23rd CEIES seminar
‘Social protection statistics’
Lisbon, 2 and 3 October 2003
A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (http://europa.eu.int).

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1st day
2 October 2003

09:00 REGISTRATION

09:15 OPENING SESSION

Welcome to the participants:
Mr J. Lamel, Vice-chairman of CEIES
Mr J. Mata, President of the Instituto Nacional de Estatística, Portugal

Opening address:
Ms M. Epler, Chairperson of the CEIES subcommittee on Social Statistics

Keynote speech:
Mr M. Skaliotis, European Commission, Social statistics, Eurostat

10:00 STATE OF THE ART AT INTERNATIONAL LEVEL
CHAIR: MR M. SKALIOTIS, EUROPEAN COMMISSION, EUROSTAT

Mr A. Silva, European Commission, Directorate General Employment
Mr G. Abramovici, European Commission, Eurostat

10:30 - 11:00 Coffee / Tea break

Ms M. Jepsen, European Trade Union Institute
Mr K. Hagemejer, International Labour Organisation
Mr J. Salou, OECD

11:45-12:30 OPEN DISCUSSION

12:30-14:30 Lunch break

14:30 HARD TO MEASURE ASPECTS OF SOCIAL PROTECTION STATISTICS AND POLICIES
CHAIR: MS I. STOOP, CEIES SOCIAL STATISTICS SUBCOMMITTEE MEMBER, SOCIAL AND CULTURAL PLANNING OFFICE, THE NETHERLANDS

Mr R. Kroker, Institut der Deutschen Wirtschaft, Germany
Mr I. Mylonas, CEIES Social Statistics Subcommittee Member, Greek Workers General Union

15:15-15:45 Coffee / Tea break

Mr C. Vrooman, Social and Cultural Planning Office, The Netherlands
Ms A. Petrasova, Statistical Office, Slovakia
Mr R. Wagener, Inspection générale de la sécurité sociale, Luxembourg
Mr D. Stanton, Chair of the Indicators sub Group, United Kingdom

16:30 - 17:30 OPEN DISCUSSION

17:30 END OF THE FIRST DAY
2nd day
3 October 2003

09:00 METHODS FOR THE STATISTICAL MEASUREMENT OF THE REDISTRIBUTIVE EFFECTS OF SOCIAL BENEFITS
CHAIR: MR M. LANDESMANN, THE VIENNA INSTITUTE FOR INTERNATIONAL ECONOMIC STUDIES, AUSTRIA
Mr J. Pereirinha, Instituto Superior de Economia e Gestão, Portugal
Ms B. Cantillon, Antwerp University, Belgium
Ms J. Bock-Schappelwein / Ms G. Biffl, Österreichisches Institut für Wirtschaftsforschung, Austria
Mr O. Lipps, Mannheim Research Institute for the Economics of Aging, Germany

10:30 - 11:00 Coffee / Tea break

11:00 - 12:00 OPEN DISCUSSION

12:00-14:00 Lunch break

14:00 NEW DEVELOPMENTS IN SOCIAL PROTECTION AND STATISTICAL IMPLICATIONS
CHAIR: MS E. SALEIRO, DIRECTOR FOR SOCIAL STATISTICS, INSTITUTO NACIONAL DE ESTATÍSTICA, PORTUGAL
Ms S. Schlette, Bertelsmann Stiftung, Germany
Ms K. Nijs, University of Leuven, Belgium
Ms M. Hofmarcher, Institute for Advanced Studies, Austria
Mr P. Tinios, Prime Minister Office, Greece
Mr J-M. Frère, Bureau Fédéral du Plan, Belgium

15:15-16.00 OPEN DISCUSSION

16:30 Summing up
Ms M. Epler, chairperson of the subcommittee

16:50 Reaction from Eurostat
Mr M. Skaliotis

17:10 Closing remarks
Mr J. Lamel, Vice-Chairman of CEIES

16:00 - 16:30 Coffee / Tea break

END OF THE SEMINAR

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Background


The seminar will bring together data users and data producers from the European Institutions, national/regional administrations of EU, Candidate and third Countries, from international and national organisations and associations, from the private sector and the research world. In particular, the seminar will have the following aims:

- bring together data users and producers to discuss data availability, user needs, statistical lacunae, limitations of currently available data and their treatment in the light of new policy needs and priorities;
- consider what can be done to respond more effectively to the changing needs and policy context in the future.
- improve data quality and availability

The seminar should lead to recommendations for improvements in social protection statistics at both national and international levels. The seminar will end with an open discussion, a reaction from Eurostat, a summing up by the chairperson of the subcommittee and the closing up by the Vice-chairman of CEIES.

What is CEIES?

CEIES stands for Comité consultatif européen de l’information statistique dans les domaines économique et social; in English: ‘The European Advisory Committee on Statistical Information in the Economic and Social Spheres’. Its task is to assist the Council and the Commission in the co-ordination of the objectives of the Community's statistical information policy, taking into account user requirements and the costs borne by the information producers.

The committee was set up by Council Decision 91/116/EEC of 25 February 1991. The original decision was amended by Council Decision 97/255/EC of 19 April 1997 taking into account the accession of Austria, Finland and Sweden.

CEIES is chaired by the Commissioner responsible for statistics, currently Mr Pedro Solbes Mira. The vice-chairman is Mr Joachim Lamel, from Austria. CEIES is composed of two private members per Member State, three members from the European Commission, the Chairman of the Committee on Monetary, Financial and Balance of Payments Statistics (CMFB) and the Presidents or Directors-general of the National Statistical Institutes of the Member States.

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Organisers: CEIES Subcommittee on Social Statistics: Ms Grete Epler, Ms Ineke Stoop, Mr Fernando Marques, Mr Kris Degroote, Mr Ioannis A. Mylonas, Mr Diego Cano Soler, Mr Botho Pückler and from Eurostat: Ms Teresa Bento

Reporting Member: Ms Bettina Stadler

CEIES Secretariat: Ms Annika Näslund-Fogelberg, Ms Nicole Lauwerijis, and Ms Deborah Evans

23rd CEIES seminar: ‘Social protection statistics’
CONTENTS

The proceedings are a collection of papers prepared by the speakers in advance of the seminar. They do not include the open discussions nor the discussions in the round table/panel session.

The papers presented and published herein only represent the views of their authors and do not necessarily reflect an official position of their institutions or organisations.

DAY 1

STATE OF THE ART AT INTERNATIONAL LEVEL

Chair: Mr M. Skaliotis, European Commission, Eurostat

Paper: Mr A. Silva, European Commission, Directorate General Employment .......................... 10
Paper: Mr G. Abramovici, European Commission, Eurostat .................................................. 19
Paper: Ms M. Jepsen, European Trade Union Institute ............................................................ 32
Paper: Mr K. Hagemejer, International Labour Organisation ................................................. 41
Paper: Mr J. Salou, OECD .................................................................................................... 48

HARD TO MEASURE ASPECTS OF SOCIAL PROTECTION STATISTICS AND POLICIES

Chair: Ms I. Stoop, CEIES Social Statistics Subcommittee Member, Social and Cultural Planning Office, The Netherlands

Paper: Mr R. Kroker, Institut der Deutschen Wirtschaft, Germany ........................................ 65
Paper: Mr I. Mylonas, CEIES Social Statistics Subcommittee Member, Greek Workers General Union 73
Paper: Mr C. Vrooman, Social and Cultural Planning Office, The Netherlands .................. 78
Paper: Ms A. Petrasova, Statistical Office, Slovakia ................................................................. 87
Paper: Mr R. Wagener, Inspection générale de la sécurité sociale, Luxembourg ................. 101
Paper: Mr D. Stanton, Chair of the Indicators sub Group, United Kingdom ......................... 109

DAY 2

METHODS FOR THE STATISTICAL MEASUREMENT OF THE REDISTRIBUTIVE EFFECTS OF SOCIAL BENEFITS

Chair: Mr M. Landesmann, The Vienna Institute For International Economic Studies, Austria

Paper: Mr J. Pereirinha, Instituto Superior de Economia e Gestao, Portugal .......................... 119
Paper: Ms B Cantillon, Antwerp University, Belgium .............................................................. 126
Paper: Ms J. Bock-Schappelwein / Ms G. Biffl, Österreichisches Institut für Wirtschaftsforschung, Austria 136
Paper: Mr O. Lipps, Mannheim Research Institute for the Economics of Aging, Germany .... 153

NEW DEVELOPMENTS IN SOCIAL PROTECTION AND STATISTICAL IMPLICATIONS

Chair: Ms E. Saleiro, Director For Social Statistics, Instituto Nacional de Estatistica, Portugal

Paper: Ms S. Schlette, Bertelsmann Stiftung, Germany ......................................................... 165
Paper: Ms K. Nijs, University of Leuven, Belgium ................................................................. 177
Paper: Ms M. Hofmarcher, Institute for Advanced Studies, Austria ..................................... 187
Paper: Mr P. Tinios, Prime Minister Office, Greece ............................................................... 199
Paper: Mr J-M. Frère, Bureau Fédéral du Plan, Belgium ......................................................... 206

Summing up
Ms M. Epler, Chairperson of the subcommittee on Social Statistics ................................. 213

Reaction from Eurostat
Mr M. Skaliotis ............................................................................................................. 216

List of participants ........................................................................................................... 218
SOCIAL STATISTICS – HOW CAN THEY UNDERPIN A MORE EFFECTIVE POLICY CO-ORDINATION IN THE EU?

Armando SILVA
Head of Unit “Social protection and inclusion policies”
DG Employment and Social Affairs, European Commission

1. The Lisbon strategy

The decisive push for a more ambitious process of coordination of social protection policies was given by the Lisbon European Council of March 2000, with the launch of a global strategy for Europe in the transition to a knowledge-based society, combining the goals of sustained economic growth and social cohesion. Together with the strategy, Lisbon endowed the EU with a new instrument to promote more effective economic and social policies across the Union. The open method of coordination, as defined in Lisbon, should be based on common objectives agreed by all Member States, translated in national policies through action plans, including targets where appropriate, and monitored annually through peer review mechanisms on the basis of common indicators and benchmarks.

The OMC was conceived as a concrete way of developing modern governance using the principle of subsidiarity. It has the potential to speed up real convergence in a variety of policy domains (social protection and social inclusion, education and training, R&D, economic reform, employment, environment) while respecting national diversity and keeping the distribution of competences as embodied in the Treaties.

In the social area, the new method promised significant progress in fulfilling the following aims:

1. To facilitate policy reforms in Member States, by widening the scope of policy solutions available. Mutual learning through the identification and exchange of good practice could be actively promoted by the OMC and made a regular component of policy-making in the social area.

2. To give a concrete meaning to the concept of a European social model, thus avoiding that it becomes an empty ideological box. Agreed common objectives can help to build up a consensus with which all Member States can identify themselves.

3. To create a sense of urgency to tackle successfully the common challenges to the European social model, by exploring the positive effects of emulation based on comparison with accepted international benchmarks.

4. To upgrade the social dimension in the EU policy coordination process, thus introducing a greater balance between policies promoting market efficiency and policies promoting social protection and inclusion.

Given the central role of indicators and benchmarks, the implementation of the OMC required a special effort to make statistical data more comparable across Member States and with key international references such as the US, Canada, Australia and Japan. It also promoted in several fields a renewed interest for the development of indicators, particularly those that are policy relevant, ie. that can be used in order to measure progress towards agreed policy objectives in the framework of the Lisbon strategy. Since Lisbon, all Spring Summits examine the economic and social trends on the basis of a report prepared by the Commission using a list of so-called structural indicators covering the areas of economic growth, employment, social cohesion, internal market, research, and environment.

Three years after its launch, it is justified to ask whether the OMC has fulfilled the initial expectations. From the viewpoint of the Commission, and considering developments exclusively in the field of social protection...
and social inclusion, it is clear that the method has proved its merit as a tool to encourage Member States to cooperate more regularly among themselves and to adopt a more integrated and strategic approach in their internal policy making.

Heterogeneity of performance and of policies within the Union constitutes an obstacle for harmonisation of social welfare policies. However, when such heterogeneity is combined with a set of common values (solidarity, social justice, universal access to essential services) and common challenges, these ingredients make mutual learning and exchange of good practice not only possible but also worthy to undertake as a tool for better policy making. If all EU Member States had the same policy approaches, the exchange would be not only boring but also rather useless. On the other hand, if there were too extreme positions inside the EU about the social model that we want to build, exchange would continue to be possible, but it would be rather ineffective.

Normally we would expect those countries with the worst social situation to learn with the better results achieved by others. But even those countries with good performance can do better and use the experience of other countries in improving their policies.

The EU cannot take the place of Member States in their capacity to design, organise and finance social protection and anti-poverty policies. But it can provide a framework for policy coordination. Such coordination should aim at more than simply an exchange of good practice. It should also aim at establishing a consensus about common objectives and common criteria to assess progress towards those objectives.

For these reasons, the Commission has been fully committed since 2000 to the implementation of the open method of coordination in two areas:
- combating poverty and social exclusion; and
- pensions reform.

2. The EU social inclusion process

The Nice European Council of December 2000 decided to apply for the first time the open method of coordination in the social area and set forward a new EU process to promote social inclusion.

A set of common objectives were agreed that were grouped around four major headings:

1. To promote participation in employment and access of all to resources, goods, services and rights;
2. To prevent poverty and social exclusion;
3. To support the most vulnerable;
4. To mobilise and involve all stakeholders

Since then, all Member States have demonstrated their commitment to the process by submitting two series of National Action Plans for social inclusion, the first one in June 2001 and the second in July 2002. Their preparation provided a good opportunity for wide information and consultation of the most concerned stakeholders and to review the bases of the national strategy to fight poverty and social exclusion. The information provided in the NAPs/inclusion is also a good basis for the exchange of learning and best practice across the Union.

A solid basis for monitoring progress and assessing the effectiveness of policy efforts was established with the endorsement of 18 commonly agreed indicators to measure poverty and social exclusion at the Laeken European Council in December 2001. The list covers a variety of domains - relative poverty, as well as long-term unemployment, health and education – reflecting the perception among Member States and the Commission that poverty and social exclusion in Europe has a multi-dimensional nature and cannot be reduced to one single variable. It is hoped that the list will serve as a basis for the EU and each individual Member State to assess objectively progress of the multi-annual process on the basis of outcomes. Seven of such indicators integrate the list of “structural indicators” that the Commission uses as a basis for its annual synthesis report on the economic and social situation of the Union, in preparation of the Spring Summits.

The Joint Report on Social Inclusion, summarising the main findings out of the examination of the NAPs/inclusion jointly undertaken by the Commission and the Member States sets out a clear agenda for future action.
Its focus is on 8 core challenges that are largely common to all Member States, despite natural differences in the degree of severity.

1. Developing an inclusive labour market and promoting employment as a right and an opportunity for all
2. Guaranteeing an adequate income and resources to live in human dignity
3. Tackling educational disadvantage
4. Preserving family solidarity and protecting the rights of children
5. Ensuring good accommodation for all
6. Guaranteeing equal access to quality services (health, transport, social, care, etc.)
7. Improving delivery of services
8. Regenerating areas of multiple deprivation.

The implementation of this new EU process has been smooth and is regarded by the Commission, other EU institutions and other stakeholders as a positive step. However, the immediate perspectives of the EU social inclusion process will depend crucially on how Member States will have improved the role, the ambition and the mobilisation capacity of their second NAPs/inclusion. Reflecting a wide consensus about the robustness of the common objectives adopted in Nice, the Council has decided to introduce just a few substantive changes for 2003:

• An invitation to Member States to include national targets in their NAPs/inclusion (in fulfilment of the conclusions of the Barcelona European Council);
• An emphasis placed on gender differentiation in the analysis of social exclusion and in assessing policy impact;
• The highlighting of the special difficulties facing immigrants as regards their social inclusion.

It is expected that the second NAPs/inclusion will make use of the common indicators adopted in Laeken in assessing progress. Using these indicators as tools in the national policy-making process will constitute the real test as whether these are appropriate to capture the key dimensions of poverty and social exclusion also at the national level. However, there is a serious difficulty with the use of income-based indicators derived from EU sources for this purpose, given their excessively long time lags. The most recent data available refer to household income of 1999, which is useful to depict the situation at the eve of the launch of the Lisbon strategy, but does not help in assessing progress since then.

Also the setting of national targets in the 2003 plans, which ideally should be drawn from the existing set of commonly agreed indicators, is hampered by the excessively long time lags, not to mention the problem created by the replacement of the ECHP (European Community Household Panel) by a new instrument (EU-SILC) right in the middle of the multi-annual process. There is the risk that the data are not fully consistent and that targeting made on the basis of the ECHP loose validity in face of the results obtained with the EU-SILC. To make things worse, the switch between the two instruments is not immediate and simultaneous. 2002 will not be covered by any EU instrument, and several Member States decided to postpone compliance with the EU-SILC until 2004 or even 2005.

3. The EU pensions process

The introduction of the Euro has made it necessary to ensure that all countries that share the common currency have sound budgetary policies. There are tools at EU level for coordinating national economic policies: They include the Broad Economic Policy Guidelines and the Stability and Convergence Programmes. But they may not be the most adequate to deal with the long-term sustainability of public finances in the face of increased expenditure needs arising from demographic ageing.

This is the context in which Member States have to reform their pension systems so as to prepare them for an ageing society. The scale of the challenge is well known: in the current 15 Member States the ratio of people over 65 to people of working age, i.e. aged between 15 and 64, will double between now and 2050. So where-
as today we have four people of working age for every person aged 65 or more, in 2050 there will be only 2 persons. The old-age dependency ratio will double.

What will happen to pensions expenditure? The Economic Policy Committee undertook long-term projections of public expenditure on pensions. Today, Member States spend on average about 10% of their GDP on public pensions; in 2050 this is projected to rise to about 13%. But there are significant differences from one Member State to another, both with regard to the level of spending and with regard to the evolution.

Public spending on pensions is not expected to rise in parallel with the old-age dependency ratio. Instead of doubling, it will rise by about 30%. This reflects to a large extent pension reforms that have already been decided and that will curb the growth in public expenditure on pensions. What this comparison of demographic and expenditure trends shows is that there could be not only a financial challenge, but also a social or adequacy challenge. Clearly, in all Member States people over the age of 65 will get, on average, a smaller share of GDP from public budgets. But of course, public transfers are not the only source of income for older people. So it is not easy to assess the future adequacy of pension systems.

The Open Method of Coordination in the area of pensions reform was launched with the adoption of 11 common objectives in the European Council of Laeken in December 2001.

They fall under three broad headings:

1. Adequacy – or how to meet the social objectives of pension systems;
2. Financial sustainability – or how to ensure that adequate pension provision remains affordable; and, finally,
3. Modernisation – or how to adapt to the changing needs of individuals, families, businesses…

All Member States submitted national strategy reports assessing the severity of the social and financial challenges raised by ageing for the future of their pensions systems and documenting how present reform efforts took into account the EU objectives. The national reports were subsequently examined by the Commission and the Member States following a peer review method, and the findings were summarised in a Joint Report on Pensions endorsed by the Spring European Council in March of this year.

This first comprehensive assessment of national pension systems and policies at EU level shows that many Member States face very high expenditure increases in their pension systems under current policies and have yet to take measures to cope with these financial challenges without jeopardising adequacy. These expenditure increases could seriously undermine the sustainability of public finances in the long term.

Member States are fully aware of the interdependence between financial sustainability and adequacy in the context of an ageing society: the financial sustainability of pensions systems is a necessary precondition for an adequate provision of pensions in the future, while ensuring adequacy is a precondition for obtaining political support for the necessary reforms of pension systems.

The national strategy reports present a wide range of positive developments with regard to the common objectives. While financial challenges have been the main driving force for reforms, Member States have respected the social objectives of their pension systems and are making efforts to adapt their pension system to changing societal needs. All Member States have started their reform processes and a number of Member States have implemented major, a few even radical, reforms during the 1990s. Notwithstanding this, a large number of countries see the need for further reforms in order to safeguard the long-term sustainability of their pension systems as well as sound public finances.

These reforms should be seen in the context of the co-ordinated efforts by the Member States to implement the Lisbon strategy. Improving incentives for older workers to remain longer on the labour market will be particularly important, especially in light of the long term implications for pension expenditures of increased life expectancy. This can be achieved notably by strengthening the link between contributions and benefits. Moreover, the financial basis of pension systems can be strengthened through increased public and private funding. Finally, future adequacy also depends on the adaptation of pension systems to more flexible employment and career patterns and to the changing roles of men and women in society.
Clearly, we would not expect an immediate impact on national pensions policies or a complete overhaul of the national strategies, as a result of the publication of the Joint Report. The open method provides for a very soft form of policy coordination; there are no recommendations to individual Member States, let alone sanctions. So any impact will be very indirect, perhaps by triggering a public debate and influencing policy making through reflection on the experience of other countries.

The Open Method of Coordination on pensions revealed a number of inadequacies in our present statistical instruments. Our main instrument for measuring current adequacy of pensions is the European Community Household Panel. The income data from this survey are used to calculate poverty risks, relative income levels and inequality in the income distribution. Unfortunately, this tool is far from perfect and not only due to excessively long time lags. The sample sizes in some Member States are worryingly small. And some important determinants of material living standards are not taken into account. For instance, we don’t know how much money households save by staying in their own accommodation. Or what impact mortgage repayments have on disposable income. Both these elements are likely to affect the comparison between people below and above retirement age: older people are more likely to own their accommodation and not to have to pay back mortgage loans any longer.

These difficulties explain to some extent why it was not yet possible to agree with Member States on a list of common indicators, in contrast to what happened in the social inclusion process. There is a problem of credibility - whatever comparable data we have at EU-level they tend to be regarded with suspicion by the Member States and as inferior to data from national sources.

Improving the quality, the timeliness and the comparability of data on poverty and income, as well as setting commonly agreed criteria for the estimation of replacement rates are therefore key conditions for the consolidation of the open method of coordination in the field of pensions.

4. The future of policy coordination – the driving factors

4.1. The outcome of the Convention

Among the issues discussed in the Convention two presented a special interest for the future of EU co-ordination of policies in the field of social protection and social inclusion: Unanimity voting and the Open Method of Coordination.

On unanimity voting there was from the start a deliberate refusal from some Member States to considering its extension to social security. However, the issue may be reopened again during the IGC.

On the possible incorporation of the OMC in the Treaty, the outcome was less clear cut and the debate proved more fruitful. Three years after its introduction, the OMC remains a controversial issue. Some highlight the lack of democratic legitimacy and the risk of uniformity, as European benchmarks would tend to ignore national or regional circumstances, as well as public preferences expressed through democratic means. Others, on the opposing side, raise the concern that the open method of coordination may be ineffective to promote convergence and bring about more Social Europe, relying as it does on the willingness of national governments who are not subject to sanctions (unlike the Growth and Stability Pact).

Both views were heard during the discussions that took place in the Social Affairs Group of the Convention. But the majority view was that the Open Method of Coordination has revealed sufficient merits to deserve being incorporated in the Constitutional Treaty as a community method of its own. However, it should be applied only in those areas such as social protection and social inclusion, where no Union legislative competence or specific Treaty provision exist.

The conclusions of the Social Affairs Group however were not endorsed by the Plenary of the Convention, with the result that the final draft of the Conventional Treaty does not recognise the OMMC as a community method. However, the draft goes several steps further in relation to the Nice Treaty:

First, Article 14 opens the way for a formal co-ordination of social policies in the EU, now ranked together with economic and employment policies, as an intermediate area in the hierarchy of EU competences between shared competences and areas where only supporting and complementary action is allowed. This possibility re-
fects the concept of a triangle of balanced and mutually reinforcing policies – economic, employment and social – that has been supported by the Commission.

Secondly, the objectives and mechanisms of such co-ordination are left deliberately imprecise, as nothing is added about the responsibilities of the Council or the Parliament in setting it off. However, article 107, on the responsibilities of the Commission, represents a step forward in relation to present Article 140. Explicit reference is made therein to guidelines and indicators, exchange of best practice, periodic monitoring and evaluation, all elements drawn from the Open Method of Coordination, but without mentioning this. Therefore, as the Treaty will not give a legal backing to the method, it will have to be continually confirmed by the conclusions of the European Council in close connection with the Lisbon strategy of which it is one of the tools.

Finally, both the recognition of the fight against social exclusion among the key Union objectives in Article 3 and the integration of the Charter of Fundamental Rights as Part II of the Treaty are developments which may trigger in the future important legal consequences.

4.2. The current outlook for the Lisbon strategy

Given the absence of a Treaty base for the development of policy coordination, the role of the Council will be determinant in assessing what will be the most adequate methods and objectives for materialising the prospect opened in Article 14. Although the economic and social strands of policy coordination are often considered as competing the truth is that they are closely inter-connected within the global Lisbon strategy.

This strategy will be more and more assessed by its outcome rather than by the procedures that it helped to launch. Judging by the most recent data, the sluggishness of economic growth in Europe during the nineties has not been fundamentally altered. Unemployment is growing again and the current economic forecasts make it increasingly difficult for the Union to make substantial progress over the next few years in direction of the employment targets. But the most disturbing is the uncertainty about the future of the Growth and Stability Pact brought about by recent decisions of the authorities of the two largest EU economies. There is the risk that such uncertainty may jeopardise the process of policy coordination in other areas and put at stake strategies based on the setting of long-term targets.

In this gloomy context, Member States are expected therefore to adopt a more cautionary approach vis-à-vis new commitments in the social policy area and emphasise instead lighter forms of cooperation centred on exchanges of information and good practice. They will be interested in seeking more concrete guidelines only when these may exert a positive impact on internal policy. Several recent signs confirm this tendency:

- The refusal of all Member States to commit themselves with national employment targets in the framework of the renewed European employment strategy;
- The absence of agreement on common indicators in the pensions process, let alone any type of common target;
- The lack of sufficient detail in the setting of national targets for the reduction of poverty, by many Member States in their 2003 NAPs/inclusion.

4.3. Enlargement

Enlargement will make the Union face new and greater challenges in ensuring social cohesion. Large sections of the populations in the applicant countries live on absolute low income and lack access to basic services and facilities. In most, unemployment is high and social protection systems are unable to provide secure income to the elderly, sick or disabled people. In some, the situation of children, ethnic minorities and the mentally ill raises serious concerns. On the other hand, income inequality is generally lower than in present Member States. Partly for this reason, many in applicant countries and elsewhere will consider the eradication of poverty as a subordinate goal in relation to economic growth. In addition the concept of social exclusion is relatively recent and is not yet recognised as politically relevant.

On the other hand, the authorities in the acceding countries are eager to participate in the European debate, particularly on the reform of pension systems. Many have launched ambitious reforms that tend to dispute the pre-

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1 In this light, the recent example of the “Maastricht for pensions” suggested by the Italian presidency, is paradigmatic.
vailing place occupied by traditional pay-as-you-go systems and are ready to compare outcomes and examine performances. However, most have to tackle very low employment rates, particularly among older workers, and the financial constraints derived from having to cope with the needs of financing the old PAYG systems whereas funding the new systems based on capitalisation.

The Commission made a priority of involving applicant countries in the EU processes based on the Open Method of Coordination on social inclusion and pensions, as soon as these were established among the 15.

Presently the Commission is drafting together with the national authorities of the 10 acceding countries Joint Inclusion Memoranda (or JIMs for short). These will identify the key social problems in each applicant country, set out the major policies in place or envisaged to combat poverty and highlight a few key policy issues for further review. This work will lead to the signing of the JIMs by the Commission and each of the 10 acceding countries before the end of the current year. The JIM process is expected to prepare the accession countries for their full participation in the social inclusion process, that will likely start in 2004 with the submission of their first NAPs/inclusion.

A series of bilateral seminars is now taking place to discuss the realities and prospects of pension reform in each of the 10 acceding countries. This examination will pave the way for further cooperation, which will lead to the preparation of the first national strategy reports on pensions in 2005.

5. Streamlining and simplification of the Open Method of Coordination – extension to healthcare

Responding to an invitation by the European Council of Brussels, the Commission has set out in a recent communication a proposal aimed at streamlining and simplifying policy cooperation in the field of social protection based on the Open Method of Coordination.

• By streamlining, we mean an integration of the current processes, so as to give more visibility to the social dimension in overall EU policy co-ordination and highlight more clearly the cross-cutting issues relating healthcare, pensions, poverty.

• By simplification, we mean the reduction of the different national reports to one single strategic report once every three years, alternating with light updates in the intervening years, thereby avoiding the multiplication of reports often overlapping in time.

The implementation of this new streamlined process will be gradual. The key moment will take place in 2006, and will consist of the adoption by the European Council of a set of broad objectives covering the three key areas of pension reform, healthcare and care for the elderly and combating poverty and social exclusion. The adoption of these objectives should be simultaneous with the adoption of the BEPGs and the EGs, setting off a synchronised process involving economic, employment and social dimensions.

Judging from the experience gained in the areas of social inclusion and pensions, since 2001, the Open Method of Co-ordination can be an appropriate tool for helping Member States cope more effectively with common challenges also in the area of healthcare, while respecting subsidiarity.

The consequences of ageing for the financial sustainability of the health systems are now perceived as largely common across Europe. Ageing, together with fast technological development and increasing patient awareness, was responsible for the accelerated growth of public expenditure with health, well above the other social protection branches and indeed GDP, during the first half of the nineties. We also know how cost-containment policies and increased resort to supplementary health insurance, have succeeded in slowing down expenditure growth more recently. But some of such measures raise justified fears that access of most disadvantaged groups may be jeopardised and that the demise of public systems may be the source of new inequalities.

All these issues are European to the extent that they affect all countries in similar ways, even if national systems are so diverse. By itself this would be enough to justify an increasing European dimension in the current debate on the future of health systems. Mutual learning based on exchange of information and best practice is an appropriate response where challenges are to a large extent common.
However, one must be aware of the differences between national health systems, as well as the wide scope of the issues to be dealt with in the healthcare area. Therefore the implementation of an Open Method of Coordination in the area of healthcare has to be more gradual than it was the case with pensions or social inclusion.

The Commission will present in the spring of 2004 a Communication setting out proposals for the intensification of the cooperative exchange in the field of healthcare and care for the elderly. This will be a first step towards exploring ways of advancing the process of policy co-operation in the field of healthcare via exchanges of information and good practice and the development of comparable indicators.

### 6. Consequences for statistical work

The growing concerns about the sustainability and adequacy of future social protection systems in Europe have added momentum to the tasks of improving social statistics and developing comparable indicators. The Open Method of Coordination with its emphasis on monitoring and benchmarking has put a new focus on key statistical instruments, such as the LFS, the demographic projections and the ECHP. It has also promoted the development of new instruments, most notably the active labour market policies data base of ESSPROS and the ad hoc modules of the LFS, and in the future also of the EU-SILC.

It is fundamental that such momentum is not lost. As we saw above, the relationship between statistical work and policy coordination is not unidirectional. Reaching progress in the quality and the timeliness of social statistical data is a key condition for overcoming resistance to moving to more ambitious forms of policy coordination. Given the uncertain political and economic context just described, any such progress is more than welcome. On the contrary, signs of divesting in the EU statistical infrastructure would carry very negative consequences for the future of policy coordination.

But the role of statistics should not be confined to monitoring political targets. They play also a very important role in informing public opinion and in supplying expert users with the data necessary for analysing the social situation. For this reason the future development of social statistics should not be linearly determined by the political needs. Moreover, these tend to reflect changing political balances and the need to give rapid response to challenges as they are perceived by public opinion. This volatility of political objectives is contradictory with the rather long-term planning required for the development of new statistical tools. While the 10-year Lisbon strategy has introduced a welcome element of stability in the definition of political objectives, difficulties persist in the dialogue between statisticians and policy-makers. For this reason, it is important to improve the interaction between those responsible for developing statistical instruments (involving the Commission and national statistical authorities) and those who, in the SPC and the indicators sub-group, are driving the development of indicators for the coordination processes.

A reason of concern in particular for social protection statistics is that the indicators selected so far in the different coordination processes tend to privilege outcome to the detriment of policy input. Emphasis has been put on labour market performance and on income and living conditions, in order to assess how each Member States is able to improve on its situation of departure and thereby help to improve the average EU performance on a given area. The question of how this can be achieved, and in particular what financial resources have been used in order to reach those targets, is less important from a comparative EU standpoint, as it is considered to be a domain of exclusive national competence. Moreover, the organisation of social protection, and therefore the efficiency of resource allocation, which varies considerably across countries, will determine how a given spending translates into performance.

For these reasons, spending data have been of little use in the context of the social inclusion process. They can however be useful indicators of context, which may help to frame the information received by Member States on policies. But they are not listed among the primary or secondary common indicators of Laeken.

On the other hand, data on spending and beneficiaries tend to be much more important in the pensions process. Budgetary data are essential to underpin the forecasts of the budgetary impact of pensions reforms. Data about

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1 A further reason is that it is particularly hard to compare spending in social assistance across countries as the composition of items inside this category tends to vary widely, reflecting the different border lines between contributory and non-contributory systems.
beneficiaries may also have a promising future, to the extent that the difficulties in convening common definitions are overcome through co-operation among national administrations. The sheer number of beneficiaries is not so much important per se, but rather as an element for the calculation of ratios indicating levels of adequacy. In the field of pensions, the key task faced by Member States and the Commission in the context of the Indicators sub-group is trying to find a measurable concept of the replacement rate. The task is made difficult by the importance taken in some Member States by private funding schemes whose levels of replacement are difficult to quantify and to combine with the levels afforded by public PAYG systems.

Data supplied by ESSPROS will continue to be greatly needed in order to understand the social trends and the societal (mainly public) response. Timely data will be necessary for inclusion in major reports like the Commission’s Spring Report and in the future the annual Joint Report on social protection and social inclusion that will become after 2005 the flagship report condensing the analysis and the policy messages of the streamlined coordination process. Improvements of the present data set are also necessary, in particular as regards the net expenditure module.

From the viewpoint of the needs of developing the Open Method of Coordination along the streamlined approach and having in sight the horizon of 2006, the following appear as the most important priorities for the future development of indicators and statistical data:

**To achieve more integration between different domains** – As the new streamlined social protection and inclusion process will be driven by an integrated set of common objectives covering social inclusion, pensions and health, commonly agreed indicators will need to broaden their scope in order to cover these domains. Therefore it is necessary to conclude work started on adequacy indicators for the pensions process and undertake work in the field of healthcare and long-term care for the elderly, on the basis of work already carried out by Eurostat, the OECD and the WHO. While the development of indicators needs to cover a wider field, it will be necessary to ensure that the overall number of indicators is kept as concise as possible. The tendency to date has been to expand the number of indicators as a way of accommodating different approaches between Member States. Such an approach would not produce the limited number of summary indicators needed for the monitoring of a few prioritised political objectives.

**To improve timeliness** - The new process will grant more visibility to EU-level social statistics and will increase demands for greater reliability, comparability and timeliness. This latter aspect is paramount in the new streamlined process after 2006 as it will become annual. The Joint Report on social inclusion and social protection will have to draw upon the most recent statistical data, otherwise the political impact of its messages will be lost against the corresponding messages originating in the employment and economic policy coordination processes, which use much more timely data bases. Expedient ways have to be found to accelerate the production of data from ESSPROS and EU-SILC, in order to reach the target of one-year lag.

**To concentrate on priorities** – Throughout the coordination process, it has been possible to identify those areas where more is expected from statistical work in order to fill gaps in monitoring of the political processes. The issue of replacement rates was already mentioned in connection with pensions. On social inclusion, areas that are not adequately covered include healthcare and its relationship with equity of access and social exclusion, homelessness and housing adequacy, literacy and the severity of poverty and social exclusion among specific social groups, such as the disabled and ethnic minorities. Given the cross-sectional nature of “making work pay” policies, more comparable data on taxes and benefits for building indicators to identify poverty and unemployment traps and monitor developments will be in great demand for more than one coordination process.

**To improve comparability and reliability** – Accession of 10 new Member States will increase the demand for comparable data. During a transitional period, national data will have to be validated, until the acceding countries are fully compliant with ESSPROS and the EU-SILC. But equally among the present Member States, the next few years will again raise fundamental problems about reliability and comparability, which will shift the attention towards the quality of data rather than the pertinence of the indicators. In this connection, it is essential that the collection of data for the new EU-SILC is carried out in a timely manner in accordance with the calendar and the terms set out in the framework regulation. The implementation by Eurostat of the necessary transitional arrangements for collection and validation of the data based on national sources between the end of ECHP and the start of SILC is also a very important task.
INTRODUCTION

At political level, the interest for social protection statistics is not new. The first demand dates back to 1963, when a compilation on social spending at community level for 6 countries was made. The initial compilation of data covered various branches of social security, such as obligatory sickness insurance and old age pensions.

In the following years (’70s), the European System of Integrated Social Protection Statistics (ESSPROS) was developed, in response to the need for a specific instrument of statistical observation of social protection in the European Member states. The first ESSPROS Methodology was published in 1981.

In 1993, Eurostat took, in co-operation with the Social Protection Working Party, a general revision and updating of the methodology because after more than a decade the ESSPROS Methodology was first published, there was the feeling that the Methodology could be improved and modernised.

The experience of Eurostat and the Member States in producing the Digest of Statistics on Social Protection in Europe\(^1\) has shown that it is both helpful and practical to have categories of social benefits that are more specific to the various risks or needs covered. Accordingly, the new Manual classifies social benefits in much finer detail than the 1981 Methodology. At the same time, a global classification of benefits, relevant to all functions, has been retained in order to allow cross-functional analysis.

At the end of this revision process, the revised ESSPROS was issued as the ESSPROS Manual 1996\(^2\).

The Methodology needed more flexibility to respond to the increased data requirements of social policy and research. The most important change was to create a Core system and Modules. The Core system corresponds to the standard information on social protection receipts and expenditure published annually by Eurostat. The Modules contain supplementary statistical information on particular aspects of social protection; each module has its own methodology, and possible, its own specific sources and/or methods of estimations.

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2 Accessible in CIRCA “public”
THE CORE SYSTEM

General definition of Social Protection

**Social protection** encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor individual arrangement involved (see paragraph 11 of the ESSPROS Manual 1996).

The list of the risks or needs that may give rise to social protection is fixed by convention as follow:

1. Sickness/Health care
2. Disability
3. Old age
4. Survivors
5. Family/children
6. Unemployment
7. Housing
8. Social exclusion not elsewhere classified.
Social protection schemes

The Core system records receipts and expenditure of social protection schemes, but only in the form of:

- distributive transactions, whether current or capital;
- administration costs charged to the scheme.

The Core system presents data on benefits provided, and their financing, as expenditure and receipts of the units that are responsible for providing social protection.

The statistical unit is called social protection scheme.

A social protection scheme is a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing:

- social protection schemes should at all times meet the condition that it must be possible to draw up a separate account of receipts and expenditures.
- preferably, social protection schemes are chosen in such a way that they provide protection against a single risk or need and cover a single specific group of beneficiaries.

Receipts of social protection schemes

The ESSPROS Core system classifies receipts of social protection schemes by type and origin. The type indicates the nature of, or reason for, a payment; the origin specifies the institutional sector from which the payment is received

(see above: overview of the core system)

Expenditure of social protection schemes

The expenditure of social protection schemes is classified by type, which indicate the nature of, or reason for, the expenditure.
The ESSPROS distinguishes four main categories of expenditure. The first is expenditure on social benefits, that is, resources which are transferred to beneficiaries in the form of cash or goods and services. The second category of expenditure relates to administration costs charged to the scheme. The third and fourth categories deal with transfers to other schemes and miscellaneous expenditure.

Social benefits

The description of social benefits is one of the main aims of the ESSPROS.

Social benefits consists of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs (see page 2)

There are three levels of classification for social benefits:

1) Social benefits are broken down between means-tested and non means-tested benefits;
2) Social benefits are broken by type, which refers to the form in which the protection is provided, as below:

<table>
<thead>
<tr>
<th>1</th>
<th>Social benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Cash benefits</td>
</tr>
<tr>
<td>111</td>
<td>Periodic</td>
</tr>
<tr>
<td>112</td>
<td>Lump sum</td>
</tr>
<tr>
<td>12</td>
<td>Benefits in kind</td>
</tr>
<tr>
<td>13</td>
<td>Re-routed social contributions</td>
</tr>
</tbody>
</table>

3) Social benefits are classified by function, which refers to the primary purpose for which social protection is provided.

The functional classification of a scheme’s benefits is determined by their purpose and not by the main field in which the scheme operates. For instance, an Old age pension scheme can grant benefits that should be classified under the Survivors or Family/children functions. The function of a benefit should not be confused with the personal situation of its recipient: a widow may receive an unemployment benefit or a retired person may be given a housing benefit. Likewise, particular types of goods and services may be granted in connection with several functions, depending on their purpose.

Eight functions of social protection are distinguished in the ESSPROS:

1. **Sickness/Health care**: Income maintenance and support in cash in connection with physical or mental illness, excluding disability. Health care ended to maintain, restore or improve the health of the people protected irrespective of the origin of the disorder.

2. **Disability**: Income maintenance and support in cash or kind (except health care) in connection with the inability of physically or mentally disabled people to engage in economic and social activities.

3. **Old age**: Income maintenance and support in cash or kind (except health care) in connection with old age.

4. **Survivors**: Income maintenance and support in cash or kind in connection with the death of a family member.

5. **Family/children**: Support in cash or kind (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members.

6. **Unemployment**: Income maintenance and support in cash or kind in connection with unemployment.

7. **Housing**: Help towards the cost of housing.

8. **Social exclusion not else-where classified**: Benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions.
MODULES WIDENING THE SCOPE OF THE CORE SYSTEM

The module on labour market policy (LMP)

The Labour Market Policy database (LMP database) aims to collect detailed information on labour market policy actions undertaken by the Member States of the European Union in a way that is consistent and comparable between different types of measure and between countries.

The LMP database has been developed as a module of ESSPROS, and also in close co-operation with the LMP-OECD database in order to build on previous work. The database focuses on the collection, from administrative sources, of information on public expenditure and on participants, both as stocks and flows. It also includes much qualitative information to describe the actions undertaken and to facilitate analysis.

The database uses two classification schemes that can be used to group and filter data for analysis - one that distinguishes the type of action and one related to expenditure. The classification by type of action organises LMP interventions into 9 broad categories by type of action; the classification by type of expenditure indicates who is the direct recipient and how is the money spent, (see table 1). Data on expenditure and participants are available for 1998-1999-2000 and 2001 (see “Publications”).

Table LMP classification by type of action and by type of expenditure

<table>
<thead>
<tr>
<th>Type of action</th>
<th>Individuals</th>
<th>Employers</th>
<th>Service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Labour market services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Job rotation and job sharing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Employment incentives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Integration of the disabled</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Direct job creation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Start-up incentives</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Out-of-work income maintenance and support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Early retirement</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The module on “Net social protection expenditure”

Interest

Gross expenditure figures on social protection are important in themselves and need to be at the basis of the system as a whole. But the ESSPROS Manual itself makes clear that the gross figures need to be complemented by information on deduction of taxes, social contributions or other charges levied on benefits and on tax concessions or allowances granted for social protection purposes. The module on net social protection expenditure takes account of all these subjects and brings out a necessary completion of the core system for comparing levels of social protection between European countries. It will allow a better interpretation of gross expenditure data and improve the understanding of country-specific systems of social protection.

Characteristics

The preliminary work on this module was discussed in a Task Force meeting in 2000 and a second meeting took place in October 2002. Pilot data collections have already been conducted for Italy and Sweden. A trial collec-
tion for the year 2000 calculating the net value of social protection benefits is to be accomplished in 2004. This trial collection will help to achieve a common methodology for calculating “net benefits”. The primary focus of the module is to identify the effect of the fiscal system on social protection benefits to answer “What do the beneficiaries really receive?” and to report on the real national efforts in the field of social protection.

Measuring the influence of the fiscal system on social protection benefits, which are recorded with a “gross” value in the ESSPROS core system, will be the following:

=> Gross social protection benefits in ESSPROS
   – Direct taxation on ESSPROS benefits
   – Social contributions payable on ESSPROS benefits by beneficiaries
   + Fiscal social protection benefits (Tax breaks with a social purpose)
   = Net social protection benefits

Direct Taxation and “fiscal social protection benefits”

Depending on national systems some cash benefits in ESSPROS are subjected to income tax, e.g. pensions, unemployment benefits and paid sick leave. The module on net social protection expenditure requires the calculation of average itemised tax rates (AITRs); for each taxable social protection benefit included in ESSPROS a specific average tax rate has to be calculated.

When calculating average itemised tax rates for taxable ESSPROS benefits, there is an advantage in relying on micro-data (data measured at the individual taxpayer level based on register or survey data). The use of micro-level data permits the analysis of tax burdens for individual taxpayers or taxpayer groups, e.g. the average tax rate on income for all persons receiving paid sick leave. An aggregated data approach (aggregated tax revenue and income data obtained from National Accounts and Revenue Statistics) tends to overestimate the tax burden on social protection benefits.

The calculation of fiscal social protection benefits (tax breaks with a social purpose) is directly connected with the estimation of direct taxation. Fiscal Benefits form a residual value of tax credits, which is not taken care of when direct tax rates are estimated. A precise definition and supplementary conventions will help to ensure international comparability for the indicator “Net social protection expenditure”, whereas the value for fiscal benefits is not suitable as an independent indicator.

Limitations

The module on “Net Social Protection Expenditure” demands expert knowledge on taxation. Therefore ESSPROS delegates need to establish co-operation with national tax experts. But even if such a co-operation exists, calculation of tax rates remains difficult for some countries due to data limitations. Sometimes tax data is just not available or accessible.

Future Plans

A publication of the results of this trial collection is planned after discussion taking place at the next meetings of the Task Force on Net Social Protection Expenditure and a final decision of the next Working Group on Social Protection.

Except for the issue of indirect taxation, the methodology is essentially the same as the “Net expenditure” approach developed by the OECD. This common approach facilitates a future joint data collection framework, which is planned from 2004 after the trial collection from Eurostat for 2000 and the OECD data collection for 2001. It will avoid unnecessary double work for European Member States. The OECD is going to provide Eurostat with the information they will collect on net social expenditure for 2001 and future years. The trial data collection for 2000 is intended to facilitate Member States to get acquainted with the relevant concepts, improve the methodology and data collection processes. It will also help to clarify the final arrangements of a regular data collection, which already exists for the corresponding gross expenditure items, EUROSTAT providing to OECD ESSPROS data from European Union countries.

Doc PS/2003/07/EN: Module on net expenditure
MODULES WITH SUPPLEMENTARY INFORMATION

Module “Beneficiaries of pensions”

Interest

Data on the number of recipients of social protection benefits and the persons protected against different risks of social protection were included in the ESSPROS methodology 1981. However data were never collected in that framework, whereas information on the number of beneficiaries were included in different volumes of the Digests, but only for single categories of benefits as double counting could not be eliminated.

Within the ESSPROS methodology 1996 data on beneficiaries were left to a special module. A feasibility study was started in 1999. This study leads to the conclusion that it is better to limit the exercise to the collection of beneficiaries of pensions. This also corresponds to the political discussion about safe and sustainable pensions (since Lisbon 2000). These political discussions raised the question of indicators analysing pension systems and measuring the impact of new reforms.

Characteristics

With the decision in 2001 to concentrate on beneficiaries of pensions Eurostat was able to prepare a regular data collection on the number of beneficiaries, which was launched this year. In the meantime Eurostat organised a Task Force in March 2002 in order to evaluate problems of double counting and to define the main characteristics of a regular data collection. Data are collected as stock data.

The collection focuses on the seven pension categories that are contained in ESSPROS:

1. Disability pension
2. Early retirement benefits due to reduced capacity to work (disability function)
3. Old age pension
4. Anticipated old age pensions
5. Partial pension (old age function)
6. Survivors’ pension
7. Early retirement pensions for labour market reasons (unemployment function)

In addition, data for these categories are aggregated to total disability pensioners (category 1 and 2), total old age pensioners (category 3, 4 and 5) and total of pensioners (sum of all categories). Unfortunately, double counting exist at all stages of aggregation. As ESSPROS collects data by schemes double counting has first to be eliminated between schemes when aggregating beneficiaries for a pension category. Nevertheless, many ways of eliminating double counting were identified and summarised as instructions and attached to the questionnaire beneficiaries of pensions.

For the majority of countries these data are also available by gender. Eurostat also collects additional qualitative information (meta-data) to be able to explain cases of double counting and data limitations.

Limitations

The ESSPROS module on the number of beneficiaries of pensions provides unique data for the analysis and comparison of pension systems, although some countries experienced difficulties in eliminating double counting.

As the first regular data collection for the years 2000 and 2001 has not been finalised yet, no publication of data on the number of beneficiaries is available at the moment. The planned publication in 2004 can only be based on data for the years 2000 and 2001, which, of course, limits the analyses of trends.

Eurostat followed a request from the majority of Member States to concentrate on the analysis of trends and therefore to collect stock data on pensioners instead of yearly averages. Data for pensioners on a yearly average might allow a better connection to expenditure data, but a calculated value for an average pension is neither meaningful nor comparable between countries.
Future plans

An enlargement towards collecting data on other categories of benefits is not planned at the moment. This is also true for a collection on the number of protected persons.

The current emphasis of this module is on the establishment of a regular data collection. After the implementation phase, the module should offer the flexibility to answer further demands. Eurostat is, for example, aware of the need for grouping pension schemes to report on pension pillars. After a common methodology for different pillars has been established, it should be possible to apply this kind of analysis not only to expenditure items of the ESSPROS core system, but also to the collected data on the number of beneficiaries.

Doc PS/2003/05/EN: Module on number of beneficiaries

Qualitative information by schemes

Introduction

Qualitative information by scheme and detailed benefit provides:
• an in-depth comparison of the various social protection schemes;
• better information by which to classify schemes and to validate benefit classifications;
• a clearer basis for the footnotes in publications and the ESSPROS database of New Cronos;
• an improved response to questions from users of data by schemes and benefits from a better knowledge of the content of each benefit.

Eurostat sent the first questionnaire to collect qualitative information by scheme and detailed benefit in 2000. The questionnaire is based on experience of collecting qualitative information from other sources (forms in the Digest of Statistics on Social Protection in Europe, MISSOC, etc).

Structure of the questionnaire

The requested information by scheme is as follows:
- name of the scheme.
- characterisation of the scheme, which contain all the characteristics of the scheme according to the five criteria of classification of schemes provided by the “ESSPROS Manual 1996: decision making, legal enforcement, establishment of entitlements, scope and level of protection.
- A general description of the scheme which should include:
  - The reference legislation and/or regulation;
  - The organisation(s) responsible for running the scheme;
  - The scope (persons protected under the scheme);
  - The risk(s) covered by the scheme (types of benefits granted).
- A description of any benefit provided by the scheme. This description should include:
  - The name of the various benefits recorded under the reference heading;
  - The general conditions for granting the benefit or a definition of it;
  - The category of persons receiving the benefit
  - A bibliography, in order to enable users to make more detailed analysis.

It is helpful to include in the description any further information which will assist data interpretation, particularly any information explaining a break in the series of expenditure under a benefit heading, such as an increase in the level of benefit from a certain year owing a specific reform.

Coverage

For some countries, Eurostat has already analysed the questionnaires sent and, through bilateral contact, been able to complete the information contained in the questionnaire and gain a better insight into their social protection systems. In fact, analysis of the questionnaires has led to improvements in the breakdown of the expenditure of certain schemes according to the various functions and the various benefits.

The database is being completed and validated, and will constitute an internal tool.
LINKS BETWEEN ESSPROS AND THE NATIONAL ACCOUNTS

Objectives and history

As a satellite account of the National Accounts, the ESSPROS system covers in detail transactions relating to social protection. It was therefore deemed appropriate to set out as precisely as possible the links that exist between these two statistical systems and collect the maximum amount of qualitative and quantitative information on each system so as to be able to evaluate the consistency of application across the Member States.

This project was presented to the Working Party on Social Protection at its meeting in June 2001 and accepted by the member States. The project started in September 2001 and conclusions are expected for June 2004.

Framework of the project

The starting point of the work was a preliminary report on the conceptual links between the two account’s systems, for both expenditure and income.

Then a pilot questionnaire to send to the member States was drawn up.

This questionnaire:
- presents a detailed theoretical framework showing the links that exist between ESSPROS and the National Accounts;
- collects the information needed to describe and analyse the links between the two statistical systems in each Member State;
- compares ESSPROS data with those of the National Accounts (overall coverage of social protection, classification);
- highlights and explains gaps between ESSPROS data and National accounts data.

More precisely the questionnaire breaks down into four distinct parts, plus annexes describing the theoretical links between ESSPROS and the National Accounts:

I General information on persons who can be contacted in the Member States regarding ESSPROS and the National Accounts.

II Information on the National Accounts: in particular on available sources and statistics (breakdown by social function, breakdown by institutional sector of the current and financial accounts, breakdown of National Accounts data by scheme, degree of coverage of social protection, place of education).

III Information on ESSPROS: In particular on the classification of schemes and on the coverage of social protection by the ESSPROS system in each Member State.

IV Links between the National Accounts and ESSPROS: comparison of ESSPROS data with those of the National Accounts and, if possible and necessary, explanations of the differences observed. This fourth part of the questionnaire essentially comprises Excel tables to be completed and the classification of the ESSPROS schemes in the National Accounts.

This fourth part is the crucial point of the questionnaire.

In order to classify ESSPROS schemes into the national accounts framework, a table aims at making the correspondence between the ESSPROS classification and the classification of social protection benefits within National Accounts. It is thus possible by using this correspondence table to re-build national accounts items starting from the ESSPROS information available in Eurostat. Then, a comparison between those “theoretical” statistics derived from ESSPROS and the actual national accounts statistics can be undertaken.

Expected results

Lastly, the theoretical framework used for making the comparison is intended to facilitate achievement of consistency of the data at the European Union level, not to change the way in which Member States compile their social protection and national accounts statistics. It is necessary to have a point of reference in order to verify harmonisation of the data. Differences of interpretation of the ESSPROS and ESA methodologies may appear, particularly when classifying certain benefits. They could include: differences in the view taken about the social protection character of some expenditure (for instance, expenditure on education and about the distinction
between collective and individual expenditure of general government); the question whether to classify certain pension schemes for civil servants as part of social security or as private occupational schemes; and the question whether or not certain pension funds are treated in both data sets as part of social insurance.

Doc PS/2003/08/EN: Links between ESSPROS and National Accounts

ENLARGEMENT TO THE NEW COUNTRIES

Since enlargement to the new countries has become a priority, Eurostat has taken different measures to help these countries to identify the practical implications of ESSPROS for national statistical institutions and to compare ESSPROS standards with current national practice. Eurostat is assisting the Acceding Countries in the production of an inventory of schemes (following the definition and classification of schemes in the ESSPROS Manual) as well as sources used, in the preparation of data on receipts and expenditure by schemes and in the organisation of a regular collection and validation of data.

Help to the candidate countries in order to enable them to carry out the reforms required of their social statistical system is provided by the means of financial assistance through the PHARE programme.

The objectives of the PHARE program 2001 are: to give assistance to the new countries aiming at the intensification of their institutions and their public administrations; to promote convergence with the community legislation and to promote economic and social cohesion.

Social Protection Statistics is one of the 15 sectorial projects of the PHARE programme 2001. At the end of the PHARE Programme, it is expected that the statistical systems of the Acceding Countries would have a satisfactory base for their transition towards the European rules and systems of data collection, processing and dissemination. New countries should then be in position to send ESSPROS data for 2000 and if possible for 2001 and 2002.

The PHARE programme 2001 covers 10 countries: Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovenia, and Slovakia. Malta, Cyprus and Turkey were excluded from it.

The starting point of the PHARE programme was the first Work Shop in Slovenia in April 2003 where countries were able to explain their difficulties and how their systems of social protection work and to define the planned future activities.

Slovenia and Slovakia began to send ESSPROS data a few years ago.

The quality of their data is satisfactory, and their data have been included in the last two Eurostat publications “Europeans social statistics - social protection -expenditure and receipts” and in the New Cronos database. The data for Hungary and Malta will be included in the next ESSPROS publication.

The other countries (except for a few, that have already set up the list of schemes) are only at the initial stage of the process of implementation of ESSPROS; they are identifying the existing and potential data sources and establishing (or intensifying) the co-operation between the institutions directly involved in the process. There is a particular need for methodological support concerning the interpretation and application of the definitions in the ESSPROS Manual.

METHODOLOGICAL ISSUES AND OTHER DEVELOPMENTS

Methodological issues

Coverage and border problems: supplementary protection: “personal provisions”

a) Problems

Individual insurance is becoming increasingly important alongside the social security provided by collective institutions. It generally takes the form of taking out insurance or joining pension funds.
Insurance companies are basically involved in two areas of social protection - health and old age. In the former, this basically means damage insurance contracts covering health expenditure that is not reimbursed by social security (public or private schemes). In the latter, autonomous pension funds - generally referred to as “third pillar” - are generally subscribed to via life insurance companies. However, in some countries, this type of risk may also be insured by either life insurance companies or pension funds.

To what extent should such provisions be recorded in ESSPROS under “supplementary social protection”?

b) Difficulties in applying the rules and evaluation problems

The main criterion in the ESSPROS manual is the principle of social solidarity, which is sufficient reason for a scheme to participate in social protection. Conversely, social protection does not include insurance taken out by private individuals or households for purely personal reasons, irrespective of their employers or government institutions. The latter is not classified as social insurance, even if policies cover the same risks or situations as those covered by social insurance schemes.

It follows that the individual types of insurance being discussed here, whether supplementary health insurance or individual (third pillar) pension funds, should not form part of the social protection system.

However, because of a number of exceptions (cf. ESSPROS manual) and owing to the fact that insurance companies may also sell collective insurance policies that have the characteristics of supplementary social protection, countries may encounter difficulties with classification or evaluation.

Indeed, the fact that individual pension schemes may be eligible for State guarantees, guarantees from employers, or fiscal benefits raises questions about their status in ESSPROS.

Pension schemes and “pillars”

a) Background

In social protection, the concept of pillars is closely linked to the area of pensions. Its choice as a classification system has arisen from the need to make international comparisons of pension systems, an area in which national specificities are marked and comparisons are therefore difficult.

The difficulty in finding a common method of classifying pension schemes has increasingly led to the use of the “three-pillar” method for international comparisons. This method classifies the pension schemes in three categories corresponding respectively to state schemes, occupational schemes and personal pension plans. However, the dividing line between pillar 1 and pillar 2 (and thus their respective content) has varied over time and depending on the bodies using this classification. The change is due to the interpretation of the term “occupational”.

b) Difficulties and proposals

There was a risk of establishing a general equivalence between classifying schemes by whether they are basic or supplementary (according to ESSPROS methodology) and classifying them under pillar 1 or pillar 2. However, the examination of the definitions of the pillars and classifications used by the Member States undertaken in the European Commission’s study of May 2000 on pension schemes of the Member States of the European Union appears to indicate that the basic schemes still belong to pillar 1.

