Foreword

The role of the Single Market policy has increased with the introduction of the single currency since 1 January 1999. This stresses the need at least for: (1) close monitoring of macroeconomic and budgetary developments in the member states of the European Union to ensure sustained convergence and (2) monitoring of member states' structural policies in labour, product and service markets as well as of cost and price trends.

In all European Union member states unemployment is causing severe social problems. Since the majority of welfare state programs are designed to function in full or high employment societies, a high level of unemployment gradually erodes the financial -- and possibly the legitimacy -- basis of the welfare state. Different countries have tried to tackle unemployment with different measures.

In order to get a real picture of the developmental patterns in the European welfare states, we must combine effects caused by institutions (social policy) , structural needs (unemployment, the elderly population etc.) and benefits. This book "*Social Policy in Tandem with the Labour Market in the European Union*" focuses on the main trends in gender specific labour force participation,in part-time/atypical employment,in early retirement, and in the structure of the income package and the level of economic well-being of different age groups in different countries.

The opinions expressed in this publication are those of the authors and do not necessarily represent the views of the Ministry. The book is edited by *Professor Olli Kangas from the University of Turku and Deputy Director-General Rolf Myhrman from the Ministry of Social Affairs and Health*.

The Ministry hopes that this publication will for its part help further discussions on the European social policy in tandem with the changes in the labour market.

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Markku Lehto
Permanent Secretary

AUTHORS

All authors are either employed at the Department of Social Policy, University of Turku, or writing their PhD thesis or have completed their PhD degrees at the Department.

Katja Forssen completed her PhD thesis on the economic well-being of families with children. She is currently working as a visiting research fellow at the Australian National University in Canberra and continues her studies of the economic consequences of different family policy models.

Anita Haataja is specialised on microsimulation methods and income distribution, and she wrote her PhD thesis on these topics. She is working as a special researcher at the Office of the Ombudsman for Equality at the Ministry of Social Affairs, Helsinki.

Olli Kangas is professor at the Department of Social Policy, University of Turku. He is specialised in comparative analyses of social policy.

Marika Kanerva is a PhD student at the Department of Social Policy, University of Turku – currently working at the University of Tilburg, in the Netherlands. She is writing her thesis on social security guaranteed for atypical workers in different European countries.

Tiina Mäkinen is working as a visiting PhD student at the Social Policy Research Centre, University of New South Wales, Australia. She is specialised on income distribution and the use of the Luxembourg Income Study.

Kaarina Nurmi finished her PhD thesis on the educational possibilities of adult students, and since then she has worked as a researcher fellow at the Department of Social Policy, University of Turku. Her post-doctoral studies have focused on issues revolving around gender equality.

Contents

Olli Kangas and Rolf Myhrman

1. INTRODUCTION

1.1 Background of the articles

In his book "Social Policy“ Richard Titmuss (1974) made a famous distinction between three ideal types of the welfare state: the marginal, industrial achievement, and institutional models. Each of these types has its own specific way to deliver social benefits to citizens. In the marginal welfare state benefits are meagre, while the relative importance of family and markets (occupational benefits, individual insurance policies subsidised by the state) are pronounced. In the industrial achievement model work and work related benefits form the germ of social provisions. Benefits are of good quality but the scope of beneficiaries is limited to the employed. The institutional welfare state guarantees benefits to all citizens or residents.

Recent social policy discourse has revitalised Titmuss' trichotomy. The revitalisation can be seen in two partially overlapping areas. First, researchers have tried to unravel the way in which advanced welfare states cluster in terms of their social policy solutions. Here, the focus has been in the institutional set ups of social policy programs in different countries: who gets what and in what terms. Comparative social policy studies have almost without exception involved the question of welfare state models and an immense amount of printer's ink has flowed as disputes have raged about the potentially correct number of welfare state models and the principles on which the differentiation of models should be based. Instead of three models (e.g., Titmuss 1974; Esping-Andersen 1990), some discussants have postulated four (Castles & Mitchell 1991; Korpi & Palme 1998), and some even more.

Second, the possibilities offered by a number of comparable databases, especially by the Luxembourg Income Study (LIS, contains data for about 30 countries), have stimulated numerous studies of the distributional consequences of different ideal types of social policy (see e.g. Mitchell 1991; Korpi & Palme 1998). Here, the central task is to unravel which kind of distributional consequences different social policy solutions have. Since there now are several waves in LIS (e.g. there are data available for several points in time), it is possible to integrate cross-sectional and longitudinal analyses to unravel developmental patterns in income distribution and poverty. This offers possibilities to evaluate what consequences, if any, changes in social policy programs, changes in the labour market (unemployment, atypical labour contracts etc.) have had in terms of social expenditure, poverty and income inequality.

All welfare state models described above seem to tackle with more or less severe problems. Unemployment, "atypical" labour contracts, the ageing population, international economic competition, free movement of persons and capital, and the strict rules of the European Monetary Union strain the public budgets causing financial and possibly also legitimacy problems for the present welfare states everywhere in the Western hemisphere. In their analysis of present trends in Europe Bosco and Chassard (1999) summarise three inter-linked phenomena that the welfare states must react on:

- Longevity is no longer a major risk, but the risk of becoming unemployable after 55 becomes real.
- The nature of unemployment has changed: it is no longer just an effort of geographical mobility which is expected from those who lose their job; a growing proportion of them has to undertake an effort of skills' mobility to have a chance of re-entering the labour market.
- New patterns of work - characterised by a low degree of social protection - are spreading and entail new demands for security on social protection systems.

These three issues are crucial for all welfare states – be the number of them three or eighteen. One of the most important questions in Western societies seems to be the relationship between economic and other social institutions. It is evident that economy to perform well needs integrative institutions guaranteeing social integration, order and trust. Weberian instrumental rationality harnessed to solely serve economic growth cannot be the ultimate principle of any society. And to put it other way round, social institutions such as the welfare state must be somehow integrated with the main institutions in economy. Without economy and production there is nothing to distribute and without distribution economy is not possible to sustain. Thus, there is, always has been and always will be an interplay between the "economic" and the "social".

This interplay may take different forms in different points in time and in different places. It is hard to find the only one or "the best" institutional solution to social problems and, consequently, there exist various welfare state models each basing on different historical and political configurations and each of them defines social problems differently and each of them tries to solve these problems in their own ways. And in fact, some solutions are good in certain surroundings but implanted in some other surroundings they may be a total disaster. Precisely in the same vein there is no one single institutional solution to “demands“ of globalisation or of the changes in the labour markets much depends on the context (see e.g. Esping-Andersen 1996).

The old adage says that there are several ways to skin a cat. The purpose of this book is to offer some empirical data on various national solutions related on issues of the changes in social policy and distributional consequences of social policy and the transformations in the labour market in a number of European countries.

1.2 The Articles

Olli Kangas compares social policy programs and their consequences in terms of poverty and poverty reduction in Western countries and in post-socialist countries in his article *‘Social Policy in Settled and Transitional Counties’*: a comparison of institutions and their consequences’. There is a large variation when it comes to the institutional set-ups of social policy programs. He pays some preliminary attention to poverty levels according to age groups and family types. The post-socialist countries seem to perform pretty well in this comparison. Especially in the Czech Republic and the Slovak Republic relative poverty is very low, even surprisingly low. Why then, should we be worried about the poor situation in the transition economies? Their social security programs seem to work very well or at least satisfactorily, locating in between the Scandinavian and American extremes. However, the picture is perhaps not that sunny. First, it is probable that the income register data is more sparse in economies in transition. It means that income differences between the rich and the poor are much wider than that displayed by the official statistics. And consequently, relative poverty will be much higher, too. Secondly overall review of the economic development in different countries indicated that differences in the absolute living-standard or in the economic well-being have increased between the Western world and economies in transition.

In 1990 the income level in the transitional economies corresponded to 35% of the median for the 31 nations studied. Five years later the corresponding ratio was only 24%. Thus, there is the problem of absolute and relative measurement of poverty. The problems arose immediately when the average income level in the settled economies and in the transition economies are compared. For example the Estonian real GDP per capita was US$ 4 062 in 1995, and at the same time as much as US$ 26 977 in the United States. Furthermore, the overall relative poverty rates in Poland and Hungary are a bit lower than in the United States but the median income from which the national poverty lines are derived in those two post-socialist countries is only about one tenth of the U.S. median (US$ 1700, and US$ 14 000, respectively). The American poor would be rich in those countries. The problem concerns relative and absolute poverty. In the rich western countries poverty is to a greater extent relative, whereas in the transition economies its character is more absolute.

Europe has been plagued by high unemployment and low employment rates, as well as slow growth in the number of the employed in comparison with other OECD countries. The EU has in the 1990s taken steps towards more integrated economic and monetary policies, but also towards greater co-operation in the field of employment policy. With the Treaty of Amsterdam (1997), greater social integration and prevention of social exclusion were added to the aims of employment policy. As the content of employment policy has expanded from reducing unemployment to increasing employment, the target group of policies has widened. Extended unemployment leads easily to exclusion from the labour market, but not necessarily to social exclusion if the level of income remains sufficient and social networks are maintained. *Anita Haataja* in her article *'Unemployment, employment and social exclusion'* estimates the connections between unemployment and the threat of social exclusion by establishing how common or deep poverty is among the employed and the unemployed. She also assesses the extent to which income transfers prevent poverty in different social policy models.

Among the Nordic countries, Finland and Sweden are examples of how social policy has been fairly successful in preventing relative poverty despite extensive changes in the economy and the unemployment rate. England and the USA, as well as Australia of the targeted model form the group of countries where unemployment constitutes a great and growing poverty risk. In these countries income transfers either had a negligible impact (the USA) or a great, but insufficient impact on the poverty rate (Australia and England). Germany stood out as the only representative of the model that emphasises earnings-related benefits. The situation prevailing in Germany can be characterised as stable polarisation because unemployment was there a great poverty risk but the difference between the employed and others was no growing. Income transfers clearly reduced poverty in Germany, but not as effectively as in the Nordic model. Minimal social security and highly uneven income distribution are not cheap, either.

Low social expenditure can lead to increased expenditure elsewhere and may in the end be as expensive as high expenditure aimed at preventing poverty.

Structural changes will cause changes in needs. The greater the percentage of the aged, the unemployed, single parents, and children dependent on any of these categories, the greater the inputs a government needs to make in order to obtain a high level of post-transfer, post-tax equality. *Tiina Mäkinen* examined in her article *'Structural Pressures, Social Policy and Poverty in 15 OECD Countries'* how structural changes affect poverty and income transfers. The results show that in Australia, Canada, Denmark, Finland and Spain, the growth of income transfers has reduced poverty. The situation was not so favourable in Belgium, Germany, Italy, Norway, Sweden, the UK and the USA. Reduction in income transfers led to an increase in poverty in every country examined. As a common trend it can be said that from the early 1980's until the mid-1990s poverty increased slightly regardless of the development of income transfers.

Of the two demographic variables studied, children's share in the population is connected to a decrease in social security transfers. In the case of older population groups, the results are the opposite. This can be explained by the fact that social policy has in many countries consisted primarily of pension policy, and the investments in the aged are now beginning to bear fruit. In future the aged will have an increased impact on how society's resources are distributed.

Unemployment is in a crucial position when we think about the welfare state's future. There are several ways to deal with the high unemployment rates. Some of them have a real effect on the numbers of the unemployed (e.g. active labour market policy). However, there are also methods that do not alleviate the basic problem, but merely change its nature. One example of this is when the unemployed receives, instead of unemployment benefits - as a consequence of early retirement - pension or disability pay. Unemployment rates will be lower, but the basic problem does not disappear. Such measures may even increase the total sum of income transfers. The socio-economic changes in Western European countries are presenting different welfare states with increasingly similar challenges and problems. While there is no evidence that welfare states are gravitating towards a single model, there are some signs of convergence. Welfare states are moving towards more flexible, less redistributive and leaner systems than the previous ones. Weather this prophesy of convergence is true or not remains to be answered by the future studies.

Proliferation of education ('education expansion') is one of the most striking international developments of the past couple of decades. The educational level of women has traditionally been lower than that of men, but women are everywhere making good this gap and in some EU countries the situation has indeed been reversed. The correlation between the level of education and employment is considerably stronger among women than among men. Part-time and fixed-term (short-term/ temporary) contracts are central tools in striving for increased flexibility and efficiency of labour markets. The independence gained through paid labour is of primary importance. The forms and conditions of participation in paid labour differ between men and women in ways that make women's labour market position weaker than men's. Part-time and temporary work, interruptions in career paths, lower status and low wages are typical of women's labour markets. Part-time and temporary work are the main types of atypical employment. Atypical work creates inequality in the labour markets as it does not fulfil the conditions set in most countries for gaining the rights to social security. *Kaarina Nurmi* investigates in her article *'Changes in women's and men's labour market positions in the EU'* the increase in women's labour market participation and the rise of atypical employment.

Marriage and child rearing keep fewer and fewer women away from the labour market. The models of male wage earner and full-time motherhood are giving way to the dual-earner model. Part-time work as form of labour market flexibility is fairly gender specific. In all countries, most part-time work (between 70 and 90 percent) is undertaken by women. Half of part-time employment within the EU in 1997 was voluntary. The gap between the sexes is striking, however: 65 percent of women and 35 percent of men did not want full-time employment. Temporary work is also more typical feature of women's than men's labour markets but not to the same extent as with part-time work. There is no uniform direction to the changes in the gender difference. Temporary employment serves the needs of employees only rarely as in 1997 only 8 percent of temporary workers within the EU did not want permanent work. Over half were in temporary employment because they had not managed to find permanent work.

Changes in labour markets and family structures (including increase in women's wage labour, rise of atypical and more flexible labour markets, increased divorce rates, single parenthood and neo-families, and declining birth rates) call for a fundamental reassessment of employment policies and welfare state structures. During recent years EU has increasingly committed itself to integrating equality between men and women into all areas of EU policy making.

Current trends in the European labour market indicate that the form of employment for which social insurance was originally designed will decrease in importance in the future, as at the same time when unemployment is high the new jobs that are being created are increasingly part-time and fixed-term. When it comes to atypical work, the issue of gender is crucial. The eligibility conditions in the prevailing social security systems, based on continuous employment history and minimum weekly hours or earnings thresholds, hinder women's equal access to benefits, given their overrepresentation in low-paid, precarious and atypical employment. The question is, how can such a system protect the needs of those (mainly women) who work part-time, temporarily and/or are engaged in caring? The over-60 age group, mainly retired people, will rise by almost 50% during the next 25 years. It must be noted that ageing generates not only a growing demand for traditional benefits and services, but also new demands both on the side of the aged themselves (e.g. nursing care) and on the side of the family members (almost exclusively women) who perform caring tasks. Social insurance schemes tend to concentrate benefits on risks which no longer automatically generate need, while they increasingly fail to intervene where the demand is more urgent. *Marika Kanerva* examines in her article *'Social rights of atypical workers in the European Union'* how atypical workers fare in relation to the 'standard' full-time workers, when in need of benefits.

There is still great variation in the principles guiding the benefit systems in the EU. The level of benefits varies greatly between the countries. The highest benefits are paid in Central and Northern Europe, whereas benefits are lower in Southern Europe and Ireland and the UK. Even though a part-time worker regularly ends up with lower benefits than a full-time worker, the replacement rates show that there is some compensation for low income whereas carers receive less compensation. Especially in pensions, carers have to settle for lesser compensation. Atypical work poses a financial problem as atypical workers pay less tax, but are more vulnerable and more often in need of benefits. The latter will undoubtedly be of great importance in the future if we are to see more part-time work and fragmented periods of employment.

To secure a proper social protection for the atypical workers, it is not only about simply improving the benefit levels and eligibility conditions, but also about social policy in a broad sense. Nevertheless, having said that, with no improvements in the current social protection system, it is certain that benefits paid to atypical workers are very likely to be below the poverty line which means, especially in the case of pensions, that the number of poor people will continue to rise in the EU.

Much social policy is concerned with families and family life. Almost every action that welfare states take has impacts on families and family life. Economic well-being of families and children are based on a combination of four types of resources: work (including earnings and non-market 'home' work), social services and government benefits; and taxes to pay for them. Welfare states differ from each other in the way they offer different income package opportunities to the families. The effectiveness of different family policy systems can be evaluated by analysing the outcomes of welfare states. The quality of family policy systems can be measured for example by comparing child poverty rates, social assistance dependency, infant mortality, birth rates and other indicators of well-being. In her article *'Family policies and the economic well-being of children in some OECD countries' Katja Forssen* compares family policy legislation and family policy outcomes. The special interest is shown to the European countries, because the role of family policy in European Commission is still quite unclear.

There are several types of family policy systems which create different outcomes. The notion that the responsibility for children's welfare belongs to the family has survived in both liberal and corporatist countries. This reflected in tough means-testing for benefits and services and scarcity of individual social rights, these again reflected in the high child poverty rates that have grown worse in many countries in the past few years. The absence of comprehensive family policies is linked to overly high regard for family privacy. Yet more and more women have been compelled to find employment outside the home. The necessary services have had to be purchased either from the private or unofficial sectors. Those without enough money to buy these services have been provided with means-tested day care services, often planned specifically for children at risk. It is hard to understand why many developed welfare states keep on having high and constantly increasing child poverty rates. In the ideological level every welfare state wants to quarantine the well-being of children. For some reason child poverty continues to be increasing problem in many advanced welfare states.

Labour market participation and life outside work no longer follow regular patterns, and a 'de-standardisation' of life cycles is now evident in industrialised societies. These irregularities present social policy with new challenges. The changes in life patterns are most evident when we observe trends in the periods of active labour market participation. The duration of labour market participation has shortened in all Western countries. Whereas in the 1960s the average European worked for 45 years, the average worker in the 1990s retires after 35 years. The duration of retirement has correspondingly increased, as a result of both earlier retirement and longer life expectancy, from 15 to 25 years. Changes in active labour market participation in combination with destandardisation of life patterns have had an impact on citizens' sources of income. *Tiina Mäkinen* investigates the impact of irregularities in labour market participation on income packages in her article *'Income packages of the aged 11 OECD countries'*. What are the differences between countries and country groups or welfare state models?

The income package under study consists of wage/salary, income from private enterprise, capital income, sickness daily benefit, work disability and unemployment benefits, legislated pensions, occupational pensions, means-tested benefits and other miscellaneous income. Income package analysis depicts the average share of an individual income component of the gross income of a household. Income from work has remained the primary source of income among the 50-54 and 55-59-year-olds in all the countries included in this comparison.

Among the countries of the basic security and targeted models, the share of income from work is larger in Australia and the USA than it is in Finland and in the Netherlands. The small share of income from work in Finland and the Netherlands is partly explained by the labour market participation rates that are lower than in the countries with basic security and targeted social policy regimes. The scarcity of opportunities for early exit from the labour market is obvious from the share of earned income in the income packages of the 60-64-year-olds. Among the countries with basic security models, the USA has a clearly higher share of income from work than the countries of continental Europe where there are more opportunities for early exit. Among the countries of the encompassing model, Norwegian and Swedish pension systems have offered fewer opportunities to opt for early retirement than the Danish and Finnish systems. In Norway, Sweden and Denmark wage labour has retained its position as the primary source of income of the 60-64-year-olds, whereas in Finland the significance of work as a source of income is much smaller. In the case of Denmark, the larger share of earned income is partly explained by the higher retirement age. The divergence of Finland from the other Nordic countries is evident when we combine the income from pensions and other transfers: Finland, France and the Netherlands stand out as countries where the share of the so-called social income in the gross income of the 60-64-year-olds is highest.

The differences between the welfare state models become most evident when we focus on the income packages of the over 65-year-olds. Finland, the Netherlands and Sweden stand out as countries where the share of earned income is low, whereas in the USA and in Australia income from work forms a more significant share of the total income package of the aged. Alongside earned income, the share of income from capital among the over 65-year-olds is larger in Australia and in the USA than in the countries of the encompassing model.

Work has remained the principal source of income until the age of 60 in all the countries compared here. After this, the different institutional arrangements become more evident in the income packages of the aged. However, the prevalent trend is that the relative share of income from work and enterprise has declined in all age groups since the beginning of the 1980s, regardless of the welfare state model. Earned income has been increasingly replaced by the so-called social income i.e. income from pensions and other income transfers.

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Olli Kangas

SOCIAL POLICY IN SETTLED AND TRANSITIONAL COUNTRIES: A COMPARISON OF INSITUTIONS AND THEIR CONSEQUENCES

1. Introduction[1]

In all societies people seek shelter against such risk where their livelihood is for some reason endangered. Childhood, sickness, accidents, and old age are classical examples of social risks that a society somehow must encounter. A society that does not take care of its vulnerable members is not a sustainable one. Therefore, some kind of collective risk pooling and collective safety nets are necessary for a society to sustain itself. However, the degree of collectivism and the institutional set-ups of safety nets vary greatly between different points in time and between different places. Questions of public policy are more or less conflictual political issues of distribution of resources: who gets what under what conditions, e.g., in which way and to what extent the free play of market forces should be modified by statutory involvement. Because of this chronological and geographical variation it is hard to find the one or “the best“ institutional solution to social problems and, consequently, there exist various welfare state models each having been based on different political configurations, each of them defining social problems differently, and each of them trying to find their own solutions.

Because of this variation, there also is a multitude of accounts and classifications of social policy models. Probably one of the most famous ones is developed by Richard Titmuss (1974) who, in his "Social Policy", made a distinction between three ideal types of welfare state: the marginal (typical for the Anglo-Saxon countries), industrial achievement (typical for the Central European countries), and institutional models (typical for the United Kingdom and the Scandinavian countries). Recent social policy discourse has revitalized this trichotomy. The revitalization can be seen in two partially overlapping areas.

[1] The paper was presented at a seminar “Elaboration of national strategy for poverty eradication in Estonia“, the 15.-17. June 1998. I wish to thank Dagmar Kutsar and Avo Trumm for their comments and for providing the Estonian data to me. I also wish to thank Antti Parpo for excellent research assistance.

First, researchers have tried to unravel the way in which advanced welfare states cluster in terms of their social policy solutions (e.g. Esping-Andersen, 1990; Castles and Mitchell, 1990; Kangas, 1994; Ferrera, 1996). In particular various income transfer schemes have been in focus here. The research community has tried to categorize similarities in the insitutional set-ups in income transfer systems in different countries. Central questions here have been such as: Who gets what and on which terms? What is the level of benefits? Who is entitled to benefits? How are benefits financed? Lots of articles have been published on these topics (e.g., Korpi 1989; Esping-Andersen 1990; Palme 1990; Kangas 1991; Wennemo 1994; Carroll 1998).

Second, the possibilities offered by a number of comparable databases, especially by the Luxembourg Income Study (LIS), have stimulated numerous studies of the distributional consequences of different ideal types of social policy (see e.g. Smeeding, O'Higgins and Rainwater, 1990; Fritzell, 1991; Mitchell, 1991; Ritakallio, 1994; Kangas & Ritakallio 1998). Here the central questions have been as follows: In which countries or groups of countries have social policy programs achieved the most equal income distributions? In which countries do social policy programs most effectively alleviate poverty?

Empirical analyses of the institutional set-ups and distributional consequences of different welfare state models have mainly been based on comparisons of a number of advanced OECD countries. Comparisons including post-communist countries have been quite rare. However, there is a growing need for such enterprises. First, there are scientific reasons: How do the models constructed to describe the development of social policy in the Western world fit into the “Eastern“[2] world. Second, such comparisons would provide important information on the similarities and differences between “western“ and “eastern“ countries. The latter task is politically important, especially now when many of the former socialist countries are applying for the membership of the European Union. Third, such comparisons would provide useful data for policy makers in countries in transition from socialism to capitalism. For example analyses on consequences of different social policy solutions would be useful guiding lines when weighing up various policy options. Different social policy models derived from international comparisons may serve as a fruitful base-line from which new alternatives in national policy-making in the transitional countries can be contrasted and evaluated. This is what the present study aims to do: to place the experiences of transitional economies in a “western“ frame of reference.

[2] “Eastern“ here does not pertain to geographical entities: many of the “eastern“ countries are to the west of some of the “western“ countries.

The structure of our study is as follows: Firstly, we describe the data used in this study. Secondly, in order to set the study of social policy in a wider frame of references it is fruitful to inspect economic development in post-socialist countries and in western nations. Thereafter follows a section on institutional arrangements guaranteeing social protection in case of old-age, sickness, childbirth, and unemployment. Fourthly, in addition to institutional set ups we are interested in analyzing the effectivity of those institutions. Effectivity will be measured by using some standard methods in this field of study: income distribution and poverty. Moreover, we will study the effectivity of social transfer systems to alleviate poverty in various countries. Fourthly, and lastly, we are interested in the costs of social security. What are the total costs and how is the burden divided between different sources of financing? What is the proportion of the insured, employers, and the public sector in the financing of social security in different countries?

2. Data and Methods

Data on macroeconomic indicators is mainly derived from various international publications. Information on the institutional set-ups of social policy schemes is partially based on the Social Citizenship Indicators Project (SCIP) housed at the Swedish Institute for Social Research, University of Stockholm (led by Professor Walter Korpi and Associate Professor Joakim Palme). SCIP contains data on various income maintenance programs in the major OECD countries. Data is also collected from national sources – especially so for the post-socialist countries – and from the Social Security Programs Throughout the World published by the U.S. Department for Social Security and Administration.

Income distribution data is obtained from the Luxembourg Income Study (LIS) that contains commensurate information from over 20 countries. Each country's data-set includes accurate information on 2,000 to 16,000 households' income and income formation, i.e., how much of their income consists of salaries, capital or business income and various kinds of received and paid redistributive sources. Also, for each household, information is available on the essential structural features, such as the type of household, age of provider, number of children, and numbers of wage earners or recipients of other incomes, as well as educational attainment, profession and social group of the provider. For most countries, there is also a prodigious amount of cross-sectional data (for the United States, for example, there is cross-sectional data from the years 1969, 1974, 1979, 1986, 1991 and 1994). In practice, the

LIS databank makes it possible for income distribution, poverty, or, say, income-equalizing effects of socio-political schemes to be compared flexibly and accurately through the use of micro-level data (see Smeeding, O'Higgins & Rainwater 1990; http:lissy.ceps.lu/ineq.htm). Estonia is not (yet) a member in the LIS database and we utilized the national Household Budget Survey conducted in 1997 by Statistics Estonia (Kutsar, Trumm & Oja 1998). Therefore the Estonian data is not fully comparable with that of the other countries.

There are also some other problems dealing with the comparability of data. First, data used for the inspection of income distribution is derived from the beginning of the 1990s (except the Estonian data that was compiled in 1997) and data does not properly reflect the present day situation in the transitional countries. There is also a discrepancy between our institutional indicators and poverty measures. The former pertain to the mid-1990s and the latter to the early 1990s. Therefore, the results on income distribution and poverty must be regarded as a heuristic device to show what was the base-line from which the post-socialist countries began to develop towards fully-fledged market economies. There may also be some problems in the very concept of income. When we are comparing settled economies with economies in transition we may especially easily run into great problems. In some countries monetary resources are more or less completely registered, whereas in some other countries registers are of poor quality. A qualified guess is that e.g., the Nordic databases are more comprehensive that those for the transitional economies. In many transitional economies numerous other resources than money play an important role in the coping strategies of citizens. Moreover, we can assume that a substantial deal of monetary resources are channeled through non-official routes, especially so in the most wealthy strata of society. Therefore, comparisons presented later on must be read and interpreted very cautiously. Another qualified guess may be that the differences in register-keeping and registering incomes affect e.g., the level of poverty more but not profile (who the poor are) of poverty to such an extent. This being said, we can get at least some indicative results on the functioning of social policy in different countries.

3. Economic situation in Transitional and in Western countries

Big transformations have big consequences and quite often positive transformations may also have strong negative side-effects. At an economic level, previous economic structures and previous divisions of labor in production and international trade may be essentially changed causing transitional problems until new structures and institutional arrangements for economic recovery are created and are properly working. At a societal level, important social bonds, functioning social fabrics – either attached to social security or other aspect of human life or relations to economic institutions – may be destroyed and it will take decades until the destruction is recovered from and proper social institutions are in place which allow society to function.

This seems to be precisely the case in the collapse of the communist regime. The shift of the political regime initiated a social avalanche that swept the old away and at least in the short run the change in economic rule led to great economic problems. The first experiences of the sweetness of capitalism that so many under socialism had dreamed of appeared to be very sour.

In all transitional countries the GDP level fell in the wake of the regime shift. However, there are substantial differences between the countries. The Polish economy adapted to the new situation most rapidly and Poland is the only post-socialist country where the GDP level was higher in 1995 than in 1990. In fact the Polish economic growth during the 1990s has been impressive and only in Ireland and Norway has the GDP per capita grown more rapidly. Consequently, the Polish GDP level has not deteriorated either in comparison to the richest country (Luxembourg) or to the international median. There is however, no improvement either. All other transitional economies have lost both their relative and absolute positions and the gap between the richest and the poorest countries has increased from 1990 to 1995, as indicated by the dispersion coefficients displayed in Table 1.

The regime shift hit the Baltic states, Ukraine and Russia more severely than the Central European socialist countries. In Ukraine the GDP fell between 1990 to 1995 by as much as 52%, in Latvia, Russia, Lithuania, and Estonia the corresponding figures were 46%, 38%, 37% and 32% respectively. Consequently, these countries also lost proportionally to the international median: in 1990 the Ukrainian GDP level was 26% of the median whereas five years later it was as low as 12%. In comparison to Luxembourg the Ukrainian level fell from 15% in 1990 to 7% in 1995.

In most poverty research the poverty line is set to 50% of the national median. Here in our international comparison we can tentatively apply the same procedure and define all those nations as poor whose GDP level remains below 50% of the cross-national median. This heuristic device shows that all other post-socialist countries except the Czech Republic could be classified as poor.

The economic decline has been less severe and the recovery more rapid in those post-socialist countries that were more loosely interwoven in the Soviet economy. Those countries that were formally part of the Soviet Union, especially the Baltic states and Ukraine, faced the deepest dives in their economic development. However, there is some light at the other end of the tunnel. In the mid-1990s most of the transitional economies were doing much better than in the early 1990s. Only in Russia and Ukraine the GDP continued to fall from 1995 to 1997. In all other transitional countries included in our study the GDP growth was positive varying from 6% in the Slovak Republic to 2.2% in Latvia. (IMF 1997, 27). Also the Ukrainian situation seems a bit better and the pace of the decline is decreasing: in 1995 the decline was -12.0%, in 1996 -10.0% and in 1997 -3.0%. (IMF 1997, 27). Interestingly enough, despite the rapid relative growth rates in some transition economies for example, Poland in comparison to Luxembourg, the absolute differences in wealth between these countries have continued to expand.

Table 1. Real GDP per capita (US$PPP) indicators in Post-Communist and Western Countries 1990-1995.

			Relation to median		Year Change
Country	1990	1995	1990	1995	90-95,%
LUXEMBOURG	34004	32971	1.76	1.78	3.1
USA	26977	25297	1.40	1.37	6.6
SWITZERLAND	24881	25904	1.29	1.40	-3.9
NORWAY	22427	19357	1.16	1.05	15.9
DENMARK	21983	20268	1.14	1.09	8.5
JAPAN	21930	20860	1.14	1.13	5.1
CANADA	21916	21585	1.14	1.17	1.5
BELGIUM	21548	20566	1.12	1.11	4.8
AUSTRIA	21322	20122	1.10	1.09	6.0
FRANCE	21176	20492	1.10	1.11	3.3
GERMANY	20370	19800	1.06	1.07	2.9
ITALY	20174	19191	1.05	1.04	5.1
NETHERLANDS	19876	18681	1.03	1.01	6.4
AUSTRALIA	19632	17772	1.02	.96	10.5
UK	19302	18518	1.00	1.00	4.2
SWEDEN	19297	19788	1.00	1.07	-2.5
FINLAND	18547	19668	.96	1.06	-5.7
IRELAND	17590	14271	.91	.77	23.3
NEW ZEALAND	17267	15855	.89	.86	8.9
SPAIN	14789	13943	.77	.75	6.1
PORTUGAL	12674	12074	.66	.65	5.0
GREECE	11636	11112	.60	.60	4.7
CZECH REP.	9775	11369	.51	.61	-14.0
SLOVAKIA	7320	8681	.38	.47	-15.7
HUNGARY	6793	7148	.35	.39	-5.0
POLAND	5442	4988	.28	.27	9.1
RUSSIA	4531	7277	.23	.39	-37.7
ESTONIA	4062	5929	.21	.32	-31.5
LITHUANIA	3843	6129	.20	.33	-37.3
LATVIA	3273	6043	.17	.33	-45.8
UKRAINE	**2361**	**4897**	**.12**	**.26**	**-51.8**
Range	31643	28074	1.64	1.52	75.0
Mean	16023	15824	-	-	-3.6
Median	19297	18518	-	-	4.2
Coefficient of variation	**.51**	**.45**	**-**	**-**	**-**

Source: Data for all countries is derived from UNDP 1998; *German pre-1995 data is derived from IMF 1997, 148.

4. Institutional set-ups

The starting point of this section is to place some post-socialist countries (e.g., the Czech Republic, Estonia, Hungary, Poland, the Slovak Republic, and Ukraine) in a wider EU perspective and to analyze to what extent social policy programs in these countries are different or similar when compared to the present EU member states. Thus, we want to study the institutional set ups of social policy, i.e., in which ways social security programs are constructed in different countries. What are the institutional differences and similarities between the nations in the east and west?

