenditure, e.g. the legal obligation on employers to pay direct sick leave payments to employees. Voluntary private expenditure takes the form of privately operated programmes involving the redistribution of resources across households or collective (often employment-related) support arrangements, such as pensions¹¹ and childcare support. However, a private pension insurance with actuarially fair contributions that involves no redistribution across households is not considered to be a voluntary private expense.^{12, 13}

Figure 6.4 shows the composition of total social expenditure by source of finance for 2011. On average, around 85% of the social expenditure is public, about 5% is mandatory private and just under 10% is voluntary private. To the extent that we have data on the total social expenditure in Central and Eastern Europe, these countries mainly provide protection against the social risk through public expenditure. In Northern and Southern Europe, government spending accounts for close to 90% of total social expenditure. In Western Europe, the situation is more mixed. In some countries, such as the Netherlands and the United Kingdom, the government covers around 70% of the total social budget. Of the remaining 30%, a relatively small part consists of mandatory private funding; the majority involves voluntary private contributions. The government covers a smaller share of total social expenditure in these countries through the funding of the pension system; see also note 10 and A6.2 in the appendix to this chapter. In Switzerland, the government accounts for less than 70% of the total social security budget. The remainder is mostly mandatory private. In the other Western European countries, 90% or more of the social security budget is made up of government expenditure. In the countries in the rest of the developed world, the government share in total social expenditure is less than 85% (with the exception of New Zealand). Korea has the lowest share, at just over 65%.

6.4 Outputs

Through its expenditure, the public sector delivers goods and services. In the case of social security, the public sector mostly provides benefits. In this section we look at the outputs of the social security sector by examining the following indicators: (1) the percentage of pension beneficiaries within the population above retirement age, i.e. the pension coverage, and (2) the percentage of unemployed persons in receipt of unemployment benefit.¹⁴

¹¹ The second tier in the Dutch pension system is an example of such voluntary private social expenditure.

¹² An example is the third tier in the Dutch pension system.

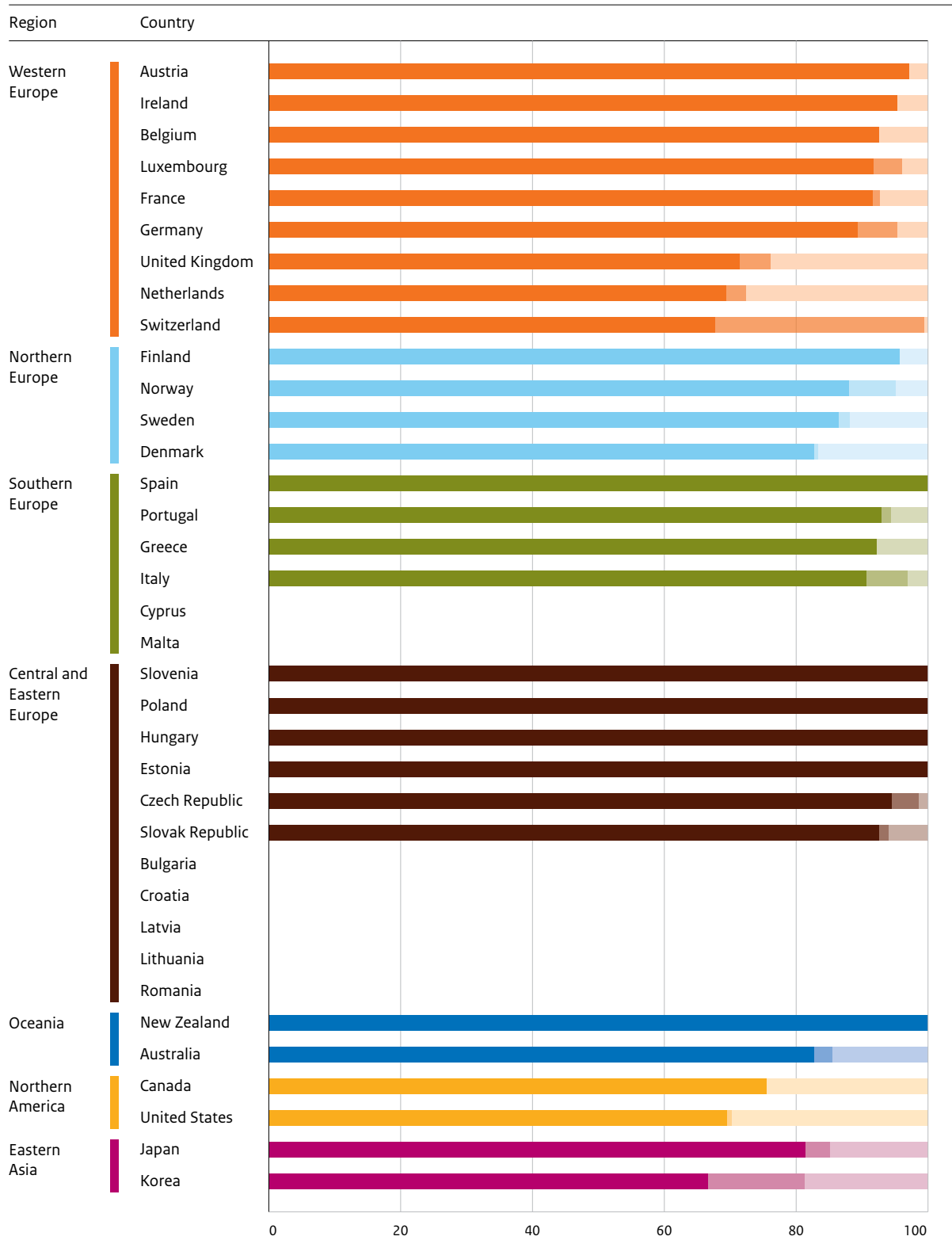
¹³ The OECD's definition of private mandatory and private voluntary social expenditure differs from the OECD's classification of private mandatory and private voluntary pension schemes (presented in Section 6.2.4). In *Pensions at a Glance* (OECD 2013), the OECD defines the Dutch second tier as quasi-mandatory private and the third tier as voluntary private. In the OECD SOCX-database, the Dutch second tier is a voluntary private social expenditure and because the third tier involves no redistribution it is not classified as social expenditure at all.