A few uncertainties remain with regard to:

- how schemes should be divided between pillar 1 and pillar 2. The result of this problem is that the ESSPROS division between basic and supplementary cannot correspond to the division between pillar 1 and pillar 2:
  - for example, in France the two main supplementary employee schemes (AGIRC and ARRCO) come under pillar 1;
  - in Denmark the labour market supplementary pension (ATP) is also included under pillar 1.
- the status (and classification) of schemes excluded from ESSPROS but meeting the criteria for classification under pillar 2:

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1 This study (MARKT/2005/99), which describes the pension schemes of the Member States in terms of pillars, could be used as a basis for classifying schemes by pillar.
- in France, for example, these are the voluntary schemes for civil servants belonging to the insurance sector (CREF and PREFON).

- the dividing line between pillar 2 and pillar 3:

- in the United Kingdom, stockholders (which replaced personal pensions in April 2001) are classified according to the documents referring to them either under pillar 2 (2002 national strategic reports on pensions) or under pillar 3 (study of the pension schemes of the Member States of the European Union).

**Other developments**

**Residence concept**

a) Problems

The core ESSPROS system is based on the notion of residence: each country includes only transactions by resident units. This is why GDP is used in analyses, this being calculated for the same field and thus serving as a reference parameter.

However, in some countries, benefits paid to non-residents or, conversely, benefits received from abroad (“rest of world”) by residents may be significant. Hence the growing demand for evaluations of these two types of flow, as this would provide a picture of the benefits received by resident households and not just the benefits paid by resident units, as is currently the case with the core ESSPROS system. Use could then be made of “gross national income” as a reference parameter.

b) Difficulties and evaluation problems

The “benefits received by resident households” aggregate may be calculated overall, in which case the following calculation is used:

\[
\text{Benefits received by resident households} = \text{Benefits paid by resident schemes} - \text{benefits paid by resident schemes to non-residents} + \text{benefits paid by non-resident schemes to resident households}
\]

An effort has been made to evaluate the benefits received by resident households at overall level using national accounting data.

Some countries pay out significantly more than they receive - in descending order, Germany, France, the United Kingdom, the Netherlands and Finland. The reverse applies in the case of Italy and Greece. However, the net amounts of the flows of benefits are relatively small in relation to total benefits and do not change the order of countries in terms of % of GDP. On the other hand, the use of gross national income (GNI) instead of gross domestic product (GDP) does slightly alter the country rankings.

**Social protection benefits**

<table>
<thead>
<tr>
<th>YEAR 1999</th>
<th>benefits paid by resident units/GDP</th>
<th>benefits of resident household/GDP</th>
<th>benefits of resident household/GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>28.99%</td>
<td>29.02%</td>
<td>29.25%</td>
</tr>
<tr>
<td>France</td>
<td>28.66%</td>
<td>28.51%</td>
<td>28.21%</td>
</tr>
<tr>
<td>Germany</td>
<td>28.56%</td>
<td>28.33%</td>
<td>28.51%</td>
</tr>
<tr>
<td>Austria</td>
<td>28.00%</td>
<td>27.98%</td>
<td>28.45%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>26.46%</td>
<td>26.34%</td>
<td>26.23%</td>
</tr>
<tr>
<td>Finland</td>
<td>26.00%</td>
<td>25.90%</td>
<td>26.33%</td>
</tr>
<tr>
<td>Belgium</td>
<td>26.11%</td>
<td>26.02%</td>
<td>25.51%</td>
</tr>
<tr>
<td>United-Kingdom</td>
<td>25.49%</td>
<td>25.40%</td>
<td>25.39%</td>
</tr>
<tr>
<td>Italy</td>
<td>24.36%</td>
<td>24.44%</td>
<td>24.61%</td>
</tr>
<tr>
<td>Greece</td>
<td>24.51%</td>
<td>24.60%</td>
<td>24.12%</td>
</tr>
<tr>
<td>Spain</td>
<td>19.38%</td>
<td>19.38%</td>
<td>19.62%</td>
</tr>
<tr>
<td>Portugal (1998 data)</td>
<td>28.99%</td>
<td>19.40%</td>
<td>19.70%</td>
</tr>
</tbody>
</table>
If an effort is made to make the same correction at the detailed level of functions (or benefits), calculations are considerably hampered by lack of data. Obtaining data on the flows of benefits with the rest of the world is the main problem, even if we restrict ourselves to the main types of expenditure such as pensions and health spending.

- Doc PS/2003/11/EN: Coverage and borders problems
- Doc PS/2003/12/EN: Pension schemes and pillars

DISSEMINATION AND REFERENCES

Eurostat publications:

Specific publications:

Methodology:

Data and analysis:
- Statistics in focus (Theme 3):
  • Social protection in Europe, 2003
  • Social protection: expenditure on pensions, 2003
  • Social protection: cash family benefits in Europe, 2003
  • Public Expenditure on Labour Market Policies, 2002
  • Women participating in active labour Market Policies, 2003

Collaborations in:
- The social situation in the European Union
- Economic portrait of the European Union
- Eurostat Year book

Other publications using ESSPROS data:
- National reports on Social Protection
STATE OF THE ART AT INTERNATIONAL LEVEL

Maria JEPSEN
European Trade Union Institute

Executive summary

The European Trade Union Institute is a research institute providing scientific support for the European Trade Union Confederation (ETUC) in view of defining forward-looking proactive policies. It aims at building a bridge between academia and the trade union movement. The main topics dealt with are all strongly connected to current policy issues at the European level. Social protection is one of these. The emphasis on this area is becoming increasingly important as the European discussion grows in intensity (the OMC on pensions and health care, the directives on pension funds, etc.), alongside the habitual interest of the trade union movement for social security issues at the national level. Research on social protection is mainly generated via the use of research networks on targeted issues (active ageing, pension funds, etc.), however the ETUI ensures the annual production of the ETUC benchmarking report on “Working Europe”. This paper draws on the experience of the annual benchmarking of the social security systems in the European Union.

The conclusions are that despite the growing interest in comparing the functioning of social security in the EU member states, there is a flagrant lack of comparable international statistics on the impact of the functioning of the social security systems on individuals as well as households. Only with regard to costs and receipts is more or less up-to-date comparable data available to give a first insight, albeit only the gross amounts. Data on the impact of this spending is not available on a regular basis.

Social protection statistics should be adequate for policy needs and public purposes. They should function as a tool for evaluation and accountability of policy action, as well as for national and international policy dialogue and definition. Hence the data availability reflects the political priorities. If this is the case then, at the moment, it looks as if the only political priority is the cost of the social security system. One may also question the ability to make policy decisions on the basis of out-of-date, badly defined data. For policy makers to make good policy decisions they need to rely on good data and statistics.

1. Introduction

Researching, monitoring and understanding the social security systems in the European Union member states is becoming increasingly important for the European Trade Union Institute (ETUI). The ETUI is a research institute providing scientific support for the European Trade Union Confederation (ETUC) in view of defining forward-looking proactive policies. It aims at building a bridge between academia and the trade union movement. The main topics dealt with are all strongly connected to current policy issues at the European level. Social protection is one of these. The emphasis on this area is becoming increasingly important as the European discussion grows in intensity (the OMC on pensions and health care, the directives on pension funds, etc.), alongside the habitual interest of the trade union movement for social security issues at the national level.

The ETUI aims to provide the European trade union movement as well as academia with high quality comparative research on social security issues. Two methods are used to meet this end, namely the use of research networks on targeted issues (active ageing, pension funds, etc.) and the annual production of the ETUC bench-
marking report on “Working Europe”. Hence, the ETUI is a user of comparable statistics on social protection issues, but is not a producer of these statistics. This fact distinguishes us from the other speakers in the panel, namely Eurostat, ILO and OECD. We rely heavily on the supply of relevant and comparable data from international organisations such as Eurostat, OECD and ILO. When generating research on social security via networks, we are highly reliant on national statistical sources provided by the national experts. This raises comparability issues and we often are forced to compare “apples with oranges”. “Why not then use comparable data?” one would say. This brings us to our next dilemma, and the one on which I will focus here, namely the absence rather than presence of what we define as relevant data, as well as the issue of what we are measuring. Without going into detail, it is difficult to make people understand that the ratio of social expenditure to GDP varies greatly between their national source and that of Eurostat and the OECD, or that we present data on the ratio of beneficiaries of unemployment benefits from 1993 in our benchmarking report for 2003 (ETUC/ETUI 2003).

However, as our aim is to use comparable data for an audience seeking an understanding of the European discussion, we are often led to sacrifice the relevance of data for the comparability of data, taking into account that we may thereby not be presenting the reality in the various member states. This is basically the state of the art of a user of comparable social statistics data.

I will run through the state of the art of the statistics that are of main interest for us. I will focus only on comparable published data, leaving out the option of obtaining the data from national sources and ad hoc studies. The following sections are based on the findings from putting together the *Benchmarking Working Europe* 2003.

### 2. Social security receipts and spending – gross/net – public/private

Data availability is by far the best within these issues when compared to issues such as coverage rates, benefit rates etc. Both ILO (COSS), OECD (SOCX) and Eurostat (ESSPROS) provide mainly up-to-date comparable data on gross public social security expenditures and receipts. These data give us an idea of the welfare institutions in the respective countries and a hint of the priorities in the different member states. One can question the definition of spending and receipts that they use, as it does not always reflect the reality in the respective countries. Apart from the question of what is considered social security spending and what is not, two other vital questions arise with regard to definition, namely the gross/net question and the public/private spending question.

When analysing social spending, gross public spending can give a first insight into the efforts deployed by a nation towards insuring its population against defined risks. However, if one wishes to assess the real spending, two matters need to be taken into account, namely the impact of the taxation systems on the total spending, and the volume of private spending for social purposes. Most states retrieve a part of their gross spending on social security via taxation of the benefits that are granted. Hence in order to gain a picture of the re-distributinal nature of the social system one needs to have figures on the net spending. Likewise private arrangements for social risks may also have a major impact on total spending on social protection in some EU member states. What is more, this type of provision is gaining in importance, either because of the absence of a public system or to compensate for its shortcomings (e.g. employment-related pension plans). For a detailed discussion of what are to be counted as private social benefits see Adema (2001).

If one wishes to compare the real efforts deployed towards social security, one needs to take into account the importance of private spending on social risks (pensions, health, personal services) as well as the impact of the taxation system on the benefits that are paid out.

Figure 1 displays the results from Adema (2001) who carried out such an exercise for 18 countries. The conclusion of this exercise is striking. The variation in the ratio of social spending to GDP is narrowed down in a drastic manner. The US spending, which is always held up as being very low compared to EU standards, suddenly appears to be at a very similar level. One can only regret that the latest figures are from 1997. Hence basing an analysis of the cost of social security spending exclusively on gross public spending can be quite misleading. Proper understanding of the trends of the spending requires account to be taken of private
spending as well as of the impact of the taxation system. It would be of interest to have such data produced each year.

A comment on availability of data that applies to all areas is the coverage of countries. By 2004 the EU will have 10 new member states. However little data is available on their social security spending and receipts. A major effort is required here.

**Figure 1: Gross public and net total social expenditure 1997**

![Diagram of gross public and net total social expenditure 1997](Image)

Source: Adema (2001)

3. Protected persons, beneficiaries and contributors

While knowing how much is spent on social security is important, knowing how it is spent is equally as important. What good is it if one has a sustainable social security system if it does not meet the basic needs of the population? Missoc publishes basic information on the legislation governing the social security system and gives an idea of how generous the systems are; however there are no comprehensive, comparable, up-to-date data on the extent of coverage of the systems, nor on the percentage of the population that contribute to the schemes, nor on the rate of people benefiting from the various schemes. While knowing how much is spent on social security is important, knowing how it is spent is equally as important. What good is it if one has a sustainable social security system if it does not meet the basic needs of the population? Missoc publishes basic information on the legislation governing the social security system and gives an idea of how generous the systems are; however there are no comprehensive, comparable, up-to-date data on the extent of coverage of the systems, nor on the percentage of the population that contribute to the schemes, nor on the rate of people benefiting from the various schemes.

ILO gathers data on these issues for the various branches of social security. However, the data are far from up-to-date and data is available only for a few EU member states.

The European Community Household Panel (ECHP) could give the answers, with all its flaws, to the question of beneficiaries, but not of contributors nor concerning the ratio of protected people. But the ECHP is not readily available to all (e.g. data handling skills, price, etc.).

The Labour Force Survey from Eurostat provides data on the rate of unemployed receiving unemployment benefit. However as Figure 2 shows, these are not very reliable data due to the self-reporting; neither are they up-to-date, as Figure 3 shows. The data in Figure 3 are taken from *Employment in Europe 2000*; the data used are from the 1st wave of the ECHP, hence 1993. One could expect the situation in 2000 to look quite different from
that in 1993. This is the figure used in the ETUC/ETUI Benchmarking working Europe 2003, hence 10 years after the situation has occurred. Administrative data would be preferable.

**Figure 2: Unemployed receiving benefits/assistance in 2001**

![Figure 2: Unemployed receiving benefits/assistance in 2001](image1)

Source: Eurostat (2002)

**Figure 3: Share of unemployed men and women aged 25-64 in Member States receiving unemployment benefits (1993)**

![Figure 3: Share of unemployed men and women aged 25-64 in Member States receiving unemployment benefits (1993)](image2)


The same figures for health, pensions, housing benefits, family allowances etc. are not available, except if one uses the ECHP to generate them. Other important information totally missing in international comparable data sources is the proportion of beneficiaries in receipt of, usually means-tested, “guaranteed minimum income” be it for pensioners, disabled or unemployed.

Hence as regards statistics on the population who are covered by, benefit from and contribute to the system, major efforts are needed on an international level.
4. Replacement rates and redistribution of income

As is to be expected, the ETUI sets great importance, in analysing the impact of social security spending, on income redistribution as well as on its impact on households and individuals well being.

With the OMC for pensions, there is a rapid evolution with regard to the statistics for pensions. Both the development for the computation of theoretical replacement rates, and measurements of the income of elderly people has progressed rapidly and can be found in the *Joint Report by the Commission and the Council on adequate and sustainable pensions* (Council of the European Union 2003). However there are still several problems that need to be dealt with. With regard to the theoretical replacement rate, while it is well suited for the evaluation of the adequacy of the pension system, it tells us nothing about the living standards of the elderly as they may very well be drawing income from other sources (e.g. other family members, private pension funds) and it does not give us an indication of the real life impact of the system on the replacement rates of pensioners as the computation is often based on highly unrealistic assumptions (e.g. 40 years of unbroken employment). Furthermore, when turning to statistics on the living standards of pensioners, there is the recurrent problem of limited cross-country comparability of the data and, even more important, the non-representativeness of the sample. Many older people receiving pensions live in institutions and will therefore not be found in the data sets, implying that the statistics that are available within this area are biased. There is also the problem of using household surveys to assess individual situations as the underlying hypothesis of attributing income to each individual assumes that there is an equal sharing of the household income.

However, from the point of view of the ETUI, to have empirically computed aggregate replacement ratios (the ratio between average pension, both public and private provisions, to average income from work) would be the statistics best suited to our purposes. Furthermore, these ratios should be given both net and gross, so as to give a better cross-country comparison. This would give a good indication of the outcome of the spending and legislation governing the pension system.

The task is complicated by the very divergent nature of the pension systems in the European Union member states. As different types of provisions can attain the same objectives, statistics are needed that are neutral to the architecture of the systems (e.g. public as well as private schemes, collectively agreed versus company-agreed pension funds).

Turning to unemployment benefits, the statistical situation is not as good as the one for pensions. The theoretical replacement rates produced by the OECD for unemployment benefits are not enough, even if they are a major step forward. The typical cases give an indication of the possible impact on individuals of the legislation in the respective countries; they do not, however, give an idea of the real situation. How do replacement rates evolve over the business cycle? How are men affected as compared to women? What is the impact on the well-being of households? Real life average replacement rates can give an indication.

The same comments as above can be made about disability benefits, sickness benefits, etc. Statistics on average replacement rates, and the impact on the household income, are needed.

A global measure of the impact of the entire social security system on income distribution is also a welcome indicator for measuring the performance of the system. Without going into the technical details of how to measure poverty, assessing the ‘at-risk-of-poverty before social transfers’ and the ‘at-risk-of-poverty after social transfers’ gives a very good idea of the efficiency of a social security system. A more or less timely, repeatedly published indicator has seen the day due to the OMC on social inclusion, and the latest published figures based on data from the ECHP 1999 can be found in Eurostat (2003). Hence there is still a 4-year gap between the occurrence and the publishing of the data.

5. Social services and infrastructure

Social challenges change over time and one of the areas that have come to form an integral part of the social security system as a response to these changes are social infrastructure for children, the disabled and elderly. Though one can discuss whether these services form a part of the social security system or not, I shall argue that they do.

The OECD has gathered data on childcare for some time now. In the latest figures both private and public figures have been collected, as can be seen in Figure 4 below.
While presenting both the private and public provision gives a more correct picture than just public provision, it would be nice to have a breakdown of the two types of provider in order to give an indication of the involvement of the state.

Despite the problems that can arise, it is vital to complement the coverage rates by the average prices paid by the parents for child-care as well as the subsidies paid by the government. Private childcare in the UK is more expensive than private childcare in Belgium.

Figures on residential care as well as home care services are far from being as easy to find as those for child-care. One has to rely on ad hoc studies aimed at presenting more or less comparable data. With the ageing population problem in Europe the issue of residential care and home care has crept up the priority ladder; however there are no readily available data. Hence, from the point of view of the ETUI, this surely has to be a priority.

As for childcare, data on prices would be most welcome. Data on infrastructure for handicapped people is also an area where we would welcome an effort.

**Figure 5: Residential and home-care services for older people (over 65 years) by country (mid-90s)**

6. Supplementary pensions and health care insurance

Though the issue of supplementary pensions and health care insurance is a political priority, very little information is available at the European level. Being able to quantify the spending and take-up rate of forms of supplementary insurance is of vital importance for understanding the behaviour of the population. If forms of private supplementary insurance become increasingly important in insuring against social risks, then this will surely have an impact on the wages as well as on the savings behaviour.

The rate of people with a complementary private health care insurance seems to be on the rise in nearly all EU member states. In some countries it represents a vast amount of money and in other countries much less. Notwithstanding this upward trend, knowing how many people have an additional private health care insurance is of paramount importance for an understanding of health care behaviour and needs in society. It is all very well to have a universal health care system; however, if more than half the population at the same time take out private health care insurance, one could question the quality of the public health care and, by the same token, its universality.

An even more important issue, as regards both political priority and the amounts of money at stake, is private personal and occupational pension provision. Major efforts have been made over the past three years to draw up data on this subject. However, there is still a key problem with regard to definitions and the variables being measured. Two issues of vital importance are linked to the provision of private pensions, namely the coverage rate (i.e. including both active and passive membership) and the level of provision. If one takes the Eurostat (2003) view, the strict definitions given, the countries where private pension provisions are the most important either do not provide data, or provide data that could be very misleading if one does not carefully read the methodological notes. However, this is a first step forward and a very welcome one as it not only gives information on contributions and spending, but also on membership and annual payments to members. Yet if one compares data on private pension provision between OECD sources and Eurostat sources, the reader will become very confused. The last source one could use is the ECHP. I will not present the data here; however, this source is certainly not to be recommended either. However, in the context of the OMC on pensions, the Joint Report gives statistics that seem more or less comparable and take into account that private pension provisions are organised in many different ways, although they all have the same goal. One could wish that this type of data be gathered in a systematic and readily available manner.

Figure 5: Coverage rates (contributors) of private pension schemes, pension fund assets and public (gross) expenses on pensions as % of GDP

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>35</td>
<td>15</td>
<td>10.0</td>
</tr>
<tr>
<td>DK</td>
<td>82</td>
<td>80</td>
<td>10.5</td>
</tr>
<tr>
<td>DE</td>
<td>45*</td>
<td>13</td>
<td>11.8</td>
</tr>
<tr>
<td>GR</td>
<td>NOT AVAILABLE</td>
<td>3</td>
<td>12.6</td>
</tr>
<tr>
<td>ES</td>
<td>4</td>
<td>5</td>
<td>9.4</td>
</tr>
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<td>IE</td>
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<tr>
<td>UK</td>
<td>44</td>
<td>91</td>
<td>5.5</td>
</tr>
</tbody>
</table>


Data are not readily available on the importance of private pension provision in the income package of the pensioners. The issue is taken up in Casey and Yamada (2002); however, the figures are computed on the basis of the Luxembourg Income Study, are not available for all EU member States and, as this is an ad hoc study, not necessarily reproduced on a regular basis to give a trend.
Data are not readily available on the importance of private pension provision in the income package of the pensioners. The issue is taken up in Casey and Yamada (2002); however, the figures are computed on the basis of the Luxembourg Income Study, are not available for all EU member States and, as this is an ad hoc study, not necessarily reproduced on a regular basis to give a trend.

7. Conclusion

While at national level statistics on the outcome of social security spending on individuals and households are partially available, there is a flagrant lack of these at international level. This can be linked, to some extent, to the fact that data availability reflects political priorities. However this leads to the observation that the state of the art of social security statistics, from a European research institute’s point of view, is a sorry one.

Despite the growing interest in comparing the functioning of social security in the EU member states, there is a flagrant lack of comparable international statistics. Only with regard to costs and receipts is more or less up-to-date comparable data available, albeit only the gross amounts. Data on the impact of this spending is not available on a regular basis, e.g. income redistribution and its outcome at the level of households and individuals, except for pensions.

With regard to the cost and receipts of social security, an important issue, there is still room for progress, but we do have up-to-date relevant data that can give a first insight. There is, however, an urgent need to include the second and third pillar provisions.

Our plight worsens, however, once we turn to the question of how the spending relates to the individuals in society. There are basically no international up-to-date comparable statistics on coverage rates, nor replacement rates, apart form the theoretical ones.

Social security statistics should be adequate for policy needs and public purposes. They should function as a tool for evaluation and accountability of policy action, as well as for national and international policy dialogue and definition. Hence the data availability reflects the political priorities. If this is the case then, at the moment, it looks as if the only political priority is the cost of the social security system. One may also question the ability to make policy decisions on the basis of out-of-date, badly defined data. For policy makers to make good policy decisions they need to rely on good data and statistics.

As stated in UN (2000) social statistics, of which statistics on social security form a part, should achieve two objectives:

1. monitor the achievement of outcomes of policies and programmes
2. identify those factors that via policies and programmes can have an impact on the specific outcome of the policies and programmes.

Hence this implies having data on social security expenditure and receipts, but also being able to quantify the impact of these amounts on households and individuals. It also implies having gender-aggregated data, as very few policies are gender neutral. Raising the number of years of contribution for pensions is likely to have a greater impact on women than men; likewise, decreasing the number of hours of work per week required for entitlement to unemployment benefit is also likely to have a greater impact on women than men.

To fulfil all the wishes on the ETUI’s list is an immense task that would require close cooperation and distribution of tasks between Eurostat, the OECD and ILO based on a pluri-annual planning. It would also require that definitions be harmonised.

Measuring the outcomes of the policies is just as important measuring the means used to get there. Hence as it stands today, from the point of view of the ETUI, the state of the art is very sorry.
References:
Council of the European Union (2003): Draft joint report by the Commission and the Council on adequate and sustainable pensions, 6527/2/03 rev2, Brussels
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SOCIAL SECURITY STATISTICS FROM THE GLOBAL PERSPECTIVE:
ILO EXPERIENCE

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I. Introduction: Measuring decent work and its social protection dimension

Social security has always been an important element of the mandate and the activities of the ILO. Extending social security coverage and enhancing its effectiveness is one of the strategic objectives of the ILO’s “decent work” agenda.¹

“Decent work” is a multidimensional concept: it promotes policies, which ensure that all men and women have secured opportunities to “decent” employment and income, enjoy fundamental rights at work, have access to social protection whenever necessary, and have their “voice” heard through the institutions of democracy and social dialogue.

Development of labour statistics has also always been an important part of the ILO’s mandate. It was always understood that high quality national labour statistics are a precondition for sound social policies good governance. Furthermore, the importance of internationally comparable statistical data was also strongly recognized. For an organisation like the ILO, compiling and publishing internationally comparable statistical indicators, which measure to what extent different goals promoted by the organisation are actually achieved in member countries, is actually one of the few available ways to effectively promote best, desirable practices in a given field.

While the ILO has a long history of gathering and publishing data on social security expenditure and financing (Cost of Social Security Inquiry initiated already in 1949), it has never succeeded, despite the efforts, in developing internationally accepted standards of social security/social protection statistics, like it did in other areas of labour statistics. Lack of such commonly accepted standards undermines to a large extent the efforts to compile comparable sets of data and indicators. Additionally, there is growing demand for information beyond that related purely to expenditure and financing of social security: there is growing demand for information on how many have actual access to different forms of protection and what are the levels of protection enjoyed by people in different countries.

The paper presents the most recent efforts of the ILO to meet the above demands by developing new tools and methods in social security statistics. The work is at the same time part of the wider effort in the ILO aiming at establishing a basic set of decent work indicators² and potentially building also aggregated indices combining those indicators (into i.e. “decent work index”³).

II. Social protection indicators: measuring coverage and effectiveness

Social security plays an essential role as an instrument to prevent and reduce poverty through income replacement and support and through providing benefits in kind like health care. However, our knowledge about how social security systems actually work in different socio-economic environments and their effects is surprisingly limited. This deficit becomes all the more obvious when renewed policy concerns about poverty reduction and the extension of social security coverage emerge - as is currently the case. Both, the limited knowledge about the efficiency of social security and increasing political awareness indicate that the need for a sound database as a basis for policy development is increasing.

The ILO has initiated a major new focus in the area of social security statistics, and has launched on an exploratory basis a series of Social Protection Expenditure and Performance Reviews (SPERs).\(^4\) For a number of selected countries (starting with Benin, Chile, Nepal, the Philippines, Poland, Slovakia, South Africa, Thailand), the SPERs provide an in-depth account of various aspects of social security. Based on existing statistics and new statistical methods, the SPERs provide information about the structure and level of total social expenditure, the extent of coverage and exclusion, the levels of protection and its quality. The SPER framework includes also a number of indicators of performance with respect to a social security system’s effectiveness, efficiency, population coverage, the adequacy of benefit levels and the distributional impact of public social expenditure.

Assessing the performance of social security systems is of major importance for policy makers. Our potential to monitor actual performance of national systems is however usually limited by the availability of statistical data necessary to estimate different indicators. It is also equally important that the data are comparable internationally: this enables to benchmark the performance of national systems against experience of another countries.

Already in 1957, the Resolution Concerning the Development of Social Security Statistics, adopted by the Ninth International Conference of Labour Statisticians stressed the importance of comprehensive and consistent statistical data on social security. The preamble of the resolution underlines that “comprehensive and up-to-date statistics on the nature and extent of social protection afforded are an essential prerequisite for the formulation of policy, the execution of programmes and the appraisal of progress realised in the field of social security”. It goes on to state that “social security records in most countries are not used to the full extent of their potentialities”. Although considerable progress has been made in the meantime, this statement is still valid today. In particular, there is a significant gap in statistical data that would allow cross-national comparisons, notably for developing countries.

For five decades (1949-1999), the ILO conducted a major survey on social protection throughout the world, the Inquiry into the Cost of Social Security. Based on the framework of ILO Convention No. 102 (1952) concerning Minimum Standards of Social Security, and ILO Recommendations Nos. 67 (1944) and 69 (1944), this survey collected data on receipts and expenditures of social security schemes. In order to take account of the wider range of social protection, the methodology and framework of the inquiry was expanded in 1997 to include additional functions and coverage indicators. In addition to the regular publication series, the data collected from 1990-1996 through this inquiry can be consulted on the Cost of Social Security website\(^5\). In collaboration with the ILO, the EURODATA Research Archive at the Mannheim Centre for European Social Research (MZES), Mannheim/Germany, produced a CD-ROM that assembles data from 1949-1993 for most of the Western and Central European countries.\(^6\) The data collected has been a unique source of comparative data for professionals in the field and for major reports on social protection, such as the World Labour Report 2000\(^7\). Due to the lack of resources, the inquiry was terminated in 1999. Since then, there are no statistics on core indicators on social security on a global scale.

Now, the ILO is embarking on a fresh effort to improve the statistical knowledge base on social security and to create a new global database on social security. This database sets out to integrate existing statistical concepts and data as far as possible, and fill the remaining gaps by own data collection procedures. The database shall

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\(^4\) For further information, see Cichon et al. (forthcoming 2004): Financing Social Protection, Ch. 7, Geneva: ILO.


\(^6\) The data are also available online at http://www.mzes.uni-mannheim.de/eurodata/coss19491993/.

serve as a quantitative basis enabling the ILO, its constituents and the wider public to analyse and compare macro income and expenditure, performance and coverage trends of national social protection systems. The ILO is currently conducting a pilot study to test the concept of the new database in six countries.

The database covers the four key areas of social protection (across all countries, developed and developing):

1. Range of contingencies covered (scope of coverage)
2. Financing and expenditure
3. Coverage of the population: beneficiaries and protected persons (extent of coverage)
4. Benefit levels (level of coverage)

So far, the statistical basis across these four dimensions is patchy and incomplete, especially for internationally comparable data. For many important aspects on social security, data are hardly available, and they are often difficult to relate to each other given the fragmented landscape of statistical concepts and definitions. Particularly developing countries are inadequately reflected in comparative databases. These deficits prevent analysts and policy makers alike to evaluate and to improve the quality of social protection. Again, these deficits underscore the necessity of a database displaying the features mentioned above.

**Four Key Areas Covered by the Database**

The following paragraphs take stock of databases currently available covering the four key areas of social protection and the remaining gaps, lay out a methodological concept on how the statistical knowledge base could be improved, and briefly present the approach chosen for the pilot study of the new ILO Social Security Inquiry.

**Range of Contingencies**

Information on the range of contingencies covered by social security schemes is collected by the International Social Security Association in its SSPTW/SSW database. This database includes social insurance and other schemes covering old age, disability and survivors; sickness and maternity; work injury; unemployment; and family allowances. But it does not cover social assistance schemes addressing general neediness, health care services and private schemes, such as complementary pension schemes. Information on the latter schemes is contained in the database on complementary and private pensions that currently includes 40 countries. The new ILO Social Security Inquiry attempts to compile information on all the existing schemes providing benefits for all the ESSPROS social protection functions. Additionally, the ILO inquiry will also take into account schemes providing benefits in cash and in kind related to basic education, as these schemes in developing countries play the role equivalent to social protection.

Information about social security schemes and the administering institutions is not only crucial to evaluate the scope of social protection in each country and identify gaps in social protection, but is also of practical importance for the collection of data for the new social security database. Some of the data need to be collected directly from the institutions that manage the social protection schemes, especially data pertaining to the coverage of the population and benefit levels. The experience with the Inquiry into the Cost of Social Security demonstrates that some national ministries of labour have had some difficulties in collecting the required statistics from different institutions, namely data on coverage. Data therefore are collected directly with the administering institutions. This is done in close cooperation with the International Social Security Association.

The inventory of social security schemes should also determine whether there is a central body in the country (e.g. supervisory authority, national association of social security schemes) that collects reliable statistics from each social security institution. Especially for countries with a large number of social security schemes and administering institutions for each branch, these bodies could be used as a clearinghouse; this would facilitate the collection of data for the social security database.

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Financing and Expenditure

Following the suspension of the ILO’s regular Inquiry into the Cost of Social Security, there is no comprehensive and detailed source of data on social security expenditure on a global scale. Nevertheless, information about the financing and expenditure of social security is essential. Examples for central indicators are:

- Public social security expenditure as a percentage of GDP (total, health services, old age pensions);
- Public expenditure on needs-based cash income support as a percentage of GDP;

For industrialised countries, comparable data on the financing and expenditure of social protection are collected and made available by the OECD and Eurostat. For all other countries, the only available data source is the IMF’s Government Finance Statistics. With the 2001 revision of the Government Finance Statistics Manual, the database distinguishes a range of expenditure and finance categories that would partially bridge this gap. To date, however, it is not yet clear how many countries will report their financing and expenditure data with the requested functional disaggregation. Financing data are only available on an aggregate level, and expenditure data follow other subcategories than those normally used by the ILO (branches versus functional classification). In order to achieve the highest possible level of statistical consistency and cost-effectiveness, the ILO is cooperating closely with the Eurostat, the IMF and the OECD. If a sufficient degree of consistency with these frameworks is achieved, data could eventually be extracted directly from respective databases allowing the ILO to concentrate on collecting data from regions not covered by the others.

Other open questions pertain to the treatment of mandatory private expenditure for social protection and tax expenditure. First, given its focus on governments, the IMF framework concentrates on public expenditure, but does not consider private social expenditure. Private expenditure can substitute public expenditure; this is most obvious in the case of mandatory private old age pensions that often are associated with strong government regulation, favourable tax treatment and minimum return guarantees. In spite of this involvement of the state, expenditure of such schemes would be classified as “private”. When comparing countries that have organised their social security schemes in different ways, this obviously leads to a systematic bias. It is therefore desirable to include private social expenditure if it is mandatory; this criterion is used as a proxy to determine a substitutive relationship between public and private expenditure. While this practice is in accordance with the ESSPROS concept and the OECD’s SOCX database, it has not been followed by the IMF Government Finance Statistics framework. Second, it would also be desirable to include tax expenditure for social security, as this instrument can also substitute direct expenditure. However, although some efforts have been made to estimate the effects of tax policies on social expenditure, the methodology is not yet fully developed and none of the available data sources takes account of these considerations. For the new social security database, it would be necessary to keep these issues in mind, but it is not feasible to systematically include tax expenditure in the methodological framework at this stage.

Coverage

The evidence on social security coverage presented in the World Labour Report 2000 demonstrates both the importance and the potential of meaningful statistics of coverage for policy formulation and evaluation. The extension of social protection on excluded groups of the population has been identified as one of the main policy priorities of the ILO. Coverage of the population includes two basic indicators: the number of persons who receive social security benefits at a specific point in time (beneficiaries), and the number of persons who are protected against a risk or contingency (protected persons), both ideally distinguishing between persons protected in their own right and dependants.

Examples for fundamental indicators in this field are in particular

- the proportion of the elderly that benefit from a pension
- the proportion of the labour force that have access to social security in case of unemployment, sickness, maternity, disability and old age

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9 The OECD’s Social Expenditure Database (SO CX) covers all OECD countries. The Eurostat’s ESSPROS system of social protection statistics covers the countries of the European Union, Norway, Switzerland and Iceland plus some of the accession countries in Central and Eastern Europe.


- the proportion of the population that would have access to basic income support schemes if in need
- the proportion of the population that has access to health care

However, the current data situation with regard to this key element is insufficient. Although coverage statistics have been dealt with extensively in the Resolution Concerning the Development of Social Security Statistics and in subsequent efforts to set up some minimum requirements for social security statistics, it is difficult to find comparable national level data for most countries. The last wave of the ILO Inquiry into the Cost of Social Security (1994-96) has gone some way in setting up a conceptual framework and to collecting data. However, this survey did not yield the expected results. Only a limited number of countries replied and the data set suffered from poor quality.

The complexity of legal regulations and the large diversity in national approaches with respect to organizing social security measures, make the application of a uniform statistical concept indeed difficult. While the number of beneficiaries normally can be established relatively easily on the basis of administrative records, the number of protected persons is more difficult to determine. In social insurance schemes, this would include persons currently contributing to the scheme, persons that are currently not contributing but are eligible for benefits on the basis of previous contributions or other reasons, and their dependents. While the first group can normally be found in administrative records, the second and third ones can be more difficult to establish. The same is true for persons protected by non-contributory schemes. In these cases, the number of protected persons can only be established through surveys or on the basis of the legal situation and the actual operation of social security schemes. The latter is important because it may well be that a scheme legally covers the entire population, but that large groups of the population are de facto excluded by the way it is administered. How coverage would be calculated in case of a substantial disparity between legal and de facto coverage levels remains to be determined.

Process data generated by the administrative procedures of social security institutions certainly are a valuable source of assessing the numbers and the characteristics of those covered by a particular social security scheme. These data are generally deemed to be of a relatively high quality and do not require additional data collection procedures. However, the data have to be collected directly from the social security institutions, as these are rarely available in the aggregated form. Especially in countries with poorly coordinated social security institutions, this is not an easy task. If individuals are or have been involved with more than one social security institution, this may lead to double counting. For example, if several pension schemes exist (for workers in different sectors of the economy, or for employees in the public sector), employment mobility of workers between sectors during their working life may result in them being listed in more than one pension scheme. If there is no mechanism to correct for double counting during the aggregation process, the aggregated data from individual social security schemes will produce too high coverage figures.

Because of the limitations of process data, additional data sources would need to be tapped in the future. A promising complementary source of coverage data are labour force surveys. As these are conducted regularly in many countries, they usually use a large sample of the population; they are well suited to collect information on membership in social security schemes, including occupational pension and health care schemes. Especially for countries where social insurance schemes and occupational schemes are very fragmented and multiple membership is common, they are well suited to assess coverage levels. In some countries, labour force surveys already contain questions on social security, but this could possibly be further developed and standardised. In particular, it would be helpful to align these questions to a standard conceptual framework that would allow using the collected information also for cross-national comparisons.

As a starting point, coverage statistics collected in the pilot study mainly focus on periodic cash benefits. The scope of this inquiry can eventually be extended to lump-sum payments and one-off grants as well as benefits in kind. A separate effort is needed to develop appropriate indicators to monitor coverage of health care schemes and access to non-cash health benefits; this could be done in cooperation with the World Health Organisation (WHO).

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Levels of Social Protection

Together with coverage, the level of benefits and their adequacy is an important aspect of the quality of social protection. So far, however, comparable statistical data on the levels of social protection are rather sparse. Benefit levels as laid out in the social security legislation are collected by the International Social Security Association and published in the SSPTW/SSW database. Given the complexity of social security benefits, these legal benefit levels often sketch an incomplete picture of average benefit levels. An attempt to reflect benefit levels in a more comprehensive way has been undertaken by the OECD. Focusing on work-related social security benefits, the OECD regularly collects data on benefit levels in their series “Benefits and work incentives”. In this context, the OECD assesses average (legal) benefit levels for a small number of typical households (single person, couples with and without children at different earnings levels) and calculates wage replacement rates. Some years ago, Eurostat produced statistics on (legal) replacement rates of pensions, but this exercise has not been repeated so far. Recently, OECD has presented data on the levels and composition of pension income in a number of industrialised countries based on data from income surveys.

Examples of fundamental indicators for the levels of social protection are

- Average amount of pensions in payment as a proportion of the poverty line or average income (adjusted for household size)

- Average amount of basic income support payment per month per recipient as a proportion of the average individual poverty gap

This information should be supplemented by information on the benefit levels as specified in the legislation (as appropriate, “standard” benefit level, minimum and maximum benefit levels or benefit formula). This information can either be collected as a part of this survey or draw on the data available in other databases, such as the ISSA's SSW/SSPTW database.

As absolute benefit levels do not speak for themselves, it is necessary to relate them to a reference value as “yardstick” for a relative indicator. This reference value should be easily accessible for all countries and sufficiently consistent, reliable and comparable. The ILO Conventions 102 and 128 use the concept of “standard beneficiary” and specify minimum benefit levels for standard beneficiaries for each contingency. The OECD bases its calculations of replacement rates on average earnings of male skilled manual employees (“average production worker”, APW) that today is the most comprehensive and elaborated framework for the evaluation of replacement rates in a cross-national context. The OECD computes both net and gross replacement rates for benefit income as a proportion of APW earnings and two-thirds of APW earnings in different household circumstances. Four family types are considered for each wage level: single, married couple, married couple with two children and a lone parent with two children. Because the OECD study focuses mainly on short-term benefits and their impact on work incentives, benefit levels are evaluated at several points in time: in the first month of benefit receipt, and for subsequent years.

It is however questionable whether a global social security database can possibly follow a similarly complex framework of analysis. The larger number and greater heterogeneity of countries may require a more straightforward approach. Such an approach could be based on average income or consumption per capita. Although this indicator would not constitute a replacement rate in a strict sense, it would offer a sufficiently dependable yardstick for cross-national comparisons of benefit levels.

In addition to this basic approach, existing national statistics on possible additional reference values should be collected in order to construct supplementary reference values and replacement rates. This includes average income and consumption per capita, average earnings of male production workers (APW), average earnings of protected persons or the whole labour force, insured earnings and average of median equivalent disposable income.

III. Conclusions

Having conducted the Cost of Social Security Inquiries during five decades (1949-1999), the ILO can draw upon its rich experience in setting up the new social security database. For the new global social security database, however, the methodology needs to be further developed and refined. After taking stock of existing data sources, it is necessary to define an integrated methodological concept and to define a method of data collection. A new questionnaire is now being tested in a small number of countries at a different levels of development. Six countries have been chosen for this exercise, Brazil, Cyprus, Finland, Ghana, the Philippines and Poland. Data collection is underway in these countries, and the results of this pilot study will soon show the feasibility of this concept and the need for revision. One particular concern is the compatibility of the concept with existing statistical systems such as ESSPROS. In order to review the validity of the concept, the relevance of the dataset and the effectiveness of data collection, the ILO will then seek the advice of a group of international experts before embarking on further steps. Eventually, a global social security database will contribute to further improving the knowledge on the quality of social security around the world.

In view of the growing need for reliable indicators on social protection in a global perspective, the ILO proposes to review and, if necessary, to further develop the international standards of statistics on social security/social protection as laid down in the Resolution Concerning the Development of Social Security Statistics adopted by the Ninth International Conference of Labour Statisticians in 1957. A thorough review of the Resolution should indicate propositions concerning parts in the Resolution which would need to be updated in view of recent developments and measures, which could be taken to promote a better implementation of the Resolution. Aiming at a stronger integration of labour and social security statistics, it could also be considered to eventually include social security in the ILO Convention on Labour Statistics in the long run 16.

16 The issues discussed in the paper are also presented in the ILO report to 17th International Conference of Labour Statisticians (24 November-3 December 2003). See: http://www.ilo.org/public/english/bureau/stat/techmeet/16thicls/index.html#seventeen
Background to the Pension statistics data Collection project

How adequate is pension provision? How is pension provision balanced between private and public systems? How does pension provision evolve over time? At which level of maturity are the different systems across countries? At which stage is the build up of pension rights? What is the absolute and relative importance of the pension industry and its attractiveness? What are the amounts of pension flows into the economy?

With a view to address such questions, and to fill a data gap in the existing pension statistics data sets, the Private Pensions and Insurance Unit, within the Directorate for Financial, Fiscal and Enterprises affairs, initiated in 2002 a statistical project, the aim of which is to set up a database of global pension administrative statistics. In order to support this project and to provide methodological support for the substantive organisation of this activity, the OECD Task Force on Pension Statistics (TFPS), which gathers OECD Delegations, first met in November 2002.

This project is closely co-ordinated with Eurostat, though it covers only a sub-set of the variables in that dataset. At the same time, it distances itself from the Eurostat pension dataset, part of the Structural Busines Statistics database, on the types of plans covered. In the OECD dataset, and following the approval taxonomy, private pension plans are considered to be those where benefits are paid by a private sector entity. Hence, private pension plans and pension funds that operate as part of Social Security regimes are included in OECD statistics. Eurostat has chosen to include only autonomous pension funds that operate in what the EU called the second and third pillars, and these funds exclude private pension funds that operate as part of social security regimes. The OECD has recently abandoned the three pilar classification through its 'Taxonomy for pension plans, pension funds and pension entities', because it can hide more than it can reveal in cross-country, as well as in cross-household comparisons of retirement income. This new taxonomy combines both institutional and functional perspectives (see Figure 1 and 2 below).
Figure 1. Pension plans, pension funds and pension entities chart flow

Institutional perspective

Figure 2. Taxonomy classification in the questionnaire
**Functional perspective**

![Diagram of Private pension plan with Occupational and Personal branches, including Mandatory and Voluntary subcategories, with DB and DC symbols. Source: OECD.]

**Goal and objectives**

The statistical project will develop a comprehensive system of international pension statistics, collected from primary administrative sources, under coherent statistical concepts, definitions and methodologies, on an ongoing basis.

Internet access to an analytical database would provide a valuable gateway for measuring and monitoring the pension industry, thereby permitting inter-country comparison with up-to-date statistics and indicators on key aspects of retirement systems across OECD, to be extended to non-OECD countries at a later stage.

The practical objectives are to:

1. Evaluate pension data currently available and its related metadata:
   a. Identify potential data gaps and the divergence of methodologies used across and within OECD Member countries,
   b. Assess the requirements for further statistical information.

2. Improve the harmonisation of concepts, definitions, and compliance in line with the taxonomy developed through the OECD Working Party on Pension Statistics;
   c. Apply common criteria for the quality of pension data,
   d. Identify the best methods to accommodate data deficiencies and variations in definitions and measurement methods.

3. Collect and analyse the data
   e. As a basis for policy decision

**Issues to be addressed**

The statistical project specifically targets the following problems:

4. Lack of comprehensive administrative data for key indicators

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1 By providing information (eg. Coverage, source, etc.) on data, metadata describes other data.
5. Lack of timely data to monitor the financial activity of the international pension industry
6. Lack of transparency: it is sometimes difficult to define exactly what some data corresponds to, resulting in compounded difficulties using these data to compile comparable tables.

Research programme
To fulfil the overall project goal and objectives, the project has been divided into three modules:

In the first module, already funded by the OECD, OECD countries were surveyed, relevant information for data collection was identified and country metadata in each OECD country following the OECD Taxonomy classification (by type of pension plan, by type of pension fund and by type of pension entity) was described and a glossary of pension terms has been developed. Based on an agreed set of measures, an electronic questionnaire has been drawn.

In the second module, built on an agreed set of measures and data frequency, we will proceed to the data collection. This module will consist in collecting data via an electronic questionnaire. Data will be mainly collected from administrative sources; pension regulators, national statistical offices or central banks.

The third module will be devoted to data dissemination and analytical work. The third module will be devoted to describing and to analysing the pension industry activity.

Where do we stand?

Statistical questionnaire
Before sending the data collection questionnaire for completion, Delegations from the WPPP were invited to comment and approve, through the written procedure by 11 April 2003. In 'Annex. Data questionnaire', you will find the approved final draft 'Data questionnaire' as well as its related guidelines.

Inventory of country metadata on pension statistics (see document 'Methodological Country Notes', distributed as a room document)

In the first module, OECD countries were surveyed, relevant information for data collection was identified and country metadata in each OECD country following the OECD Taxonomy classification (by type of pension plan, by type of pension fund and by type of pension entity) was described.

In order to clarify the scope of the statistics on private pension funds complying with the OECD Taxonomy, the annex tables gives an overview per country of the private pension plans, funds and entities currently covered in the statistics. For each country you will find an overview of how the pension categories are called and their classification within the Taxonomy framework. You will also find a description of each category of private pension funds for which data was found. As a result, certain types of plans may not be included in the draft tables.

In European Countries where additional information in addition to Eurostat metadata exists (due to the focus on autonomous pension funds that support occupational plans), we have reproduced the information available from Eurostat and have added the metadata concerning Insured plan and personal pension plans, where relevant.

Data availability assessment
At its first meeting on November 15, the Task Force on Pension Statistics agreed that, rather than send Member countries the questionnaire originally designed for data collection, a new questionnaire should be prepared to first assess the availability of pensions statistics. In this survey we focus on data availability, time series length, frequency, release time lag and valuation methods.

Built on a preliminary set of measures, a questionnaire was prepared to first assess the availability of pensions statistics. In this questionnaire we focused on data availability, time series length, frequency, release time lag.
The data availability questionnaire and the necessary documentation was sent at the beginning of December 2002 and we received sixteen answers from OECD countries. The answers are summarized in table 1 and 2 below.

**Table 1. Overview of data availability**

The tables below present the results of the data availability exercise, following the Taxonomy framework, for selected OECD countries.

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<tr>
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</tbody>
</table>

ND: Data not available, NA: Data not applicable

**Table 2. Overview of data availability by variables**

Recent evolutions in the software market, made it necessary to replace a range of statistical production systems at the OECD. To respond to this, and also to future requirements, the OECD Information Technology and Network Services area are currently working with the Statistics Directorate and other directorates. This project would include which pension and insurance statistics, to develop StatWorks, a generic IT toolkit for statistical database management. The challenges faced by the OECD in this area could be similar to those faced by other national agencies.
The aims of the StatWorks toolkit are to provide a standard interface for database administrators to carry out the following tasks:

7. **Database administration**: users will be able to administer their database structure and content via a centralized database management interface. This will also help eliminate duplication of data by using corporate reference tables rather than maintaining individual collections.

8. **Data collection**: For data collected using questionnaire surveys ITN (Information and Technology Network Department) is promoting an 'interactive questionnaire' approach. This pre-programmed Excel interface incorporates embedded validation rules that will highlight any errors entered by the respondent and provide an extra layer of data verification at the data provider end.

9. **Data importing and validation**: Input files (if the interactive questionnaire has been adopted) will display any error data on arrival. In addition, standard data structures will reduce development time of parent-child hierarchy data checks. A standard application user interface will allow comparison of imported data with the previous periods input to monitor any revisions and to allow data to be corrected, validated and imported in a user-friendly manner.

10. **Metadata storage and management**: Metadata can be stored in the database at all levels from cell to country level across all dimensions and an interface is provided for its management.

11. **Data querying**: Data is queried via Excel spreadsheet and pivot tables for database.

12. **Calculations**: A standard interface will allow users to define, view and update stored calculation rules.

13. **Creating data output templates**: User-defined Excel Pivot table templates can be defined for outputting data to end-users or as input to the publication process.

14. **Publication and Data dissemination**: A 'gateway' is being developed to pass user certified data via XML into the Corporate OECD.stat data warehouse environment for publication and online dissemination to a wider audience.

15. **Advanced data analysis**: Advanced data analysis can be carried out via standard OECD statistical software (SPSS, SAS) or other 3rd party analytical products. This is enabled by the fact that the architecture is based on SQL\(^2\) Server relational databases and OLAP\(^3\) cubes that can be easily accessed by the majority of commercially developed software tools.

16. **Security management**: database administrators will have the means to manage their user profiles and data access rights to ensure that necessary security levels are in place to give staff valid permissions to update or view data.

Future work to be undertaken

17. Continue the co-operation set with Eurostat

Further joint work will be carried out between both the Eurostat and the OECD Secretariat, which includes the formalisation of the coherence between the Eurostat data sets and the OECD exercise

Both Eurostat and the OECD Secretariat agreed on working on a draft, which aim would be to make more explicit the coherence in between both datasets and the reason for having different specialisation in the data. Future joint work is also envisaged in order to improve harmonisation of concepts, definitions, best ways to accommodate data deficiencies and variation in definitions and measurement methods.

18. **Data collection**

Data will be collected via an electronic questionnaire to be developed by July 2003 with ITN support.

We anticipate sending the electronic questionnaire for completion by the end of September 2003.

19. **Analytical work**

---

\(^1\) Structured Query Language (pronounced SQL or Sequel). A language used to create, maintain, and query relational databases.

\(^2\) OnLine Analytical Processing. A method of database indexing that enhances quick access to data, especially in queries calling for large quantities of data or viewing the data from many different aspects.
The third module will be devoted to describing and to analysing the pension industry activity. The table below shows a tentative list of measures, split in between stock and flow, we anticipate to calculate for analytical purposes.

**Measures (tentative list)**

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<thead>
<tr>
<th>Stock</th>
<th>Financial measures</th>
<th>Coverage measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Net financial assets as % of financial market capitalisation, as % of GDP</td>
<td>• Break-down of active members as % of the active population, deferred and retired members</td>
</tr>
<tr>
<td></td>
<td>• Trends in assets, contributions and benefits by type of plan: DB-DC, Occupational Vs Personal (including growth in member-directed plans), insured vs. non-insured</td>
<td>• Break-down of active members by wage levels</td>
</tr>
<tr>
<td></td>
<td>• Relative importance of special-purpose pension entities, banks, insurance companies, asset management companies and other institutional investors as managers of autonomous pension funds</td>
<td>• Employee participation in DB/DC plans, occupational vs. personal plans</td>
</tr>
<tr>
<td></td>
<td>• Trends in assets by type of fund</td>
<td>• Employee participation by industry, by firm size</td>
</tr>
<tr>
<td></td>
<td>• Number and type of pension entities administering pension funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Asset allocation of autonomous pension funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Size distribution of pension plans and funds</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flow</th>
<th>Financial measures</th>
<th>Coverage measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Amount of contributions by type of plan</td>
<td>• Membership flows</td>
</tr>
<tr>
<td></td>
<td>• Pension plan operational expenses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Investment income (Real asset return and risks)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Benefits paid by type of plan</td>
<td></td>
</tr>
</tbody>
</table>
ANNEX. DATA QUESTIONNAIRE
OECD PENSIONS STATISTICS

DATA QUESTIONNAIRE

TECHNICAL GUIDE

(Related to the Excel questionnaire 'XXXDATAQUEST.xls')
The data questionnaire, reproduced below, consists of one Excel file\(^4\). If you are unable to read or open either of the file, please contact the Secretariat. The Excel file (XXXDATAQUEST.xls), of which the first three digits are for ISO country code (see Annex 1. ISO codes), includes one worksheet named 'dataquest' (Excel 7.0 format).

You are invited to complete the questionnaire and to return it to the OECD Secretariat by Friday, 11 April 2003. Should you require any further assistance in order to fill in the questionnaire, please do not hesitate to contact us:

Jean-Marc Salou  
Tel.: +33 1 45 24 91 10  
Fax: +33 1 45 24 78 52  
E-mail: jean-marc.salou@oecd.org

\(^4\) File names: please replace the three 'XXX' by your three character ISO country code. To do so, please refer to the United Nation Statistics Division internet page, 'Countries and areas, codes and abbreviations' at the following address: http://unstats.un.org/unsd/methods/m49/m49alpha.htm
Frequency and Period under review:
Please complete the 'dataquest' worksheet with, the latest yearly data available even preliminary or estimates.

Conventional signs:
In order to be precise about the nature of the data, it is necessary to distinguish the following cases.
1. Empty cells currently indicate #N/A (Not available). They should be replaced by numbers, where available.
2. Please, typewrite '(e)' where figures have been estimated. Member countries are encouraged to estimate figures where exact figures are unavailable or small, if this could give a fair picture of pension activity in your country. In such cases, countries are invited to explain how estimates were derived.
3. A flag indicating preliminary data, ('p') should be used in order to indicate that it is likely that the data being transmitted may be corrected.
4. Data that is not available, not applicable, or for which the breakdown is not available should be left as #N/A; they should not be left blank or deleted.
5. Zero values should be indicated by "0". They should not be left blank or deleted.
6. Monetary data: indicated in millions of national currency unit (except for Italy: data in milliards of national currency) or in Euro (for countries members of the Euro-zone) for each table.
7. Data precision: two digits to the right of the decimal point.
8. Footnotes: free notes on the data can be added below each table.

Method of valuation:
Stocks: book value of outstanding financial assets, please indicates if different.
Variables: list and description.

You will find below a list of variables included in the voluntary data collection. The list consists of five parts. The variables relate to: 1) assets, 2) liabilities, 3) income, 4) expenditure, and 5) membership.