4.1. Institutional set-ups in pensions

All people are getting older. Therefore, in all societies there have been and are social institutions that try to counter the problems of elderly people. These social institutions vary greatly in time and in place. The institutional variation of the present schemes (for developmental patterns in time, see Palme 1990) is depicted in Table 2. The schemes are differentiated according to the form of financing (contributory vs. non-contributory/tax-financed schemes), the form of benefit delivery (means-testing, flat-rate and income-related), and the form of insurance (public pension, private pensions or mandatory savings). As a rule, fully-fledged pension programs are carried through the public sector (as e.g., in Sweden, Germany, Estonia), but in some cases employment related schemes are organized through the private sector by private insurance companies that are responsible for carrying the fully legislated pension programs (e.g. in France and Australia). In some countries the whole pension security is totally channeled through the private sector savings. Table 2 includes only those schemes that are mandatory by law, i.e., all collectively bargained earnings-related supplementary pensions (e.g., such huge collective/occupational pension schemes as in Sweden and in the Netherlands) are left out of the inspection.

According to Table 2 it is possible to discern various groups of countries. In Estonia and the Netherlands pension security consists solely of basic pensions that are paid on a flat-rate basis. These pensions are financed through pension insurance contributions. In the “Nordic model“ of pension policy contributory pensions guarantee flat-rate basic amounts that are supplemented by income-related pensions. In addition to the “traditional“ Nordic countries, the Nordic model is fortified by Luxembourg, Lithuania, and Poland. In the U.K. and Latvia there also is a means-tested non-contributory part supporting the worst-off pensioners.

Table 2. Institutional arrangements of pension schemes in various countries in 1997.

COUNTRY	CONTRIBUTORY		NON-CONTRIBUTORY		MANDATORY PRIVATE PENSIONS	MANADATORY SAVINGS	
	FLAT RATE	EARNINGS-RELATED	MEANS-TESTED	UNIVERSAL FLAT-RATE		PUBLIC	PRIVATE
ESTONIA	X[3]						
NETHERLANDS	X						
FINLAND	X	X					
LUXEMBOURG	X	X					
NORWAY	X	X					
POLAND	X	X					
SWEDEN	X	***X***					
LITHUANIA	X	X					
LATVIA	X	X	X				
UK	X	X	X				
DENMARK	X		X	X			
GERMANY		X					
GREECE		X					
HUNGARY		X					
PORTUGAL		X					
SPAIN		X					
UKRAINE		X					
BELGIUM		X	X				
CZECH REP.		X	X				
SLOVAKIA		X	X				
USA		X	X				
ITALY		X	X				
CANADA		X	X	X			
FRANCE		X	X		X		
AUSTRALIA			X		X		
ARGENTINA		X					X
CHILE		X					X
COLUMBIA		X					X
INDONESIA						X	
MALAYSIA						X	
SINGAPORE						X	

(source: U.S. Department of Social Security Administration 1997)

[3] In Denmark and Estonia work-merit pensions are not related to the claimant's previous income but to the number of years worked.

The “Central-European“ path consists of contributory and income-related pensions that are supplemented by social assistance-type amounts if the contributory pensions are nil or very low. The most typical representatives of this group are Germany and the Southern European countries. Of the transitional economies Hungary and Ukraine belong to this work-merit based club of nations. There is also another, “extended“ variant of the above-mentioned Central-European path: In some countries (Belgium, the Czech Republic, France, and Italy, and also in Canada and in the U.S.) employment-related pension are supplemented by means-tested pension programs.

South-East Asian countries on one hand and the South American nations on the other form their own distinct groups of pension policy. Mandatory savings in public institutions are typical for such countries as Indonesia, Malaysia and Singapore, whereas mandatory private savings supplement earnings-related pension schemes are dominant in South America.

In sum, pension programs in post-socialist countries do not follow a single pattern. Instead they have chosen different routes: the Baltic States, and perhaps Poland, too, belong to the “Nordic model“ which tries to combine basic security and work-merit components of the pension security, whereas Ukraine, Czech Republic, Slovakia and Hungary are more closer to the “Central-European“ model with an emphasis on work-merit pensions, possibly supplemented by means-tested benefits targeted to those with very small or no employment-related pensions.

Pension schemes in different countries may be very similar in the institutional set-ups or in the construction of their pension programs but the generosity of the programs may be very different, e.g., two countries may both guarantee basic non-contributory flat-rate benefits to every elderly citizen (as in the Netherlands and Estonia) but the benefit level may be very different. One way to try to make benefits levels comparable over time and across nations is to relate social benefits to the average income level. This has been done in Figure 1 (data for the OECD countries is derived from the SCIP data base; estimates for pensions in post-socialist countries are calculated from Statistical Yearbook of Lithuania 1994-1995, 37 and 106; Statistical Handbook of Hungary 1995, 53 and 77; Statistical Yearbook of the Czech Republic 1996, 266, and 598-599). The x-axis displays the actual take-up ratio or the ratio of pension receivers to the number of persons over the normal pension age, whereas the vertical y-axis depicts the level of basic pension as a proportion of the average net wage.

Figure 1. The replacement level (net basic pension/average net wage, %) and take-up ratio (pensioners/persons above the pension age, %) of basic pension in 1995 in selected countries.

As suggested in Table 2, pensions are universally provided in Estonia, the Nordic countries, in the U.K. and the Netherlands. Therefore, the take-up ratio for these countries is 100% but the countries differ essentially when it comes to the level of benefits. Basic pension security is very high (50% or more) in the Netherlands and in Denmark, Norway, and Sweden. In Canada, Belgium and Finland pensions correspond to 40% of the average wage. Estonian pensions are also universally delivered but the pension level is low in comparison to other countries. In Hungary, the Czech Republic and Lithuania the basic security is higher than in Estonia but the take-up ratio is somewhat lower.

Table 3. Target level in employment-related pensions and years required to obtain full benefit.

Country	**Working years required for full pension**	**The target level of pensions (% of previous income)**
Australia	Depends on superannuation program	
Austria	45	Max. 80
Belgium	40	60
Czech Republic	25	65 (1995)
Denmark	40	A flat-rate benefit, about 5% of average wage
Estonia	Not specified	About 37% with 40 years in employment
Finland	40	60
France	37.5	50
Germany	45	66
Greece	Not specified	30-70%, varying inversely with income
Hungary	42	75
Italy	40	55
Netherlands	No legislated employment-related pensions; a developed occupational pension system	
Norway	40	55
Poland	25	25
Portugal	40	Max. 80%
Slovakia	26	66
Spain	35	100
Sweden	Old system: 30 New system: 40	Old system: 65 New system: 60
UK	20	About 30
Ukraine	25	55
USA	40	50

(source: U.S. Department of Social Security Administration 1997)

In addition to basic pensions, there are supplementary earnings-related pensions that are fully legislated in many countries. The pension amount in these supplementary schemes is determined on the basis of the years worked and income received (Table 3). In most countries the length of the work career entitling the claimant to full benefit is about 40 years. In the post-socialist countries there seems to be a tendency to guarantee full employment-related pensions in a shorter period of time, especially so in Ukraine. However, there are strong pressures on these countries to bring the eligibility conditions closer to the Western nations.

4.2. Institutional set-ups in family support

In addition to elderly people, children are the most vulnerable group in all societies. Despite the fact that a child's need for shelter is a universal phenomenon, there are many institutional solutions to this universal issue. In industrialized societies the direct financial support for families with children has been mainly instituted in two different ways: there are maternity leaves supporting the mother and the baby and there are various income transfer schemes called child or family allowances guaranteeing some extra support for child-rearing families. In this section we briefly inspect what the level of maternity benefits and child allowances is and for how long time they are payable. In Figure 2 a number of countries are rank-ordered according to the benefit levels paid from the maternity insurance systems. In addition to benefit levels (gross benefit/gross wage) the figure also depicts the duration (in weeks) of the benefit period.

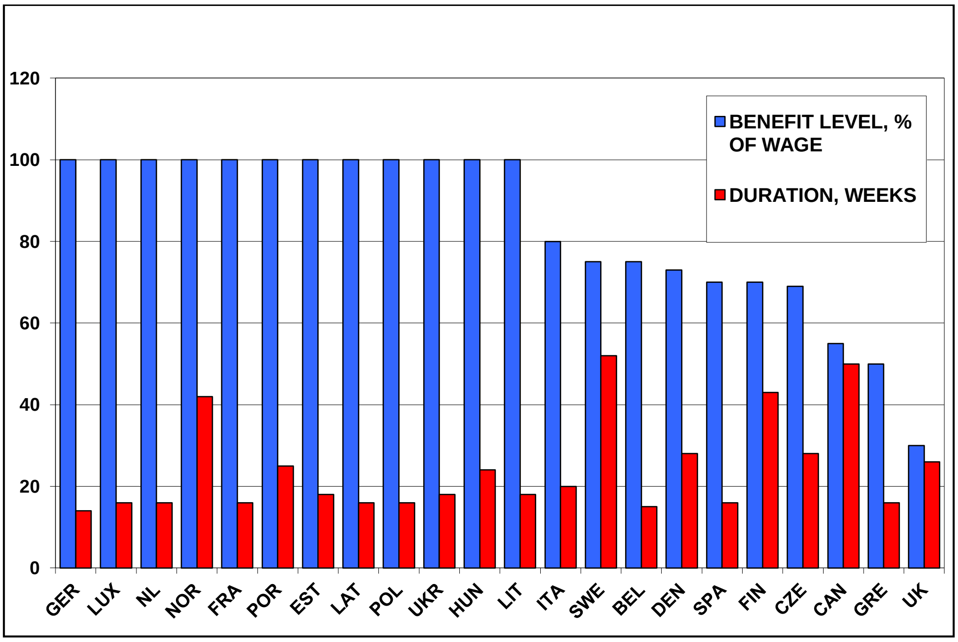

Figure 2. Maternity allowances in selected countries in 1997; benefits/previous wage and duration of the benefit period in weeks.

The variation in benefits is substantial. In the majority of countries the benefits correspond to the previous income, i.e., the replacement level is 100%, while the benefits can be as low as 30% of previous income in the U.K. for example. With the exception of the Czech Republic, all the transitional countries guarantee benefits that exceed the international mean (84%).

The average duration of benefits is 24 weeks. Again the average hides substantial cross-national differences: in Germany the benefits period is as short as 14 weeks. In most of the Central-European and post-communist countries benefits are payable for 16 weeks. In Estonia the benefit period is two weeks longer (18 weeks). The four Scandinavian countries have extended the benefit period to one year or very close to it.

In principle we can separate two main groups of countries. In the first one, typical for Central Europe, benefit levels are high but the period which the benefits are payable for is short as exemplified by Germany and Luxembourg. In the other group of countries benefits may be lower but they are payable for a longer period of time as in the Nordic countries. In their maternity benefit systems transitional countries are much closer to the Central European pattern than the Nordic model. Contrary to all the other countries, in the United States there exists no statutory maternity allowance system at all.

Maternity allowances are one aspect of support to families with children. In most countries there also exists a system of child allowances that are payable for children under a certain age limit (Table 4). The most frequently used age limits are 18 years of age – applied in nine countries – and the age limit of 16 that is in use in eight countries, whereas the limit of 17 years is applied only in one country and the lowest age limit, 15 years, is used in the Czech Republic, Portugal and Latvia. In many countries higher age limits are applied for students.

In the majority of countries the child allowance system is universal, i.e., the benefits are payable automatically to everyone under the specified certain age limit. In a few countries (the Czech Republic, Lithuania, and Ukraine) benefits are means-tested and targeted to the most needy ones. In some Central and Southern European countries allowances are available only for those families whose heads are participating in paid labor.

To facilitate international comparisons we have calculated benefits for a family with two children, each child entitled to allowances. Allowances are then related to the average wage paid in respective countries. As indicated in Table 4 there is a huge variation in compensation levels of allowances. Benefit levels vary from 0,3% in Greece to 16% in Norway. Benefits are over 10% of the average wage in Norway, France, Belgium, Finland, Luxembourg, and Italy. At the other end of the continuum we find the Anglo-American countries with low benefit levels which indicates that families in these countries may be at greater risk of poverty. (The hypothesis will get qualified support later in this paper when we inspect closer distributional consequences of social insurance programs in various countries.) The post-socialist countries are close to the international mean (8.2%).

Table 4. Institutional structure of child allowances and benefit levels (benefits/average wage, %) for a family with two children, 1997.

COUNTRY	AGE LIMIT	UNIVERSAL	MEANS-TESTED	EMPLOYMENT-RELATED	BENFITS /APW, %
Australia	16 (students 18)	X			3.2
Belgium	18 (students 25)			X	11
Canada	18				6
Czech Rep.	15 (students 26)			X	8.8
Denmark	17	X			8.3
Estonia	16 (students 19)	X			8.3
Finland	16	X			11
France	18 (students 20)	X			14.4
Germany	18 (students 27)	X			9.6
Greece	18 (students 22)			X	0.3
Hungary	16 (students 20)	X			6
Italy	18			X	10.1
Latvia	15 (students 20)	X			7.8
Lithuania			X		No data
Luxembourg	18 (students 27)	X			11
Netherlands	18 (students 25)	X			7.5
Norway	16	X			16
Poland	16 (students 20)	X			6
Portugal	15 (students 25)			X	7
Spain	18			X	3.8
Sweden	16 (students 20)	X			7.5
UK	16 (students 19)	X			6.6
Ukraine	16 (students 18)		X		9.6

(source: U.S. Department of Social Security Administration 1997)

4.3. Institutional set-ups for sickness insurance

Early forms of sickness insurance were based on voluntary arrangements covering only a limited number of people. Gradually, when the state began to financially support these funds or instituted an obligatory scheme, the coverage rate began to rise more rapidly. In his study of the development of sickness insurance in 18 OECD countries Kangas (1998) found that after the second world war the average coverage rate increased from 45 in 1950 to 76 in 1995. However, these averages conceal a huge variation between nations. The four Scandinavian countries (Denmark, Finland, Norway, and Sweden) form a group with universal coverage of the labor force. Indeed, at least as regards the scope of sickness insurance, it seems to be justified to speak of a very distinctive Scandinavian cluster. In the rest of the OECD countries, the average coverage rates vary from 52 percent in Japan to 91 percent in Canada (SCIP). Unfortunately comparative figures for the economies in transition are available only for Hungary and the Czech Republic which come close to the Scandinavian block with their coverage rates of 95% and 89%, respectively (Statistical Handbook of Hungary 1995, 46; Statistical Yearbook of the Czech Republic 1996, 270, 596).

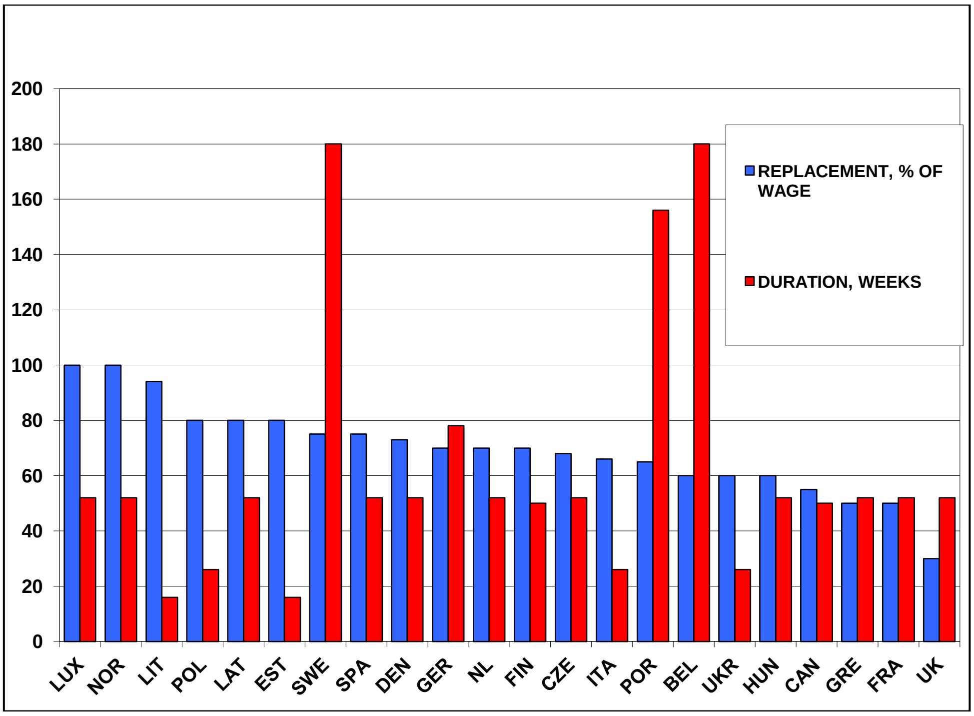

Figure 3. Replacement level of sickness allowances and duration of benefit period in selected countries in 1997.

Since our data on the replacement level and the duration of benefit periods is more extensive we mainly concentrate on those indicators of sickness insurance (Figure 3). Countries are ordered according to gross replacement rate at the average income level (source: U.S. Department of Social Security Administration 1997). The duration of the benefit period is expressed in weeks which the benefits can be collected for. If the benefit period is unlimited, as in Sweden and Belgium, the upper duration is artificially set at 180 weeks. In the other end of the continuum we find Estonia and Lithuania with their benefits period of 16 weeks.

The average replacement rate for countries included in Figure 3 is 66%. Two countries (Luxembourg and Norway) offer lavish allowances corresponding to 100% of previous income, whereas in the U.K. the benefit level remains below 40% of gross income. Some of the transitional countries (Lithuania, Estonia and Poland) guarantee compensations that clearly exceed the international average, whereas benefits in the other transitional countries are close to that. All in all the "transitional pattern" in sickness insurance consists of relatively high benefits combined with a limited period of time for which the benefits are payable.

4.4. Institutional set-ups in unemployment insurance

As in the case of sickness insurance we lack comparable data on coverage of unemployment insurance. Therefore, we must restrict our comparison to the gross benefits levels and duration of benefit period (Figure 4). In Figure 4 the duration is set to 180 weeks for those countries that do not apply any time limit for benefits purposes. The mean for the countries included in the inspection is 71 weeks with the above-mentioned maximum of 180 weeks in Belgium, Denmark and Australia and minimum of 10 weeks in Estonia. In all transitional economies the duration of unemployment insurance lags behind the international mean, most notably so in Estonia.

In comparison to sickness insurance, replacement rates for unemployment insurance are much lower (66% and 55%, respectively) indicating stronger legitimacy for sickness benefits (see Väisänen 1991). In Luxembourg, Norway and Sweden the replacement level is close to 80% of previous wage. Of the transitional countries, Ukraine and Hungary guarantee unemployment compensations corresponding to 70% of income, which is clearly above the international mean. In the other post-socialist countries benefits are lower than the median. In Estonia the compensation level is only 10% of the previous wage.

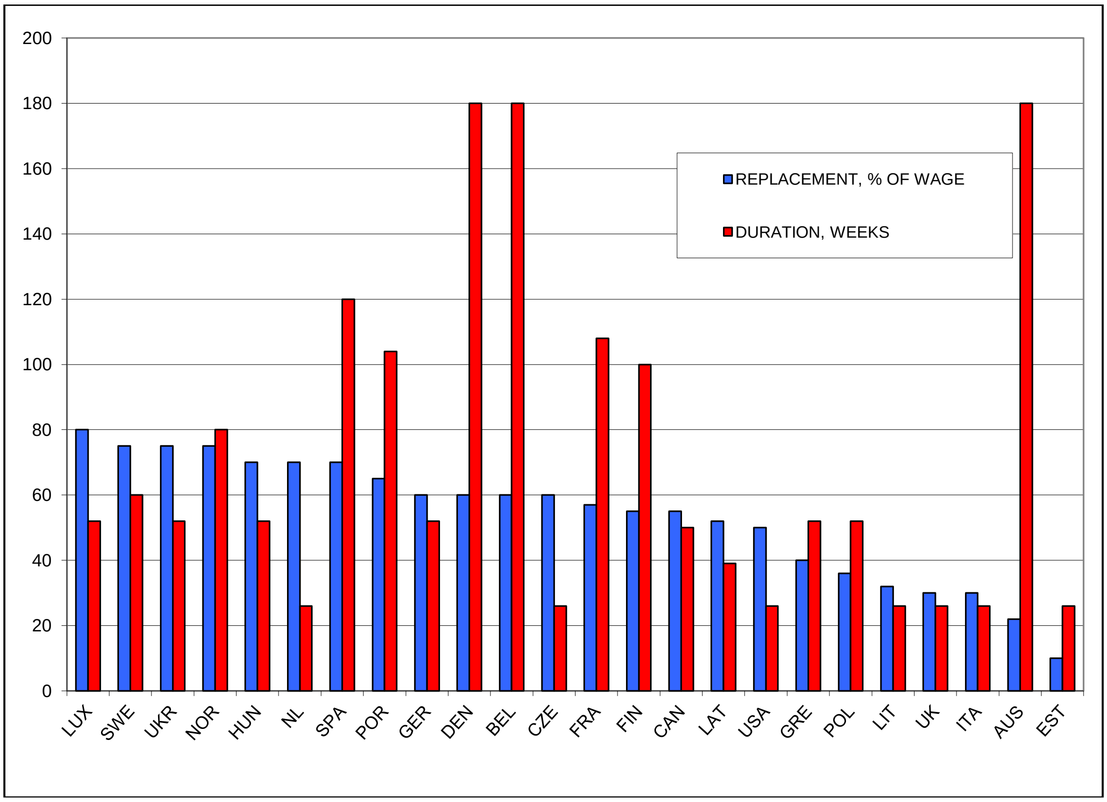

Figure 4. Replacement level of unemployment allowances and duration of benefit period in selected countries in 1997.

A serious problem with the comparisons presented above is that the figure does not say anything about the coverage of the schemes: who is entitled to benefits, how wide is the coverage of the schemes. In most settled economies unemployment insurance works like insurance. A claimant pays either social security contributions or membership fees to an unemployment fund and gets a formal right to benefit. In most transitional economies unemployment insurance is not formally established, the eligibility criteria are unclear, and the coverage of schemes are very limited. Despite the fact that the programs appear at first glance to be of good quality (as expemplified by the Ukrainian case) they actually cover only a tiny part of the labor force and may lack any practical importance

5. The financing of social security

The analyses above have concentrated on entitlements or on those social rights social security programs guarantee to citizens in different countries. Our inspection has been focused on the sunny side of social security: who gets what? The darker side of the coin is that somebody must also pay for those benefits: the better the benefits, the higher the tax rate. In principle there are three main options for collecting revenues: general taxes, employees' social security contributions, and employers' social security contributions. Most social insurance programs are financed through social security contributions and since we were mainly interested in the social insurance programs we will take a closer look at those contributions. (Table 5).

Table 5. Gross tax burden (% OF GDP), personal income tax for single worker (% of wage ate the average wage level) and social security contribution rates (employees: % of wage; employers: % of pay-roll), 1997.

COUNTRY	TAXES AND SOCIAL SECURITY CONTRIBUTIONS/GDP (%) 1994	PERSONAL INCOME TAX RATE	SOCIAL SECURITY CONTRIBUTIONS		
			INSURED PERSON	EMPLOYER	TOTAL
Australia	29.9	22.7	1	0	1
Belgium	46.6	27.4	13	25	38
Canada	36.1	22.2	6	8	14
Czech Rep	47.3	10.0	13	35	48
Denmark	51.6	36.0	0	2	2
Estonia	?	25.0	0	33	33
Finland	47.3	29.5	12	15	27
France	44.1	8.9	15	35	50
Germany	39.3	21.0	20	21	41
Greece	42.5	1.9	12	24	36
Hungary	41.0	18.1	12	45	57
Italy	41.7	18.1	11	43	54
Latvia	?	?	1	37	38
Lithuania	?	?	1	23	24
Luxembourg	45.0	13.4	15	13	28
Netherlands	45.5	5.8	45	11	56
Norway	41.2	21.9	8	14	22
Poland	43.2	18.0	0	48	48
Portugal	33.0	7.1	11	27	38
Spain	35.8	13.5	6	32	38
Sweden	51.0	28.8	6	30	36
Ukraine	About 45	?	1	37	38
United Kingdom	34.1	17.4	14	20	34
United States	27.6	18.2	8	10	18

Sources: OECD 1996 and 1997; Ukraine: a personal correspondence with Ms. Maria Linovitska, EU Tacis office, Kyiv

International comparisons (e.g., OECD 1997) reveal huge variations in the aggregate tax levels between nations. Total tax revenues exceed 50% of the GDP in Denmark, whereas taxes are as low as 19% in Mexico (not displayed in the Table). In addition to Denmark, total tax burden is heavy in Sweden, Finland, the Czech Republic, Belgium and the Netherlands, whereas the most Anglo-American countries have considerably lower tax rates. Countries in transition are medium (Hungary and Poland) to high (Czech Republic) tax nations.

As such the total tax burden does not tell that much about the distribution of taxes: How they are collected and how they are divided to direct taxes imposed on income and social security contributions. In some countries there is heavy reliance on direct taxes. High direct taxes are held as a trademark of the Scandinavian welfare state and indeed, this seems to be true. In all the Nordic countries the personal tax rate at the average income level is over 20%, in Denmark as high as 36%, in Finland and Sweden about 30%, and in Norway 22%. Also in Australia, Belgium, Canada, Estonia (a single tax rate of 25%), and Germany the tax rates exceed 20%. Unfortunately we have no data on income taxes for Ukraine, Lithuania, and Latvia. Poland (18.0%) and the Czech Republic are the only post-communist countries included in OECD (1997) tax statistics. Direct taxes are high in the former (18.0%) and low in the latter (10.0%) country. In a number of countries direct taxes are very low, like in Greece (1.9%), Korea (1.9), Mexico (4.8%) and the Netherlands (5.8%). The Dutch case is very interesting: the total tax burden expressed as a percentage of the GDP is very high but the direct tax rate is very low – something that suggests high social security contributions (see also Figure 5).

The average contribution rate for the insured is 10% but the variation is huge. In Denmark and Australia employees do not pay any social security contributions –revenues needed to finance social security in these countries are collected through taxes – whereas the Dutch insured must pay as much as 45% of their income. In Estonia, Poland, Ukraine, and Lithuania the insured fees are negligible, whereas in Hungary, Latvia, and Czech Republic they slightly exceed the international average.

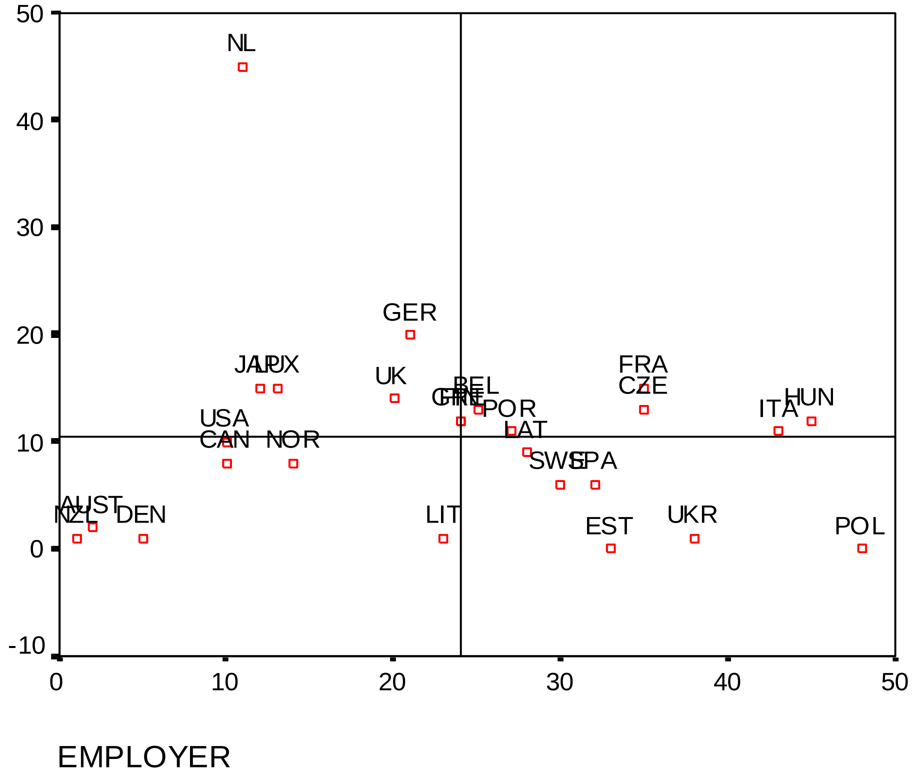

Figure 5. Employees' social security contributions (% of wage) and employers' social security contributions (% of pay-roll)

On average, employers' fees correspond to 25% of the pay-roll, but also here there is a substantial variation from zero in Australia to almost 50% in Poland. Interestingly enough in all transitional economies employers are rather heavily burdened by social security fees which seems to be a historical legacy from the socialist era when the employer was responsible to organize social policy and also pay all costs for social insurance programs (cf. Piirainen 1998). If we exclude the extreme Dutch, Australian, Danish, and New Zealand cases, a slight trade of between the employers' and employees' financial burdens emerges from Figure 5.

6. Effectivity of social security programs

In his turn-of-the-century study on poverty in York, Seebohm Rowntree (1901) observed that poverty is linked to age and family formation in a cyclical fashion. The first poverty cycle a person experienced was “childhood“, when his/her parents had many dependents to feed and when the earnings of one person was not enough to meet the needs of many. Poverty eased when the young person left home and began to earn her/his own living. Economically, the situation became worse again when she/he got married and had children of her/his own. This family phase continued until the children grew up, began to contribute to the family income, and, then, one by one left home. An economically easier period thus started also for the parents, what could be termed as the 'empty nest phase'. This stage lasted until old-age brought on a lower capacity for work. Because of inadequate pension systems at the turn of the century, for most people leaving the labor force in the “old-age phase“ meant a transition to more or less persistent poverty.

Earlier comparative studies based on cross-sectional data (e.g. Hedström & Ringen 1987) have observed that age differences in poverty has evened out in many countries for which LIS data exist. Strictly speaking the age-based studies do not precisely correspond to Rowntree’s idea of life-cycles. The issue has been dealt with e.g., by Kangas & Palme (1998) who utilized possibilities offered by the LIS-data base and constructed life-cycles on the basis of age and the number of children in families. Unfortunately we do not have access to such data for all the transitional countries and therefore we are obliged to use age groups as proxies for life-cycles. The impacts of the type of household will be studied a little bit later.

For space considerations in most articles on poverty only one indicator has been used. For the same space limitations we are also here obliged to be satisfied with one poverty line. In order to avoid problems connected with the use of one single poverty rate (be it 40%, 50% or 60% or whatever else) we first calculated poverty rates according to the 40%, 50%, and 60% poverty lines. Thereafter the three separate poverty measures were merged into a single index by counting averages for them (Table 6).

Table 6. Poverty rates (mean for 40%, 50%, and 60% poverty lines) according to age groups.

COUNTRY	**-25**	**25-34**	**35-44**	**45-54**	**55-64**	**65+**
AUSTRALIA	20.6	13.6	11.4	7.5	12.9	14.4
CANADA	28.9	13.3	11.1	8.5	11.1	3.3
USA	35.2	23.4	17.3	11.0	14.0	15.2
UK	26.4	17.2	15.6	8.4	7.4	8.2
FINLAND	18.0	3.2	3.4	3.9	4.3	5.8
GERMANY	34.6	12.4	9.4	3.9	5.5	5.1
SWEDEN	29.3	4.5	3.9	3.1	2.3	3.3
NL	19.5	6.9	5.5	4.2	4.8	2.5
POLAND	11.4	13.7	14.4	12.4	9.2	6.8
CZECH REP.	7.7	3.1	1.4	0.9	0.8	1.0
HUNGARY	16.6	10.0	12.3	12.1	8.7	5.1
SLOVAKIA	8.7	3.2	2.1	1.9	1.4	1.2
SPAIN	14.0	10.1	10.7	11.5	10.1	8.3
ESTONIA	11.5	8.4	9.5	6.5	5.7	5.2
Mean	*20.2*	*10.3*	*9.1*	*6.9*	*7.0*	*6.1*
Std.dev.	*9.3*	*5.9*	*5.1*	*7.0*	*6.6*	*5.2*

The overall picture depicted by Table 4 is that the traditional poverty cycle attached to age has disappeared in most countries. The mean for all countries almost linearly decreases from 20.2% for the youngest age group to 6.1% for the elderly. However, the general picture hides important cross-national differences. In the settled Western economies the youngest age groups are the most exposed to poverty, especially so in the U.S, Germany and Sweden[4]. This is mainly because the entrance of the youngsters to the labor market is prolonged due to the expansion of higher education and students are almost by definition poor in terms of income.

In transitional economies the situation is different. In none of the post-socialist countries does the poverty rate of those below 25 years of age exceed the international mean (20,2%). The main explanation is that in transitional economies youngsters have income from work as well as other factor incomes more than in Western countries. Moreover, some analyses of the relative winners and losers in the socio-economic transformation suggests that the youngest age groups have benefited most from the transformation (Zagorski 1998). Surprisingly enough, neither are the elderly in post-socialist countries exposed to poverty. Their

[4] In the Swedish case, we have a measurement error related to the fact that the data is organized according to the tax record. In these records all persons above 18 form households of their own even if they live with their parents. This leads to somewhat misleadingly high levels of poverty reported for Sweden.

poverty rates are very low e.g., compared to the Anglo-Saxon countries (with the exception of Canada) that display a U-curve in their age related poverty rates.

Not only are there differences between nations in their actual poverty rates but also the effectivity of the income transfer schemes vary greatly from country to country and between age groups. Table 7 shows how effectively social policies in different countries or groups of countries have been able to aid the groups at risk of poverty. The poverty alleviation effect, R, is simply pre-transfer poverty rate minus post-transfer poverty rate divided by pre-transfer poverty rate and multiplied by 100. The higher the value of R in Table 7, the larger the proportion of the population that has been lifted above the poverty line by income transfers: a value of 100 means that all pre-transfer poor have been assisted and a value 0 indicates that none have risen above the poverty line.

Table 7. The role of income transfer systems in poverty reduction (poverty reduction coefficient, R, average for 40%, 50% and 60% poverty lines).