¹⁴ Due to the data limitations, we are only able to report on these two indicators of social security output.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Figure 6.4 Composition of public and private social expenditure, as a share of total social expenditure, 2011^a



a Since the data on public and private social expenditures in this figure are drawn from a different data source than the information presented in Table 6.7, the underlying percentages of GDP spent on public social expenditures in this figure do not exactly match the percentages reported in Figure Table 6.7. Source: OECD (SOCX).

public mandatory private voluntary private



6.4.1 The coverage of pension benefits

There are several options for mitigating the consequences of loss of income for workers as they grow older. Retirees may receive a 'regular' old age benefit, but also a disability pension, a partial pension or a survivors' pension. Furthermore, older workers may retire early due to a reduced capacity to work or for labour market reasons. In Table 6.8 we focus solely on the regular old age benefits provided in 2010, the most recent year for which we have data. The statutory retirement age¹⁵ varies by country and sometimes also by gender.¹⁶ Table 6.8 shows clearly that almost all men who have reached retirement age are in receipt of pension benefit. In several countries, women have lower levels of pension coverage than men. This is most likely related to the type of pension programme; see Table 6.9. Pensions may be funded through a contributory scheme or a non-contributory scheme. In contributory schemes the contributions of employees determine their entitlement to benefits. Non-contributory schemes require no direct contribution as a condition of entitlement to receive benefits. Where an old age pension scheme has a mainly contributory basis, women are worse off. This is because over their whole working lives, women are most often the ones who interrupt their careers to look after others (children or parents), and who thus face a higher risk of being in precarious employment, thus affecting their accrual of pension rights.

6.4.2 Number of people in receipt of unemployment benefit

To examine the extent to which unemployed persons are protected against the financial consequences of job loss, we look at the coverage of the unemployment benefit scheme (ILO 2010; ILO 2014). The coverage represents the number of protected persons receiving unemployment benefit as a percentage of those currently unemployed (ILO 2014: 34).

According to the ILO (2014), unemployment schemes with periodic cash benefits are organised in most countries through (public mandatory) social insurance; see Table A6.2 in the appendix to this chapter. Contributions are paid by employers or shared between employers and employees. Sometimes the contributory social insurance is combined with a means-tested scheme (potentially covering all those who pass the required income or means test). Only a few countries have a non-contributory unemployment benefit scheme, for example Australia and New-Zealand.