<table>
<thead>
<tr>
<th>VARIABLE CODE</th>
<th>VARIABLE BY CATEGORY</th>
<th>DESCRIPTION</th>
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<tbody>
<tr>
<td>1000</td>
<td>TOTAL INVESTMENTS</td>
<td></td>
</tr>
<tr>
<td>1110</td>
<td>Of which: total investments in the plan sponsor</td>
<td>This variable shall comprise all investments in the sponsoring enterprise (the enterprise which pays contributions into a pension fund).</td>
</tr>
<tr>
<td>1121</td>
<td>Of which assets overseas: Issued by entities located abroad</td>
<td>Investment in securities issued by non-domestic entities.</td>
</tr>
<tr>
<td>1122</td>
<td>Of which assets overseas: Issued in foreign currencies</td>
<td>Investment in securities issued in foreign currencies, Euro, GBP, US Dollar, Yen and others.</td>
</tr>
<tr>
<td>1210</td>
<td>Cash and deposits</td>
<td>Cash are current account and other short-term savings in the financial system. Deposits are funds 'placed on deposit' with a financial institution and do not include certificates of deposit or other short-term securities. Deposits is a 'capital stable' asset, whereas the value of Certificates of Deposits (CDs) and other securities varies over time before the maturity date.</td>
</tr>
<tr>
<td>1220</td>
<td>Bills and bonds issued by public administration</td>
<td>Securities/bills issued by local governments and Treasury bills. Bonds issued by local governments and the National Debt Offices (Long term and short term).</td>
</tr>
<tr>
<td>1230</td>
<td>Corporate bonds</td>
<td>Securities/bills issued by companies, financial and non-financial enterprises. Bonds issued by banks and other financial institutions.</td>
</tr>
<tr>
<td>1240</td>
<td>Loans</td>
<td>Consumer credit, bank loans, mortgage loans, financial leases and other loans, including commercial bills, hire purchase and other installment credits, and all other types of loans not bound to bearer bonds.</td>
</tr>
<tr>
<td>1250</td>
<td>Shares</td>
<td>All forms of shares in the capital of enterprises, quoted and unquoted shares and other equities.</td>
</tr>
<tr>
<td>1260</td>
<td>Land and buildings</td>
<td>Real estate, which includes buildings and other improvements.</td>
</tr>
<tr>
<td>1270</td>
<td>Mutual funds (Collective Investment Scheme, CIS)</td>
<td>Comprise both retail and institutional funds (open-end and closed end). Institutional funds include investment pools of several pension funds on which further breakdown of assets is not available.</td>
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<tr>
<td>1280</td>
<td>Unallocated insurance contracts</td>
<td>Group deposit administration contracts and contracts where the underlying assets belong to the pension plan, not to the insurance company. Technical reserves arising from reinsurance operations should be excluded.</td>
</tr>
<tr>
<td>1290</td>
<td>Other investments products</td>
<td>Financial assets not included in the above categories eg. Derivatives, Trade credits and advances and other accounts receivables and payables.</td>
</tr>
<tr>
<td>2000</td>
<td>TOTAL LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>2100</td>
<td>Capital</td>
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</tr>
<tr>
<td>Code</td>
<td>Description</td>
<td>Details</td>
</tr>
<tr>
<td>-------</td>
<td>-----------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>2200</td>
<td>Net technical provisions</td>
<td>Technical provisions net of reinsurance allocated to pension beneficiaries. These technical provisions normally are valued according to actuarial principles.</td>
</tr>
<tr>
<td>2300</td>
<td>Other liabilities</td>
<td>Liabilities not included in the above categories.</td>
</tr>
<tr>
<td>3000</td>
<td>NET INVESTMENT INCOME</td>
<td>This variable shall comprise income from investments, value re-adjustments on investments and income from realised and unrealised capital gains and losses. It includes rents receivable, interest income, dividends and realised and unrealised capital gains and losses.</td>
</tr>
<tr>
<td>3100</td>
<td>TOTAL CONTRIBUTIONS</td>
<td>This variable shall comprise payments made to a pension plan by a plan sponsor or a plan member.</td>
</tr>
<tr>
<td>3200</td>
<td>Employers contributions</td>
<td>This variable shall comprise payments made to a pension plan by employers.</td>
</tr>
<tr>
<td>3300</td>
<td>Employees contributions</td>
<td>This variable shall comprise payments made to a pension plan by employees.</td>
</tr>
<tr>
<td>3400</td>
<td>OTHER INCOME</td>
<td>Incomes not included in the above categories</td>
</tr>
<tr>
<td>4000</td>
<td>BENEFITS</td>
<td>Payment made to a pension fund member (or dependants) after retirement.</td>
</tr>
<tr>
<td>4100</td>
<td>Lump sum</td>
<td>A type of distribution from a pension plan, in which you receive the entire balance within one tax year because of an event such as retirement.</td>
</tr>
<tr>
<td>4200</td>
<td>Pension</td>
<td>Regular payment made to a pension fund member (or dependants) after retirement and until death.</td>
</tr>
<tr>
<td>4300</td>
<td>Allocated insurance contracts</td>
<td>This variable shall comprise the total of insurance premium payable to allocated insurance contracts. Contracts where the underlying assets bought with the premium belong to the life insurance company.</td>
</tr>
<tr>
<td>4400</td>
<td>OPERATING EXPENSES</td>
<td>This variable shall comprise all costs arising from the general administration of the plan that are treated as plan expenses.</td>
</tr>
<tr>
<td>5000</td>
<td>TOTAL MEMBERS</td>
<td>Total of individuals who are either active (working or contributing, and hence actively accumulating assets) or passive (retired, and hence receiving benefits), or deferred (holding deferred benefits) participants in a pension plan.</td>
</tr>
<tr>
<td>5100</td>
<td>Total active members</td>
<td>A member of a pension scheme who is at present accumulating benefits.</td>
</tr>
<tr>
<td>5200</td>
<td>Total deferred members</td>
<td>Members who have left the pension scheme, but retain deferred rights.</td>
</tr>
<tr>
<td>5300</td>
<td>Total passive members</td>
<td>A plan member that is receiving benefits from the plan.</td>
</tr>
<tr>
<td>5400</td>
<td>OTHER BENEFICIARIES</td>
<td>Beneficiaries not included in the above categories.</td>
</tr>
<tr>
<td>6000</td>
<td>TOTAL NUMBER OF FUNDS / PLANS</td>
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## Annex 1. ISO CODES

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<tr>
<td>YEAR:</td>
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</table>

### BY PENSION FUND TYPE

| 1 | Total autonomous [1.1+1.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.1 | Pension entity | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.2 | Separate account | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |

| 2 | Total nonautonomous | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 3 | Total insured | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |

| Total all funds [1+2+3] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |

### BY PENSION PLAN TYPE

| 1 | Total occupational[1.1+1.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.1.1 | Mandatory[1.1.1+1.1.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.1.2 | Defined benefit | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.2 | Voluntary[1.2.1+1.2.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.2.1 | Defined contribution | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 1.2.2 | Defined benefit | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |

| 2 | Total personal[2.1+2.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 2.1 | Mandatory[2.1.1+2.1.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 2.2 | Voluntary[2.2.1+2.2.2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 2.2.1 | Defined contribution | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |
| 2.2.2 | Defined benefit | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |

<p>| Total all funds [1+2] | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA | #NA |</p>
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A. BY PENSION FUND TYPE

1. Total autonomous [1.1+1.2]
   1.1 Pension entity
   1.2 Separate account

2. Total non-autonomous

3. Total insured

Total all funds [1+2+3]

B. BY PENSION PLAN TYPE

1. Total occupational [1.1+1.2]
   1.1 Mandatory [1.1.1+1.1.2]
   1.1.1 Defined contribution
   1.1.2 Defined benefit
   1.2 Voluntary [1.2.1+1.2.2]
   1.2.1 Defined contribution
   1.2.2 Defined benefit

2. Total personal [2.1+2.2]
   2.1 Mandatory [2.1.1+2.1.2]
   2.1.1 Defined contribution
   2.1.2 Defined benefit
   2.2 Voluntary [2.2.1+2.2.2]
   2.2.1 Defined contribution
   2.2.2 Defined benefit

Total all plans [1+2]

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<td>Total of plans [1+2]</td>
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Footnotes:
SOCIAL PROTECTION IN OFFICIAL STATISTICS

Rolf KROKER
Institut der deutschen Wirtschaft, Cologne

The problem
Analyses of the welfare state in general and of social protection systems in particular have, for some years, been the subject of much debate in German political and scientific circles. The reform of social welfare has therefore long been a priority of the research programme of the Institut der deutschen Wirtschaft in Cologne. We are convinced that Germany cannot overcome its weak growth and solve its problems on the labour market without fundamental reform in the area of social protection. The objective is to radically reform our social protection systems without endangering their basic function, that of coping with life’s uncertainties. Only extensive reform can both safeguard this basic function and stabilise the systems in the long term. The social benefit rate, which represents the total state social benefit as a percentage of the gross domestic product, has experienced a sharp long-term rise in Germany. At the start of the 1970s it was, at 25%, the same as the overall investment share. Since then, the social benefit rate has risen above 32%, whilst the investment share has dropped to below 20% (Figure 1).

Figure 1:
Another reason for the urgency of reform in Germany is the close link between financing of the social welfare systems and the employment relationship, and thus labour income. In quantitative terms, social contributions represent employers’ most significant additional staff cost. Every increase in social contributions therefore has a direct impact on labour costs and affects employment. In view of demographic developments, the biggest challenges still lie ahead. Germany is one of those countries which is ageing relatively fast and whose population is likely to shrink in the future. This places greater pressure on social systems which are financed on the pay-as-you-go basis. Without fundamental reform, social contributions will rise sharply in the future and further endanger the objective of low unemployment.

The scientific work of the Institut der deutschen Wirtschaft is centred on empirical research. We rely heavily on meaningful statistics, without which we cannot carry out our work, and the Institut is therefore a typical statistics user. However, although we request statistics, and are customers of both national and international data providers, we also operate at the opposite end of the market, collecting and providing data. But for our scientific studies we mostly make use of the data provided by the Statistisches Bundesamt, by Eurostat, the OECD, the IMF and other organisations.

We live in an age of benchmarking, where people are keen to learn from the best. As a result, interest in international comparisons has experienced a dramatic rise and this, in turn, has intensified demands on data quality. Data must not only be relevant and show the trends of a particular country, but also enable meaningful cross-sectional comparisons to be made between different countries.

**Statistics: Spoilt for choice**

What does social protection in Germany cost? This is the question continually asked by our “customers” – member companies and company associations, journalists, politicians, teachers and so on. Giving a correct reply is not easy, since the answer may well vary depending on which statistics are used (Table 1).

Table 1:

<table>
<thead>
<tr>
<th>Year</th>
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<th>Eurostat</th>
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<td>18.4</td>
<td>28.4</td>
<td>26.1</td>
</tr>
<tr>
<td>1992</td>
<td>19.6</td>
<td>30.0</td>
<td>27.6</td>
</tr>
<tr>
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<td>20.4</td>
<td>30.8</td>
<td>28.4</td>
</tr>
<tr>
<td>1994</td>
<td>20.5</td>
<td>30.6</td>
<td>28.3</td>
</tr>
<tr>
<td>1995</td>
<td>21.1</td>
<td>31.2</td>
<td>28.9</td>
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<tr>
<td>1997</td>
<td>21.7</td>
<td>31.6</td>
<td>29.5</td>
</tr>
<tr>
<td>1998</td>
<td>21.5</td>
<td>31.5</td>
<td>29.3</td>
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<td>1999</td>
<td>21.5</td>
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<td>29.6</td>
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<tr>
<td>2000</td>
<td>21.5</td>
<td>31.9</td>
<td>29.5</td>
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</table>

Increase in social benefit from 1991 to 2000 in %

<table>
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<th></th>
<th>SNA</th>
<th>Social budget</th>
<th>Eurostat</th>
</tr>
</thead>
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<tr>
<td>Total</td>
<td>58.0</td>
<td>51.1</td>
<td>60.1</td>
</tr>
<tr>
<td>Annual</td>
<td>5.2</td>
<td>4.7</td>
<td>5.4</td>
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At national level, two sets of statistics in particular are available: the national accounts from the Statistisches Bundesamt and the social budget, published by the Federal Ministry of Health and Social Security. Data on Germany are also available in Eurostat's European Social Statistics.

As Table 1 shows, the differences between these statistics are considerable. According to the national accounts, the social benefit rate (social security expenditure as a percentage of gross domestic product) for the year 2000 was 21.5%. By contrast, the social budget rate for that year was 31.9%, i.e. more than ten percentage points higher, whilst Eurostat returns a value of 29.5%. The figures for the increase in social benefits also vary, although not as widely. For the period 1991 to 2000, the range varies between 51.1% and 60.1% or between 4.7% and 5.4% in terms of annual average.

The differences are mainly due to diverging definitions of social benefits. Eurostat, for example, does not include some benefits recorded in the national social budget, such as tax measures, except for benefits relating to family allowances, capital formation, education assistance and some employer allowances (Federal Ministry of Health and Social Security, 2002, p. 478). Since, for us, these are social benefits, we use the social budget to describe social benefit levels and trends in Germany. For international comparisons, obviously, we use Eurostat's social statistics – full in the knowledge that, even though we have added footnotes providing explanations, we will be flooded with queries as to why we are publishing two different sets of figures on the same topic. Clearly, it would be of great benefit to harmonise the statistics. This would also counter the widely-held public impression that a different set of statistics is used depending on the result required. It should, however, be said that the social budget provides a more comprehensive picture of social benefits than Eurostat's social statistics.

Nevertheless, the definitions used in the social budget are still not entirely satisfactory. Flows of payments relating to national regulations on social protection are recorded and presented to suggest a comprehensive picture of social protection. However, private payments not covered by the same legal regulations but fulfilling the same purpose are not registered in the social budget. This is because of the choices left open to the individual by legislation, allowing either alternative social provision on private markets (as is the case with health insurance) or voluntary, additional provisions which are the equivalent of statutory compulsory schemes (as is the case with occupational pensions). Thus, contributions to the statutory health insurance scheme are recorded in the social budget, whereas premiums in private health insurance schemes, including the part paid by the employer, are not. No picture of the group of privately-insured employees and their payment flows is therefore provided, although they are mostly subject to compulsory statutory pension insurance contributions and are therefore recorded in the social budget for that.

Future developments in social statistics should therefore be based less on a purely legal definition, since statutory provisions do not record social protection in full and will probably do so even less in the future. At least in a supplementary report, the question of what statutory benefit is provided as part of social protection would have to be complemented by the aspect of the private social protection measures demanded by households. This would change the focus from a legal definition of social benefit to an overall picture of actual social protection. Such a change would be even more relevant if supplementary private provision against illness and for old age gain in importance as expected. Demographic trends alone will apply enormous pressure in this direction.

Statistics on poverty

The phenomenon of poverty was already the subject of scientific research in Germany and, of course, at the Institut der deutschen Wirtschaft in Cologne (Peter, 2000, 2002) even before the Federal Government published its first official poverty and wealth report under the title “Lebenslagen in Deutschland”. There is no scientifically undisputed definition of poverty. In its first poverty and wealth report, the Federal Government presents eight poverty thresholds based on weighting, poverty thresholds and the determination of the average income.
Table 2: Alternative poverty rates for Germany in 1998 (%)

<table>
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<th>East Germany</th>
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<td>Old OECD scale of weightings</td>
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<tr>
<td>Arithmetic mean</td>
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<td></td>
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<td>4.4</td>
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<tr>
<td>60% threshold</td>
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<td>11.9</td>
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<tr>
<td>50% threshold</td>
<td>6.6</td>
<td>2.8</td>
</tr>
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<td>Arithmetic mean</td>
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<td>8.4</td>
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</table>


The figures therefore range from 6.6% to 20% of the population in West Germany and 2.8% to 11.9% in the new Länder. But this information is not very helpful. Do the results indicate low or high levels of poverty? The limitations of relative poverty definitions are also reflected in the fact that poverty in the new Länder is shown to be much lower than in West Germany - people in the new Länder, where the unemployment rate is more than twice as high and net household income 20% lower, would surely take a different view.

Often people talk about poverty when they really mean income inequality. This is why statistics on poverty often use income distribution indicators. The Council’s Joint Report on Social Inclusion (Council of the European Union, 2001), for example, lists Gini coefficients and the ratio between the income of the top 20% of the income distribution to the bottom 20% (S80/S20 ratio) for the countries of the European Union. Although income poverty and income inequality are not the same thing, a comparison of common indicators shows that they can be closely related. Figure 2 compares an income inequality indicator with a common income poverty indicator. The correlation appears relatively strong. The determination coefficient shows that more than 90% of the spread in poverty rates between the EU countries is due to the spread in income inequality, measured in terms of the S80/S20 ratio.
Poverty is generally determined in relative terms, usually using the 50% criterion. Under this method, persons with less than half the average income (or, to be more precise, the mean equivalised income) are considered poor. In its report on social inclusion, the Council of the European Union even applied a 60% criterion (Council of the European Union, 2001). However, regardless of whether the threshold is placed at 50% or 60%, this relative definition of poverty cannot be judged satisfactory. It bears no relation to the level of prosperity, recording the same high poverty rate when all income rises in real terms and all people are therefore better off. A useful comparison here is a boat in a lock: No matter how high the water level rises, the amount of boat under the water never changes (Figure 3).

Figure 3: Poverty = amount of boat under water

Moreover, under this definition it is impossible for poverty to ever completely disappear. In theory it should be possible for all households with lower than average earnings to fall between half the average income and the mean income itself, but in reality such a negatively skewed income distribution is extremely unlikely. Even using the 50% or 60% rule, no account is taken of any changes taking place under the threshold (e.g. when all values creep closer to the 50% threshold or fall further away). It is therefore sensible to use complementary income distribution statistics which take account of the distance to the poverty threshold. The report of the Social Protection Committee of the European Commission of October 2001 on indicators in the field of poverty and social exclusion contains just such a proposal (European Commission, 2001, p. 8.). The indicator put forward is called the “relative median low income gap” and measures the difference between the median income of persons below the low income threshold and the low income threshold, expressed as a percentage of the low income threshold.

However, the income heading on its own cannot sufficiently explain poverty, particularly since it provides only an indirect measurement. The decisive factor is consumption capacity. Although current income is an important source of financing for consumption, it is not the only one. Consumption can, for example, be financed fully or in part by depletion of assets. The non-market exchange of labour also allows products and services to be provided without income being generated (e.g. in mutual assistance). A 1995 study by McGregor and Nachane showed that for the United Kingdom this was far from being a negligible marginal phenomenon: the intersection between the 5% poorest households in terms of consumption and the 5% with the lowest income was 15% (quoted by Krämer, 2000, p. 102).

A far more consistent approach to measuring poverty would be based on personal circumstances, as proposed by Amartya Sen (Sen, 1983, 1992). According to Sen, poverty has both an absolute and a relative aspect: “If poverty is seen as the deprivation of some minimum fulfilment of elementary capabilities, it becomes easier to understand why poverty has both an absolute and a relative aspect.” (Sen, 1992, p. 9). Sen does not measure poverty in terms of average income, but of concrete circumstances relevant to the person or household in question. It is, after all, these factors which are decisive in whether or not a person can have a dignified standard of living. Clearly, the amount and quality of data required are so high that such an approach is unrealistic in financial terms alone. Nevertheless, it is worth considering occasionally asking people themselves how they view their circumstances and position in society. This would provide important additional information to supplement the statistical income comparisons available up to now. An additional benefit would be the availability of up-to-date information. The last time the EU asked citizens in the Member States whether they considered themselves rich or poor was in a 1993 Eurobarometer Survey. This survey should be repeated in a slightly different form.

Statistics on old-age insurance in Europe

Old-age insurance has been one of the most talked about topics in Germany for some time. Awareness about the issue is correspondingly high. In a representative survey of the population carried out in Germany in December 2001 asking the question “Do you think your pension is secure and will be so in future, or do you have your doubts?”, 70% confessed to having doubts. Amongst younger people (16-29 year olds) the number rose as high as 87%. 76% of the population thought there was a need to restructure the pension system (Allensbacher Jahrbuch, 2002, p. 647).

In Germany the demand for information on this topic is high. Some requests are for data on demographic trends and their impact on old-age insurance. In this area, there is no lack of relevant data, either for Germany or international comparisons. Other requests concern, in connection with the German debate on reform, information on how old-age insurance is organised in other EU countries and further afield. Eurostat provides comparative data on the level of pension expenditure in relation to GDP (Figure 4). The pension benefits are classified in accordance with the European System of Integrated Social Protection Statistics (ESSPROS).
As valuable as this information is, it does not provide a meaningful comparison of the extent and structure of old-age insurance. What is required is comparative information on, for example, the role the various pillars play in the old-age insurance system. What share of old-age insurance do State pension schemes, occupational pension schemes and personal pension schemes have? How high are the gross and net levels of provision offered by these schemes? How high is the capital cover? What is the legal age of retirement, when do employees actually retire and what are the reasons for any differences? These are typical questions which we are asked and which, as a scientific institute, we ask ourselves.

In its Green Paper on Supplementary Pensions in the Single Market, the European Commission provided useful information (European Commission, 1997). However the information is incomplete and now out-of-date, and therefore only represents a first step towards systematic and continual reporting. The problem lies in finding a method for meaningful comparisons of figures, since the old-age insurance schemes in Europe vary widely. There are basic protection schemes financed by taxes and contributions, voluntary and obligatory occupational pensions, contribution or pension commitments, advance or delayed State and private old-age provision, and all of these in many variants which may differ considerably in detail. Producing meaningful comparative figures is therefore no easy matter. But, in view of the increasing relevance of these questions, the efforts invested would be rewarded.

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References:


Sen, Amartya, 1992, Inequality Re-examined, Oxford and others.


Statistisches Bundesamt, various issues, Volkswirtschaftliche Gesamtrechnungen (national accounts), Fachserie 18/Reihe 1.3., Wiesbaden.
ORGANISATION OF HEALTH SYSTEMS IN THE EUROPEAN UNION *1

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Social protection and health care are among the primary objectives of the Member States of the European Union

A feature of the European Union is its model of protection against social risks. The ways in which these systems are currently organised and financed are essentially based on two separate underlying approaches: compulsory social insurance and national health services, also known as the Bismarck and Beveridge models. In the European Union, responsibility for social protection and health care lies almost exclusively with the Member States, although achieving a high level of social protection and health care has been an objective of the Union since the Treaties of Maastricht and Amsterdam.

Compulsory health insurance schemes provide protection for specific categories of people (often extended to cover the whole population), funding by means of social security contributions and management by the social partners. In some countries (Belgium, France, Luxembourg), the cost of out-patients’ treatment is refunded. In the case of hospital care and other costly treatment, these countries generally operate a “direct payment” system, i.e. those providing treatment are refunded directly by the health insurance scheme. Another feature of these systems is that the patient can generally choose his own treatment provider. In other countries (Germany, Denmark, Netherlands), access to treatment is ensured by the direct provision of services by providers who have been officially approved by the health insurance schemes. In this instance, a patient’s choice is restricted, especially as there are ceilings on the cost of treatment.

National health services provide universal protection for everyone living in the country by organising medical services which are generally public and mainly funded from tax revenue. As a rule, patients do not have to pay anything apart from possible flat-rate fees or exceptional costs. On the other hand, they have to be treated by those in the public health system who have signed an official agreement with the system. These systems can be centralised or decentralised (see table below).
Health care: disparities

Alongside the patient and the health care provider, there is often a third player involved: the State as organiser of the social protection system.

On the one hand, any treatment provided outside the social protection scheme involves payment by the patient to the provider.

On the other hand, if the treatment offered by the provider is covered by the social protection scheme, there is involvement by the State or its representatives (2). (In this regard, the health authorities, health insurance schemes and other social security departments can be considered agents of the State. While some of these bodies have gained a greater degree of management independence as a result of health system reforms, it is the State which still decides the scope of social protection.) This involvement by social security institutions can take several forms.

The State may organise the provision of health care by means of a public service and/or by purchasing services on the market. The State directly funds the treatment given by official providers.

The cost is fixed between the provider (or his representatives) and the State (or its departments). This applies in the case of services in kind where only the services of official providers are covered.

It also applies to national health services. In this respect, however, it should be noted that after the reforms to national health schemes the functions of purchasing and supplying health care have been separated by giving greater autonomy to providers, who now have to compete to secure a contract from the relevant authority.

The State may reimburse the cost of treatment given to those covered. As a rule, patients are free to choose their medical provider. The costs refunded by the State are based on rates of payment which are collectively negotiated between the State and the representatives of health care providers.

In spite of these basic differences, it should be said that every health system has developed considerably in the last two decades. Since each type has drawn on the management and funding techniques of the other, while having to cope with the same challenges, the various health systems are nowadays tending to converge towards mixed systems.

However, there are disparities in health care and social protection at other levels:

- Health system resources vary tremendously from one country to another, essentially in accordance with a country’s economic strength;
- the arrangements for allocating resources are structured on the basis of a country’s social, political, economic, institutional and legal background, but also on the basis of a country’s population and geography;
- the range of medical practices and the ways in which health care is used are for the most part based on factors inherent to the system’s organisation and on what is available in terms of health care and technical equipment, as well as on the skill levels of those in the profession;
- the state of health of citizens and relative inequalities with regard to health services can be seen between Member States as well as within each country.
Voluntary cover averaged 2% of GDP in Europe in 1998. Voluntary cover as a share of total health expenditure rose steadily between 1980 and 1998, amounting for example to 7% in Austria, 2% in Belgium, 12% in France, 13% in Germany, 17.7% in the Netherlands and 1.7% in Portugal.

Mention should be made of the impact of the Third Directive on non-life insurance, i.e. health insurance. With deregulation as the objective, the aim was to increase consumer choice and bring prices down.

In fact, the cost of premiums for voluntary cover rose every year between 1994 and 1998, with increases of 7.5% in Germany, 10.5% in Spain and 12% in the United Kingdom.

Future of voluntary health insurance

There are three possibilities available to EU decision-makers when it comes to influencing the future expansion of voluntary health insurance markets in the various Member States: allow more people to withdraw from official health care schemes, exclude more particular services from what is legally covered (either explicitly or by non-explicit rationing) or propose or increase tax incentives for the purchase of voluntary health insurance products.

Allowing more people to withdraw from official schemes does not seem to be an option that is increasing in the European Union. When it is suggested to high wage-earners that they should opt out (as in Germany), few of them decide to leave the official health insurance scheme. The governments of Belgium and the Netherlands (countries where certain people are excluded from legal cover) plan to extend compulsory health insurance to cover the whole population.

Explicit reductions in the legal cover provided for certain health services could increase the demand for supplementary voluntary health insurance, and less obvious reductions - by means of limitations - are likely to increase demand as well. However, there is a risk that this demand for supplementary insurance may not be matched by the supply. The fact is that covering the cost of additional contributions or products excluded from legal cover by means of supplementary insurance could turn out to be less profitable for insurers. Voluntary insurance bodies could alone be capable of meeting the increased demand for supplementary voluntary health insurance, because of the adequate resources in the private sector.

Most Member States do not resort to tax incentives to encourage people to acquire voluntary health insurance, and this is in spite of the fact that tax incentives to companies have considerably boosted demand through bulk purchasing of voluntary insurance in some Member States. The current trend is more towards reducing or abolishing the tax incentives granted to people because of their lack of success in stimulating demand. The resources set aside for this kind of tax relief could prove to be more useful in funding a quantitative and qualitative improvement of official health services.


EXAMPLE OF FRANCE *3

The introduction of “universal health cover” as a back-up for voluntary schemes also brought the possibility of severe gaps in the cover provided by basic insurance. This will make it easier to transfer to voluntary schemes expenditure which is considered excessive for basic insurance. This will then make voluntary schemes more expensive, with the attendant risk of creating new pockets of exclusion. Is the answer to keep on raising the thresholds to qualify for supplementary protection, which is the only way of ensuring access to primary care?

In 2000 the beneficiaries of “universal health cover” (4 650 000 people) consumed on average nearly twice as much as other patients in the general scheme. This difference is particularly noticeable for hospital treatment, where the features mentioned earlier can again be found, with a pattern of consumption strongly affected by patients’ socioeconomic position, in addition to a generally poorer state of health.

In the case of France, it has to be said that

“the problems and questions raised by what could be the first fruits of a fundamental change in the organisation of health insurance in France, by applying a different entitlement depending on resources to stated if not actual universal cover, must be viewed by looking at the individual consequences which are of course very pos-
itive for beneficiaries. The long-term view raises the spectre of new pockets of exclusion developing because of the rising cost of voluntary insurance which has the effect of gradually extending the range of specific services which are considered demeaning to those receiving them.

The basic question which arises is as follows: in the face of the general trend towards a bigger role for supplementary health insurance, is there a way between compulsory insurance and the free market?

This was the question which the European Parliament attempted to give an answer to in its November 2000 resolution on supplementary health insurance, based on the own-initiative report by Mr Michel Rocard. This commitment by Parliament now seems to be wavering because the medicinal products directives recently adopted by Parliament’s Social Affairs Committee clearly come down on the side of industry to the detriment of attempts to control costs and probably of public health, with the excessive and inappropriate use of antibiotics in France serving as an example.

It is in an attempt to deal with this issue that the Mutualité française is conducting a campaign for tax incentives for taking out voluntary supplementary cover which is not based on risk-selection so that discrimination and exclusion can be avoided.

The example of universal health cover, a tardy response to the genuine problem of unequal access to health care, is a clear indication of how the road to hell is paved with good intentions.

The definition of a set of minimum rules for supplementary cover, with the clear objective of ensuring no discrimination with regard to access and the continuation of contracts, is becoming a major problem for most countries.”

CONCLUSION: THE FUTURE

There is a lot of discussion in Europe at the moment as to whether non-profit-making voluntary health insurance comes under general interest.

In connection with the deregulation of services championed by the Commission, this question is highly important.

The non-profit-making sector comes under a category generally known as social economy, a major concern of those active in the EU who have already shown their presence in the texts of the European Convention, in preparation for the European Constitution.

It is a response to the laws of free competition and the excessive consumption of pharmaceutical products which the market-based Europe is endeavouring to impose on the society-based Europe.

The citizens-based Europe is entitled to respond differently.

In ending, I should like to ask the following questions

“What is the real relationship between the market-based Europe and the citizens-based Europe? Are firms serving citizens and society, or are citizens and society serving firms?”

A. Krauss

International and European Relations - OATYE

J. Mylonas

Rapporteur

* 1 A. Coheur, Director European and International Affairs – MUTUALITES SOCIALISTES (in bulletin MFP 2001).
* 2 E. A. Mossialos, Co-director Department of Health Care LSE (in AIM international conference brochure: “Universalisation de la couverture médicale et action de la mutualité”, Marrakesh, 18 October 2002).

See also: J. Hermesse, AIM Report “Health Protection Systems Today” 2002
Annex 1

1. Overview of universal cover in the world

The name of Lord William Beveridge is no longer known throughout the world. However, much of the thinking behind collective social insurance which resulted in compulsory universal cover in social security (including but not limited to health insurance) is linked to his ideas on social security, which were published in December 1942, just over 60 years ago.

Beveridge’s model for overall social insurance rested on one fundamental principle: standard contributions for standard services. Everyone should pay the same amount in contributions regardless of wages or income, and everyone should be entitled to the same level of services. According to Beveridge’s concept of health insurance, services would be provided as needed without contribution requirements in each individual case. This meant that health insurance had to be funded from taxes. Nowadays, this model has practically disappeared in its original form. An alternative universal system, which originally emerged in Germany (and which is sometimes called the “Bismarck model”), linked equal entitlement to services to contributions based on income. Currently, universal cover can be found mainly in the countries which are members of the OECD, and it is funded by a combination of subsidies (financed by taxes), contributions and private expenditure. The share of each of these sources of funding varies greatly from country to country; the smaller the share of public funding, the smaller the scope of universal cover.

Annex 2

Evaluation criteria – indicators of health systems of EU Member States

(WHO data for 2001)

<table>
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<tr>
<th></th>
<th>Doctors per 100 000 pop.</th>
<th>Nurses per 100 000 pop.</th>
<th>Life expectancy per 1 000 pop.</th>
<th>Infant mortality per 1 000 pop.</th>
<th>Total spending on health (% of GDP)</th>
<th>Public spending</th>
<th>Private spending</th>
<th>Beds per 100 000 pop.*</th>
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<td>82.0</td>
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Source: EUROSTAT

*Data for 1998-1998 – no new facts

** data not available
COMPARING BENEFIT DEPENDENCY: PITFALLS AND POSSIBILITIES

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1. Introduction**

The comparative measurement of social protection tends to focus on two themes. The first of these simply describes the different inputs of various countries. The most obvious examples are the detailed accounts of general system characteristics (such as the comparative tables of MISSOC); and the assessment of the trends and composition of relative social protection expenditure. Another line of research pays much attention to general output indicators: redistribution, inequality, poverty and, more recently, social exclusion. During the last decade, the availability of comparative micro-databases (Luxembourg Income Study, European Community Household Panel) has given a major impetus to the empirical analysis of the distributive consequences of social protection. A main challenge, of course, is to analyse the relationship between country-specific inputs and outputs, or preferably: the impact of different institutional arrangements on the distribution of income and welfare over citizens. This also has been a research topic of late¹, with varying degrees of success.

In this paper, however, I will not dwell on these themes. I would rather pay attention to a subject that is, in my view, very much ignored in the field: the assessment of the number of people depending on social protection, or the measurement of the benefit volume. On the one hand this neglect is quite understandable. I will try to demonstrate that reliable benefit figures usually are hard to get, and sometimes hard to interpret. On the other, however, the subject is too important to accept that we do not get our numbers right. For citizens the benefit volume is one of the most basic results of social security, and it is closely linked to the specific legal rules of social protection schemes (such as the criteria for entry, duration and exits; differences between benefit levels and minimum wages). It also shows the extent of social protection in different countries, which has various social and economic spin-offs. The number of recipients is a major determinant of the cost of social protection, and may have a large impact on inequality, poverty, the labour market and economic growth. This makes the regulation of benefit volume, in principle, one of the key issues in socio-economic policy. In a national context this usually is acknowledged. The government of each separate EU-member state inevitably has to develop some kind of ‘volume policy’, in order to balance the budget, to optimise the functioning of the labour market, and to meet the demands of the European policy agenda agreed in Lisbon a few years ago. Cross-nationally, however, comparing benefit volume is full of pitfalls; and the lack of reliable data and solid interpretations may mean we do not have good benchmarks for assessing the policy successes and failures of countries. In this paper I will address a few of the problems; but I also hope to make clear some of the theoretical and policy-relevant possibilities in comparing benefit dependency.

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** This paper is based on the preliminary version of a chapter in a study I intend to publish in 2004. The data presented were originally gathered by the Netherlands Economic Institute/Ecorys (M. Arents, M.M. Cluitmans & M.A. van der Velde (2000). Benefit dependency ratios; an analysis of nine European countries, Japan and the US. The Hague: VUGA; see also I. Moor, I. Vossen & M. Arents (2002). Benefit dependency ratios by gender; an international comparison. The Hague: Ministry of Social Affairs and Employment.). They have, however, been adapted and made more consistent. Especially the figures for Denmark were revised, and to some extent those for the Netherlands and France as well. The data for a few other countries have been adapted slightly. In the forthcoming study these modifications will be reported in more detail.

¹ See, for instance, three recent comparative research projects of the SCP:
2. Pitfalls

Why is it difficult to measure the number of clients of social protection? And why the more so, if one tries to compare different countries? Providing a complete answer to these questions would require an elaborate methodological study, which of course is not the aim of this paper. I will confine myself to a short presentation of the main pitfalls.

- A first question is what forms of social protection usage one wants to analyse. Theoretically it is desirable to include all theoretical risks, no matter how these are covered. This implies we at least need volume figures on pensions, pre-pensions, unemployment regulations, sickness benefits, disability benefits, survivor’s benefits, social assistance, family benefits and health cost insurance. Moreover, these should not only include the benefit schemes and fiscal arrangements provided by central and local government, but also occupational welfare regulations, voluntary provisions (churches, local communities), and possibly even individual insurances to cover these risks.

At present, this is asking for too much; data on specific risks are limited, especially if one intends to compare different countries. The data I will analyse later are confined to regulations that have a legal basis; and to social transfers that cover the structural lack or loss of income.²

- A second point is that data on benefit volume often are inadequate. Volume figures usually need to be generated from various administrative databases and statistics, often designed for the specific regulations they cover. These sources may not be accurate or up-to-date. Even if they are, they may not be very ‘rich’; it often happens they only contain the basic data that are essential in terms of the specific regulation and the current administrative procedure. It is also quite common for each database to have a typical design, with peculiar variables and specific definitions. Trend breaks may occur, due to changes in the legal regulations, in the administrative organisation, or in the procedure of data gathering. This makes it difficult to integrate volume figures from different social protection schemes, even at the national level. The problems multiply if one wants to compare the development of benefit dependency in different countries.

- The unit of benefit payment is also a matter of interest. Some kinds of benefit may be provided to individual persons, while others may be paid out to households. An integrated national database needs to apply some kind of conversion rule, preferably to the level of individuals (because a member of a household is covered, even if he or she does not receive the benefit in person). In comparing benefit volumes, an additional complication may arise: the same kind of benefit may in some countries be supplied to individuals, in others to households. This difference is especially prominent in national pension schemes and social assistance.

- Another problem is the treatment of benefits of different duration. Person A may receive his unemployment benefit for just a few weeks, while person B’s benefit dependency could last for years. Of course, it is no sound arithmetic to count these as two benefits. The obvious solution is not to look at the number of people receiving a benefit, but to convert volume figures to a standardised unit of time, for instance benefit years. However, this requires detailed data on benefit duration, which are not always available.

- It is also possible that the same person receives more benefits within a certain period of time. This can happen sequentially, for instance if the unemployment benefit of person C expires, and he applies for social assistance. But it may also be a conjunction: if person D has lost his job, but is partially handicapped, he may receive both unemployment and disability benefits. If these do not sum up to the national minimum income standard, a partial social assistance benefit may even be granted on top of it. Of course, theoretically this can also be taken care of by a correction to full-time benefit years. In practice, however, this may not be very easy: if the administrative databases are not connected, it is hardly possible to assess conjunctures at the individual level. In cross-national studies, both the number of coinciding benefits and the possibilities to apply corrections may vary. This, of course, may lead to varying degrees of reliability.

- A further question is most tricky. How to deal with partial benefits? Take person E, who used to work half time. If he applies for an unemployment benefit, it is commonly award in proportion to the level he would

² This means, for instance, that occupational welfare schemes are included only if they are sanctioned by national law. On the basis of this criterion the Dutch sickness benefit scheme, which was privatised in 1996, was taken into account: the employer’s obligation to continue the paying of wages was enforced by a specific law. The criterion also implies child benefits, incidental social assistance and health cost insurance were left aside, because they do not serve as structural replacement income.
have received if he had worked full-time. In terms of duration, however, there often is no difference between unemployed part-timers and full-timers. Should one then count the part-timer’s benefit as, say, half a benefit year? Once again, in comparative research the complications that arise are even greater. Countries may differ in the prevalence of part-time work, in the rules for granting partial benefits, and in the possibilities for detecting and correcting them in the available databases.

- A final observation resides on a more analytical level. Even if we were to have perfect integrated cross-comparative time series of benefit dependency, we would still need some guidance. For scientific and policy purposes it is not sufficient to gather, correct and refine such data, however useful this may be. We must also have ideas on how to interpret them, on what their meaning is. This requires an analytical framework, which:
  - explains the qualitative differences between systems of social protection;
  - indicates which factors theoretically determine benefit dependency.

This enumeration of pitfalls makes clear why benefit dependency is so much neglected in cross-comparative research. However, one should not be too dispirited. It is possible to make a general analysis of the composition and development of benefit volume in different countries, as the next sections of this paper will show.

3. Some theoretical notions

I will not treat the details of the analytical framework I used to interpret the volume figures in different countries. A few observations, however, I need to make before presenting some results.

The first concerns the qualitative differences between social protection systems. I took Esping-Andersen’s well-known theoretical typology as a starting point. He identifies ‘three worlds of welfare capitalism’:

- The liberal model. Welfare states of this type have relative low benefits of limited duration; a strong targeting on the needy through means-testing; low spending on activating labour market policy; and no collective child care provisions. On the other side, there is a rather extensive private insurance for the middle classes. In Esping-Andersen’s opinion the Anglo-Saxon countries belong to this type.
- The social-democratic model. Here benefits are available for all, at a high level and of limited duration. The high collective costs this implies can only be afforded through an efficient activating labour market policy. The participation of women is high, although they mainly work in the service sector. Private insurance is low. According to Esping-Andersen, the Scandinavian countries fall into this welfare state type.
- The corporatist model. These welfare states also have a high level, but benefits have a more selective basis. Rights are often tied to labour experience and the contributions that have been paid. Certain groups, such as civil servants, have benefit schemes of their own, often at a higher level. Families with children are well protected, yet without striving for the economic independence of both spouses. The labour market participation of women is therefore low, just as the participation of elderly men and disabled people. According to Esping-Andersen, countries with a more autocratic tradition on the European continent belong to this type (such as Germany and France).

In a number of earlier studies, we confirmed the empirical validity of this typology. Although Esping-Andersen was not too explicit on the relationship between welfare states and benefit dependency, it is rather evident to presume there is some sort of connection. I propose the following hypotheses.

1. The composition of benefit volume below the pension age varies over welfare state types:
   a. Corporatist states have a lot of ‘exit’-benefits (pre-pensions, disability, long-term unemployed) and ‘breadwinners benefits’ (survivor’s regulations). They score relatively low, however, on labour-related benefits (because of work disincentives) and social assistance (because of the dominance of the social insurance principle).
   b. Social-democratic welfare states have a lot of labour-related benefit dependency, especially sickness benefit schemes and care provisions for employees. Because permanent exits are not encouraged, countries belonging to this type have low volumes in exit regulations. The same applies to social assistance benefits and survivor’s benefits.

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c. Liberal welfare states have relatively low benefit volumes in all kinds of social security schemes, because of their ‘residual’ character.

2. *Ceteris paribus*, the growth of benefit volume is highest in corporatist welfare states. This is due to the rather generous benefit schemes, the stress placed on permanent exits of the older part of the labour force, and the passive labour market policy. For opposite reasons, the growth of benefit volume is lowest in liberal welfare states. Social-democratic countries are in between: their benefit schemes are generous and universalistic, but benefit duration is limited, and dependency is combined with a stringent activating labour market policy.

But of course benefit dependency cannot solely be explained in terms of the structural differences between welfare states. Economic, social and demographic developments may be more important for the changes in the number of benefit clients in a certain country than its specific system of social protection. This requires some kind of modelling, in order to be able to separate the effects of institutional and non-institutional factors.

4. The composition of benefit volume

Figure 1 is a graphic representation of the first hypothesis. If we were to rank welfare states on a scale running from one to ten, we would expect an ideal corporatist country to have the highest relative volume score on exits and survivors, and low scores on work-related benefits and social assistance. An ideal social-democratic welfare state would have the maximum score on work-related benefits, and low ones on the others, while a typical representative of the liberal type would score low on all kinds of benefit.

**Figure 1 Theoretical composition of benefit volume in three welfare state types**

![Diagram](image-url)

Empirical results support the ‘composition’ hypothesis fairly well. I took data from eight countries. Of these Belgium, France and Germany belong to the corporatist welfare state. Denmark and Sweden represent the social-democratic type, and the USA and Great Britain the liberal welfare state. The Netherlands is a hybrid system, which combines social-democratic and corporatist traits. For all of these countries, I ascertained the benefit volume in 1980, 1990 and 1997 in the four classes mentioned in the hypothesis. Then I calculated relative figures, which can be compared across countries. Finally, on each of the four dimensions in figure 1, the 24

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4 The data on benefit volume exclude Northern Ireland, and therefore do not cover the entire United Kingdom.

5 Rather than calculating general benefit dependency ratios, as Arents et al. (op. cit.) do, in each country benefit volume has been related to the potential and actual users of specific benefit schemes. The total number of social assistance benefits has been divided by the population of 15 years up to the pension age. Survivor's benefits exclude income transfers to orphans, and have been related to the same age group. Labour-related benefits consist of sickness benefits and maternity benefits for employees, and have been divided by the number of labour years in the population below the pension age. Exit-benefits consist of pre-pensions, disability benefits, and unemployment benefits, and have been related to the number of labour years and benefit years in these schemes. Disability and unemployment benefits, of course, do not wholly consist of permanent exits. Younger unemployed and disabled benefit recipients usually are expected to return to work if they can. Unfortunately the data do not make it possible to make a distinction by age and permanency of handicaps. However, these benefits cannot be left out of the picture, because in some countries permanent exits were partly realised through these regulations (such as the Bruggenepenstenen in Belgium and disability regulations in the Netherlands). Although this certainly is not optimal, for reasons of comparability the total number of unemployment and disability benefits therefore has been marked as exits.
observations (8 countries, 3 years) were ranked proportionally on a scale running from one (the lowest relative figure) to ten (the highest).

Figure 2 shows some characteristic results. Belgium has very much a ‘corporatist’ profile with a lot of survivor’s benefits and exits. This is especially marked in 1990 and 1997, because in these years the relative number of exit benefits is far higher than in 1980. Sweden shows the presumed social-democratic pattern in 1980, and even more in 1990: a very high degree of work-related benefits, low incidences on survivors, exits and social assistance. In 1997, however, the number of exits has increased, which is mainly due to the increase in unemployment benefit dependency. In that year the score on work-related benefits is somewhat lower, partly because of the recession, partly due to changes in the conditions of the sickness benefit scheme.

The USA is, as was expected, a typical representative of the liberal welfare state, with low relative volumes in all kinds of benefits. Finally, Great Britain is somewhat a-typical: benefit dependency is limited, except for social assistance in which it scores very high, especially in 1990 and 1997. This should not be the case in an ideal ‘residual’ welfare state. On the other hand, it is consistent with this philosophy: if benefit dependency were high in a liberal welfare state, one would expect it to be in social assistance. This is the only resort people have if other kinds of benefit schemes are non-existent or have very strict conditions regarding entry and duration. The development we see in figure 2 is in line with the standard critique of British socio-economic policy during the 1980s. This states that ‘Thatcherism’ marked a break with the universalistic Beveridgean principles, with “social assistance becoming a mass scheme instead of a residual safety net”7.

The other countries I analysed do not fit in the pattern as well as these examples, but often this can be explained by national idiosyncrasies (the higher pension age in Denmark during this period, the consequences of German reunification, etc.). In general, however, the hypothesis on the composition of benefit volume in different welfare states is supported by the empirical data, however limited these may be.

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6 Due to the severe economic crisis in the first half of the 1990s, the Swedish labour volume in 1997 was still considerably higher than in 1990. In general, sickness benefit volume develops slightly counter-cyclical: when unemployment rises, sickness benefit volume decreases more than the number of labour years.
Figure 2 Benefit profiles in four countries, by welfare state type (1980, 1990, 1997)
5. The growth of benefit dependency

At first sight the growth of the total benefit dependency in populations is not clearly related to the type of welfare state. According to figure 3, between 1980 and 1997 the total benefit volume rose the most in France (almost +50%), but the increase was far more moderate in the two other corporatist countries, Belgium and Germany. The index figure in the USA is, as was expected, indeed one of the lowest; but Great Britain, the other liberal welfare state, has one of the highest growth rates, with rather strong fluctuations. Sweden and Denmark show relatively moderate increases, which at the final moment of measurement even fall below the US. Thus, they do not hold the expected position in between the corporatist and liberal welfare states. The Netherlands, as a hybrid welfare state, has one of the highest growth figures, being surpassed by France only in the 1990s. Theoretically one would expect this country to lie somewhere in between the corporatist and social-democratic types.

Figure 3 Growth of total benefit volume in eight countries, 1980-1997

* Without 1992 (inclusion of new Bundesländer in volume statistics)

In terms of Esping-Andersen’s typology these results are rather hard to interpret. A possible answer is, of course, that the development of the number of benefits does not only depend on the different institutional frameworks of countries. We have to take other factors into account as well. I therefore developed a structural model, which made it possible to correct the growth in benefit dependency for non-institutional factors. The details cannot be explained here, but figure 4 may give you some idea of the importance of using such background variables in the interpretation of volume figures. This shows the same development as above, but corrected for the influence of four demographic factors: the changes in the number of people above the pension age, in the volume of the potential labour force, and in the share of elderly men and one-parent families within the potential labour force.

* In the forthcoming study this will be reported extensively. Besides the four demographic factors mentioned above, the model contains the following variables (all expressed in annual changes): economic growth; wage costs; total employment and unemployment; the share of the service sector in total employment; the labour participation of elderly men and women between 25 and 54 years; the relative benefit level; and pension coverage among people above the pension age. For some countries, dummy variables were used to correct for major system changes, such as the introduction of the national social assistance scheme (Revenu minimum d’insertion) in France in 1989.
In the 1980-1997 period these demographic factors were almost invariably on the increase. The correction therefore leads to lower benefit volume figures in every country. More important, however, is that the order of welfare states has changed. If we look at the year 1997, the final point of the time series, it closely corresponds to what one theoretically would expect. France still leads the pack, with a corrected increase of +24%. The other corporatist countries also have a relatively high volume growth (+14-15%), closely followed by the Netherlands (+13%). The two social-democratic countries, Denmark and Sweden, come next (+10-12%). The USA even shows a decrease (-5%) if we take account of the fact that both the potential labour force and the population above the pension age increased considerably between 1980 and 1997. This makes Great Britain the major exception still. Even if we subtract the influence of demographic changes—which by the way, in this country includes a relatively large effect of the increasing number of one-parent families—the growth in benefit dependency is far higher than one would expect in a liberal welfare state.

As you may see, the differences in 1997 are sometimes rather small. One could also conclude we have a tripartite here, with France and Great Britain on top, the USA below, and all the other countries at a close distance in between. Moreover, the ranking of the corrected benefit volume is in the earlier years less clear than in 1997. This impairs the conclusions somewhat, of course; but even then the picture corresponds far better to theoretical expectations than the uncorrected benefit volume in figure 3. However, on the basis of the effects of all the variables in the model—not just the four whose influence has been shown here—I am inclined to think that there is a relation between the type of welfare state and changes in the benefit volume, holding other factors constant. Yet even then Great Britain seems to be a structural exception. This may be due to the fact that it is not a ‘pure’ liberal welfare state: even in the post-Thatcherian era, the British system of social protection still seems to have preserved some of the universalistic principles of Beveridge9.

6. Conclusions

The measurement of benefit dependency is full of potential pitfalls. One has to decide what forms of social protection to include, data often are inadequate, and it may be difficult to deal with several practical methodolog-

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ical problems (unit of payment, benefits of different duration, coinciding and partial benefits). In comparing different countries, such problems multiply. Nevertheless the topic is too important to neglect, especially from a policy point of view. The benefit volume is closely linked to the institutional arrangements of different countries, and for citizens it is a very basic feature of social security. It is also an important indicator for the degree of social protection, with potentially serious social and economic consequences.

However, it is not impossible to do substantial, policy-relevant research in this field. This requires some kind of general idea on the qualitative differences between social protection schemes. It is also advisable to analyse the cross-comparative variations in the number of benefit recipients in terms of essentially non-institutional factors, such as demographic changes.

Following the Esping-Andersen typology, it is plausible that different welfare states tend to ‘produce’ different numbers of benefit recipients, and also to allocate them to different kinds of social protection schemes. An empirical analysis for eight countries over the 1980-1997 period largely confirms these ideas, although the data have some limitations.

These results underline the importance of improving the cross-comparative measurement of benefit volume, however difficult this may be. If one wants to understand the social and economic outcomes of different social protection schemes, the number of recipients of various benefit schemes is a key intervening variable. And this, of course, also makes it a central nexus between the ambitious goals of the European Union’s socio-economic policy and their realisation.

The data I analysed here shed some light on the issue. However, if we think of the structural information we need to monitor the impact of benefit dependency in different countries, these are not sufficient. To conclude, I would like to make some suggestions for the future development of social protection statistics in this area:

- first of all, I think it is important to develop a structural procedure for gathering data on benefit volume, both at the national and the European level;
- this should include a standardised way of avoiding the pitfalls I discussed in section 2. In the data I presented, it was sometimes inevitable to resort to rather pragmatic decisions. Given the importance of the issue at hand this is quite unsatisfactory;
- data should preferably become available at a regular basis; the ones I presented are a bit outdated, of course. These should systematically cover all risks and EU member states, and be made available for scientific research;
- to interpret benefit volume composition and trends, it is desirable to provide integrated meta-data. For each country these should consist of detailed information on changes in the institutional framework, and on the development of the main non-institutional factors that explain benefit dependency.

EXPERIENCE IN THE COLLECTION AND USAGE OF SOCIAL PROTECTION DATA IN THE SLOVAK REPUBLIC IN THE TRANSITION PERIOD

Alexandra PETRASOVA
Statistical Office of the Slovak Republic, Slovak Republic

The Slovak Republic and the Republic of Slovenia are first candidate countries that have available data on income and expenditure on social protection in compliance with ESSPROS96 methodology in the Eurostat database New Cronos.

The aim of this contribution is to give a brief description of the Slovak experience and problems related to fulfilling of Eurostat’s requirements in social protection.

Social protection systems across the today’s Europe and behind its scope are very specific and they differ each other as a consequence of the unique historical development that individual countries have passed through. From the point of view of legislation and statistics international comparability of these systems is very complicated. In general, system of social protection is very broad and dynamic domain that requires substantial funding to make it functioning well. Expenditure on social protection as a percentage of the GDP represents in EU countries on average 27.5%, in the Slovak Republic 20%. Social protection hits the whole population starting from child-birth allowance and ending with remuneration of funeral costs.

Statistical requirements of Eurostat, OECD and ILO often differ each other and are based on distinct methodologies. As a result, outputs from monitoring of economic-social developments in OECD, EU and ILO Member States, and analyses worked out by the World Bank and IMF often contain different data. Moreover, experts with different level of methodological knowledge supply data. Giving an example of UOE questionnaires (used in Education Statistics) we would welcome a common questionnaire also for data collection in the domain of social statistics.

The system of social protection statistics requires a complex approach that takes account of financial and other social statistics at both international and national levels. In the context of providing of social benefits also for non-residents - EU nationals and remuneration of these benefits in compliance with Council Regulation (EHS) No. 1408/71 on applying of social security systems to employees and their families who are moving across the Community, it will be essential to develop also international co-operation in the field of social statistics.

The implementation of the ESSPROS project in the Slovak Republic

In accordance with ESSPROS96 methodology and legislation in force in the Slovak Republic all legal social benefits were involved in the functions and 14 schemes of social protection (see Annex 1). A detailed analysis of data sources usable for Module 371 was carried out. Furthermore, in order to fully cover Eurostat requirements it was established an interdepartmental group of experts from the Ministry of Labour, Social Affairs and Family of the Slovak Republic, Ministry of Finance of the Slovak Republic, Ministry of Health of the Slovak Republic, Ministry of Interior of the Slovak Republic, Ministry of Defence of the Slovak Republic, Ministry of Transport, Post Offices and Telecommunications of the Slovak Republic, the Social Insurance Agency, National Labour Office, General Health Insurance Company, Custom Central Office and Tax Central Office. It was also essential to exploit ministries’ survey and administrative records.

For the core system of social protection, Eurostat requires data (time series) from the year 1980. Historically, from 1980 up to now, two different systems of social protection exercised in the Slovak Republic. In the
first period (1980 – 1992), in former Czechoslovakia, social protection was funded from state budget, and pension security was organised as a pay-as-you-go system; health services were provided for the public cost free.

In the second period (1993-2003), the system of social protection has been funded predominantly from social security funds of public institutions: Social Insurance Agency (undertakes collection and settlements of sickness insurance and pension security benefits – pay-as-you-go system), National Labour Office (performs collection of contributions to unemployment insurance and settlements of expenditure on passive and active employment policy) and health insurance companies (provide collection of health insurance and settlements of health care expenditures for contract public and private health care providers). From state budget, major resources on social protection spent on benefits in the functions family/children, social exclusion, state social facilities, assistance to citizens in destitution and cash benefits to citizens with severe disability. Since 1999 there have been acting four supplementary pension insurance companies in the Slovak Republic (as of 31 December 2002 approximately 25% employees had an insurance relationship with these companies). Activities of non-profit institutions and local self-government are negligible. Soldiers, policemen, custom officers and judges are subjects to special laws on social security.

In the present, the Ministry of Labour, Social Affairs and Family of the Slovak Republic is preparing a new legislation that shall introduce a substantial change into the system of social protection in the Slovak Republic as of 1 January 2004.

Pension system shall be put on three pillars, for each of them a new law is being under preparation. Law on pension insurance shall transform today’s pay-as-you-go system with high degree of social solidarity into a system of guarantees of a minimal pension with proportional relation between level of pension on one side and rate of insurance contribution and level of wage on the other side. Moreover, this law shall ensure valueisation of pensions by inflation rate and wage growth. Next issue to be established by the law on pension insurance is progressive increasing of retirement age up to the level of 62 years of life of men (from today’s 60 years) as well as women (from today’s 53 to 57 years – the range given by number of brought-up children). The law reintroduces early retirement pension and privileges workers at retirement age. Law on pension saving and insurance on disability and survivor’s pension shall impose on each labour market newcomer to save up for his/her pension by means of opening a personal account on capital market. The law enables economic active persons to do so as well, but on the voluntary basis. This system is expected to start to work as from 1 January 2005. Launching of compulsory capitalisation assumes establishment of new institutions, such as pension administration companies and a new regulatory body, and creation of a system of state guarantees (70%). Another law shall substantially change the nature of supplementary pension saving (funds to be managed by pension administration companies, tax deductions of contributions to be replaced by state premiums, changes in kinds of benefits).

A new law on health insurance and additional insurance shall transform public health insurance companies into joint-stock companies and increase out-of-pocket spending of households on health.

State benefits on family policy, social assistance and assistance for people with severe disability shall be linked to active labour market policy. A new specialised state administration of social security shall meet tasks of active labour market policy and perform payouts of state benefits; disestablishment of the National Labour Office is anticipated as well. Child allowances shall be paid out across the board, i. e. for each child regardless of a level of his/her parents’ income; an employed parent shall be entitled to tax bonus. (However, granting of child allowances is to be determined by regular school attendance of the child, otherwise his/her parents are entitled only to benefits in kind instead). Higher territorial units and local government shall take over a lot of state’s competencies in the domain of social security. After privatization of state social institutions importance of private non-profit institutions and joint-stock companies will has been increasing.

As a part of the accession process, also national statistics gradually fulfils Eurostat requirements. A new law on state statistics (No. 540/2002) has entered into force, which poses a significant condition for more effective, comprehensive and quality collection, processing and exploitation of statistical data and administrative records. ‘Declaration of the Statistical Office of the Slovak Republic on quality statistics policy and the quality management system’ elaborated in line with Council Regulation (EC) No. 322/97 on Community Statistics lays down 6 basic principles: objectivity, reliability, relevancy, confidentiality, transparency and cost efficiency.
Data on receipts and expenditure on social protection for the Slovak Republic (in accordance with ES-SPROS96 methodology) are input in the Eurostat database New Cronos for the period 1995-2000 for the Core module. At present we are verifying 2001 data in cooperation with Eurostat and we are completing 2002 data as well.

The Statistical Office of the Slovak Republic participates also in the Multi-PHARE pilot project ‘Social Protection Statistics’. By June 2004 we shall undertake following task:

• provide qualitative information on schemes and social benefits
• provide data on number of pension beneficiaries
• link data on social protection with National Accounts data in accordance with methodologies ESSPROS96 and ESA95.

As the Core module collects data on inactive labour market policy only, for module 372 it is necessary to ensure regular providing of data on active labour market policy expenditure, measures and target population. It can help in monitoring and solving of problems related to unemployment in the Slovak Republic.

Sub-module ‘Net expenditure’ takes into account effects of the tax system on the social protection system. Social contributions to social security funds and to supplementary pension insurance companies, and paid-out pensions and social benefits in the Slovak Republic are tax-free except for benefits paid out by supplementary pension insurance companies. Although there are tax benefits on dependent child and disabled child, spouse with low income and disabled taxpayer in the Slovak Republic, they are not high and therefore expenditure of the Slovak Republic on social protection can be considered as net expenditure.

Uniform criteria for incorporation of pension schemes into pillars and monitoring of their functioning, that is what we expect from the implementation of the sub-module ‘Pensions pillars’, (in spite of the fact that this sub-module is not a priority on the EU level). For politicians, employers and trade unions, data on internationally comparable social indicators are perhaps most important. On the national level, we collect also statistical data on social care establishments. For complexity of the statistical system of social protection we recommend also the implementation of sub-module on human resources (numbers, qualification, earnings) of the social security branch.
We are trying also on the national level to **harmonize** social protection statistics with other social statistics. We use demography data in calculation of social indicators and in harmonisation of numbers of insured by individual categories of insured in social security funds and beneficiaries of social benefits. Indicators of collection on social contribution and average pensions are linked to labour market statistics (premium or assessment base to gross earnings; pensions or social benefits to subsistence minimum/gross and net minimum and average wage; categories of insured to number of employees/self-employed/unemployed/economic inactive); we use data from Labour Costs Sampling Survey.

Data on expenditure on health care paid by health insurance companies and data on third party liability insurance, or accident insurance will be used in Public Health Statistics and in Accidents and Occupational Diseases Statistics. The work on a kick-off study on Satellite Health Account is being under way. The study is to be a basic source for national implementation of the system of health accounts. Aggregated data on expenditure on social benefits and on social contributions to social security funds are used in verification of weighting of household incomes and expenditures in Household Budget Statistics; ESSPROS96 methodology will be used in EU-SILC statistics. Indicators on social protection are part of Module 38 Social Indicators.

We expect much from recently implemented Module 115 Classifications for social statistics. We would welcome also new international code-lists of social benefits, sources of social protection funding, kinds of social services and social status, etc. Also improving of COFOG, NACE, ISCO88 and CPA classifications in the area of social protection would enhance its comparability. The Statistical Office of the Slovak Republic publishes binding code-lists, mainly on the international basis (NACE, COFOG, COICOP, ISCO88, CPA). Act on state statistics imposes the usage of these code-lists also on ministries, social security funds and administrative records keepers.

Data from state statistical surveys on social security funds are exploited for compilation of annual, quarterly and regional national accounts in the sub-sector ‘Social security funds’. Data from ESSPROS sources are used also in Price Statistics; we provide them for the regional database (REGIO) as well. We are requested to provide ESSPROS data even in the breakdown by regions. From surveys in social security funds we provide data also for the module Information Society (IS). In collection of data from pension managerial corporations, we plan to use methodology of pension funds, which is being prepared by EU experts now. Finance statistics monitor also basic data on commercial life insurance.