COUNTRY	-25	25-34	35-44	45-54	55-64	65+	Mean
AUSTRALIA	29.0	33.9	39.0	48.5	54.3	79.5	47.4
CANADA	30.8	30.1	36.8	42.2	55.7	95.3	48.5
USA	13.4	4.7	8.6	18.6	42.2	76.6	27.4
UK	36.7	9.9	17.1	48.8	79.6	89.6	46.9
FINLAND	50.6	79.8	73.7	64.3	89.3	93.6	75.2
GERMANY	28.8	29.5	39.5	50.8	72.6	92.5	52.3
SWEDEN	31.1	56.6	75.2	69.4	89.6	96.2	69.7
NL	50.2	20.9	41.6	67.5	86.8	94.9	60.3
POLAND	51.4	25.6	21.3	33.3	71.7	87.3	48.4
CZECH REP	58.8	83.0	85.7	80.2	96.5	98.3	83.8
HUNGARY	38.0	45.3	32.5	33.0	67.5	90.0	51.1
SLOVAKIA	57.7	71.7	83.7	79.3	93.3	96.8	80.4
SPAIN	29.4	16.2	11.5	17.4	51.3	82.2	34.7
ESTONIA	32.6	33.1	11.6	26.7	84.3	93.0	46.9
Mean	*38.5*	*38.6*	*41.3*	*48.6*	*73.9*	*90.4*	*55.2*
Std.dev.	*13.2*	*25.3*	*27.6*	*21.2*	*17.4*	*6.7*	-

The general story in Table 7 is that in all countries the effectiveness of the income transfers improves when moving from the young to the old. In all countries elderly people are the most vulnerable and most in need of transfers and in most cases they will be very effectively helped: the mean for all the countries is as high as 90.4% (compared to 38.5% for the youngest age bracket) and the variation among nations is very low compared to variation in the younger age brackets which indicates that social security programs aiming to help the elderly are more homogenous than social protection for young. If we inspect overall reduction coefficients for each country we can see that the former Czechoslovakia performs pretty well followed by

Finland and Sweden. The United States and Spain display the lowest overall poverty reduction rates.

Not only are there remarkable differences in the coefficient of poverty reduction but there also is a huge variation in the initial level, i.e., in pre-transfer poverty from which social transfers try to help people. As a rule in all age brackets pre-transfer poverty is lower in post-communist nations than in the West. For example, among the elderly pre-transfer poverty according to the 50% poverty line is below 60% in all post-communist countries whereas it is as high as 91% in Finland, 86% in Sweden, 85% in the Netherlands, 77% in the United Kingdom, and 64% in the United States (calculated from the LIS). The results indicate that in settled economies with stable social policy programs people rely more on social security transfers, whereas in the transitional period they also try to seek other means to secure their livelihood. In uncertainty it is not clever to put all your eggs in the same basket.

Table 8. Poverty according to the type of household (average for the 40%, 50%, and 50% poverty lines).

COUNTRY	**1A**	**2A**	**1ACH**	**2A2CH**	**2A3CH**
AUSTRALIA	13.0	8.3	33.7	8.6	20.4
CANADA	11.1	4.9	35.4	8.7	19.7
USA	16.3	7.0	49.0	10.6	26.1
UK	7.7	5.7	31.6	12.1	27.5
FINLAND	10.6	2.7	4.4	2.2	6.5
GERMANY	8.4	3.5	39.8	6.5	17.0
SWEDEN	12.6	1.8	4.7	3.1	7.4
NL	5.7	3.0	24.6	4.1	11.0
POLAND	3.2	4.9	15.5	8.3	26.6
CZECH REP.	1.6	0.6	9.4	1.6	4.0
HUNGARY	4.4	6.6	11.4	10.0	22.2
SLOVAKIA	2.4	0.9	6.8	1.9	4.6
SPAIN	6.2	6.7	16.3	6.9	21.7
ESTONIA	7.8	5.4	14.0	10.1	14.2
Mean	*7.9*	*4.4*	*21.2*	*6.8*	*16.4*
Std.dev.	*4.4*	*2.4*	*14.4*	*3.6*	*8.4*
1A = household of one person; 2A = household of two persons; 1ACH = single-parent household; 2A2CH parents with one or two children; 2A3CH = parents with three or more children					

The inspection above in Tables 6-7 was based on age brackets. An alternative and a complementary picture can be obtained by calculating poverty rates according to family types as has been done in Table 8. Again we can distinguish special patterns between nations or groups of nations. In the West (with the exception of the Netherlands) households consisting of one member are more exposed to poverty than in the East. In the Anglo-American countries all kinds of households with children experiences more problems than in the Nordic countries and the Czech and Slovak Republics. Also in Germany and in the Netherlands single-parenthood considerably increases the probability of being poor, whereas the Finnish and Swedish single parents fare well comparatively (poverty rate less than 5%). In other household types with children the Scandinavian cluster is fortified by the Czech and Slovak Republics, while Hungary, Poland, and Estonia have more in common with the Anglo-American block.

As in the case of poverty in different age groups it is useful to see to what extent the results on poverty among different family types presented in Table 8 are affected by social security transfers. This kind of inspection will give us a snapshot of the efficiency of family policy programs in different countries. As can be seen in Table 9 the effectiveness varies greatly between countries and within countries between different family types. Family policies seem to work most effectively on one hand in Finland and Sweden and in the former Czechoslovakia on the other. Precisely in the same way as in the case of age-specific poverty rates the most ineffective support systems fort families can be found in the Anglo-American countries and Spain. Poland, Hungary, and Estonia are located somewhere in between these two extremes.

Table 9. The role of income transfer systems in poverty reduction (poverty reduction coefficient, R, average for 40%, 50% and 60% poverty lines).

COUNTRY	1A	2A	1ACH	2A2CH	2A3CH
AUSTRALIA	70.6	67.7	43.1	64.5	30.5
CANADA	69.6	80.3	21.5	39.0	27.8
USA	60.4	74.7	17.7	65.1	46.7
UK	86.0	83.4	49.9	7.5	13.8
FINLAND	77.3	91.0	86.6	77.2	76.3
GERMANY	70.9	84.3	15.7	43.7	42.6
SWEDEN	75.1	95.3	88.0	66.4	81.7
NL	88.4	89.8	56.9	41.1	15.5
POLAND	50.9	71.5	31.5	2.1	4.7
CZECH REP.	90.7	96.0	66.5	82.4	85.5
HUNGARY	83.8	64.8	55.9	26.1	50.5
SLOVAKIA	64.1	92.9	71.9	77.4	85.5
SPAIN	46.3	68.3	42.7	2.2	-
ESTONIA	93.0	89.8	61.3	42.4	45.3
Mean	*73.4*	*82.1*	*50.7*	*45.5*	*42.3*
St.dev.	*14.5*	*10.9*	*23.6*	*28.0*	*31.7*
Explanations of the headings see Table 8.					

7. Transitional countries in a comparative perspective

The aim of the present paper was to compare social policy programs and their consequences in terms of poverty and poverty reduction in Western countries and in post-socialist countries. To place the post-socialist countries in the prevailing welfare state typologies is a bit of a hazardous task. Neither the Western nations no the post-communist countries form a single homogenous group.

There is a large variation when it comes to the institutional set-ups of social policy programs. In their pensions schemes the Baltic states have much in common with the Scandinavian pension model with basic pensions possibly supplemented by earnings-related pensions. In Ukraine, the former Czechoslovakia, Hungary and Poland the pension security follows the Central-European pattern more closely with an emphasis on earnings-related schemes.

In the Nordic countries maternity allowances follow their own distinct pattern: moderate benefits that are payable for a long period in time, whereas the Central European pattern, attached to the post-socialist countries, is built on high income replacement rates combined with shorter benefit periods. The same also goes for the sickness insurance programs in the transitional countries.

The financial structure of the post-socialist social policy does not follow a single pattern. In some countries the tax rate is very high, as in Poland and the Czech Republic but relative low in Estonia. However, in one dimension the transitional countries are pretty similar. As a legacy from the socialist period employers are rather heavily burdened by social security fees.

In our analyses we also paid some preliminary attention to poverty levels according to age groups and family types. The post-socialist countries seem to perform pretty well in this comparison. Especially in the Czech and the Slovak Republics relative poverty is very low, even surprisingly low. The same goes to some extent Estonia, too. Together with Finland and Sweden these post-socialist countries form a class of their own. The results are supported by some national studies analyzing poverty in Estonia and the Czech Republic more deeply (Kutsar, Trumm & Oja 1998; Vecernick 1996).

So far, so good. Why then, should we be worried about the poor situation in the transition economies? Their social security programs seem to work very well or at least satisfactorily, locating in between the Scandinavian and American extremes. However, the is picture perhaps not that sunny. First, it is probable that the income register data is more sparse in economies in transition. It means that income differences between the rich and the poor are much wider than that displayed by the official statistics and consequently, relative poverty will be much higher, too.

Overall inspection of the economic development in different countries indicated that differences in the absolute living-standard/economic well-being have increased between the Western world and economies in transition. In 1990 the income level in the transitional economies corresponded to 35% of the median for the 31 nations studied. Five years later the corresponding ratio was only 24%. Thus, there is the problem of absolute and relative measurement of poverty (see e.g., Kangas & Ritakallio 1998). The problems arose immediately when we related the average income level in the settled economies and in the transition economies. According to Table 1, e.g., the Estonian real GDP per capita is US$ 4 062, whereas if is as much as US$ 26 977 in the United States. Furthermore, the overall relative poverty rates in Poland and Hungary are a bit lower than in the United States but the median income from which the national poverty lines are derived in those two post-socialist countries is only about one tenth of the U.S. median (US$ 1700, and US$ 14 000, respectively). The American poor would be rich in those countries. The problem revolves around relative and absolute poverty. In the rich western countries poverty is to a greater extent relative, whereas in the transition economies its character is more absolute.

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Anita Haataja

UNEMPLOYMENT, EMPLOYMENT AND SOCIAL EXCLUSION[5]

1. Starting point: rising employment levels and decline in social exclusion

Unemployment has become one of the most serious social and economic problems in Europe. In 1997, every tenth member of the EU labour force was unemployed; nearly half of these were long-term unemployed. Nearly four out of ten Europeans of working age were unemployed or otherwise outside the employment; 149 million people (60,5 percent) were employed (SEC (1998) 1668). Europe has thus been plagued by high unemployment and low employment rates, as well as slow growth in the number of the employed in comparison with other OECD countries.

The EU has in the 1990s taken steps towards more integrated economic and monetary policies, but also towards greater co-operation in the field of employment policy. The Luxembourg summit (1997) adopted the first common set of aims in labour market policy for 1997. The targets set for 1999 will be monitored during the Finnish presidency of the Union, and a third set of guide lines in employment policy will be adopted then. With the Treaty of Amsterdam (1997), greater social integration and prevention of social exclusion were added to the aims of employment policy.

As the content of employment policy has expanded from reducing unemployment to increasing employment, the target group of policies has widened. Women's position in particular, and more precisely problems faced by women on the labour market have become more visible[6]. This has contributed towards an increased interest in different social policy

[5] A slightly revised version of this essay will be published in European Societes Vol. 1, issue 2 in 1999 (Routledge). The empirical results that this article is based on are laid out in more detail in the author's PhD thesis (Haataja 1998).
[6] As with the earlier guidelines, the 1999 employment guidelines consist of four main pillars, one of which is concerned with the equal opportunities of men and women in the labour market. The fourth pillar defines also the so-called mainstreaming principle of gender equality which is to be incorporated in

models as well as income transfer and tax systems (Rubery and Fagan 1998; COM (1998) 574). Interest has, however, focused on how different arrangements encourage working, not on how they prevent social exclusion.

Social exclusion is a multidimensional phenomenon that is not easy to measure. It is not necessarily linked to low incomes (Kangas and Ritakallio 1996). Extended unemployment leads easily to exclusion from the labour market, but not necessarily to social exclusion if the level of income remains sufficient and social networks are maintained. However, the fact remains that the poor have more limited chances of fulfilling their individual and social wishes, and prolonged lack of economic resources can lead to social exclusion. Social exclusion and poverty often lead to exclusion from societal participation. If the population is increasingly divided with respect to its income and possibilities to influence society, there is a risk of a polarised society where the solidarity of the well-off towards the less well-off diminishes (Andersen 1996).

The fulfilment of the first EU employment guidelines is assessed through four indicators of developments in unemployment, and four indicators of the employment situation. The employment situation is also investigated from a macroeconomic perspective. However, the impact of changes in employment and unemployment on income distribution and social exclusion is not studied (SEC (1998) 1668). One of the reasons for this is the fact that updated statistics on incomes and wages are lagging behind statistics on employment. An additional problem is the lack of comparable data[7]. On the other hand, the points of comparison for the developments in employment in the EU have been taken from outside Europe. In particular, the high employment rate in the United States (74 percent) in comparison with that in Europe (60,5 percent in 1997) has been taken up as a challenge.

International comparisons have established that demographic changes have only a marginal impact on poverty. Changes in poverty are most strongly influenced by differences in economic growth and in the distribution of the fruits of growth (Smeeding 1997). In other words, the manner in which the state interferes with the income distribution on the markets is an

measures concerning the other three pillars, too.

[7] For instance, the European Community Household Panel (ECHP) data has been used for only one extensive study that investigates the connections between unemployment and standards of living (Vogel 1997). One of the strengths of this study is that it illustrates the many and significant differences in the demographic and socio-economic structures of the European countries. These structural differences may also influence income differences between unemployed and employed households, but these connections have not yet been studied.

important explanatory variable behind poverty (see Korpi 1980). Unemployment has as its immediate consequence 'income poverty' because earnings on the labour market decrease. On the other hand, unemployment indirectly reduces 'income poverty' because it leads to an increase in income transfers that are used to eliminate poverty (Mäkinen in this book – page 191). The role of income transfers in combating poverty depends on the extent of income transfers and the principles of redistribution, in short on the social policy model. For instance, the position of the unemployed does not need to be weak even if the unemployment security system is small as long as other forms of social policy such as economic and employment policies prevent unemployment and long-term unemployment effectively (see for instance Evans 1996; Esping-Andersen 1996).

The connections between unemployment and the threat of social exclusion can be estimated by establishing how common or deep poverty is among the employed and the unemployed. This is the first aim of this article. The article also seeks to establish possible differences between social policy models in this respect (see Esping-Andersen 1990; Korpi and Palme 1997; Mäkinen in this publication). The fact that poverty is equally common or rare among the unemployed and the employed can be due to many factors. Small differences may be due to income transfers that effectively combat poverty even in the absence of income from work. On the other hand, small differences can also be due to high poverty risks not only among the unemployed but also among the employed whose income from work is insufficient[8]. The second aim of this article is to assess the extent to which income transfers prevent poverty in different social policy models.

The article is structured as follows. Chapter two will outline the data and the countries that have been chosen as representatives of social policy models. This chapter will also describe the definition of poverty used here, the research methods, and other definitions. Chapter three contains the research results. The first section of this chapter focuses on the connections between poverty and unemployment or employment. The role of income transfers in preventing poverty in different social policy models will be investigated next. The incomes of the employed and the unemployed will also be compared with the average household incomes. The last chapter presents the conclusions and discusses the importance of developing indicators of income changes for the evaluation of employment policies.

[8] Other possible reasons are short duration of unemployment spells, fast re-entry into the labour market and family structures. If unemployment is more common among men and the family relies heavily on the man's income, the poverty risk can be higher than in dual-earner families.

2. The data and definitions used in the study

2.1 The data and research focus

Obtaining comparable data from all EU countries would be very helpful for the purposes of contemporary discussions on employment policies. As this is impossible due to incomplete data, countries from outside Europe have been included, too. There is a further reason for including these countries. European states have been claimed to suffer from 'eurosclerosis' that involves high unemployment and high public expenditure. In order to 'cure' this disease, it has been suggested that Europeans should look for good examples elsewhere, for instance in the USA.

The Luxembourg Income Study (LIS 1996) is the best available source for the purposes of this study, although it, too, suffers from certain problems and limitations[9]. In addition to the fact that not all EU member states are included in LIS research, the unemployed can be identified as a sufficiently comparable group only in a few countries and it is even rarer to find such data for several time cross-sections[10]. The LIS data are gathered so slowly that by the time they are ready, they have no relevance for day-to-day politics. However, this data does offer an opportunity to assess past developments and to produce evaluations and background information for future strategies.

The Finnish case will be studied in the light of household surveys (1976-85) and income distribution statistics (1990-95) in order to gain a longer perspective[11]. The Finnish model of social policy changed in the 1980s' social insurance reform into so-called encompassing social policy model for the working age population. In this reform, the untaxed un-

[9] Despite lissification, the harmonisation of variables, the LIS data suffers from many features that limit comparability. Some of these problems will be confronted in this study, too. On the other hand, the content of all variables does not need to be completely identical as we are interested in the general developmental trends within the countries and the differences between these trends. The exact absolute differences between the countries at a certain point of time are of secondary importance from the point of view of this study.

[10] For instance, in Spain there is data on the unemployed only for 1990; in the Netherlands and Belgium the unemployed can be identified only on the basis of unemployment insurance information; in Italy the unemployed could be identified only on the basis of insurances in 1991; there is no unemployment data at all for Austria and Luxembourg; for France there is unemployment insurance data only for 1981.

[11] At the time of writing, LIS data was available for Finland only for 1987 and 1991. The definitions of income used in the Finnish time series are not fully commensurate with the LIS variables. These differences are, however, not of practical importance for this study (see Uusitalo 1989, 95-96; Ritakallio 1994, 91).

employment and sickness daily benefits that were previously linked to income ceilings were linked fully to earnings and also became taxable (Haataja 1989). After less than ten years the encompassing model that included both universal and earnings-related benefits was put to a difficult test during the recession of the early 1990s.

THE UNEMPLOYED AND THE EMPLOYED

Differentiating between the unemployed and the employed is not straightforward within one country, let alone in an international comparison. As unemployment often has many different definitions even within one country, we can assume that the definitions that are used in international comparisons vary even more. For instance, hidden unemployment, the chances of finding work, of gaining entitlement to unemployment benefits and of registering as unemployed vary considerably between countries (Atkinson and Micklewright 1991; Rubery and Fagan 1998).

The possibility to identify and distinguish between households that have experienced unemployment and other households has had a decisive impact on what countries could be included in the final analysis in this study. Households that have been affected by unemployment (‘unemployed households’) were defined as follows: those households where at least one member has received unemployment benefits during the period under study. Various conditions that have been imposed on recipients of unemployment benefits, waiting days, duration and the nature of benefits mean that the ‘receiving benefits’ definition covers only a small proportion of the unemployed (narrow definition). This definition excludes for instance those long-term unemployed persons who have become dependent on means-tested social assistance, because in LIS data all means-tested benefits have been added together in the same variable. Those unemployed persons not in receipt of benefits could be identified if the country data contained a variable describing the unemployment spells of the reference person or his/her partner. The broad definition of unemployment was constructed by combining these two, namely the households that had experienced unemployment and those that had been in receipt of benefits.

Only those working age households where the reference person was between the ages of 25 and 64 were defined as ‘unemployed’ or ‘employed’[12]. These age limits were in-

[12] Please note that ’the employed’ refers both to those who are in paid employment and to those who receive their income from other sources than paid work or unemployment benefits, for instance pensioners, housewives, and those who live

tended to increase the comparability of the countries as the rights to unemployment benefits and other definitions of unemployment vary even more among young persons than among those of working age.

SOCIAL POLICY MODELS AND REPRESENTATIVE COUNTRIES

One useful way of comparing the connections between policies and end results is by picking countries that can be classified into different social policy models (Esping-Andersen 1990). The countries chosen for this study represent the three main models and their combination, the so-called encompassing model (Korpi and Palme 1997). The main models are systems that function on the basis of means-testing, flat-rate and earnings-related benefits. Means-testing directs social security to the worst-off, the universal principle gives a flat-rate benefit to all and the earnings-replacement principle compensates for the loss of income in proportion to the earlier level of earnings and the contributions paid. No single principle encapsulates the entire social security system in any one country, but in most countries one of the principles is predominant. In the encompassing model, benefit systems incorporate two or even three of the above-mentioned principles.

The Nordic countries represent the encompassing social policy model. Finland, Sweden and Denmark were chosen as representatives of this model for the purposes of this study. However, in all Nordic countries the unemployed could be defined only narrowly on the basis of benefit recipiency. This definition also sought to include the long-term unemployed because in the encompassing model the basic unemployment security system, too, functions in one way or another. In Finland, the unemployment benefit system encompasses even those who lack previous employment history and those who do not have a voluntary unemployment insurance. In Sweden, the basic unemployment security (the KAS system) presupposes previous employment history which means that the new labour market entrants are not included in the comparison. Earnings-related benefits are in both countries of limited duration, but there is no time limit to withdrawing basic security benefits. Defining the unemployed in Denmark is most problematic as some unemployed person opt for social assistance. The level of earnings-related benefits is highest in Denmark among the Nordic countries, but the earnings ceiling is low, in other words the system favours the low-waged. The duration of earnings-related benefits is

on other benefits.

longer in Denmark than in the other Nordic countries (SZW 1995). All Nordic countries are also characterised by the fact that both the unemployed and the employed are entitled for instance to the universal family benefits.

In the other countries the unemployed could be identified both on the basis of benefit recipiency and unemployment spells. Germany is included as the only representative of the corporatist earned benefits-principle and Australia as the only case of means-tested, targeted social security ("wage-earners' welfare state", see Castles 1996). England, the USA and Canada represent the so-called liberal basic security model. The social policy systems of these countries differ in important respects. England has traditionally had a social insurance system based on flat-rate benefits, with increasing elements of means-testing. The USA has an unemployment security system characterised by low benefits of short duration and there are few benefits for persons of working age other than means-tested social assistance. In Canada, the level of unemployment benefits is higher than in the USA, and there is also a number of family benefits for persons of working age (Myles 1996).

The primary sources of national data, the periods for which data were obtained, definitions of family and the unemployment benefit systems are briefly described in appendices 1 and 2.

2.2 Definitions and methods

Poverty is here defined in accordance with the so-called *relative income principle* (Townsend 1993; Kangas and Ritakallio 1996). A households are defined as poor if its disposable income is less than half (50 percent) of the median household disposable income in any given country, and at any given time. *Relative poverty rates,* the share of households below the poverty line, give us an idea of how many households subsist on less than half of the income that an average household has at its disposal. The 50 percent poverty line is, of course, randomly chosen because income distribution varies greatly between different countries and changes over time (Haataja 1998, 82 and 184). Earlier studies have noted that despite variations in the poverty line between 40 and 60 percent of median income, the order of the countries in terms of poverty rates does not change much (Mitchell 1991; Atkinson et al 1995; Ritakallio 1994). This study does not aim to estimate poverty in itself but to study the relative poverty of unemployed and employed households and changes in poverty rates within countries over time.

The study unit is a household. The final poverty rate is calculated on the basis of disposable income per household consumption unit. *The consumption unit* is the so-called OECD unit. *The effectiveness of income transfers in reducing poverty* is calculated as a percent of the poverty rates that are calculated for each stage of income formation13. The effectiveness of the entire income transfer institution in reducing poverty is calculated on the basis of poverty rates of market income and disposable income. The poverty line and the poverty rate are established on the basis of disposable income at every stage of income formation as follows:

Market income (poverty before the impact of income transfers)

+ Income transfers without means-tested benefits (poverty before the impact of taxes and means-testing)

+ Means-tested income transfers (poverty rates at gross income, poverty before the impact of taxes)14

- Taxes and other tax-like payments

= Disposable income (poverty after income transfers and taxes i.e. final poverty rate)

Unemployment benefits are not the only income transfer that influences the income of unemployed households. In some countries family benefits for instance can have a significant impact on the incomes of working age families, whether they experience unemployment or not.

[13] 100 * (Poverty rate % (income 1) – Poverty rate % (income 2) / Poverty rate % (income 1)

[14] In the case of Finland, only the most common income transfers based on means-testing and directed at the working age population (housing benefit and income support) are counted as means-tested income transfers. In all other countries, means-tested income transfers are the ready summary variable of all means-tested income in the LIS data.

3. Results

3.1 Unemployment and long-term unemployment in the countries included in this comparison

In Denmark, Germany and England unemployment was in the 1980s close to the EU average. In Finland and Sweden unemployment was first clearly below the average, but the increase in unemployment in the early 1990s was most dramatic in these countries. In Sweden the unemployment rate remained below the EU average, whereas the Finnish rate grew to be one of the highest in the EU. Unemployment rates diverged more from each other in the European than in the other countries.

Long-term unemployment has been high throughout the period under study in Denmark, Germany and England and outside Europe in Australia. In contrast, in the USA and Canada the share of the long-term unemployed has been lowest. In Finland and Sweden long-term unemployment was low in the 1980s but increased in the 1990s especially in Finland to a very high level. The changes both in unemployment rate at large and in long-term unemployed are greater in Finland than in any other country included in the comparison. With respect to changes in unemployment, countries can be roughly divided into three groups between 1980 and 1995 (OECD Employment Outlook and Economic Outlook yearbooks):

- Countries where unemployment and long-term unemployment have increased strongly (Finland and Sweden)
- Countries where unemployment has increased (or remained stable at the average rate) and long-term unemployment is high (Germany, Denmark, England and Australia)
- Countries where unemployment has remained low or at an average rate, and where long-term unemployment continues to be low (the USA and Canada)

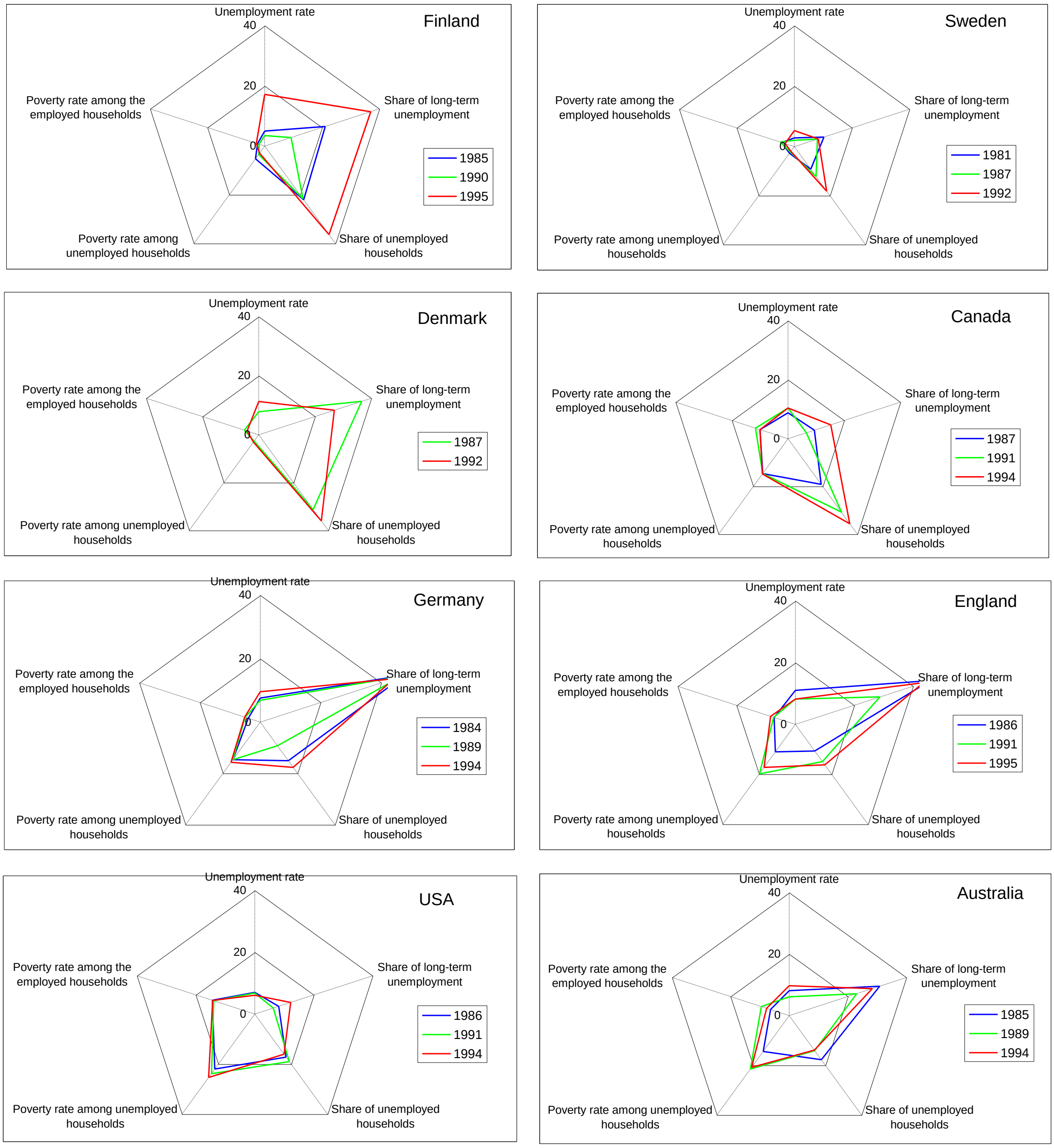
If unemployment and long-term unemployment lead to increased poverty, we would expect increased levels of poverty among the unemployed in Finland and Sweden in the 1990s. High long-term unemployment in Denmark and Germany on one hand, and in England and Australia on the other hand give rise to the expectation that the differences in the poverty rates of the employed and unemployed would be great in all these countries. In contrast, the low levels of unemployment and long-term unemployment in the USA and Canada would seem to imply that the differences in poverty rates among the unemployed and other poor households would be small. On the other hand, the low levels and short duration of unemployment benefits in the USA also give rise to the expectation that the poverty risk among the unemployed would be greater than among other households of working age.

3.2 Unemployment as a poverty risk

Unemployment threatens to lead to social exclusion if unemployed households experience poverty more often than other working age households. The countries included in the comparison fall into two groups in accordance with how poverty increased in unemployed households in comparison with employed households. In one group, poverty rates among the unemployed and other working age households did not differ much, whereas in the other group unemployment created an obvious poverty risk. Furthermore, countries differed over time with respect to the increase or lack of change in the poverty rates of the unemployed and the employed. The countries fell into two groups also on the basis of how unemployment and long-term unemployment were connected to poverty among the unemployed.

The research results have been presented in five-pointed diagrams that illustrate both the threats of poverty and the end results (Figure 1). Threats are the overall unemployment rate in a country, the share of the long-term unemployed and the share of households identified as unemployed households of all working age households. Information on the first two was derived from OECD statistics, and information on the latter was obtained from the research materials[15]. The end results are the relative poverty rates of the unemployed and the employed households. Every point in the diagram represents a socially undesirable phenomenon, namely unemployment or poverty. The smaller the unemployment and poverty rates, the closer to the origin the points and the smaller the diagrams. Where the diagrams are large, unemployment and poverty rates are high.

[15] The fact that unemployment or the share of the long-term unemployed are low, but the share of unemployed households of working age households is high, reveals how different ways of measuring it give a different picture of how common unemployment is. Official unemployment rates are cross-sections of the situation in any given month. In contrast, the share of the unemployed households of all working age households illustrates the share of all those who have experienced unemployment in the course of a year in relation to all others. The differences are due to the fact that in the course of a year some unemployed persons find work, others become unemployed for the first time and only some have been unemployed for the whole year. In the LIS data, the exceptions are England and Germany where the periods of measurement are one week and one month respectively.



Sources: For the overall unemployment rates: OECD Economic Outlook 1996; for the share of the long-term unemployed: OECD Employment Outlook yearbooks; for the share of unemployed households of working age households: the research data.

Figure 1.The unemployment rates, the share of working age unemployed households of all working age households and the relative poverty rates of the unemployed and the employed from the early 1980s to the mid-1990s in the countries included in this comparison.

In the Nordic countries, the dimensions representing the poverty rates of both the unemployed and the employed are close to the origin. Poverty is low among the unemployed as well as among the employed and there are no considerable differences between poverty rates, although unemployment as a poverty risk increased particularly in Finland. In Finland, the threats of exclusion, the overall unemployment rate and the share of the long-term unemployed grew to be among the largest in the EU, but the relative poverty rate remained stable. 37 percent of working age households experienced unemployment in Finland in 1995 and poverty rates among both the unemployed and the employed were below 5 percentage.

In Denmark, the unemployment rate and the share of households affected by unemployment declined somewhat between 1987 and 1992, but unemployment remained high by all definitions. The share of the long-term unemployed increased, too, without an increase in poverty among the unemployed. In Sweden, unemployment was low, but increasing, in the early 1990s. The slight growth in unemployment was evident primarily in an increase in the share of those working age households where unemployment had been experienced in the course of a year.

In Canada, long-term unemployment and the share of unemployed households have increased, but the poverty rates have remained nearly unchanged, as in the Nordic countries. However, both the unemployment rate and the poverty rate among all persons of working age were clearly higher than in the Nordic countries.

The diagrams for Germany, that represents the earned benefits principle, and for England where the flat-rate principle is predominant, resemble each other most at the first glance. First, the share of the long-term unemployed is high in both countries, as is the share of the unemployed households and the average unemployment rate. Furthermore, in both countries the poverty rates among the unemployed are clearly higher than among the employed, in other words unemployment constitutes an obvious poverty risk.

The share of the households that had experienced unemployment grew in both countries, but the growth was greater in Germany than in England. The share of the long-term unemployed in England varied from one year to the next, whereas the share remained at a relatively high level in Germany. The fact that the share of the unemployed households was in both countries low in comparison with the official unemployment rates is due to the short research intervals (in England one week, in Germany one month). The fact that the poverty rate among the unemployed in Germany remained stable may be due to the lack of changes in long-term unemployment. Correspondingly the fact that the poverty risk increased among the unemployed in England may be linked to the increase in long-term unemployment in the 1990s. It has not been possible to analyse these connections in greater detail within the scope of this study. England and Germany differ also with respect to the lower poverty rates among the employed in Germany, in other words the poverty risk among the employed is somewhat lower in Germany than in England (see Employment in Europe 1994, 140-142).