The coverage of unemployment benefits is especially high in Western European countries (Figure 6.5). In many of these countries, more than 60% of the unemployed receive unemployment benefit; in Austria, it is even more than 90%. Germany and Ireland also have high coverage, of 85% or more. Other countries with high effective coverage are Malta (almost 90%) and Denmark (almost 80%).

¹⁵ The statutory retirement age is the age at which old-age benefits become payable pursuant to legislation or contract.

¹⁶ Gender is not the only reason why the retirement age might differ within a country. It could also vary by sector of activity or by occupation.



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Table 6.8 Share of population above retirement in receipt of old age pension benefit, 2010

Region	Country	Retirement age	Men	Woman
Western Europe	Austria	65+ Men | 60+ Women	94	78
	Belgium	65+	100	68
	France	60+	100	100
	Germany	65+	100	100
	Ireland	65+	100	66
	Luxembourg	65+	100	56
	Netherlands	65+	100	100
	Switzerland	65+ Men | 64+ Women	100	100
	United Kingdom	65+ Men | 60+ Women	100	99
Northern Europe	Denmark ^a	65+	100	100
	Finland	65+	100	100
	Norway	67+	100	100
	Sweden	65+	100	100
Southern Europe	Cyprus	65+	100	57
	Greece	65+ Men | 60+ Women	100	55
	Italy	65+ Men | 60+ Women	100	69
	Malta	61+ Men | 60+ Women	98	32
	Portugal	65+	100	100
	Spain	65+	97	47
Central and Eastern Europe	Bulgaria	63+ Men | 60+ Women	99	96
	Croatia	65+ Men | 60+ Women	85	44
	Czech Republic	62.2+ Men | 60.7+ Women	100	100
	Estonia ^a	63+ Men | 61+ Women	99	98
	Hungary	62+	98	88
	Latvia	62.5+ Men | 60+ Women	100	100
	Lithuania	62+	100	100
	Poland ^b	65+ Men | 60+ Women	100	95
	Romania	63.75+ Men | 58.75+ Women	100	88
	Slovak Republic	62+	100	100
Slovenia	63+ Men | 61+ Women	100	86	
Oceania	Australia	65+ Men | 64+ Women	76	88
	New Zealand ^c	65+	100	97
Northern America	Canada	65+		
	United States	65+	95	91
Eastern Asia	Japan	65+		
	Korea	60+		

a 2011, b 2009, c 2012. Source: ILO (2014).