For the time being, data for the Slovak Republic are just preliminary as harmonisation of methodology of our indicators and ensuring of complexity of provided data are being under way.

**Difficulties encountered in implementation of the system of Social Protection Statistics.**

- High level of instability of social protection in terms of legislation (frequent amendments to laws that modify rights and duties of insured, pension beneficiaries and beneficiaries of social cash and in-kind benefits)
• High level of instability of reporting units (establishment/disestablishment, splitting up/merging, etc.)
• Problems with data time series; non-harmonised departmental data sources
• High number of financially unimportant benefits, classification of which often varies depending on legislative changes
• Data accrualisation for the reason of high debts on insurance and debts of health institutions
• By 2000 expenditures on benefits, namely widow’s and widower’s pensions and specific social benefits for persons with severe disability and old persons, had not been monitored by the age structure (productive/retirement age)
• Not completed data on reductions for pensioners (fare reduction, etc.)
• Not completed data on income from abroad and expenditure to abroad in the field of social protection

By the end of 2003 it remains much to be done. As a consequence of substantial legislative changes we have to establish a completely new, effective statistical system of social protection in the Slovak Republic.

**Importance of internationally comparable data for Candidate countries**

The EUROSTAT New Cronos database, web pages CIRCA\(^1\), CODED\(^2\) database and the publications MISSOC\(^3\) (for the EU member states) and MISSCEEC\(^4\) (candidate countries) are of particular importance for national statistical offices and, more generally, for national experts of the social security branch in Accession countries.

**Tab. 1 Comparison of selected social indicators for the SR with EU Member and Accession countries**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Slovak Republic</th>
<th>Czech Republic</th>
<th>AC(^\d) interval</th>
<th>EU-15</th>
<th>EU interval</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total population as of 1 Jan 2003-SK/1 Jan.2000-EU (1000)</strong></td>
<td>5 378</td>
<td>10 144</td>
<td>378 471</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total increase (per 1000 population), 2002</strong></td>
<td>-0.2</td>
<td>-6.1</td>
<td>-7.3 – 9.3</td>
<td>3.6</td>
<td>1.4 –12.2</td>
</tr>
<tr>
<td><strong>Net migration (per 1000 population), 2002</strong></td>
<td>0.1</td>
<td>-4.7</td>
<td>-4.7 – 4.9</td>
<td>2.7</td>
<td>1.0 – 6.7</td>
</tr>
<tr>
<td><strong>Population structure (percentage of total), as of 1Jan 2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by age groups: 0 - 19</td>
<td>27.4</td>
<td>22.9</td>
<td>22.6 – 30.8</td>
<td>22.9</td>
<td>20.9 – 30.1</td>
</tr>
<tr>
<td>20-59</td>
<td>57</td>
<td>58.7</td>
<td>53.4 – 58.7</td>
<td>55.4</td>
<td>53.7 – 57.5</td>
</tr>
<tr>
<td>60-79</td>
<td>13.6</td>
<td>16</td>
<td>13.1 – 18.9</td>
<td>18.0</td>
<td>12.5 – 20.1</td>
</tr>
<tr>
<td>80+</td>
<td>1.9</td>
<td>2.4</td>
<td>1.9 – 2.7</td>
<td>3.7</td>
<td>2.6 – 5.1</td>
</tr>
<tr>
<td><strong>Live expectancy at birth, 2001</strong></td>
<td>69.6</td>
<td>72.1</td>
<td>64.9 – 76.4</td>
<td>74.6</td>
<td>77.6</td>
</tr>
<tr>
<td><strong>Labour market, (LFS), 2.Q. 2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment rate (15 – 64 aged. %)</td>
<td>56.3</td>
<td>65.6</td>
<td>51.7 – 68.5</td>
<td>64.2</td>
<td>55.4 – 76.4</td>
</tr>
<tr>
<td>Unemployment rate (%)</td>
<td>18.6</td>
<td>7.0</td>
<td>3.3 – 19.9</td>
<td>7.6</td>
<td>2.6 – 11.1</td>
</tr>
<tr>
<td>Youth unemployment ratio (%)</td>
<td>36.1</td>
<td>15.4</td>
<td>7.7 – 41.6</td>
<td>14.6</td>
<td>4.6 – 28.2</td>
</tr>
<tr>
<td>Long-term unemployment rate (%)</td>
<td>60.5</td>
<td>50.5</td>
<td>20.1 – 60.5</td>
<td>40.2</td>
<td>19.7 – 59.2</td>
</tr>
<tr>
<td><strong>Tax rate on low wage earners (%), 2001</strong></td>
<td>40.4</td>
<td>41.6</td>
<td>17.0 – 45.8</td>
<td>17.4</td>
<td>49.1</td>
</tr>
<tr>
<td>Hour labour costs per employee, (Euro), 2000</td>
<td>3.6</td>
<td>3.9</td>
<td>2.4 – 10.7</td>
<td>8.1</td>
<td>28.6</td>
</tr>
<tr>
<td>Monthly gross earnings of full-time employees in industry and services, (Euro), 1998</td>
<td>280</td>
<td>339</td>
<td>214 – 1 240</td>
<td>645</td>
<td>3 129</td>
</tr>
<tr>
<td>Monthly minimum wages, (Euro), 2002</td>
<td>111</td>
<td>199</td>
<td>101 - 539</td>
<td>406</td>
<td>1 322</td>
</tr>
<tr>
<td>Pensions as a percentage of GDP, 2000</td>
<td>7.5</td>
<td>9.6</td>
<td>7.1 – 13.5</td>
<td>12.5</td>
<td>3.6 – 14.7</td>
</tr>
<tr>
<td><strong>Price level indices</strong> of services and consumer goods for 2001, EU=100</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total services</td>
<td>24</td>
<td>30</td>
<td>24 – 81</td>
<td>100</td>
<td>67 – 123</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>58</td>
<td>64</td>
<td>58 - 95</td>
<td>100</td>
<td>85 - 131</td>
</tr>
</tbody>
</table>

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1\(^{\text{http://forum.europa.eu.int}}\)
2\(^{\text{http://forum.europa.eu.int/ic/dsis/coded/info/data/coded/ent.htm}}\)
3\(^{\text{http://europa.eu.int/comm/employment_social/missoc/index_en.html}}\)
4\(^{\text{http://europa.eu.int/comm/employment_social/missceec/index_en.html}}\)

Accession countries: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, Slovenia
Table 1 contains data on selected social indicators for the Slovak Republic compared to the Czech data (till December 31\textsuperscript{st} 1992 a single state – Czechoslovakia), the average EU value and data intervals (minimum – maximum value of indicators) of EU Accession and Member countries.

The Slovak Republic is a small country; when it becomes a member of EU the EU population will have increased approximately by 1.4%. In 2002, the Slovak Republic achieved for the first time negative value of total increase per 1000 population; net migration per 1000 population was 0.1. Czech data for these two indicators converge to minimum values of Accession countries; EU Member states show positive figures.

In view of old dependency ratio the Slovak Republic belongs among young countries. Our problem is age group 0-12. In 2002, contrary to 1989, there were delivered almost less than half babies in the Slovak Republic. Value of the indicator ‘Live expectancy at birth’ is low especially in men. For the second quarter of 2002, employment rate was higher in the Slovak Republic compared to the minimum value for EU Member states. Our data on unemployment indicators were unfavourable. In 2001, value of ‘tax rate on low wage earners’ for the Slovak Republic was the highest amongst Accession countries as well as EU Member states. Hour labour costs per employee expressed in Euro are very low in the Slovak Republic compared with EU Member states. Slovak values for indicators on monthly gross and minimum wage belong among the lowest amongst Accession countries and are very low also in comparison with EU Member states. We do not indicate high expenditure on pensions. Price level of consumer goods and services in the Slovak Republic is one of the lowest amongst Accession countries.

Table 2 Receipts and expenditure on social protection in the Slovak Republic in comparison with EU Member states and Slovenia, 2000

<table>
<thead>
<tr>
<th>Indicator</th>
<th>SK</th>
<th>SI</th>
<th>EU-15</th>
<th>EU interval</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expenditure on social protection as % of GDP</strong></td>
<td>20</td>
<td>26.6</td>
<td>27.3</td>
<td>14.8 – 32.3</td>
</tr>
<tr>
<td>Expenditure on social protection in PPS per head</td>
<td>2 095</td>
<td>4 058</td>
<td>6 155</td>
<td>3 675 – 9 235</td>
</tr>
<tr>
<td>Expenditure on social protection in Euro per head</td>
<td>791</td>
<td>2 611</td>
<td>6 155</td>
<td>3 073 – 9 785</td>
</tr>
<tr>
<td>Expenditure on social benefits as % of GDP</td>
<td>18.6</td>
<td>25.9</td>
<td>26.2</td>
<td>13.4 – 31.7</td>
</tr>
<tr>
<td>Cash benefits</td>
<td>12.7</td>
<td>17.8</td>
<td>17.9</td>
<td>7.2 – 18.3</td>
</tr>
<tr>
<td>Benefits in kind</td>
<td>5.9</td>
<td>8.1</td>
<td>8.3</td>
<td>5.9 – 13.4</td>
</tr>
<tr>
<td>Non means tested</td>
<td>16.1</td>
<td>23.5</td>
<td>23.5</td>
<td>9.8 – 30.2</td>
</tr>
<tr>
<td>Means tested</td>
<td>2.5</td>
<td>2.4</td>
<td>2.7</td>
<td>0.7 – 4.2</td>
</tr>
<tr>
<td><strong>Social benefits by group of functions (as % of total social benefits)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old age and survivors benefits</td>
<td>38.4</td>
<td>45.2</td>
<td>46.4</td>
<td>25.4 – 63.4</td>
</tr>
<tr>
<td>Sickness, health care and disability</td>
<td>32.9</td>
<td>30.7</td>
<td>27.3</td>
<td>20.2 – 40.1</td>
</tr>
<tr>
<td>Unemployment benefits</td>
<td>4.6</td>
<td>4.3</td>
<td>6.3</td>
<td>1.7 – 12.2</td>
</tr>
<tr>
<td>Family and children benefits</td>
<td>9.3</td>
<td>9.2</td>
<td>8.2</td>
<td>2.7 – 16.6</td>
</tr>
<tr>
<td>Housing, social exclusion</td>
<td>6.8</td>
<td>1.6</td>
<td>3.7</td>
<td>0.2 – 6.8</td>
</tr>
<tr>
<td><strong>Receipts of social protection by type (as a percentage of total receipts)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General government contributions</td>
<td>27.0</td>
<td>31.5</td>
<td>35.8</td>
<td>14.2 – 63.9</td>
</tr>
<tr>
<td>Employers’ social contributions</td>
<td>48.5</td>
<td>27.0</td>
<td>38.3</td>
<td>9.1 – 52.7</td>
</tr>
<tr>
<td>Social contributions paid by protected persons</td>
<td>18.6</td>
<td>39.3</td>
<td>22.4</td>
<td>9.4 – 38.8</td>
</tr>
<tr>
<td>Employees</td>
<td>15.1</td>
<td>31.2</td>
<td>9.2</td>
<td>9.2 – 23.1</td>
</tr>
<tr>
<td>Self-employed</td>
<td>3.1</td>
<td>3.5</td>
<td>0.5</td>
<td>0 – 5.4</td>
</tr>
<tr>
<td>Other receipts</td>
<td>5.9</td>
<td>2.2</td>
<td>3.5</td>
<td>1.3 – 17.9</td>
</tr>
</tbody>
</table>

Source: New Cronos Database

Table 2 compares basic data on receipts and expenditure on social protection in the Slovak Republic with data of Slovenia and EU Member states. Except for the indicators ‘Expenditure on social protection in PPS per head’ and ‘Expenditure on social protection in Euro per head’ all other data fit in the scope of intervals of EU Member states.

If expenditure per capita expressed in purchasing power standards (figure 1), differences among countries (Slovak Republic, EU 15, Slovenia) are even bigger. In 2000, the Slovak Republic achieved 34% on EU average, Spain and Portugal 60 % but Luxemburg 150% and Denmark 125%. In Slovenia, value of the indicators was almost twice higher contrary to the Slovak Republic.
Figure 2 displays indicator ‘Expenditure on pensions as % of the GDP’ for EU Member and Candidate countries as % of EU average value (gross total expenditure, without effects of tax system and social reduction). Slovak value represents 60% on EU average.

Figure 2 Expenditure on pensions as % of GDP, 2000, EU15=100

Graphic presentation (Figure 3) of comparison of the age structure in the Slovak Republic in 1990 and 2002 shows sharp decrease in number of children caused by increase of marriage age of young people, age of women at their first child-delivery, as well as by total recession of natality and economic migration. A generation echo of the post-war generation, which is now getting into retirement age (an average retirement age of Slovak women is 54 years), has not come. Numerous 1972-1982 age-group increases unemployment rate.
The system of social protection and labour market interact. Receipts of social security funds and expenditure on social benefits depend on number of economic active and the level of their wage. In 2002, on total employed in the Slovak Republic there were 45.3% females and 54.7% males; in the age group 20-29, there were 21.1% unemployed males and 16.7% unemployed females. Economically inactive women in the age group 55 – 59 accounted for 2.6% on total population over 15 years old.

(Figure 5) As of December 31st 2002, pension beneficiaries represented 22.3% on total population in the Slovak Republic, from which female pensioners 27.6% on total females and male pensioners 16.6% on total males. As from 1 January 2004, if implemented progressive increasing of retirement age up to 62 years, it will start decrease especially of number of old-age female-pensioners in the age group 54 – 60. Disability, partial disability, widow’s and widower’s pensions that are received in a standard pension age shall be classified as old-age pensions by methodology ESSPROS96. A new legislation shall include partial disability pensions in disability pensions and re-classify disability pensions that received in a standard pension age on old-age pensions. A big group of females (represent 40.6% on females over 54 years) receives widow’s pensions either as a sole or in parallel to old-age or full or partial disability pension. At present a widower is entitled to take widower’s
pension only if he takes care of a dependent child. New legislation, however, shall put entitlement conditions for receiving of survivors’ pensions on equal basis for widows and widowers. Number of beneficiaries of social, proportional and wife’s pensions is negligible.

**Figure 5** Number of paid pensions by pension type, gender and age group of beneficiaries, 2002

![Figure 5](image)

Figure 6 depicts cumulative share of paid-out and new admitted old-age pensions as of 31 December 2002 by level of old-age pensions and by gender. Old-age pension under 100 Euro received by 0.7% males (1.3% by new admitted pensions) and 4.7% females (4.4% by new admitted pensions). Average value of paid out pension in 2002 reached 161 Euro in males (166 Euro by new admitted pensions) and 134 Euro in females (146 Euro by new admitted pensions). Pension under 150 Euro received by 72.9% females (44.8% by new admitted pensions) and only 32.0% males (14.5% by new admitted pensions).

**Figure 6** Comparison of the paid-out and new admitted old-age pensions - cumulative share by level of pensions and by gender, as of Dec. 31, 2002

![Figure 6](image)
Table 3 Replacement ratio of old age pension, 2002

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Minimum wage</th>
<th>50% of average gross wage</th>
<th>Average gross wage</th>
<th>200% of average gross wage</th>
<th>Max. assessment base</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period of employment in years</td>
<td>25</td>
<td>37</td>
<td>40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>III</td>
<td>102.4</td>
<td>111.9</td>
<td>110.8</td>
<td>129.5</td>
<td>167.3</td>
</tr>
<tr>
<td>II</td>
<td>86.7</td>
<td>101.8</td>
<td>125.1</td>
<td>108.1</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>111.9</td>
<td>101.8</td>
<td>125.1</td>
<td>108.1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>101.8</td>
<td>129.5</td>
<td>108.1</td>
<td>134.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>125.1</td>
<td>108.1</td>
<td>134.5</td>
<td>167.3</td>
<td></td>
</tr>
</tbody>
</table>

Source: SO SR, calc.

After 37 years worked in the third category, replacement rate of average gross wage equals 44.5%, of minimum wage it is as many as 101.8%, of halved average gross wage 83% and of doubled average gross wage it accounts for only 22.2%.

Indicators of old-age pensions, 2002

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average age at granting of pension</td>
<td>60.1</td>
<td>55.0</td>
<td>56.9</td>
</tr>
<tr>
<td>Average duration of employment</td>
<td>40.2</td>
<td>34.7</td>
<td>36.9</td>
</tr>
<tr>
<td>Average period of paying out of pension</td>
<td>15.6</td>
<td>19.7</td>
<td>17.5</td>
</tr>
</tbody>
</table>

Source: SIA (Social Insurance Agency)

Figure 6 shows development of expenditure on seven main social benefits (according to legislation in force). In 1989, expenditure on old-age pensions represented 4% from GDP, in 1992 it made as many as 5.2% and in 2000-2002 it stabilised on 4.9%. In the period surveyed, the most significant decrease indicated by expenditure on children allowances (from 2.3% to 0.8% in 2001); widow’s pension and sickness benefit show decrease as well. In 1991 in the Slovak Republic there were introduced expenditure on social assistance (in 2002 it represented 1.1% of the GDP) and unemployment benefit (in 1991 it represented 0.9% of the GDP, in 2001-2002 it dropped to 0.3%).

Figure 6: Development of expenditure on seven main social benefits as % of GDP, 1989-2002
**MODEL of monitoring of the system of social protection and its sub-system**

One of the tasks of statistics is to provide information for the public. Reliable and detailed statistics is of crucial importance in effective functioning of each democratic system. If a lack of statistics, it is extremely difficult for citizens to create an objective picture of their living conditions or whatever social phenomena that is necessary for effective defending of their interests and participating in making decisions. Important social phenomena and problems should be therefore included into official statistics as soon as possible.

According to a new legislation under preparation, organisations undertaking activities in the social security area shall have an information duty. They shall release draft budgets, annual reports and basic indicators on their web-sides. Savers shall be enabled to enter into their personal accounts. From December 31st 2004, every insured under the basic pension scheme shall receive a statement of actual value of his/her pension or pension units.

Currently, the Ministry of Labour, Social Affairs and Family of the Slovak Republic is preparing for the state benefits system a `Management Information System’ on the basis of warehouse technology with the possibility of graphic and table outputs.

In order to make statistics a basis for sensible political decisions, it is necessary to prepare a lot of quantitative and qualitative information from statistical and ministry surveys and administrative records. Then, in order to monitor effects of policy measures and the extent of their reconciliation with political objectives, models of various sub-systems of social protection might be used.

In case of a General model it is necessary only to select and divide social indicators into input, inside, output and alarm ones. It is possible to use the model also for forecasting of development or managing more equitable, efficiency and sustainable social sub-systems and for statistical monitoring of private companies that manage individual pension accounts.

As an example, indicators for the model of social security scheme:

**Input indicators**: revenues from contributions (level of assessment base, average earnings, contributions of self-employed, transfers from public budgets, standard pension age, number of pension beneficiaries (inflow, outflow), level of average benefit, interests on capital market, etc.

**Alarm indicators**: unfavourable demographic situation (decrease of live-born babies), increase of beneficiaries, liabilities, receivables, delayed payments, high unemployment rate, etc.

**Inside indicators and relations**: transfers among sub-schemes, formula of pension calculation, average number of years of paying out of pensions to average time of employment, replacement rate, etc.

**Output indicators**: declared political aims, expenditure on benefits, level of average pension as % of subsistence minimum or gross earning or net earning, scope of pension level (min/max), gender differences, living standard of pensioners, etc.

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1. Finnish Statistics: Directive to professional ethics
Summary

The Slovak Republic and the Republic of Slovenia are first candidate countries that have available data on income and expenditure on social protection in compliance with ESSPROS96 methodology in the Eurostat database New Cronos.

The aim of my contribution is to give a brief description of the Slovak experience and problems related to fulfilling of Eurostat’s requirements in the social protection area.

The system of social protection in the Slovak Republic, likewise in other Candidate countries in transition to market-directed economic system, is very dynamic and, typically, accompanied by numerous legislative changes. The presentation briefly characterises organisations of social protection in the Slovak Republic until 1992 and in 1993-2003, and a new conception of social protection being under preparation presently. New schemes, changes in social benefits and financial sources as well as increasing statistical demand of international organisations, it all urge us to create a new conception of the social protection statistics system in the Slovak Republic. The ESSPROS system also on the national level requires a complex approach linked to other social statistics, national accounts, Information Society and regional statistics.

For Candidate countries in the accession process it is essential to have available internationally comparable data on social indicators and, in particular, on social protection that enables to make comparisons of a national development with development of other Accession countries and EU Member states on the basis of average and min-max data, for example. Sensible political decisions are usually anchored in comprehensive analyses that require data of good quality. One of the tasks of national statistics in the Slovak Republic is to draw out available quantitative and qualitative information from statistical and administrative sources, in compliance with Act on State Statistics and ‘Declaration of the Statistical Office of the Slovak Republic on quality statistics policy and the quality management system’.

The presentation contains figures depicting social situation in the Slovak Republic (tree of life, population on labour market, number of paid-out pensions by kind and gender and age of recipients, cumulative share of paid-out old-age pensions by level of old-age pension, gender, and development of expenditure on seven main social benefits as % of the GDP), and a table on replacement rate of old-age pensions.

Final part of the presentation addresses possibility of exploitation of statistical and administrative data (available in warehouse) for creation of models of the social protection sub-system and their use in the process of monitoring, managing and making prognoses.
References:
2. Gérard Abramovici, Social protection in Europe, EUROSTAT, 3-3/2003
3. Gérard Abramovici, Social protection expenditure on pensions, EUROSTAT, 3-11/20032
8. Social Policy in the Slovak Republic, MLSAF SR,

Control & financing
- Central government
  - Ministry of Finance
  - Ministry of Health
  - Ministry of Labour, Social Affairs & Family
  - Ministry of Interior
  - Specific Funds of the Social Security

Function:
- Scheme 04: Health care
  - Family, children
  - Housing
  - Survivors
  - Old age

- Scheme 05: Family, children
  - Disability
  - Social exclusion
  - Old age

- Scheme 06: Family, children
  - Disability

- Scheme 09: Old age
  - Social exclusion
  - Family/children

- Scheme 13: Old age
  - Survivors
  - Family/children
  - Unemployment
  - Disability

Compulsory social security organisations
- Regional and local government
  - Health insurance companies
  - Social insurance agency
  - National labour office

Managing & financing:
- Private Social Assistance (e.g. Slovak Red Cross, hospitals, charities, social institutions, etc.)

- Supplementary Pension Insurance (1998+)
  - Scheme 11: Old age
    - Health care
    - Family/children
    - Disability
    - Survivors

No. Acronym - Name of scheme
1. SI - Social Insurance
2. PI - Pension Insurance
3. UI - Unemployment Insurance
4. HI - Health Insurance
5. SSS - State Social Support
6. SA - State Assistance
7. ESB - Employer’s social benefits PuS
8. ESB - Employer’s social benefits PrS
9. MSA - Municipal social assistance
10. OI - Occupational Injury
11. CPI - Supplementary Pension Insurance
12. PSA - Private Social Assistance
13. SSF - Special Funds of Social Security
14. SFR - Social Fare Reduction
Health Care Statistics and Comparability

Raymond WAGENER
Inspection générale de la sécurité sociale, Luxembourg

Most countries regularly publish data on public or often on private expenditure for health care. For quite some time OECD and WHO have been collecting data on health expenditure in their member countries, which they publish annually in comparable databases. Quite a number of studies have used these data to compare health expenditure between countries.

Nevertheless it is rather obvious that the degree of comparability of these data between countries is very limited. OECD experts, for example, are among the first to express strong caveats concerning the comparability of the data of their health care database. The difficulty to make national health expenditure comparable is due to the fact that countries have their own particular way of organizing and financing their health care systems. Consequently countries define health care by using definitions based on their particular institutional settings and they use their own classifications of providers, health care functions and forms of financing.

In spite of these obstacles to comparability, recent studies commissioned by some countries show that it is interesting for social policy purposes to compare one’s own answers to those given by other countries to questions like the following ones1:

- Who pays and how much?
- Who collects the money and where does it go?
- How much is spent and on what?

To be able to compare answers given by various countries to these questions, these responses should be based on a common definition of what is meant by health care and on common classifications, in particular of health care functions and forms of financing.

OECD has published a manual on the System of Health Accounts (SHA) in 2000, based on preparatory work realised in a number of countries and on its own experience. This gives a coherent reference framework for developing comparable statistics on health care expenditure. Various work groups of experts from interested countries, EUROSTAT and OECD are actively developing a common understanding of SHA and pushing forward its implementation in individual countries. More work needs to be done to improve the SHA methodology and to develop the coherence between SHA and other methodologies, in particular SNA and ESSPROS.

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1(Dixon & Mossialos, 2002)
INTRODUCTION
“Combien coûte la santé? […]
Les questions les plus simples sont souvent sans réponses.
((Lambert, 2000), p. 233)

In general health expenditure data are readily available in every country, at least as far as public expenditure is concerned. Unfortunately these expenditure data are usually quite difficult to compare over time and between countries:

• Over time in a given country. A health care reform may change a major aspect of how health care is provided or financed, for example the financing system of hospitals, or the boundary of what is considered to be part of the health care sector by including or excluding some or all of long term nursing care;

• Between countries, because boundaries of what is considered to belong to the health care sector are different, or because the concepts used to define health care expenditure are different, or although they appear to be the same, are used differently.

During the last twenty years international organisations, like OECD and WHO, have established well-known databases on health care. These databases are useful and contain a lot of information about health care financing and production in many countries. Nevertheless all those who have worked with these databases, either by providing data or by consulting or using them for their work, do know that the data they provide are far from comparable over time and between countries.

Obviously this situation is not satisfactory, the more so because the health care system has immense political importance. It is becoming more and more important to use well defined and commonly agreed upon concepts and methods to describe quantitatively the financing and production of health care. In the last years several initiatives and projects have been started by member countries, by the European Commission, in particular EUROSTAT and by OECD, which have resulted in to a network of experts from member countries, EUROSTAT and OECD working together towards a System of Health Accounts (SHA). This paper tries to describe these efforts, what has been achieved and what must still be done to establish a European System of Health Accounts.

Why do we need comparative health care statistics?

Health care systems are organised at the national or even regional level, so why do we need comparative health care statistics? Indeed the way of financing and providing health care and the concepts used to describe health systems and their components are so different from one country to another, that one has to suspect that it is very difficult to make quantitative comparisons between different health care systems. So why should one bother to strive for comparative health care statistics?

In spite of being so different, all health care systems have similar objectives and face similar challenges. No wonder then that policy makers are interested in studying how their neighbouring countries organise and finance their health care system, how much these countries spend for health care and how much of this overall expenditure is financed by public money. For that reason the Netherlands2 and the UK3, have commissioned in the last ten years comparative studies on health care expenditure. In the case of the UK, the Chancellor of the Exchequer had asked for “a review of the drivers of health care expenditure in the United Kingdom and their likely impact on the resources required for the health service over the next 20 years”. The experts in charge of the report found it useful to include reviews of the health care systems of other countries, because these systems have to find solutions to the same challenges confronting the UK system. The country reports tried to answer six key questions4:

• “Who benefits and what are the benefits?
• Who pays and how much?
• Who collects the money and where does it go?
• How much is spent and on what?

2 (van Mosseveld & van Son, 1999)
3 (Dixon & Mossialos, 2002)
• How do patients access services?
• What are the major challenges facing the health care system?”

At the level of the European Union the development of Europe’s social model and the use in this context of the open method of coordination will make it necessary to develop common approaches that enable these questions to be answered in such a way that the health system of one country may be compared to those existing in other countries.

For at least three of these questions, detailed quantitative information on monetary flows is needed. To be useful in the context of the study, the information given for one country has to be comparable to the information given for all the other countries, differences between their health systems notwithstanding. Unfortunately the available data are not allowing this kind of comparative work, so that the authors of the study have to conclude that:

“Due to the limitations of internationally available data, differences in definitions, terminology and reporting practices, we have not presented extensive quantitative information on the health care systems of different countries.”

This frustrating statement comes from a report published last year, more or less twenty years after the widely used OECD Database on health began to be developed. One might think that twenty years is a span of time that is long enough to solve all the problems of comparability of such a popular database. Why is it so difficult?

Why is it so difficult to produce comparable health expenditure data?

Statistical institutions providing or using international data on health expenditure are well aware that “there are still important gaps with respect to international agreements on statistical methods”⁵, and that “…international comparisons between countries and their interpretation should be made with caution, [because] … data recording and handling systems and practices vary between countries”, and furthermore there are “…differences in definitions and recording practices “.⁶ Unfortunately these caveats on the limitations of international comparable data on health expenditure tend to disappear from research articles based for example on the OECD Health Database.

What are the main problems why health expenditure data are not comparable?

First of all the concepts used for defining health care expenditure vary between countries, because they are based on the national institutional framework of organizing health protection and health care.

Difficulties start right away with the definition of what is meant by the health system: every country has its own peculiar way of deciding what belongs to the health system and what not, especially with respect to borderline cases like care for mentally or physically disabled persons or care for elderly persons. These problems exist even in countries which are so similar and have such a developed collaboration in the health field as the Nordic countries⁷: after 1985 care of the mentally retarded is not included in health care expenditure for Denmark nor for Sweden, but is included in this expenditure for Finland, Iceland and Norway. Local nursing homes are not included in the Danish health expenditure data, but they were included in the expenditure for Finland, Iceland, Norway and Sweden before 1992.

Now most countries, as well as the OECD, use a concept of final consumption of health services and goods defined within the framework of the SNA⁸. Nevertheless countries use different classifications of goods and services.

Some countries publish health expenditure data based on the methodology of the European System of Integrated Social Protection Statistics (ESSPROS), which is designed to produce statistical data on social protection in the member states of the European Union. ESSPROS data include data on the receipts and expenditure of the social protection schemes for these functions:

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⁵ OECD Database, Helpfile chapter on ‘Basic Concepts, Section on ‘Scope and limitations of the database’
⁶ European Health for All database of the WHO Regional Office for Europe, Note on Data Availability and Quality.
⁸ (Schneider, 1999)
• Sickness / Health care
• Disability (including benefits for assistance in carrying out daily tasks and for rehabilitation).

So the definition of health care in the case of ESSPROS is different from the one used by the OECD as defined in the manual on the System of Health Accounts (SHA) which states that: “caring for persons with health-related impairment, disability, and handicaps who require nursing care” is part of health care.

The ESSPROS manual specifies that:

“As ESSPROS is intended to record the cost of social protection, and not the cost of total medical care, any part of the full cost of medical care which is met by the beneficiary himself under cost-sharing arrangements must be deducted from the value of the social benefit.”

Therefore ESSPROS data do not include expenditure paid for outside the social protection schemes: private health insurance is excluded as well as out of pocket payments, like those for over the counter drugs bought without a prescription from a medical doctor. And co-payments for goods and services partially paid by health insurance are excluded. For statistical monitoring of the health system limiting health expenditure to that which is paid for by the social protection system, is not acceptable. Indeed in the case of health care, the choices made by a given society in terms of:

• what services are financed by public means and
• what level of co-payments are to be paid by patients for services included in the publicly financed package of services,

are important political variables for public finances, as well as being key determinants of access of the population to health care.

Health expenditure statistics are in general based on the institutional settings of the countries. This means that the way in which health care is financed affects the implementation of concepts and data content. Countries with social health insurance in general use expenditure data coming from the insurance schemes, whereas national health systems have sometimes only global expenditure data from the health ministry budget and utilization data from their various public providers. The remuneration of providers closely affects what data are available. The data available on GPs paid on a fee for service basis are very different from data produced by health systems, which pay their GPs by capitation. Providers may have the same names but produce different health care services. As an example, in Germany hospital expenditure usually includes the remuneration of medical doctors, whereas in Luxembourg hospital expenditure does not. Last but not least, it may not always be clear what part of private expenditure for health care is accounted for.

In the recent past there have been several attempts to produce comparable health care statistics. Below the OECD health database is described briefly, followed by the Dutch CCP project and the very promising attempt to build national systems of health accounts according to a common methodology.

**OECD Health Database**

In the last twenty years the OECD Health Database has established itself as the major international data source on health expenditure in its member countries. At the beginning these data were available only in reports published by the OECD, but from 1991 onwards OECD, together with CREDES, has been publishing a yearly CD containing a program which enables the database to be queried and data to be presented as tables or graphs.

From the start OECD aimed to collect data on public as well as on private expenditure for health care, contrary to ESSPROS, which is limited to public expenditure. In the field of health care OECD’s decision to include private expenditure is certainly justified, because it is only possible to understand national policies concerning health care by studying total health expenditure. Indeed health care expenditure covered by public programmes differs substantially between countries. To detect these differences one may ask for example the following questions:

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11 Capitation: the provider is paid according to the number of persons registered, and not according to the services they have been given.
• What percentage of its population is covered by public health care programmes and what percentage of the population has to contract private health insurance or is without any insurance at all?

• In the case of public programmes, what health care services are excluded and must therefore be financed by private means (for example part of dental health care)?

• In the case of public programmes, what is the relative share of co-payments for health care services and goods provided or financed by these programmes?

OECD’s decision to try to monitor total health care expenditure is also justified because the scope of public versus private health expenditure is a major variable within national health care policy, at the structural level (what part of health expenditure should be left to the responsibility of individuals and what part should be covered by public expenditure?), as well as at the short term financial level (what level of co-payments will maintain the equilibrium of public finances?).

The OECD database also contains non-expenditure data, such as number of beds, doctors, and certain types of medical procedures.

From the outset the OECD tried to construct annual time series of data for every country. Generally the data were collected from existing data sources and publications. Obviously this approach entailed coherence and plausibility problems for country data coming from different sources. In the 80’s OECD experts tried to solve these problems by applying so-called “data massaging techniques” which were not always fully understandable by outsiders. This meant that sometimes country experts had difficulty understanding the data published by OECD on their own country. However OECD’s pragmatism did provoke country experts to work to make their own data more comprehensive and comparable. Over the years OECD tried to improve the documentation of the data included in the database by providing information on the data sources and methods. During recent years OECD has placed increasing emphasis on structuring the health database according to the Systems of Health Account (SHA).

The Dutch CCP Project

An ambitious project on comparing health care data was undertaken between 1994 and 1997 by Statistics Netherlands on behalf of the Dutch Ministry of Health, Welfare and Sports. As in other European countries, the Netherlands were discussing at that time the performance of their health care sector and possible reforms to improve it. In this context the Dutch Ministry of Health asked Statistics Netherlands to compare important aspects of health care with those of other countries. The project aimed at comparing health care expenditure in the Netherlands with expenditure in five countries: Denmark, Germany, Switzerland, France and Belgium and was done in two phases: “intramural” care and all other care.

To make comparisons one needs some reference model. For the “intramural” part of the project the participants first tried to develop a “reference model” of a hospital. However this appeared to be impossible even within a country like France with a hierarchical system from small rural and local hospitals without emergency care or obstetrics, up to university hospitals with highly specialised services available to the population of a whole region. Given this difficulty the experts of the project agreed to take as a starting point packages of care components, which were present in the health care system of each participating country. These packages were first defined in bilateral comparable packages (BCP) between the reference country (the Netherlands) and every other participating country. In a second step a common comparable package (CCP), based on the BCPs, was defined which was meant to be comparable between all participating countries.

The CCP project was a very important step towards the systematic construction of comparable health care statistics. Indeed it brought together an international group of experts in the field who are still working together in various working groups on comparable health statistics. And it allowed this expert group to compare systematically and in detail health care systems and health care expenditure in different countries. By doing so the group of experts obtained an in depth understanding of the problems which have to be solved to construct comparable health statistics. Although the CCP project offered an interesting approach for the exploratory analysis

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12 CCP: Common Comparable Package.
13 (CBS - Statistics Netherlands, 1996), p.16
of health systems, it has not produced a method for constructing internationally comparable health care statistics for the following reasons:

- It uses one country as a reference country, whereas international statistics must be free from any bias towards one or the other country;
- The construction of the comparable packages is too empirical and based too heavily on the individual decisions of the participating experts. A different group of experts might come up with different results.

**The System of Health Accounts**

With the publication of the manual on the System of Health Accounts (SHA) in 2000 OECD circumvented the conceptual difficulties, which had prevented the development of a methodology for constructing internationally comparable health care expenditure data based on the CCP approach. Of course the SHA manual builds on national and international work done in the field of health care statistics, as well as on the OECD experience with its health database.

In the word of its authors, the purpose of SHA is as follows:

“**This manual of A System of Health Accounts (SHA) provides a set of comprehensive, consistent and flexible accounts. It establishes a conceptual basis of statistical reporting rules and proposes a newly developed International Classification for Health Accounts (ICHA) which covers three dimensions: health care by functions of care: providers of health care services; and sources of funding. The proposed accounts are designed to meet the needs of analysts of health care systems and policy-makers. They provide a common framework for enhancing the comparability of data over time and across countries. They are intended for use in international comparisons that include a broad range of countries with different ways of organizing health care and its financing.**”

According to the manual, health care is defined as comprising health promotion and prevention, curative and rehabilitative medicine, long term nursing care for elderly or disabled persons, public health and also administration or funding of health care. The SHA definition of health care is thus different from the definitions used in many countries, above all by including long term care within health care. The definition of SHA is also different from the ESSPROS function of sickness / health care, because ESSPROS classifies rehabilitation and assistance in carrying out daily tasks under its function of disability.

According to SHA, total expenditure on health measures is defined as:

“the final use of resident units of health care goods and services plus gross capital formation in health care provider industries (institutions where health care is the predominant activity).”

Again this definition is different from the one used in the ESSPROS Core System which:

“records receipts and expenditures of social protection schemes, but only in the form of

(i) distributive transactions, whether current or capital;

(ii) administration costs charged to the scheme.

Any receipts or expenditures relating to production activities (for instance, the production of administration services or of goods and services for direct provision to beneficiaries) are excluded.”

An important aspect of SHA consists in the measurement of expenditure on two distinct dimensions: by health care function and by institutional provider, which may be compared to the dimensions of “functions” and “social protection schemes” used by ESSPROS. The institutional classification establishes the link with the institutional organisation of every country providing health care services and goods. Because of differences in health care provision between countries, this dimension is not really suited for international comparison. Nev-
ertheless the institutional dimension is essential for data collection at the national level. To make national data comparable at the international level, they have to be classified according to the second dimension which describes the health care services and goods in a way that is independent of the national institutional settings of health care provision. Besides these two dimensions SHA has a third dimension of classification of the financial sources for funding health care.

Quite naturally the present version of SHA is not without problems. One of these is the fact that treatment episodes are defined differently for in- and outpatients and that the definition may even differ according to how providers are remunerated, in particular hospitals. More needs to be done to help the people in charge of constructing national health accounts in terms of guidance and in some countries of resources to do the work. Some projects financed currently by SANCO and EUROSTAT have been defined to assist the work on SHA, such as the project for establishing “SHA Guidelines”.

**Understanding national health systems - The need for metadata**

The data in OECD’s health care database are accompanied by some information on the data sources and methods used. But to get a full understanding of the quantitative information given by the system of health accounts of a country, more information is needed. For example one has to understand how the country has organised its health care system and how the different providers are linked together and remunerated. The questionnaire used by the European Observatory on Health Care Systems to collect the information needed for its HiT country profiles is a good example of what is needed to describe a health system in a comprehensive way. A preliminary version of this questionnaire was used in a feasibility study to present descriptive information about the health system of a number of countries in a tabular form, similar to the one used by MISSOC for describing social protection.

Beyond the general description of a health system, a full understanding of the production of health functions by the various providers is needed, especially in the case of hospitals. This is the objective of the ongoing EU-COMP project financed by SANCO.

**Data on Human Resources in Health Care**

Health ministries in all countries publish annual statistics on the human resources employed in the health system. Nevertheless these data are often far from comprehensive and comparable over time and between countries, as shown by the data published in the OECD database. As with expenditure data, there is a need to use common concepts and to apply these concepts in a uniform way throughout all member countries, to be able to produce better data on medical doctors, nurses and other health professions. Such data should be capable of informing human resource planning in health care, for example. These data should also be arranged in such a way that they can be easily linked to the expenditure data of the national systems of health accounts.

**The objective: Implementing a European System of Health Accounts**

Compared to the situation some ten years ago, conditions concerning health care statistics have substantially improved thanks to the development of SHA. One may expect that in the next couple of years it will be possible to produce statistical data at the European level for describing in a comparable way the expenditure and resources used by national (and regional in the case of some countries) health care systems, thanks to the methodology of the System of Health Accounts. Of course the definition of a methodology is only part of the solution. Above all this methodology must be implemented in all member countries in a uniform way and integrated into routinely produced administrative statistics. Other administrative health statistics should be made compatible with SHA. It is quite obvious also that some aspects of the SHA methodology have to be developed further. One important field where more work is needed concerns the compatibility of SHA with other statistical methodologies describing some important aspects of the health care system, such as the European System of

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19 (European Observatory on Health Care Systems, 1999)
20 (Inspection générale de la sécurité sociale, 1998)
21 MISSOC: Mutual Information System on Social Protection in the EU Member States and the European Economic Area (http://europa.eu.int/comm/employment_social/missoc/index_en.html).
National Accounts and the European System of Integrated Social Protection Statistics (ESSPROS). Then we may readily be in a position to answer with some authority questions on health care like:

- **Who pays and how much?**
- **Who collects the money and where does it go?**
- **How much is spent and on what?**

**References:**


(Eurostat Project on health care resources statistics). Luxembourg: Inspection générale de la sécurité sociale.


THE EXPERIENCE OF DEVELOPING INDICATORS IN THE SOCIAL PROTECTION COMMITTEE’S INDICATORS SUB GROUP

Laura BARDONE – secretary
David STANTON – President

This paper gives an account of the role of the Indicators Sub-Group of the Social Protection Committee within the OMCs in the social policy area and of how it has worked to develop indicators of poverty and social exclusion on the one hand and of pension adequacy on the other.

The mandate of the Indicators Sub Group

In December 2000, at the Nice European Council, Heads of State and Government agreed to use the open method of co-ordination to fight poverty and social exclusion. This involves defining a set of commonly agreed objectives for the European Union (EU) as a whole, developing appropriate national action plans to meet these objectives and regularly monitoring progress made towards them. By doing this, the open method of co-ordination allows Member States to learn from different approaches to policy challenges, leaving the responsibility for policy-making at Member State level.

The Social Protection Committee, acting as the main body for supervising the implementation of this new process under the joint political responsibility of the Council and the Commission, recognised that this framework would need indicators to measure the extent of the poverty and social exclusion challenges and to monitor progress made in tackling them. To this purpose, it set up the Indicators Sub-Group at the start of 2001. The Sub-Group elaborated a list of common indicators of social exclusion and poverty, which was subsequently endorsed by the Laeken European Council in December 2001. The list, which can be found in the annex at the end of this paper, covers 18 indicators that measure the extent and depth of relative poverty, the extent of inequality across individuals or regions, the risk of social exclusion related to joblessness, and the health and educational dimensions of poverty and social exclusion.

During much of the year 2002 and part of the current year, the Indicators Sub-Group has concentrated on the development of common indicators of pension adequacy, to underpin the Open Method of Co-ordination relating to the future of pensions. It has done so in parallel with the Ageing Working Group of the Economic Policy Committee, which has been working for some time on measuring the challenge to the overall sustainability of public finances posed by the impact of ageing on public expenditure on pensions, health care and long-term care for the elderly up to the year 2050. As many pension reforms in response to this challenge involve scaling back on generosity, monitoring and measuring adequacy is important if pensions are to be affordable and at the same time meet the challenge of providing adequate incomes in retirement. The Open Method of Co-ordination in the area of pensions is exactly about helping Member States develop their own pension systems so as to safeguard adequacy of pensions whilst maintaining their financial sustainability and facing the challenges of changing social needs.

But the role of the ISG is not just that of defining and selecting indicators, but also to contribute to the relevant OMCs by promoting exchange of experiences and good practices on how to carry out analysis and monitoring of policies. In this context, we also hope to be able to contribute to the development of statistical capacity in the difficult area of living conditions and social policy monitoring. The Indicators Sub-Group, which lies mid-

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1 During the past year, the ISG has done some work to refine and consolidate the original list of Laeken indicators. We are currently revising the list accordingly. The list in annex is the original one. We will bring with us the revised list at the seminar in October.
way between the policy-makers (represented in the SPC) and the producers of statistics (Eurostat in particular), is in the best position to help make sure that statistics respond to policy needs, and we need to use this advantage.

**General Principles for the selection of indicators**

In general, we have tried to work within some general principles while recognising that the methodological framework we have set ourselves is not always as clear as it might seem in theory. First and perhaps most important, we have tried to ensure that the common indicators are about social outcomes rather than the means by which they are achieved. An indicator that merely measures policy effort is of little help if there is no way of knowing whether that effort is achieving its goal. Notably, increasing the budget on social protection does not mean that poverty will be reduced. Furthermore, it is in the very nature of the open co-ordination process and in the respect of the subsidiarity principle that Member States agree on objectives but are left free to choose the policies by which these objectives are to be met.

But two other important principles for the selection of indicators are that an indicator should be responsive to policy interventions and that it should have a clear and accepted normative interpretation. This means that indicators must be of a form that can be linked to policy initiatives and there should be agreement that a movement in a particular direction represents an improvement or a deterioration of outcomes. None of these two criteria are clear-cut. For example, for the interpretation of our main indicator of relative poverty (at-risk-of-poverty rate, see Annex), there is no clear body of theory or empirical evidence that gives clear guidelines on how to achieve a reduction in the at-risk-of-poverty rate. There is more or less a consensus on the macro-economic policies that foster stable economic growth but far less clarity on the various options in terms of achieving a preferred distribution of a given level of aggregate income. Moreover, different Member States place different emphases on the relative merits, and therefore weights, of pure redistribution on the one hand and of policies to increase employment and growth levels across all households on the other. We also have to recognise that a clear normative interpretation of this indicator is not as straightforward as it might seem: for example, a policy that reduces the proportion of people living below 60% of median income without any regard to whether that level is growing or falling would not necessarily produce an improvement in outcome.

The other criteria we have set ourselves for the selection of indicators are quite clear, but are no less difficult to meet. In particular, we stipulated that indicators should be statistically robust, measurable in a sufficiently comparable way across countries, timely and susceptible to revision. We will discuss later the difficulties we have had to meet these criteria on the basis of the available statistical data.

Translating these general principles into practice has been particularly difficult in the context of pensions. One major challenge in devising common indicators of pension adequacy was that the open method of co-ordination needs to have a prospective dimension in order to assess the capacity of pension systems to meet the agreed common objectives with respect to future generations of retirees. Given the existing statistics and analytical tools, the only one indicator that we could come up with that can incorporate this prospective dimension was the replacement ratio upon retirement for hypothetical cases. Replacement ratios allow assessing pension entitlements of future generations of pensioners by taking account of current and programmed pension systems’ parameters and assumptions on the future evolution of some key policy, economic and demographic variables. However, given that they build directly on the parameters of the very diverse pension systems operating within Member States, cross-country comparability may be difficult to achieve and the principle that indicators are about social outcomes rather than policies can only partly be met. Furthermore, the normative interpretation of this indicator is not clear-cut. An expected increase in the replacement ratio for one hypothetical person would need to be assessed jointly with information on the expected distribution of income across different groups of the population and on the overall financial sustainability of such an increase. For these reasons, the Group has not yet agreed on the role of these replacement ratios within the OMC – whether they provide a good enough foundation for common indicators or whether to consider them as country-specific indicators that are not strictly comparable across countries but use a comparable framework for their calculations.

Finally, part of the purpose of the Open Method of Co-ordination is to increase our understanding of other Member States’ policies and the problems they are faced with, so it is important that the National Action Plans and therefore also the Indicators allow an understanding of the social and demographic context in which policies operate. To this purpose, we have recommended use of contextual indicators. Examples of these are indi-
cators describing the household structure of each country’s population, as it can have a very large effect on the “at risk of poverty rate”. To take an extreme example, imposing Portugal’s household structure on the UK would result in a large reduction in the UK’s at risk of poverty rate because there is a very high proportion of single person households in the UK, especially single adult households with children.

**Putting the methodological principles into practice: difficulties and constraints**

In the rest of this paper we discuss some of the difficulties we have had to overcome in developing a set of indicators. We illustrate a number of areas where there remain problems as well as where we have found workable solutions.

**I. Differences in policy rationales**

The purpose of the open method of co-ordination is to construct a framework that allows Member States to compare, monitor and ultimately evaluate each other’s policies. Somehow, this can only be done if there is a common rationale for the policies. For example, education systems differ considerably across countries, but all Member States agree on the importance of equipping all young people with the minimum level of educational attainment that allows them to enter the labour market, adapt to unexpected changes therein and participate in society. This minimum level is generally recognised to be upper secondary education: it was therefore quite straightforward to adopt a common indicator of educational disadvantage measured as the proportion of people aged 18-24 who have only lower secondary education.

But there are some areas where Member States do not share the same policy rationales, and this is where we experienced difficulties in agreeing on common indicators. One such area was the role of work in tackling poverty. The objectives adopted by the Nice European Council placed great emphasis on promoting participation in employment as a key way of both preventing and alleviating poverty and social exclusion. We felt, therefore, that our list of indicators had to include measures of the extent to which employment actually performs this function. We had very long discussions and heated debates on the definition of two employment-related indicators: one that describes how unevenly spread employment is between households; the other that measures working poverty. In both cases, we found that part of the problem derived from different policy stances towards employment.

At one end of the spectrum, there is the notion that almost any job will help to tackle poverty, provided employment does not concentrate in some households leaving others jobless. In this view, highlighting the problem of the overlap between employment and poverty risks taking the spotlight off the real problem of the lack of jobs and failures in rigid labour markets that prevent higher levels of employment lifting many households above the low-income line. The other view places considerable weight on job quality. Bad jobs per se are a real problem, because beyond affecting the income potential of the jobholders’ households, they can influence job satisfaction, self-confidence and social relations. The indicator that we recommended clearly defines poverty as an issue that needs to be measured at the household level, while employment is still measured at the individual level. People are defined working poor if they are at work and live in a household with an income below 60% of median income.

There are also different policy rationales across the EU with respect to pensions. Some Member States see the prime function of public pensions as redistributive and are very focussed on ensuring that resources are concentrated on the poorer pensioners. For other Member States, the prime function of public pension systems is to guarantee an adequate replacement income compared to the income the pensioners used to earn through work. Germany and the UK are perhaps at the extreme ends of this policy rationale. The German single-tiered earnings-related pension system places great emphasis on ensuring an income that is adequate relative to what was earned during a person’s working life. In contrast, the UK places prime responsibility on the public pension system to ensure that it is targeted on the low earners and ensures that it guarantees acceptable living standards. This is more than a philosophical nicety. In an insurance-based system, there is the expectation that income replacement will take place some way up the earnings distribution. Any resort to income-related benefits would be regarded as a failure of the system to meet one – but not the most important one - of its functions – i.e., income support. In contrast, in the UK system, with its strong emphasis on targeting publicly-provided transfers on the neediest, the use of income-related benefits would be seen as evidence of how the system is effective in ensuring that resources go to those most in need.
In terms of defining replacement rates, this meant that some delegates thought income-related benefits supplementing pensions should be included in any calculation of replacement ratios. Insurance-based public pension systems would see social assistance not as part of measuring the adequacy of pensions but rather as a measure of their failure to ensure adequate retirement income. The same difference in policy rationale underlies the Group’s discussions on whether the replacement ratio calculation should include just first and second tier pension provision or third (or private) tiers as well. At one extreme would be a rationale where the first and second pillars are mainly to provide an adequate pension at the lower end of the income distribution and the role of the Government with respect to the third tier is to provide an encouraging framework. In this scenario the whole of the possible pension income should be included in order to show what in practice a pensioner might receive. But at the other extreme, where the public tier is the Government’s response to providing an adequate income across a wider range of earnings, the argument would exclude all but the public tier from the calculations. It was finally decided that each individual country would choose which types of schemes or pillars must be included in the calculations, so as to reflect the national specificities.

II. Relationship between indicators and policy instruments:

We have mentioned the lack of a clear link between indicators and policy instruments and this is perhaps most obvious in the limited use we have so far made of information on the first and most obvious defence against poverty – social protection benefits. In the area of social exclusion and poverty, the only indicator that uses this information is the at-risk-of-poverty rate calculated before social transfers. Its main goal is to measure the effect of social protection in reducing poverty by comparison with the rate after social transfers. However, other policies that also have a redistributive power – namely, transfers in kind and tax credits and tax allowances - are not taken into account. Furthermore, so far we do not have an indicator that monitors the number of people who depend on social transfers, nor the duration pattern of this benefit dependency. The possible role of benefit dependency indicators illustrates where we may be able to fill a gap.

The benefit dependency ratio, as developed by the Netherlands Economic Institute in a cross-country perspective, measures the number of persons receiving a social transfer in relation to the number of persons in employment. Its level indicates the extent to which the social protection system is used and how the number of persons who depend on social transfers relates to the labour force. The higher the ratio, the larger the number of persons whose benefit has to be paid for by one employed person. For its calculation, account is taken of the number of people living on benefits and in employment and of whether on a part-time or full-time basis.

There are strong counter-arguments to the use of this type of indicators. First, the systems across any or all EU countries are very different. This makes it very difficult to make the indicators strictly comparable across Europe. But they do tell a story about how social protection systems are working in the fight against poverty and social exclusion. At present, there is no information on this aspect of policy in the Laeken Indicators. Second, the data needs to be augmented with information on the number of people who do not claim social benefits and live below social assistance levels. Only one EU country regularly collects the information. Perhaps others should be encouraged to follow. But, on the other hand, we have to recognise that indicators based on household income surveys do not have complete coverage either. For example, they do not cover some of the most excluded and deprived members of society those who do not live in households; the homeless and people living in institutions. It is not obvious which system’s omissions are of more concern.

There is also an issue of which benefits should be included in the ratio, as at present the proposed indicators mix together benefits received as acquired rights (i.e., old age pensions) with other benefits – notably social assistance benefits. In an attempt to overcome this type of criticism and allow users to select the indicator that is best suited to their analytical purposes, four different types of indicators have been developed, as shown in the

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1 We are aware of the uncertainty surrounding the use of terms like “first”, “second” and “third” pillars, or the distinctions between public and private pensions, basic and supplementary pensions or still other distinctions in the area of pensions. We have not attempted to clarify terminology in this area, and relied instead on national practices.

2 With a view to ensuring better comparability of results and to be useful for policy-making, the replacement ratios should be clearly broken down into individual components of retirement income and each successive step in the calculation to take account of social security contributions, contributions to private pension schemes or funds and taxes should be shown. Furthermore, background information on the coverage of the relevant schemes will need to complement the calculations.

box below. The chart shows the values of one of these variants of ratios, i.e., the Working Age ratio, broken down by gender. There obviously needs to be more reflection on which of the indicators is best suited in the context of social inclusion. But, on balance, there is a case for making greater use of these data in the context of social policy monitoring.

**Box 1.1 Four different settings of the benefit dependency ratio**

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Benefit years</th>
<th>Labour years</th>
</tr>
</thead>
<tbody>
<tr>
<td>G ratio</td>
<td>Total number of benefit years of persons older than 15 years of age</td>
<td>Total number of labour years of persons older than 15 years of age, excluding those benefit years due to sickness and maternity leave</td>
</tr>
<tr>
<td>WA ratio</td>
<td>Total number of benefit years of persons younger than 65</td>
<td>Total number of labour years of persons older than 15 years of age, excluding benefit years relating to sickness and maternity leave</td>
</tr>
<tr>
<td>L ratio</td>
<td>Total number of benefit years of persons older than 15 years of age, excluding those related to sickness and maternity leave</td>
<td>Total number of labour years of persons older than 15 years of age</td>
</tr>
<tr>
<td>NWA ratio</td>
<td>Total number of benefit years of those persons aged between 15 and the country-specific legal retirement age, thus excluding benefit years related to old age pensions</td>
<td>Total number of labour years of persons older than 15 years of age, excluding benefit years relating to sickness and maternity leave</td>
</tr>
</tbody>
</table>

**Figure 1. WA ratio, 1999**

III. Data limitations and the absence of sophisticated modelling tools:

When discussing the difficulties and constraints in developing indicators in the area of living conditions and social policy monitoring we can’t avoid mentioning the important data limitations that exist in this area. In order to meet the requirement of statistical reliability and comparability across countries, it was clear from the outset that the common indicators would have to rely quite heavily on common EU data sources. However, we
quickly had to recognise that, despite clear improvements in the EU data bases over recent years, there is still too little comparable data available, and much of it is not timely. Small sample sizes or how representative the statistics are, as well as limited cross-country comparability remain problematic.

In particular, much of our poverty and social exclusion indicators are drawn from the ECHP, the EU-wide harmonised panel survey on income and living conditions. The reliability of the income data deriving from this source has often been questioned, and the results have been made available only after a substantial lag. It is to be hoped that as a result of important joint efforts from both Eurostat and the Member States, ECHP data quality will be improved so that the information it contains can satisfactorily be used in the context of the relevant OMCs. It is all the more important that the new EU-SILC, soon to become the reference source for statistics on income and living conditions, effectively addresses some of the weaknesses of the ECHP. For example, it is important that in the future we can calculate poverty rates taking account of housing costs and the value of imputed rents for homeowners. The latter could make a great difference in the poverty rate for countries where home ownership is widespread, even among those on low current incomes (especially the elderly). Information on gross income by components should also be improved to allow the calculation of the indicator of poverty risk before social transfers on a gross basis rather than on a net one.

But it is not only a matter of improving the existing statistical sources. As we have already noted above, some groups particularly exposed to the risk of social exclusion and poverty – i.e., people living in institutions, the homeless, migrants and ethnic minorities - are under-represented or are not covered at all in conventional household surveys. We have always encouraged Eurostat to undertake the necessary efforts to gather information on these groups, but of course we are aware of the enormous difficulties of doing so, especially at the level of the EU.

Finally, the capacity to carry out social policy monitoring also depends on the existence of appropriate modelling tools. This is another area where there is little at the level of the EU. A proper assessment of whether pension systems will provide an adequate pension in the future requires more information than just a simple projection of pension entitlement for hypothetical cases. The level of pensions in the future depends on work histories including future patterns of early retirement, household formation patterns as well as the value and role of other savings vehicles especially the value of houses for owner-occupiers. Some progress is being made to develop tools to do this, namely building dynamic simulation models. But none of them is fully operational and as yet they are only likely to be available in a few Member States. And even if they existed, it would be very difficult to define simple and clearly intelligible indicators based on them.