In Australia that represents the means-testing principle, both the risks and the end results resemble those in England: the poverty rates are considerably higher among the unemployed than among the employed, and the difference in these poverty rates is increasing. In Australia, too, the share of the long-term unemployed is fairly large. However, in contrast to England, this share diminished over the period under study. It seems therefore that in the Australian case the increase in poverty among the unemployed is not directly linked to long-term unemployment.

Unemployment is a great and growing poverty risk in the USA, as it is in England and Australia. There are, however, marked differences between the situation in the latter two countries and the USA. On one hand unemployment and long-term unemployment rate in the USA are among the lowest in the countries compared here, despite the slight increase in long-term unemployment in the USA in the early 1990s. The poverty rate among the unemployed is highest in the USA, as is the poverty rate of the employed.

The case of the USA illustrates that low unemployment rate and high employment rate do not necessarily constitute an effective protection against poverty among working age people. Successful management of unemployment does not automatically imply successful elimination of the threat of social exclusion. The central tool of eliminating poverty among the unemployed is the level and nature of social security. The next chapter discusses in more detail the impact of income transfers on reducing poverty in different social policy models.

3.3 The effectiveness of income transfers in reducing poverty

The shorter the duration of unemployment and the greater the market incomes of other household members, the smaller the income transfers that are needed to prevent poverty. Long-term unemployment, however, also increases market income poverty (Table 1). The market income poverty rate among the unemployed households before income transfers was on average 35 percent, and 50 percent more common than among other working age households in the countries compared here in the late 1980s and early 1990s. In Finland, long-term unemployment had become considerably more common by the mid-1990s and market income poverty was higher than on average. In contrast, in the USA and Canada long-term unemployment has been relatively low and poverty among the unemployed, measured on the basis of market income, has been lower than on average.

Table 1. Poverty rates among working age households measured on the basis of market income and the share of the long-term unemployed of the unemployed in the late 1980s and early 1990s.

	Unemployed	Employed	Difference %-points	Long-term unemployed, % 3)
Finland 95 1)	37.4	19.5	18.0	35.9
Sweden 92 2)	37.4	16.1	21.3	8.3
Denmark 92 2)	23.1	18.2	4.8	26.9
Germany 94	38.9	12.7	26.3	44.4
England 95	32.1	22.4	9.7	45.4
Canada 94	28.4	15.8	12.6	15.2
USA 94	29.4	16.7	12.8	12.2
Australia 94	49.7	16.2	33.5	36.3
Average	34.5	17.2	17.4	28.1

1) Source: Income distribution statistics 1995, the unemployment rate calculated according to the narrow definition.
2) The unemployment rate calculated according to the narrow definition, 3) Source: OECD Employment Outlook, July 1996.

Income transfers reduced poverty before means-tested income transfers on average by 44 percent (Table 2). Means-tested transfers reduced poverty by further 17 percentage points and taxation in turn increased poverty by six percentage points. The poverty reduction effect of the entire income transfer institution was in all countries compared 55 percent on average. However, there were considerable differences both between countries belonging to the same social policy model and between the social policy models. For instance, income transfers reduced the original poverty rate among the Finnish and Swedish unemployed by more than 90 percent, whereas the poverty reducing impact of income transfers in the USA was overall only 14 percent.

Table 2. The poverty reducing impact of income transfers: reduction in poverty at different stages of income formation, the total impact and the final poverty rate (%) in working age unemployed households in the late 1980s and early 1990s.

	Income transfers	+Means-testing	+Taxation	= Total impact	**Final poverty rate**
Finland 95 1) 2)	82.7	12.7	-3.2	92.1	2.9
Sweden 92 2)	87.9	9.6	-2.5	95.0	1.9
Denmark 9 2)	68.6	22.7	-4.5	86.8	3.0
Germany 94	39.4	30.9	-10.6	59.7	15.7
England 95	12.7	42.4	- 8.7	46.4	17.2
USA 94	18.3	7.5	-12.0	13.8	25.4
Canada 94	39.1	12.8	-3.8	48.1	14.8
Australia 94	54.3	4.6	-0.9	58.0	20.8
Average	43.6	17.3	-5.7	55.2	10.1

1) Source: Income distribution statistics 1995
2) The figure for the unemployed calculated according to the narrow definition.

Longitudinal study of individual countries shows that the logic of income transfers has remained relatively stable (Figures 2 and 3). Countries belonging to the same social policy model share certain similarities. In the Nordic countries, the so-called primary income transfers that do not include means-tested benefits reduce poverty most effectively. Means-tested income transfers influence primarily the poverty rates among the unemployed but have only a slight impact on the poverty rates among other households of working age (Denmark is the only exception in this respect).

In Germany where earnings-related benefits characterise the system, every stage of income transfers reduces poverty among the unemployed significantly. Despite this, poverty among the unemployed remains widespread. Social insurance benefits have a visible effect on the poverty rate among the employed which, as in the Nordic countries, remains low. Measured against market incomes, poverty among the employed in Germany is slightly lower than in the Nordic countries: in the Nordic encompassing model, also the employed are entitled to many social security benefits.

Interpreting the results for Australia is problematic due to the nature of the data. It is namely unexpected that in a country representing the means-testing principle, means-tested income transfers do not appear to have reduced poverty. This is due to the fact that the summary variable representing means-tested income transfers is used for the first time in 1989, in other words means-tested benefits were previously included in social insurance benefits.

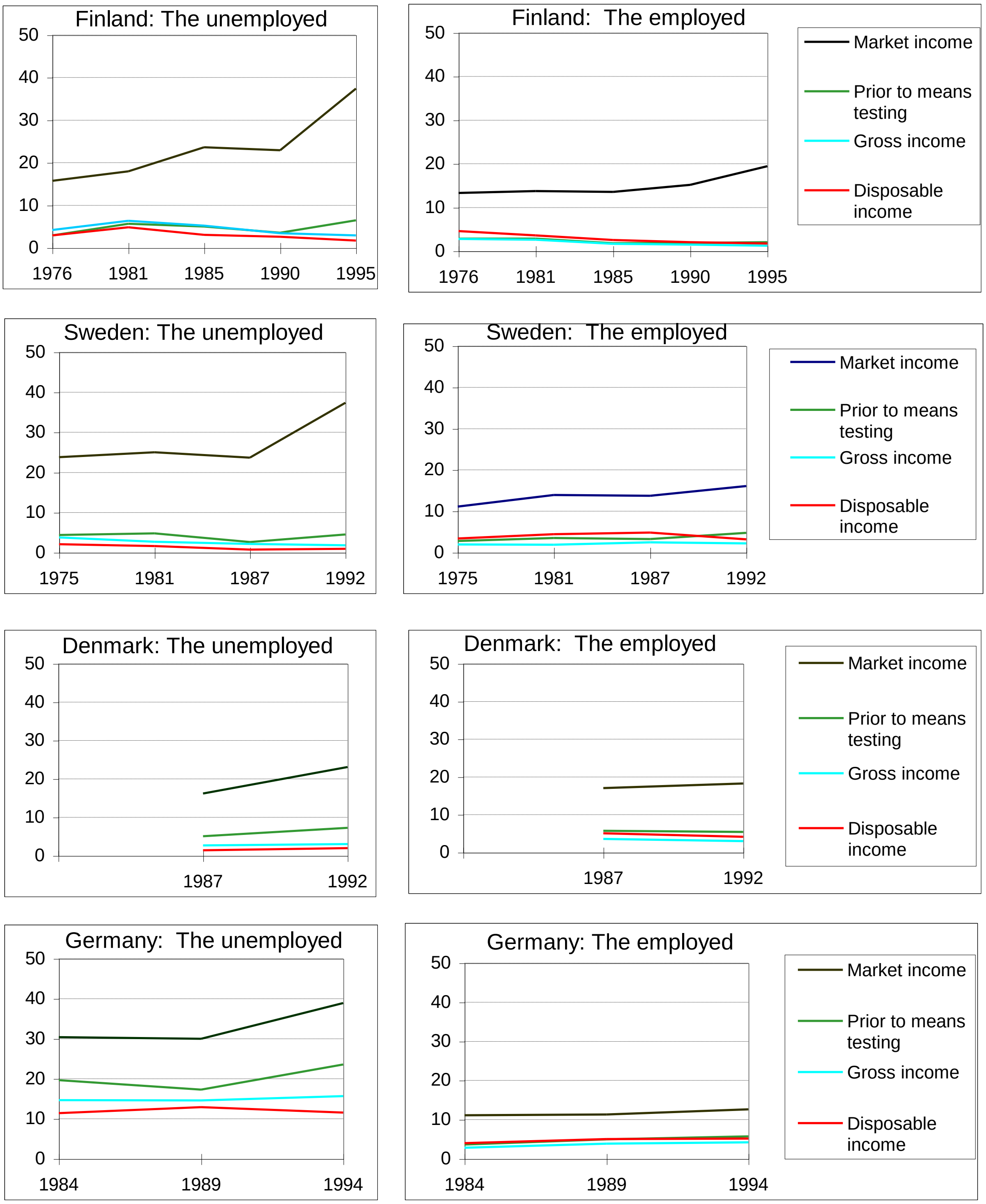


Figure 2. Poverty rates at different stages of income formation in the Nordic countries and in Germany in the long run. Relative poverty rates have been calculated on the basis of the median disposable income (50%). 1)

1) The figure for the unemployed has been calculated on the basis of the broad definition in the case of Germany, and on the basis of the narrow definition for the Nordic countries.

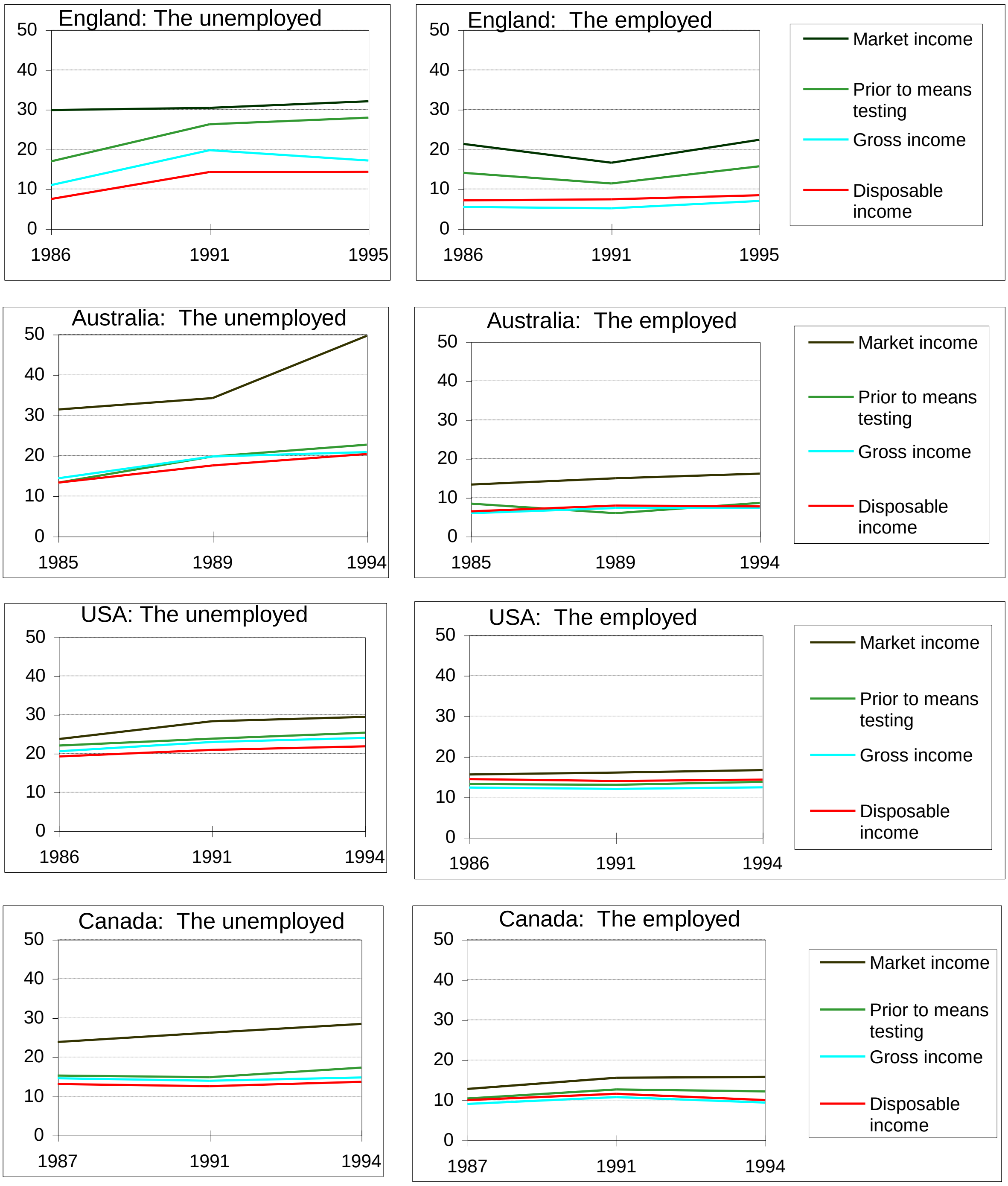


Figure 3. Poverty rates at different stages of income formation in England, Australia, the USA and Canada in the long run: the relative poverty rates have been calculated on the basis of the median disposable income (50%). 1)

1) The figures for the unemployed have been obtained by using the broad definition. The exceptions are year 1981 for Australia, and years 1979 and 1986 for England.

The impact of the English basic security model diverges from the situation in other countries of the liberal model. Every stage of income formation reduces poverty. Means-tested benefits have a bigger impact in England than in most other countries, and the importance of means-testing in reducing poverty among the unemployed has increased. Although income transfers reduce market income poverty among the unemployed in England and Australia, their poverty remains at a considerably higher level than that of employed working age households.

The poverty reducing influence of the American and Canadian income transfer institutions has remained stable over a long period of time. Income transfers reduce poverty only slightly. The Canadian model is more accommodating of the unemployed than the US model. Previous studies have established that the 50 percent poverty line is relatively high in relation to the level of American social security benefits that are mostly targeted at the poor (Bishop et al 1996). Benefits targeted at the poor, however, increase the disposable income of those below the poverty line although they fail to reduce the poverty rate.

As the USA is one of richest countries in the world on the basis of its GDP, we need to establish whether the American poor are poor in comparison with poor people in other countries. Timothy Smeeding (1997) has compared the purchasing power of disposable income in 14 countries so that household incomes have been made comparable with the help of purchasing power parity. The results indicate that the poorest decile of the population in the USA was also in absolute terms poorer than the poorest decile in Finland and in 12 other developed OECD countries. High average GDP per capita does not necessarily mean a high standard of living to as large a part of the population as possible.

3.4 Income levels among the unemployed

On the basis of the low poverty rates in the Nordic countries one could assume that the income level among the unemployed does not diverge much from the income level of the total population. Correspondingly, we may assume that high poverty rates are a sign of lower than average income. However, this is not necessarily the case. The average income of the unemployed may be sufficient to lift them above, but very close to, the poverty line.

The average adjusted income levels of the unemployed and the employed are compared here with the income levels of all households. Both the average disposable incomes and the median incomes have been compared. As the results are fairly similar, only the results based on median income are presented here. The pillars in Figure 5 illustrate how much (in percentage points) the median incomes of unemployed and employed households diverge from the median income of all households. The median income of all households is represented by the value 100 in all countries.

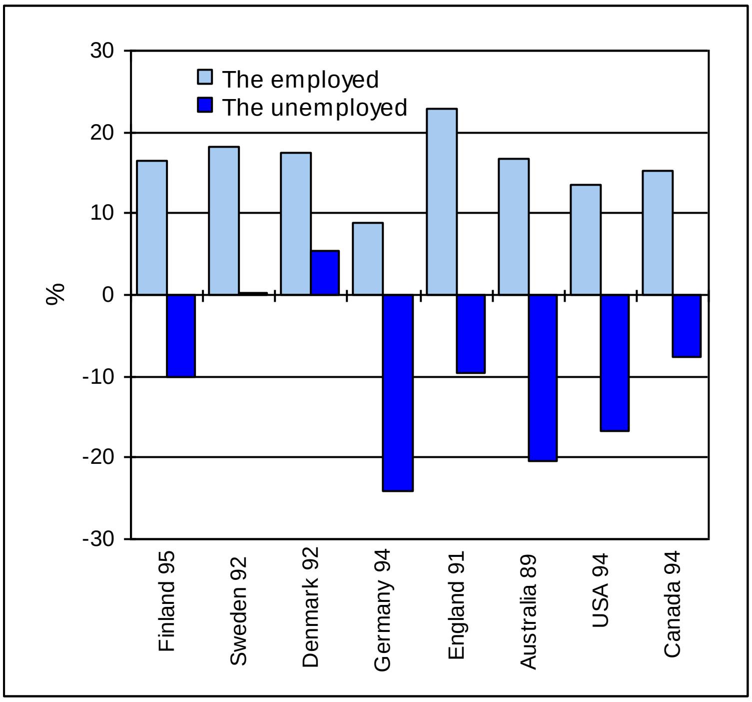


Figure 4. The diver-ver-gence of the me-dian in-comes (as per-cent-age points) of unem-em-ploye d and em-ploye d households from the median incomes of all households (=100) during the last year of the period under study.

The median incomes of working age employed households are in all countries higher than the average median income of all households. This result is to be expected as the incomes of the young and the old are usually lower than those of working age employed households and hence lower the median income of all households. The median incomes of the unemployed are correspondingly usually lower than those of all households on average. Exceptions are formed only by Sweden and Denmark towards the end of the period under study. In Sweden, the median income of the unemployed is roughly the same as the median income of all households. The reason for this may be that long-term unemployment had increased only slightly by 1992.

In Denmark, the income level among the unemployed is even higher than the average income. The reason for this may be the divergence of the ‘Danish model’ from the general Nordic model with respect to unemployment benefits and the differences in the structure of unemployment (Andersen 1996). The income-replacement levels in earnings-related benefits are high and favour those on lower incomes due to the low income ceilings. The duration of earnings-related benefits is also longer than in the other Nordic countries (seven years). Long-term unemployment has been more common among Danish women than among Danish men. The Danish unemployment security system hence offers a fairly good compensation for women's low wages (often due to part-time employment) and the income level of families does not sink much as a consequence of unemployment if the spouse is full-time employed. May be that is one reason why according to a study the Danish long-term unemployed (often married women) rarely feel that they are economically or socially excluded (mt., 19-23). For instance, in Finland long-term unemployment is more common among single men, which results a different risk and form for social exclusion (Haataja 1997).

In Finland, the poverty rate among the unemployed is one of the lowest in the countries compared here, but the median income of the unemployed was already in 1995 clearly below the median income of all households. In 1995, unemployment rarely meant income level below the poverty line, but more and more often it meant low incomes in relation to the employed households and all households. The relative levels of median incomes among the employed and unemployed were roughly same in England and Canada as in Finland. The lowest relative median incomes were found among the unemployed households in Germany, Australia and the USA. In these countries the poverty rates of the unemployed were also higher than average.

4. Conclusion

Poverty and the risk of exclusion associated with it have become more common in the 1980s and in the early 1990s. There are, however, differences in the extent of this development among the working age households in countries representing different social policy models. In some social policy models unemployment is an obvious poverty risk that pushes working age households below the poverty line. In other social policy models poverty among the unemployed does not differ markedly from poverty among other households of working age. The poverty risk of working age households does not seem to be directly connected to the unemployment rate or the share of long-term unemployment.

Countries representing four different social policy models can be classified in the light of empirical comparisons into three groups with respect to the poverty risk among the employed households (Table 3). In the first group, the position of the unemployed has not differed greatly from the position of other households of working age and the situation showed no signs of changing. The Nordic countries and Canada (representative of the liberal model) belong to this group. However, Canada differed from the Nordic countries with respect to the higher poverty rate among all people of working age. These countries can be characterised as belonging to social policy models that uphold stable homogenisation.

Table 3. The poverty rates of unemployed households in comparison with other working age households and the development of the poverty rate from the early 1980s until the early 1990s.

Poverty rate among the unemployed has *increased*	Difference in comparison with the working age employed Great	Difference in comparison with the working age employed Small (under 5 %-points)
	# Australia 85-94 # England 86-95 ¤ USA 86-94	
Poverty rate among the unemployed has remained *unchanged of decreased*	# Germany 84-94	* Finland 76-95 * Sweden 75-92 # Denmark 87-92 ¤ Canada 87-94

Explanations of symbols:
* Countries where unemployment and long-term unemployment increased from a low to an average or higher than average level during the period under study.
# Unemployment rate was close to the EU average or followed the trend, but long-term unemployment remained high throughout the period studied.
¤ Low or average unemployment rate and small share of the long-term unemployed.

Among the Nordic countries, Finland and Sweden are examples of how social policy has been fairly successful in preventing relative poverty despite extensive changes in the economy and the unemployment rate. The poverty rates among the unemployed and employed have remained practically unchanged from the early 1980s until the mid-1990s despite increases in unemployment. The USA represents the other extreme. Here, unemployment was among the lowest in the countries compared, but poverty rates among both the unemployed and the employed were the highest. Nearly 15 percent of the employed remained below the poverty line.

England and the USA, as well as Australia of the targeted model form the group of countries where unemployment constitutes a great and growing poverty risk. The threat of polarisation among households of working age increased. In these countries income transfers either had a negligible impact (the USA) or a great, but insufficient impact on the poverty rate (Australia and England).

Germany stood out as the only representative of the model that emphasises earnings-related benefits. The situation prevailing in Germany can be characterised as stable polarisation because unemployment was there a great poverty risk but the difference between the unemployed and others was not growing. Income transfers clearly reduced poverty in Germany, but not as effectively as in the Nordic model. There is another important difference between the Nordic countries and Germany that may explain the great poverty risk among the unemployed households. The single earner (male breadwinner) family model is more common in Germany than in the Nordic countries. When the only breadwinner of the family becomes unemployed and loses earnings-related benefits, the spouse's income does not help to lift income above the poverty line. The significance of women's employment and income in reducing poverty in different countries deserves further empirical study.

It has been argued that economic internationalisation limits the opportunities of nations to control their own economy. However, countries with similar historical backgrounds and economic conditions have made different strategic decisions regarding the appropriate national economic policies. Good examples of this are Australia and New Zealand in the early 1990s (Castles 1996). High and persistent unemployment leads to waste of social capital and narrows the economic basis of the welfare state. On the other hand, low unemployment can not be regarded as wholly positive if it is reached through a labour market situation where income from work is not sufficient to exist above the poverty line and hence does not diminish the risk of social exclusion.

Minimal social security and highly uneven income distribution are not cheap, either. Poverty tends to accumulate and to bring forth more poverty. There is less social mobility in countries where income differentials are great than in countries with more even income distribution (Kangas 1998). Low social expenditure can lead to increased expenditure elsewhere and may in the end be as expensive as high expenditure aimed at preventing poverty. Extensive poverty can for instance increase crime. In the USA, 70 percent more is spent on private security services than on public police work (Rifkin 1997). One of the traditional freedom rights, namely physical security, is increasingly dependent on the individual's ability to finance it. Prisons in the USA contain so many men of working age that the US unemployment rate would increase if this labour reserve was included in the calculations (Buchele and Christiansen 1996).

The results of this study indicate that unemployment and employment should be analysed from many different perspectives. High unemployment rates do not necessarily bring about a high risk of social exclusion if the social policy and employment models prevent poverty. Low unemployment rates do not guarantee that the employed are well off. The aims of economic and employment policy have become increasingly similar with the progress of European integration, but the decisions regarding income distribution are still made at the national level. Developing commensurate indicators is a great challenge for those wanting to monitor the employment targets and strategies in the EU. Before agreement can be reached over these matters at the international level, it is important to study the connections between employment, unemployment and changes in incomes at the national level. Who finds employment, and who fails to do so? How are the unemployed coping? How are the employed coping? How is men's income from work developing? What about women's incomes? And the incomes of the young and the elderly? How are income distribution and household incomes changing?

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APPENDIX 1. Sources and units used in the income study.

Country	LIS-Data Source	Original time period 1)	Family stucture (D5)	Unit
SW75	The Level of Living Survey	Year	All	Tax Unit
SW81	The Income Distribution Survey	Year	All	Tax Unit
SW87	The Income Distribution Survey	Year	All	Tax Unit
SW92	The Income Distribution Survey	Year	All	Tax Unit
DK87	The Income Distribution Survey	Year	All	Tax Unit
DK92	The Income Distribution Survey	Year	All	Tax Unit
GE81	The German Transfer Survey	Month	1 or 2	Household
GE84	The German Socio-Economic Panel Study	Month	1 or 2	Household
GE89	The German Socio-Economic Panel Study	Month	All	Household
GE94	The German Socio-Economic Panel Study	Month	All	Household
UK79	The Family Expenditure Survey	Week	1 or 2	Family
UK86	The Family Expenditure Survey	Week	All	Household
UK91	The Family Expenditure Survey	Week	All	Household
UK95	The Family Expenditure Survey	Week	All	Household
US79	The March Current Population Survey	Year	1 or 2	Household
US86	The March Current Population Survey	Year	1 or 2	Household
US91	The March Current Population Survey	Year	1 or 2	Household
US94	The March Current Population Survey	Year	1 or 2	Household
CN81	The Survey of Consumer Finances	Year	All	Family
CN87	The Survey of Consumer Finances	Year	1 or 2	Household
CN91	The Survey of Consumer Finances	Year	1 or 2	Household
CN94	The Survey of Consumer Finances	Year	1 or 2	Household
AS81	The Australian Income and Housing Survey	Year	1 or 2	Household
AS85	The Australian Income and Housing Survey	Year	1 or 2	Household
AS89	The Australian Income and Housing Survey	Year	1 or 2	Household
AS94	The Australian Income and Housing Survey	Yar	1 or 2	Household

1) All incomes in LIS data are annual incomes although the original period over which information is gathered is shorter in some countries.

APPENDIX 2. Overview of the unemployment security models of the countries included in the comparison.

Social policy model	**Unemployment insurance**	*Level of benefits*	*Duration of benefits*
Encompassing Finland, 1934, 1984, 1994 Sweden, before the 1994 reforms Denmark	Voluntary, insurance and basic security Voluntary, insurance and basic security Voluntary insurance or social assistance	Insurance approx. 60%, no earnings ceiling, basic security means-tested flat-rate benefit Approx. 85%, with an earnings ceiling 90%, low earnings ceiling	Insurance: 1 year and 11 months, no upper time limit on basic security 1 year and 2 months Insurance: maximum of 7 years
Corporatist Germany, 1927, 1969	Corporatist, compulsory insurance and unemployment benefit	Approx. 60-67% of net earnings, assistance 53-57% of net earnings	Insurance: ½ - 2 years and 8 months and according to employment history, no time limit on social assistance

Liberal England, 1911, (1995) Canada, 1940, 1971 USA, 1935	Basic security, social insurance and social assistance Basic security, social assistance Basic security, compulsory insurance	Flat-rate benefit, level dependent on the number of dependants 50%, with an earnings ceiling Approx. 50%, varies between the states	Insurance: 52 weeks (1/2 year) Maximum 50 weeks, employment history, unemployment rate in the area Maximum 26 weeks, varies between the states
Targeted Australia, 1944, 1992	Targeted, unemployment benefit	Means-tested systems, family circumstances and age influence level of benefits	No time limit

Sources: Social Security Programs Throughout the World, 1997
Unemployment Benefits and Social Assistance in Seven European Countries, A Comparative Study, No.10. Ministerie van Sociale Zaken en Werkgelegenheid, Haag 1995.

Tiina Mäkinen

Structural Pressures, Social Policy and Poverty in 15 OECD Countries

1. INTRODUCTION

Comparative welfare state research has been flourishing for a couple of decades, but the picture it has produced of the welfare state remain unclear. There have been many contradictory findings and conflicting results. One reason for this lack of clarity is the way the welfare state has been defined - the theoretical background is unsatisfactory. Another reason lies in the outcomes that studies seek to measure: social expenditures, social rights, poverty and income equality.

We can divide the earlier comparative welfare state studies into different ‘generations’ on the basis how these factors have been dealt with (Esping-Andersen 1989, 18-20). Studies belonging to the first generation can be divided into two different categories according to what are seen as the crucial determinants of the welfare state expansion. Some studies stress the importance of structural changes, whereas the others underline the importance of political factors.

Studies emphasising the role of major structural changes are often labelled as the structural-functionalist approach, where the development of the welfare state is seen as a functional - more or less automatic - response to the changes brought about by industrialisation. Technological development, urbanisation and industrialisation change social structures and create new needs and problems. Solutions to these problems are necessary for the smooth functioning of society. The state takes over the responsibility for organising social security, health services, education and so on. (Wilensky & Lebeaux 1965; Wilensky 1975.) The structural-functionalist approach is not a homogeneous school but different variations, for instance the Durkheimian and the Marxist versions, can be distinguished (for a detailed survey, see Gough 1979; Mishra 1981).

Despite differences in emphasis, all early structural-functionalist approaches share the assumption that political processes are strictly determined by structural constraints:

politics hardly matters. However, in some first generation studies, the welfare state is examined from the viewpoint of political factors (see Stephens 1979; Castles 1982; Hicks & Swank 1984; Korpi 1980; Shalev 1983; Huber, Ragin & Stephens 1993). The strength of these studies is that they point out the importance of one necessary precondition of the welfare state: political decision-making. For example, if pension expenditure grows due to the increased number of the aged, this growth is silently accepted by the political decision-making process. Political explanations have also been criticised. It is said that political theories tend to subjectify the making of the welfare state and do not give enough credit to economic and other structural factors that make politics possible but also constrain them. (Gough 1979; Mishra 1981; Uusitalo 1984.)

The first generation of comparative studies assumed that the level of social expenditure reflects a state's commitment to welfare. By ranking welfare states according to spending, they assumed that all spending counts equally. When countries were ranked according to their social expenditure levels, it was implicitly assumed that higher spending levels lead to more comprehensive social protection. Countries have been classified as welfare leaders and laggards. According to critics, the expenditure approach suffers from 'the bigger the better' syndrome. (Mitchell 1991, 168; Korpi 1980, 197, 220; Shalev 1983, 324-325; Therborn 1987.)

Regardless of the criticism, results from the first comparative studies can be considered pathbreaking (see for instance Wilensky 1975). Using social expenditure share of GDP as an indicator of welfare state effort can be defended by arguing that this measure was the most easily available - or the only available - quantitative indicator of state intervention in the field of income redistribution (Castles & Mitchell 1991). This welfare effort indicator has proved to be valid in comparisons of countries with a very wide range of socio-economic development.

In the second generation of comparative welfare state studies, the focus has moved from the black box of expenditure towards the contents of the welfare state. These studies have - instead of costs - focused on the instruments and means that produce welfare. The second generation studies have produced a number of different welfare state typologies, which have classified welfare states according to the level of benefits, eligibility criteria, universal or residual character of social policy, gender equality and commitment to full-employment, and so on (Castles 1989; Korpi 1989; Palme 1990; Kangas 1991; Wennemo 1994; Korpi & Palme 1998).

Probably one of the most quoted typology of the 1990s was developed by Esping-Andersen (1990). Esping-Andersen's welfare state regimes are construed as ideal types whose 'pure', empirical representatives are hard to find. The new idea in Esping-Andersen's classification was the combination of the means of obtaining welfare (the degree of 'de-commodification') and the ends achieved (income distribution, labour market behaviour). In general there seems to be a gradual shift to examining the results which the different regimes have produced in terms of poverty rates, social rights and income equality (Korpi & Palme 1998; Kangas & Palme 1998).

In other words, the third generation welfare state studies have gradually realised that the core of the welfare state is its outcome – measured for instance by poverty rates and income inequality - not the welfare effort per se. This approach summarises the earlier generation's viewpoints, but the main interest is focused on the results than can be obtained with certain expenditure levels and eligibility rules. In short, these studies offer a more comprehensive picture of how the welfare state functions.

Dividing comparative welfare state studies into different generations helps us to understand that conflicting findings are to some extent dependent on the choices made by a researcher. When we know what has been measured and whether the measurement is valid, we are able to analyse more profoundly these - often contradictory - results (Castles 1988; Kangas 1991). Therefore one aim of this article is to examine the linkages between welfare effort, welfare instruments and welfare outcomes. However, a few words of warning are needed. Earlier studies have shown that there is no automatical connection between means and ends. To crystallise this point Castles (1994) uses the old English adage: 'There are more ways than one to skin a cat!'. This means that policy outcomes are almost invariably more similar than they seem, because there are different routes to the same goal (Øverbye 1998).

One can argue that the above mentioned theories originated in fordist society. This period in history was characterised by sufficient resources and an increase in the general welfare as a result of dividing these resources. This Golden Age of the welfare state seems to be over and we live in the post-fordist society where increasing needs are combined with meagre resources. In the post-fordist society, social expenditure still increase but this growth does not automatically lead to improved welfare and lower poverty rates as it did in the fordist society. This can be explained by the fact that the number of needy people is still increasing. Rising long-term unemployment increases social expenditure, but at the same time it also decreases tax revenues. In addition to long-term unemployment, another demographic burden – ageing population -will be crucial when we think about the future of the welfare state.

The aim of this article is to examine how structural changes affect poverty and income transfers. These structural changes are operationalised as changes taking place in the economy, the labour market and the demographic patterns from the 1980's until the mid-1990s across OECD-countries. Structural changes will also cause changes in needs and we do well to remember this when we analyse particular country-specific welfare results. The greater the percentage of the aged, the unemployed, single parents, and children dependent on any of these categories, the greater the inputs a government needs to make in order to obtain a high level of post-transfer, post-tax equality (Gilbert & Moon 1988, 326-340; Castles & Mitchell 1992, 4).