SOCIAL SECURITY

Table 6.9 Total pension coverage and type of pension programme, 2010

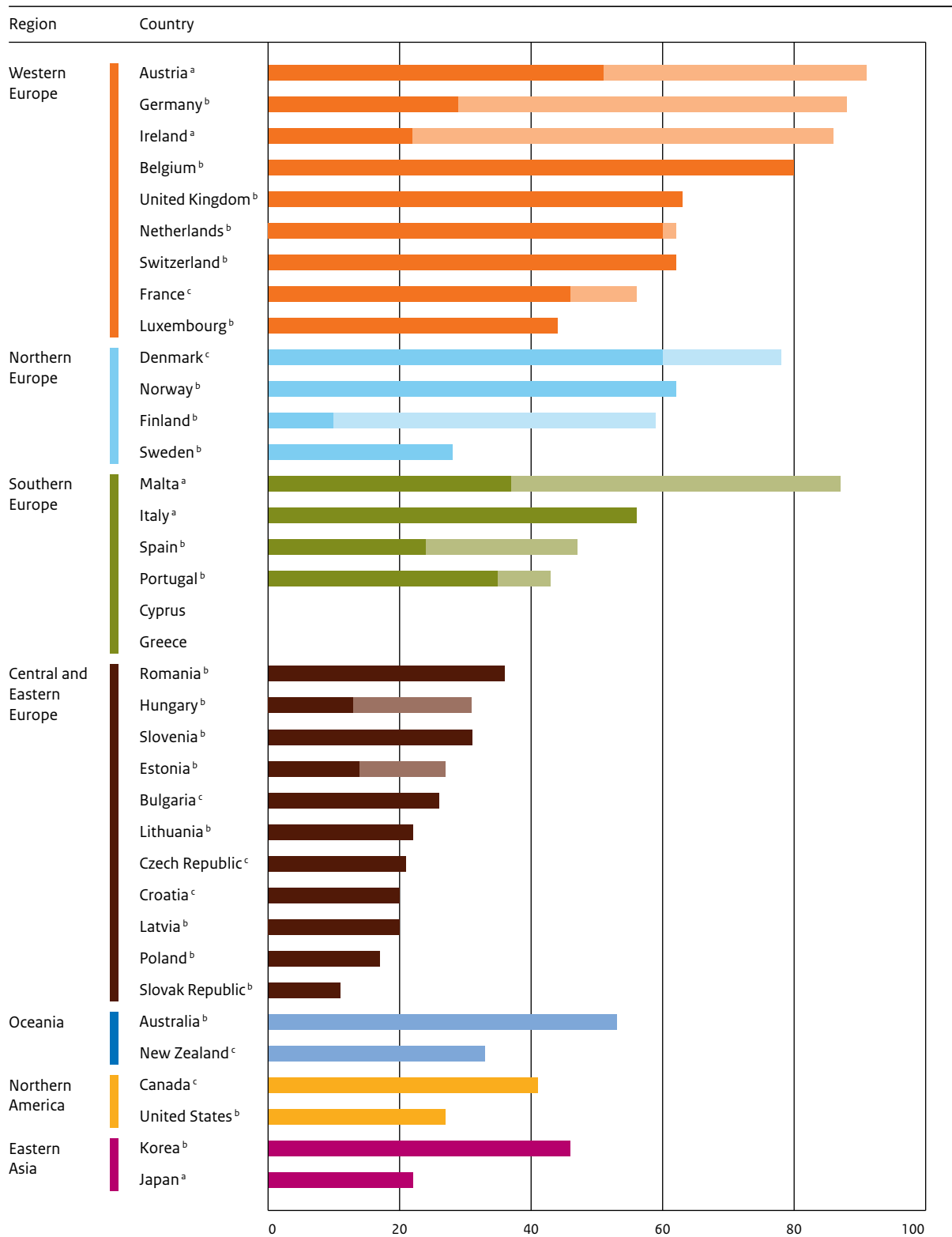
Region	Country	Total	Old age pension programme	Share by type of programme	
				Contributory ^e	Non-contributory
Western Europe	Austria	100	Social insurance	94	
	Belgium	85	Social insurance and means-tested non-contributory pension	80	
	France	100	Social insurance and means-tested non-contributory pension	95	
	Germany	100	Social insurance	.	
	Ireland	90.5	Social insurance and means-tested non-contributory pension	71.3	
	Luxembourg	90	Social insurance	.	
	Netherlands	100	Social insurance	.	
	Switzerland	100	Social insurance and mandatory occupational pension and pensions-tested non-contributory pension	.	
	United Kingdom	100	Social insurance and means-tested non-contributory pension	76	
Northern Europe	Denmark ^a	100	Social insurance, universal	.	100
	Finland	100	Mandatory occupational pension and means-tested noncontributory pension	47.5	
	Norway	100	Social insurance (old system and nbc)	.	
	Sweden	100	Social insurance, nbc and mandatory individual account and pensions-tested non-contributory pension	52	
Southern Europe	Cyprus	85	Social insurance and pension-tested non-contributory pension	72	
	Greece	77	Social insurance and means-tested non-contributory pension	60	
	Italy	81	Social insurance (phasing out) nbc and means-tested non-contributory pension	75	
	Malta	60.5	Social insurance and means-tested non-contributory pension	55.3	
	Portugal	100	Social insurance and means-tested non-contributory pension	.	
	Spain	68	Social insurance and means-tested non-contributory pension	65	
Central and Eastern Europe	Bulgaria	96.9	Social insurance, mandatory individual account and means-tested non-contributory pension	96.5	
	Croatia	58	Social insurance and mandatory individual account	.	
	Czech Republic	100	Social insurance	.	
	Estonia ^a	98	Social insurance and mandatory individual account and pension-tested non-contributory pension	96	
	Hungary	91.4	Social insurance and mandatory (> voluntary) individual account and means-tested non-contributory pension	91.1	
	Latvia	100	Social insurance (nbc) and pension-tested non-contributory pension	96	
	Lithuania	100	Social insurance and pension-tested non-contributory pension	99.8	
	Poland ^b	97	Social insurance (nbc)	94	
	Romania	98	Social insurance and individual account	.	
	Slovak Republic	100	Social insurance and individual account	99.5	
Oceania	Australia	83	Mandatory occupational pension system and means-tested non-contributory pension	.	
	New Zealand ^c	98	Universal non-contributory pension with means-tested top-up	.	
Northern America	Canada	97	Social insurance and universal non-contributory pension (with tax recovery from high earners)	2	
	United States	93	Social insurance and means-tested non-contributory pension	88	
Eastern Asia	Japan ^d	80	Social insurance (flat rate benefit and earnings related benefit)	.	
	Korea	78	Social insurance and means-tested non-contributory pension	.	