**IV. The multi-dimensional nature of poverty:**

Poverty is a multidimensional phenomenon that cannot be measured by one single indicator of low income, however this is measured. Looking at the current list as a whole, the concept of social exclusion that emerges seems to be related to lack of income, inequality, lack of employment and lack of education. It is unquestionable that these are the main dimensions of social exclusion, but other areas – such as health, living conditions and housing - remain to be considered. In these domains, a combination of factors – data as well as institutional differences across the EU – made it difficult to define common indicators that could be used across all 15 EU Member States.

We have already devoted quite some time to the discussion of possible indicators of deprivation (i.e., the lack of access to basic goods and services), drawing on the experience of Member States and Eurostat. It clearly emerged that there are difficulties with using these indicators across EU 15 and the Accession Countries based on the available statistics. Apart from the difficulties in defining appropriate indicators – whether by using simple or composite indicators, or a relative or absolute approach – it can be argued that these indicators are mainly about rates of ownership of consumer durables and therefore remain indicators related to income. On the other hand, they could give some indirect measure of persistent poverty: long periods on low incomes will result in depletion of consumer durables that are less likely to be affected by short periods on low incomes. But the lack of a consumer durable may or may not constitute deprivation and local cultural customs will be important in determining whether lacking a micro-wave, just to make an example, should be considered a measure of deprivation. Most important is the very low levels that most of the deprivation indices score in many of the EU15.

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5 The Laeken list already contains one indicator expressing the health dimension of social exclusion and poverty – the self-perceived health status by income (expressed as a ratio of self-assessed health at the bottom and the top quintiles). But we are aware of some of the limitations of this indicator – namely the fact that there is a great deal of volatility over time in the ratio unless a very wide definition of poor health is used and that the results, as well as the distribution of the population by income quintiles, are both affected by the age structure of the population. We decided that we would explore further, with Eurostat’s assistance, the calculation of this indicator. We will also explore the possibility of calculating more pertinent indicators in the area of health, like the premature mortality by socio-economic status and issues related to access to health care.
Increasingly, they show widespread ownership of consumer durables across the whole range of household incomes. The one remaining item that is largely affected by the socio-economic status is that relating to adequate housing. Unfortunately, housing deprivation is difficult to define across the EU, because of the different needs and quality standards across countries – for example, the relatively greater importance of adequate heating in Northern countries relative to the needs in Southern Europe.

Finally, there are some drawbacks to using a portfolio of indicators to represent social exclusion and poverty. Adept users of the Laeken indicators are clear that the assessment of any country’s progress in the fight against social exclusion and poverty must be done using all the indicators. But, inevitably, the general public, particularly journalists, will pick up one or two eye-catching indicators and will draw hasty conclusions from them. The obvious indicator here is the at-risk of poverty rate, which is particularly inappropriate on its own for an analysis of poverty and social exclusion in an enlarged Europe (see Figure 2). It is only with the comparative analysis of the national poverty thresholds that we can illustrate the different level of economic well-being across countries. Figure 3 shows the annual monetary value of the at-risk-of-poverty threshold for a single-person household, in PPS and for each country, as well as for the EU-and ACC means.

**Figure 2: At-risk-of-poverty rate for 1999***

![Figure 2: At-risk-of-poverty rate for 1999](image)


*Source: EUROSTAT*

**Figure 3: At-risk-of-poverty threshold for a single person household in 1999***

![Figure 3: At-risk-of-poverty threshold for a single person household in 1999](image)


*Source: EUROSTAT*
Ireland has solved this problem by formally adopting an official global poverty indicator. It is based on a combination of relative income and deprivation measures known as the “consistent poverty” rate. Basic enforced deprivation is defined as being deprived of at least one of a list of eight essential goods and services (i.e., based on non-monetary indicators), which survey respondents attribute to being unable to afford. This combined income/deprivation measure is believed to give a more accurate picture of the category of the population that experience generalised deprivation due to lack of resources than income poverty lines alone. But the difficulties described above in defining common deprivation indicators for all EU countries will make it very difficult for us to define such a global indicator.

**Future work and conclusions**

Our title has perhaps led us to highlight the difficulties in defining indicators in the area of social policy. Nevertheless, it would be wrong to draw a pessimistic conclusion about the progress that the ISG has made in the two and a half years since we were established. For the first time this year, each Member State has a framework with quantitative indicators to report on progress being made in combating poverty and social exclusion. We are also very close to agreeing on a set of indicators that enable Member States to compare their progress in pension reform with that in other countries, not only in the area of fiscal sustainability but also on matters of adequacy.

The 15 Member States have now submitted their National Action Plans against Social Exclusion and Poverty for the years 2003-2005. We have not yet had the time to review the use of indicators and targets in this second round of NAPs/incl. This will be a precious opportunity for us to make an evaluation of our work and draw lessons for our future work in the area of social exclusion and poverty.

We also need to reflect on the implications for our work of the Commission’s Communication on Streamlining. Concerning indicators, the Communication recommends to “ensure that the overall number of indicators is kept as concise as possible”. At the same time, the SPC has requested us to step up our activity on developing new indicators, particularly in the areas mentioned above. We believe that streamlining should not undermine the work to develop indicators in response to Council mandates as well as the views of the SPC. The need to reach agreement is only a small factor in determining the number of indicators; more important is the need to encompass the multidimensional nature of the phenomena under observation – namely, of social exclusion and poverty – and to respond to the various policy mandates.
## ANNEX:

LIST OF INDICATORS IN THE FIELD OF POVERTY AND SOCIAL EXCLUSION *

### PRIMARY INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
<th>Data sources + most recent year available</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1a</strong> Low income rate after transfers with breakdowns by age and gender</td>
<td>Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. Age groups are: 1. 0-15, 2. 16-24, 3. 25-49, 4. 50-64, 5. 65+. Gender breakdown for all age groups + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>1b</strong> Low income rate after transfers with breakdowns by most frequent activity status</td>
<td>Percentage of individuals aged 16+ living in households where the total equivalised household income is below 60% national equivalised median income. Most frequent activity status: 1. employed, 2. self-employed, 3. unemployed, 4. retired, 5. inactives-other. Gender breakdown for all categories + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>1c</strong> Low income rate after transfers with breakdowns by household type</td>
<td>Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. 1 person household, under 30 yrs old 2. 1 person household, 30-64 3. 1 person household, 65+ 4. 2 adults without dependent child; at least one person 65+ 5. 2 adults without dep. child; both under 65 6. other households without dep. Children 7. single parents, dependent child 1+ 8. 2 adults, 1 dependent child 9. 2 adults, 2 dependent children 10. 2 adults, 3+ dependent children 11. other households with dependent children 12. Total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>1d</strong> Low income rate after transfers with breakdowns by tenure status</td>
<td>Percentage of individuals living in households where the total equivalised household income is below 60% national equivalised median income. 1. Owner or rent free 2. Tenant 3. Total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>1e</strong> Low income threshold (illustrative values)</td>
<td>The value of the low income threshold (60% median national equivalised income) in PPS, Euro and national currency for: 1. Single person household 2. Household with 2 adults, two children</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>2.</strong> Distribution of income</td>
<td>S80/S20: Ratio between the national equivalised income of the top 20% of the income distribution to the bottom 20%.</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>3.</strong> Persistence of low income</td>
<td>Persons living in households where the total equivalised household income was below 60% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>4.</strong> Relative median low income gap</td>
<td>Difference between the median income of persons below the low income threshold and the low income threshold, expressed as a percentage of the low income threshold. Gender breakdown + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td><strong>5.</strong> Regional cohesion</td>
<td>Coefficient of variation of employment rates at NUTS 2 level.</td>
<td>Eurostat LFS (2000)</td>
</tr>
<tr>
<td><strong>6.</strong> Long term unemployment rate</td>
<td>Total long-term unemployed population (≥12 months; ILO definition) as proportion of total active population; Gender breakdown + total</td>
<td>Eurostat LFS (2000)</td>
</tr>
<tr>
<td><strong>7.</strong> Persons living in jobless households</td>
<td>Persons aged 0-65 (0-60) living in households where none is working out of the persons living in eligible households. Eligible households are all except those where everybody falls in one of these categories: - aged less than 18 years old - aged 18-24 in education and inactive - aged 65 (60) and over and not working</td>
<td>Eurostat LFS (2000)</td>
</tr>
</tbody>
</table>
### PRIMARY INDICATORS

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<tr>
<td>8. Early school leavers not in education or training</td>
<td>Share of total population of 18-24-year olds having achieved ISCED level 2 or less and not attending education or training. Gender breakdown + total</td>
<td>Eurostat LFS 2000</td>
</tr>
<tr>
<td>9. Life expectancy at birth</td>
<td>Number of years a person may be expected to live, starting at age 0, for Males and Females. Gender breakdown + total</td>
<td>Eurostat Demography Statistics</td>
</tr>
<tr>
<td>10. Self defined health status by income level</td>
<td>Ratio of the proportions in the bottom and top quintile groups (by equivalised income) of the population aged 16 and over who classify themselves as in a bad or very bad state of health on the WHO definition Gender breakdown + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
</tbody>
</table>

### SECONDARY INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Definition</th>
<th>Data sources + most recent year available</th>
</tr>
</thead>
<tbody>
<tr>
<td>11. Dispersion around the low income threshold</td>
<td>Persons living in households where the total equivalised income was below 40, 50 and 70% median national equivalised income threshold</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td>13. Low income rate before transfers</td>
<td>Relative low income rate where income is calculated as follows: 1. Income excluding all social transfers 2. Income including retirement pensions and survivors pensions. 3. Income after all social transfers (= indicator 1) Gender breakdown + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td>14. Gini coefficient</td>
<td>The relationship of cumulative shares of the population arranged according to the level of income, to the cumulative share of the total amount received by them</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td>15. Persistence of low income (below 50% of median income)</td>
<td>Persons living in households where the total equivalised household income was below 50% median national equivalised income in year n and (at least) two years of years n-1, n-2, n-3. Gender breakdown + total</td>
<td>Eurostat ECHP 1997</td>
</tr>
<tr>
<td>16. Long term unemployment share</td>
<td>Total long-term unemployed population (≥12 months; ILO definition) as proportion of total unemployed population; Gender breakdown + total</td>
<td>Eurostat LFS 2000</td>
</tr>
<tr>
<td>17. Very long term unemployment rate</td>
<td>Total very long-term unemployed population (≥24 months; ILO definition) as proportion of total active population; Gender breakdown + total</td>
<td>Eurostat LFS 2000</td>
</tr>
<tr>
<td>18. Persons with low educational attainment</td>
<td>Educational attainment rate of ISCED level 2 or less for adult education by age groups (25-34, 35-44, 45-54, 55-64). Gender breakdown + total</td>
<td>Eurostat LFS 2000</td>
</tr>
</tbody>
</table>

* Please note: the expression “low income” was changed into “risk of poverty”.
REDISTRIBUTIVE EFFECTS OF SOCIAL PROTECTION:
NEW CHALLENGES FOR ITS MEASUREMENT

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Two major areas of concern are usually present on measuring the redistributive effects of social protection: the reduction of income inequality and the reduction of monetary poverty that results from the social transfers. The normal procedure consists of considering the actual and the pre-transfer income distributions and then comparing, using adequate statistical methods, the inequality and poverty that characterize both income distributions. This is a questionable approach for several reasons. Firstly, the reductions of income inequality and of monetary poverty are not the ultimate goals of social protection and, therefore, the redistributive content of social protection should be discussed. Secondly, the scope of inequality and of poverty cannot be limited to their static dimensions as this approach conveys, since there are dynamic and, therefore, either intra or inter-generational dimensions of inequality and of poverty should be considered. Thirdly, the redistributive effect cannot be viewed only in the strict terms of monetary inequality and poverty, since there are non-monetary dimensions of welfare and also of social protection that should be included in this redistributive analysis. This paper is addressed to a critical view of the traditional methods used for the analysis of the redistributive effects of social protection, and is mainly focused on the discussion of the content of such redistributive effects and its analytical implications as it results from the present functions of social protection in the context of the European social model.

1. Introduction

When discussing the modernization of the Social Security Systems, the increase of their efficiency is one of the major concerns and is in the forefront of the academic and political discussions. To discuss efficiency of social security systems means to focus the attention on the relation between the social security expenditure (input) and the objectives to be attained of these systems (the outputs and outcomes of the systems), and three aspects are to be considered in such discussion (Holsch and Kraus, 2002): the allocative efficiency (which deals with the "production" effect of social security, namely the adverse effects on labour supply and personal savings, the classical efficiency-equity economic trade-off), the distributive efficiency (the "redistribution" effect of social security, that is the extent of redistribution achieved by social transfers) and the administrative efficiency (the share of transfers that actually reach the recipients, not being lost in the administrative process).

Measuring the redistributive effects of social benefits means to look strictly at only one (though quite relevant) dimension of the efficiency of the social security system. But the social security systems of the Member States of the European Union are intended to fulfill various objectives, and the redistributive aims are not clearly evident in all of them: (i) to make work pay and provide secure income; (ii) to make pensions safe and pension systems sustainable; (iii) to promote social inclusion; and (iv) to ensure high-quality and sustainable healthcare [COM (99) 347]. That is, social security systems have a redistributive content, but also a productive/allocative function of social protection. This means that the identification of this redistributive area of concern requires to previously discussing the relevance of "correcting" the income distribution as an objective of social security.

2. Why to measure redistributive effects of social protection?

The most common way how to measure the redistributive effects of social benefits consists of comparing two income distributions: the actual income distribution and the pre-transfer income distribution, that is, as if social transfers would not exist in that society. Such comparison is usually made in terms of the income inequality and poverty that characterize such distributions, making use of inequality and poverty measures with ade-
quate properties. Therefore, the measurement of the redistributive effects of social protection usually consists
of measuring the occurred changes on income inequality and income poverty that results from the existence
of social transfers. The usual methods consider household as the income unit, and the current annual income.

Such measurement is of great relevance for policy analysis for several reasons: (i) it responds to an academic
interest of categorization of social security systems, on an international comparative basis, by identifying com-
mon patterns of redistributive effects; (ii) it allows some evaluation of national social security systems by look-
ing at their distributive efficiency and effectiveness; (iii) it permits to take account of the sustainability of so-
cial security systems in the context of reform required by the major financial constraints these security systems
are facing.

When conducting international comparative analyses of social security systems, it is commonly recognised that
the extent of redistributive action of social security systems results, to a great extent, from the characteristics
of these systems. Therefore, the redistributive effect of social transfers is an important dimension for their com-
parison. An example of integration of redistributive effects of social security in comparative analyses of social
transfer systems is the recent research of Kraus (2000), Holsch and Kraus (2002, 2003) on monetary transfers
others than pensions. Looking at the European social transfer systems, the authors use relevant indicators of
their redistributive patterns to discuss the linkage between social security strategies (relative to funding, level
of protection and conditions for benefit entitlement) and redistributive effects of such social transfer systems.

Distinctive social security strategies were identified that correspond to different traditions ("social insurance",
"welfare state" or "social assistance" traditions) and the authors could prove, using empirical methods, that the
redistributive pattern of social transfer systems is highly influenced by the strategies followed by the various
countries. This is of high policy relevance for discussing social protection at the EU level, given this diversity
of welfare regimes and the ongoing discussion and implementation of reforms of such systems.

Redistributive criteria are also usually considered on the evaluation of social security systems. There is some
tradition of theoretical thought and empirical work on the adequacy of social security in the EU by looking at
the effect of social transfers on income inequality and on monetary poverty, that dates back to the first Com-

munity Programme to Combat Poverty (Deleeck, H. et al., 1992). This is, however, a questionable issue, given
that not all social transfers aim at the reduction of income inequality and/or income poverty but, instead, to pro-
vide security through the provision of insurance or the redistribution of household income through time as
forced savings (Atkinson, 1995). This means that, for reaching these aims, social security systems do not need
to promote inter-household vertical equity, and therefore other concepts of equity and other approaches to in-
equality measurement are required (horizontal equity, lifetime income inequality, intergenerational equity).
But some social transfers are concerned to income inequality, in the above sense, and to monetary poverty: it is
the case of social assistance transfers which are aimed at those households or individuals below a certain level
of economic resources (income) and whose eligibility is determined by means testing. This has originated some
evaluation studies of social assistance programs in the EU either in a comparative perspective (O’Donoghue,
C. et al., 2000) or intending to evaluate national programs as, for example, the portuguese guaranteed mini-
mum income (Gouveia, M., Rodrigues, C.F., 1999; Rodrigues, C.F. 2001). The approach followed in such stud-
ies consists of using indicators of target efficiency of social assistance and of their effectiveness to reduce
poverty, following the methodology by Beckerman (1979).

We must also take into account the extent of income redistribution that social security systems operate when
analyzing the financial sustainability of these systems in the present context of their reform. This is of high rel-

evance for pension systems and it is another reason for measuring the redistributive effects of social protection,
although with a broader view of income distribution change. The pay-as-you-go pension systems operate some
income redistribution if we involve, in the analysis of such systems, either the transfers (for recipients) or the
contributions for funding the system. And this income distribution can be viewed in two distinct ways, or per-
spectives: either in terms of lifetime income of various generations (by changing the intergenerational income
inequality or, instead, keeping it unchanged), or in terms of inter-contemporaneous income distribution (given
the contributory-recipient relation prevailing in the working of this system). All the reforms of the social secu-

rity systems that operate some change on the pension regimes generate some change of income distribution (in
those senses above) that should be adequately measured. The major difficulty is found on the availability of
data. It requires the use of household budget survey data on income, with adequately detailed and reliable
breakdown of income sources and taxes. But it also requires less easily available administrative data on lifetime
recorded income and contributions/taxes, so that these kinds of analyses are less frequent.
3. Poverty change as redistributive effect of social transfers

Additional difficulties come when we need to incorporate, on redistributive measurement, new distributional concepts. This is the case of poverty, as a quite relevant redistributive dimension of social transfers. Since the late 1980s there have been some important changes in the conceptualization of poverty and on the framework of poverty analysis in Europe, and some consensual views are emerging that stress on two major characteristics of poverty as a social phenomenon of greater concern for social policy:

✓ the multidimensional character and the non-monetary content of the concept,
✓ the dynamic character of poverty.

Such broader view of poverty (as a multidimensional, non-monetary and dynamic concept of social disadvantage) contrasts the stricter concept of one-dimensional and static monetary poverty that is usually considered in redistributive analyses of social protection. Furthermore it challenges the traditional methods of measurement and requires distinctive and more sophisticated information sources.

The change in focus, from monetary poverty (one-dimensional approach) into deprivation (a multidimensional approach), is of great relevance for poverty analysis since it means that the appraisal of social disadvantages should be made directly, looking at the living conditions of individuals or households and not indirectly through the measured gap between current income (or expenditure) and the minimum income (or expenditure) required to buy the needed goods and services. This means that the redistributive effect of social transfers should be measured through its impact on welfare using a direct approach of measurement and not only to the occurred change on income distribution.

Indeed, monetary income (or expenditure) poverty, when based on the recorded current (annual) income, is not an adequate indicator for poverty measurement in some cases:

• this is the case of those needs that require the ownership of durable or capital goods (such as housing facilities) or investment in human capital where current income is not a sufficient condition to meet the needs of individuals and groups in the society; it is required, instead, to have regular income flows over the life-cycle for facing the required financing of such expenses;
• It is also the case of those needs that require non-market solutions for their provision, namely those that, for efficiency or equity reasons, are to be provided by the government; preferences are something different from needs, and its social dimension is related to social norms that prevail in society;
• income in kind (that is, non-monetary, non-earned income) can also be an important component of household income, mostly in less developed regions, where markets are not sufficiently developed and the own-account production may represent a relevant part of household resources. Monetary income is not, in this case, an adequate proxy for the capability for meeting basic needs, and informal activities may be an important element of life strategy of some individuals and groups in society (though questionable in normative terms);

This means that current (annual) monetary income is not the only appropriate variable to measure the redistributive effect of social transfers. It also means that the measuring of the redistributive effects of transfers should be complemented by measuring the effect of such transfers on population welfare, given its multidimensional direct approach. Indeed, some particular attention should be devoted to the relation of current (annual) income with welfare taking into account two relevant issues that I stress.

Firstly, some recent studies on deprivation analysis (Silber, J., Sorin, M, 2003; Perez-Mayo, J., 2003; Pereirinha, J. 2003) have concluded that there is non-coincidence of poor population according to both criteria of deprivation (using direct indicators of living conditions) and of monetary poverty: some households with multiple deprivation are monetary poor, others are not; some monetary poor households are multiple deprived, others are not. It is the well-known question of false-positives and false-negatives on trying to identify target groups when two criteria are present in such identification. There is a “core” poverty, that is, the population that is poor according to both criteria, which is relevant for policy design; and both criteria are necessary for its identification: the use of only one criterion may be misleading for policy purpose; this (non-coincidence) is an important issue for measurement (and relevant for social policy).

Secondly, income transfers do not necessarily create higher welfare, for several reasons; but there is one that is often neglected and of great relevance: the intra-household economic inequality. It is related to such matters as
the intra-household income distribution and the intra-household distribution of economic power, with great effects on economic decisions that affect welfare of all household members. It is not only household size and household composition (and, then, the scales of equivalence) that matter when relating income to welfare but also, to a great extent, that of economic power and its distribution within the households.

Furthermore, the focus on a direct, non-monetary, multidimensional approach is an important issue for non-material needs, for those needs less distributional-based and more relational in character, and for an approach to the analysis of disadvantage supported on some normative view of rights. This is the case of social inclusion, as a recognized objective of social protection. But this has not directly distributional content. This means that the analysis of the redistributive effect of social transfers requires relating the occurred change on the income distribution to other dimensions. Here is a crucial challenge to measurement.

4. To promote social inclusion: new challenges to measuring redistribution

Indeed, an additional reason for measuring the redistributive effects of social protection is found on other function of social protection which have been identified by the Commission and the Council and confirmed by the Lisbon European Council: the objective of promotion of social inclusion. This originates new challenges to measurement of their redistributive content.

The objective of promotion of social inclusion has an evident (though indirectly) distributive content, either in the sense of allocation of resources to those in risk of poverty and social exclusion or in terms of the evaluation of population welfare. But the measurement of the redistributive effects of social transfers, when we focus on social inclusion/exclusion, challenges the usual methodological procedures and the current statistical data.

Social exclusion became a central concern of European social policy and a reference concept for analysis of social problems. More recently, this focus is evident from Lisbon Summit of March 2000 on emphasizing the role of social policy in coordination with employment and economic policies when addressed to combat poverty and social exclusion. At the scientific level, the progress on social indicators that followed Laeken Summit of December 2001 originated indicators for measuring poverty and social exclusion on a broad scope of such multidimensional phenomenon trying to fill up a longstanding scientific gap.

The emergence of the concept of social exclusion in Europe, rather spread over the EU since the late 1980s, has originated some new orientation of social policies, which can be summarized as follows:

• social exclusion was elected as a guiding principle of social policy analysis with focus on social rights of citizenship, and addressed to the identification of those factors that facilitate and those that constrain the exercise of such rights as they are defined by universal or by categorical (addressed to groups or problems) policies. This means an operational concept of social exclusion as a situation when the exercise of social citizenship is denied to some members of the population.

• but the relevance of social exclusion as a concept for social policy analysis is also to be found on those dimensions that involve the participation of the individuals in society, the improvement of the sense of membership to society and of active citizenship (that is, the French-sociological-based concept of social exclusion, following the concept of disaffiliation, or that of disqualification). This means that we are considering another component (a new generation) of social rights, those of social integration type.

This implies that the redistributive effect involved in this objective of social protection requires relating the above dimensions (of a great qualitative content) to resources (where the distributional aspects are included). This is rather relevant dimension of redistribution: that which is required to fulfill other (non-distributive) objectives (inclusion, non-exclusion).

5. Monetary poverty with deprivation and social exclusion: the GMI

But the focus on deprivation and social exclusion as analytical concepts does not eliminate the need of monetary poverty in social policy analysis. That is, the use of a direct approach does not eliminate the need of a monetary poverty line. Income is required, on its own, for analytical purposes of poverty. This happens for several reasons.
Firstly, in modern societies, lack (or insufficient) income is the most important factor of deprivation, and originates several forms of social exclusion. Deprivation is related to income to a less or greater extent.

Furthermore, it should be stressed the relevance of a poverty line as a monetary reference for minimum income schemes and as a normative line of separation among poor and non-poor population, given the difficulty of making such separation in multidimensional measurement of poverty. In addition, the need of quantifying the costs of social policies when addressed to the poor requires the computation of the amount of the value of the in-kind poverty gap, when such policies take the form of provision of goods and services or transfers in kind.

But the higher relevance of the joint use of both approaches (monetary and direct-multidimensional) in social policy is to be found in the case of the Guaranteed Minimum Income, as it is the case of the most recent generation of minimum income schemes in Europe (the French, Spanish and Portuguese social-integration type of GMI), that follow the Council Recommendation on common criteria concerning sufficient resources and social assistance in social protection systems (92/441/EEC).

The policy orientation of this social policy (GMIIncome) corresponds to a mix of three distinct (but complementary) objectives, meaning an integration of above approaches of indirect-monetary poverty and direct-multidimensional deprivation:

• that of monetary poverty

  [the recognition of the right to a minimum subsistence income to those people who do not have resources, irrespective of having or not paid contributions to the social security system];

• the social exclusion in the sense of social rights

• social exclusion in the sense of integration rights

  [this right to minimum subsistence income is conditional to an effort of social insertion, being the state engaged on the design of programmes of individual or family insertion, of social and/or professional character];

This is a good example of how income poverty and social exclusion are both integrated, reinforcing each other. On the one hand, the income transfer is conditional to integration; on the other hand, the income transfer facilitates the correction of life trajectory in view of the integration in economic and social life.

This means that the redistributive effect of social transfers, in case of the guaranteed minimum income, requires taking into account a rather complex set of dimensions.

6. The dynamic dimensions of poverty

Another relevant issue, when dealing with the redistributive effects of transfers, relates to the dynamic aspects of the income distribution and of welfare. Indeed, when analyzing income distribution and monetary poverty, it is not only the income earned (as a flow) that matters. It is also, of great relevance, two other issues: (i) the regular (or non-regular) working of such flow; (ii) the process of income generation.

Looking at the former, one can say that the existence of an irregular income flow is a serious constraint to welfare and, as well, to economic decisions that require a lifetime spread of costs and prospects of economic returns (like investing in a business, or investing in education). On another hand, the persistent situation of poverty (in the sense of lack of economic resources = income) may be related to factors that cannot be easily solved by the same policy measures as that of temporary poverty. For example, in many situations, minimum income schemes may be not adequate for such situations if other measures, prior to this and more strictly addressed to the generation factors, are not envisaged.

On considering the later issue, as far as the process of income generation is concerned, more emphasis has to be made on the processes of poverty generation, that is, on the factors and mechanisms of poverty production that act along time: these factors are to be found on the family (child poverty is in the origin of a trajectory of poverty), school (schooling failure and early leave from the schooling system) and labour market (early participation in labour market, low investment in human capital). Another issue is the fact that a higher effectiveness of antipoverty policies requires their sustainability, since they act with long-term effects and their durability on time is required; this justifies the time-duration of policy measures addressed to the correction of personal trajectories of impoverishment.
Therefore, on dealing with monetary poverty, when it is present in poverty analysis, a dynamic approach is required (and not merely a static one). This means that a time dimension (that is, a dynamic approach) should be present on measuring the redistributive effect of social transfers, given that differences on the regularity of the income flows and the processes of income generation among individuals/households account for different distributive effects (that is, the effect on inequality and poverty) of social transfers.

7. The ESOPO project on social assistance in Europe: an example of a broader view of policy effects

ESOPO project was a social research project on the analysis of social assistance means-tested income support policies for the “able-bodied poor” at the level of several cities in six EU countries. The results of this research (Saraceno, C. ed, 2002) illustrate some of above-mentioned issues and may help us to clarify the need to incorporate new dimensions of redistributive analysis of social protection.

Two major theoretical orientations characterize this research: (i) the cities are considered as local systems where poverty is produced and socially recognized for social policy; (ii) poverty is a dynamic phenomenon and the policies addressed to the poor are a constitutive part of those processes that generate poverty/exclusion and those that enable the individuals to leave out the poverty.

The research on poverty processes and the effect of anti-poverty social policies consisted of the combination of different methodologies where the dynamic character of the processes have been present, either conducting interviews with the beneficiaries and social workers or through the use of longitudinal data aiming at the fitting of survival curves for the analysis of the time pattern of assistance.

What is really relevant for our discussion is the (implicit) distributive content of social assistance as they have been analyzed in the research. The social transfer allocated to the beneficiaries is considered not only as an additional income but mainly as an additional amount of resources required to reverse the trajectory of impoverishment. Therefore, the redistributive effect of social transfers, which are considered jointly with the working of other components of the policy measure, is measured and evaluated as far as the qualitative effect of life trajectory is concerned.
References


Beckerman, W. (1979) The impact of income maintenance programmes on poverty in four developed countries. ILO.


The aim of this paper is to contribute to the development of indicators for social protection that are helpful in the processes of ‘benchmarking’ and ‘learning from best practices’. The importance of such indicators is underlined by the recent call by the Commission of the European Communities for more streamlining of policy coordination on social protection. In order to serve their purpose, these indicators should be synthetic, reflect policy inputs, be related to the main objectives of social protection arrangements, and be timely. Drawing on a review of the state-of-the-art in current research on the links between welfare state arrangements and social outcomes, we suggest that the model family approach would be a most useful instrument to develop indicators of social protection arrangements, and to link these indicators to indicators of social outcomes.

The model family approach basically involves calculating the gross and net disposable incomes for a large set of hypothetical families, given existing welfare state arrangements and market incomes. An important advantage of the method is that it takes full account of the fact that household incomes are always income packages, implying that they are mostly the result of not one but several welfare state arrangements (social security transfers, social security contributions and taxes, including tax credits and reductions, but also childcare subsidies and minimum wages). The adequacy of social protection arrangements cannot be properly assessed when one only looks at the characteristics of single welfare state arrangements, because the social impact is always determined by the whole policy package of which a particular arrangement is a part. A simple but important (and often neglected) instance of this is that the model family approach allows us to look at net incomes and transfers, instead of gross amounts (on which most official statistics of social protection arrangements are based).

The model family approach has the potential to yield quantitative and synthetic input indicators of social protection arrangements for all EU Member States. It can help in establishing the links between social protection arrangements and outcomes. This can be achieved through cross-country comparisons of synthetic input indicators on the one hand and outcome indicators on social inclusion, including those agreed at the Laeken council, on the other hand.

We believe that the model family approach can be an important instrument in the context of the Open Coordination Method, which involves Member States learning from each others ‘best practices’. Such learning cannot take the form of simply transferring particular arrangements from one welfare state to another one. Depending on the context in terms of other arrangements and the socio-economic situation, similar arrangements may well lead to very different outcomes. Understanding the relations between arrangements and the relationship between policies and different outcomes indicators is therefore crucial. The model family approach can play an important role here, as it reveals the complex ways in which social protection arrangements interact with each other to provide adequate (or less than adequate) income protection to persons and families.

Introduction

Almost exactly three and a half years before this seminar, in March 2000, the European Council of Lisbon outlined its socio-economic strategy for Europe. It stressed that social protection systems which are able to meet current social and economic challenges are essential for the promotion of economic growth, as well as social cohesion. It espoused the Open Method of Coordination, which is currently implemented in the fields of labor
market policies, social cohesion and pensions. While developments on these fronts are encouraging, the Com-
mission now calls for more streamlining of policy coordination on social protection, in order to enhance the
quality and the coherence of the overall socio-economic governance of the EU. (Commission of the European
Communities, 2003: 4). To quote further from this document (p. 13):

“A particular challenge for the new streamlined social protection process is that it should be
able to monitor progress across the social protection field towards the agreed common objec-
tives in a way which is both transparent and effective in driving forward policy reform. Devel-
opment of a set of commonly agreed indicators fully reflecting the common objectives is es-
ential. […] While the development of indicators needs to cover a wider field, it will be
necessary to ensure that the overall number of indicators is kept as concise as possible.”

This paper aims to contribute to the development of indicators for social protection that are helpful in the pro-
cesses of ‘benchmarking’ and ‘learning from best practices’. With this aim and these criteria in view, we do the
following. First, we present a state-of-the art in current research on the links between welfare state arrange-
ments and social outcomes. An important insight in this context is that household incomes are always income
packages, implying that mostly they are the result of not one but several welfare state arrangements (e.g. min-
imum wages, social security transfers, childcare subsidies, tax credits and reductions). Outcomes cannot be un-
derstood when one only looks at the characteristics of single welfare state arrangements, because outcomes are
always determined by the whole policy package of which a particular arrangement is a part. Drawing on this
insight, we propose in the second section of this paper a particular strategy for the development of indicators
of social protection, which relies on the model family approach.

This paper is limited to indicators regarding the income adequacy of social protection arrangements; a limita-
tion mainly motivated by practical reasons. This is already a very large subject; and comparative research has
made greater advances here than in the very complex fields of health care and personal welfare services.

2. Current state of the art

Below we will review current research on the links between policy input and well-being outcomes, drawing out
stylised facts and remaining gaps. It is by no means intended as a complete literature overview.

2.1 As regards outcomes

There is now an extensive body of comparative empirical research into poverty and income distribution, which
was boosted by the creation of the Luxembourg Income Study (LIS) (e.g. Bradbury and Jäntti, 2001) database,
and by the European Community Household Panel (ECHP). One important finding is that the risk of income
poverty is generally larger among those who draw social benefits than among those who are not (with the im-
portant exception in some countries of the elderly). However, an important qualification here is that household
types with above-average poverty rates can nonetheless constitute a small share of the total population of fam-
ilies in poverty. E.g. households with one or more workers generally do not show up among the high-risk
groups, yet the ‘working poor’ account for a majority of the non-elderly poor population in many countries

2.2 As regards input

Among studies of welfare state arrangements one can distinguish four types.

First, there are studies which aim at creating a work of reference, and which can be seen as compendia of facts,
e.g. MISSOC. This is clearly important work, which enables one to compare details of particular welfare ar-
rangements, such as the eligibility rules of particular social security benefits. However, one tends to lose sight
of the forest because of the trees. Also, the actual income of a households is an income package, which can be
the result of several different arrangements, as well as market incomes and taxes, and the interactions between
these.

Second, some quantitative studies compare expenditure on social security and other welfare state arrangements
over time and across countries, using data from the National Accounts (e.g. Adema, 1996). A problem is that
those data are not consistent over time. Also, such studies do not reveal how those amounts are spent, i.e. they
do not tell anything about distribution.
Third, analysts (Titmuss, 1974, Esping-Andersen, 1990 and many others) have produced social security and welfare state typologies, which depart from institutional characteristics and not from data on outcomes. These typologies tend to have many similarities, and to group national welfare states in more or less the same way. However, while Titmuss emphasized the importance of the package of social and fiscal welfare (and the link between minimum wages, wage dispersion, social and fiscal expenditures), this gets very little attention in the more empirically grounded typology of Esping-Andersen.

Fourth, at a more down-to-earth level there are comparative studies of welfare state arrangements using model family types. (E.g. Bradshaw, 1993, for social assistance and family related benefits; OECD, 1999, for unemployment benefits; Bradshaw and Finch, 2002, for family related benefits.) These studies explicitly take the interactions between different arrangements (social security, means-tested benefits, taxes, childcare subsidies) into account, and in this way can paint a complete picture of e.g. social protection for families with children. An obvious but important advantage of this approach is that they provide information on net (post-tax) benefits, while most official statistics are about gross (pre-tax) benefit levels. Also, such studies can reveal dependency traps, if the post-benefit, post-tax income of a family is shown to increase marginally or not at all when one of the family members starts working or increases her working hours.

2.3 As regards the links between input and output

Less is known about the links between welfare state arrangements and outcomes than about each of these separately. An important reason for the relative lack of studies on this issue is that studies of welfare arrangements and of well-being outcomes employ different data, very much different analytical methods, and therefore tend to be carried out by persons with little contact with one another. Among the studies which have been done, one can distinguish four approaches.

First, comparing pre- and posttransfer incomes, where pre-transfer income is defined as income before taxes are deducted and social benefits are added (Mitchell, 1991; Deleeck et al., 1992; Social Europe, 1999). Studies using this approach generally show that social transfers have a big impact on poverty rates and the extent of income inequality. An important qualification is that some of these studies look only at benefits and do not take taxes and social contributions into account, thereby overestimating the poverty alleviating effect of social benefits. Moreover, a key general limitation of this approach is that it takes the pre-transfer income distribution as given. Actually, social policies can have both a direct impact on this distribution through e.g. minimum wages and subsidised employment, as well as influence it indirectly through the effect of benefits on labour supply (viz. dependency traps).

Secondly, there are studies which compare welfare state typologies with outcome indicators, showing that poverty is lowest in social-democratic welfare states, followed by conservative and liberal welfare states (in this order) (Korpi and Palme, 1998). However, the relation is very imperfect: some ‘conservative’ welfare states (Benelux countries) have poverty rates that are almost as low as the social-democratic ones; there are large differences between countries within the liberal cluster. In other words, welfare state type is not a very good predictor of outcomes in terms of income poverty and inequality.

Thirdly, studies which relate total social expenditure to poverty and income inequality reveal an almost linear relationship between the former and the latter two variables (Bradbury and Jäntti, 2001; Beblo and Knaus, 2001; Cantillon et al., 2002). These findings have led some analysts to the conclusion that the single clear lesson from cross-country comparative research is that poverty rates require high spending on social transfers. However, it is not clear how this relationship comes about. The linear relationship seems to suggest that it does not matter in what way social transfers are distributed, but only how much is spent. Such an inference would be wrong; in an earlier study we found that if low-spending EU Member countries would raise social benefits within their current systems (assuming costs would be met by a linear tax on earnings), poverty rates would not drop, but could even increase (Van den Bosch, 2002; Cantillon et al., 2003). This suggests that high-spending countries tend to distribute social transfers in a particular way. Moreover, part of the relationship may be indirect: through the effect of welfare state arrangements on the wage distribution. E.g., some countries with publicly financed child care arrangements may help keep mothers with small children in employment, while in other countries, the high price of private child care may force women to discontinue their working career.

Fourthly, comparative studies using tax-benefit micro-simulation models (e.g. Sutherland and Piachaud, 2001: EUROMOD, De Lathouwer, 1996, on unemployment benefits in The Netherlands and Belgium) can distin-
guish between differences in outcomes due to different policies and those due to differences in the socio-economic context. However, these models generally do not take into account the effects of welfare state arrangements on behaviour, e.g. through dependency traps. Also, individual regulations tend to be analysed in isolation, without taking into account that they may form a coherent whole, and therefore influence each other. Another problem is that at present there are operational tax-benefit models for only a limited number of countries.

The points made above can perhaps be usefully illustrated by reference to the discussion on universal and selective (targeted, means-tested) benefit systems. Analysts working in the welfare state typology tradition have shown that ‘universal’ welfare states tend to lead to lower poverty rates than more selective welfare states (Korpi and Palme, 1998). Yet, microsimulation studies (as well as studies comparing pre- and post transfer incomes) always indicate that targeted social benefits are a more cost-effective way of alleviating poverty than universal ones. (E.g. De Lathouwer shows that the partially means-tested and generally better targeted unemployment benefits of The Netherlands are more efficient in alleviating poverty than the more universal unemployment benefit system of Belgium.). Part of the explanation of this paradox is that universal welfare states spend more on social transfers than selective welfare states. The reason for the difference in total expenditure may be that countries that rely on targeted social protection tend to have relatively low benefits (as well as low minimum wages). Another part of the explanation may be that targeted and especially means-tested benefits can create dependency traps, thus discouraging labour supply.

3. Linking input and output indicators: the model family approach

In this section we will present the case for using the model family approach to develop indicators of social protection adequacy. First, we list the criteria which such indicators should meet. Then we describe the model family approach, bringing out its advantages, as well as some problems and limitations. Finally, we provide a few illustrations of the approach.

3.1 Criteria for indicators of social protection

Indicators of social protection should meet certain criteria. First, as the Commission suggest, they should be relatively few in number; yet, they should adequately cover all social protection arrangements. These two conditions mean that indicators we are looking for should be synthetic in character.

Secondly, they should reflect policy inputs, that is characteristics or parameters of social protection arrangements that are or can be determined directly by government policy, such as benefit levels and eligibility criteria. Indicators such as total social expenditure do not meet this condition, as these aggregates tend to be influenced by social and economic developments outside the government’s control, and are more properly regarded as outcomes.

Thirdly, they must be clearly related to the main objectives of social protection arrangements: minimum income protection, maintenance of the acquired standard of living, and promoting social participation, in particular labor market participation.

Fourth, timeliness is important: such indicators should be produced without much delay. Social policies can change rather quickly, and the usefulness of indicators which are out of date is obviously limited. This is a problem in particular for outcome indicators, as the necessary survey data or administrative data generally become available only after several years.

3.2 The model family approach

The model family approach basically involves calculating the gross and net disposable incomes for a large set of hypothetical families, given existing welfare state arrangements and market incomes. Assumptions are made regarding the composition of the families in terms of number and age of the members, their labour market situation (hours of employment, wage level, length unemployment spell etc.), housing situation (owner or tenant) and other important characteristics.

Model family results reveal the level of social protection offered to individuals and families in various kinds of situations, and in this way provide analysts and policy-makers with the necessary data to evaluate the extent to which the three objectives of social protection arrangements mentioned above have been reached. Results for
the long-term unemployed and for social assistance beneficiaries will indicate the adequacy of minimum income protection. Calculations comparing the income situation within and without employment will reveal real replacement rates, i.e. the proportion of former income left, taking into account not only the statutory replacement rates in social security schemes, but also the effect of taxes, means-tested benefits, and so on. Model family results can also bring dependency traps to light: situations where the taking up of a (low-paying) job leads to a reduction, or only a very small rise in family income, thus discouraging (re-)entry into the labor market.

Compared to descriptions of welfare state arrangements, model family simulations show how those arrangements work out for individuals and families in various situations, taking account of interactions between different arrangements. Compared to tax-benefit micro-simulation models, which use empirical data drawn from sample surveys, model family simulations are much more easy to develop. Tax-benefit micro-simulation models have to model taxes and benefits for every household situation occurring in a sample survey, and therefore tend to become large and complex. For this reason, model family simulations are much more transparent than tax-benefit micro-simulation models. Although one can easily use the latter to calculate the net-income of households given their pre-transfer income, it is not always easy to explain why a particular household ends up with a particular level of income, as the rules of the tax and benefit arrangements which play a role can be hidden deeply in program code. By contrast, in model family simulations, the calculations for each model family can be followed step by step, revealing clearly why the outcome is as it is. (With these statements we do not want to deny that tax-benefit models have a valuable role to play. It is self-evident that e.g. Euromod is an important and valuable tool, yielding very interesting results. However, we believe that the model family approach is a valuable complement to micro-simulation models.)

The simplicity of the model family means that they can be developed and adapted in short period of time, so that they are easily kept up to date, always reflecting current policies.

**Problems and limitations**

The most important, but also most difficult decision when implementing the model family approach is the choice of model families. The selection cannot and does not need to be representative in a statistical sense, but the set of model families should more or less cover the range of family types found in society. Groups that are of special interest for policy (such as one-parent families and unemployed persons) could be ‘overrepresented’.

A related problem concerns the best way to synthesise the results of model family simulations into a few numbers. Usually, unweighted averages etc. across model families are used, even though some model families are much more prevalent in the population than others. Possibly, a better alternative could be to use weights estimated from surveys or administrative data. However, these weights or proportions will differ across countries. Calculations using the results of Bradshaw and Finch (2002) suggested that the ranking of countries in terms of the child benefit package changed significantly when weights relevant for Belgium, rather than weights derived from UK data were used.

**3.3 Possible applications and benefits**

The model family approach has the potential to yield quantitative and synthetic input indicators of social protection arrangements for all EU Member States (as well as other countries).

The model family approach can help in establishing the links between social protection arrangements and outcomes. This can be achieved through cross-country comparisons of synthetic input indicators on the one hand and outcome indicators, including those agreed at the Laeken council, on the other hand. Apart from income poverty and inequality, the outcome indicators considered should also refer to other dimensions of social exclusion, such as material deprivation (non-monetary indicators of poverty) lack of productive role, bad housing, lack of education, and poor health.

Understanding the degree of coherence within welfare states and the relationship between policies and the multi-dimensional nature of social exclusion is important in the context of the Open Coordination Method, where Member States have to learn from each others ‘best practices’. However, it is not self-evident that it is possible to translate particular arrangements from one welfare state to another one. What Schettkat (2003: 7) has written on economic policy is, *mutatis mutandis*, also true in the social policy field:
“Learning from other countries in a multi-peak economic fitness landscape is difficult and policy advice is hard to give. [...] It is no longer sufficient to identify the leader and then mimic the institutional arrangement of that country. Instead, the relationship between institutional arrangements and economic performance has to be carefully investigated to reach an understanding of why institutions differ and to decide whether they are ideally suited to the structure of the economy.”

Depending on the context in terms of other arrangements and the socio-economic situation, similar arrangements may well lead to very different outcomes. Understanding the relations between arrangements and the relationship between policies and different outcomes indicators is therefore crucial. The model family approach can play an important role, as they show how social protection arrangements in interaction with each other are translated into family incomes.

### 3.4 Some illustrations

In this subsection we present examples of a few recent applications of the model family approach, which (we hope) will give some glimpses of its potential.

**A comparison of Child Benefit packages in 22 countries.**

The graphs below are taken from a study by Jonathan Bradshaw and Naomi Finch in 2002 for the UK Department of Work and Pensions into ‘child benefit packages’. The child benefit package is the total of tax allowances, cash benefits, exemptions from charges, subsidies and services in kind, which assist parents with the costs of raising children. It is measured by the difference in final income between families with children, and those without, assuming they have the same gross earnings.

Chart 10 shows the great diversity in child benefit packages. Not only are some countries much more generous than others, but different countries use very different arrangements to construct the package. Some countries rely solely on universal child benefits (Austria, Norway), others on tax allowances (Germany, Australia), still others on means-tested child allowances (Italy, Canada), while some countries have a very mixed set of arrangements (France). It is doubtful that any other method would bring this to light so clearly.

Chart 12 shows how the child benefit packages vary by earnings. In many welfare states there is no or hardly any variation (Austria, Belgium, Denmark, Germany, Norway), while the Anglophone countries have considerably larger packages for low-earning families than for those on average earnings (in Australia and Canada there is even nothing left for those with twice average earnings). Due to its tax system, and despite means-testing some of its child benefits, France has a package that increases with earnings.

![Chart 12: Child benefit package by earnings](image)


**The floor in the Belgian welfare state, 1970-2003.**

The following graphs are taken from a recent study by the Centre for Social Policy into trends in minimum income protection in Belgium from 1970 to the present (Cantillon et al., 2003).

Chart 7 shows the evolution of the guaranteed minimum income for families (i.e. at least two persons). This benefit steadily increased from 1975 till the mid-eighties and there was a rise again after 2001. In between there was stability in purchasing power terms, and an erosion of the value of the benefit relative to gross earnings. However, as Chart 13 shows, relative to the net average wage, there is no such decrease, due to the increasing burden of taxes and contributions on wages. Again, this is an important finding, and it is doubtful that it any method other than that of model family could have produced it.

**Chart 7: Trend in purchasing power and relative position (percent of National Income per capita, and percent of average gross wage) of the guaranteed minimum income for a family in Belgium.**

![Chart 7: Trend in purchasing power and relative position](image)
Chart 13: Trend in net guaranteed minimum income, as a percentage of the net average wage (i.e. the net disposable income of the household, supposing that the only income earner would receive the average gross wage).

Trends in minimum incomes in Member states of the EU.

The following graph is the preliminary result of a project currently in progress at the Centre for Social Policy into recent trends in minimum incomes (guaranteed minimum income, minimum pension, minimum wage).* We collect data on gross minimum incomes, but also ask informants to calculate net income packages in 1992 and 2001 for various household types receiving the minimum incomes mentioned.

Chart 2 compares the level of net social assistance in Sweden for four household types, as a percent of the net average wage, in 1992 and 2001. Relative to the net average wage, social assistance has declined by about 13%. Another interesting observation is that in 1992, a couple with two children on social assistance had the same net disposable income as a similar family with a single earner earning the average gross wage. Even more surprisingly, this is only so because the latter family would receive an income supplement - otherwise the family on social assistance would have had a higher net disposable income!

Chart 2: Net social assistance as a percent of the net average wage, for four household types, in Sweden, 1992 and 2001 (including child benefits and housing benefits).

* We thank Kenneth Nelson of Stockholm University for providing the data, and Natascha Van Mechelen of the Centre for Social Policy, University of Antwerp, for processing and producing the chart. Neither of those persons would be responsible for any errors.
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Introduction

The European System of Integrated Social Protection Statistics (ESSOS) is hard pressed to provide adequate information about the development of well being of all members of society in the various member states. This is, amongst other things, due to the different organisational structures of societies (welfare models) manifested in the different roles and weights assigned to the three main pillars of wellbeing - the state, the (labour) market and the family. Countries which relegate a large portion of social services to the household sector, by tax incentives or transfer payments, have a lower labour force participation of women than countries in which the state or private sector (for profit and non-profit firms) are the major suppliers of these services. Does that imply that the degree of socio-economic exclusion is higher or that the wellbeing of society is lower in these countries?

These questions cannot be answered by the kind of data we collect and compare. We only know that women at home are not idle but perform work, which is unpaid in the narrow sense of the word, i.e., they do not get a market wage. But society, by providing social benefits and transfer payments, is in effect paying, at least partly, for goods and services provided for by the household, in particular care work. We simply do not add up (paid) market and (unpaid) household work to gain more insight into the quantity of social services provided in terms of working hours and the quality of the services provided; neither do we know anything about the degree of coverage of all members of society by social services and provider. But even if we leave out the role of the household sector/family for the provision of services and concentrate on market work, we do not distinguish between the quality of work in terms of pay, working hours and career possibilities of persons working in the social services sector in the various welfare models. It does make a big difference to the wellbeing of the worker, however, if he/she is working in the public sector (the Nordic Model) or in small private sector institutions which are not covered by collective wage agreements (the Anglo-Saxon Model) or worse still, in the informal sector (Fagan - Burchell, 2002, Gornick - Jacobs, 1998).

It is this degree of complexity of information we need in order to provide insight into the different strategies countries have to pursue, when reforming their system of social protection in a quest to ensure universal coverage, reduce socio-economic exclusion, provide decent work and promote economic growth. The EU hopes to combat its weak economic growth performance, high unemployment and rising social expenditures in the main through institutional reform. The development of a common social identity is perceived as a necessary step to achieve that goal.

The Amsterdam Agreement, which came into effect in 1999, is the first cornerstone of the institutional reform process, which addresses socio-economic institutions as diverse as education, labour market and social protection systems. The EU claims that these reforms are a necessary response to the increased socio-economic and political integration and interdependence between EU member states resulting from the implementation of a
Single market and the Single currency. The latter represent a change in paradigm, i.e., they entail greater competition for all economic actors which calls for new alliances, often beyond the national borders, to remain competitive. Barriers to mobility of goods and services and factors of production are dismantled to arrive at a common labour market. However, labour markets and their institutions are linked to the social protection system in more ways than one; thus, the reform of labour market institutions and the co-ordination of employment policies along the lines of a common grid may jeopardise the internal consistency of the national institutional architecture, in particular social policy - this provides an incentive to extend policy coordination and reform efforts to social policy.

Increased integration within the EU is, however, not the only source of pressure on the internal consistency of the national socio-economic institutional framework. The changing pattern of employment, family life and international division of labour as a result of globalisation, technical and social change, also impose pressure on the institutional frame work. The fundamental transformation of one or more of these three pillars of social organisation in the wake of globalisation and changing behaviour patterns, calls for a reassessment of the institutional framework and its continued relevance. Given the heterogeneity of systems of social organisation, the focus of reform differs in the various countries according to the strengths and weaknesses of the various models of socio-economic organisation.

In what follows, the extent to which particular welfare systems affect labour market participation, and stratify employment and unemployment on the one hand, and contribute to social exclusion and poverty of certain socio-economic groups on the other, is discussed. From this analysis flows the conclusion that some systems are better able than others to cope with the current trend of behavioural and economic change. Insight provided by such analysis may encourage the development of additional data sources, in particular household satellite accounts, to adapt the current models of social organisation. This may promote convergence between the various models of social organisation without reducing the efficiency and equity of the socio-economic system in one or the other.

The four welfare models in the EU

The EU distinguishes between four different basic models of social protection in Europe (European Commission, 2001):

1. The Anglo-Saxon Model (IE, UK)
2. The Continental European Model (AT, BE, DE, FR, LU, NL)
3. The Scandinavian Model (DK, FI, SE)
4. The Southern European Model (ES, GR, IT, PT)

The Anglo-Saxon social model tends to be referred to as market led (liberal), the Nordic Model as social democratic and the continental European as corporatist (conservative). The functional mechanism of decision-making differs as a result of a different set of institutions and the outcome of the decision process may differ as a result of different motivational forces guiding institutions and socio-economic actors. The models differ in their priorities of protection against risks, their composition of social expenditure, their source of funding and the organisation of service provision.

The Anglo-Saxon (male breadwinner) Model, exemplified by the UK and Ireland, is basically run by the public sector and funded out of general revenue. Access to health services is universal, access to welfare is subject to means testing. This basic scheme of social protection is complemented by private insurance (health and pension schemes), i.e., a system which allows those prepared to pay for it, to enjoy benefits above the minimum provided for by the state (Biffl, 1999, European Commission, 2001, OECD, 1998AB/99AB).

In contrast, the continental European (Bismarck) Model is centred around a social insurance system, comprising health, unemployment and retirement insurance, which is funded out of contributions by employers and em-

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2 AT ... Austria, BE ... Belgium, DE ... Germany, DK ... Denmark, ES ... Spain, FI ... Finland, FR ... France, GR ... Greece, IE ... Ireland, IT ... Italy, LU ... Luxembourg, NL ... The Netherlands, PT ... Portugal, SE ... Sweden, UK ... United Kingdom.
ployees. This basic model is complemented by a system of tax benefits and/or transfer payments to families, based on the number and age of children. The family allowance scheme is paid out of a wage and income tax fund, thus keeping family policy separate from a market oriented wage system. Only a small proportion of the population is not covered by the social insurance scheme, as explained later (Tables 1 and 6).

The Scandinavian model focuses on individual social rights and obligations. The system of social protection is employment centred. Work is not only the source of income but also the means through which the social dividend is distributed. Unemployment insurance is organised by the unions, which explains the high degree of unionisation in Sweden (Gustafsson, 1996). Thus, integration into the labour market is vital for the wellbeing of the individuals. Work related income and services are complemented by public sector services, like child and health care, which can be accessed by every resident. The universal character of welfare services reduces the need for special, means tested integration measures.

In the Southern European (family centred) countries, social protection is somewhat differently organised. Health services are universally accessible, while income protection schemes tend to follow the Continental European insurance model. In addition, the family plays an important role as a provider of care and income support, as unemployment insurance and active labour market policies are underdeveloped compared to the other European models.

Table 1 gives an overview of the 3 basic models; the Southern European system of social organisation is not as homogeneous, combining elements of the three models with varying weights depending on country concerned.

### Table 1: Typology of European Welfare Systems

<table>
<thead>
<tr>
<th>Countries</th>
<th>Anglo-Saxon – Beveridge Model</th>
<th>Continental European - Bismarck Model</th>
<th>Scandinavian Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries</td>
<td>IE, UK</td>
<td>AT, BE, DE, FR, NL, LU</td>
<td>DK, NO, SE, FI</td>
</tr>
<tr>
<td>Basic principles</td>
<td>Welfare (means tested; services/ benefits without prior contributions)</td>
<td>Benefits relative to the former income from work</td>
<td>Benefits relative to the former income from work, universal social services</td>
</tr>
<tr>
<td>Target groups</td>
<td>Unemployed, sick, disabled, older persons, jobless parents</td>
<td>Unemployed, sick, disabled, older persons, families with children</td>
<td>Unemployed, sick, disabled, older persons, families with children</td>
</tr>
<tr>
<td>Functional profile</td>
<td>Benefits to cover subsistence, education and health system</td>
<td>Benefits to cover subsistence, education, health system, income related social insurance</td>
<td>Benefits to cover subsistence, education, health system, income related social insurance, universal social services</td>
</tr>
<tr>
<td>Organisational framework</td>
<td>State provision (including unemployment benefits)</td>
<td>Public sector</td>
<td>Public sector and unions</td>
</tr>
<tr>
<td>Funding</td>
<td>In the main taxes</td>
<td>In the main social security</td>
<td>In the main taxes</td>
</tr>
</tbody>
</table>


Significant difference in labour market outcomes of welfare models

The above typology of the welfare models indicates that the interaction between the three pillars of socio-economic systems, the market, the family/household and the state, is organised differently in the various models. All models except the Scandinavian share the notion of a male breadwinner, which features in the system of wages, taxes and transfer payments. Men are at the top of the job and wage scale, not least because women are relegated to do the major part of household work, thus leaving little time and flexibility for market work.

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1. Gill (1990) points out that ‘the formulation of gender specific needs laid the foundation for the formal system of discrimination of pay on the basis of sex’.
2. Employment by occupation and working hours is highly gendered as a result; equal pay legislation ensures that women are granted a man’s wage if they are doing ‘men’s work’; in ‘female’ jobs, however, the determination of the ‘proper’ wage remains a topic of debate.
The male breadwinner model and concomitant family wage is diluted in the Continental and Southern European model through the introduction of a system of family and child allowances. Since family allowances are paid out of a tax fund, wages may be kept below a ‘family wage’ while sustaining an adequate living standard for single parents. However, the introduction of individual taxation\(^7\), which replaced the joint (husband and wife) income tax base, effectively reduced the marginal income tax rate on the earnings of the wife, thus providing an incentive for women to enter the work force. Depending on the provision of child and other care services by the market and/or state, women entered the labour market as full- or part-timers (Villota - Ferrari, 2002). France, for example, has a long tradition of providing comprehensive full-day public childcare and schools. Thus, women are empowered to pursue life-time careers similar to men. In contrast, German-speaking and Southern European countries do not provide child care as a legal right, and nor are day-schools the rule. This limits the opportunity of women with children being able to pursue careers similar to men. Opening hours of schools introduce a certain rigidity of working hours of women; they act as segmentation devices for female employment.

In contrast, the Scandinavian model is based on the right of every individual, male or female, breadwinner or not, to market work with full social security coverage. A tax system based on individual taxation with high marginal tax rates provides the incentive for every family member to engage in market work. This system was introduced towards the end of the 1960s and further developed in the 1970s; it established the most comprehensive state welfare system in Europe, in which the public sector is the main provider of social services. In the other welfare models they tend to remain in the household sector to a significantly larger extent, particularly care work. In Scandinavia, the state welfare system provided jobs for women, allowing female labour force participation to rise to male levels. A solidaristic wage policy reduced the wage gap between men and women to one of the lowest in Europe in spite of a pronounced gender segmentation of work – men are predominantly working in private industries and women cluster in care-oriented public services."
Thus, the system of socio-economic organisation does not only influence the activity rate of men and women, but also the division of work between market and household work, the mix of part-time and full-time work, occupational segmentation, and lifetime earnings. This can be seen in Table 2. The degree of integration of the population of working age into gainful employment declines as one moves from the North to the South of Europe as does the proportion of women in employment and the share of the public sector in total employment. The same is true in the case of social expenditures in percent of GDP.