The effect of economic changes on social policy has been a contested terrain. Some studies have pointed out that when the economy is booming it is easier to find extra resources which increase social expenditure's share of the GDP (see Cutright 1965; Wilensky 1975; Alber 1982; Garrett & Mitchell 1995). The other viewpoint is that during recession, social expenditure's share of the GDP will grow automatically regardless of social security cuts. For example, Finland's situation in the 1990's is a clear indication of this. When unemployment in Finland grew to - and beyond - European levels, the share of public expenditure jumped significantly above the OECD-Europe levels despite cuts in social security (OECD 1997a). The economic problems that have confronted the welfare state are usually identified in terms of unemployment. Welfare state crisis is considered more or less as an unemployment crisis (Huber & Ray 1997). Therefore, it is appropriate to study the effects of unemployment.

In addition to economic problems, demographic burdens are also seen as decisive for the future of the welfare state. The combination of low fertility and longer life expectancy will engender burdensome dependency ratios. The problem of ageing population is said to depend mainly on birth rates. It is often feared that female employment will jeopardise fertility, and thus aggravate the ageing crisis. However, the welfare state makes a crucial difference because female employment combined with relatively high levels of fertility is possible if social services and generous provisions for leave are available. The relevant services and parental leaves are available in Scandinavia, but not in most of continental Europe. To the extent that women's economic independence is a defining element of post-industrial society, the contemporary family needs the welfare state in order to harmonise work and family objectives; but the welfare state also needs children for the sake of its own future. (Esping-Andersen 1996.) The demographic burden can be divided into two parts: the ageing population puts pressure on pension policy, and children and women make demands on family policy. This pressure is in the subsequent analyses measured as the proportion of the elderly (those who are 65 years and over) and the proportion of the children (those who are under 15 years). This article is structured as follows. It starts with an analysis of development of poverty and income transfers in early 1980s and mid-1990s. This is followed by an analysis of some economic and demographic factors, and their effects on poverty and income transfers. The article will conclude with a summary of the central research results and a more general discussion of the issues.

2. DATA AND COUNTRIES INCLUDED IN THE COMPARISON

The availability of new datasets has in many ways improved the practice of comparative cross-national welfare state research. One of the new datasets is the Luxembourg Income Study (LIS) -database (see Atkinson et al. 1995; Smeeding et al. 1990; Mitchell 1991.) Poverty rates used here are derived from LIS-data and determined by using the relative income method. This measure counts as poor those whose net income is below 50 percent of the national median income. Only monetary income is analysed here because LIS-data does not contain information on benefits-in-kind. Disposable (after tax and income transfers) income is used as the income concept. Income levels of households with different structures and sizes have been made comparable by dividing income by the OECD equivalence value of the household. However, the individual is the research unit of this study. Data on social security transfers has been obtained from OECD Historical Statistics. Data on the other structural variables has also been collected from OECD publications. One of the main problems in comparative welfare state research has been that there are only very few comparable cases available (e.g. the OECD-countries). This usually leads to a situation where there are more variables than cases. In this article is used so-called pooled regression analysis as a methodological solution to this problem. Data from different cross-sections is combined into one big dataset. As a consequence of this the number of cases increases, allowing us to conduct multivariate analyses not possible in single cross-section data.

The countries compared in this article have been selected to represent different welfare state models which traditionally have been classified on the basis of factors such as the relative roles of family, the state and the market as a producers of welfare (Titmuss 1974; Esping-Andersen 1990). This article makes use of Korpi's and Palme's (1998) classification of welfare state models to clarify the central characteristics of individual welfare states. Since that typology deviates from the 'traditional' Esping-Andersian typology a few words of explanation are needed.

The first welfare state model examined is the 'basic security model' in which the eligibility for social benefits is based either on contributions or on citizenship - meaning in this connection the period of residence in a particular country. The benefits are universal and flat rate meaning that they are given to everybody at the same rate regardless of their earnings and work career. It is possible to raise the level of benefits for the better-off citizens through voluntary insurance. For instance Canada, the UK and the USA are in this article defined as basic security welfare states. This classification is made despite the fact that basic income support systems are nowadays different in the USA and the UK. It is thus assumed that welfare state models have remained stable over the period under study.

Korpi's and Palme's second welfare state model is the 'targeted' model. Targeted programs are based on means-testing and giving flat rate or fairly similar benefits to those below the poverty line. One representative of the targeted model is Australia, where targeting has come to be focused on excluding high-income earners rather than on including only the poor. Targeted model can be said to follow the Robin Hood strategy of taking from the rich and giving to the poor. The better-off citizens are furthermore able to secure their standard of living with private insurance. As a consequence of targeting the social security expenditure stay modest compared with the other welfare state models.

In the 'corporatist' model the programs are directed to the economically active part of the population, i. e. this model excludes housewives and other categories outside the labour force as well as high-income earners. The corporatist model can be said to be based on the desert principle, which means that by taking part in paid work a citizen gradually earns his own social benefits and rights. From the members of the active labour force only those whose earnings remain below a certain income ceiling are eligible for benefits. Benefits are earnings-related. Institutions providing corporatist income security have typically been governed by bi- or tri-partite boards with representation from employers, employees and the state. Eligibility criteria for benefits are firmly connected to work; the longer the citizen has participated in the labour market, the better benefits he is entitled to. In this model social insurance programs can be seen as segmented; different occupation groups get different kinds of social security. However, the wealthy citizens can improve their social security by taking recourse to private solutions. The corporatist model can be said to follow the Matthew Principle of giving more to those who already have high incomes. The corporatist model includes in this article Belgium, France, Germany, Luxembourg and the Netherlands.

The Mediterranean model is added to here Korpi's and Palme's original division of welfare state models because Mediterranean countries are seen to have characteristics that call for a separate model. The Catholic Church and other religious associations play an important role in financing welfare. In the Mediterranean countries, dependence is primarily an intergenerational matter with children remaining economically dependent on their parents longer than is usual in most Northern European countries (Bimbi 1997). Italy and Spain are here used as representatives of the Mediterranean model.

Last but not least is the ‘encompassing’ welfare state model. This model is characterised by the universal coverage and the high level of the benefits. The target group of social policy is not only the poor but also the middle class and the high-income earners. In addition to basic security this model gives earnings-related benefits to the economically active part of the population. The purpose of this system is to decrease demand for private insurance and to encompass all citizens and bring them together within the same social insurance institutions. However, the encompassing model has its own weaknesses and the main one is the high cost of the model. To function properly this model requires a high level of taxation and high social security payments. This is possible only during high employment. On the basis of early research it can be argued that income inequality is small and poverty rates are also low in the countries belonging to the encompassing model, (Uusitalo 1989; Mitchell 1991; Atkinson et al. 1995; Ritakallio 1994). Denmark, Finland, Norway and Sweden are here representatives of the encompassing model.

3. Poverty

The development of poverty is examined in table 1. This table indicates that in the early 1980's poverty was most common in the USA. Italy and Spain also had comparatively high poverty rates. The lowest poverty rates were found in the Netherlands and Norway. In Finland poverty was as big a problem as in the UK. If we compare the outcomes of different welfare state models we notice that the highest poverty rates were found at the beginning of 1980s in the countries of the Mediterranean model and the lowest rates in the countries of the encompassing model.

Table 1. Poverty rates in the early 1980s and mid-1990s

	Poverty rate (50 % md) in 1980, %	Poverty rate (50 % md) in 1995 %	Change, %-points
Basic security			
Canada 81/94	11.3	10.6	-0.7
UK 79/95	6.7	17.3	+10.6
USA 79/94	15.2	18.6	+3.4
Mean	**11.1**	**15.5**	**+4.4**
Targeted			
Australia 81/94	9.3	8.0	-1.3
Corporatist			
Belgium 85/92	6.3	6.9	+0.6
France 79/89	8.1	13.0	+4.9
Germany 81/94	4.5	8.1	+3.6
Luxembourg 85/94	5.0	4.2	-0.8
Netherlands 83/91	4.0	4.7	+0.7
Mean	**5.6**	**7.4**	**+1.8**
Mediterra-nean			
Italy 85/95	12.1	15.8	+3.7
Spain 80/90	13.5	10.9	-2.6
Mean	**12.8**	**13.4**	**+0.6**
Encompass-ing			
Denmark 87/92	6.6	..5.9	-0.7
Finland 81/95[1]	6.7	2.4	-4.3
Norway 79/95	4.0	4.2	+0.2

Sweden 81/92	4.7	5.2	+0.5
Mean	**5.5**	**4.4**	**-1.1**
All 15 countries:			
$\bar{x}$	7.9	9.2	1.2
S	3.6	5.1	3.6
CV	0.5	0.6	3.0

Source: LIS

[1] **Results from year 1981 are based on the Finnish Household Budget Survey and from 1995 on the Finnish Income Distribution Survey. Therefore results for Finland are not perfectly comparable to other** results based on LIS data.

As a common trend it can be said that poverty increased slightly during the examined period – except in the countries belonging to the encompassing welfare state model. If we look at individual countries we notice that the greatest increase in poverty occurred in the UK (+11 %-points), but also in France the poor citizens' share of the population increased by more than the average change in poverty rates. It is interesting to note that poverty increased in the USA, where the development of employment during the period examined was more favourable than in Europe. One explanation for this is that the share of single mothers has increased in the USA. Moreover, the lowest wages have decreased further. Many full-time employees have fallen below the poverty line and as a consequence of this the working poor form a new class in American society. (see Wilson 1994, 49-65.) Poverty decreased during the period examined in Australia, Canada, Denmark, Finland, Luxembourg and Spain. Table 1 indicates that the decrease was sharpest in Finland. On the basis of table 1 it can be argued that the development of poverty is not necessarily parallel in the countries grouped in the same welfare state model. Instead of analysing the welfare state models, it would be more fruitful, in the light of the research results, to examine the features that are characteristic of the individual countries.

4. Social Security Transfers

How are the changes in poverty rates connected to the development of social security transfers? Table 2 shows that the share of social security transfers of the GDP increased most in Finland. Also in Canada, which belongs to the basic security welfare state model, the share of income transfers share rose by more than the average. In the case of Canada this can be explained by the fact that social expenditure increased due to improvements in pensions, but in the Finnish case the drastic increase in unemployment was the main reason for increased expenditure.

Table 2. Social security transfers of GDP (%) in the early 1980s and mid-1990s

	Social security transfers of GDP (%) in 1980	Social security transfers of GDP (%) in 1995	Change, %-points
Basic Security			
Canada 81/94	9.9	15.3	+5.4
UK 79/95	11.1	15.4	+4.3
USA 79/94	10.0	12.8	+2.8
Mean	**10.3**	**14.5**	**+4.2**
Targeted			
Australia 81/94	8.5	11.3	+2.8
Corporatist			
Belgium 85/92	21.7	24.1	+2.4
France 79/89	22.7	21.1	-1.6
Germany 81/89	17.2	18.2	+1.0
Luxembourg 85/94	22.0	N.A.	N.A.
Netherlands 83/91	28.8	26.0	-2.8
Mean	**22.5**	**22.4**	**-0.3**
Mediterranean			
Italy 85/95	17.4	18.9	+1.5
Spain 80/90	14.2	15.9	+1.7
Mean	**15.8**	**17.4**	**+1.6**
Encompassing			
Denmark 87/92	16.2	19.6	+3.4
Finland 81/95	8.8	23.7	+14.9
Norway 79/95	15.5	15.8	+0.3

Sweden 81/92	18.4	23.4	+5.0
Mean	**14.7**	**20.6**	**+5.9**
All 15 countries:			
$\bar{x}$	16.1	18.5	2.9
S	5.9	4.9	4.1
CV	0.4	0.3	1.4

Source: OECD 1988: 1997a
N.A=not applicable

Table 3 combines information from two previous tables. This table shows that in countries where poverty decreased during the period under study, the share of income transfers of the GDP also increased. The most obvious example of this is Finland. The Swedish experience was the reverse: in Sweden the increasing transfers did not lead to a decrease in poverty. The situation was similar in the UK, where poverty increased rapidly with the increase in the income transfers. In France and in the Netherlands, the share of social security transfers of the GDP decreased, but poverty increased, too. On the basis of table 3 we can argue that the development in the countries examined here does not wholly correspond to the expectations we have of the different welfare state models.

Table 3. Development of poverty and income transfers

	Decrease of Poverty	**Increase of Poverty**
Decrease of Income Transfers		France *Netherlands*
Increase of Income Transfers	Australia Canada Denmark	Belgium Germany Italy

	Finland Spain	Norway Sweden UK USA

Source: LIS; OECD 1988; 1997a.

We will now turn to examining the effectiveness of the social security schemes in 1980-1995. Table 4 indicates that in the beginning of the 1980's the income transfer schemes worked most effectively in the Netherlands, where income transfers removed 85 % of the poverty that existed before income transfers. Also in Germany and in Sweden income transfers played an important role. Income transfers had the least impact in the USA. In Canada and Spain they also played a minor role. Table 4 shows that the effectiveness of income transfers schemes varied also inside the different welfare state models and that the effect of the individual models remained trivial in this relation. However, it is worth remembering that welfare state effectiveness measure (reduction coefficient) contains information on the size of the total bulk of income transfers and taxation in each country.

Table 4. The effects of social security schemes on poverty in the early 1980's

	Poverty rate (50 % md) before income transfers, %	Poverty rate (50 % md) after income transfers, %	Absolute reduction, %-points	Reduction coefficient[1)]
Basic Security				
Canada 81	21.5	11.3	10.2	47.0
UK 79	24.8	6.7	18.1	73.0
USA 79	24.1	15.2	8.9	37.0
Mean	**23.5**	**11.1**	**12.4**	**52.3**
Targeted				
Australia 81	21.2	9.3	11.9	56.0
Corporatist				
Belgium 85	29.5	6.3	23.2	79.0
France 79	30.7	8.1	22.6	74.0
Germany 81	22.5	4.5	18.0	80.0
Luxembourg 85	22.9	5.0	17.9	78.0
Netherlands 83	27.3	4.0	23.3	85.0
Mean	**26.6**	**5.6**	**21.0**	**79.2**
Mediterranean				
Italy 85	26.2	12.1	14.1	54.0
Spain 80	25.8	13.5	12.3	48.0
Mean	**26.0**	**12.8**	**13.2**	**51.0**
Encompassing				
Denmark 87	28.8	6.6	22.2	77.0
Finland 81	22.1	6.7	15.4	70.0
Norway 79	17.5	4.0	13.5	77.0
Sweden 81	27.4	4.7	22.7	83.0
Mean	**24.0**	**5.5**	**18.5**	**76.8**
All 15 coun-				

tries:				
$\bar{x}$	24.8	7.9	17.0	67.9
S	3.6	3.6	5.0	15.2
CV	0.1	0.5	0.3	0.2

Source: LIS

[1)] poverty rate before transfers - poverty rate after transfers / poverty rate before transfers * 100

Table 5 shows that in the mid-1990's income transfers were most effective in Finland, where income transfers removed 92 % of the factor income poverty. If we examine the situation of the individual countries inside different welfare state models, some interesting exceptions can be found in table 5. For example, in the USA the income transfers scheme operated much more ineffectively than in Canada and in the UK which belong to the same welfare state model. The situation was somewhat different in the Netherlands where the income transfers scheme operated considerably more effectively than in France and Germany. As the subject of examination is welfare state models, we noticed that the importance of income transfers was small in the countries of basic security and the Mediterranean welfare state model. On the basis of table 5 it can be said that the development is not necessarily similar in the countries belonging into same welfare state model. However, on the basis of this table one can state that in the mid-1990's there was a clear connection between social security transfers and poverty; post-transfers poverty stayed low in countries where social security transfers played important role, and vice versa.

Table 5. The effect of social security schemes on poverty in the mid-1990's

	Poverty rate (50 % md) before income transfers, %	Poverty rate (50 % md) after income transfers, %	Absolute reduction, %-points	Reduction co-efficient
Basic Security				
Canada 94	26.2	10.6	16.1	60.0
UK 95	39.9	17.3	22.6	57.0
USA 94	28.1	18.6	9.5	34.0
Mean	**31.6**	**15.5**	**16.1**	**50.3**
Targeted				
Australia 94	21.5	8.0	13.5	63.0
Corporatist				
Belgium 92	33.6	6.9	26.7	80.0
France 89	37.1	13.0	24.1	65.0
Germany 94	32.1	8.1	24.0	75.0
Netherlands 91	28.6	4.7	23.9	84.0
Luxembourg 94	23.0	4.2	18.8	82.0
Mean	**30.9**	**7.4**	**23.5**	**77.2**
Mediterranean				
Spain 90	27.0	10.9	16.1	60.0
Italy 95	31.1	15.8	15.3	49.0
Mean	**29.1**	**13.4**	**15.7**	**54.5**
Encompassing				
Denmark 92	32.3	5.9	26.4	82.0

Finland 95	30.4	2.4	28.0	92.0
Norway 95	27.0	4.2	22.8	84.0
Sweden 92	34.9	5.2	29.7	85.0
Mean	**31.2**	**4.4**	**26.7**	**85.8**
All 15 countries:				
$\bar{x}$	30.2	9.0	21.2	70.1
S	5.0	5.1	5.9	16.2
CV	0.2	0.6	0.3	0.2

Source: LIS

However, the effect of social security schemes on poverty is not that straightforward if we examine the aged as a separate group. Table 6 illustrates the situation in the case of the aged population. This table contains some interesting results. First, we notice that in Canada the poverty rate after income transfers is lower than in the UK and the USA. The relative income position of older Canadian households has improved dramatically because old age benefits have become carefully targeted on the low-income elderly. This has led to a considerable decline in poverty among the elderly (Banting 1997; Card & Freeman 1993).

Table 6 shows that pre-transfer poverty is surprisingly high in Belgium, Finland, the Netherlands and Sweden. A common denominator in these countries is the very generous pension replacement rates. This has contributed to the situation where many future pensioners do not save for old age because they anticipate adequate public pensions. For the same reason, their pre-transfer income stays very low because they do not work during old age.

Table 6. The effects of social security schemes on poverty in the case of over 65-year olds in the mid-1990's

	Poverty rate (50 % md) before income transfers, %	Poverty rate (50 % md) after income transfers, %	Absolute reduction, %-points	Reduction co-efficient
Basic Security				
Canada 94	71.0	4.7	66.3	93.0
UK 95	77.2	17.3	59.9	78.0
USA 94	65.1	16.7	48.4	74.0
Mean	**71.1**	**12.9**	**58.2**	**81.7**
Targeted				
Australia 94	63.0	10.1	52.9	84.0
Corporatist				
Belgium 92	87.8	9.0	78.8	90.0
France 89	85.4	8.4	77.0	90.0
Germany 94	86.3	4.9	81.4	94.0
Luxembourg 94	71.0	2.1	69.0	97.0
Netherlands 91	90.7	2.5	88.2	97.0
Mean	**84.2**	**5.4**	**78.9**	**93.6**

Mediterranean				
Italy 95	68.9	8.5	60.4	88.0
Spain 90	70.5	8.5	62.0	88.0
Mean	**69.7**	**8.5**	**61.2**	**88.0**
Encompassing				
Denmark 92	84.7	4.8	79.9	94.0
Finland 95	86.6	0.4	86.2	100.0
Norway 95	79.1	1.2	77.9	98.0
Sweden 92	88.8	2.1	86.7	98.0
Mean	**84.8**	**2.1**	**82.7**	**97.5**
All 15 countries:				
$\bar{x}$	78.4	6.7	71.7	90.9
S	9.4	5.2	12.8	7.6
CV	0.1	0.8	0.2	0.1

Source: LIS

In table 6 we also find countries – such as the USA and Australia – where pre-transfer poverty is not very high. Personal savings and work reduce pre-transfer poverty among the aged Americans and Australians. Another – more methodological - explanation of this result is that pensions from non-public pension schemes are registered in LIS-data not as income transfers but as factor income. This will reduce the pre-transfer poverty in countries where public pensions are not very generous. Other interesting finding is that the elderly appear to be in a very favourable position in comparison with the rest of the population. This finding can be explained by the effectiveness of pension policy. However, this result is partly connected to the methodological choices made by the author. It is known that the majority of those aged 64 and over live either alone or with their spouse. In other words, the average size of the households where they live is considerably smaller than the national average. If the equivalence scales used in the analysis imply low household economies of scales – as the OECD scales do – then the elderly seem to be relatively well-off compared to younger population groups. So it would be interesting to analyse whether other sets of equivalence scales instead of the OECD scale will result in completely different results.

5. Economic and Demographic Factors

From poverty and social security transfers we go on to examine the development of some economic and demographic factors. First, we analyse the development of unemployment. When we study individual countries we notice that unemployment has risen rapidly in Finland (+ 11.0 %-points) and in Spain (+5.0 %-points), whereas in Luxembourg and in the USA the growth has been much more modest (+0.3 %-points) (OECD 1988; 1997a). This can be explained by the fact that especially in the USA labour markets are less regulated and therefore more flexible. The large service sector has employed low-wage workers which has led to a deterioration in the economic position of these less skilled workers. (Blank 1995, 1-21; Esping-Andersen 1996.) This is also obvious when we examine the poverty rate in the USA. Despite low unemployment the US poverty rate was the highest among the OECD-countries and it increased further during the 1980's. In contrast, unemployment decreased in the Netherlands (-6.0 %-points) and in Belgium (-4.0 %-points). Both countries succeeded in bringing down the mass-unemployment of the early 1980s. As one decisive tool, active labour market policy has been used in the Netherlands. In conclusion one can state that every welfare state model includes countries of low and high unemployment. Therefore, it cannot be assumed that unemployment plagues only the countries belonging to a certain welfare state model.

From the development of unemployment we can move on to examine the other economic changes. In 1960-1995, the average rate of economic growth was most rapid in Spain (4.1 %), but also in Australia, Canada, Luxembourg and Norway the real annual GDP growth was more than the average (3.2 %). The results of this study indicate that using social security transfers as an indicator of the welfare effort is very sensitive to changes in GDP. A good example of this is the situation in Finland in 1991: GDP decreased - compared to the previous year - 7 %-points while the GDP-share of social security transfers simultaneously increased rapidly (OECD 1997a).

Two demographic changes typical for the Western societies have taken place in the countries compared here: elderly people's share of the population has increased, while children's share has decreased. Over 64-year-olds'share of the population increased during the 1980's in all other countries included in this comparison except in France. The growth was most rapid in Italy (+2.9 %-points), but also in Spain (+2.7 %-points) and Canada (+2.3 %-points) the share of old people increased rapidly. In the mid-1990's the share of the aged was the highest in Sweden (17.7 %) and Norway (16.0 %). The lowest rates can be found in Australia (11.8 %) and Canada (11.9 %) (OECD 1997b).

The development of children's share of the population was the reverse. The under 15-year-olds' share of the population decreased in all the countries compared here. The decrease was most rapid in Spain (-6.0 %-points), but also in the UK (-5.8 %-points) the decrease was notable (OECD 1997b). In the mid-1990's children's share of the population was the greatest in the USA (21.9 %), but also in Australia (21.5 %) and Canada (20.4 %) the share of under 15-year-olds was more than the average. Children's share of the population was the lowest (15.3 %) in Italy. In the countries of the Mediterranean welfare state model families with many children have always been in a central position, but results considering Italy and Spain indicate the meaning of family has been changed.

6. Main Results of the Analysis

Analyses presented above were based on bivariate inspection of relationships between two variables. While being illuminative, the relations found in bivariate analysis may be spurious, i. e. they may be caused by other factors. In order to check to what extent the bivariate correlations will change we employ a multivariate approach and control for the effects of additional variables.

One of the main problems in comparative welfare state research is that there are only very few comparable cases available (e.g. the OECD-countries). This usually leads to a situation where there are more variables than cases. So-called pooled regression analysis is used as a methodological solution to this problem. This involves combining data from different cross-sections into one big dataset. As a consequence of this the number of cases increases, allowing us to conduct multivariate analyses not possible in single cross-section data. (see Hicks 1994, 169-188; Pampel & Williamson 1989.)

That is the reason why in table 7 is used pooled data. Table 7 contains information of 15 countries from five different cross-sections: 1975, 1980, 1985, 1990 and 1995. For this reason N is 75. The main aim of table 7 is to display the connection – both direct and indirect - between structural factors, income transfers and poverty. The coefficients are obtained from path analysis (see Loehlin 1987; de Vaus 1991, 225-230). The path model consists of 2 equations which were estimated simultaneously. Social security transfers are a function of below 15 years population (%), aged 65 and older population (%), real GDP growth per capita and unemployment rate. Poverty rate is a function of the four previous independent variables and social security transfers.

Table 7. Path analysis with pooled data

	Social security transfers (direct effect)	Poverty rate (direct effect)	Poverty rate (indirect effect)
-15 population (%)	-.29 (-2.01)	-	.13 (1.82)
+65 population (%)	.27 (1.87)	-.11 (-1.06)	-.12 (-1.71)
Real GDP per capita (year to year percentages changes, %)	-	-	-
Standardised unemployment rate (%)	.20 (1.97)	.51 (5.34)	-.09 (-1.79)

Social security transfers of GDP (%)		-.46 (-4.23)	
R^2	.33	.41	

N=75

(T-values within parenthesis)

- = not significantly different from zero; other parameters statistically significant at p<.05 level.

χ^2 = .021 (1 d.f.)

AGFI = 1.00

GFI = 1.00

First, we can examine the effect of demographic variables on income transfers. Results indicate that children's share of the population is connected to a decrease in social security transfers. In the case of older population, the results are the opposite. This can be explained by the fact that when social protection systems emerged in the OECD countries, the first element to be introduced as a matter of priority was in most cases income support arrangements for the elderly. Similarly, the development of a stable, adequate and well-functioning system of retirement income has been a priority for social programme reform in Eastern European countries that are moving from command to market economy (Kalisch et al. 1998). Thus, social policy has in many countries primarily consisted of pension policy and the lion's share of transfers is usually directed to the old people. As a consequence of this, the elderly are relatively well-off. In contrast to pension policy, the development of family policy has been modest (see Palme 1990; Wennemo 1994; Kangas & Palme 1998.) These findings indicate - not surprisingly - that the greater the share of the aged in the population, the greater the social security transfers.

The variable, which described the economic development of 15 countries, turn out not to be significantly different from zero. A high unemployment rate seems to increase the share of social security transfers of the GDP. This is explained by the fact that mass unemployment puts pressures on social security.

Next, we can examine how demographic variables affect poverty. Table 7 indicates that the direct effect of under 15-year-olds' share of the population is not significantly different from zero. When we analyse the indirect effect of this independent variable we notice that children's share of the population seems to be connected to an increase in poverty. In the case of people aged 65 and older, it seems that both the direct and indirect effect is negative. This can be explained by the fact that good pension schemes diminish the immediate poverty risk of the aged. As a result the pensions and income transfers, the well-being of the elderly increases and consequently the overall poverty rate will fall. In many countries the development of family policy is just beginning and poverty is still a threat to some groups such as single parents and families with children. Nowadays the poverty risk of families with many children is greater than the poverty risk of the aged households. (see O'Higgins 1988; Forssén 1998.)

One explanation for the low level of family benefits compared to pensions is that pensions are in most countries index-bound, whereas family policy benefits are not. Therefore pensions follow general income development automatically, whereas the improvement of family allowances is dependent on political decision-making which makes it possible to reduce expenditure without making any political decisions. This is a convenient way of reducing public spending during difficult times. (Wennemo 1994.)

The variable which describes economic development did not prove to be significantly different from zero. When it comes to unemployment we see from table 7 that its effect on poverty is not that straightforward. The direct impact of unemployment seems to be an increase in poverty, but the indirect effect is a slightly reduction in poverty. This indirect effect can be explained by the fact that unemployment increases income transfers, which on their side alleviate poverty. However, it can be argued that unemployment is connected to an heavy increase in poverty. It is obvious that in the future unemployment will be a more important determinant of poverty. Table 7 indicates also that income transfers are strongly connected to decrease in poverty.

Table 7 illustrates why the different generations of welfare state studies result in such divergent results. If we examine social expenditure - which is a typical approach for the first generation's studies - structural factors (unemployment, demographic factors) seem to have the connections presented in Wilensky's (1975) study. When instead of expenditure we examine the welfare outcomes (poverty) - which is in the core of the third generation's studies - the connection is not so clear. For example, unemployment, on the one hand, increases poverty and, on the other hand, leads to an increase in social expenditure, which relieves poverty. The overall effect of unemployment has been mixed. Thus, one explanation for the contradictory findings is that the studies belonging to the different generations of welfare state studies have examined different phases of the process illustrated in figure 7.

7. Conclusion

The purpose of this article is twofold. First, 15 OECD welfare states are examined from the point of view of the so-called third generation studies. Third generation research focuses on means, costs, outcomes and their interaction. The results show that in Australia, Canada, Denmark, Finland and Spain, the growth of income transfers has reduced poverty. The situation was not so favourable in Belgium, Germany, Italy, Norway, Sweden, the UK and the USA, where increases in income transfers were connected to an increase in poverty. Reduction in income transfers led to an increase in poverty in every country examined. As a common trend it can be said that from the early 1980's until the mid-1990s poverty increased slightly regardless of the development of income transfers.

If we are more interested in the outcomes of different welfare state models we have to analyse separately the situations before and after income transfers. When we focus on analyse the factory income poverty it is obvious that targeted and Mediterranean model produce the lowest poverty rates before income transfers. When we move to analyse the effect of income transfers then the encompassing model is going to be the most effective what comes to ability to reduce poverty, and thus achieves the lowest poverty rates. However, the outcomes of this article show that the situation before and after income transfers are not necessarily similar in the countries belonging into same welfare state model.

The second aim of the article is to examine the effect of different structural factors on poverty and income transfers. The results indicate that, of the two demographic variables studied, children's share in the population is connected to a decrease in social security transfers. In the case of older population groups, the results are the opposite. When it comes to poverty, the results indicate that the indirect effect of children's share in a population is an increase in poverty. In the case of aged population, both the direct and indirect effects are negative. The greater the proportion of the aged in the population, the lower the poverty rates. This can be explained by the fact that social policy has in many countries consisted primarily of pension policy, and the investments in the aged are now beginning to bear fruit. Good pension schemes diminish the immediate poverty risk of old people. The combined effect of pensions and income transfers is increased well-being of the elderly; the overall poverty rate will consequently fall. In future the aged will have an increased impact on how society's resources are distributed.

In addition to demographic factors, the effects of changes in the GDP and unemployment were analysed. GDP growth did not prove to be a statistically significant variable in this study. The results show that unemployment rate is connected to growth in income transfers, but its effect on poverty is not straightforward. The direct effect of unemployment is an increase in poverty; however, if income transfers are taken into account, the (indirect) effect of unemployment is a decrease in poverty.

Unemployment is also in a crucial position when we think about the welfare state's future. In addition to its impact on the national level, unemployment also has some ill effects on the international level. The numbers of the working poor will increase and the growth of long-term unemployment will also narrow the differences between welfare state models. This means that poverty and inequality will become a more widespread problem - also in the Scandinavian welfare states. Much will also depend on how the unemployment crisis can be solved. There are several ways to deal with the high unemployment rates. Some of them have a real effect on the numbers of the unemployed (e.g. active labour market policy). However, there are also methods that do not alleviate the basic problem, but merely change its nature. One example of this is when the unemployed receives, instead of unemployment benefits - as a consequence of early retirement - pension or disability pay. Unemployment rates will be lower, but the basic problem does not disappear. Such measures may even increase the total sum of income transfers.

Finally, welfare states are today in a more equal position. The socio-economic changes in Western European countries are presenting different welfare states with increasingly similar challenges and problems. While there is no evidence that welfare states are gravitating towards a single model, there are some signs of convergence. As Lazar and Stoyko (1998, 8) put it: countries A and B may be as far apart today in terms of the generosity of their social security systems as they were two or three decades ago, but they are both moving towards more flexible, less redistributive and leaner systems than the previous ones. Weather this prophesy of convergence is true or not remains to be answered by the future studies.

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KAARINA NURMI

CHANGES IN WOMEN'S AND MEN'S LABOUR MARKET POSITIONS IN THE EU

1. Introduction

Proliferation of education ('education expansion') is one of the most striking international developments of the past couple of decades. Entry into the labour market has been postponed due to longer periods in education, and the young generations are better educated than the older ones. As a result, the labour market position of the poorly educated persons is now more vulnerable than before.

Women in particular have participated in this phenomenon. The educational level of women has traditionally been lower than that of men, but women are everywhere making good this gap. In some EU countries the situation has indeed been reversed: young women are on average better educated than men of the same age. The level of education and labour market position are connected in three ways. With higher levels of education, the likelihood of employment increases, the risk of unemployment decreases and the income level rises. The correlation between the level of education and employment is considerably stronger among women than among men. (OECD, Education at a Glance 1995-1998; Nurmi 1998a.)

The second characteristic shared by labour markets in different countries is the problem of unemployment. The 1980s were already characterised by high unemployment in comparison with the previous decades, and by the growth in long-term unemployment both in relative and absolute terms (OECD, Employment Outlook 1991, 38-39). As a result of the unexpectedly long and deep recession of the early 1990s, unemployment reached record-high levels and long-term unemployment became more common. In the Nordic countries, too, where employment has until the 1990s' recession been high, unemployment increased dramatically, reaching the proportions of unprecedented mass unemployment in Finland.

The third common trend is the proliferation of atypical work. Part-time and fixed-term (short-term/ temporary) contracts are central tools in striving for increased flexibility and efficiency of labour markets. Discussions concerning the pros and cons of labour market flexibility were fuelled by the 1990s' recession, although the 1980s had already seen debates over the increase in the frequency and diversity of atypical work. The causes and consequences of the remarkable increase in atypical forms of employment have also been a subject of debate.

The fourth development witnessed in different countries, and in many ways one of the most revolutionary social changes of our time is the dramatic increase in labour market participation among the mothers of young children. The significance of paid labour for women has changed significantly. Marriage and the birth of children are less and less frequently reasons for women's permanent or long-term exit from the labour market.