nbc: non-financial defined contribution. a 2011; b 2009; c 2012; d 2008, e For contributory schemes, contributions made by protected persons directly determine the entitlement to benefits. Non-contributory schemes, including non-means-tested and means-tested schemes, require no direct contribution from beneficiaries or their employers as a condition of entitlement to receive the relevant benefits. A means test is used to assess whether the individual's own resources and/or assets are below a defined threshold and determine whether the applicant is eligible for any benefit at all, and if so at what level. Source: ILO (2011).



PUBLIC SECTOR ACHIEVEMENT IN 36 COUNTRIES

Figure 6.5 Unemployed persons actually in receipt of benefits (%), 2011/2012/2013



a 2011; b 2012; c 2013; d For contributory schemes, contributions made by protected persons directly determine entitlement to benefits. Non-contributory schemes, including non-means-tested and means-tested schemes, require no direct contribution from beneficiaries or their employers as a condition of the entitlement to receive the relevant benefits. A means test is used to assess whether the individual's own resources (income and/or assets) are below a defined threshold and determine whether the applicant is eligible for any benefit at all, and if so at what level. Source: ILO.

■ contributory^d ■ non-contributory^d



No countries have 100% coverage. The income support provided by unemployment benefit is meant to be temporary; it covers a limited time period. Furthermore, entitlement to unemployment benefit is mostly restricted to employees in formal employment; in a very limited number of countries, the self-employed and other categories of employed persons with a more independent status than waged and salaried workers are also entitled to unemployment benefits (ILO 2010; ILO 2014). Not all beneficiaries have found a new job by the time they reach the end of their entitlement to contributory unemployment benefit. The long-term unemployed are no longer entitled to unemployment benefit, as their claim has expired. Due to the contributory nature of most unemployment benefit schemes, new entrants to the labour market also often have no entitlement to benefits. In calculating the coverage of the unemployment benefit scheme, the 'currently unemployed' include those who are long-term unemployed or who are new entrants to the labour market. Long-term unemployed persons and new entrants to the labour market who are no longer or not entitled to unemployment benefit may qualify for general social assistance benefits (ILO 2014).

Due to data limitations, the analysis of the differences between countries in the coverage of the protection against the risk of becoming unemployed is limited to schemes that provide income support. It does not take into account other related and important programmes (such as sheltered employment, employment guarantee schemes, training and other employability-enhancing measures, and other 'active' labour market policies). Furthermore, it is impossible to calculate estimates of the coverage of general social assistance since there are no regularly published data for a sufficient number of countries on the numbers of general social assistance benefit recipients.