In contrast, the degree of poverty and income inequality is lowest in the Nordic countries, in the middle in the Continental European countries and highest in Southern Europe (Mejer - Linden, 2000).

The Anglo-Saxon model tends to differ somewhat in that it has a comparatively high degree of integration of the population into the labour market, but at the same time tolerates a high degree of poverty of groups of people.

There are also marked differences between the four European models of social organisation as to the degree of socio-economic exclusion. This may be demonstrated by differentiating between long-term and short-term unemployment and labour market exclusion proper, i.e., the non-participation rate of the population of working age.

We use three unemployment indicators:

U1, the long term unemployment rate; it is calculated as the number of workers, who have been without a job for one year or more as a proportion of the labour force (whereby everybody working for one hour or more per week is considered employed);

U3, the traditional internationally used unemployment rate, i.e., the number of unemployed as a percentage of the labour force (as defined above); and

U5, a more comprehensive measure of unemployment; it includes the marginally attached and discouraged workers amongst the unemployed.

In addition, we look at the non-participation rate of the 15 to 64 year olds. This group of people is made up of housewives, students, early retirees, disability pensioners and people in penitentiaries and other institutions.

Accordingly, the Nordic countries have the lowest non-participation rates in the EU (between 20 and 25 percent), and the Southern European countries have the highest (between 36 and 40 percent). The maximum difference in labour resources not used in market work, i.e., between Italy and Denmark, amounts to 20 percentage points in the year 2000.

The UK and the Netherlands have almost as low a non-participation as the Nordic countries (24.6 percent and 24.8 percent), the unemployment component of labour market participation is, however, much higher in the UK than in the Netherlands; but the Netherlands have a higher incidence of part-time work than the UK. Thus, the volume of working hours on a per capita basis does not differ much between the UK and NL; the degree of socio-economic exclusion differs, however, between the two countries and to that extent the system of redistribution.

The continental Europeans Germany, France, and Austria are in the middle with average non-participation rates, average proportions of part-time work, but significant differences in unemployment, depending on type of indicator used.

If we compound all four exclusion indicators into a total rank order (Table 3), a better perspective of the ranking of the EU member states may be obtained in terms of the degree of exclusion of people of working age from gainful employment. On this basis, the Netherlands, Luxembourg and Denmark are the countries with the lowest degree of social and labour market exclusion in the EU. This means that, on a quantitative basis, they can be seen as the best practice models in the EU, closely followed by Sweden, Austria and Portugal. Portugal has a relatively large number of long term unemployed while Austria has a relatively large marginalised and discouraged work force.

---

10 There is a clear positive correlation between U1 and U5 within the EU (0.73 in the year 2000). The correlation between U1 and the non-participation rate is also significant but not that high (0.46).
Graph 1: Longterm unemployment rate (U1), Unemployment rate (U3), Unemployment rate including marginally attached persons and discouraged workers (U5) and Non-participation rate (15 to 64): 2000

Table 3: Ranking of EU countries by labour market indicators in the year 2000

<table>
<thead>
<tr>
<th></th>
<th>Unemployment rate U1</th>
<th>Unemployment rate U3</th>
<th>Unemployment rate U5</th>
<th>Non-participation rate</th>
<th>Total rank order</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>10</td>
<td>9</td>
<td>6</td>
<td>11</td>
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</tr>
<tr>
<td>DK</td>
<td>3</td>
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<td>7</td>
<td>1</td>
<td>3</td>
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<tr>
<td>DE</td>
<td>12</td>
<td>10</td>
<td>10</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>GR</td>
<td>—</td>
<td>14</td>
<td>12</td>
<td>14</td>
<td>13</td>
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<tr>
<td>ES</td>
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<td>FR</td>
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<td>7</td>
<td>4</td>
<td>8</td>
<td>10</td>
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<td>IT</td>
<td>14</td>
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<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>LU</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>2</td>
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<tr>
<td>NL</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>AT</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>PT</td>
<td>7</td>
<td>4</td>
<td>2</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>FI</td>
<td>9</td>
<td>12</td>
<td>13</td>
<td>5</td>
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<tr>
<td>SE</td>
<td>5</td>
<td>8</td>
<td>4</td>
<td>2</td>
<td>4</td>
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<tr>
<td>UK</td>
<td>6</td>
<td>7</td>
<td>11</td>
<td>3</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: EUROSTAT, WIFO. 1: min, 15: max.
We may not automatically deduce from this ranking that it corresponds to the order of wellbeing in the various EU member states. To establish a wellbeing rank order, more information about the type of work (decent work), the remuneration and career opportunities, the income levels and distribution, the state of health and living conditions and other indicators of wellbeing is called for. In order to obtain this information one would have to link the various welfare models, i.e. the different combinations of state, family and market work, with labour market outcomes, household income (taking the role of tax/benefits and their redistributive effect into account, see Ferrani - Nelson, 2002) and other determinants of wellbeing, like health.

**Table 4: International Trends in Income Distribution**

**Summary results from national and cross-national studies**

<table>
<thead>
<tr>
<th>Country</th>
<th>Early/mid 1970s to mid/late 1980s</th>
<th>OECD study 1980s</th>
<th>Mid/late 1980s to mid/late 1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Austria</td>
<td>0</td>
<td>0</td>
<td>++</td>
</tr>
<tr>
<td>Belgium</td>
<td>0</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Canada</td>
<td>-</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Finland</td>
<td>-</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>France</td>
<td>-</td>
<td>0</td>
<td>+</td>
</tr>
<tr>
<td>Germany</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Japan</td>
<td>0</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>0</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>New Zealand</td>
<td>0</td>
<td>+</td>
<td>+++</td>
</tr>
<tr>
<td>Norway</td>
<td>0</td>
<td>0</td>
<td>++</td>
</tr>
<tr>
<td>Sweden</td>
<td>-</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>UK</td>
<td>++</td>
<td>+++</td>
<td>++</td>
</tr>
<tr>
<td>USA</td>
<td>++</td>
<td>++</td>
<td>++</td>
</tr>
</tbody>
</table>

+++ Significant rise in income inequality (more than 15 percent)
++ Rise in income inequality (7 to 15 percent)
+ Modest rise in income inequality (1 to 6 percent)
0 No change
- Modest decrease in income inequality (1 to 6 percent)


Evidence from comparative analyses of aggregate outcomes of welfare systems suggest that more generous systems redistribute economic resources more effectively and consequently lead to a more equal income distribution than less generous schemes. Our knowledge about the role of the various elements of a model in ensuring efficient and equitable outcomes is rather limited, however, as the elements tend to complement each other in their impact on individuals and groups of people. In what follows, we want to shed more light on the trend of income inequality in the various countries, since it is difficult to compare levels of inequality, because of different income measures, equivalence adjustments and other factors in the various studies of income inequality (Atkinson et al., 1995, 2001; Gottschalk - Smeeding, 1997, 2000; Gottschalk et al., 1997; Atkinson, 1999; Forster, 2000). Table 4 shows that it is safe to say that from the late 1980s to the late 1990s, inequality rose in practically every OECD country.

The growing income disparities are only partly attributable to increased wage inequalities. The changing family structure is also responsible (Burtless - Smeeding, 2000; Borland - Gregory - Sheehan, 2001). While skilled
married women tended to fill in the middle income group by entering employment, single parents tend to fill
the rank of lower income groups. Single parent families easily fall into a poverty trap. They do not have the time
flexibility the labour market increasingly requires, thus contributing to the rising proportion of jobless house-
holds, many of them with children.

**Challenge of institutional reform**

The major challenge of institutional reform is the adaptation of the institutional framework and built-in incentive
systems to new needs. The latter arise from changes in standard employment and family patterns (Biffl,
2002). The employment centred insurance system of social protection is based on the assumption that work of
the (male) breadwinner is full-time and life-time, thus ensuring the wellbeing of employees and their depend-
ents over the working-life cycle. However, de-standardisation of employment relationships increasingly chal-
lenges this tenet, thus undermining the universality of income support and provision of health services in the
Continental and Southern European welfare models.

The strong familial component of the Continental and Southern European model exacerbates the problem of
socio-economic exclusion and loss of social protection of groups of people over the life cycle. The model was
built on the premise of stable family relationships and close family ties; the family is to provide a social safety
net in case of unemployment, sickness and old age where the insurance system fails to provide adequate sup-
port. However, family structures are rapidly changing (decline of fertility, rising divorce rates, increasing num-
bers of single (parent) households), as are the expectations of women, as a result of their increased investment
in higher education, changing wage determination mechanisms (equal opportunities legislation), and urbani-
sation. The geographic mobility and the physical separation of family members from the household in differ-
ent phases of personal development, further diminish informal exchange and assistance between generations
and partners.

In the face of this changing family pattern, if the state does not step in to provide services (childcare, nursing
homes) and/or benefits in periods of transition between spells of employment, intermittent education and train-
ing, the socio-economic stability needed for the building of a competitive knowledge society will be impaired;
this may not only jeopardise social cohesion but also economic growth prospects (Biffl, 2001).

Thus, if we ignore the interaction between the market, the household/family and the state in the provision of
goods and services for the wellbeing of a society, we obtain a partial rather than a comprehensive picture of the
wellbeing of a society and the overall efficiency of the economic system. This is reflected in the inadequate
conceptual framework of economic theory and consequently the statistical base. It does not allow a proper eval-
uation of the efficacy of the four models of social organisation and their impact on the wellbeing of their re-
spective societies. We may only deduce from GDP per capita, the degree of socio-economic integration of the
population into working life, income inequalities and the change over time, which model is better fit to ensure
socio-economic inclusion and economic growth.

**Positive correlation between GDP per capita and social expenditure by capita (PPP)**

Countries with a high standard of living tend to have a greater capacity to provide for their citizens in terms of
socio-economic inclusion and protection than poor ones. This can be shown by taking GDP per capita as an in-
dicator of the living standard of a country and regressing it against social expenditure per capita (Graph 2). GDP
per capita and social expenditure per capita (standardised purchasing power), are highly correlated (as the cor-
relation coefficient of 0.82 for the year 2000 indicates). Ireland is an outlier; it had the third highest GDP per
capita in the year 2000 but was only number 12 in the ranking of social expenditure per capita. The main rea-
son for the low social expenditure is its comparatively young population; in addition, its welfare system is not
universal - it targets only low income groups (means tests) -, and care work is organised to a large extent through
the household sector (family) rather than the market.

The Southern European countries are at the bottom of the list of both GDP per capita and social expenditure
per capita (PPP). These countries relegate many of the social services to the household sector.

The remaining 9 EU member states, Austria, Belgium, France, Denmark, Germany, Italy, Luxembourg, the
Netherlands and Sweden, are above the EU average living standard (in terms of purchasing power parity). The
United Kingdom, Finland and Ireland joined the high growth economies in the last couple of years of the 1990s (Behrens, 2000, 2003).

**Graph 2: Correlation between GDP per capita and Social expenditure by capita (PPP, 2000)**

![Graph showing the correlation between GDP per capita and social expenditure per capita.](image)

**Table 5: Ranking of countries by GDP per capita and social expenditure per capita in the year 2000**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP per capita (PPP)</th>
<th>Social expenditure per capita (PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td>DK</td>
<td>2</td>
<td>2</td>
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<tr>
<td>DE</td>
<td>10</td>
<td>5</td>
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<tr>
<td>GR</td>
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<td>IE</td>
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<tr>
<td>IT</td>
<td>9</td>
<td>10</td>
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<tr>
<td>LU</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>NL</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>AT</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>PT</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>FI</td>
<td>8</td>
<td>11</td>
</tr>
<tr>
<td>SE</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>UK</td>
<td>12</td>
<td>9</td>
</tr>
</tbody>
</table>

Source: EUROSTAT, WIFO-calculations. (1: max, 15: min).

While there is a high correlation between GDP per capita and social expenditure per capita, the dynamics of the various components vary by model of socio-economic organisation.

Sweden takes the lead in social expenditure as a percentage of GDP, followed by France, Germany and Denmark. At the bottom end of the line are Ireland, Luxembourg and the Southern European countries. The ques-
tion arises as to the cause for high social expenditures - to what extent the policy underlying the institutional framework is responsible, and to what extent economic growth.

Social expenditures (and revenues) are closely linked to economic growth - in periods of economic decline, expenditures on unemployment benefits and early retirement rise while contributions to the social security system decline due to the linkage of contributions to employment; the contrary holds in periods of economic upswing.

In the year 2000, social expenditures in the EU (15) amounted to 27.3 percent of GDP (European Commission, 2002B, Abramovici, 2002A, Abramovici, 2003). The country with the lowest expenditures in relation to GDP was Ireland with 14.1 percent of GDP, the country with the highest expenditures was Sweden with 32.3 percent of GDP\(^1\), followed by France (29.7 percent) and Germany (29.5 percent). The reasons for this wide span in social expenditures, i.e., 18.2 percentage points between the upper and lower end in 2000, is a result of various factors, the primary factor is the systemic difference, others are attributable to different demographic structures, differing levels of wealth and other socio-economic factors. An example for a systemic difference is the role attributed to the family as a provider of assistance. The Southern European countries, for example, encourage families to take prime responsibility for those in need while the Nordic countries provide care to a large extent formally through the state. Thus, in the Nordic countries, a larger proportion of older persons live in nursing homes or receive home help by trained personnel than in Southern European countries.

Graph 3: Social expenditures in percent of GDP 1990/2000

Expenditures on social protection increased in the 1990s from 25.5 percent of GDP in 1990 to 27.3 percent 2000. Portugal, the UK, Germany, Greece and Austria had above average increases, while Ireland, the Netherlands, Luxembourg and Sweden could reduce their expenses relative to GDP. The rise in expenditures of the former was, on the one hand, the result of the ageing of the populations and the associated rising costs of medical care, and on the other, the extension of provisions to jobless people who were in need and were not eligible to benefits from former employment.

Thus, changes in the expenditure on social protection in percent of GDP may result from demographic or institutional changes, and/or from changes in GDP growth.

The calculation of social expenditures per capita in \(\text{PPP}\)\(^1\) provides some insight into the different expenses between the EU member states per person (Mayrhuber, 2003). The differences in expenditures are more pronounced between countries if calculated on the basis of purchasing power standards rather than as a percentage of GDP, and the rank order is somewhat different.

\(^1\) The data source is EUROSTAT (ESSPROS), the integrated social protection statistics (Abramovici, 2002A, 2003).
In the year 2000 the average social expenditures per capita amounted to 6,200 PPP. They were highest in Luxembourg (9,200 PPP), followed by Denmark (7,800 PPP), Sweden (7,400 PPP) and Austria (7,400 PPP), and lowest in Portugal (3,700 PPP). In the 1990s the expenditures per capita increased on average by 2.8 percent p.a., and the differences between the countries diminished somewhat. The ratio between the countries in the EU (15) which spent most and those that spent least diminished from 3.2 in 1991 to 2.5 2000.

**Structure of social expenditure by function**

Table 6 provides an overview of the basic elements of the EU system of social protection.

*Table 6: Functions of the system of social protection in the EU*

<table>
<thead>
<tr>
<th>Function</th>
<th>Income support</th>
<th>Cash Benefits</th>
<th>Benefits in kind</th>
<th>Means test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old age, Survivors</td>
<td>✓</td>
<td>Old age pensions, Survivors pensions, Benefits to cover costs for care and rehabilitation of older persons (60+)</td>
<td>Goods and services for older persons (except medical services)</td>
<td>In most EU countries not means tested, except in IE 21.5% &amp; ES 10% of expenditure</td>
</tr>
<tr>
<td>Sickness/health care,</td>
<td>✓</td>
<td>Medical services and medication</td>
<td>–</td>
<td>In most EU countries not means tested, except in IE 14%, ES 3.5%, BE 1%, DE 1% of expenditure</td>
</tr>
<tr>
<td>Disability</td>
<td>✓</td>
<td>Disability pensions, Benefits to cover costs for care of persons under 60</td>
<td>Goods and services for disabled persons (except medical services)</td>
<td>In all EU countries means tested except in DK</td>
</tr>
<tr>
<td>Family/children</td>
<td>-</td>
<td>Benefits to cover costs of pregnancy, birth, motherhood and adoption, of parenting and care for other family members</td>
<td>–</td>
<td>In all EU countries means tested</td>
</tr>
<tr>
<td>Unemployment</td>
<td>✓</td>
<td>Unemployment benefits; vocational education and training by labour market services; early retirement due to unemployment</td>
<td>Goods and services</td>
<td>In all EU countries means tested, in some countries only for elements of the schemes</td>
</tr>
<tr>
<td>Housing</td>
<td>-</td>
<td>Housing benefit</td>
<td>In all EU countries means tested</td>
<td></td>
</tr>
<tr>
<td>Social exclusion</td>
<td>-</td>
<td>Income support, Rehabilitation of alcohol and drug addicts</td>
<td>Goods and services (except medical services)</td>
<td>In all EU countries means tested</td>
</tr>
</tbody>
</table>


As shown in Graph 4, the lion’s share of social expenditures in the EU tends to go to old age pensioners and survivors - in the year 2000, on average 46.4 percent of total social expenditures. The only exception in the EU are Ireland and Finland. In those two countries the major cost elements are health related - 46.5 percent in Ire-

---

PPPs are obtained as a weighted average of relative price ratios in respect of a homogeneous basket of goods and services, comparable and representative for each member state.
land (and 25.4 percent of expenditures going to old age and survivors) and 37.7 percent in Finland (and 35.8 percent of all social expenditures go to old age pensioners and survivors).

In Ireland health care is the major cost component, in Finland disability pensions - a result of the early exit route from employment which was put in place to reduce open unemployment. In Ireland, the proportion of older persons in the total population is comparatively small as a result of high fertility rates until recently, and significant inflows of migrant labour, thus reducing the old age dependency ratio. In addition, private funds play a relatively important role in the funding of retirement pensions in Ireland (European Commission, 2002B, Abramovici, 2002A, Abramovici, 2003).

The second largest component of social expenditures in the EU are health related expenses including disability pensions, accounting for 35.4 percent of total expenditures on average in the year 2000. Third in line are expenses related to families and children (8.2 percent of total expenditures), followed by unemployment benefits (6.3 percent) and housing subsidies and benefits to counter social exclusion (3.7 percent).

**Graph 4: Social expenditures by function in the year 2000**

- Italy and Greece had by far the highest relative expenses on old age pensions and survivors in the EU (more than 50 percent of total expenditure), while the Scandinavian countries and Ireland were at the lower end.
- As to expenditures on health and disability, Portugal and Ireland have the highest expenditure share in the EU countries (around 45 percent of all social expenses).
- In the area of family related expenses Luxembourg, Ireland and Denmark occupy the front rows (around 13 percent of all expenditures), while the Southern European countries had the lowest expenditure share in that category. The household and family structure in the latter, in particular the low activity rate of women, explains the comparatively small public expenditure component (European Commission, 2001).
- In contrast, the Nordic countries have transferred many traditional household functions to the labour market, thus raising female activity rates and, at the same time, public sector employment and public expenditure on families and children.
- Spain and Belgium have above average expenditure shares in the area of unemployment (12 percent of total social expenditures); the Netherlands and the UK, in contrast, have above average costs on housing and other means tested benefits to combat social exclusion (7 percent).
- Housing subsidies represent a major financial contribution to the poor in France and the UK, in particular to jobless people, in France also to students (Biffl et al., 2002).
Link between social expenditure and the labour market

A closer look at the expenditure items shows that every function of social protection has a link to the labour market, implying that the labour market plays a key role in shaping social expenditures as well as economic growth.

The expenditure on retirement pay, for example, depends not only on the monetary benefits of the retirement system but also on the age of retirement. The dividing line between the retired population and the active workforce is somewhat arbitrary and is, at least partially, a policy decision. The prospects for drawing a larger proportion of the ageing population into the economically active population, depend not only on appropriate macro-economic policy to ensure adequate aggregate demand, but also on an efficient operation of the labour market. Ageing is thus not only a demographic process but also a socio-economic phenomenon, which poses challenges for the adaptation of institutions and policies. A welfare model which is endowed with incentives to early retirement may contribute to the drain of resources resulting from an aging population and thus hamper economic growth.

The incentive to work is affected, among other factors, by the system of health and income support services. Thus, in the contribution-based European welfare model, persons of working age are eligible for replacement income during unemployment, disability, sickness and maternity leave if they have worked for a certain period of time prior to the incidence. The level and duration of the replacement rate depends on the income level and period of employment. i.e., on the contributions paid into the respective funds. This linkage provides an incentive to work and to invest in human capital to ensure a stable longerterm employment relationship.

If income support is means tested, low-income households may have limited incentives to work if work does not add significantly to take-home pay. This may lead to social exclusion (poverty trap) of the poor. In the year 2000, in the EU on average 4.5 percent of all persons lived in jobless households. The share was particularly high in Ireland, France, Spain and Italy (European Commission, 2002B). To eliminate the poverty trap, coordination between tax (earned income tax credit) and social policy may be called for (Dawkins, 2002).

Another element of social expenditure, namely, health services, affect labour market participation and quality of work. In the Nordic and Anglo-Saxon model, the public sector is the major provider of health services, thus offering job opportunities particularly for women. In contrast, in the Continental and Southern European model, transfer payments to sick and disabled (Pflegegeld) promote casual employment, employment in the informal sector and/or care in the family. Not only are conditions of work and pay of the carer inferior in the latter model, but also the earnings profile over the life cycle.

Concluding remarks

The interaction of demographic and socio-economic forces on the one hand and value systems on the other, which are at the root of systems of social organisation, result in greater complexity of factors affecting employment and social policy outcomes. In those circumstances it is hard to envisage a best practice solution which covers the whole sphere of socio-economic integration, decent work and well-being of all members of society. Every welfare model has its own logic and consistency. The current changes in the nature of labour demand and supply, have no clear-cut directional effect upon the funding of the system of social protection. While intermittent employment of male and female workers tends to put pressure on public finance in the short term (unemployment benefits) and longterm (retirement pay), increased employment of women tends to counter that development by increasing the social dividend to be distributed. However, the fact that the major share of female employment growth in Europe takes place in the public sector, i.e., in education, health and personal services, diminishes the positive effect on the state budget. The ageing of Europe’s populations is, however, a clear-cut challenge for the sustainability of the welfare system and thus one of the major current driving forces behind institutional change.

The Nordic model, which is based on individual rights and obligations, appears to be better able to cope with the current substantial socio-economic changes and the ageing problem - maximising the degree of social inclusion and economic integration and providing an equitable distribution of the social dividend - than the other welfare models in Europe.

The models of the Southern and Central European countries are increasingly unable to cope with the rising fluidity of family and employment relationships as well as the ageing of societies. Activity rates of older persons
are lower than in any other model and the rising labour force participation of women jeopardises the role of the family as a major provider of social protection. The changing employment relationships exacerbate the problem. They result in a departure from standard gender-age-status transitions. People frequently move from school into work, then into training, re-training or further education, back into work with intermittent phases of unemployment. This makes economic dependence a recurring phenomenon in the working life cycle of a majority of individuals, often reversing the traditional roles of men and women and even of young and old in society. Thus the need for individual and specialised social protection systems arises if flexibility is to be obtained without the price of increasing insecurity and socio-economic exclusion. The Netherlands, which share features of the Continental Model, have been successful in adapting their system of social organisation to the new needs, which may indicate the road to take.

The UK is addressing the problem of poverty of jobless parents by offering tax credits to working parents (WFTC, introduced in 1999, Duncan, 2002) together with generous additional support if they have to pay for child-care. This is to serve the dual purpose of increasing the incentive to work of low income families while at the same time promoting employment growth in child care services.

The reforms undertaken in the late 1990s indicate a convergence of models of social organisation towards greater complexity in the sense that elements of one or the other model are adopted and integrated into each model. Some form of minimum income provision, which allows the satisfaction of basic needs and protects against the vagaries of life (basic guaranteed income) is in every model; the functional mechanism of market wages is not tampered with unduly, while at the same time trying to avoid the poverty trap on the one hand and the productivity trap on the other. Means-testing also plays a role in order to minimise costs. Funding of welfare through progressive general taxes may be necessary in view of population ageing.

All that said, the breadwinner/individual dichotomy of the social security model as well as the division of responsibility for wellbeing between the state, the market and the household, will have to be reconsidered. The challenge of any reform lies in the details of the system’s design. In order to be better informed about the road to take, additional data sources will need to be compiled in the comparative analytical framework of EUROSTAT; in particular, estimates of the value and composition of household production and its role in the provision of social protection for family members. (Ironmonger 1996) Inclusion of such data will not only help to evaluate more confidently the level of economic well being promoted by the different models of social protection, it should also help to identify the factors causing social impoverishment, and so make apparent any necessary institutional fine tuning.

The overall objective of welfare reform should be to pursue economic efficiency and social justice in which the two goals can complement each other without undue damage to either economic growth or the welfare system. Both are important in their own right and are material factors in the overall wellbeing and political stability of the community in the long run.
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SHARE – Measuring the Ageing Process in Europe

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The purpose of the paper is to present SHARE, a EU-sponsored project that will build up a Survey of Health, Aging and Retirement in Europe. We detail objectives, milestones, and current status. A special focus is the description of the cross-national and interdisciplinary nature of the project which introduces considerable complexity in light of the many different options and restrictions in the participating countries.

Ageing is one of the largest social and economic challenges of the 21st century in Europe. SHARE will be a fundamental resource to help mastering this unprecedented challenge. The main aim of SHARE is to create a pan-European interdisciplinary panel data set covering persons aged 50 and over. Scientists from some 15 countries work on feasibility studies, experiments, and instrument development, culminating in a survey of about 22,000 individuals. Project participants are currently eleven countries ranging from Scandinavia (Sweden, Denmark), Western and Central Europe (France, Belgium, The Netherlands, Germany, Switzerland, Austria) to the Mediterranean (Spain, Italy, Greece). SHARE will be based on best practice technologies in the participating countries. The survey will follow a common set-up across all countries with the goal of collecting data that are strictly comparable to allow cross-country research. Hence, one of the most difficult tasks consist in taking into account differences in language, culture and institutions. Other difficult tasks are of a more technical nature such as developing country-specific feasible sample designs and making use of suitable sampling frames that are already available.

The main objective of SHARE is to provide a fundamental knowledge base for science and public policy in order to understand and to master the challenges posed by population ageing. Due to the dynamic character of ageing, both on an aggregate and an individual level, SHARE is being designed in a longitudinal way. Specifically, SHARE aims to create, evaluate and analyse a large-scale pan-European and interdisciplinary household panel as a new state of the art survey. The collected data include information on economics, physical and mental health, and social support networks. The multidisciplinary nature of the data will provide new insights in the complex interactions between economic, health, psychological and social factors determining the quality of life of the elderly in Europe.

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1 A Survey on Health, Aging and Retirement in Europe. The paper is basically an excerpt of the mea discussion paper 32-03:http://www.mea.uni-mannheim.de/mea_neu/pages/files/nopage_pubs/k3pzhwkt11zjynk_dp32.pdf
1. Introduction

Background

Ageing is one of the greatest social and economic challenges of the 21st century in Europe. Of the world regions, Europe has the highest proportion of population aged 65 or over, with Italy the leading country (18% in 2000). Outside Europe, only Japan has a similar age structure (about 17% of the population is 65 or over in 2000). In Europe, the ratio of persons aged over 65 as a percentage of the working age population 20-64 (the dependency ratio), is expected to increase from about 24% in 2000 to 38% in 2025, and to 49% in 2050, see . This increase of the dependency ratio in itself places a heavy financial burden on society through pay-as-you-go financed pension, health and long-term care systems.

Figure 1: Old-Age Dependency Ratio (persons aged 65 and over divided by persons 20-64), 2000-2050 ²

In addition, Europeans retire much earlier than inhabitants of other developed countries: for instance, in Belgium only a quarter of all males are still in the labour force at age 55-64, (see , compared to three quarters in Japan (U.S. National Academy of Sciences, 2001). This typically European combination of an ageing population and retirement at ever earlier ages with relatively generous benefits puts very severe strains on our capacity to care for the elderly in the future.

Figure 2: Share of Men Aged 55-64 Still in the Labour Force, 2001

²Taken from: www.europa.eu.int/comm/employment_social/soc-prot/pensions/index_en.htm
There are other pressures on the social security and welfare system as well. Older workers are more likely to be in disability programmes and generally the health care cost of the elderly is substantially higher per capita than of the non-elderly. A special aspect of ageing lies in the increasing number of the oldest old, a population segment with a high prevalence of long-term care needs (Suzman et al, 1992). The ageing of society will cause the number of people on disability or consuming health care to go up.

Thus, everything else equal, ageing places a much higher burden on the sustainability of income maintenance systems in Europe than elsewhere in the world, and European public policy – pension policy, health care policy, labour market policy – is challenged in particular. Public policy plays an important role in explaining the differences in health care utilisation or disability insurance across countries (Aarts et al, 1996), public policy appears to be a major factor in explaining the low retirement ages in Europe (Gruber and Wise, 1999), and public policy has strongly shaped savings and wealth patterns across Europe, Japan and the United States (Börsch-Supan, 2003).

Prepared policy making

To deal with the challenges for public policy posed by the ageing of European societies, one needs to understand the complex interactions among economic, health, psychological and social factors that determine the quality of life of the elderly. These interactions are symbolised by the arrows in which link the three corners of the triangle, each representing the three broad fields of economics, health and social networks.

Income and wealth strongly affect health and well-being of the elderly. For example, it is well-known that wealthier persons live considerably longer than poorer persons. The direction of causality, however, is not well understood. Wealthier people may be able to afford more health care and thus remain longer healthy, once older. On the other hand, less healthy people may have been hampered in their earnings ability and career chances, ending up as less wealthy elderly. A better understanding of what causes what under which circumstances will permit us to better target our policy actions.

Another bidirectional link is between health and family/social networks. A “healthy” social environment keeps elderly longer healthy. In turn, health shocks such as a stroke often precipitate a change in living arrangements such as a move to children or into a nursing home. Again, understanding the linkages is important in times of population ageing when the supply of family help (the number of children per elderly) will decline and the demand for state-provided help will increase, straining the financial abilities of the EU member states.

Figure 3: Interactions among economic, health, and social factors in the well-being of the elderly

The triangle is closed by interactions between income security and social environment. On the one hand, a well working social network is a resource also in an economic sense, providing money and in-kind support for the
less well-to-do elderly. In turn, income and wealth position are strong determinants of where the elderly will live. Also these linkages are strongly affected by public policy such as income maintenance programs, old-age and disability pensions.

The linkages are dynamic because the elderly age individually (ageing is a process over time, not a state in time). An analysis of the linkages in therefore requires a longitudinal point of view, symbolised in the interior of the triangle. Moreover, the institutional frame is changing over time since we observe how the EU member states go through the demographic ageing process and adapt their pension systems, restructure health care policies and labour market regulations accordingly.

An understanding of these dynamic linkages and how they are affected by community and national policies requires multidisciplinary data and research on ageing. In this respect, however, Europe is ill-equipped. While some member states have collected data in specific disciplines at various points in time, there is no Europe-wide longitudinal and multifaceted knowledge base for this crucial challenge of our new century. Analysing cross-nationally comparable data provides a large added value to the EU because analysing data on a pan-European level is worth more than the sum of its national parts. The main reasons are:

First, matters of economic and social policy are increasingly Community matters, due to the increasing personal and capital mobility, precipitating common policies and regulations such as the pension directive. The gradually increasing importance of the method of open co-ordination requires indicators based on reliable and comparable data such as collected in SHARE to assess and guide Community policy.

Second, the diversity in institutional histories, policies, and cultural norms, represents a unique living laboratory in which the various determinants of the current economic, health and socio-psychological conditions can be understood much easier than in the more homogeneous environment of a single country. A large added value provided by SHARE both to science and to society is to exploit this living European laboratory for the analysis of the elderly's quality of life. The insights gained from analysing and comparing the diversity of experiences will help both a supranational body like the EU and its member countries to prepare more effectively for the continuing changes in age demographics in the future.

2. Innovation

The innovation of the SHARE project lies in its multidimensional design which combines interdisciplinarity, cross-national comparability, and longitudinality. Never before has a team from such diverse disciplines collected longitudinal data involving so many countries.

In order to study the quality of the life of the elderly and how it is affected by the population ageing process and by the various social and economic policies in Europe, one needs multidisciplinary, longitudinal and internationally comparable data:

**Multidisciplinary data**

- One needs multidisciplinary data, for the simple reason that many societal aspects of ageing have a multidisciplinary character (e.g. retirement and health, or financial and health factors determining inflow in disability insurance programmes). To deal with the challenges for public policy posed by the ageing of European societies, one needs to understand the complex interactions among economic, health, psychological and social factors that determine the quality of life of the elderly, and in particular the mechanisms through which policy measures such as pension reform, health care reorganisation and labour market restructuring affect elderly citizens.

**Longitudinal data**

- One needs longitudinal data, because many events associated with ageing are dynamic in nature. For instance, current pensions or social security benefits will usually depend on one's earnings history; current health is partly determined by past behaviour and past health events. Without longitudinal data one cannot distinguish between age and cohort effects. That is, if we observe differences in for example health, income or wealth between individuals of different age, we cannot ascertain if the difference is simply due to age or due to the fact that the younger person is on a different trajectory than the older person, because of the different life experiences associated with different generations.
Internationally comparative data

• One needs *internationally comparative data* to exploit the rich variety in policies, institutions and other factors across European countries. The impact of public policy can only be understood if we observe one policy in contrast to other policies. Many of the policies that one might want to consider to address future public policy challenges resulting from an ageing population, have already been implemented in some form in at least one of the European countries. Exploiting the variation in institutions across European countries creates a unique *laboratory* in which to study the effects of institutions on societal processes (Gruber and Wise, 1999).

The unique and innovative feature of SHARE lies in the *combination* of these three features. We have interdisciplinary data sets in some countries, notably the English Longitudinal Survey on Ageing (ELSA)\(^3\) and the Health and Retirement Study (HRS)\(^4\) in the United States, the German “Alterssurvey” and the Italian Longitudinal Survey on Ageing. We also have cross-national data sets on single issues, notably the European Community Household Panel (ECHP), its successor, the Survey of Income and Living Conditions (SILC), the European Social Survey (ESS), and the various health surveys collected by the WHO. Some of these data sets are longitudinal (ELSA, HRS and ECHP). The combination of interdisciplinarity and longitudinality has made ELSA and HRS role-models for SHARE.

The cross of longitudinality, genuine interdisciplinarity, and a truly cross-national design, however, has not been attempted before. In addition, SHARE is designed to meet all country specific institutional and linguistic requirements in a single common design.

3. Participating partners and organisational structure

Researchers involved in SHARE are organised in multidisciplinary country teams (CT) and cross-national working groups (WG) in a “matrix organisation”, assisted by a number of expert support and advisory teams. Each researcher belongs to both a country team and a working group. The organisational structure is summarised in:

![Figure 4: Matrix structure of SHARE working groups and country teams.](image)

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\(^3\) [http://www.natcen.ac.uk/elsa/](http://www.natcen.ac.uk/elsa/)

\(^4\) [http://hrsonline.isr.umich.edu/](http://hrsonline.isr.umich.edu/)
Team member A1 comes from country A and is an expert in field 1. This team member therefore is a member of country team A and working group 1. Ideally, each country is represented in all working groups. This is not always feasible, explaining some empty cells in the matrix. Multidisciplinary country team A consists of researchers A1, A2, ..., and A7. In turn, the cross-national working group 1 consists of researchers A1, B1, ..., I1 and K1.

In addition to the matrix of country teams and working groups, the SHARE structure involves a core management group, advisory boards and support groups. The division of labour is as follows:

A **core management group** supervises the entire project. The overall direction of the project will be carried out by the co-ordinator in collaboration with the core management group which consists of internationally-respected senior experts in their fields. The core management group settles potential disagreements among country teams and working groups or between a country team and a working group.

The co-ordinator is aided by a **co-ordination team**. It ensures overall quality and cross-national comparability; co-ordinates the development of the questionnaire modules; and co-ordinates and participates in all crucial negotiations.

The **country teams** are responsible to conduct the project in all of its phases in their respective countries. In particular, they negotiate with the survey agencies to conduct the national survey, manage the translations, participate in the training process to motivate the interviewers and oversee the fieldwork. The country teams are also responsible to make sure that the survey does justice to country-specific institutions (such as health care and pension system) and follows country-specific legal requirements (such as data confidentiality).

The task-oriented cross-national **working groups** consist of those members in each country team who are specialists in the field of the working group. The working groups design the questionnaire modules, conduct response analyses during the development process and modify the questionnaires accordingly. The working group leaders (WGL) are leading specialists in their fields. The composition and leadership of each working group is determined by the co-ordinator. Eleven working groups will produce the questionnaire design and write up subject-specific parts of the final report on a design of SHARE. In addition, three working groups address methodological issues.

In order to draw from the best experience available, several **advisory institutions and review panels** have been set up. There are several ad hoc advisory panels on overarching issues such as survey methodology, quality control, and data management and dissemination. Furthermore, SHARE is supported by an advisory group consisting of leading researchers of the US HRS and the UK ELSA.

### 4. Questionnaire Content and Questionnaire Design

Data to be collected will include **health variables** (e.g. self-reported health, physical functioning, cognitive functioning, health behaviour, use of health care facilities), **psychological variables** (e.g. psychological health, well-being, life satisfaction, control beliefs), **economic variables** (e.g. current work activity, job characteristics, job flexibility, opportunities to work past retirement age, employment history, pension rights, sources and composition of current income, wealth and consumption, housing, education), **social support variables** (e.g. assistance within families, transfers of income and assets, social networks, volunteer activities, time use).

All data will be collected by face-to-face, computer-aided personal interviews (CAPI), supplemented by a self-completion (“drop off”) paper and pencil section. The generic survey instrument is written in English as a computer program in the Blaise language. In each country or region, the English text is replaced with text in its own language. All texts are stored in a data base that can be accessed for translation and editing by a “language management utility” (LMU).

**Respondents**

Respondents are all household members aged 50 and over, plus their spouses, independent of age. Example: Anna is 52 years old. She lives together with her husband Bert of age 49 and her daughter Cecilia (age 17). In the same household lives also Bert’s mother Dorothy who is of age 70. SHARE will interview Anna, Bert and Dorothy.
In order to save time and avoid duplications, some parts of the questionnaire need only be answered by one respondent in a household or couple, respectively. Questions on housing and housing finances should be answered by the household member who is most knowledgeable in housing matters (»housing respondent«). Questions about finances need be answered by one person in a couple only, again preferably by the partner who is most knowledgeable (»financial respondent«). If a couple keeps their finances completely separate, each partner will be treated as separate financial unit and each will answer his/her own questions on finances.

A single-person interview is designed to take 80 minutes while the interview length for a couple is about 120 minutes.

**Description of modules**

In the following, each module of the questionnaire is described, in the order in which they appear in the questionnaire. The current version of the questionnaire is available on www.SHARE-project.org.

**Coverscreen**: The interview starts with a “coverscreen” that provides an introduction to the study and contains the statement of confidentiality. The coverscreen collects basic demographic information about everyone who currently lives in the household (name, gender, birth year and month, relationship to informant, and whether married or living with someone as married). It establishes whether household members are eligible for a SHARE interview and who is going to be the housing, financial, and family respondent. This section only needs to be completed by one person in each household, the “informant”.

**Demographics**: This module collects details about each respondent’s marital status, country of birth, education, and occupation. It also collects selected details about parents such as their last occupation, health status, and frequency of contact.

**Physical Health**: This module covers many different aspects of people’s health; self-reported general health, longstanding illness or disability, eyesight and hearing, specific diagnoses and symptoms, pain, and difficulties with a range of activities of daily living.

**Behavioural Risks**: This module collects information on health behaviours such as smoking, alcohol use, and physical activities.

**Cognitive function**: This module contains subjective and objective measures of four aspects of the respondent’s cognitive functioning: literacy, numeracy, memory, and verbal fluency.

**Mental Health**: This module asks how the respondent views his or her life and collects information about emotional problems.

**Health Care**: This module asks about recent doctor visits and hospital stays. It also contains questions about the respondent’s level of health insurance.

**Employment and Pensions**: This module collects information about respondents’ current work activities, their income from work and other sources, and any current or past pensions that they may be entitled to. For respondents who have retired and are receiving a pension, we ask about the number and kind of pensions and how much they receive.

**Grip Strength**: This type of physical measurement involves recording the respondent’s maximum handgrip strength with the aid of a dynamometer.

**Walking Speed**: This type of physical measurement involves asking the respondent to walk a certain distance and measuring the time it takes for the respondent to complete this activity. Only persons of age 65+ are asked to perform this test

**Children**: This module collects information about the respondents’ children.

**Social Support**: This module collects information about any help the respondents might receive from family and other people not living in the household and how household members help others. Questions on most kinds of help received by members of a couple are asked of the family respondent.

**Financial Transfers**: This module asks the »financial respondent« about any regular financial transfers and payments the respondent(s) may have given or received from non-household members. It also asks about inheritances.
**Housing**: This module collects information about the respondents’ current housing situation, including the size and quality of the accommodation. Owners are asked about the value of their property and, depending on the individuals’ tenure, questions are asked about mortgages and rent payments. The section on housing is asked of one person per household, regardless of how many people are eligible for the interview.

**Household Income**: This module collects summary measures of the household income from various sources.

**Consumption**: This module asks about various types of household expenditures, e.g. on food, fuel, electricity, and telephone. It is answered by the “housing” respondent.

**Assets**: This module asks about the amount of financial and non-financial assets held in various forms and income from these assets. This section will be completed by one person in each financial unit (the »financial respondent«). A financial unit is defined as either a single person or a couple, so in most couples only one of them will complete the sections on assets on behalf of both of them.

**Expectations**: This module explores people’s expectations, the level of certainty they feel about the future, and how they value risk and make financial decisions within their household.

**Interviewer Observations**: This module concerns the interviewing experience and should be answered by the interviewer as soon as possible after the interview. These questions are important in understanding the circumstances surrounding the interview and can sometimes help researchers clarify any confusing or conflicting information. Included are e.g. information of background interview characteristics, third persons present, time and day, atmosphere, area, housing, household characteristics, etc.

5. **Fieldwork Procedures**

It is crucial in SHARE to ensure consistency of methods and fieldwork procedures across countries in order to obtain a genuinely comparable cross-national survey of high quality. This section summarises the main elements by which SHARE enforces cross-national comparability and high quality standards.¹

**Objectives**

The first objective of tight fieldwork procedures is to achieve high data quality, such as high response and low non-contact rates. For this reason, SHARE has selected most reputable survey agencies capable of carrying out data collection for this complex study. In all countries, the agencies must sign a common standard contract, along with country specific specifications. In order to provide common standards, our second and equally important objective, a member of the SHARE co-ordination team and a member of the working group on cross-national survey design must be involved in all the crucial negotiations, and detailed written standards have to be adhered to.

**Keeping track of contacts and non-response**

Contact data which are collected at all interactions with respondents, informants, and gatekeepers are sent to SHARE. Contacts, response and non-response outcomes are recorded, calculated and keyed according to a pre-specified standard format, which includes at least the mutually exclusive categories listed below, which are part of the sample management system provided by SHARE:

- Number of total issued and contacted addresses (or other sample units) and mode, time and date of contact and - if applicable - date of appointments for the interview

- Mode, time, and date of all contact attempts. After at least four personal visits with no contacts, including at least one call in the evening and at least one at the weekend, details of the attempts must be delivered to the survey agency, including observable area, stratum, dwelling and housing conditions, information about moving or deceased, where possible. The agency then has to take appropriate measures.

- Number, time, and date of household and target respondent refusal (if applicable) classified into standard categories (including where possible details of gender, age-bands)

¹ See Lipps (2002) for details.
• Number of respondents who are too ill or otherwise incapable (e.g. language problems) or not available, split into temporarily and permanently, if possible.

• Number, time, and date of achieved interviews, started and still to be completed, and started but not to be completed interviews.

• Number, time, and date of collected drop off questionnaires.

These data are used to compute the following key statistics:

• Household – non-response

• Person – non-response (unit-non-response, by a set of pre-specified reasons, see below)

• Break-off during the interview by specific persons

• Item – non-response by person

In addition, reports are regularly submitted on costs and verification efforts, plus regular frequency lists of key variables. The leader of the country teams (CTL) review the timing, breakout and frequency of the reports together with the SHARE co-ordinator.

**Probability samples**

Samples for the pre-test and the main survey are full probability samples. The sampling frames will differ according to availability in different countries. It is the responsibility of the CTL to construct together with the survey agency a sample design that is at the same time suitable for this country and compatible with all other SHARE sampling designs. All country-specific sampling procedures and the sampling process has to be approved by the SHARE co-ordination team and the SHARE working group on cross-national survey design. The addresses used in the main test survey will remain (co-)property of SHARE, such that re-interviewing in a future wave is feasible.

Quota sampling is not permissible for the pre-test and the main test survey. No oversampling by age or other socio-demographic characteristics is planned. The sampling frame (if existing and generally accepted) or sampling units at different stages, including the degree of clustering and the data base used for the selection of communities as well as stratification factors applied to the sampling frame, will be described in detail in the final report, detailing the following:

• The process of the household selection from a multi-household (or multi-individual) address has to be spelled out in detail by the agency and agreed in advance, before signing the contract.

• The selection probabilities of every sample household and every sample member must be estimated and recorded after the survey.

• The remaining systematic non-coverage problems (telephone sample coverage, language minorities, other impairments, e.g. a high rate of illiteracy) must be recorded.

**Interviewer training**

Training is the key to a successful survey. Hence, SHARE pays a lot of attention to interviewer training. This includes both technical aspects and motivation. The interviewers are trained personally by the survey agency and the CTL, who in turn is trained using the “train-the-trainer” materials. Participation of the CTL at all training meetings is crucial for the motivation of the interviewers and the quality of the content.

**Fieldwork monitoring**

SHARE will closely monitor the fieldwork progress during the pre-test and main test survey. This includes producing a weekly report on response rates. All survey agency must accept quality control back-checks (e.g. contacting interviewed households by the agency to ensure that interview actually took place, acceptance of visits by CTL/co-ordinator, acceptance of code of ethics). The survey agency sends the raw data on a weekly basis

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*See page 13, Stage 3: Development of multi-language sampling grame and Stage 4: Running the prototype main test survey.
directly to SHARE (i.e. without editing) by electronic means. In case of interviews with errors, these may be sent back to the field for correction.

**Debriefing sessions**

After each survey, survey agencies hold “debriefing” meetings with their interviewers, the CTL and, possibly, members of the SHARE co-ordination team in which interviewers report on their experiences during the fieldwork. The debriefing meetings after the UK and the all-country pilots’ were very successful in showing where such a complex survey needs improvement and revision to become efficient for the interviewer and pleasant for the respondent.

6. The Development Process

Core of the SHARE development process is the iteration between questionnaire development and data collection. Point of departure was the US HRS (Health and Retirement Survey), the UK ELSA (English Longitudinal Survey of Ageing) and similar other survey instruments (e.g., in Germany, Italy and Sweden) which have addressed relevant questions.

The development process is taking place in four stages:

**Stage 1: Initial questionnaire design in English language**

In the first stage, completed by now, the working groups produced an English-language draft questionnaire. The entire group met in plenary sessions during this process to test ideas and ensured that the proposed questions are likely to be viable in all participating countries.

The first stage culminated in an English-language pilot which took place in the UK in September 2002. The main purpose of this pilot was to test the feasibility of the survey instrument and the CAPI program. It was based on a quota sample: 40 households had at least one respondent aged 50-70, 40 households had at least one respondent aged 71-85, and 10 households had at least one respondent aged 86+. 30 households contained at least one respondent who was working; and single/couple or composite households were equally frequent. The pilot was conducted by the National Centre for Social Research (London) which has also conducted the first wave of ELSA. The aim of this pilot was to test the English language questionnaire, explore its length and non-response frequencies for various household types, and collect interviewer feedback.

**Stage 2: Development of multi-language instrument**

Based on the lessons from this UK-pilot, the English-language questionnaire was thoroughly revised. The next stage consisted of an array of cognitive interviews in selected countries based on the English-language questionnaire in order to test the international feasibility of the generic instrument. After an additional round of revisions, a translation tool (the “language management utility”, LMU) was developed to enforce the comparability of all national translations with the generic English-language questionnaire. This tool is also used to keep track of necessary further adaptations to each country’s institutions and circumstances.

The translation tool and the translated questionnaires were tested in two countries, Germany and Italy. This test runs resulted in another round of improvements of tools and instrument, before the English version was translated in all SHARE languages. Languages include language variants who are treated separately, such as Belgian French and Swiss German.

The second stage culminated in a first pilot simultaneously in all SHARE countries, using quota samples (n = 50 households, some 75 persons) similar to the UK-Pilot in stage one. These interviews were conducted in June 2003 and aimed at testing whether the questions are understood and answered as intended in each country, along with measuring the duration of the different modules, and ensuring the functioning of the sample management system.

**Stage 3: Development of multi-language sampling frame**

In the next stage, after further refinements of the instrument, the full questionnaire using random samples (n = 100 primary respondents per country plus their spouses) will be fielded in October/November 2003. Aim is to allow predictions to be made of the reliability and validity of the full questionnaire, including more “problem-

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162 23rd CEIES seminar: ‘Social protection statistics’
atic” respondents than are to be expected using a quota sample. In addition, this pre-test should also test the country-specific procedures to achieve a probability sample.

An extensive statistical analysis of the pilot results will be performed to assess the reliability and validity of the questions. Using data from the testing interviews, the pilot results and past data, these will suggest improvements to questions, and assist in the design of the final questionnaire.

Stage 4: Running the prototype “main test survey”

The last stage will consist of a medium-scale survey of this final questionnaire (n = 1000-1500 primary respondents per country plus their spouses, totalling some 20,000 respondents), scheduled for Spring/Summer 2004. This stage will be the essential step to demonstrate the feasibility and the usefulness of SHARE, in that it permits substantive data analysis addressing the main questions of interest. This “main test survey” will deliver a prototype for the planned multi-year panel, and should serve as a demonstration object to the European Commission.

See page 13, Stage 2: Development of multi-language instrument.
References


HEALTHPOLICYMONITOR.ORG.
A VIRTUAL CLEARINGHOUSE FOR THE BUSY HEALTH POLICY MAKER?
METHODOLOGICAL CONSIDERATIONS AND USABILITY

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Health Program, Bertelsmann Foundation
Guetersloh, Germany

1 Executive Summary

Comparative research on health care systems and health policy reforms is carried out by a number of international bodies such as OECD, WHO, the World Bank, as well as by universities and academic institutions, and among or between countries within a region or with a similar historical background. However, implementation of research results in politics and in innovative reform approaches still lags behind the proper comparative analysis of health policy.

The Bertelsmann Foundation wants to contribute to narrow the gap between research and policy, speeding up information exchange on what works and what doesn’t work in health policy reform. Undeniably, health reform issues across countries are similar: Demography, ageing and longevity, modern medicine and new technology, co-ordination, transparency and efficiency, quality and cost, access to and financing of services are all challenges every health policy maker has to address.

Compared to research already under way, it is our ambitious aim to set up a more rapid, reliable, best-practice-oriented monitoring tool, capable of reporting and commenting on changes and reform processes fast and regularly - ideally twice a year. For this purpose, we are established the International Network Health Policy & Reform. The network currently consists of independent international experts, think tanks, and/or research institutions from 16 countries worldwide.

2 Introduction

The international network health policy & reform is not primarily about research. At this initial stage, the network can only collect and collate information on health policy developments in selected industrialized countries. This information, while available elsewhere, is fragmented and cannot easily be retrieved. This is where we see a gap, and a possibility to provide a specific information service: to provide and to present recent developments in health policy in a news & notes manner for easy access and rapid information. This information is collected through a survey conducted every six months, and disseminated through the project’s website at www.healthpolicymonitor.org. The website thus is the network's key dissemination tool and a unique information feature.

This network thus serves a double purpose. For one, we present the results of this survey are made available online, meant to serve as a quick, comfortable online search machine to inquire into and look up current trends and early-stage reform approaches in health policy developments in 16 industrialized countries from around the world.

Secondly, the network was conceived and developed to better understand the processes of health policy making, and to assess both ex ante and ex post the potential outcome and impact of a health policy reform under way.
Addressees / Users

This tool, also, has two potential target audiences or user groups.

In the short term, the collation of information and news on recent health policy trends will above all be of interest to busy health policy makers without time to compile the information shattered all over by themselves. They will appreciate, it is hoped, the service function of the website. In the mid-term, as data accumulate, we may perform longitudinal studies on the association between health policy topics, patterns of appearance on health policy agendas, and the driving forces behind. This second stage may be of interest for the broad and diverse community of health policy scholars.

In a more analytical second phase, in addition to the service function of the network’s website, we expect to be able to analyse the common and the specific features of health reform processes. A precondition for such a longitudinal comparative trend study is that the network surveys continue to contribute compact information on health policy processes under observation, and that the network’s database thus continues to grow.

The underlying assumption of a long-term analysis of health reform trends and patterns is that there be an association between topics, key players, alliances and interactions amongst them on one side, and the predictability of an outcome of a health policy idea or draft bill, on the other. By means of a detailed analysis of players and interactions, we shall get a better grasp of the dynamics of different health policy making styles. Observing these dynamics over time shall enable us to draw conclusions about the likeliness of progress (success or failure), at any given stage of the policy process, to pass on / reach the next process stage, as well as the chances for implementation or abortion of a certain health policy idea or approach, new or recycled, given a certain set of supporters / opponents.

We would also like to understand better in how far health policy reform is more likely to be successful when specific health policy making styles are applied, and whether these health policy making styles depend or not on a specific political culture surrounding a health care system, or on a certain tradition of negotiation / mediation / consensus seeking. Another interesting question in this context is to find out whether what pushes health policy topics high on the agenda and influences its outcome is fact-driven, or more related to overarching political fashions.

3 Background and objectives

The Bertelsmann Foundation holds a specific view of the German health policy environment: we intend to deepen the analysis of interaction of stakeholders and policy makers, and assist with the management of interests and relationships between different players in the health sector. This, in our opinion, is the key to health policy reform in our country.

In Germany, while access to health care is excellent, there is broad consensus about inefficiencies in the provision of services. Co-ordination gaps, lack of transparency, and a lack of valid and comparable information on cost and quality of services - have also been criticised nationally and internationally.

On the other hand, the current debate is taking place in a rigid, much institutionalised setting and a highly complex, fragmented system of multiple payers, providers and politics. Quite obviously, none of these factors helps with the development of innovative approaches or blueprints for reform and reorganisation. There are established mechanisms for political discussion and decision-making with vested interests and well-known positions. Debate goes on in circles so that new ideas are rarely generated and seriously considered. Although reform pressure increases with progress, cost and an inelastic demand for better services and therapies, there is little political will – or fear - to profoundly reform a system which for decades has too comfortably catered for many diverse interests.

Network objectives

1. To obtain and analyse information on changes and developments in health sector reform on a regular basis and over time;

2. To scout, monitor and follow a (new) health policy idea or approach from its inception stage through the policy and law making process until implementation;
3. At each stage of the process, to describe and analyse the formal and informal interactions of all players and stakeholders in the decision making process;

4. To capture best practice models already established.

**What we want to do with it**

5. To establish an effective tool for monitoring innovative ideas as they evolve and travel within and across health care systems;

6. To systematically analyse decision-making processes leading to health sector reforms, or facilitating change in health policy;

7. To review and disseminate that information in an efficient, straightforward, and rapid manner among all network partners (half-yearly reports; internet platform);

8. To organize the transfer of findings and results into the German health policy making process (consultations, advisory activities).

### 3.1 The network

The **International Network Health Policy & Reform** was initiated and set up in 2002. It currently brings together health policy experts from 15 industrialized countries:

**Experts**

Our partner institutions are all outstanding independent research institutions with a particular expertise in health policy analysis. In each country, we cooperate with one partner - a university, a think tank, a foundation, or a public research institute (two in the USA).

**Criteria for partner selection**

Academic reputation, keen interest in health policy affairs and proven experience in policy advisory activities, health policy / health services research, and/or health systems comparison, independence and neutrality, interdisciplinary, team support

**Advisers**

A number of people - all researchers themselves - have been accompanying our network initiative from the very beginning - some since April 2002. Our *Advisers* do not contribute half-yearly surveys but helped us shape our approach and objectives - distinct from other multi-country networks. Critical and challenging, demanding and supportive at the same time, they also advised us on the questionnaire and on the production of the half-yearly reports

**Project management**

The International Network Health Policy & Reform is sponsored by the Bertelsmann Foundation; co-ordination of the project takes place at the Bertelsmann Foundation’s Health Division (Health Policy Team). The Technical University Berlin, Health Care Management Department, is responsible for the network’s data collection and assemblage and produces the half-yearly reports in close collaboration with the project sponsor. The initial duration of the project is two years (until December 2004).

### 3.2 The questionnaire

**Content and development**

A semi-standardized questionnaire was developed and agreed upon in cooperation with all network partners. A draft of the questionnaire was pre-tested by three partner institutions in 2002, prior to the first network meeting. Their input and feedback provided a basis for a thorough review and methodological discussions in the group, as a result of which the questionnaire used in the first round – defined as a test run – was formulated and agreed upon. A particular feature resulting from discussions between network partners, advisers, and the project coordinator was the matrix which is described below.
In each survey round covering six months, experts are asked to provide information on the progress of a health policy idea, approach or instrument from the early stage of inception towards implementation over time.

3.2.1 Selection of health policy topics

For every six-month-period, five or more such key health policy developments are to be described. There are four main criteria for the selection and subsequent detailed reporting of a health policy development:

- **relevance and scope,**
- **impact on status quo (systemic impact),**
- **degree of innovation (based against national and international standards),** and
- **media coverage / public attention.**

Particular attention is to be paid toward comparing the background/context of a key health policy issue, its players/process interactions, and, - with a view to implementation – its potential impact on the overall system and organization of a country’s health system.

**The matrix: Multiple Dimensions**

The questionnaire to be filled out for each of the selected health policy developments starts with a two-dimensional matrix, picturing 12 key issue categories (expanded to 15 after the first survey findings) and 7 process stages. The matrix thus allows to categorize both the issue addressed and the current stage of the process from inception to abolition.

**Anchoring the selected health policy issue in the matrix**

Having made their choices of the topics for a reporting period, experts are then asked to anchor the selected health policy issue in the matrix.