Women's participation in wage labour has indeed been considered one of the most important indicators of the realisation of equality between sexes (Schmidt 1993) because wage labour is in many ways linked to the well-being and independence of an individual.

The independence gained through paid labour is of primary importance. In most countries, the right to social insurance benefits arises through participation in wage labour, whereas those outside paid labour have to resort to social assistance. This division is problematic because rights gained through paid labour are usually considered 'earned' rights and therefore politically legitimate. Means-testing is not applied, the benefit constitutes an individual right, and the level of 'earned' benefits is usually higher. In contrast, social assistance is characterised by stigmatising means-testing and low level of benefits, and they are usually intended to cover family, rather than individual needs. (Sainsbury 1996, 129.)

However, the labour market participation rates of men and women are an insufficient measurement of their labour market positions, because the forms and conditions of participation in paid labour differ between men and women in ways that make women's labour market position weaker than men's. Part-time and temporary work, interruptions in career paths, lower status and low wages are typical of women's labour markets. Women also bear the brunt of the responsibility for housework even when in employment, which makes their labour market position problematic by creating the so-called double-burden phenomenon. (Nurmi 1998a.)

Part-time and temporary work are the main types of atypical employment. Atypical work is commonly associated with weaker labour market position. The extent to which this is the case depends largely on the social policies of a country as a whole. From the point of view of the well-being of an individual it is also crucial whether part-time or temporary work is voluntary or involuntary, in other words, whether flexibility serves primarily the needs of the employer or the worker.

On the one hand, part-time work has its advantages. It can function as a bridge to the labour market. Furthermore, part-time employment can help to combine work and family life and leave space for fulfilling other personal aspirations and needs. Here, again, the crucial factor is whether part-time employment is voluntary, or dictated by the lack of alternatives. On the other hand, part-time work can weaken the labour market position of the worker. Part-time work does not commonly bring about economic independence and does not usually comprise so-called good jobs (high wage, good career prospects, high status, plenty of job-related training). In many countries there is indeed high concentration of part-time workers among the lower paid. (Rubery and Fagan 1998, 64.).

Part-time work as a woman-friendly alternative (as it leaves more time for the family) is a double-edged sword from the point of view of equality between the sexes as it in practice reinforces the traditional model of the family. In this way the segregation of the sexes that brings about inequality is strengthened both at home and in the labour market. (Bulletin on Women and Employment in the EU 1995 (7), 1; Rubery and Fagan 1998, 64.)

Atypical work creates inequality in the labour markets as it does not fulfil the conditions set in most countries for gaining the rights to social security. Such conditions are for instance minimum level of earnings, minimum number of hours worked, or minimum duration of employment. Atypical work is more common among women than men, and as a consequence the above conditions discriminate against women in particular by excluding them completely from benefits or by entitling them to lower benefits due to the lower wages earned and shorter hours worked by them. (EC, Social Protection in Europe 1995, 141; Rubery and Fagan 1998; Sainsbury 1996, 145-146.)

The significance of paid work cannot, of course, be restricted to the economic benefits. Work has an important impact on the mental well-being, relationships, and the possibilities for self-fulfilment and development of an individual (Nurmi 1995). O'Connor (1993, 6) points out that involuntary economic dependence not only prevents individual autonomy but also political participation and therefore the ability to influence policies. Actual policies in turn have a crucial impact on the distribution of welfare between people in general and men and women in particular.

THE AIMS OF THE ARTICLE AND THE DATA USED

The aim of this article is to sketch, with the help of statistics supplied by OECD and Eurostat, an overview of the changes that have taken place in the labour markets of the EU countries during the last three decades. The investigation will focus on three labour market developments that are often argued to be parallel, namely the increase in women's labour market participation, the rise of atypical employment, and the increase in unemployment.

The gender dimension has been integrated into this study. The gender perspective is based on for instance the fact that promoting equal opportunities for men and women is, alongside combating unemployment, one of the main aims of the European Union (Rubery and Fagan 1998). Locating the problems related to inequality between the sexes calls for an analysis that focuses on men and women separately.

The increase in wage labour among women is investigated through women's share of the labour force. The claim that atypical work has increased dramatically is approached through study of part-time and temporary employment. The fall in employment is measured through unemployment rates and the share of long-term unemployment. The changes that have taken place are described both through country comparisons and from the gender perspective. The main questions addressed are: 1. To what extent are the countries studied here different or similar? 2. What are the labour market positions of women and men, and how have they changed during the period under study?

The article then describes the phenomena in question and changes in them. It is not possible to engage in detailed analysis of causes and consequences in this article. The entirety of social policies in existence in any single country (the availability of social services, the tax system, family policies, wage policies, education policies, and so on) has a complex impact both on people's labour market behaviour and on various social rights connected to the different labour market positions (Rubery, Smith, Fagan and Grimshaw 1998). Social policies, cultural inheritance and attitudes determine the factual and attitudinal obstacles, incentives and possibilities for labour market participation, and influence the nature of the gender contract in the private and public spheres.

It is well-known that international comparisons are ridden by a plethora of problems which we need to take into account in assessing the results and conclusions drawn from them. Although commensurability has been striven for long and hard, many factors continue to weaken it. For instance, the way questions are phrased, the statistical methods and times at which measurements are taken vary not only between countries but also in the same country over time. Analysing long-term developments is also complicated by the lack of comprehensive time series for all countries. (van Bastelaer, Lemaître and Marianna 1997; OECD, Employment Outlook 1987, 1993, 1995, 1996.)

Both small differences within the same country over time and between different countries can then be the result of methods and measurements used rather than the result of actual differences between countries and changes in cases. Larger increases and decreases can also be due to changes in statistical methods. (van Bastelaer, Lemaître and Marianna 1997; OECD, Employment Outlook 1987, 1993, 1995, 1996.)

However, the need of international comparisons is evident and these comparisons are worthwhile despite the problems outlined above. By utilising the most comparable statistics available – those from OECD and Eurostat – we can create a sufficiently reliable overview of the changes in labour markets and the relative positions of the sexes in this process.

2. LABOUR MARKET PARTICIPATION

2.1 THE NARROWING GAP BETWEEN MEN'S AND WOMEN'S SHARE OF THE LABOUR FORCE

Participation in wage labour is measured by the labour force participation rate. This indicates what percentage of the population is either employed or unemployed. The slight increase in employment in Europe between 1983 and 1992 was due to an increase in women' participation in the labour force. However, the increase in employment has in many countries come about through part-time employment, and in some cases through very marginal part-time employment (small number of hours worked weekly). (Rubery and Fagan 1998, 38; Eurostat, Social Portrait of Europe 1998, 119 .) In observing labour market participation rates, it is therefore important to bear in mind that the figure includes both part-time and full-time work that are not equally divided between the sexes. Part-time employment will be discussed below.

Comparing the frequency of labour market participation is made problematic also by the fact that in some countries those on long leaves (maternity, parental and study leaves, sabbaticals, long-term illness) are counted as labour force participants, whereas in other countries they are not. For instance, in Sweden those on parental leave are considered employed, in Finland those on care leave that follows parental leave are not. (Rubery and Fagan 1998, 35.)

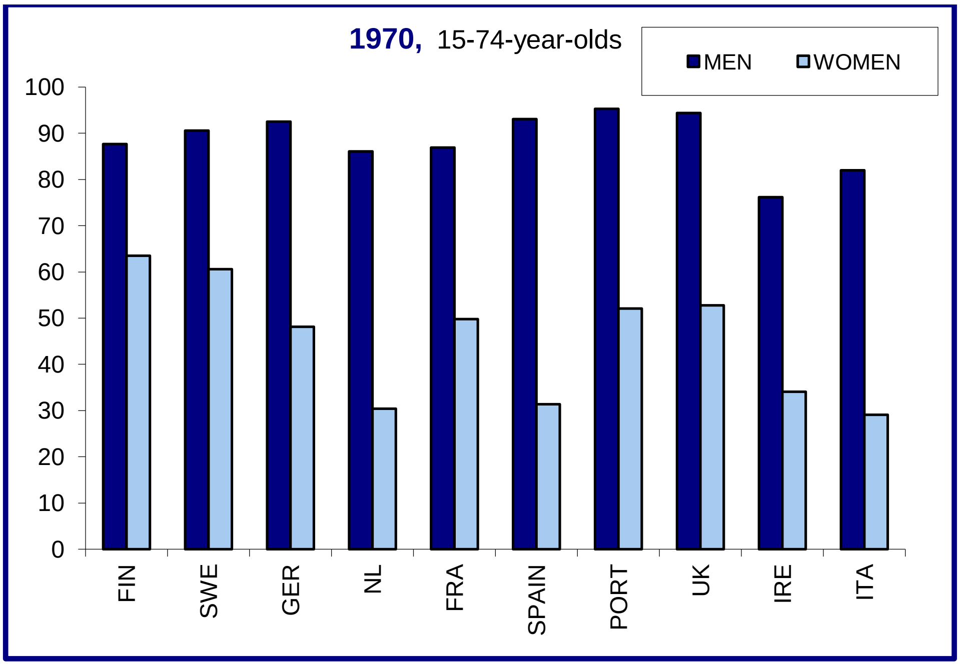
The increase in women's labour market participation rates during the past three decades (in relation to the entire population of working age) and in particular in the entry into paid labour of the mothers of small children is illustrated by figures 1 (for 15-65-year-olds) and 2 (for 25-34-year-olds). The age group that comprises the 25-34-year-olds has been chosen to represent the parents of small children. Age is, of course, not a certain indicator of the family situation, but people's life cycles in relation to establishing a family and caring for small children are to some extent linked to age. The 25-34-year-olds can thus be seen to represent fairly well the parents of small children.

On the basis of the figures, the argument concerning the radical increase in women's labour market participation in general, and the increase in wage labour among the mothers of small children in particular, is shown to be internationally applicable and accurate. The difference between the sexes was in all EU countries considerably greater thirty years ago than now. The increasingly similar level of labour market participation among women and men is due on one hand to an increase in women's paid labour, and on the other hand to a decrease in men's wage labour that has resulted from the development of early retirement systems (EC, Employment in Europe 1995, 9-11). Fewer and fewer young women are therefore following the traditional path of withdrawing from the labour market permanently or for a long period in order to care for the home and children.

The figures indicate also that although women's wage labour has increased in all the countries included in the comparison over the past couple of decades and although labour market positions have in this way become increasingly similar, there are still significant differences between the countries. The difference between the sexes is in international comparison exceptionally small in the Scandinavian countries. The other extreme is represented by Greece, Luxembourg, Italy, Spain and Ireland, where women's labour market participation rate is still under 50 percent of the entire female population of working age, and the participation rates are lower among young women, too, than in the other countries. The relatively low participation rates in Greece, Italy and Spain result from social norms as well as from the patchy statistics on women working in family-owned businesses (Rubery and Fagan 1998).

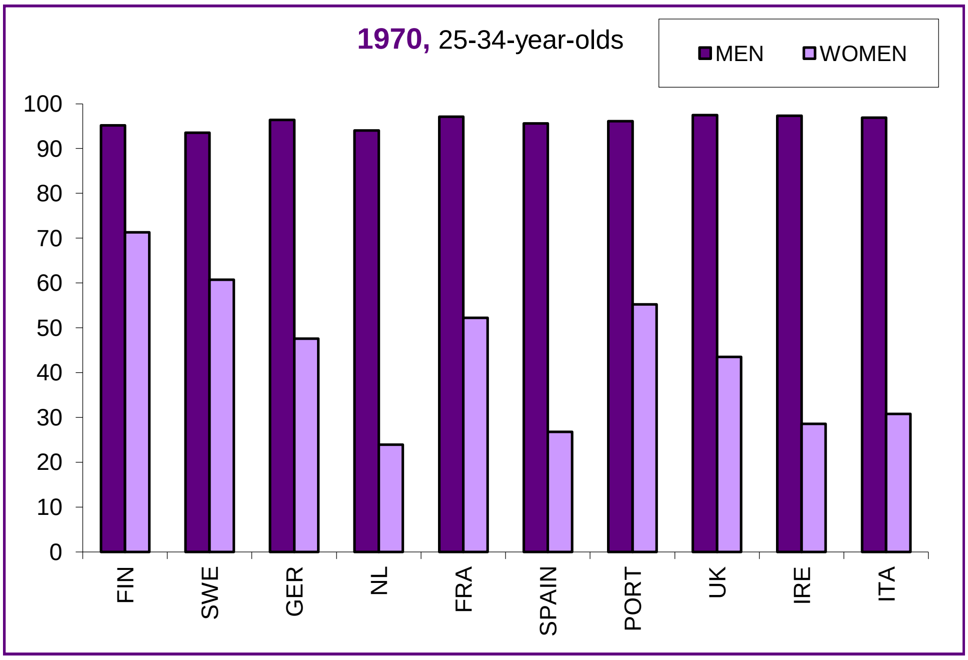
Small children still reduce the economic activity of mothers. Unlike elsewhere in Europe, small children reduce the labour force participation rates of mothers only slightly in the Nordic countries, in France, Austria, Belgium and Portugal. Only once there are three or more children in the family, does the employment among mothers start to fall. With the exception of Portugal, the high labour force participation rates of mothers in these countries are facilitated through a combination of public child care provision, parental leave schemes, reduced hours and part-time employment. (Rubery and Fagan, 1998, 43; Fagan and Rubery 1999, 13.)

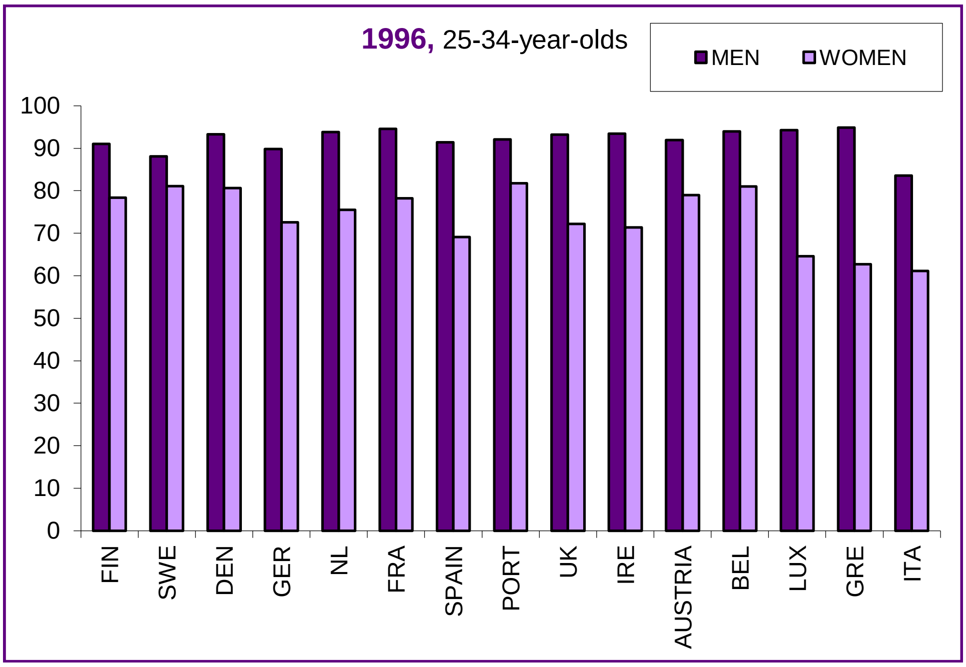
According to Fagan and Rubery it is possible to distinguish five different models of maternal employment which dominate in the different member states: high, full-time involvement (e.g. Portugal, Finland, former east Germany); high involvement with extended leave plus other working- time adjustments (e.g. Denmark, Sweden, Austria, France, Belgium); reduced involvement and short part-time hours (e.g. Netherlands, the UK, former West Germany); reduced but full-time involvement (e.g. Italy, Spain, Ireland, Luxembourg); low full-time involvement for all women (e.g. Greece). (Fagan and Rubery 1999, 15.)



Source: OECD, Labour Force Statistics; OECD, Employment Outlook 1998, 192-193.

Figure 1. Labour force participation rates (15-64/74-year-olds) of men and women in the EU countries in 1970 and 1997 (data for 1970 not available for all countries studied here).


1970, 25-34-year-olds
MEN
WOMEN
100
90
80
70
60
50
40
30
20
10
0
FIN
SWE
GER
NL
FRA
SPAIN
PORT
UK
IRE
ITA


1996, 25-34-year-olds
MEN
WOMEN
100
90
80
70
60
50
40
30
20
10
0
FIN
SWE
DEN
GER
NL
FRA
SPAIN
PORT
UK
IRE
AUSTRIA
BEL
LUX
GRE
ITA

Source: OECD, Labour Force Statistics (ITA=25-29).

Figure 2. Labour force participation rates (25-34-year-olds) of men and women in the EU countries in 1970 and 1996 (data for 1970 not available for all countries studied here).

If the frequency of women's participation in wage labour is examined in a welfare matrix (Esping-Andersen 1990, 1992, 1996a and b; Ferrera 1996; Leibfried 1993; Siaroff 1994), the welfare state regime acts as a fairly strong determinant, albeit with exceptions. Women's labour force participation is most common in the Nordic countries (the social democratic model), second most common in the Anglo-Saxon countries (the liberal welfare model), followed by the Central European countries (conservative-corporatist model). Women's labour force participation is lowest in the countries belonging to the Southern European welfare model (Spain, Ireland, Italy, Greece). Portugal forms an exception here. (Nurmi 1998a and b.)

In all welfare models the employment levels among the mothers of small children (25-34-year-olds) and the mothers of school-age children (35-44-year-olds) increased very dramatically until the mid-1980s after which the increase became less steep. The recession is visible in the downward trends in some countries, but not in all. Generally speaking it seems that the recession of the early 1990s – on the basis of information available until 1996 – did not have an internationally uniform impact on employment levels among women.

Hence the 1990s recession – contrary to expectations – did not force women en masse or permanently back home from the labour market. This is the case even in those countries (Finland, Sweden and Denmark) where women's labour market shares declined for several consecutive years. (Nurmi 1998b.)

Changes in labour force participation rates can vary between age groups even within one country. For instance, the labour force participation rate of 25-34-year-old women declined for several consecutive years during the recession only in Finland, Sweden and Denmark. In the other countries compared here, the increase continued on an earlier path or less steeply.

2.2 Increasingly uniform life patters of women

Comparing labour market participation in different age groups reinforces the argument of the changed importance of wage labour among women. Wage labour and care work at home have traditionally alternated in women's lives in accordance with the demands of family and child care. In 1970, this traditional pattern is evident in all countries and is all welfare state models.

School is followed by entry into the labour force, and at this stage women's labour market participation is high. The participation rate sinks among the 25-34-year-olds as women get married and stay at home to look after small children. The curve goes up again as the mothers of older children return to the labour market and sinks again as retirement reduces participation rates. (Nurmi 1998a and b.)

There are, however, significant differences in this so-called M-curve between the different welfare state models. The decline in the rates among the mothers of young children was significantly lower in the Nordic countries than in the other countries in 1970. The shape of the curves also varied between the welfare state models, indicating the extent to which, and at what stage, women returned to the labour market. (Nurmi 1998a and b.)

The curves for 1996 are in all countries higher than those for 1970. This reflects the fact that women's labour market participation has increased in all countries and in all welfare state models with the exception of the two oldest age groups. In many countries, the curve indicating labour market participation has also changed its shape. (Nurmi 1998b.) The overview shows that by 1996, the significance of paid labour for women has radically changed in all countries. The M-curve has disappeared or is about to disappear. The change has been most drastic for women in the Central and Southern European countries. (Nurmi 1998a and b.)

The exceptionally high levels of labour market participation among women in the Nordic countries has been explained by the double bind between women and the state: the public sector has provided women with jobs, and the high coverage of public care services for the elderly and for children has enabled women to undertake paid employment. Other social structures and systems, such as separate taxation of spouses, good provisions for maternity and parental leave and flexible possibilities for temporary exit from the labour market have encouraged women to enter the labour market. Parallel to advancing equality in general, the Nordic welfare model has also promoted equality between the sexes in a more determined fashion than the other models. It has been possible for women to combine work and family life. (Gornick, Meyers and Ross 1996, 26; Siaroff 1994.)

Low levels of labour market participation have been argued to result from the social structures (tax and income transfer systems, underdeveloped social services, attitudinal climate) in Central and Southern Europe which have not encouraged women's labour market participation or indeed have made it more difficult (Anttonen and Sipilä 1994, 1996; Gornick, Meyers and Ross 1996; Gustafsson 1994; Kamerman and Kahn 1981; Siaroff 1994).

High levels of female labour force participation have been reached without expanded employment in the public sector, too. In the USA, women have been employed first and foremost in the large private services sector, in Portugal both in agriculture and in industry

(EC, Bulletin on Women and Employment in the EU 1996 (9), 2). That Portuguese women maintain a high level of employment when mothers despite then absence of public policy to support this arrangement indicates the important effect of other economic and political factors on the way in which women are involved in the waged economy (Fagan and Rubery 1999, 14). In Portugal, a large share of the workforce is in the agricultural sector, with women often working 'from home' on a self-employed basis connected with family farms, which may help the co-ordination of employment with family life (Rubery and Fagan 1998, 14).

The relatively high female labour force participation rates in countries of the liberal welfare state model have been explained by both ‘push’ and ‘pull’ factors. Women are ‘pushed’ onto the labour market by the lack of family benefits and the low levels or absence of public social security. The ‘pull’ factor has been the relatively gender equal labour markets (Siaroff 1994, 90-98). Women’s participation in the labour market is, however, made more difficult by the lack of affordable, public child care services. (Gustafsson 1994; Esping-Andersen 1996, 67-72.)

All in all, public policies, that is to say the different ways in which welfare state models function, do have an impact, but only a limited one. Women enter the labour market with the support of the structures that encourage their labour force participation, or despite policies that make it more difficult to enter the labour market. The explanatory power of encouraging or discouraging structures is partly inconsistent. There are also notable differences between countries that have been grouped in the same welfare state model both in female labour force participation rates and in the structures that encourage labour market entry. (Nurmi 1998a.)

3. PART-TIME EMPLOYMENT

3.1 Definitions

Labour force participation rates include both full-time and part-time employment. The share of part-time employment plays a central role in comparisons of labour market positions and the changes that have taken place in labour market positions. There are, however, numerous problems associated with the international comparisons of part-time employment.

First, part-time employment is defined in relation to full-time employment: the hours in part-time employment are considerably shorter than in normal full-time employment. 'Normal full-time employment' in turn is regulated in ways that differ between industries, occupations and countries. Diversity is also increased by the fact that in some countries the respondent him/herself decides whether s/he is in full-time or part-time employment; in some countries hour thresholds are employed to draw the line between full-time and part-time employment (the most common thresholds being 30 or 35 hours per week). The general practice in the EU is that the part-time/full-time delineation is based on respondent's own classification. Part-time work is also a very heterogeneous category as it varies from a couple of hours per week to almost the number of hours worked per week by those in full-time employment. (van Bastelaer, Lemaître and Marianna 1997, 5-12; OECD, Employment Outlook 1995, 211.)

For instance in Denmark and in the Netherlands over a quarter and in Finland and the UK a quarter of part-time employment consists of so-called marginal part-time employment where the weekly number of hours worked is 1-10 hours (Eurostat, Labour Force Survey 1996). The position of these workers is on the whole weaker (lower wages, worse working conditions) than the position of part-time employees working longer hours (Rubery and Fagan 1998, 35).

Differences between countries are also brought about by differences in the questions posed, for instance in some countries the respondents are asked whether they usually work part-time or full time whereas in others they are asked to state the actual weekly hours worked when they fill in the questionnaire. Surveys are not carried out at the same time of the year in all countries which also weakens commensurability. Establishing reliable trends is made difficult by the lack of long time series from all the countries as well as by the fact that statistical methods change over time within countries, too. 'Ups' and 'downs' in curves can therefore result from changing methods of data gathering and statistical analysis. (van Bastelaer, Lemaître and Marianna 1997, 5-12; OECD, Employment Outlook 1995, 211.)

The problems of comparison are illustrated by the data from 1996 (Employment Outlook 1997, 177-78) where the application of the 30 hour threshold instead of the national criteria changes the share of part-time employment significantly in many countries (both upwards and downwards). The greatest difference emerges in the case of Sweden: the share of part-time employment declined from 23,6 percent to 14,8 percent. Among women, the share dropped from 39 percent to 23,5 percent and among men, from 9,3 percent to 6,7 percent. In the Netherlands, too (for women, from 66,1% to 55,4% and for men, from 16,1% to 11,3%), the drop is remarkable for both sexes. In contrast, in Denmark the drop is considerable only in the case of women (for women, from 34,5% to 24,2% and for men, from 10,8% to 10,2%). The change in the definition of part-time employment brings about the biggest increase in the share of part-time employment in Greece (for women, from 8,4% to 13,7% and for men, from 2,8% to 4,7%) and in Italy (for women, from 12,7% to 20,9% and for men, from 3,1% to 4,7%). In its 1998 Employment Outlook, the OECD has adopted the threshold of 30 hours per week.

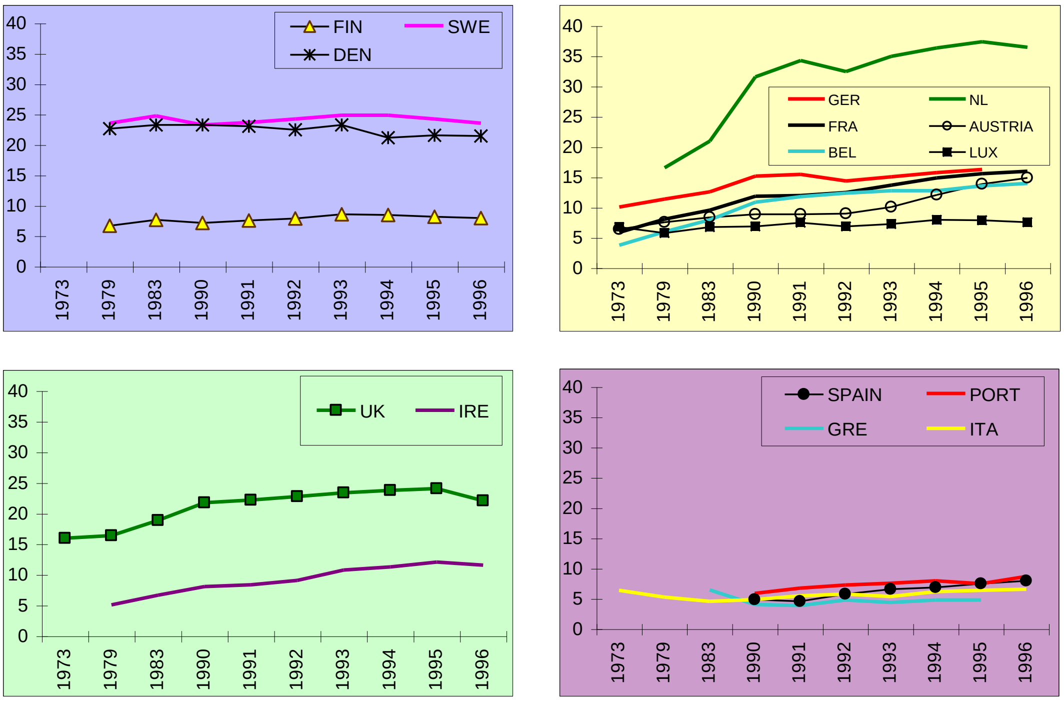
This article relies primarily on the OECD figures based on national definitions because these are available for a longer period of time. In the case of Finland this means that part-time employment is defined on the basis of the 30 weekly hours-criteria. According to Statistics Finland (the Central Statistical Bureau), it is not possible to produce material for 1997 that would be comparable with the time series used in this article.

The reason for this is that there were changes in labour market research in 1997 that increased both the levels of full-time and part-time employment. On the basis of the data for 1997, 128 000 women and 74 000 men were regularly engaged in employment for less than 30 hours per week. In the 1996 data, the corresponding figures are 112 000 women and 63 000 men. According to previous labour market research, there were 109 000 women and 59 000 men in part-time employment in 1996 (Statistics Finland). It therefore seems that the share of part-time workers has increased since 1996 both among men and among women.

The share of the part-timers increases when we allow the respondent him/herself to decide whether s/he works the standard hours in the trade or profession (full-time) or less than the standard hours (part-time employment). When this method is applied, there is no definite number of weekly hours that is used to define part-time employment. Using this method, the number of part-time employed women in 1997 was 157 000 and part-time employed men 80 000. According to Statistics Finland, it is not possible to obtain corresponding figures retrospectively.

3.2 Is part-time employment increasing everywhere?

In the light of the development of part-time employment between 1973 and 1996 (Figure 3) the argument that part-time has increased continuously and strongly in the 1980s and in particular in the 1990s is not supported by all the country cases studied here, although it does correctly describe the situation in many countries.



Source: OECD, Employment Outlook, various years.

Figure 3. Part-time employment as a proportion of total employment (women and men), 1973-1996 (national definitions).

There is a clear upward trend in the Nordic countries in the early 1980; after this the share of part-time employment remained relatively stable until the early 1990s when it increased slightly. After the end of the deepest recession, the share has decreased slightly.

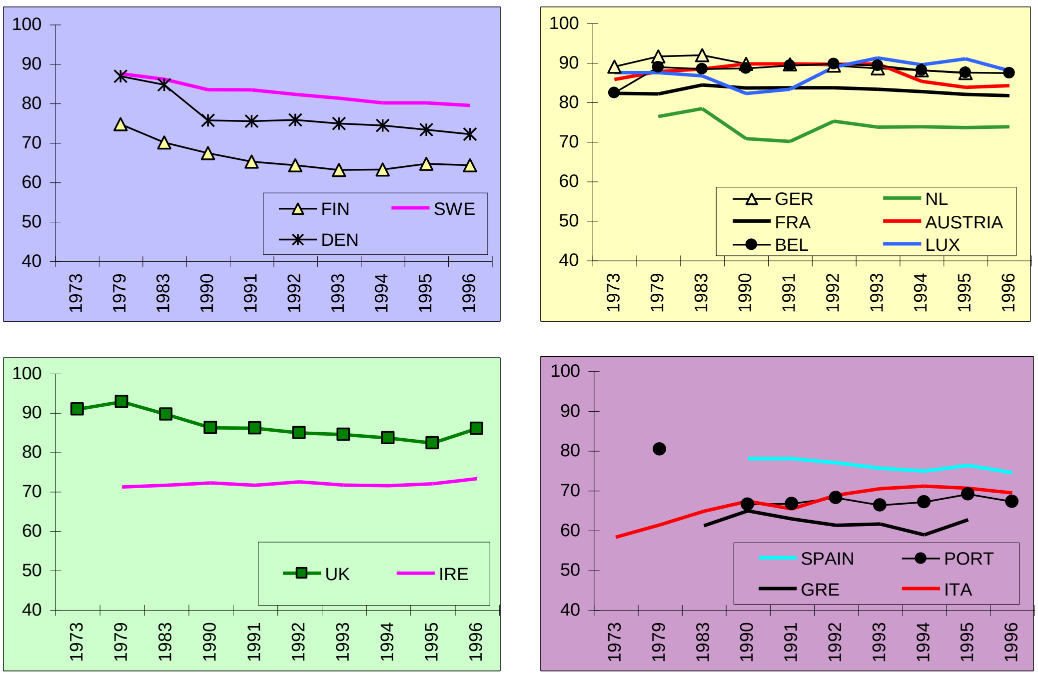
The general trend in Central Europe has been upward. Between 1979 and 1996, the share of part-time employment has increased significantly in the Netherlands, Ireland, the UK, Belgium, Austria and France. The data for Spain (which exists only for the 1990s) shows a steady increase in part-time employment.

All in all, the share of part-time employment in total employment varies significantly between the EU countries. Part-time employment is exceptionally common in the

Netherlands where one third of all employment is part-time. A relatively high share – less than a quarter – obtains also in the UK and in the Nordic countries (with the exception of Finland). The share of part-time employees is exceptionally low (under 10 percent) in the Southern member states of the EU as well as in Finland and Luxembourg.

Women's part-time employment

Part-time employment is one of the most important indicators of the differential labour market positions of men and women. In all countries, 70-90 percent of part-time work is done by women (Figure 4). In most EU countries, part-time work is first and foremost a solution for (married) women with children; these women are more likely to be in part-time employment than women without a family of their own (EC, Social Protection in Europe 1995, 141; Fagan and Rubery 1999, 14-15). The entry of women into the labour market, and in particular of those women with family responsibilities, has in some countries taken place through part-time employment. However, part-time employment does not in all cases explain the high female labour force participation rates. (Nurmi 1998a; Rubery and Fagan 1998, 64.)



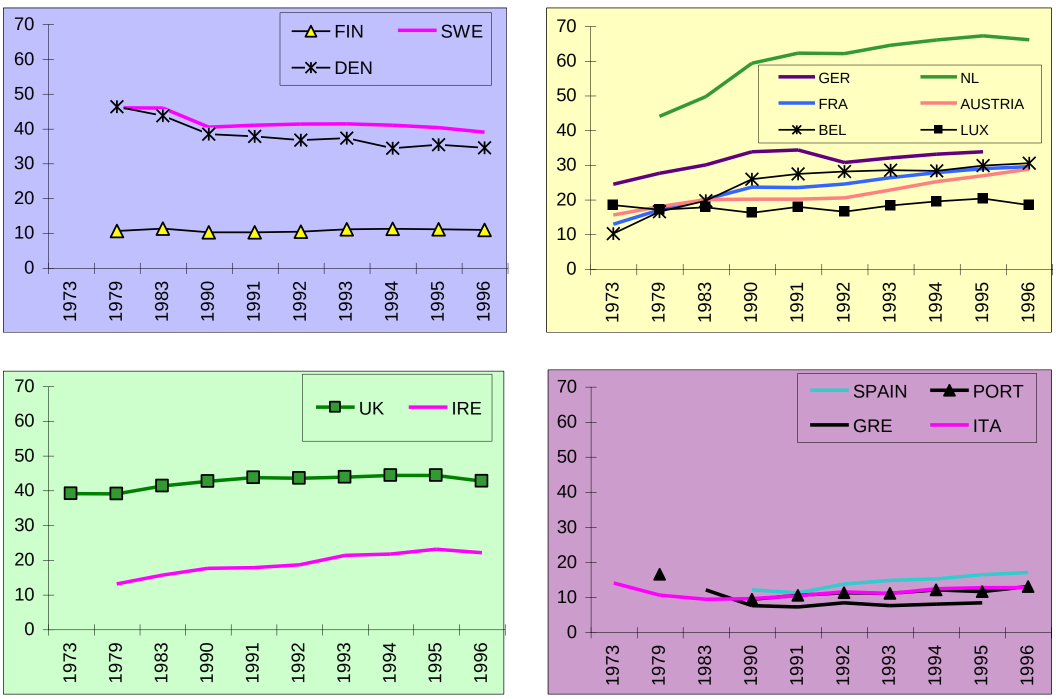
Source: OECD, Employment Outlook, various years.