6.5 Explaining the differences

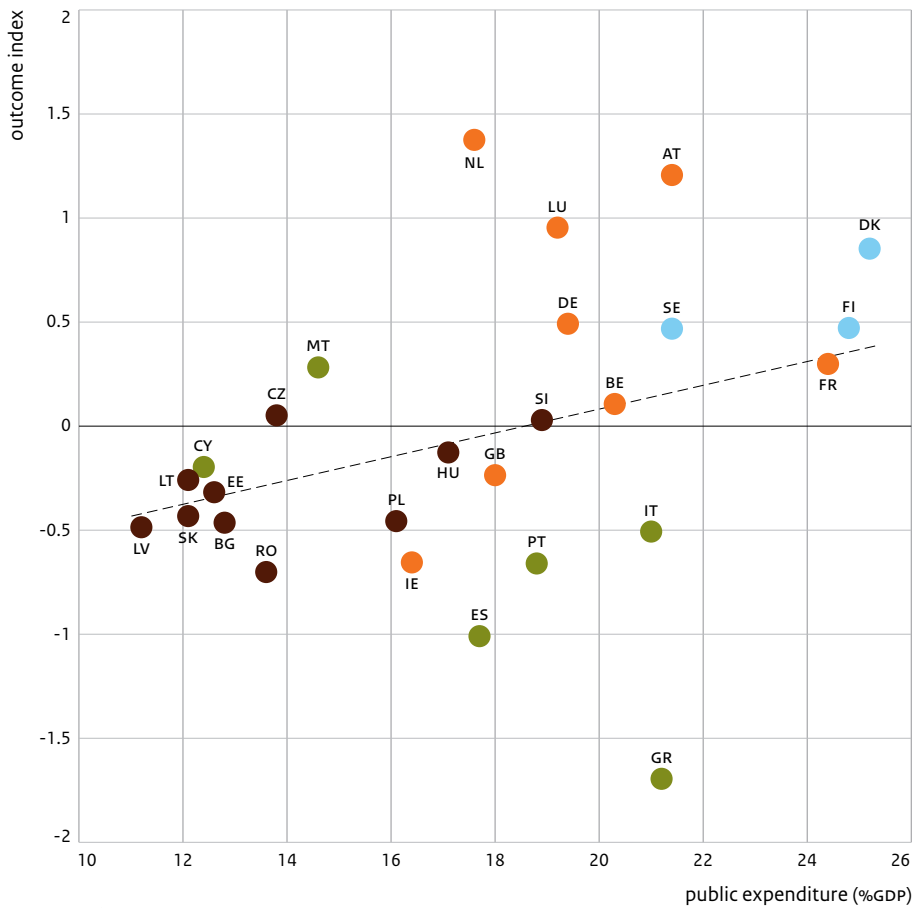
Government expenditure correlates weakly with social security outcomes

The number of people who are unemployed or live in poverty is relatively low in Northern and Western Europe. In Southern and Central and Eastern Europe, the share is larger. The countries in this part of Europe spend a smaller share of their GDP on social security than the countries in Northern and Western Europe. The latter countries have extensive social security schemes, and this is reflected in the low unemployment and poverty rates we found in this chapter. In Southern Europe, the social security system covers a limited number of social risks but is well developed as regards pensions. This could explain the good performance of the Southern European countries, in addition to the Northern and Western European countries, on pension replacement rates. Generous benefits are provided for workers entering retirement.



Based on the above comparison of regions, it would seem that spending on social security pays off; in that it results in lower levels of unemployment and poverty. However, the outcome performance within regions is mixed. Figure 6.6 shows that there is no significant correlation between the input, measured as public expenditure as a percentage of GDP (as presented earlier in Table 6.7), and the outcome index (as presented in Table 6.2). The absence of an association between outcomes and inputs could be partly due to cross-country differences in private contributions, which were not included in the input indicator.

Figure 6.6 Government expenditure on social security (% GDP) versus the outcome index



See Figure 6.2 and Table 6.7 for source information, scp treatment.



6.6 Conclusion

Social security is a basic human right. Its goals are to provide (financial) protection against social risks and to combat social exclusion and poverty. Governments combat poverty by providing (temporary) benefits to help inhabitants overcome the immediate financial consequences of social risks.

The outcome performance is highest in Northern and Western Europe, with less poverty, less non-employment among young people, and less long-term unemployment. However, there are also countries in Southern Europe and Central and Eastern Europe that perform relatively well, such as Malta, Slovenia, the Czech Republic and Hungary.

The countries that are relatively successful in combating poverty and unemployment are also the countries that spend a comparatively large share of GDP on social security. Northern European countries, in particular, devote a large share of GDP to protecting their citizens against social risks; most of these countries spent more than 20% of GDP in 2012. The majority of Western European countries also devote a comparable proportion of GDP to providing protection against social risks. Switzerland forms an exception: it is one of the few countries where public expenditure accounts for (far) less than 90% of the total budget spent on social security.

Overall, no significant correlation was found between public spending and outcome performance. Countries with a relatively low outcome performance are not per se countries with comparatively low expenditure on social protection. Southern Europe has a relatively large share of people in poverty and unemployment, but devotes a proportion of GDP to social security (mostly aimed at pensions) that is comparable to that of Northern and Western Europe.

When looking at the development of the outcome performance over recent years, the impact of the financial crisis seems evident. The variation in relative poverty across the EU has narrowed due to the convergence of income inequality. Countries with initially lower levels of income inequality have seen higher income disparities. Furthermore, the countries that suffered most from the crisis show the highest increases in non-employment in young people, and in long-term unemployment.

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