- **There may be a mark in one box only or a horizontal line if a health policy development has progressed through several columns (stages) during the six months.**
- **If a policy clearly relates to more than one category (e.g. the introduction of a new remuneration system to facilitate integrated care), then all the appropriate boxes / lines should be marked accordingly.**
3.2.2 The policy process

For each of the health policy issues selected, correspondents provide a more detailed (descriptive) analysis of stakeholders and their interests and interactions along the stages of the process. It is possible that some ideas / topics evolve very fast from one stage to the next. One may also observe that others do not necessarily follow the process, »surfacing« in at stage 2 and/or »jumping« across various stages during the period observed.

### Definition of process stages

#### Idea

Under ideas we collect new and newly raised approaches for health policy change, any idea for reform voiced or discussed in different fora (e.g. research institutions, professional/providers’ groups, advisory councils, consumer organizations, supra-national agencies, others). Idea also means “early stage”, any idea floating but

<table>
<thead>
<tr>
<th>Process stages</th>
<th>Issue categories</th>
<th>“Idea”</th>
<th>Local or institutional innovation</th>
<th>Acceptance/ policy paper</th>
<th>Legislative process</th>
<th>Adoption &amp; implementation</th>
<th>Evaluation</th>
<th>Abolition/ change</th>
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<tbody>
<tr>
<td>1.1</td>
<td>Sustainable financing I: Funding and pooling of funds</td>
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<td>1.2</td>
<td>Sustainable financing II: Remuneration/ paying providers</td>
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<td>Human resources – training and capacity issues</td>
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<td>Quality improvement and assurance</td>
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<td>4</td>
<td>Benefit basket, priority-setting</td>
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<td>5</td>
<td>Access to health care (rationing, waiting lists etc.)</td>
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<td>Responsiveness to and empowerment of patients</td>
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<td>7</td>
<td>Political context, e.g. centralized vs. decentralized policy making</td>
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<td>8</td>
<td>Organization / integration of care across sectors</td>
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<td>9</td>
<td>Long-term care; care for the elderly</td>
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<td>10</td>
<td>Role of private sector</td>
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<td>11</td>
<td>New technology</td>
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<td>12</td>
<td>Others…</td>
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</tbody>
</table>

Source: Questionnaire # 0303

#### Process stages

- **1.1 Sustainable financing I**: Funding and pooling of funds
- **1.2 Sustainable financing II**: Remuneration/paying providers
- **2 Human resources – training and capacity issues**
- **3 Quality improvement and assurance**
- **4 Benefit basket, priority-setting**
- **5 Access to health care (rationing, waiting lists etc.)**
- **6 Responsiveness to and empowerment of patients**
- **7 Political context, e.g. centralized vs. decentralized policy making**
- **8 Organization / integration of care across sectors**
- **9 Long-term care; care for the elderly**
- **10 Role of private sector**
- **11 New technology**
- **12 Others…**
not anywhere near a more formal inception stage. For our first survey, we have widened this notion to capture (1) ideas that have only recently surfaced and (2) ideas which have been in the pipeline for some time (retrospective view). This means that the reporting period of the first survey is not restricted to the past six months. That way, we establish a „stock of health policy ideas-in-development”, facilitating the observation of ideas appearing and disappearing through time and “space” (i.e. medical savings accounts in the Australian health policy debate; Primary Care Trusts in the UK, ....).

**Innovation**

More than ideas, innovations are defined here as concretisations of health policy ideas or approaches developed previously (e.g. pilot projects at local level, within institutions, “best practice”). Sponsorers of innovations can be the institutions already mentioned under ideas or regional or local health authorities (i.e. health card in Euregios).

**Policy Paper**

By policy paper / health policy statement we mean any formal written document short of a draft bill: Place a mark here for any health policy paper or programme, health plan, health goals or similar issued for the policy here described in the past six months. Acceptance of idea within relevant professional community and/or (governmental) policy paper at central or regional level

**Legislative Process**

Perhaps the most complex and fascinating of all stages, this category covers all steps of the legislation process - from the formal introduction of a draft bill/proposed legislation through parliamentary / congress hearings, driving forces, the influence of professional lobbyism in the process, up to the the effective enactment or rejection of the proposal. As much as we observe ideas from the moment they surface through different stages of progress or abandonment, we want to capture and understand why and how a proposed legislation succeeds or fails.

**Adoption**

Adoption or Implementation is about all stages and measures steps taken towards adoption and implementation of a policy at both legal and professional levels: i.e., secondary legislation/regulations, accreditation requirements, formulation and adaption of professional or organizational standards, influence of private sector/market/industry in the adoption process. The adoption of an idea or policy does not necessary result from legislation, it may well follow from innovations or best practice as described in earlier process stages with no preceding legislation.

**Evaluation**

Evaluation of change – acceptance or failure?

**Sample questions - policy process**

The following box illustrates the questions asked for the centrepiece of the survey reports: How / what questions experts responded to in order to describe the policy process. Questions were clustered in a chronological order to allow free “story telling” of the underlying drivers, interests, and obstacles of the health policy process under review. Each bundle of questions is followed by a free text box.

In the next half-yearly survey, due at the end of October 2003, the open questions as shown below will be complemented by summary check lists to present players and their motivations online in a more advanced, quick reference fashion.
5. Process

5.1 Idea: Where, when, and by whom was the idea generated? Who were or are the driving forces behind this idea and why? Is it an entirely new approach, does it follow earlier discussions, has it been borrowed from elsewhere? Is it aimed at amending / updating a prior enactment (“reforming the reform”), and why would it have been passed? Please explain. Who were the main actors? Are there small-scale examples for this innovation (e.g. at local level, within a single institution, as pilot projects)?

5.2 Policy paper: How were or are other stakeholders/affected groups involved? Who opposes / opposed this idea or policy and why? Has the idea or policy been accepted by relevant actors; or was it abandoned? Was a policy paper formulated? By whom? Who held the leadership role in bringing forward this idea or policy? Were there alliances between stakeholders in support of the idea or new policy? Who mediated conflicts of interest between stakeholders?

5.3 Legislative process: Did or will the development of this idea or health policy lead to a formal piece of legislation? In how far has the original proposal been changed or modified in the process?

5.4 Implementation: Which actors and stakeholders were, are or will be involved in the adoption process towards implementation? Which means are necessary? Who moderates the process? Were or are these actors and stakeholders actively participating in the process? If not, why? Who else is or will be directly or indirectly affected by this implementation? Why and how? How successful was implementation or, in your opinion, what are the chances of implementation? Where were or are the obstacles? What incentives would facilitate the implementation of this policy, in addition to, or instead of the incentives provided? What was done to convince, or promised to appease, the opponents to this policy?

5.5 Evaluation: Does this piece of policy foresee a mechanism for regularly reviewing the implementation process, the impact, and the overall appropriateness of its objectives, its consistence with your national health policy (where applicable)? If yes, please describe. Have precautions been taken to minimize the undesirable effects of the reform? If evaluation has already taken place, please provide results. Did evaluation lead to change or abolition?

Source: Questionnaire 0303

3.2.3 The players

Based on the first half-yearly reports, the key players and groups of health policy actors have been grouped into the following eleven categories:

Government

By Government we understand any representative or part of the governing administration at any level of the Executive – i.e. Office of the President, Chancellor, Prime Minister , Ministry (central level or lower level jurisdiction – state, region, province, department, municipality), federal or national technical agencies etc.

Parliament

We use “parliament” to capture statements, policy papers, draft bills etc. voiced or presented by politicians or parliamentarian groups of either side, belonging to either the majority group or wing of it, or to the political opposition. Again, parliamentary standpoints may be raised by either federal or lowel level chambers.

Providers

Providers comprise the large group of medical and non-medical personnel and services: physicians, nurses, physician assistants, pharmacists, lab technicians, health care facilities (hospitals, clinics, policlincs, health centres), as well as their professional associations or interest groups. Providers can be organized as private or public or corporatistic bodies, and they can be operated as for profit, non-for profit, governmental, non-governmental etc. institutions.
Payers

In our context payers are primarily defined as purchasers of health services, i.e. public (social) or private insurers offering comprehensive or partial, statutory or voluntary coverage. Depending on the health care system, payers can also be the state, local authorities, social services institutions covering determined population groups, charity or welfare organizations, employers contributing to health insurance, as well as households and/or patients paying out-of-pocket.

Patients, Consumers

As opposed to the term “civil society”, we use the notion of patients to reflect the individual perspective of a person in, before or after a specific treatment situation. Without entering the debate about the appropriate definition, perception or appreciation of a patient as a “client” or “consumer”, we do use patient in the broader sense of the word. Patient groups, self-help groups, and consumer interest groups therefore fall under this category as well.

Civil Society

The term civil society refers to organized bodies and representative groups of the non-governmental sector of society, i.e. unions, churches, charities, NGOs, minority groups, foundations, etc.

Private Sector or Industry

Private sector institutions as we define them here can be: the pharmaceutical industry, producers of medical devices etc., hospital chain holders, professional health management organizations (HMOs), private finance institutions or investors, and others.

Scientific Community

Under scientific community we list all public and/or private research institutions (universities, non-university research institutes, think tanks, etc.)

International Organisations

The obvious examples are: World Health Organization, OECD, World Trade Organization, European Commission, etc.

Media

By media we understand all online and offline media, e.g. print, TV, online.

Opinion Leaders

Under individual opinion leaders we capture the input of distinguished personalities with no particular political portfolio, or from outside the health policy field, i.e. Hillary Clinton in the early nineties, ex-ministers or secretaries of state participating in the debate (Horst Seehofer, Rudolf Dressler, etc.), or well-known artists or journalists.

Others

...

3.2.4 The ratings

The last question of the survey asks the expert to deliver an informed best estimate of the policy, idea or reform process described along the criteria used for selection. In addition, s/he is asked to provide an expert assessment on the very characteristics of the policy making process: i.e. degree of controversy of discussions, public visibility and media attention, and transferability.
On the website, then, the expert ratings are placed prominently on top of the full reform report, and they are also used as a search criteria in the search mask. The scale of the questionnaire has been translated into a focus line:

| 1. How innovative is the policy against your country’s present situation? |  |  |  |  |  |
|------------------------|-----------------|-----------------|-----------------|-----------------|
| traditional approach   | innovative      | approach        |

| 2. Was/is the policy process comparatively...? |  |  |  |  |  |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| consensual      | highly           | controversial   |

| 3. Actual or expected impact on status-quo… |  |  |  |  |  |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| marginal        | fundamental     |

| 4. Visibility in public discussion (media coverage)…. |  |  |  |  |  |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| very low        | very high       |

| 5. Transferability |  |  |  |  |  |
|-------------------|-----------------|-----------------|-----------------|-----------------|
| strongly system/ context-dependent | transferable system-neutral |

Source: Questionnaire 0303

On the website, then, the expert ratings are placed prominently on top of the full reform report, and they are also used as a search criteria in the search mask. The scale of the questionnaire has been translated into a focus line:

Source: www.healthpolicymonitor.org

3.3 www.healthpolicymonitor.org

The homepage
The centerpiece of the network's website www.healthpolicymonitor.org is a comprehensive health policy database, which consists primarily of the reports provided by the network partners every six months.

Database search results can be retrieved and sorted by countries, issues, years, process stages (from idea to implementation and evaluation), and actors or stakeholders. The database search engine enables anyone interested to inquire into health policy developments, and to generate individual reports, assembling various search topics.

Other features comprise information on the network partner institutions, country statistics, updates, as well as news & notes on recent or upcoming publications, events and conferences.

**The search mask**

The website's search mask and the online survey result page (online, print, PDF) were designed following up-to-date barrier-free standards. A step ahead of the original questionnaire, it also allows for more detailed insights with regard to key policy players, i.e. a closer look into the positions, influences, and dynamics of actors and alliances in a given policy under review. Some of the reports from the first survey served as pilots to facilitate the testing of a more comprehensive database.

The expert reports submitted in the first survey round were edited for the first online version.

- Based on the information received, it appeared useful to expand the matrix and add three categories which, quite frequently, had been created or added under "others". These categories are: Pharmaceutical policy, prevention, and public health.
- Further, for easier orientation of the website's user, the order of the reform reports was modified slightly. For instance, at the beginning of each survey report, we an identity area (name of reform, reporting institute, date of survey, process stage(s) of reform observed), was inserted, followed by the field Content of Idea (abstract), and by the expert ratings of the policy described.

Also, for future evaluation, the website has been set up to accommodate more issues, more revised questions, and additional network countries and partners in the near future.

**Results from first survey round**

Conducted in March 2003, the first survey covers the period from September 2002 to February 2003. In this first round - a test run for everybody -, 76 health policy reforms from 15 countries were described and analysed.
3.4 Half-yearly reports

The first issue of "Health Policy Developments. How Ideas Travel", to be published along the surveys every six months, highlights current discussions and developments. The reports selected for the print report have been organized around five major themes of overarching interest across countries and health systems:

- Funding and reimbursement
- Quality improvement and quality control
- Integrated care
- Public health
- Plans and proposals addressing US coverage gaps
On a more general level, organizational questions and policy making styles are discussed. Are more commissions the right answer? How do policy-makers address all of these challenges? Often, governments seek expert advice. Ad-hoc or permanent working commissions on health care reform exist in almost every country. Patient and consumer organizations call for independent councils and public participation. Financing issues, policy-making styles, the debate about the most appropriate level and scope of regionalized health policy competence, accountability, consumerism and public health affairs are all issues that will be investigated regularly in the next biannual reports.

4 Outlook

The next year the network's main task will be to adapt the survey questionnaire and the presentation of its half-yearly survey results even better to the needs of the target audience "policy makers". Based on the first survey's experiences and taking up on the feedback received so far, the steps ahead include the following:

Review of the questionnaire and responses received
particularly in order to achieve a better distinction between reporting (descriptive part) and expert opinion (ex-post or ex-ante assessments of policy/of idea).

Validation of report selection and results
Secondly, we address the issue of validation. As a first step and on a trial basis, in selected countries we will ask a second expert group to identify the top five health policy issues for that country, and to review and comment, as referees, on the five topics selected and reported upon by the partner institution. From there, a decision will be made whether or not to establish a more formal referee system, and, if so, what the referees will exactly be supposed to do.

Strengthening the network's clearing house function
Thirdly, to improve representatively and validity and to make the network's findings more meaningful, we will expand the network to cover reform processes, best practice, and ideas that are still lacking. More specifically, this means that we cannot do without the Eastern European transition experiences.

Multiple goals and the role of the Bertelsmann Foundation
Last but not least, targets should be clear. As a foundation, the Bertelsmann Foundation sees its primary objective of exploring experiences from outside Germany in feeding the German reform processes with fresh ideas and new approaches. For this purpose, the Foundation has been and will be very restrictive as regards the inclusion / selection of countries with "relevant" reform experiences. This is the reason why poorer countries from Eastern Europe, the NIS, or from Latin America will not be asked to contribute (unless they find sponsor's willing to support them). It is only at a secondary target level that the added value of an international clearinghouse is of interest to the Bertelsmann Foundation.
THE DEVELOPMENT OF A NEW STATISTICAL INSTRUMENT TO SURVEY SOCIAL PROTECTION IN BELGIUM

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1. Introduction

The importance of social protection statistics as such, and even more so the importance of ‘high quality’ social protection statistics in terms of timeliness, validity, accuracy, comparability etc. is indisputable for various reasons. One of those reasons is that social protection statistics may well contribute to social policy making. Social protection statistics can improve our knowledge and insight with respect to the social protection domain. Based on that knowledge, not only one can evaluate past and current social policy, but also new policy measures can be considered for the future.

The Belgian authorities acknowledge that for good policy they need good data. That is why the Belgian Federal Science Policy Office is financing several research projects with the explicit aim to assist the Ministries and other federal institutes to support the development, constitution or valorisation of the socio-economic databases those federal departments possess and thus to ameliorate the data and to enhance their use. As from September 1999, our research team of the social policy unit of professor Berghman at the faculty of Social Sciences at the K.U.Leuven University (Belgium) is engaged in such a research project at the demand of the Federal Ministry of Social Affairs.¹

The Belgian Federal Ministry of Social Affairs is often confronted with the need for a consolidated picture of the Belgian population in terms of social protection categories. Also European statistical demands put a pressure on Belgian statistics. Europe is striving for an increased use of administrative data on the one hand and the development of integrated (compatible) social statistics on the other. With those data demands in mind, the Ministry of Social Affairs commissioned our research team to develop a consolidated overall picture of the Belgian population in terms of social protection categories that complies with the international requirements with respect to social protection statistics and that is mainly based on administrative data sources held by the various social security administrations in Belgium. Such a picture implies not only a characterisation of the existing social provisions and social security schemes, but also an extended characterisation of the individuals that are connected to those provisions, both as beneficiaries and as contributors.

In the following two chapters, we shall put a light on current social protection statistics published by the Belgian Federal Ministry of Social Affairs. In doing so, the state of the art of Belgian social protection statistics is demonstrated and some striking statistical inadequacies and needs are highlighted. The last two chapters then are devoted to the new statistical instrument that can provide the demanded consolidated picture on social protection in Belgium. This new framework we developed both to gather and to manage data on social protection was called the social security matrix. First we inform the reader about the nature and the structure of that new instrument. Finally, we try to list its most important features that can contribute to innovative and improved social protection statistics.

¹ The paper at hand relates to two allied research projects: AG/01/039 ‘Harmonisation of the statistical concepts in social security’ (September 1999 - December 2001) and AG/01/070 ‘Validation of the individual part of the social security matrix’ (January 2002 - December 2004). These research projects are part of a broader research program called AGORA, organised and financed by the Belgian Science Policy Office.
2. Belgian social protection statistics: state of the art

By reviewing the most recent editions of four (mostly annual) statistical publications of the Federal Ministry of Social Affairs, we can demonstrate the state of the art of Belgian social protection statistics, so that in the next paragraph we can highlight the most important inadequacies and needs.2

1. The ‘Concise outline of social security in Belgium. Edition 2002’ (Dutch: Beknopt overzicht van de sociale zekerheid in België) offers an overview on Belgian social security encompassing a description of the most important historical features and a more elaborate inventory of current social security law and measures. Not only the social security systems for employees, self-employed workers and public servants are reviewed by sector, but the (usually means-tested) social assistance measures and the regulation on supplementary pensions are described as well. Statistical data are presented concerning aggregate receipts and expenditures of Belgian social security (2001), concerning the protected people subjected to the three social security systems for employees, self-employed workers and public servants (1996-2000) and concerning the expenditures and the total amount of beneficiaries by social security sector (2001).

2. Also in the ‘Vade Mecum. The social protection budget. Edition 2003’ (Dutch: Vade Mecum. Begroting van de sociale bescherming) aggregate data on receipts and expenditures are presented for the past four years (1999-2002) together with estimates for the forthcoming year (2003). The first part of the Vade Mecum is devoted to social protection in the broader sense and contains accounting and budgetary data concerning the social security systems for employees, self-employed workers and public servants, the overseas social security system, the social assistance measures and some supplementary transfers to households. In the next three parts (relating to the social security system for employees, the social security system for self-employed workers and the social assistance provisions) the Vade Mecum not only presents more detailed data on receipts and expenditures, but also some statistical data like the amount of beneficiaries, the number of reimbursed days and the average amount of the reimbursements. It is emphasised that only the figures for the years 1999 and 2000 can be considered as final accounts, while the figures for the year 2001 are provisional accounts and the figures for the years 2002 and 2003 are estimates and thus merely informative. Furthermore it is stressed that there might occur disparities between the figures in the Vade Mecum and the primary figures presented in the official documents of the social security institutes, which are mainly caused by the consolidation of the figures (Federae Overheidsdienst Sociale Zekerheid, 2003, p. 1).

3. The ‘Statistical Yearbook of Social Security. Edition 2002’ (Dutch: Statistisch jaarboek van de sociale zekerheid) offers a synthetic overview of the most important evolutions of social security in Belgium for the period 1990-2000. The introductory part presents figures on the demographic course of the population, the course of the labour force, the evolution of GDP per head of the population and the linking of social benefits to the consumption index and the index of well-being. The first part contains some norms and indicators of social security (mostly regarding the various sectors in the social security system for employees) such as the ratio of expenses to the GDP, the ratio between the amount of beneficiaries and contributors, the unemployment ratio and some other dependency ratios. The second part discusses in more detail the social security system for employees, the social security system for self-employed workers, the social security system for public servants, the voluntary and supplementary insurances, the social assistance provisions and the overseas social security system. For each of these systems, the statistical yearbook provides information concerning receipts on the one hand and expenditures on the other. For the receipts, data are presented concerning the

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2 In the text, we will use the terms ‘systems’ and ‘sectors’ to indicate some sets of Belgian social protection measures. These terms refer mainly to the category of people protected by a particular set of measures (systems) and the risks or needs that are covered (sectors). Broadly speaking, one can distinguish the following social security systems and sectors. The social security system for employees encompasses the obliged insurance for sickness (i.e. reimbursement for health care, disability benefits and maternity benefits), benefits relating to accidents at work and occupational diseases, first pillar pensions (old-age pensions and survivor pensions), family allowances, unemployment benefits and holiday payments. The social security system for self-employed workers encompasses the obliged insurance for sickness (i.e. reimbursement for health care (only the so-called ‘large risks’), disability benefits and maternity benefits), first pillar pensions (old-age pensions and survivor pensions), family allowances, unemployment insurance and accident insurance in case of bankruptcy. The social security system for public servants encompasses the obliged insurance for sickness (i.e. reimbursement for health care, disability benefits and maternity benefits), benefits relating to accidents at work and occupational diseases, first pillar pensions (old-age pensions and survivor pensions), family allowances and vacation benefits. Furthermore, the so-called social assistance system encompasses the income guarantee for the elderly, guaranteed family allowances, grants for the handicapped, the guaranteed income allowance and social services organised by the Public Centres for Social Well-being.

3 The voluntary and supplementary insurance in the Statistical Yearbook only concerns the voluntary and supplementary sickness insurance organised by the Health Services (i.e. the institutions who are responsible for the implementation and the payments of the compulsory sickness and disability insurance). Article 3 b) and c) of the Belgian law of August 6th 1990 states that the Health Services must organise at least one of the following supplementary services: (1) the insurance for ‘little risks’ in health care which are not covered by the compulsory sickness insurance for the self-employed workers, (2) health care abroad, (3) supplementary disability benefits for certain groups (such as medical professions, lawyers...) who are not covered by the compulsory disability insurance, (4) hospitalisation insurance, (5) medical transportation, (6) premarital saving and (7) other services.
persons, labour days and earnings subject to social contributions, the contribution bases and the amount of social contributions and government contributions. For the expenditures, data are presented sector by sector concerning the number of beneficiaries, the evolution of the amount of the benefits and the total sum of the allocated benefits (Federale Overheidsdienst Sociale Zekerheid, 2002, p. 1).

4. Finally, the ‘General Report on Social Security. Edition 2001’ (Dutch: Algemeen verslag over de sociale zekerheid) is an annual report on the economic and budgetary situation of social security on the whole. It encompasses the social security system for employees, the social security system for self-employed workers, the social assistance provisions, the voluntary and supplementary insurances and the overseas social security system. The report contains the gross accounts concerning the expenses and the revenues of all the institutions that administer the various social security sectors within the social security systems mentioned above, as well as their financial balance. The (most recent) 2001 edition first presents a general but provisional account for the year 1998. The remainder of the report concerns data for the year 1997. The accounts made out in the report are the result of consolidations on different levels, for which the cooperation of all institutions involved is necessary. In the introduction, it is stated that the general report pursues different objectives. On the one hand, to consolidate the accounts of all institutions of social security, for it is the consolidated account that has to be reported in the social protection statistics of diverse international institutions such as Eurostat, the OECD and the ILO. On the other hand, the general report surveys all financial mechanisms brought about by Belgian social security. Such an overview can serve policy research and scientific studies (Federaal Ministerie van Sociale Zaken, Volksgezondheid en Leefmilieu, 2001, p. 6).

3. Belgian social protection statistics: inadequacies and needs

Considering those four publications of the Ministry of Social Affairs, we want to point out some important shortcomings and highlight certain statistical needs that are not fulfilled. First of all, the data and figures are fairly delayed. This is most striking in the case of the General Report on Social Security. The most recent version was published in 2001 and one could report final figures only until the year 1997. This inadequacy is also reflected in the official Eurostat publications ‘European social statistics. Social protection. Expenditure and receipts’. Figures concerning Belgium show estimated data for the years 1997 en 1998 in the 2000 edition (data 1980-1998) and in the 2003 edition (data 1991-2000) provisional data for the year 1998 and estimated data for the years 1999 and 2000. Also in the Vade Mecum 2003 edition only figures for the years 1999 and 2000 are final accounts, while those for the year 2001 are provisional one’s and those for the years 2002 and 2003 are estimates.

A second comment is that the information provided in the above-mentioned statistical publications is not always complete. This is mainly caused by a limited view on social protection. Mostly, only the ‘traditional’ social security system organised or regulated by the federal (central) government is surveyed. However, next to this so-called first pillar, second and third pillar provisions are emerging as well. Information and data on these voluntary, labour-related or private arrangements are not (sufficiently) available in the statistical documents of the Federal Ministry of Social Affairs. Since those second and third pillar arrangements are growing in importance, the lack of information on this new social reality is an important failing. Not only the scope of these supplementary arrangements as such (their absolute importance), but also the interaction between the three pillars (their relative importance) are two interesting themes that remain invisible at present.

Furthermore, the current publications are based on a confined point of view on social protection, which is reflected not only in their structure, but also in the kind of information that is provided. As indicated before (cfr. footnote 2), first pillar social protection schemes in Belgium are structured in several systems (according to the category of people protected) and within these systems several sectors can be distinguished (according to what risks or needs are covered). In essence, this division stems from the fact that in Belgium various (mostly federal) institutions are responsible for the administration of these different sectors within the different systems and for the budgetary and legal supervision on the (sometimes private) institutions for social security that are responsible for the actual allocation (payment) of those benefits. As seen before, current publications by the Ministry of Social Af-

\[\text{The voluntary and supplementary insurance in the General Report concerns supplementary health care, supplementary disability benefits and pre-marital saving (cfr. footnote 3), but also voluntary (but legally regulated) supplementary pensions and the so-called ‘Funds for Wellbeing’ and special contributions.}\]
fairs are structured along this traditional division into social protection systems and sectors. As a consequence, it is very hard to capture a clear, extensive, consolidated, overall picture of social security in Belgium.

In connection with this structure alongside traditional divisions of social protection systems and sectors, we want to highlight another inadequacy of current social protection statistics published by the Ministry of Social Affairs. In fact, one could think of some other structures to present social protection statistics, which are more interesting with respect to theoretical and policy research objectives. The available data on social protection expenditures often merely indicate the amount of benefits allocated, at best in separate figures in accordance with the various sectors within social security systems and some general divisions according to the different kinds of benefits. However, a more interesting characterisation of expenditures and benefits is lacking. By this we mean variables that can be of surplus value for theoretical, scientific research as well as for policy research. Examples are variables that indicate whether a measure is compensating, curative or preventive, whether a provision is means tested or not, whether a benefit is subject to minimum or maximum boundaries, whether a measure is obligatory or voluntary, which policy level (central, state, local ...) is at stake etc.

A final point is the deficiency concerning data on the persons involved with social protection, both as beneficiaries and as contributors. This critique does not only concern the above-mentioned Belgian publications. It is addressed to the majority of other national and international social protection statistics as well. One must not forget the essence of social protection statistics, being the people these figures relate to. Social protection is intended to relieve individuals of the burden of certain risks or needs. Though, a considerable part of the information on social protection focuses on expenses and revenues, while statistics on beneficiaries are rather rare. In the current social protection statistics published by the Belgian Federal Ministry of Social Affairs, some statistical tables are presented concerning the amount of people subjected to the various social security systems (contributors) and the amount of people who receive certain social protection benefits (beneficiaries). However, a more explicit focus on persons involved with social protection is needed still to allow better scientific and policy research and thus to gain better knowledge about our social protection system. Available data on beneficiaries often fail to make a meaningful characterisation of the protected population. Besides basic divisions in terms of sex or age, more interesting breakdowns in terms of for instance people's family situation, labour market situation, etc. are often not available.

4. The new statistical instrument: its structure

As stated above, our research team is conducting a research project at the demand of the Belgian Ministry of Social Affairs. The objective was to develop a consolidated overall picture of the Belgian population in terms of social protection categories that complies with the international requirements in the matter of social protection statistics. In the first phase (Berghman e.a., 2001), we therefore formulated a theoretically based broad definition of social protection, encompassing not only first pillar but also second and third pillar arrangements and fiscal measures with a social purpose as well. In addition, we explicitly paid attention to the fact that this social security concept must comply as good as possible with the compatibility requirements of international organisations such as Eurostat, OECD and ILO. Moreover, for the further development of the project, we draw some inspiration from some other existing national models for data-management in the realm of social protection.

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1 Based on the definition of social protection according to the Esspros Manual 1996: “Social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved. The list of risks or needs that may give rise to social protection is fixed by convention as follows: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion not elsewhere classified.” (Eurostat, 1996, p. 12).

2 Especially the ‘Statistical Yearbook of Social Security’ offers valuable information concerning the number of persons subject to the different social protection systems. For the social security system for employees, data are available on the total number of subjected employees and the number of subjected employees by branch. For the social security system for self-employed workers, the total number of subjected persons is given as well, but not broken down by branch. The same holds for the social security system for public servants. Furthermore, the Statistical Yearbook provides detailed information on the number of beneficiaries for the various branches within different social protection systems (employees, self-employed workers, public servants, social assistance and overseas social security). Often these data are subdivided according to the different kinds of benefits as well. Although not as detailed as the data in the Statistical Yearbook, also the ‘Vade Mecum. Budget of the social protection’ offers valuable data concerning the number of beneficiaries for the various branches within the different social protection systems (employees, self-employed workers and social assistance). Regarding the data on persons subject to the social security system for employees, self-employed workers and public servants, it must be noted that the figures in the Vade Mecum do not concern the number of persons, but the number of jobs. The data presented in the ‘Concise outline of social security in Belgium’ are taken over from the Vade Mecum.

3 The ‘General Report on Social Security’ contains no information on contributors or beneficiaries at all.

4 More specifically, we examined Eurostat’s Esspros system, the OECD Social Expenditure Database (SOCX Database), the papers of Adema (OECD) concerning net social expenditure, the Cost of Social Security (ILO) and the European System of National and Regional Accounts (ESA 1995) (Berghman e.a., 2001, pp. 22-44).
Relying on the various insights from that first phase, we then developed a new statistical instrument to gather and to manage data about social protection. We evolved a framework that constitutes the basis for an extensive database on social protection and we called it the ‘social security matrix’ (Berghman e.a., 2001; Berghman & Nijs, 2003a). The social security matrix consists of three parts: a product matrix, an individual matrix and a connecting matrix.

The units in the product matrix are the various existing social protection schemes. We divided them into two categories, namely expenditure measures and resource measures. All these social protection measures are characterised by a set of basic variables that reflect some elementary characteristics of social protection schemes. Next to these basic variables, the expenditure measures on the one hand and the resource measures on the other are scored on some variables that point out specific characteristics of the benefits and the financing mechanisms respectively. Finally, the financing mechanism of Belgian social protection can be revealed by linking the expenditure measures and the resource measures to each other according to what resource measures are used to finance the particular expenditure measures and vice versa which expenditure measures are financed by what kind of resource measures (Berghman e.a. 2001; Berghman & Nijs, 2002a; Berghman & Nijs, 2003a).

The second part of the social security matrix is the individual matrix. The units here are individuals. They are characterised by several variables that provide not only demographic characteristics (like their age, sex, nationality, marital status ...), but also information on their educational background, their activity status and labour market position, their job(s), their income etc. Another important aspect we want to realise is to capture each person in the context of the household and the family nucleus he or she belongs to. So the members of households and families are linked together and their relationship to each other is recorded as well. Finally, there are also a couple of variables about the characteristics of these aggregates, such as the type of the household/family, the size of the household/family, the number of active and dependent persons in the household/family, some characteristics about housing (tenure status and type of ownership), the total household income etc. (Berghman & Nijs, 2002b; Berghman & Nijs, 2003a).

The third and most crucial part in the matrix then is to connect persons to the social protection measures they benefit from and contribute to. This must be realised in what we call the connecting matrix (Berghman & Nijs, 2002b; Berghman & Nijs, 2003a). Actually, there are four relationships we would like to take in. The first is to characterise beneficiaries. This means that persons must be linked to those benefits (expenditure measures) they are currently receiving. Furthermore, this beneficiary relationship can be characterised in more detail by registering the amount of the benefit and the starting and (foreseen) ending date as well. A second relationship is the one that characterises protected persons. This means that persons must be linked to those social protection measures they would receive if certain risks or needs materialise. The third relationship is closely related to the one that identifies beneficiaries. In Belgian social protection law, several measures take into account the concept of ‘persons at charge’. This means e.g. that the level of certain benefits can vary according to whether the beneficiary has persons at charge or not. Also, some benefits are granted to persons at charge of protected...
people (e.g. in the case when a person dies, his or her relatives receive a death grant). Thus, in a third relationship, persons at charge are linked to the person who they depend on and vice versa. A fourth and final relationship indicates the persons that are contributors to Belgian social protection measures. Persons are linked to those resource measures that imply ‘personal contributions’ by which we mean social contributions paid by employees, self-employed workers, beneficiaries or other protected persons. Not only the fact that a person pays such personal contributions, but also the amount and the beginning and (foreseen) ending date must be registered.

5. The new statistical instrument: its innovating features

The social security matrix is a new method, a framework to build an extensive, longitudinal database by which a new and better picture on Belgian social protection can be obtained. Since the social security matrix consists of three parts (the product matrix, the individual matrix and the connecting matrix) it can picture Belgian social protection policy on the one hand and the Belgian population on the other. Yet, more importantly: it can provide a consolidated picture of Belgian population in terms of social protection categories. Furthermore, the social security matrix can fulfil certain statistical needs and overcome certain statistical inadequacies the Belgian Ministry of Social Affairs is confronted with in their current publications on social protection (as pointed out before in paragraph 3).

First of all, the **product matrix** allows for a clear and overall picture of social protection measures in Belgium. The units in the product matrix encompass not only the traditional first pillar, but second and third pillar arrangements and fiscal measures as well. Thus, one can build an overall image on Belgian social protection policy as a whole. Moreover, one can also make meaningful breakdowns, surpassing the traditional division in social protection systems and sectors, by using the variables that are more interesting both theoretically and for policy purposes. Finally developments within and across social protection measures can be surveyed in detail, resulting in a dynamic picture on social protection policy.

Next to that, the **individual matrix** can provide an extensive characterisation of the Belgian population. Not only can one describe the population in terms of several demographic characteristics of persons, but also the structure of households and families and other characteristics of households and families can be mapped. The individual matrix can also picture the labour market and several variables are available to describe persons’ activity status, employment status and other crucial characteristics of their job(s). Finally, also a dynamic picture can be revealed, showing the course of the Belgian population and also here again in terms of demographic characteristics, the household and family context and the labour market.

The most interesting feature of the social security matrix however is the **connecting matrix**, which allows for an overall consolidated picture of the Belgian population in terms of social protection categories. Innovating is the fact that data on social protection are provided on the individual level. This means that social protection statistics can shift from statistics on expenditures and receipts to statistics on beneficiaries and contributors. Moreover, the focus on individuals entails cross-benefit analyses12 on the one hand and time series analyses and flow analyses on the other. The social security matrix can supply an overall picture of people in the benefit system. Because individuals are the basic observation unit, one can map the beneficiaries and contributors in the Belgian social protection schemes without making the mistake of double counts. People benefiting from several social protection measures can be figured as well (i.e. cross benefit analysis). Next to that, the social security matrix allows for surveying changes in size and composition of the population in the benefit system over time (i.e. time series analyses). Moreover, since all data in the social security matrix are linked at the individual level, one can also trace the movements of persons flowing in and out certain social protection arrangements (i.e. flow analyses).

The innovating features pointed out in the preceding paragraphs, stem mainly from the fact that the social security matrix contains data about social protection schemes on the one hand and individuals on the other and that these two types of observation units are linked together. However, another interesting feature is the fact that the social security matrix provides a great amount of variables characterising both the social protection schemes

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12 We take this term from the innovating project developed by the Analytical Services Division at the Department of Social Security, United Kingdom. Both the reason behind that Cross Benefit Analysis project and our social security matrix as well as the intended results are similar to a certain extent. More information on the United Kingdom’s Cross Benefit Analysis project can be found at: [http://www.dwp.gov.uk/publications/dss](http://www.dwp.gov.uk/publications/dss)
and the individuals. Thus, the social security matrix allows for a presentation of more specific data and statistics, using these various classifications. Moreover, in choosing the variables to be taken up in the matrices, we mainly considered their potential surplus value from both the theoretical and the policy point of view. Innovating statistics and studies can be established, surpassing the traditional kinds of statistics, by bringing up socially relevant themes like e.g. the relation between people’s social protection situation and their labour market position, an inquiry into the households that live on benefits etc.

A final remark concerns the international comparability of the data the social security matrix can provide. International organisations such as Eurostat, United Nations, OECD and ILO are major references for our project. We explicitly take into account the demands and requirements they put forward regarding the reporting of social statistics. The social security matrix complies as far as possible with those international systems, not only with respect to the concepts and definitions used, but also for the chosen variables and classifications of those variables. Hence, it will be much easier for the Federal Ministry of Social Affairs to provide these international organisations with the data they demand and it is expected that these statistics will be more valid in terms of the concepts used by these international organisations. All this will enhance international comparisons, a feature that is put forward by the international organisations and the international research community during the past few years as an increasingly important goal to aim at.

6. Conclusion

In this fourth session of the CEIES Seminar on Social Protection Statistics, authors were asked to discuss the theme ‘Developments in social protection and statistical implications’. Actually, in our paper we chose to turn this statement around and to present a new statistical instrument and its implications for developments in social protection policy. The point of departure we want to stress is the importance of setting out a satisfying social protection policy. For policy makers to do so, it is important that they can rely on good data and statistics, that can provide a better understanding of current social protection schemes and even more an insight on the population in terms of their social protection situation. At the demand of the Belgian Ministry of Social Affairs, our research team is conducting a project in which a new statistical instrument is developed that can provide such an innovating picture on Belgian social protection. Moreover, the original statement holds still. The new instrument is designed in such a way that it can trace some important developments in social protection: it is fit to cover private arrangements and fiscal measures as well.

By reviewing some recent statistical publications of the Belgian Ministry of Social Affairs, we pointed out some important inadequacies and highlighted certain statistical needs. It was found that the presented statistics largely fail to be up to date and that they are not complete. On the one hand, the publications are mainly restricted to the social protection schemes organised or regulated by central government, while information on second and third pillar arrangements and fiscal measures remain invisible. On the other hand, the available data are structured alongside the traditional division of first pillar provisions into the various systems and sectors within Belgian social protection policy. Not only this precludes a consolidated, overall picture on Belgian social protection as a whole. It also hampers statistics regarding certain characterisations that would be more interesting and valuable in light of both theoretical and policy research. Finally, a more fundamental critique concerns the lack of information on the individuals involved with social protection. Since a considerable part of the presented data focuses on social protection expenses and revenues, one runs the risks of losing insight on the people those figures relate to. And even when statistics on beneficiaries and contributors are provided, again one fails to report certain characterisations that would be more interesting and valuable in light of both theoretical and policy research.

13 For the product matrix, we mainly took into account the concepts, definitions and classifications as pointed out in the Esspross system (Eurostat), the Social Expenditure Database (OECD), the Cost of Social Security (ILO) and the European System for National and Regional Accounts (Eurostat) (Bergman e.a., 2001, pp. 22-44). For the concepts, definitions and classifications in the individual matrix, we were mainly inspired by the key social indicators, core units, core variables and core classifications presented by the Eurostat Task Force on Harmonisation of Social Statistics, by the primary topics and target variables to be taken up in the new integrated microdataset for Community Statistics on Income and Living Conditions (EU-SILC) and by the guidelines and recommendations of United Nations and Eurostat regarding the population and housing censuses in the ECE Region (Bergman & Nijs, 2002b, pp. 7-35). We also took into account the concepts, definitions and classifications put forward by the International Standard Classification of Education ISCED 1997 (UNESCO), the Resolution concerning statistics of the economically active population, employment, unemployment and underemployment (ILO), the International Standard Classification of Employment ISCE-93 (ILO), the International Standard Classification of Occupations ISCO-88 COM (Eurostat), the Statistical Classification of Economic Activities NACE rev. 1 (Eurostat) and the recommendations of the Canberra Expert Group on Household Income Statistics (United Nations) (Bergman & Nijs, 2002b, pp. 87-115)
The new statistical instrument we developed is called the social security matrix. It is intended to counteract the most important difficulties with respect to current social protection statistics the Belgian Ministry of Social Affairs is confronted with. The structure of the social security matrix into three parts (one relating to social protection schemes, one relating to persons and one linking those two domains together) allows for data and statistics not only about the social protection policy on the one hand and the Belgian population on the other, but also on the Belgian population in terms of social protection categories. The social security matrix has some important innovating features regarding social protection statistics. First of all, it can provide a consolidated picture on social protection, reviewing both expenditure and resource measures as well as socially protected persons, beneficiaries and contributors. It holds also a full picture and an overall picture. The social security matrix covers not only first pillar but also second and third pillar arrangements and fiscal measures. Moreover, because the various social protection schemes are all coded on an interesting set of variables, the social security matrix allows for more relevant statistics surpassing the traditional (mainly administrational) division into social protection systems and sectors. Next to that, the social security matrix can also provide a detailed picture on the Belgian population as such and on the Belgian population in terms of their social protection situation. The social security matrix can describe these groups not only in demographic terms, but also with respect to the labour market and family structures. Another interesting feature of the social security matrix is that it can provide a dynamic picture on the social protection system, on the population and on Belgian population in terms of social protection categories. Evolutions within and across social protection schemes can be surveyed, revealing a better knowledge on social protection policy. One can research the course of the population as well. Again not only demographic transitions, but also major developments on the labour market and the changing household and family structures. Furthermore, the social security matrix can result in a dynamic picture of people flowing in and out the benefit system and within the various social protection schemes. Finally, the statistics and data the social security matrix provides will fit into an international compatible picture since all concepts, definitions, variables and classifications were evaluated and chosen according to the various demands international organisations put forward regarding social protection statistics.

In essence, the social security matrix is a new statistical instrument, a new method for gathering and managing data on social protection. However, it is far from realised at the time being. It is a theoretical, conceptual framework that points out how to build an extensive, longitudinal database that can provide an innovative picture on Belgian social protection as described above. Hence, the crucial tasks that remains is to fill in this framework with actual data. In Belgium, different institutions for social security each gather and manage the data they need to fulfil their tasks. The success of the social security matrix depends on the willingness and the capacity of those institutions to provide the data as demanded by the social security matrix and even more so to adapt their statistical handling of data to the framework of the new overall matrices. As the scientific community, it is our task to provide good data and statistics on social protection that can extend our knowledge on society and its needs and thus assist the policy community in setting up good policy. Our research project is a very ambitious one. The social security matrix we developed has some very important innovative potentials.
References


For those interested in the international recommendations and standards mentioned in this paper, please find hereafter the references.


IS UNDERESTIMATING HEALTH CARE EXPENDITURE OVERESTIMATING FISCAL COMPLIANCE WITH MAASTRICHT? THE CASE OF AUSTRIA

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* I am indebted to Gerald Röhrling who contributed to earlier papers on the subject and to Michael Weichselbaumer for excellent research assistance.

Health expenditure in the EU: Comparability is ailing

In an international comparison Austria is below the weighted EU average regarding both per-capita health expenditure and GDP ratio (Hofmarcher, Röhrling 2003a). Total health expenditure in terms of the NA concept (ESA 95) amounted to 15.6 billion Euro in 2001. In 2000 it was 15.3 billion Euro, which is approximately 1.1 billion Euro less than the value published last year (Hofmarcher et al. 2002). A subsequent revision of the calculation of total health expenditure in January 2003 revealed a GDP share of 7.3 percent in 2001 (cf. ).

In its May-2000 edition of “A System of Health Accounts” (SHA) the OECD published guidelines to classifying health expenditure in compliance with international standards. Since not all member states obey the methodologies, a EU-wide comparison of health expenditures can only take place to a certain degree (cf. ).

Table: Comparability of health expenditure

<table>
<thead>
<tr>
<th>Group 1: High level of comparability</th>
<th>EU/accession countries: Denmark, France*, Germany*, Hungary, Netherlands*, United Kingdom</th>
<th>Calculation of health expenditure strictly follows the OECD/SHA delimitation Differences in definition in two areas of total health expenditure: Expenditure on hospital care vs. expenditure on pharmaceuticals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 2: Limited comparability</td>
<td>EU/accession countries: Czech Republic, Finland, Poland, Spain, Turkey</td>
<td>Calculation of health expenditure does not entirely follow the OECD/SHA definition</td>
</tr>
<tr>
<td>Group 3: Low level of comparability</td>
<td>EU/accession countries: Austria*, Greece, Ireland, Italy, Luxembourg*, Portugal, Slovakia, Sweden</td>
<td>Calculation of health expenditure is based on national accounts that are hardly appropriate for estimating health care expenditure and cause problems in an international comparison</td>
</tr>
<tr>
<td>Group 4: Low level of comparability</td>
<td>EU/accession countries: Belgium*</td>
<td>Calculation of health expenditure is carried out by the OECD Secretariat on the basis of national accounts and other sources</td>
</tr>
</tbody>
</table>

* Social Health Insurance countries
Source: OECD Health Data 2002
Austria’s proportions of health care spending are flexible...

Not only the GDP shares of health expenditure published by Statistik Austria are lower than those published last year, but also between 1997 and 2001 they decline at a rate of 0.3 percentage points\(^1\). These disparities are mainly due to the “treatment” of the tax share in total health care expenditure which results from the conventions of the method applied by Statistik Austria (NA Actual Final Consumption (ESA 95, SNA 93)). The method of calculating the official health care expenditure focuses on final consumption without revealing the way of financing health care. The data sources available can however be combined in a way so as to give information on the financing, too. The percentage of health care expenditure financed by taxes amounted to approximately 25 percent in 2000 and was mainly spent on hospital care\(^2\).

Figure 1: Financing of health care in Austria, in Social Health Insurance countries and in the EU, as percent of total health care spending in 2000

Social health insurance countries: Austria, Belgium, Germany, France, Israel, Luxembourg, Netherlands, Switzerland
Source: Statistik Austria, HVSV, OECD Health Data 2002, IHS HealthEcon calculations 2003

Other EU countries do not entirely take into account the public share of hospital financing as defined by the EU-NA actual final consumption, either. Nevertheless it has to be underlined that in Austria the share of health expenditure and hospital care financed by taxes is high in comparison to other Social Health Insurance countries such as Germany, France, Luxembourg, Belgium and the Netherlands (cf. ). This is why neglecting this major financing share in total expenditure on health is a much greater problem in Austria.

---

1. Due to the an error in calculating public expenditure on health, the Statistical Office published a revision of the calculation of health expenditure in April 2003. According to this revision expenditure on health were in the order of 16.4 billion Euro in 2001. Thus the GDP share spent on health is been recorded at 7.7%. In the following discussion we neglect this newly revised data series as it barely changes the impact caused by the application of ESA 95 on the level of health expenditure.

2. According to the calculations by the Court of Audit, in 2001 the financial burden was distributed among social health insurance institutions including health insurance institutions for government employees (50.7%), local authorities (27.9%) and private households (21.4%) in 2001 (Rechnungshof 2002)
### Table: Health expenditure in Austria, according to Statistik Austria

<table>
<thead>
<tr>
<th></th>
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<tr>
<td><strong>In Mio. EURO</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total health expenditure</td>
<td>13.839</td>
<td>14.644</td>
<td>15.353</td>
<td>15.344</td>
<td>15.561</td>
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<td>3.815</td>
<td>4.045</td>
<td>4.310</td>
<td>4.483</td>
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<td>10</td>
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<td>12</td>
<td>12</td>
<td>12</td>
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<td>1.085</td>
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<td><strong>Public health expenditure</strong></td>
<td>9.744</td>
<td>10.319</td>
<td>10.700</td>
<td>10.517</td>
<td>10.476</td>
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<td><strong>Public spending, consolidated</strong></td>
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<td>103,369</td>
<td>106,701</td>
<td>108,658</td>
<td>110,840</td>
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<td>Social payments in kind - nominal</td>
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<td>9,469</td>
<td>9,799</td>
<td>10,072</td>
<td>10,273</td>
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<td>8,775</td>
<td>8,804</td>
<td>8,867</td>
<td>8,840</td>
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<td>190,628</td>
<td>197,154</td>
<td>207,037</td>
<td>211,857</td>
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<td><strong>Per capita, at 1995 prices in EURO</strong></td>
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<td>Total health expenditure</td>
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<td>1,858</td>
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<td>3.3</td>
<td>-0.6</td>
<td>0.8</td>
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<td></td>
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<td>533</td>
<td>553</td>
<td>574</td>
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<td>4.5</td>
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<tr>
<td>% change</td>
<td>5.5</td>
<td>5.2</td>
<td>3.8</td>
<td>3.7</td>
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<td>Public health care expenditures</td>
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<td>1,263</td>
<td>1,225</td>
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<tr>
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<td>2.9</td>
<td>-3.0</td>
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<tr>
<td>Social payments in kind</td>
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<td>1,126</td>
<td>1,157</td>
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<tr>
<td>% change</td>
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<td>2.7</td>
<td>1.4</td>
<td>0.6</td>
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<tr>
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<td>1,086</td>
<td>1,088</td>
<td>1,093</td>
<td>1,087</td>
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<tr>
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<td>0.2</td>
<td>0.5</td>
<td>-0.5</td>
<td></td>
<td></td>
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<tr>
<td>Total public expenditure</td>
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<td>12,995</td>
<td>13,156</td>
<td>13,336</td>
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</tr>
<tr>
<td>% change</td>
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<td>1.8</td>
<td>1.2</td>
<td>1.4</td>
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<td></td>
</tr>
<tr>
<td><strong>Gross Domestic Product (GDP)</strong></td>
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<td>22,956</td>
<td>23,540</td>
<td>24,383</td>
<td>24,439</td>
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</tr>
<tr>
<td>% change</td>
<td>3.8</td>
<td>2.5</td>
<td>3.6</td>
<td>0.2</td>
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<td></td>
</tr>
<tr>
<td><strong>As percent of GDP</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total health expenditure</td>
<td>7.6</td>
<td>7.7</td>
<td>7.8</td>
<td>7.4</td>
<td>7.3</td>
<td></td>
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<tr>
<td>Consumption spending by private households, health</td>
<td>2.1</td>
<td>2.1</td>
<td>2.2</td>
<td>2.2</td>
<td>2.2</td>
<td></td>
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<tr>
<td>Public health expenditure</td>
<td>5.3</td>
<td>5.4</td>
<td>5.4</td>
<td>5.1</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>Total public expenditure</td>
<td>54.1</td>
<td>54.2</td>
<td>54.1</td>
<td>52.5</td>
<td>52.3</td>
<td></td>
</tr>
<tr>
<td>Social payments in kind</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
<td>4.9</td>
<td>4.8</td>
<td></td>
</tr>
<tr>
<td><strong>Public health expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As percent of total health expenditure</td>
<td>70.4</td>
<td>70.5</td>
<td>69.7</td>
<td>68.5</td>
<td>67.3</td>
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<tr>
<td>As percent of total public spending</td>
<td>9.9</td>
<td>10.0</td>
<td>10.0</td>
<td>9.7</td>
<td>9.5</td>
<td></td>
</tr>
</tbody>
</table>

1) Price index total health care spending  
2) Price index for private consumption, health  
3) Price index for public consumption, health  
4) Total economic price index (GDP deflator)  
5) Collectively agreed wage rate index – Social health insurance institutions (“Tariflohnindex - Sozialversicherungsträger”)  
Source: Statistik Austria, IHS HealthEcon calculations 2003
...because hospitals have been classified as market producers since 1997...

Public health expenditure consists of public consumption spending, public investments and current transfers. In 2001 it amounted to approximately 10.5 billion Euro or 4.9 percent of GDP. Per capita public expenditures at 1995’s prices have increased at an annual average of 0.7 percent since 1997 (cf. table 2). Since 1997 hospitals have been defined as market producers. Consequently, not more than 50 percent of the fund hospitals’ costs are entered into the health care expenditure calculation. Until 2000 this loss of information was compensated for by public health care spending as defined by the expenditure concept (COFOG), which accounted for the entire costs.

...and Maastricht has claimed its tribute.

Public expenditure classified in terms of public tasks measure the government’s expenditure on various fields such as the health care sector. In 2001 public expenditure on health amounted to 12.3 billion Euro. They included public health expenditure (85 percent) and other public expenditures in the field of health care (advance payments, returns from non-market producers etc.). According to COFOG calculation public expenditure on health care amounted to approximately 15.5 billion Euro in 1999 and 2000, which is clearly above 2001’s value. The rupture in 2001 can be explained by the shifting of limited liability companies (“Krankenhausbetriebsgesellschaften”) and hospitals in the federal states without limited liability companies into private sector accounts where they are now classified as “non-financial corporations” (Dannerbauer 2003). As a consequence, the expenditure (costs) of public hospitals have been included into public health care spending only up to the amount of payments effected via case rate (“LKF”) scores (4.1 billion Euro in 2001, or 50 percent of total public inpatient care costs, Rechnungshof 2002) since 2001. The hiving off is at present relieving the federal states’ budgets by about 4 billion Euros. This amount is currently being “financed” with loans. In particular, federal states grant loans to hospitals, which are classified as “non-refundable” loans. Thus, the 4 billion Euros are currently not classified as Maastricht-relevant expenditure.

Likely consequences of the underestimation of hospital expenditure in Austria

Estimating a time series model for the period 1960 to 2000 on determinants of health care expenditure we found that demand factors (the share of the elderly in the total population), the health status (life expectancy at age 65+) as well as supply factors (specialist densities, acute care bed densities) are significantly associated with per capita health care expenditure (Hofmarcher, Röhrling, 2003). Based on that evaluation, we estimate the future development of health care expenditure in Austria. The forecast of health care expenditure covers the period of 2000 to 2020. We employed two scenarios: Scenario “underestimated” utilizes health care expenditure data from 1960 to 2000 as published by the Austrian Statistical Office. Scenario “probable” takes into account health care expenditure for the period 1960 to 1997 according to the Statistical Office. For the period 1997 to 2000 predictions relate to our estimations of health care expenditure of the years 1997–2000, which includes the amount of approximately four billion Euros spent in the hospital sector and which is not officially registered, however. Thus, our assessment suggests that the Austrian GDP share spent on health is currently likely to be in the order of 9.2 percent.

Results of the forecast

Figure 2 shows the development of the GDP ratios of total expenditure on health according to scenarios. The underestimations of health care expenditure results in a clearly slower increase in the GDP share spend on health. The difference to the scenario “probable” however decreases with a prolonged forecast period. In the scenario “probable” the share health care expenditure takes in the Gross Domestic Product reaches approximately 10 percent in 2020, in the scenario “underestimated“ 9.4 percent. The officially underestimated health care expenditure leads to a significantly slower growth of per-capita expenses (at 1995’s prices). Whereas in the scenario “underestimated” per-capita expenditure will have surpassed its original level by two thirds in 2020, per-capita expenses almost double in the scenario “probable”(cf. ).
Figure 2: Development of health expenditure as percent of GDP, 2000-2020

Source: IHS HealthEcon calculations 2003

Figure 3: Development of per-capita health expenditure at 1995’s prices, 2000=100

Source: IHS HealthEcon calculations 2003
As for health policy it is of great importance to know the actual financing flow, not only with regard to the level of health care expenditure and the development of the financial burden, but also regarding future growth dynamics.

In the framework of current provisions, the official statistics of health care expenditure are correct. It has to be pointed out yet that health care spending in Austria is higher than officially indicated. The entire extent of the Austrian health care sector can only be revealed by calculations that include all hospital-related expenses, which account for the major share of health care spending.

Private health expenditure is growing dynamically...

The private households’ consumption expenses in Austria, that is to say expenses for goods and services that are not covered by obligatory insurance, have considerably increased. The growth of expenses at 1995’s prices clearly shows that this sector has increased at an annual average of 4.5 percent since 1997, which is considerably faster than the GDP (+2.5 percent; cf. table 2). The private households’ consumption expenditures on health care are differentiated according to COICOP (Classification of Individual Consumption by Purpose).

... and does not comprise user charges

Prescription fees, expenses per health insurance voucher, outpatient fees and other cost sharing are called the private households’ individual financing contributions. They are not included in the private consumption expenses on health. The user charges are mostly entered as the private households’ transfers to the state (approximately two third of total cost sharing as classified in table 3). In particular, in the framework of ESA they are included into the payments in kind rendered by social health insurance and provided by market producers. In Austria, user charges may be classified as provided in table 3 (Hofmarcher, Röhrling 2003b). Direct payments comprise largely payments for benefits, which are not included in the benefit package of social health insurance and/or payments, which directly go to suppliers (hospitals).

Levels and development of private expenditure

Table 3 shows the nominal values of private health expenditure in Austria. Whereas private payments more than doubled between 1988 and 2002, cost sharing payments were more than three times higher. Within direct payments the share spent on inpatient services is highest, followed by the expenditure share on dental care. The major cost-sharing burden is due to expenses for medical services; this component comprises about 56 percent of total expenditure on cost sharing payments.

Corresponding to an increase of 75 percent between 1988 and 2002 private households’ per capita expenditures on health care reached _ 590 million in the year 2002.

Table 3: Private expenditure on health, nominal, 1988-2002

<table>
<thead>
<tr>
<th>Year</th>
<th>Pharma-</th>
<th>Other</th>
<th>Dental</th>
<th>Hospital</th>
<th>Total DP</th>
<th>Thera-</th>
<th>Extra</th>
<th>Coinsurance</th>
<th>Co-payment</th>
<th>Co-payment</th>
<th>Co-payment</th>
<th>Sickness</th>
<th>User charge</th>
<th>Total CS</th>
<th>Grand Total</th>
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<tr>
<td></td>
<td>ceutical</td>
<td>medical</td>
<td>services</td>
<td>services</td>
<td></td>
<td>appliances &amp; equipment</td>
<td>Medical</td>
<td>services</td>
<td>Para-</td>
<td>services</td>
<td>Prescrip-</td>
<td>CS, self-</td>
<td>certificates</td>
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<tr>
<td></td>
<td>products</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>charge</td>
<td>employed</td>
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<td>4.315</td>
</tr>
<tr>
<td>2001</td>
<td>510</td>
<td>82</td>
<td>992</td>
<td>1.161</td>
<td>2.746</td>
<td>287</td>
<td>1.025</td>
<td>33</td>
<td>308</td>
<td>121</td>
<td>47</td>
<td>30</td>
<td></td>
<td>1.850</td>
<td>4.596</td>
</tr>
<tr>
<td>2002*</td>
<td>530</td>
<td>86</td>
<td>1.049</td>
<td>1.233</td>
<td>2.898</td>
<td>299</td>
<td>1.045</td>
<td>38</td>
<td>312</td>
<td>131</td>
<td>47</td>
<td>8</td>
<td></td>
<td>1.879</td>
<td>4.778</td>
</tr>
</tbody>
</table>

*estimates
Source: Statistik Austria, HVSV, IHS HealthEcon calculations 2003
shows the development of private per capita health care expenditure in Austria at 1995 prices. The level of cost sharing is lower than the level of direct payments. But since 1988 the amount spent on cost sharing more than doubled and from the mid 90ies on the annual rate of growth reached almost nine percent for several years. The rise in 1997 can be ascribed to an extraordinary increase of the prescription charge in 1996 from € 2.47 to € 3.05 and to the introduction of the sickness-certificate-charge (€ 3.65 quarterly). In 2001 a user charge in outpatient care was introduced leading again to an increase of the annual per capita growth rate of cost sharing payments. Even though the annual rate of growth of private payments is generally exceeding per capita GDP growth it has been lower than the per capita growth in cost sharing payments, which is well above the rate of growth of per capita GDP.