Figure 4. Women's share in part-time employment 1973-1996 (national definitions).

It has been assumed that structural changes in labour markets in general, and the 1990s recession in particular heightened the 'female' character of part-time employment. Contrary to these estimates, women's share of part-time employment (as measured on the basis of the national definitions) declined somewhat in the 1980s and in the 1990s in a number of EU countries, for instance in the Nordic countries and the UK. All in all, there has been no remarkable new, gendered division of labour in one direction or another. Part-time employment continues to characterise the labour market position of women.

Prevalence of part-time employment among women and men

Part-time work is therefore as a rule undertaken by women in all the countries studied here. In contrast, the share of part-time employment in the total female employment varies considerably both between countries and within welfare state models. Part-time employment is exceptionally common among Dutch women of whose paid employment nearly 70 percent consists of part-time work (Figure 5). In the EU, part-time employment is also common among Swedish, Danish, British and German women. Female part-time employment is lowest in Greece (8,4%). In Finland, Italy, Portugal, Spain and Luxembourg, too, the share of part-time employment is relatively low, under 20 percent.



Source: OECD, Employment Outlook, various years

Figure 5. Part-time employment as a share of female employment 1973-1996 (national definitions).

The proportion of part-time work of all labour performed by women has steadily increased between 1979 and 1996 in Ireland, the Netherlands, France, Belgium and Austria. In the remaining countries this share has either declined (Sweden, Denmark), remained more or less stable or vacillated somewhat. Spain, the Netherlands, Ireland, Austria and France have had an upward trend in the 1990s.

The share of part-time employment in men's employment remains in most EU countries below 5 percent and this share has grown only modestly during the past couple of decades. In the Netherlands, men's as well as women's part-time employment is exceptionally common: 15 percent of male employment is part-time. In the Nordic countries – with the exception of Finland – the share is approximately 10 percent.

Change in the gender division

Comparison of 1979 and 1996 indicates that the division between the sexes (the share of part-time employment of women's/men's employment) has grown significantly smaller in Sweden and Denmark, and somewhat smaller in Greece and Finland. The situation has remained unchanged in Luxembourg and the UK. The difference has grown in the other EU countries. In Belgium, the Netherlands, France, Austria and Ireland the difference between men and women was considerably bigger in 1996 than in 1979.

However, as we saw above, the change in the definition of part-time employment from the national definition to the 30-hour criteria brought about significant increases or decreases in the share of part-time employment in some countries.

In addition to the predominantly 'female' character of part-time employment, international comparisons reveal that part-time employment is concentrated in traditionally female-dominated occupations and in particular in services (Eurostat, Labour Force Survey 1997; Rubery and Fagan 1998, 52-64) and the public sector, although with significant variation between cases. Finland forms an exception to the general pattern as part-time employment has been more common in the private than in the public sector (Julkunen and Nätti 1994, 129; Labour force statistics 1995).

3.3 Explaining the differences between countries

The differences in part-time employment between the country cases explored here are brought about by a multitude of causes that are intertwined in diverse and complex ways. Changes in the demand and supply of labour and institutional differences have been highlighted as central explanatory factors. Research on gender equality has stressed the importance of institutional factors. Actual social policies, such as tax, income transfer and social service systems act as incentives and obstacles. The availability of affordable child care services has been identified as a particularly important factor. (Nurmi 1998a, 92-94.)

Attitudes, such as cultural expectations regarding the correct, suitable and desirable behaviour influence the choices made by individuals. Differences between countries have also been argued to result from the control mechanisms of paid employment: the forms of control and the degree of strictness guide the behaviour of the labour market participants. (EC, Social protection in Europe 1995, 141; Nurmi 1998a, 92-94; Rubery and Fagan 1998, 64-66.) All in all, no single variable appears to provide a general and consistent account of the differences between countries.

Voluntary or reluctant

It is essential from the point of view of an individual's well-being whether s/he engages in part-time employment on the basis of his/her own choice or as a result of the restrictions imposed by the labour market. Eurostat labour force survey casts some light on this questions as it investigated the reasons behind opting for part-time employment. The alternatives given were 1) undergoing school education/training, 2) own illness/disability, 3) could not find full-time job, 4) did not want full-time job, 5) other reasons and 6) no reason. (Eurostat, Labour Force Survey, various years.)

Taking the EU as a whole, the most important reason for part-time employment (58,8%) in 1997 was the unwillingness to take up a full-time job. This was the case much more frequently among female part-timers than male part-timers (Figure 6a-b). The second most common (19,7%) reason for part-time employment was the failure to find full-time employment (Figure 7a-b). Education was the reason for part-time employment only for 10 percent of the respondents. The differences between the sexes is clear here, too: 23 percent of men and 6 percent of women were in part-time employment because of education. Other reasons for part-time employment were given by 7-8 percent of men and women. Two percent of women and five percent of men were in part-time employment due to illness or disability. There are important differences between the countries in all cases. (Eurostat, Labour Force Survey 1997, 138.)

Part-time employment can be considered employee-friendly and voluntary flexibility when it is taken up as a preferred alternative to full-time employment. However, we need more information on why part-time employment is considered more desirable. There are many possible reasons. For women, the reason is often the difficulty of combining full-time work and family life. In this case, part-time employment appears to fit women's needs, but the decision to opt for part-time employment can to a great extent be dictated by practicalities (such as the lack of affordable child care services) and cultural norms. The social security system can also favour part-time employment at the cost of full-time work by compensating for the economic losses incurred by part-time work.

Part-time employment is involuntary when the employee has not managed to find full-time employment which would have been the preferred alternative. Interpreted in this sense, the voluntary nature of part-time employment is presented in figure 6a-b and the reluctance to work part-time in figure 7a-b.

Women engage voluntarily in part-time employment considerably more frequently than men. In 1997, 35 percent of male part-timers and 65 percent of female part-timers did not want full-time employment. In Italy, Spain, Belgium, Portugal, Austria and Finland the difference between the sexes is small, but in the remaining countries it is significant. Voluntary part-time employment is somewhat more common among men than among women only in Portugal and Austria.

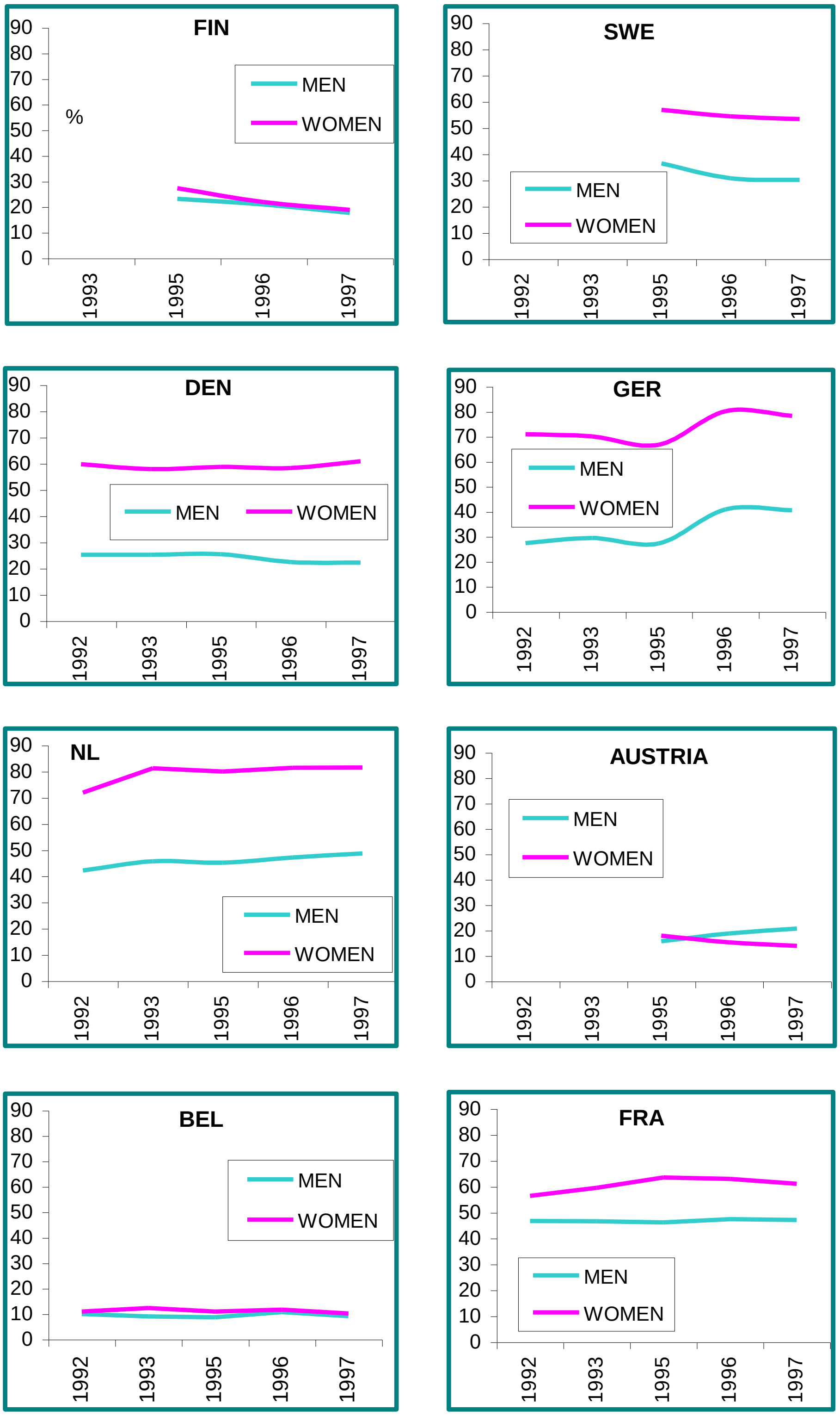
The figure indicates that the degree to which part-time employment is voluntary varies significantly between countries. In Spain, Belgium and Portugal, part-time work is rarely undertaken because it is preferred over full-time employment. The opposite situation prevails among the part-time employed women of the UK, the Netherlands and Germany who as a rule do not want full-time work. In these countries, as well as in Denmark, the difference between the sexes is exceptionally big.

Within the EU, approximately 27 percent of the men and less than 18 percent of the women engaged in part-time employment have opted for part-time status because they have not managed to find full-time work. This is used as the measure of reluctance, or involuntary nature of part-time employment. However, the situation varies between countries as well as between men and women. In the Netherlands and Austria the percentage of reluctant part-time workers is minimal among respondents of both sexes; involuntary part-timers form a relatively small share of both men and women in part-time employment in Germany and Denmark, too.

The largest numbers of reluctant part-timers are found among men, and the smallest numbers among women. Half of male part-time workers in France, Greece, Italy and Ireland find their part-time status undesirable. Largest shares of involuntary female part-time workers (40%) are found in Finland and France. Male part-timers in Belgium and female part-timers in Italy and Greece are more reluctant than the EU average. The least reluctant part-time workers are found among women in the Netherlands, Austria and the UK.

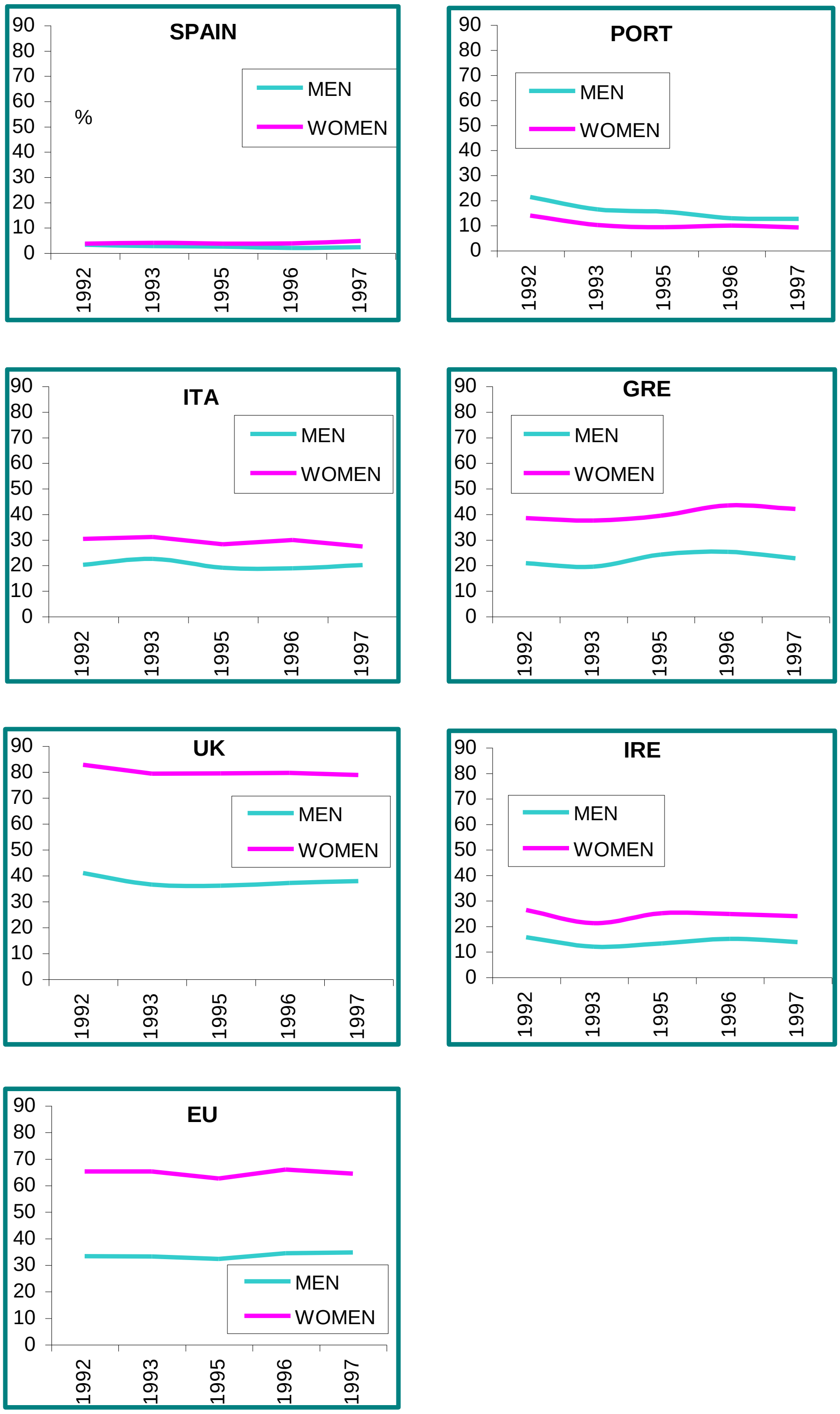
The reluctance to engage in part-time employment has become more widespread in the 1990s, especially in France, Spain and Germany. The opposite trend prevails in Ireland, the UK and Finland.

In summary, there are significant differences between both the countries and the sexes in relation to the voluntary or involuntary character of part-time employment. In the light of the indicators used here, part-time work is more often voluntary than involuntary. Men engage in part-time work more reluctantly than women. In some countries studied here, as many as half of the male part-timers would prefer full-time employment.



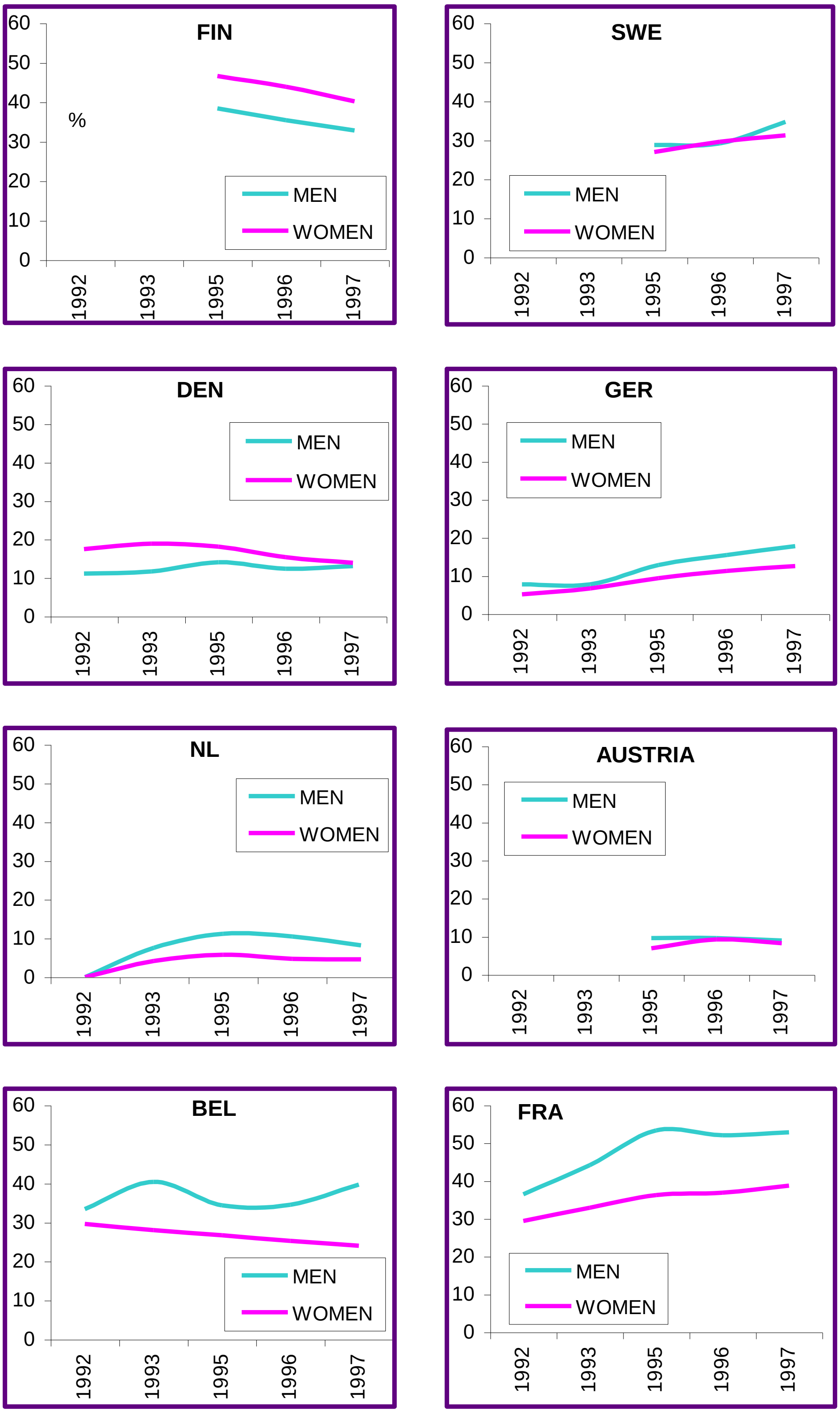
Source: Eurostat, Labour Force Survey, various years.

Figure 6a.The voluntary character of part-time employment in the EU countries, 1992-1997. The percentage share of those part-timers who stated that they opted for part-time employment because they did not want to work full time.



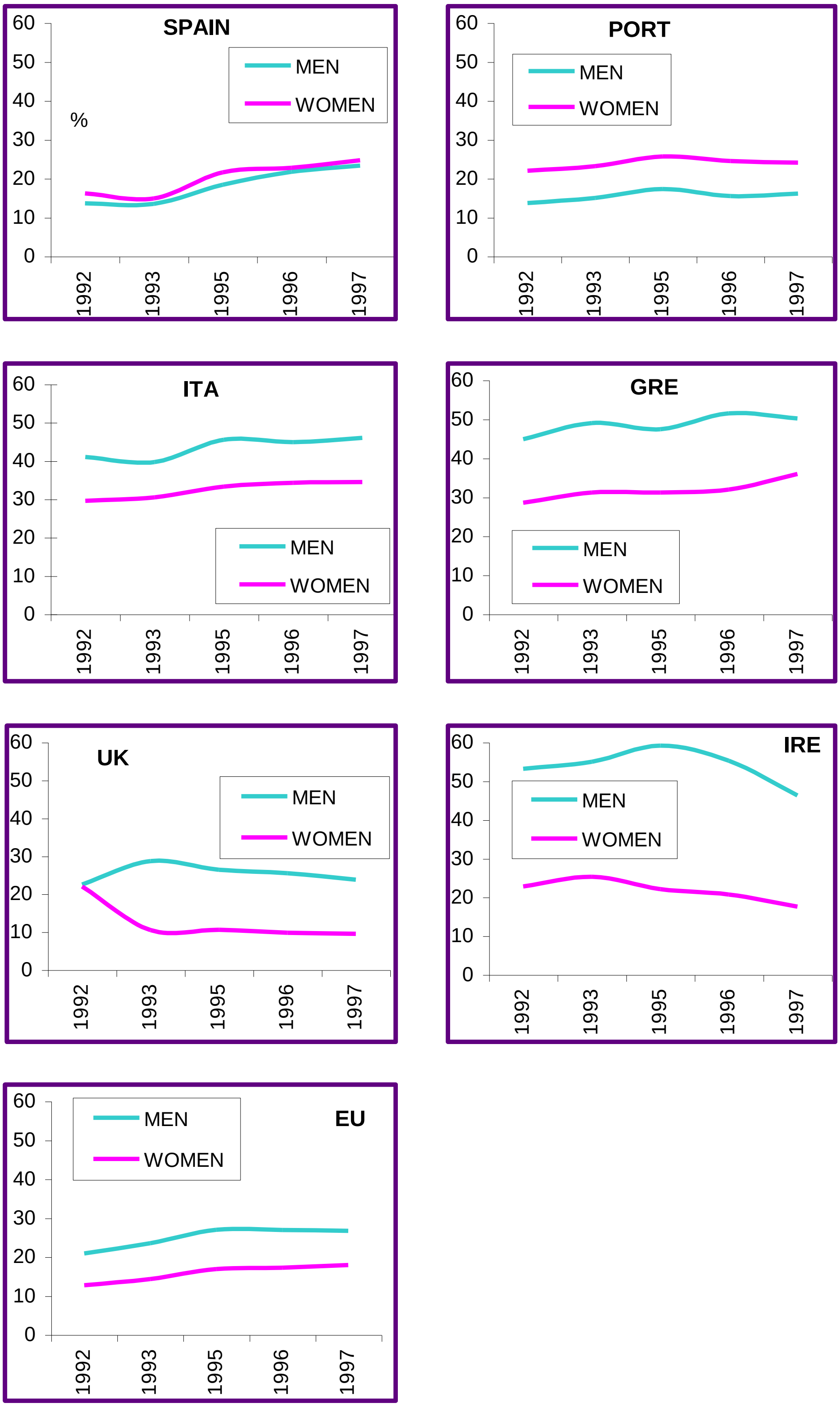
Source: Eurostat, Labour Force Survey, various years.

Figure 6b. The voluntary character of part-time employment in the EU countries, 1992-1997.
The percentage share of those part-timers who stated that they opted for part-time employment because they did not want to work full time.



Source: Eurostat, Labour Force Survey, various years.

Figure 7a. The involuntary character of part-time employment in the EU, 1992-1997. The percentage share of those part-timers who stated that they opted for part-time employment because they had failed to find full-time employment.



Source: Eurostat, Labour Force Survey, various years.

Figure 7b. The involuntary character of part-time employment in the EU, 1992-1997. The percentage share of those part-timers who stated that they opted for part-time employment because they had failed to find full-time employment.

4. TEMPORARY EMPLOYMENT

Alongside part-time employment, temporary work is an important form of atypical, flexible employment. As with part-time work, international comparisons of temporary work are made difficult by the factors outlined above. Furthermore, the definitions and regulations concerning temporary work differ considerably between countries and vary across time. As a consequence, the results and conclusions presented here are only preliminary attempts to make out the extent of changes. (OECD, Employment Outlook 1993, 20; 1996, 6-7.)

Generally speaking, employment is considered temporary if its duration is limited by objective reasons. In permanent employment, or in those cases where the end of the employment is not clearly defined, the duration of employment is not determined, whereas in temporary employment it is.

The differences in temporary employment patterns between countries and across time are explained by a number of factors, such as occupational structure, employment legislation, economic circumstances, and cultural norms.

4.1 Temporary work is increasing

Even when we account for the differences in definitions, the share of temporary employment varies greatly between the EU countries (Figures 8a and b). In 1997, approximately 12 percent of all employees in the EU countries were engaged in temporary work contracts. The share of temporary employees was low – no more than 8 percent of all employees – in Luxembourg, Italy, Belgium, the UK and Austria. Temporary jobs were exceptionally common in Spain. In Finland, too, there were more temporary workers than in the EU on average. (Eurostat, Labour Force Survey 1997.)

Contrary to the common belief, the share of temporary work of total employment has not increased significantly in most EU countries between 1983 and 1994. Furthermore, no clear pattern emerges of the developments in this period. In some countries the share of temporary work increased, in others it declined. (OECD, Employment Outlook 1996, 6-8, 19-20.)

Generally speaking, the differences between countries were smaller in 1983 than in the 1990s. In 1983, the share of temporary employment was highest in Greece (16,2%) and in

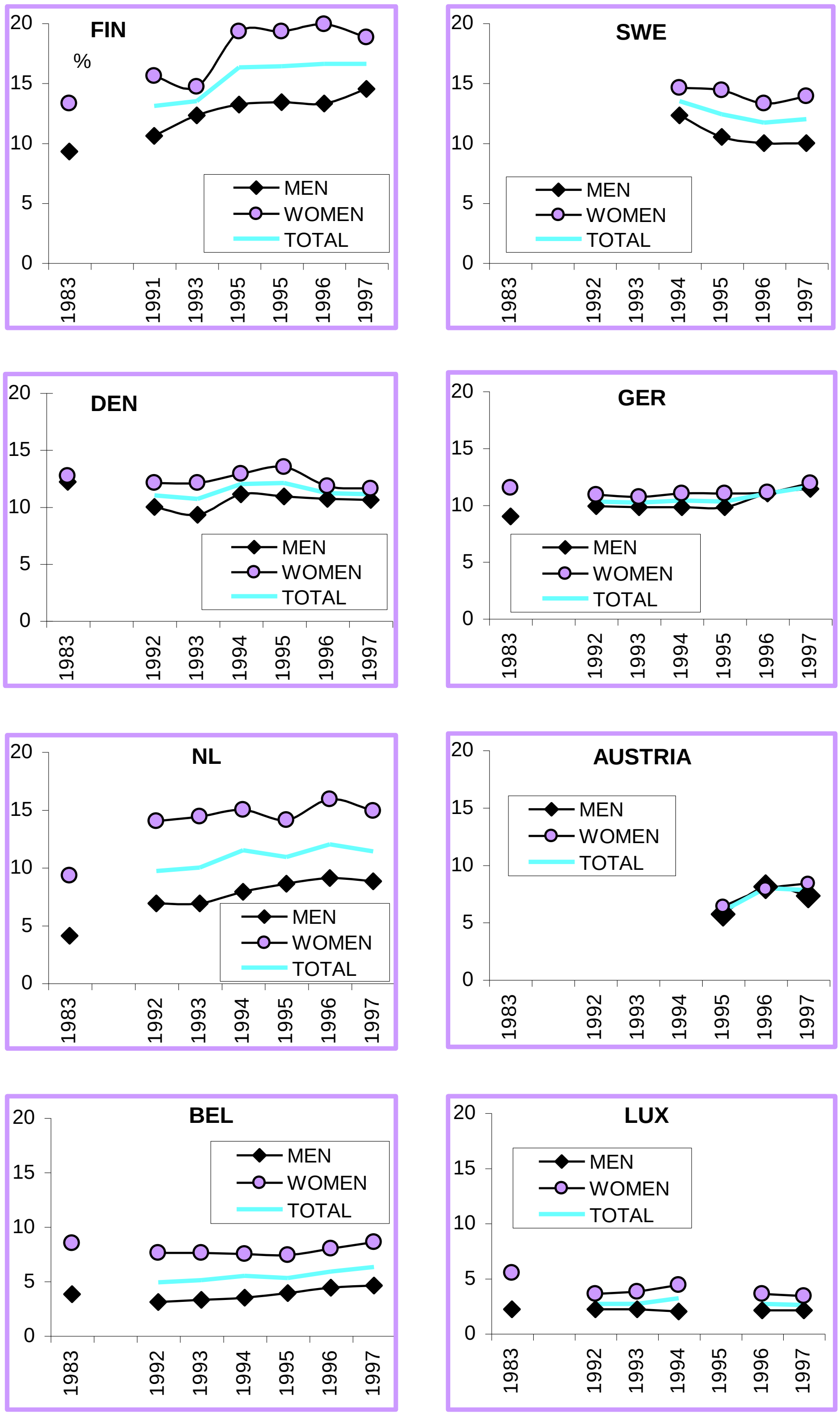
Spain (15,5%). In 1997, temporary employment was most common in Spain (33,6%), followed by Finland (17%).

The profile of changes between 1983 and the 1990s is uneven. Temporary employment has become more common in most countries examined here. This trend has been particularly strong in Spain, and only slightly less strong in France, the Netherlands, Ireland and Finland. In contrast, temporary employment has clearly declined in Portugal and Greece. In the case of Portugal, however, the share of temporary employment rose again in 1997. In some countries, the variations in temporary employment in one direction or another have been relatively small or insignificant.

Differences between men and women

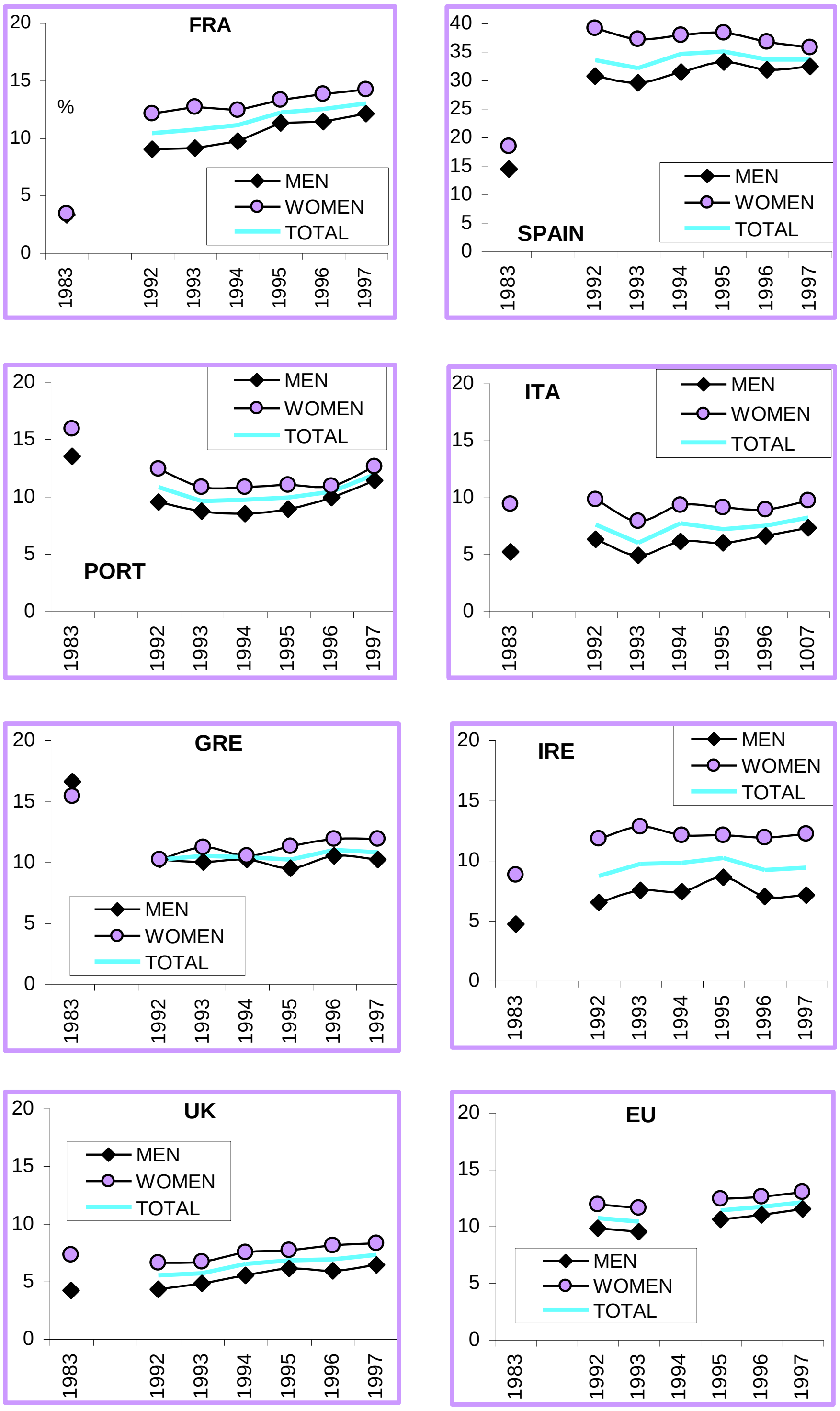
Figure 8a-b indicates that temporary employment is more common among women than among men, although the difference is less pronounced than in the case of part-time employment. Only in Greece, in 1983, was temporary employment more widespread among men than among women, but by the 1990s the differences between men's and women's temporary employment reflected the pattern evident in the other countries. The gap between female and male temporary employment had become insignificant in Germany and Austria in the 1990s.