**Figure 4: Private health care expenditure per capita, prices 1995, level and annual growth rate**

Source: Statistik Austria, HVSV, IHS HealthEcon calculations 2003

Of total private payments about 60 percent is paid directly by patients, almost 40 percent on cost sharing. This private payment share has decreased more than seven percentage points since 1988 indicating that within the time period under consideration the cost-sharing burden of private household has increased. Of total cost sharing payments, households spent the highest share on physician services (2002: 55.6 percent), which increased some four percentage points between 1988 and 2001. This may reflect a rather high propensity of Austrians to see so-called private (non-contract) doctors. The cost sharing payment share spent on therapeutic appliances and equipment and on prescription drugs is in the order of 16 and 17 percent respectively.

The slight reduction of the share spent on pharmaceutical products is perhaps due to the fact that self-medication is mainly restricted to off patent lower price drugs. In addition, this development may point to the fact that social health insurance’ inclusion policy in the drug list is efficient with respect to ensuring access to new and innovative drugs to the whole population.

Within private payments the expenditure share spent on hospital services is highest but decreases over time as all other components do except spending on dental care. Dental crowns are not included the sickness funds benefit package.

Figure 5 shows the development of the components of private expenditure on health. Per capita expenses on coinsurance, medical and paramedical services and on dental services grew vigorously and by 2002 they have doubled. The rise in 2000 in the component of medical and paramedical services can be attributed to a sharp increase in expenses for paramedical services, i.e. psychotherapists, ambulatory care nurses etc (cf. table 3).
In 2002 per real capita expenses on the prescription charges was 89 percent above the 1988 level. Before 1996 the rate of growth of per capita prescription charge was rather slow (before 1996) but gained momentum between 1996-1997 and 2000-2001.

Figure 5: Components of private health care expenditure, per capita, prices 1995, Index 1988=100

Cost sharing expenses of sickness fund enrollees with co-insurance showed the most dynamic rise particularly after 1999.

The impact of cost sharing on equity, efficiency and health outcomes

To our knowledge there is not much research available of impacts of cost sharing on equity and health outcomes in the Austrian context. A study recently published showed that current cost sharing regulations in Austria and other countries did neither have had an impact on utilization nor was evidence found that steering effects had lowered cost (Rosian et.al. 2002). Rather and as was found in other studies, cost sharing was mostly effective as an additional source of finance.

Looking at the effect of variable health insurance deductible on the demand of physician services in Switzerland, Schellhorn (2001) found that most of the observed reduction in the number of physician visits among individuals who choose a higher deductible seems to be a result of self-selection of individuals into the respective insurance contract, and not to induced changes in utilization behavior (Schellhorn 2001).

Investigating utilization rates and equity in 12 European Countries, Van Doorsalaer et.al (2002) found that in all countries physician visits tend to be significantly more concentrated among the worse-off. But after standardizing for need differences across the income distribution, significant horizontal inequity in total physician visits emerges in only 4 of the countries studied: Portugal, the United States, Austria and Greece. However, disaggregating by general practitioner and specialist visits reveals that this is the net effect from quite diverging patterns in the type of doctor consulted by income level: in all countries (except Luxembourg) the rich see a medical specialist more often than expected on the basis of need, while the use of GP visits is fairly closely re-
lated to need and in several countries even distributed somewhat pro-poor. In most countries, both poor and rich people do get to see a doctor when they appear to need one, but there are important differences in the type of doctor seen. In three European countries – Portugal, Austria and Greece – and in the United States, evidence of significant pro-rich inequity in total physician visits was found (Van Doorslaer et al. 2002).

Impact of co-payments on utilization and equity in Austria – a scenario

Utilizing the Austrian results of the European Community Household Panel (ECHP), we calculated scenarios, in which we estimated the additional revenues of sickness funds after an introduction of new co-payments. For this exercise we assumed that patients had to pay a fixed cost sharing amount of 5 Euro for a general practitioner (GP)-visit/treatment and 10 Euro for a specialist (SP)-visit/treatment. We found that additional revenues generated by this co-payment regime would be in the order of 640 million Euro if also referred patients had to pay the user charge and about 570 million Euro if referred patients are exempted. (Hofmarcher, Röhrling 2003c). Furthermore we estimated the impacts of cost sharing on equity.

Co-payments per income group

The ECHP shows higher utilizations rates for women in each income group. In particular, in the middle-income group the average specialist consultations of females are noticeable higher than of males (nearly three times higher).

Our estimates reveal that on average and in all income-groups females pay higher co-payments per year, whereas women with a gross annual income between 1382-1962 Euro carry the highest burden. The average cost sharing amount for females in the middle-income group is 90 percent higher than for males and increases to 27.9 Euro in 2000 (cf. ). This calculation assumes that referrals from GP’s to SP’s cause costs of 10 Euro too.

Figure 6: Average co-payment per year according to income-groups, in Euro, 2000

n/a: no monthly gross amount data available
Source: ECHP, IHS HealthEcon calculations 2003.

The European Community Household Panel is a panel survey on the living and income situation in 14 EU-countries. In Austria 4,646 persons participated both in 1995’s and 2000’s waves of the survey. The questions asked to analyse the health care sector were the following:
1. “How often did you consult a general practitioner during the past 12 months?”
2. “How often did you consult a specialist physician during the past 12 months?”
3. “How often did you consult a dentist during the past 12 months?”

23rd CEIES seminar: ‘Social protection statistics’
Co-payments per educational level according to income

The ECHP differentiates between four education levels. As there are only 0.4 percent of all respondents in the lowest education group, we merged the two lowest classes. In that case the GP-utilisation of males with a university degree is significantly higher than for females, reflecting the higher number of males in this group.

In contrast to utilization rates for males, lower educated females have the highest number of GP-consultations (on average seven visits), whereas the rise from the highest to the lowest educational level is continuous. Calculating the average annual co-payment amount for educational groups shows that higher educated males have to spend the highest cost sharing amount of 33.4 Euro followed by women with lowest education level (30.6 Euro).

Figures that relative to their median income females have to spend more money on cost sharing than males in each educational group. Within females we observe a decisive bias towards women with a lower educational level. In percent of their median income females in the lowest educational group would spend twice as much for cost sharing than females in the highest educational group. The burden for males also declines, but the difference between highest and lowest level is only about a fifth.

Figure 7: Median income level and co-payment in percent of median income according to education levels, 2000

![Graph showing co-payment in percent of median income according to education levels.](image)

high: university  
middle: secondary school  
low: primary school  
Source: ECHP, IHS HealthEcon calculations 2003

Co-payments per age group according to income

Older people see doctors more frequently than younger people. For specialist visits the rise is not as continuous and utilization over age groups is more balanced. Females in the age group 51-65 have the highest number of contacts, males in the group of 65+.

For males the average cost sharing amount varies between 13.5 Euro in age group 15-30 to 34.9 Euro in age group 65+. Young females between 15-30 (21.6 Euro) pay per capita more than females in age group 31-50 (19.6 Euro), but the highest per capita amount spent is in age group 65+ (39.5 Euro).
shows again that relatively to the median income females in every age group are disproportionately affected by co-payments. Female pensioners 65+ are most disadvantaged; males in working age are least affected.

Figure 8: Median income level and co-payment in percent of median income according to age groups, 2000

Source: ECHP, IHS HealthEcon calculations 2003
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THE OPEN METHOD OF CO-ORDINATION AND THE DEMAND SIDE OF THE USE OF STATISTICAL INDICATORS

Platon Tinios
Prime Minister’s Office, Greece

1. The overall context – social value added

A key challenge confronting the EU today arises from a dissonance: On the one hand, palpable progress in moving the Union forward can be seen in a series of major achievements: Enlargement, culminating in the Treaty of Athens is of immense and more than symbolic importance. Equally, the launch of the Euro signals as much a successful ending, as a new beginning. This success goes hand in hand with mounting evidence on the part of citizens of disillusionment, verging on open distrust: The difficulty in approving the Treaty of Nice in Ireland, the negative result of the referenda on the Euro in Denmark and in Sweden, are examples of Euro-scepticism, or what Tsoukalis (2003) calls “the gap between politics and economics”.

The crisis of legitimacy coexists and is partly fuelled by the critics of globalisation. The (self-)image of Europe as a grouping of states attempting to counterbalance the automaticities of global competition is challenged by those who see it as merely a »Europe for Business«. Far from being a bulwark against the worst aspects of globalisation, this view sees the EU as a part of the mechanism of global capitalism; rather than part of the solution, the EU is seen as part of the problem.

The answer chosen by the EU to this dilemma is to try to go beyond its origins as a Common Market and demonstrate its relevance to the European Citizen. The way it has attempted to do this, starting from the mid-80 is to try to develop a social side - a »social face« - to its activities. The role of the EU in the social sphere has been formalised and integrated in the overall EU policy vision in the Lisbon Strategy emanating out of the Lisbon council of March 2000. In the Lisbon strategy social protection is seen as a factor of production and is placed, along with competitiveness and employment, as an pillar of equal importance in the overall strategy.

Recapitulating, EU legitimacy is to be achieved by exhibiting relevance - value added - to the citizen and to his daily life. Exhibiting greater activism in the social sphere and articulating that more closely with economic policy has been the chosen course for that ever since the Lisbon council. The Open Method of coordination is the vehicle which has been selected for this purpose.

The need for meaningful results of the Open Method of Coordination adds new weight to the demand side of the use of statistics. In a peculiar operation of “Say’s Law” where Demand creates its own supply, the objectives of the users of statistics are translated to problems for the suppliers. In this context, the implementation of the Open Method of Coordination, in order to come close to succeeding has to overcome two hurdles. In both cases, the measured and careful use of statistical indicators has much to offer:

Firstly, the danger of empty rhetoric - of how to guarantee that EU involvement is non-vacuous. “Social protection as a means of production” is very convenient as a slogan. “Si non e vero, e bien trovato” – “even if were not true, it should have been”, to paraphrase an Italian saying. That is why we should examine whether it is just

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1 Platon Tinios is an economist, advisor to the Prime Minister of Greece. He has served as Greek representative on the Social Protection Committee and its Indicators Subgroup from their inception. The views expressed in this article are personal.

a rhetorical trick or a mere vacuity. We could mention many cases where this verdict is totally valid; where “social protection as a means of production” is merely vacuous and is offered to make everyone happy.

Secondly, the challenge of subsidiarity - how to exhibit positive value added at the Union level when all concrete initiatives must originate at the national level. Moreover, how to formulate meaningful contributions to policy when infrastructures, starting points and institutions differ.

In both cases, the judicious use of statistical indicators has the potential to make an important difference for the success of the overall aims of the EU in this area. Conversely, insensitive or inappropriate use has the negative potential to bring the whole process into disrepute and to be a step backwards.

In what follows, an overview of the Open Method of Coordination is followed by three cautionary notes of “statistical maladies” that can afflict users of statistics.

2. Two approaches in caricature

What is new and what is “open” about the OMC? In order to fix ideas, it is useful to proceed to a juxtaposition (though some would say a caricature) of the new outcome based “open method” with the more traditional “Closed” regulation-inclined approach.

<table>
<thead>
<tr>
<th><strong>A. THE “OPEN” APPROACH</strong></th>
<th><strong>B. THE “CLOSED” APPROACH</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>- - - FOCUS ON OUTCOMES</strong></td>
<td><strong>- - - FOCUS ON REGULATIONS</strong></td>
</tr>
<tr>
<td>• “Soft Law”</td>
<td>• “Hard law”</td>
</tr>
<tr>
<td>• Harmonisation and targeting of ultimate goals</td>
<td>• Harmonisation and targeting of intermediate means.</td>
</tr>
<tr>
<td>• Emphasis on final outcomes as measured by indicators</td>
<td>• Emphasis on instruments as signalled by legal texts</td>
</tr>
<tr>
<td>• Evolutionary – gradualist – non-actionable</td>
<td>• Can give rise to legal action – role to the courts in interpreting</td>
</tr>
<tr>
<td>• Philosophical basis utilitarian - maximisation of social welfare</td>
<td>• Philosophical basis rights-based -</td>
</tr>
<tr>
<td>• Targeting of magnitudes outside the Government’s ambit and control</td>
<td>• Role given to Courts. Rights In principle actionable</td>
</tr>
</tbody>
</table>

Ideal is **Community of Values.**  

Ideal is **Community of Laws.**

The ‘traditional view’ usually sees Community action as measured by the passage of legislation, in one form or other. The EU involvement results in creating a legal obligation to conform and hence ultimately to coerce member states in meeting most often minimal standards- a least common denominator approach. In contrast, the OMC as soft law carries no coercive power, but attempts to produce the “greatest common factor« in elevating ambitions in order to meet targets outside the immediate control of governments.

What are, or what should be, the criteria of success of the EU level procedures? In devising criteria, we must be reminded of the purpose of the exercise - to allow the EU to exhibit value added to the citizen. Thus, regardless of how the approaches can be judged on the national level, the criteria at the EU level are rather more clear cut. Given that virtually the whole of social policy lies within the bounds of subsidiarity, this observation amounts to saying that EU involvement will be judged as positive if it facilitates national developments; if it produces improvements in national systems and national processes. Equally importantly, they will be judged as successful if they can foster cooperation and not competition between the different layers of authority and

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1 In this respect it has more in common with the Anglo-Saxon “common law”, rather than those legal systems based on Roman law. Interesting parallels can also be drawn from the U.S. – see the papers in Zeitlin and Trubek, 2003.
the diverse actors at national and at EU level. Given the importance of the whole enterprise for EU legitimacy, it is especially important that the EU should not promise more than it can deliver.

There is a view that the Open Method of Coordination is only a corridor leading to regulation. Thus ‘soft law’ is merely a transitional stage leading to hard law and the passage of regulations. The OMC can be useful in passing from one state of rest to another. This view is derived from a rights based view of public interventions, which considers the enactment of a new social right as the highest form of intervention.

Implicit in this view is a judgment that social institutions’ can be ranked independently of their context and that ‘social progress’ proceeds on a linear path. On such a path the process of learning will take the form of following the footsteps of the best performers. In such an environment it is always safe to legislate. Alternatively a social environment made uncertain by the processes of globalisation, creates “the proliferation of a broad class of situations in which inaction is unacceptable but omnibus solutions are plainly unworkable” (Cohen and Sable 2003). The Open Method of Coordination is in the alternative view an innovation in Governance, important in itself and capable of being sustained in the long term¹. It is thus capable of forming a permanent situation is not by nature transitional.

3. Three reflections on indicators and the success of the OMC

The proper use of statistical indicators goes at the heart of the OMC as a political process. In what follows three observations will be made on crucial aspects bearing on the use of statistical indicators by policy makers which have bearing on the production, analysis and presentation of statistics.

A. Openness creates the need for better understanding of data

The first observation goes to the heart of the OMC: The very situations which necessitate the application of the OMC as an open approach will also create problems of data comparability. Hence, the progress of the OMC must necessarily go hand-in-hand with major improvements in the statistical infrastructure and the richness of indicators of context.

As was mentioned before, open approaches are be chosen where countries share political ambitions in terms of ultimate goals but must use diverse instruments to attain these goals. This might be due to different institutional frameworks, a different history (or different ‘mindframes’), or different starting points or points of development. The situation in the social field even in the relatively homogeneous group of the EU-15 is full of such examples: the choice of universalistic or social-insurance modes, the use of implicit or explicit means tests. The importance of the family and informal social support networks and the political history of the Welfare State itself could give rise to a distinct “Mediterranean Welfare State” to complement the “Central European”, the “Scandinavian” or the “Anglo Saxon Model”.

However, the same situations, which imply that ‘closed’ regulation-based approaches would be meaningless or even counterproductive, mean that there will be major issues of comparability of data between countries. In particular, if sensitive use is not made of context information, the interpretation of data may lead to perverse conclusions. Without a deeper understanding of how data are generated and if cross-checking and context is not used, it thus could create the danger of “statistical fetishism” or ‘statistical beauty parades’.

B. Outcome indicators and the pursuit of content

At the other extreme, the often expressed view that ‘nothing is comparable’, could justly be dubbed “statistical nihilism”. Such a view would relegate the OMC into a vacuous wish list. Participants, as was often the case in the past, would ritually repeat their firm belief in the social future of the EU without actually taking any concrete action to pursue those beliefs.

The Open Method of Coordination relies on the extensive use of outcome indicators¹. The use of previously agreed statistics of outcomes in order to judge and compare progress is a factor differentiating the OMC from

⁹ Zeitlin 2003 stress the many similarities between the OMC and experimental forms of Governance at the State level in the US, such as welfare to work and health care reforms.

¹ For indicators in the social inclusion process see Atkinson et al, 2002.
a simple wish list. In terms of formulating policy, it adopts at the EU level a hands-off approach, conceding that member states know their own systems and their idiosyncrasies better, and that measures that work in one context need not work in a different one. Thus participants in the OMC are not committed to particular policies but they are duty bound to pursue a given set of objectives the best way they know how. Thus, the commitment is to a quantifiable improvement in the lives of the poor, and not to the adoption of a particular policy. Given the peculiarities and different starting points of the national systems, the pursuit of uniformity could, at times, be self-defeating.

Input indicators focus on commitment or on effort; roughly they measure “what has been done”. Output indicators, on the other hand, centre on results – “what needs to be done”. Changing from one to the other can have profound beneficial results in the way that social policy is carried on domestically. Two such implications on the political economy of social policy may be mentioned.

Firstly, it encourages a wider and not simply instrumental viewpoint. By focussing on results (the position of the poor) it does not limit attention to the measurable input indicators directed at redistribution, i.e. to transfer payments. Much and possibly the most significant parts of the policy gains exclusion operate by influencing the before transfer distribution of income: Training programmes, education, investment relief, micro credit, family policy all operate by increasing poor peoples earning capacity, before transfers enter the story.

Secondly, outcome indicators encourage cooperation and synergy between various actors at the national level. All analysts agree that social exclusion is a multifaceted phenomenon, which may originate in one area of deprivation but may quickly spread through cycles of deprivation. As a result a wide variety of social policy actors - ministries, institutions, but also social partners, NGOs the civil society- must be brought to bear to provide a convincing answer to a problem. Input or effort indicators introduce an element of competition between the various actors. If a share of a fixed budget is at stake, then the game is very definitely competitive: What A spends is not available for B. Generalising, marks for effort are essentially a zero-sum concept. If the aim is to show who does the most, one of the best way of proceeding is to eliminate the competition.

In contrast, if the criterion of success is outcomes, which, moreover, are measured in such a way that it cannot be influenced directly by the social policy actors and exists independently of their efforts, then all actors have an incentive to cooperate. That, after all, is the most effective way of affecting the objective.

The last example is intrinsic to social policy. Social policy by definition concerns people, individuals and families. The problem facing them is not compartmentalised by area of competence or responsibility; social problems are thus horizontal. In contrast, all governments but also NGOs are typically organised on a functional basis, and always in a vertical way. Attempting to judge the efficacy of vertical instruments trained to a horizontal objective, if the criterion is effort, would amount to versions of »who got there first« - a zero-sum non-cooperative concept. On the contrary, if we attempt to measure the well being of our »client«, then the incentive is to ensure that everyone gets there in time to work together. After all, it is in this way that the outcomes are best and most reliably affected.

C. OMC and the search for equilibrium

The slogan “Social Protection as a means of production” could have been used as either the ideological excuse of blind denial of reforms, or, worse, as the justification of situations directly hurting the poor such as the various poverty or unemployment traps which are a frequent feature of advanced welfare states.

The Lisbon Strategy (Rodrigues 2001) is very careful to place the “modernisation of the European Social Model” in the very specific context of facilitating technological and structural change. Thus it makes no claims that ‘social protection’ in general is part of the growth strategy; the movement (the ‘modernisation’) of social protection in a particular direction, on the contrary, could be part of a growth strategy. Thus social protection will help growth if it is part of a reform strategy of the diverse social systems in the member states responding to the common challenges of technological progress and globalisation.

Though the Lisbon strategy does not unquestioningly endorse any social systems, it is equally careful to stress that an overall strategy will require parallel progress in the ‘pillars’ of productivity, employment, sustainability and social protection. Maintaining a balance between the pillars is possibly one of the key and most innovative features of the Lisbon Strategy.
The danger that is most immediately apparent is that of “statistical myopia” – to pursue most actively those aspects of the overall strategy that lend themselves most readily to quantification. Thus the balance of the Lisbon strategy could be dictated by the imbalance of statistical measurability of the different pillars: Aspects which are more advanced in measurement (such as National Accounts) could be given more weight than others where comparable data is at a lower level of development (such as sustainability or the social area). Worse, inappropriate targets may be set simply because they are available rather than because they are worth pursuing.

4. A concrete illustration: What ‘is’ the risk of poverty in the South?

A concrete case in point is the overall level of risk of poverty. The following section reproduces the analysis of the National Action Plan for Inclusion 2003-5 (NAPincl 2003).

The Risk of poverty, according to the European Community Household Panel, is in Greece around 20%, whereas the European average is 15% and the average figure for the Mediterranean countries is 19%. In the Mediterranean EU countries three adjustments need to be made to this percentage (See also table 1):

1. Owner-occupation. A person living in a house he himself owns is better placed than someone with the same income but renting. The proportion of their income that low-income tenants devote to rent may be as high as 30% - consequently a person living in his/her own home is better off by an equivalent factor. This adjustment is particularly important in the case of Greece, where 70% of those at poverty risk occupy their own home, while tenants seem less prone to poverty by 33%. Taking this factor into account reduces the level of risk in Greece by 3 points –to 17%, as also demonstrated by the Household Budget Survey figures. By contrast, such an adjustment made in northern Europe would increase figures for inequality and risk of poverty, given that home-owners there are among the more affluent.

2. Problems in sampling. The sample is taken at the level of the household, and consequently excludes those living in homes for the elderly. The number of old people in this situation is large in northern Europe and small in the Mediterranean. Thus in northern Europe some of the individuals most at risk are excluded, whereas if they lived with their children they would be counted among those at risk and might draw their family into the same category. The exclusion of the homeless from the sample has most probably a significant impact in northern Europe (removing the poorest), whereas the small number of such people in Greece means that any correction would be negligible. If a correction to those sampling issues could be made, it would increase the numbers at risk in Greece by much less than in northern Europe. The difference between the Mediterranean and northern Europe would be narrowed significantly.

3. Underestimation of incomes. There exist occupational categories where incomes are systematically underestimated. This may be due to tax evasion or to the fact that income of some occupations, such as farmers or small businessmen, is derived from a variety of sources and may not even be known with certainty by the respondent. On the contrary, in the case of wage- or salary-earners the question is a simple one and the incentives to tax evasion fewer. This underestimation of incomes in the Mediterranean has a significant impact on the estimates of the number at risk of poverty. If the majority of those at poverty risk are wage- or salary-earners or pensioners, this underestimate will mainly affect higher incomes. Though in the nature of things such an assessment is difficult, if the accounting of incomes were complete it would increase the income of farmers, and of other categories of income such as rents (and hence the income of the elderly). The most likely result, therefore, would be to narrow the gap in the estimated poverty risk between Greece and the EU even further.

Thus the cumulative effect of the three adjustments would lead to a reduction in the measured risk of poverty in Greece and Mediterranean Europe and an increase in the rest of the EU. In the case of Greece, weighing the various factors is likely to lead to the following assessment:

- The level of risk of poverty is **below 17%**, if income is measured properly.
- **Nevertheless**, Greece lags significantly behind the better-performing countries in the EU.

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1 e.g. seasonal fluctuations, difficulty of calculating depreciation and other expenses, income from many sources, failure to keep proper accounts, difficulty in calculating labour costs of using family members, assets such as professional use vehicles, etc.
The policy conclusion the NAPincl draws is that, while the available indicator undoubtedly constitutes a serious overestimate, maintaining the momentum of reduction of the risk of poverty should remain a policy priority.

5. Overcoming statistical pathologies and the future of the OMC

In the context of this short note, and with a certain laxity for coining neologisms, three kinds of pathologies in the use and interpretation of statistics were mentioned:

• “Statistical fetishism” – inappropriate or out of context use of statistics without full understanding of the meaning or how they are related to ultimate social goals.

• “Statistical nihilism” – The view that nothing can be measured, nothing is comparable, and hence that anything goes.

• “Statistical myopia” – Overdue emphasis on what is available, complacency in not seeking new or better measures.

At the heart of the problem facing the producers of Statistics is that the situations where statistical indicators would be most urgently needed are exactly those where existing indicators are likely to be weakest. Improvements in statistical infrastructure and in the interpretation of statistics are thus of key importance in the overall chances of success of the Open Method of Coordination and the Lisbon Strategy.

### TABLE 1

What is the actual level of the risk of poverty?
Three adjustments to compare the risk of poverty between Greece and EU-15?

<table>
<thead>
<tr>
<th></th>
<th>GREECE</th>
<th>Mediterranean EU¹</th>
<th>EU-15</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Initial measurement of the risk of poverty for household income (ECHP 2000)</strong></td>
<td>19.8%</td>
<td>I=18% E=18% P=21% Average= 19.2%</td>
<td>15%</td>
</tr>
<tr>
<td>1st Adjustment</td>
<td>Owner-occupation</td>
<td>70% of those at risk live in their own home. Tenants less at risk by 33% (Average +25%)</td>
<td>Extensive owner-occupation among those at risk. 15% to 88%</td>
</tr>
<tr>
<td><strong>Effect of correction</strong> (imputed income added)</td>
<td>Risk down 3 points – HBS 17.2%</td>
<td>Risk probably down (in rural areas)</td>
<td>Risk up by &gt; one point perhaps 16%??</td>
</tr>
<tr>
<td>2nd Adjustment</td>
<td>Problems in sampling 1. Omission of elderly in residential care –family solidarity</td>
<td>Few in residential care – 30% of elderly live with children. Those at risk remain in sample</td>
<td>Low percentage in residential care. Those at risk remain in sample</td>
</tr>
<tr>
<td>2. Omission of homeless</td>
<td>Especially low number Omission insignificant</td>
<td>Low number Omission insignificant</td>
<td>Larger numbers (Poorer excluded –)</td>
</tr>
<tr>
<td>Probable effect if correction feasible</td>
<td>Very small increase in number at risk</td>
<td>Small increase in number at risk</td>
<td>Large increase in number at risk</td>
</tr>
<tr>
<td>3rd Adjustment</td>
<td>Underestimation of incomes Special problem among self-employed – farmers – tax evasion</td>
<td>Particularly large number of SMEs. Small farmers with special tax regime (Farmers appear most affected by poverty risk</td>
<td>Relatively large numbers of self-employed and farmers Problems of black economy</td>
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<td>Probable effect if correction feasible</td>
<td>Reduction in numbers at risk (increase in incomes of poorer)</td>
<td>Reduction in numbers at risk (though smaller)</td>
<td>Increase in inequality. Direction of movement of numbers at risk unknown</td>
</tr>
<tr>
<td>Most likely actual level of poverty risk at comparable basis</td>
<td>Below 17??</td>
<td>Below 18%??</td>
<td>Above 16%??</td>
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1Italy, Spain, Portugal
References
SOME STATISTICAL IMPLICATIONS OF AGEING IN EUROPE IN RELATION TO THE POLICY ON PENSIONS

Jean-Maurice FRÈRE
Federal Planning Bureau of Belgium

This paper presents some indicators describing the ageing process in the European Union. The European response to this demographic transition with regard to the policy on pensions will then be briefly presented, as well as a number of comments on the use of indicators and statistics. Finally, some propositions are made to improve various social statistics, so that the expected consequences of an ageing population on the adequacy and sustainability of social provisions for the elderly can be better anticipated.

1. Europe is ageing

In the European Union (EU15) the demographic ageing process is expected to speed up drastically during the next fifty years. Eurostat’s baseline scenario makes for its demographic projections the following assumptions regarding the parameters that influence the size and structure of the future population.

Life expectancy

Since 1960 life expectancy at birth of men and women in the EU (15) has risen remarkably. In 1960 it was 67.4 years for men and 72.9 years for women. By 2000 it has reached 75.3 and 81.4 years respectively and further increases are expected. It is anticipated that male and female life expectancy will approximate 80 and 85 years respectively in 2050.

Fertility rate

Between 1960 and 2000, the net fertility rate in the EU fell from 2.59 till 1.48. This means that between 1960 and 2000 each year smaller new generations were born. Eurostat’s baseline scenario assumes that the total fertility rate will converge slightly upwards during the next fifty years: it is expected to equal 1.67 by 2050.

Table 1: Observed and expected evolution of life expectancy at birth and the total fertility rate in the European Union (EU15) between 1960 and 2050

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<tr>
<td>M</td>
<td>67.4</td>
<td>68.4</td>
<td>70.5</td>
<td>72.8</td>
<td>75.3</td>
<td>76.7</td>
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<td>F</td>
<td>72.9</td>
<td>74.7</td>
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<td>82.7</td>
<td>83.9</td>
<td>84.7</td>
<td>85.2</td>
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<td>Life expectancy at birth in the European Union (EU15)</td>
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<td>Total fertility rate in the European Union (EU15)</td>
<td>2.59</td>
<td>2.38</td>
<td>1.77</td>
<td>1.57</td>
<td>1.48</td>
<td>1.59</td>
<td>1.64</td>
<td>1.66</td>
<td>1.67</td>
<td>1.67</td>
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* expected

Source: Eurostat; Demographic projections revision 1999; baseline scenario.

1 Jean-Maurice Frère works as an expert at the Federal Planning Bureau of Belgium. He is a member of the Belgian delegation to the Indicators Sub-Group of the Social Protection Committee. I am grateful to Michel Englert, Nicole Fasquelle, Marie-Jeanne Festjens, Nadine Gouzée, Micheline Lambrecht and Peter Lelie for their contributions to this paper.
**Migration**

It is more difficult to project migration rates because they are more directly affected by policy choices and they are partly influenced by the economic development inside and outside of the European Union. For the projection period 2000-2050, Eurostat’s baseline scenario postulates a net annual inward migration of +/- 640,000 persons or about 0.2% of the total population.

These three factors combined (life expectancy, fertility rate and migration) will lead to a fundamental change in the structure of the population in the EU15. This evolution can be seen in the graph below. It presents the expected population pyramids of the EU15 in 2000, 2010, 2020, 2030, 2040 and 2050 based on Eurostat’s demographic projections (baseline scenario). The share of the male and female population per one-year age category (between 0 and 89) is plotted. The population aged 90 and over is grouped.

![Expected evolution of the population pyramid of the EU15 between 2000 and 2050](image)

Source: Eurostat; Demographic projections revision 1999; baseline scenario.

The population pyramids indicate that the modal age of men and women is expected to rise systematically till respectively 2040 and 2050. The older age categories are expected to increase proportionally. The old-age dependency ratio, the ratio of the people aged 65 and more over the working-age population (15-64), clearly shows this. For the EU15 as a whole the ratio is expected to double by 2050. It will rise from 24.2% in 2000 till 49% in 2050.

![Expected evolution of the old-age dependency ratio in the Member States of the European Union between 2000 and 2050](image)

Source: Eurostat; Demographic projections revision 1999; baseline scenario.
2. The European policy response in the field of pensions

The ageing of the European population poses a tremendous challenge for the European Union and its Member States. This challenge is about guaranteeing the financial sustainability of the public expenditures on pensions, health care and long-term care on the one hand while assuring an adequate income for the people in retirement to meet their changing needs on the other hand.

To deal with this challenge, the European Council of Laeken (December, 2001) started a new policy process in the area of pensions. The European Council of Göteborg (June, 2001) asked the Social Protection Committee and the Economic Policy Committee to prepare a report setting out the objectives and working methods in the area of pensions. This report, addressed to the European Council of Laeken, called for the use of the Open Method of Coordination (OMC) in the field of pensions. The aim of the OMC on pensions is to assist the Member States in developing their pension systems – in accordance with the principle of subsidiarity and respecting the diversity of pension systems - so that common defined goals are attained. These goals are listed next.

**Adequacy of Pension Systems.**
1. Preventing social exclusion
2. Enabling people to maintain living standards
3. Promoting solidarity between and within generations

**Maintaining their financial sustainability**
4. Raise employment levels
5. Extend working lives
6. Making pension systems sustainable in a context of sound public finances
7. Adjust benefits and contributions in a balanced way
8. Ensure that private pension provision is adequate and financially sound

**Meeting the changing societal needs**
9. Adapt to more flexible employment and career patterns
10. Meet the aspirations for greater equality of women and men
11. Demonstrate the ability of pension systems to meet the challenges to which they are confronted

Here I would like to make two points on the use of indicators and statistics in the OMC on pensions.

### 2.1. The process of defining indicators

The OMC in itself is a soft-law instrument. It is an instrument to share information among Member States, to learn from each others experiences and to jointly assess the progress of each Member State towards commonly defined objectives.

The Joint Report on the Adequacy and the Sustainability of Pensions of the Commission and the Council presented at the European Spring Council of March 2003 is the most recent European policy report of the OMC on pensions. During 2002 and 2003 it was prepared by the Social Protection Committee, the Economic Policy Committee and the services of the European Commission. The report gives an extensive overview of the different strategies that Member States pursue in trying to meet the eleven objectives. The National Strategy Reports of the Member States presented in September 2002 were one of the primary sources of this joint Report. Regarding the use of common indicators, the Joint Report relied to a great extent on the work undertaken by the Social Protection Committee (SPC) and the Economic Policy Committee (EPC), as well as on the Commission’s statistical service Eurostat.

A primary source for the indicators on the financial sustainability of pension systems was the report of the Economic Policy Committee on the budgetary challenges posed by ageing populations of 24 October 2001. This report, prepared in the Working Group on Ageing Populations (WGA) of the EPC, brings together the work undertaken since 1999 to calculate comparable indicators on this field. Note that before the OMC as a governance instrument was launched i.e. at the Council of Lisbon of 2000, the WGA already started its work not only to

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Joint report of the Social Protection Committee and the Economic Policy Committee on objectives and working methods in the area of pensions: applying the open method of co-ordination (November 2001)
define commonly agreed indicators on the field of pensions but also to estimate the future budgetary impact of ageing using national econometric models. Also by the time the European Council of Laeken called up for an OMC on pensions, which was in December 2001, the WGA-report was already finished. A new projection exercise will start in 2004. It is expected that by mid-2005 the results will be available for the EU countries and the Accession Countries.

The timing of the process of defining indicators on adequacy of pensions was completely different. The Indicators Sub-Group (ISG) of the SPC, established in 2001, started its work on pension indicators at the beginning of 2002, after the launching of the OMC on pensions. It largely gained from its experience during the second half of 2001 when it developed common indicators in the field of Social Inclusion, that were adopted, under the Belgian Presidency, at the Council of Laeken of December 2001. Several indicators measuring the adequacy of pensions use the same source as the Laeken indicators: the European Community Household Panel (ECHP). Furthermore, some of the basic methodological techniques – for example the use of equivalence scales – used to calculate some of the Laeken indicators also apply to the indicators concerning the adequacy of pensions.

2.2. From objectives to targets

Since the Council of Lisbon in 2000 several quantified targets were accepted with regard to employment and public finance. These quantified targets were not agreed in the context of the OMC on pensions but they relate to some of the eleven objectives of this OMC. They were decided in the context of other EU policy processes on employment and public finances.

The progress of each Member State towards the attainment of the objectives of the OMC on Pensions for which targets were defined can consequently be measured by means of the indicator used in the quantified target. Whether a Member State is moving in the direction of the objective for which no quantified target was defined, is more difficult to assess because one first has to agree on how to measure the objective itself.

Quantified targets are for instance defined for the objectives on employment and sound public finances, which both relate to the financial sustainability of pension systems. The objective to raise employment levels is concretised by the targets of Lisbon (2000) and Stockholm (2001): by the year 2010 the total and female employment rate as well as the employment rate of older workers in the EU should have attained respectively 70, 60 and 50 percent. The EU Council of Barcelona (2002) also agreed on the target to extend working lives: a progressive increase of about 5 years in the effective average age at which people stop working in the European Union should be sought by 2010. »Stop working« is interpreted as the act of withdrawing from the labour force altogether into inactivity. The progress in the field of employment will be analysed annually before every Spring European Council. The objectives on sound public finances are examined in the context of the yearly Broad Economic Policy Guidelines and in the context of the Growth and Stability pact for which precise targets were defined. Member States have to report every year how their national policy on public finances is in compliance with these Guidelines.

Quantified targets do not exist for the objectives on adequacy of pensions and meeting the changing societal needs. All agree for example in principle, that it is socially not sustainable that the older population is placed at risk of poverty or that it cannot enjoy a decent standard of living. Respectively the first and second objective of the OMC on pensions capture these ideas. But no precise target was defined to concretise these general objectives.

It should be noted however that the first adequacy objective of the OMC on pensions, i.e. preventing social exclusion for elderly, is - from a theoretical point of view - related to the second objective of the OMC on Social Inclusion as defined at the European Council of Nice (2000), which is to prevent the risks of exclusion. Although both policy processes are different, the objective related to social exclusion of the OMC on Pensions and of the OMC on Social Inclusion – in principle – coincide. The former objective focuses more precisely on elderly while the latter objective has a general orientation. Note that the Commission proposed a specific target in the context of the OMC on Social Inclusion in the preparation of the Council of Barcelona of 2002: “The European Council should set a target for 2010 of halving the number of people at risk of poverty across the European Union. Member States should indicate in their two year National Action Plans against poverty and

\[\text{The target should be based on the average level in 1997 (the latest available year) of 18\% of the population for the whole of the European Union considered to be at risk of poverty after account is taken of support from welfare systems.}\]
social exclusion how they will contribute to its achievement. Work should build on the social inclusion indicators endorsed by the European Council in Laeken." The Presidency Conclusions of this Council however did not follow this idea. Instead a more general statement was made: ‘Member States are invited to set targets, in their National Action Plans, for significantly reducing the number of people at risk of poverty and social exclusion by 2010.’ Hopefully the new National Action Plans on Social Inclusion, recently introduced by the Member States, are a next step in this process.

3. Some statistical implications

The previous two observations lead to the conclusion that the measurement and the monitoring of the objectives on the financial sustainability of pension systems, compared to the adequacy objectives, are in a further phase of development. There is thus a need to enforce the statistical capacity building to better describe and model the different aspects of the adequacy of pensions in the Member States and in the European Union as a whole.

A useful step to improve the statistics related to pensions and the ageing of the population could be to make a systematic inventory at the European level of all statistical demands of the actors of the OMC on pensions. This proposition is in line with the general philosophy of the OMC on pension.

Next some concrete proposals are presented to improve the basic statistical data at the European level. They cover some - surely not all - statistical demands in the field of ageing and pensions. They are examples of what such a systematic inventory at the European level could include. It is evident that the national statistical authorities and Eurostat should be involved when debating about these issues and implementing them at the European level, if judged relevant and feasible.

3.1. Demography

Demographic statistics and projections describe the ageing process itself. These statistics are the foundations on which models are built to describe the consequences of this process. The most recent demographic projection at the European level dates from 1999. The 1999-revision was used by the EPC to calculate the budgetary impact of the ageing of the European population. The basic indicators of this revision were presented at the beginning of this paper. The following comments could be made.

First it has to be noted that the maximum age in Eurostat’s projection is 89. After this age an age category of ‘90 years and over’ is defined. In the population pyramid, this is indicated clearly: the population curve for men and women increases sharply as it reaches the ‘90+’ category. Due to the foreseen rise of the life expectancy it is for the new population projections indicated to disaggregate the last global age category. Estimates should be made available for each year of age, minimum until the age of 100 and even until the age of 110, if the future demographic projections will cover even longer periods (for example till 2070).

A second point relates to the revision process of the demographic projections. Now the Eurostat projections are produced every 3 to 5 years. As explained earlier the assumptions on the future evolution of migration are difficult to foresee. Because of rapid changes in migration flows, it could be interesting to analyse more regularly the latest migration data to find out whether recent changes are an indication of a new long-term demographic trend. If this is the case, the demographic projections could be changed accordingly. The empirical foundations of the demographic projections would improve consequently.

3.2. Elderly living in institutions

One of the primary data sources to calculate income distribution indicators is the ECHP. This survey provides information on the income and living conditions of the population for most Member States of the Union for the period 1994-2001. By 2005 the Survey on Income and Living Conditions (EU-SILC) will be organised in all Member States.

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The intention of surveys like the ECHP and EU-SILC is to generate information that can be generalised to the whole population. In survey research however, the population on the one hand and the sample frame on the other hand, which is the population of units with known selection probabilities that is used to draw a sample, only seldom overlap perfectly. The difference between the population and the sample frame is the coverage error of the sample. From a statistical point of view it is advisable that this coverage error is as small as possible. But economical and practical arguments can lead to a sample design that allows some bias. So both arguments have to be balanced when evaluating the coverage error of a survey. In any case, this coverage error has to be described, of course if information on the population with zero selection probabilities is available.

The ECHP and the EU-SILC exclude collective households, such as elderly living in different kinds of long term care institutions, from the sample frame. This is a defendable choice given the general character of these surveys. If the objective is to describe the situation of elderly, this may become more problematic in the future, because of the expected ageing of the population itself.

An example taken for Belgium can illustrate this point. In Belgium 4.96% of the people aged 60 years or over lived in 1999 in long term care institutions for elderly. This corresponds to 1.09% percent of the total population. If one assumes that the proportion of elderly (60+) living in institutions is expected to remain stable at 5% during the next decades, the population not covered by surveys excluding the elderly living in institutions is expected rise till 1.11% in 2005 and 1.20% in 2010. In 2020 it will reach 1.39%. If the assumption is made that the proportion of elderly living in institution will rise, the proportion of elderly that is not covered will increase even more.

Including people living in institutions in the sample frame is thus from the point of view of reducing the sample bias an advisable option. Of course, this poses some new methodological challenges. The actors of the OMC on pensions that have a particular experience in this field can possibly share their information with others, so that indicators for all elderly can be calculated.

### 3.3. Labour Market

Econometric models in the Member States use labour market statistics to make macro-economic projections of the public finances, including social expenditures and the budgetary cost of ageing. The results of the projections are highly influenced by the working hypotheses that are postulated for some key socio-economic variables. The hypothesis themselves are influenced by the quality of the statistics used and by the availability of data that are broken down in relevant categories. For the next labour market statistics it could be interesting to use some new breakdowns.

The employment and unemployment statistics do not allow to break down the population by its place of birth. If information on this point was available, which is the case in for example Sweden, the macro-econometric models could calculate more accurately the projected social expenditures, because the probabilities of (un)employment vary according to the place of birth. This could lead to new insights on the long term budgetary cost of ageing because the models that calculate this cost also rely on demographic assumptions with regard to immigration that, as explained above, are difficult to foresee.

Another point is the availability of wage statistics. These statistics are important in social-security econometric models, such as for example the Maltese-model of the Federal Planning Bureau that can calculate the expected long-term social expenditures. The reason is that a lot of the social security provisions (excluding some fixed allocations) are calculated using the past evolution of wages. This is the case for the projected expenditures related to public pensions. If these wage statistics would be made available more regularly and broken down by more variables than the ones currently available, the empirical foundations of these projections could be improved.

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7 Art. 7 §1 of this regulation states that ‘The reference population for the EU-SILC shall be all private households and their current members residing in the territory of the Member State at the time of the data collection.’ A private household is defined as a person living alone or a group of people who live together in the same private dwelling and share expenditures, including the joint provision of the essentials of living.

8 The Eurostat demographic projection (baseline scenario) for Belgium was used to calculate these percentages.

3.4. Pensions

Finally, the last important statistical implication of the ageing of the European population has to do with the pension statistics themselves. Every Member State has developed pension provisions with its own characteristics. The data describing these provisions of course reflect this diversity. Describing the current situation on adequacy and financial sustainability of pension systems in each Member State and the European Union as a whole as well as learning from each others pension policy on these fields consequently asks for harmonised pension data and workable typologies of the pension systems themselves. Information on the cumulation of public pensions provisions coming from different regimes and of first and second pillar pensions would be for example very useful to better describe, model and understand the functioning of different pension systems in the European Union.

4. Conclusion

The ageing of the European population in the field of pensions is a serious challenge for the European Union and for every Member State. This paper recommended a systematic inventory at the European level of the statistical demands related to pensions and ageing so that the adequacy and financial sustainability of pension provisions can be better described and anticipated. On this domain it made some concrete suggestions to improve the statistics.

Recently the European Commission launched a communication with some propositions to streamline the OMC’s related to social protection. The task for the next years will be to develop on the one hand global indicators that describe the social situation in Europe in general and to facilitate on the other hand the improvement of indicators that are specific for each domain of social protection, i.e. social inclusion, pensions and health.

Still another difficult but tempting task lies ahead: exploring and describing the links between the consequences of ageing in all policy fields and presenting these consequences in a coherent framework. The European Council of Göteborg of June 2001 understood this necessity by proposing a European Strategy for Sustainable Development. Few are aware that the European Strategy for Sustainable Development adds to the objectives and targets related to the themes of Lisbon ‘a third, environmental dimension’. It proposed some measures and targets on the policy domains of environment, climate change, transport and public health. How these concerns relate to ageing and which policy and statistical implications they have, is food for thought for the further debate on the long-term consequences of ageing in Europe.

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Communication from the commission to the council, the European Parliament, the Economic and Social Committee and the Social Committee of the Regions, ‘Strengthening the social dimension of the Lisbon strategy: Streamlining open coordination in the field of social protection’, 2003
23rd CEIES Seminar
“SOCIAL PROTECTION STATISTICS”

SUMMING UP

Margit Epler
Chairman of the CEIES Subcommittee on Social Statistics

Introduction

Back in the early 1980s, Flora and Heidenheimer, in the standard work entitled The Development of Welfare States in Europe and America, set the following yardsticks for analyses of welfare states: »It is apparent that any significant analyses of Western welfare states and their ‘crisis’ must link knowledge of broad development trends and important program details shaped by economic systems, political institutions, and social structures.« (Flora; Heidenheimer 1981, 7). This quotation has been, as it were, the banner for this seminar.

Welfare-state analysis usually involves addressing four different issues, on which there is scope for numerous overlaps:

• **Historical developments**: how do social regimes change in individual Member States or in groups of countries (of whatever composition)?

• **Representation of social-policy outputs**: this entails not only measuring how much individual nation states spend on social-policy agendas, but also assessing the efficiency of social policy and its effectiveness in terms of reducing inequality, enhancing life opportunities and maintaining quality of life.

• **Assessment of individual policy fields**, such as those relating to the health service or pensions.

• **Social systems are analysed in terms of the supporting institutions delivering social policy**: Who pays how much? Who provides which service? What is the relationship between the individual supporting institutions?

The current debate on the crisis in the welfare state essentially boils down to a few arguments:

• Globalisation is leading to fiercer international competition between business locations. Advanced welfare states are being forced to review social benefits for the sake of competitiveness.

• The restrictive framework imposed by the EU on national budgetary policies and the lack of tax-rate harmonisation at European level, which particularly after enlargement could trigger a scramble to offer the lowest tax rates, adversely affect the financing of the welfare state.

• The ageing population (demographic factor) makes it more difficult to finance the existing social-security schemes.

As a result of increased international competition to offer the best possible business location, we are now seeing a growing political tendency to regard social-policy expenditure not as an historic success that has to be safeguarded but as a burden that cannot be financed. However, it is not for us to make a judgement – that is a political task. The role of statistics is to supply the information on which judgements are based.

Conversely, policy requirements have a decisive bearing on the orientation of social statistics. Political interest is currently focused primarily on the ratio of social benefits to GDP, how to finance it and the range of benefits it involves; the emphasis is thus on the expenditure incurred in the social sphere.
Yet the services output aspect of the social sector is not insignificant, though it is admittedly far less easy to operationalise than the economic one. Synthetic indicators of this output aspect are largely wanting, as service outputs are so varied and are spread in different ways over various population groups and public and private-sector providers.

From all this it emerges that any appraisal must take into account both the expenditure and output sides, but at the present stage this is not possible given the inadequate data situation. Hitherto, only one side of the coin has been examined, namely the expenditure side. But it is essential to look at both sides. In addition to these objections, it has been pointed out in almost all the papers presented at this seminar that fundamental social-policy decisions have to take due account of specific national characteristics and problems which, historically, have come about as a result of cultural, political/social and institutional developments. Ever closer European integration triggers interaction between differing institutional approaches to resolving similar social problems. As a further consequence, this may lead to the individual welfare systems being brought more into line with one another, which would make the task of compiling statistics that much easier.

Underlying this irrefutable trend towards institutional convergence is the assumption that some kind of ideal approach exists with which all welfare systems should conform through time. Set against that is the path-dependency theory, which holds that societies undergo change only within set «development corridors» mapped out by the specific characteristics of their institutions. Although adaptation processes make take place, institutional diversity and national differences will thus continue to exist, according to this theory.

In the meantime, however, it is necessary to describe normative and system-specific differences.

Comparability of international statistical data is of the essence. The standardisation and harmonisation of definitions, concepts and classifications should therefore be our foremost, not our least, concern.

**Opinion**

Eurostat's work in the field of social protection statistics has been impressively presented at this seminar. **ESSPROS** is a comprehensive statistical system covering social-protection income and expenditure. It is probably the lowest statistical common denominator to which the numerous variations of national welfare systems can be reduced.

Eurostat has already recognised the deficiencies or – to put it more positively – development potential residing in such a statistical undertaking, and thought has already been given to expanding the system. The ESSPROS core is to be upgraded with additional modules.

Many of the points raised over the course of this seminar have thus already been factored into the equation, and problem-solving approaches have been mapped out:

- The additional modules for ESSPROS are designed to record social-benefits recipients not only individually but also in the household context.
- The third pillar of the welfare system, which comprises private provision, is also to be covered by statistics.
- The impact of tax-based redistribution is to be taken into account.
- The inter-linkage with the National Accounts is to be strengthened.

Some of the central concerns voiced at this seminar with regard to future work by Eurostat can be summarised as follows:

- As already stated, data comparability should be a key focus of further efforts. This makes it necessary to bring concepts, classifications and methods into line. It is particularly important to harmonise data sets and their underlying definitions, e.g. in the ESSPROS system and the OECD’s System of Health Accounts. Harmonised data can provide background information for political decisions in individual countries, as they shed light on similar situations in other Member States.
- Of equally central importance is data freshness. At present, results are often published some considerable time after the year concerned, lessening their value in terms of political relevance. The social-protection systems of the individual Member States are undergoing a process of enormous change, and the late publication of data leads to large information deficits. Improving data freshness and speeding up the provision of results should therefore be a major concern of Eurostat and the National Statistical Institutes (NSIs).
Several of the researcher’s initiatives presented at the seminar endeavour in a targeted manner to close this »time window« and, by means of statistical methods, to supply internationally comparable data. These initiatives aim, partly by dint of own surveys, to bridge the delays currently besetting statistics from Eurostat and NSIs alike. They can in no way replace these statistics, however.

- In some countries, benefits under private provision schemes are very important, particularly as regards health care and old-age pensions. Statistical statements which do not take the third pillar of social protection into account are thus incomplete. In this regard, further efforts are required, such as have already been undertaken in the case of the planned modules for ESSPROS.

- Figures on gross expenditure for social protection have to be related to the net amounts actually received by recipients, and the redistribution effect of the tax system has to be taken into consideration. The OECD has already carried out analytical studies on this, the results of which should be incorporated into Eurostat’s work.

- More data are needed on recipients of social benefits and on their family and household situations. Only in this way will it be possible to make statistical statements as to whether social-policy measures are achieving the objectives set.

Of particular importance for evaluating the system of social protection statistics is a well developed metadata system. The very range of variation across the national welfare systems makes information about the underlying arrangements indispensable for evaluation purposes and for proper use of the data.

- A further key point concerns the publication of statistics. The CEIES interprets the corresponding article in the Regulation on Community statistics as meaning that all users should be guaranteed simultaneous, inexpensive/free and user-friendly access to aggregated data as soon as possible after these have been supplied by the National Statistical Institutes to Eurostat.

- Access to anonymised microdata should be ensured to the greatest possible extent by both the National Statistical Institutes and Eurostat. The aim is to provide researchers with individual data records which are harmonised, integrated and anonymised in terms of definitions and classifications, enabling microsimulation analyses to be carried out.

- The use of administrative data should be stepped up in order to ease the burden on respondents.

- One central concern spanning the entire sphere of European and national statistics is investment in statistical expertise. In the field of social protection statistics, as elsewhere, high-calibre policy advice and policy monitoring are of decisive importance. This, not least, was one of the most frequently voiced concerns of the speakers.

The recommendations of the subcommittee show that Eurostat’s work in the field of social protection statistics is proceeding in the right direction. With its announcements, Eurostat has awakened great expectations on the part of users of social-protection statistics. It is to be hoped that this work will meet with great success and thus greatly increase the depth of social-protection statistics.
REACTION FROM EUROSTAT

Michail SKALIOTIS
European Commission, Social Statistics, Eurostat

The CEIES subcommittee on social statistics recognises that Eurostat has already taken certain basic steps towards improving and / or extending both the ‘core’ system of social protection statistics – ESSPROS, as well as household surveys and administrative sources. In particular, Eurostat is currently investing in statistical work that will provide information and shed light on:

• ‘beneficiaries’
• the re-distributive effects of social protection measures
• border line issues of ‘public’ – ‘private’, ‘basic’ – ‘complementary’, ‘first’ – ‘second / third’ pillar pensions
• links of ESSPROS with National Accounts and Health Accounts

With regard to the specific recommendations, Eurostat welcomes all the proposals for future work and would like to make the following remarks:

1. Comparability / harmonisation of data from various sources: This is a major concern for Eurostat. In this respect we would like to underline three important operations: The analysis of the links between ESSPROS and National Accounts will be continued during 2004, and operational recommendations will be issued accordingly. A comparability study of the System of Health Accounts and ESSPROS will be launched late 2004 / early 2005. The successor of the ECHP, i.e. the SILC (Survey on Income and Living Conditions), has already taken into account the ESSPROS concepts and definitions.

2. Timeliness of data: Improvements in timeliness can only be achieved with the collaboration of national data providers (NSIs). Eurostat is formally discussing ‘timeliness of data’ in most meetings of Working Groups with the aim to continuously improve the situation. There are good news with respect to the agreed deadlines for the forthcoming SILC: N+14 months for the availability of cross-sectional micro-data files (for scientific purposes) and N+19 months for the data referring to the longitudinal part of the survey. The rather long delays (N+24 months) in updating ESSPROS are due to delays in data delivery: Member States take several months to finalise their ‘financial accounts’.

3. Private benefits (data on health and old-age pensions in particular): The ESSPROS methodology does not cover private insurance arrangements taken out on the initiative of individuals or households. Most of the so-called third pillar schemes fall under this category and therefore are excluded from the scope of ESSPROS. We have seen however that OECD has recently launched a project in order to collect data on private pensions. Eurostat will make an effort to collaborate with OECD in this area as it is the case for the SHA (system of health accounts) which is quite comprehensive in its coverage of public and private health care.

4. Gross / net expenditure: Eurostat has already launched a project (module) on ‘Net Social Protection Expenditure’. The primary focus of the module is to identify the effects of the fiscal systems on social protection benefits, in order to answer the question ‘what do the beneficiaries really receive?’: A trial data collection is planned for the last quarter of 2003 / beginning of 2004 with the aim of producing results by June 2004.

5. More information about beneficiaries and their households: The first (ESSPROS) regular data collection on ‘beneficiaries of pensions’ is currently in progress and the first publication is planned for 2004. Information on the links of beneficiaries and their households will be provided by the SILC. A well known limitation is
due to the fact that SILC—like all household surveys—does not cover institutional population (persons living in collective households).

6. Meta data: Eurostat attaches great importance to metadata, and ‘social protection statistics’ is not an exception. A good example is the ‘Euro-indicators web pages’ which, currently host metadata for each collection (including labour market and national accounts) in SDDS (Special Data Dissemination Standard) format; they also provide hyperlinks to additional information sources, either for more detailed methodological notes or just for complementary metadata on national data. We recognise however that more systematic work has to be carried out in order to inform users on the availability of sectoral metadata. Quite often they can be found under the ‘Working Papers’ series of Eurostat and/or in public CIRCA domains likes http://forum.europa.eu.int/Public/irc/dsis/Home/main A prototype example of an internet-based meta data system used to describe the organisation of the health care systems in countries can be found at http://62.192.126.124/eucomp/applikation/PNA.CFM, using “eucomp” as user name and “rfzsr” as password. The final report of corresponding project can shortly be obtained from the following site: http://www.europa.eu.int/comm/health/ph_projects/1998/monitoring/monitoring_project_1998_full_en.htm#7, and then look for the EUCOMP entry there. Moreover, there is a formal requirement for all surveys to produce ‘quality reports’. In this context, Article 16 of the EU-SILC Framework Regulation (OJ 3/7/2003 L165) reads: ‘MS shall produce intermediate and final quality reports focusing on the internal accuracy of the survey. The impact of comparability, due to the small departures from the common definitions, will be reported in the quality reports. The Commission (Eurostat) shall produce comparatives intermediate and final quality reports’.

7. Easy access to data / micro-data / use of administrative sources: Eurostat is making continuous efforts towards ensuring a wider, easy and free access to data. Currently there are internal discussions on the overall dissemination strategy of Eurostat and ‘access to data’ will be an integral part of the final decisions. As far as access to anonymised microdata is concerned, this is an issue which is regulated by legislation and Eurostat is complying with the legal provisions. Data from administrative sources are used extensively in areas and countries with developed register-type data. In certain cases they are even used for the purposes of household or enterprise surveys.

8. Investment in policy relevant analysis / need to provide qualified policy counselling: Eurostat agrees and supports the development of strong analytical capabilities within the ESS. The seminar has demonstrated that the ‘indicators approach’ is not adequate to describe complex socio-economic relationships that can shed light on the state and dynamics of welfare systems. There is a need for ‘evidence-based’ decision making which can only be achieved with appropriate analytical work.
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