In most countries the pattern of change – increase or decrease in temporary employment – is similar for women and men. Insofar as there are differences between women's and men's temporary employment, they have been negligible. In Finland, however, the difference between women's and men's temporary employment clearly grew during the worst years of the recession. In the mid-1990s, this gap is narrowing as part-time employment is decreasing among women and increasing among men. In Spain, too, the gender gap has narrowed in a similar fashion.



Source: OECD, Employment Outlook 1996, 7-8; years 1983 and 1994. Figures for other years are based on the author's own calculations that are in turn based on Eurostat Labour Force Surveys 1992-93 and 1995-97 (For Austria, data exists only from 1995 onwards, and for Sweden from 1994 onwards. Note also the different scale in the figure for Spain).

Figure 8a. Percentage share of temporary employees of male and female employees in 1983 and 1992-1997.



Source: OECD, Employment Outlook 1996, 7-8; years 1983 and 1994. Figures for other years are based on the author's own calculations that are in turn based on Eurostat Labour Force Surveys 1992-93 and 1995-97 (For Austria, data exists only from 1995 onwards, and for Sweden from 1994 onwards. Note also the different scale in the figure for Spain)

Figure 8b. Percentage share of temporary employees of male and female employees in 1983 and 1992-1997.

Temporary work concentrated in some groups

As with part-time employment, temporary work is concentrated in some groups of employees. The main explanatory factor for the share of temporary work lies in the employee's age: the share of the temporarily employed is smaller in older age groups. An industry breakdown reveals that temporary work is concentrated in seasonally fluctuating industries such as agriculture and construction, but it is widespread also in the service sector. Temporary arrangements are fairly common in white-collar and office work and in the public sector, and less common among blue-collar workers and those employed in manufacturing. New employment contracts, too, are frequently temporary. (Bruegel and Hegewisch 1994, 49-50; Eurostat, Social Portrait of Europe 1998, 122; OECD, Employment Outlook 1993, 23; 1996, 8; Sutela 1998, 38-41.)

Overlap of part-time and temporary employment

There is often an overlap between part-time and temporary work, which reinforces the 'female' nature of temporary employment. In comparison with full-time work, a considerably greater share of part-time work is carried out in temporary contractual arrangements (Eurostat, Social Portrait of Europe 1998, 122). There are notable differences between countries in this respect. In 1991, the share of temporary workers in part-time employment was small (10-15%) in Germany, the Netherlands, Denmark, Belgium and the UK. The polar opposite (45-69% of part-time employment temporary) was represented by Greece, Spain, Italy and Ireland. The overlap was considerable in Portugal and Finland, too: over one third of part-time workers were on temporary contracts. (OECD, Employment Outlook 1993, 22.)

4.2 Voluntary and reluctant temporary workers

Data from the Eurostat Labour Force Survey is used to assess whether temporary employment primarily serves the needs of employers or employees. This survey charted the reasons for temporary employment by asking respondents to indicate why they opted for temporary employment. The respondents chose from: 1) contract covering a period of training, 2) could not find permanent job, 3) did not want permanent job, 4) contract for probationary period and 5) no reason given. The results of these surveys are available mostly only for the 1990s and there is still no data for all countries and all the possible reasons for temporary employment. (Eurostat, Labor Force Survey 1992-1997.)

The employment situation can be considered involuntary when the respondent indicates the failure to secure permanent employment as the reason for temporary employment.

Temporary work is voluntary when the respondent says that s/he does not want a permanent job. Measured in this way, Figures 9a and b indicate the involuntary character of temporary employment and Figures 10a and b the voluntary character of temporary work.

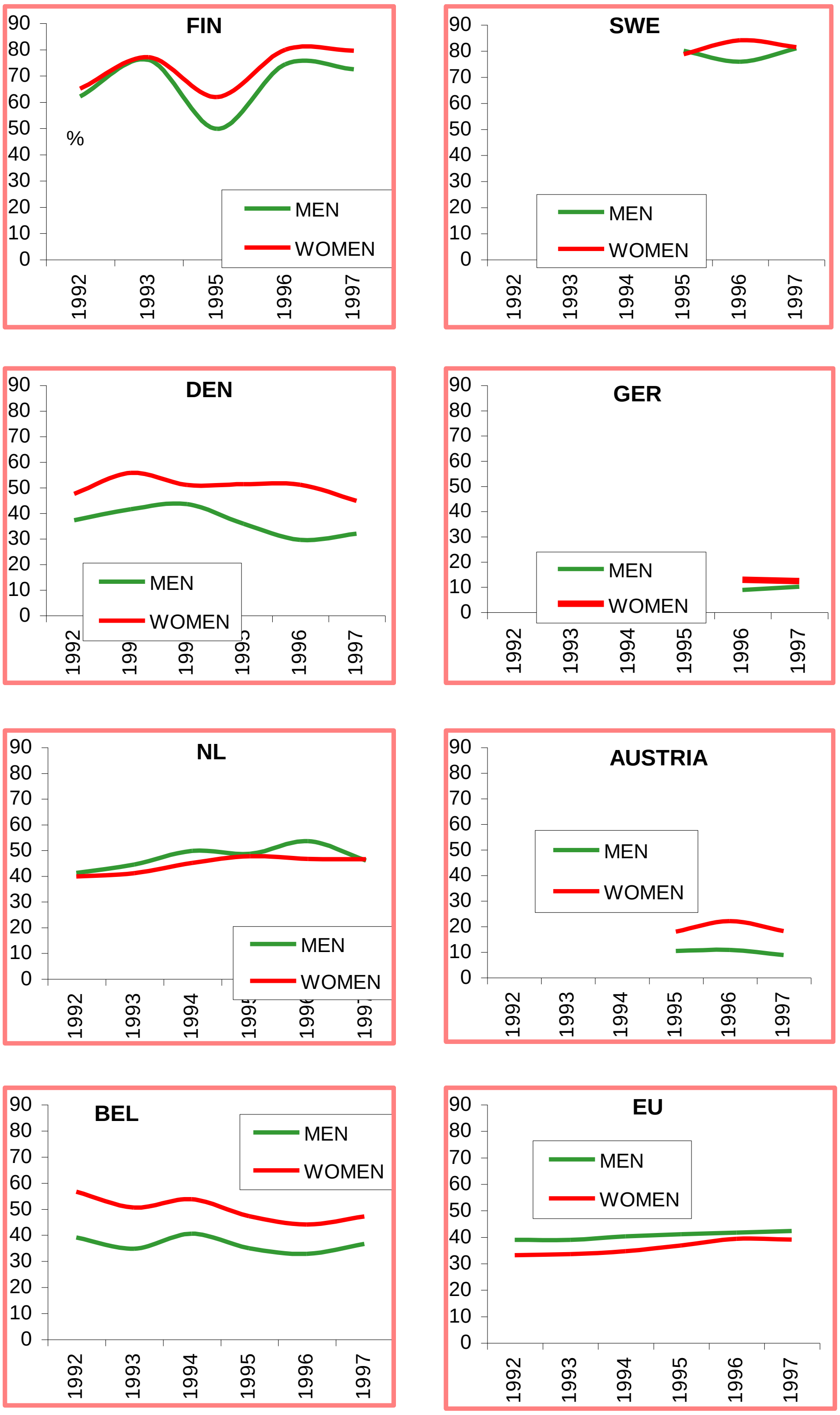
Taking the EU as a whole, in 1997, 20 percent of all respondents indicated that training was the main reason for their temporary status; for 4 percent, employment was temporary for the duration of a probationary period. 41 percent had not managed to find permanent employment and 8 percent did not want a permanent job. Over a quarter of respondent did not indicated a reason for their temporary employment status.

Almost half of temporary work was undertaken reluctantly in the EU in 1997. However, differences between countries are considerable. The share of reluctant temporary employees is exceptionally small in Germany and Austria. In both countries, half of the respondents indicated that they were in temporary employment as part of education-related training; one quarter of temporary workers in Austria were in their probationary period. In Denmark and Italy, too, the share of those in training is higher than on average.

The situation is reversed in Greece, Spain, Portugal and Sweden. Here, almost 80 percent of temporary employees would have preferred permanent employment. In Ireland and Finland, too, the share of reluctant temporary workers is remarkably high, 60-70 percent. In Ireland, the share of the reluctant workers is declining and the low 1995 figure for Finland seems to be an exception.

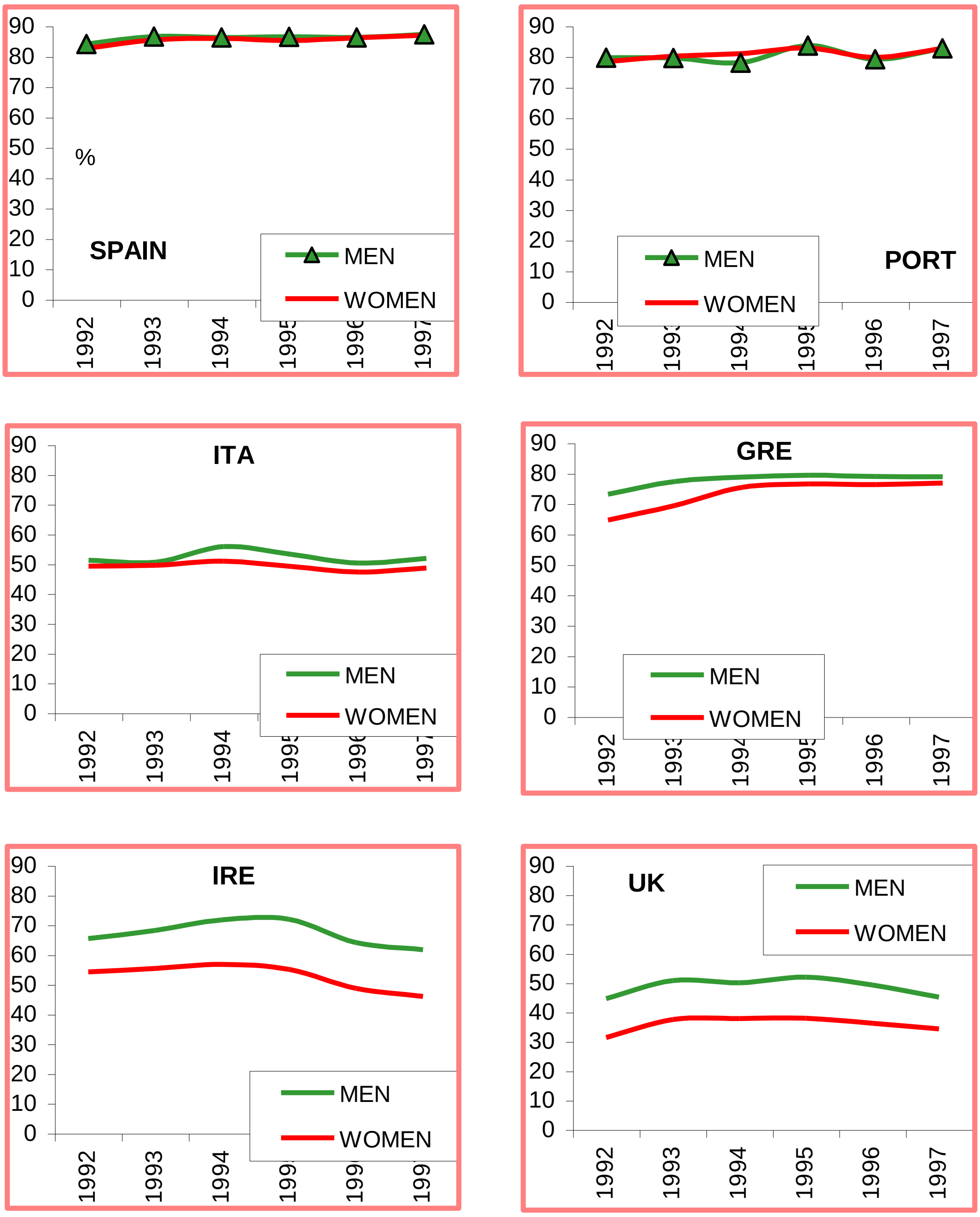
In the EU as a whole, the share of reluctant temporary employees has increased somewhat in the course of the 1990s. This upward trend is not, however, shared by all the countries. In some countries the share of the reluctant workers has remained steady, in others it has declined between 1992 and 1997.

On the whole, there are no great gender differences. The situation is not uniform in those countries where the differences are clear. In Ireland and the UK men are more unwilling to engage in temporary work than women. In Denmark, Belgium and Austria the situation is the reverse, in other words women are more commonly than men in temporary employment because they have not managed to find permanent employment. The direction of the change – increasing or decreasing reluctance – has usually been the same for men and women in the countries studied here.



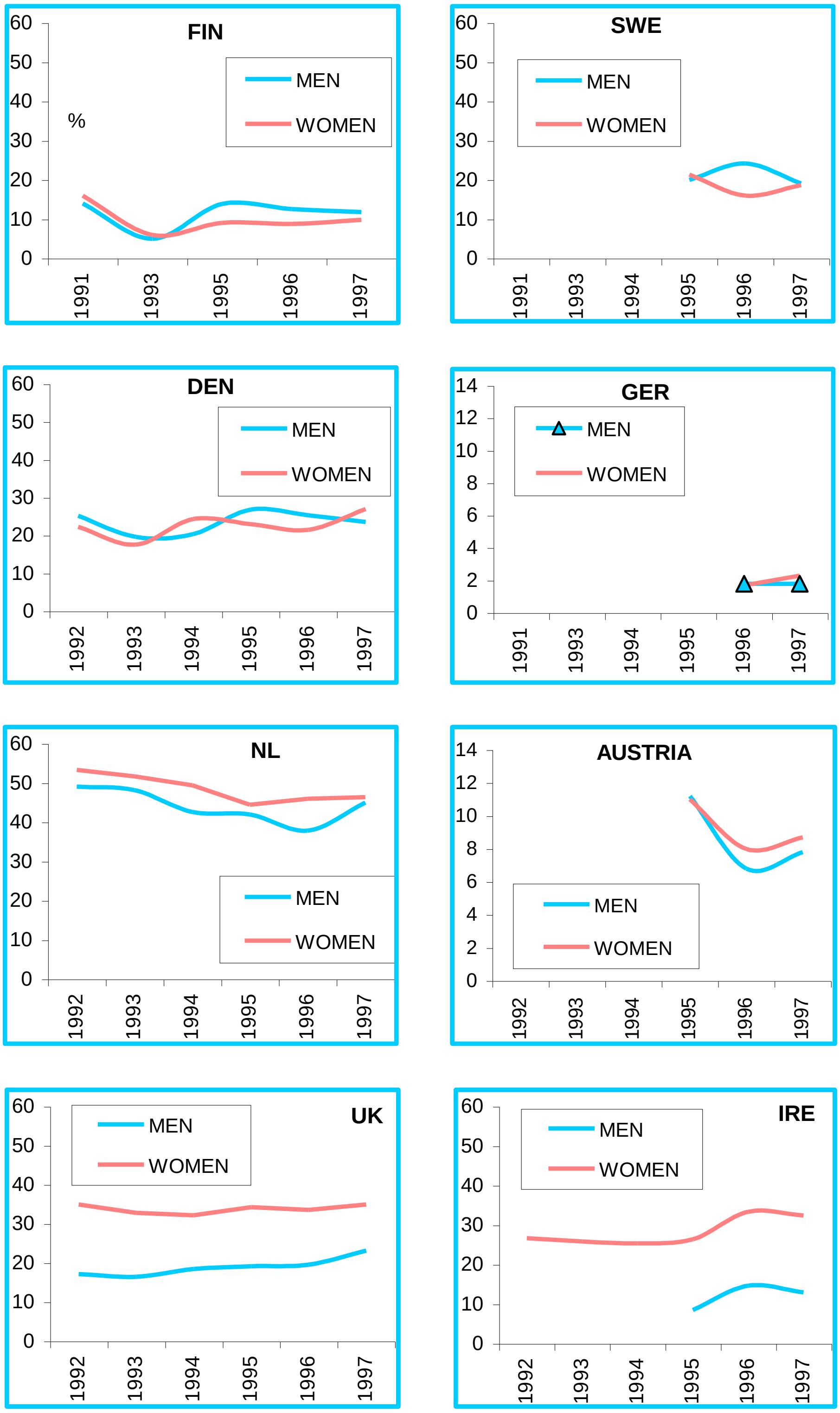
Source: Eurostat, Labour Force Survey, various years.

Figure 9a. Involuntary nature of temporary work among temporary employees in the EU in 1992-1997. The percentage share of employees who indicated that they are employed temporarily due to failure to find permanent employment.



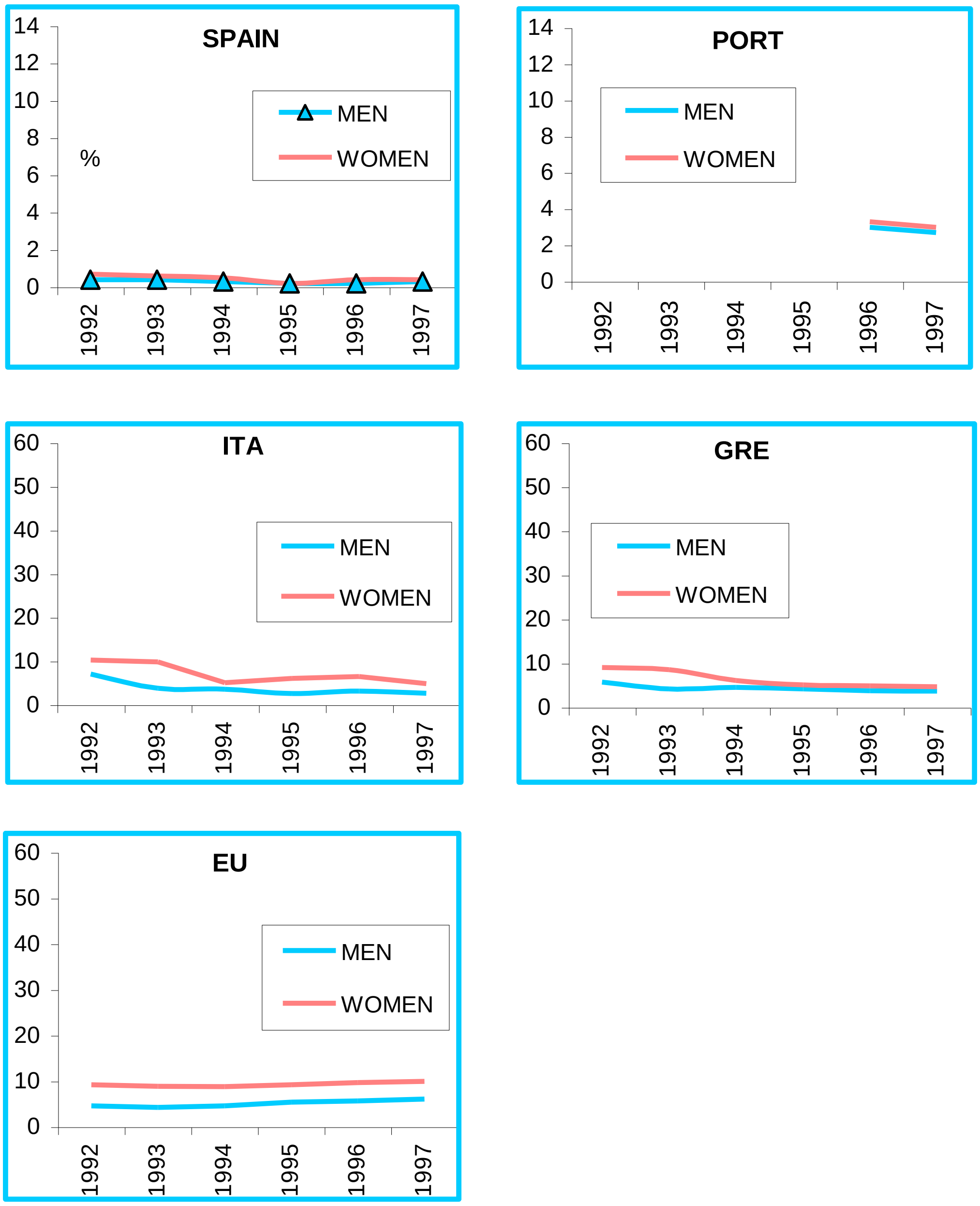
Source: Eurostat, Labour Force Survey, various years.

Figure 9b. Involuntary nature of temporary work among temporary employees in the EU in 1992-1997. The percentage share of those who indicated that they are employed temporarily due to failure to find permanent employment.



Source: Eurostat, Labour Force Survey, various years.

Figure 10a. Voluntary character of temporary work among temporary employees in the EU, 1992-1997. The percentage share of those who stated that they opted for temporary work due to unwillingness to engage in permanent employment.



Source: Eurostat, Labour Force Survey, various years.

Figure 10b. Voluntary character of temporary work among temporary employees in the EU in 1992-1997. The percentage share of those who stated that they opted for temporary work due to unwillingness to engage in permanent employment.

It has been argued that the reluctance to undertake temporary work and the incidence of temporary work are connected so that reluctance increases as the share of temporary work of total employment rises. Increase in temporary work does indeed to some extent increase reluctance, but not in a straightforward way (Nurmi 1998a). The above results show that temporary employment is exceptionally prevalent in Spain, as is the reluctance to engage in temporary employment. However, reluctance is widespread in Portugal, Greece and Ireland, too, although the share of temporary employment is not above the EU average in these countries.

As Figures 10a and b indicate, temporary work is on the whole not undertaken voluntarily, in other words the respondent would have preferred permanent employment. In the EU as a whole, 8 percent of all temporary employees do not want permanent employment. But as with the incidence of the involuntary workers above, there are considerable differences between the countries.

In the Netherlands, many temporary workers have opted for their status voluntarily. In Denmark and the UK, too, temporary workers are considerably happier with their status than in the EU on average as one quarter of British and Danish temporary workers do not want permanent work. In contrast, in Spain, Italy, Portugal, Greece and Germany, voluntary temporary employment is an exception.

In the light of the indicators used here, temporary employment is to a much larger extent than part-time employment dictated by the structures of the labour market, and serves to a lesser extent the flexibility needs of the worker.

5. UNEMPLOYMENT

5.1 Unemployment in the EU

Unemployment rate

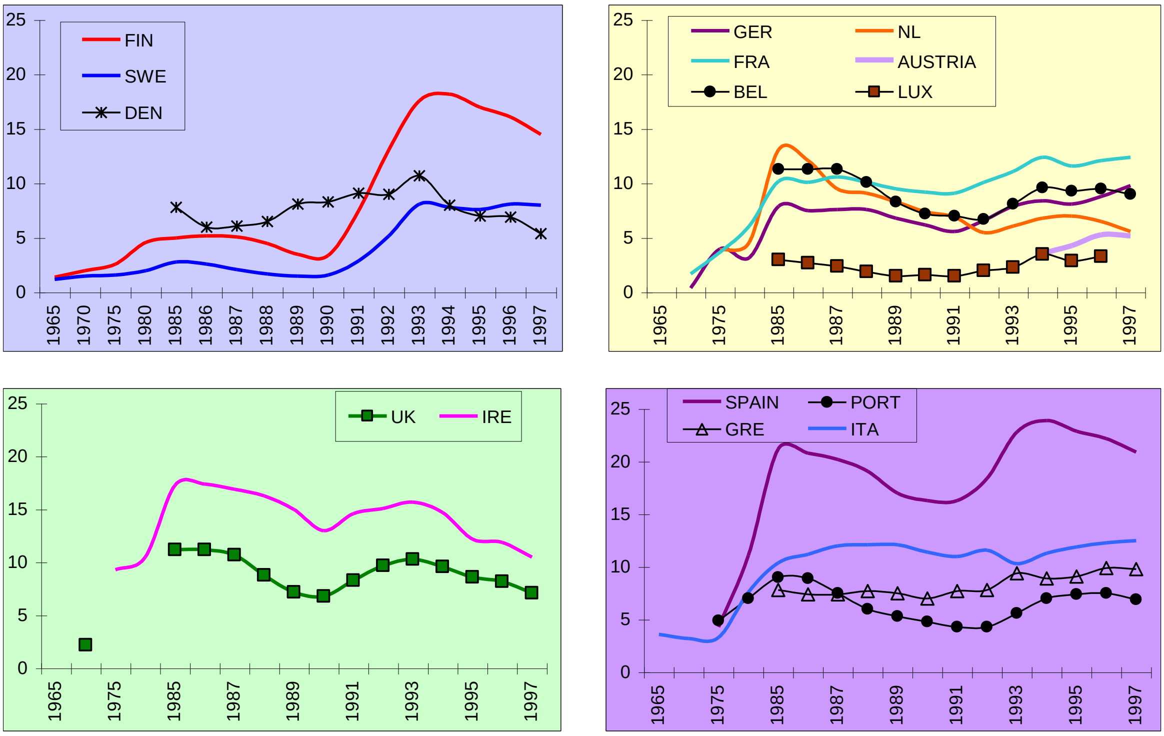
Maintaining high levels of employment has become more difficult in many countries. Unemployment in general, and long-term unemployment in particular have grown. There are important differences between countries in this respect.

Unemployment became a problem already in the 1980s. Unemployment rose to record-high levels and long-term unemployment increased in many countries as a result of the surprisingly deep and long recession of the 1990s. The labour markets in the 1990s have also been characterised by the increased levels of youth unemployment.

The deepest point of the recession was reached in most countries by 1994 when unemployment in the EU as a whole was at its highest level (11,6%). After this, the employment situation has on the whole improved, albeit only marginally and more slowly than expected. In 1997, 11,2 percent of the EU labour force was still unemployed whereas the figure for the OECD was considerably lower (7,2%). The EU has indeed emphasised the importance of reducing unemployment and rising employment alongside developing equal opportunities for men and women.

Figure 11 indicates that unemployment was clearly lower in the Nordic countries than in Central and Southern Europe and in the UK until the late 1980s. The 1990s recession changed the picture radically. Unemployment doubled in the Nordic countries and differences between countries grew. In Finland, unemployment soared to unprecedented levels very quickly, reaching the Spanish level. Spain has experienced mass unemployment since the early 1980s. At its worst, unemployment reached 18,2 percent in Finland and 23,9 percent in Spain. Long-term unemployment, too, exploded in Finland and reached levels well above those in the other Nordic countries.

Unemployment started to decrease in the mid-1990s in Spain, Finland and Ireland that had experienced particularly high levels of unemployment. In the Netherlands, the UK and Denmark, too, the employment situation is improving. In contrast, unemployment increased clearly in Germany in 1997. In France and Italy, too, the employment situation worsened somewhat. Unemployment in the EU is expected to sink below 11 percent in 1998. (OECD, Employment Outlook 1997, 1-4; 1998, 3-4.)



Source: OECD, Labour Force Statistics, various years. Year 1997 OECD, Employment Outlook 1998, 191.

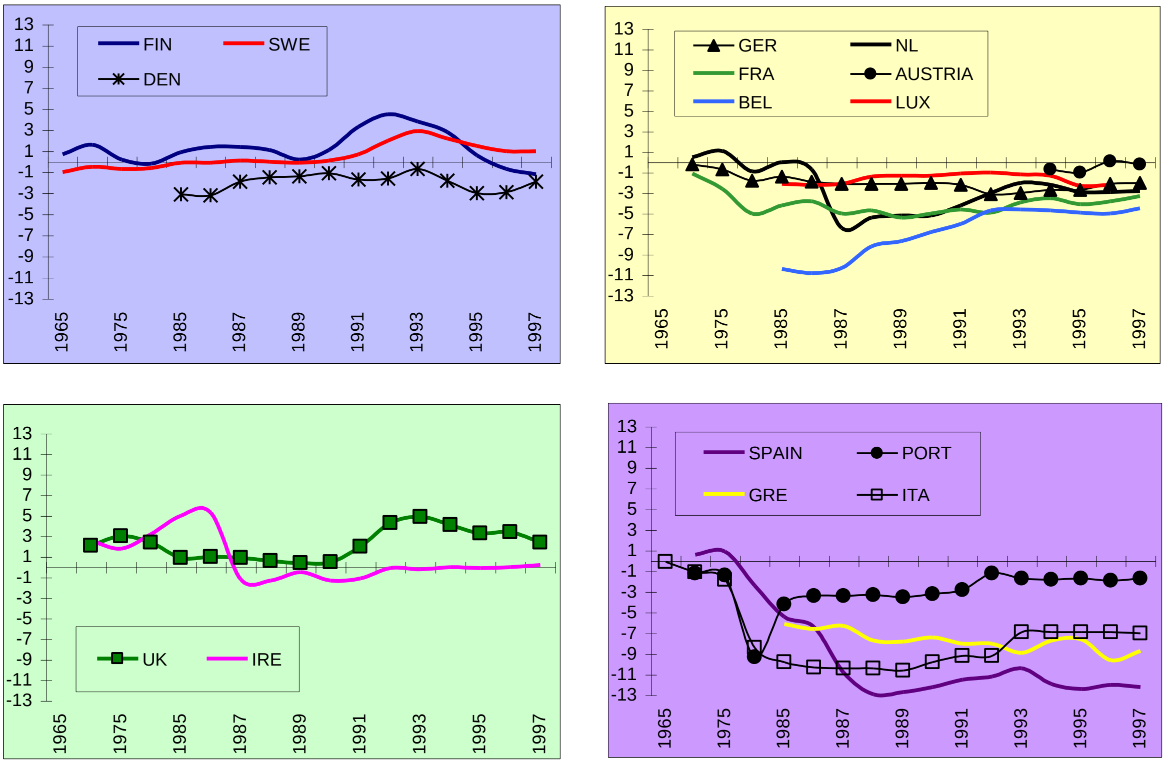
Figure 11. Unemployment rate (total) in the EU countries, 1965-1997.

The employment situation of young persons was also in 1997 poor in comparison with the rest of the population in all EU countries; the unemployment rate among 15-24-year-olds was 20,4 percent. The situation was worse than the average in Finland, France, Greece, Italy and Spain (OECD, Employment Outlook 1998, 194-196). Unemployment, it seems, will remain a serious social and economic problem for a long time.

Unemployment among men and women

Study of the differences between men's and women's unemployment in the EU indicates that women have been affected by unemployment more severely than men (EC, Employment in Europe 1995, 35). The same is true for the OECD countries as well as for the European member states of the OECD. In 1997, unemployment rate among women in the EU was 12,4 percent, and among men 9,5 percent, in other words the gap between men's and women's unemployment is 2,9 percentage points. (OECD, Employment Outlook 1998, 192-193.)

The 'gender gap' in unemployment rates varies significantly between countries as well as over time within countries. These variations are illustrated in Figure 12 that shows the gender gap in unemployment (men's unemployment rate minus women's) in 1965-1997. The figure is interpreted as follows: When the curve sinks below zero, men's unemployment rate is smaller than women's by the percentage points indicated. When the curve rises above zero, men's unemployment rate is larger than women's by the percentage points shown.



Source: OECD, Labour Force Statistics, various years. Year 1997 OECD, Employment Outlook 1998, 192-193.

Figure 12. Gender difference in unemployment rates, 1965-1997.

There were no significant differences in men's and women's unemployment rates in Finland and Sweden in the 1970s and 1980s. During the 1990s recession, men's unemployment grew more rapidly and exceeded that of women in Finland, and a similar, but weaker, development took place in Sweden. After the recession bottomed out, the gender difference in unemployment started to shrink and resulted in slightly higher unemployment among Finnish women in 1996. Women's relative position continued to weaken in 1997 as the unemployment rate among men was 13,9 percent and among women 15,1 percent.

In Ireland and the UK, men's unemployment was until the mid-1980s higher than women's. During the early1990s this difference disappeared in Ireland, but increased to the disadvantage of British men.

In the remaining EU countries women's unemployment has as a rule been higher than men's. The difference is particularly large (with unemployment among women being 5-10 percentage points higher) in Spain, Greece, Italy and Belgium. For instance, in 1994 when unemployment reached a record level, unemployment rate among Spanish women was 31,4 percent, in contrast to men's 19,6 percent. In 1985-1997, unemployment rate among Greek men has varied between 5 and 6,5 percent, and among Greek women between 11,5 and 15 percent. In Italy, men's unemployment rate has varied between 7 and 9 percent, and women's between 16 and 19 percent. Unemployment among Belgian women has vacillated between 10 and 18 percent, and among Belgian men between approximately 5 and 8 percent.

Study of age groups reveals many exceptions to the overview sketched above. Exceptionally high unemployment has affected teenagers (15-19-year-olds) and young adults (20-24-year-olds) in particular. The differences between men and women in these age groups have also been bigger than in the population as a whole. (OECD Employment Outlook 1998, 192-202; OECD, Labour Force Statistics, various years.)

5.2 Long-term unemployment

Share of the labour force

With the increase in unemployment and long-term unemployment, the definition of long-term unemployment has undergone changes. In 1968, unemployment that lasted at least six months was defined as long-term unemployment in the OECD. The current definition includes those who have been unemployed for 12 months or longer (OECD, Employment Outlook 1993, 86).

In the 1990s, unemployment was at its highest level in 1994 when the share of long-term unemployed of the total labour force of the member states was 5,4 percent. Since then, the incidence of the long-term unemployed has declined somewhat. Both in 1996 and in 1997, the long-term unemployed constituted 5,2 percent of the total EU labour force. (Eurostat, Labour Force Survey 1994, 1996, 1997.)

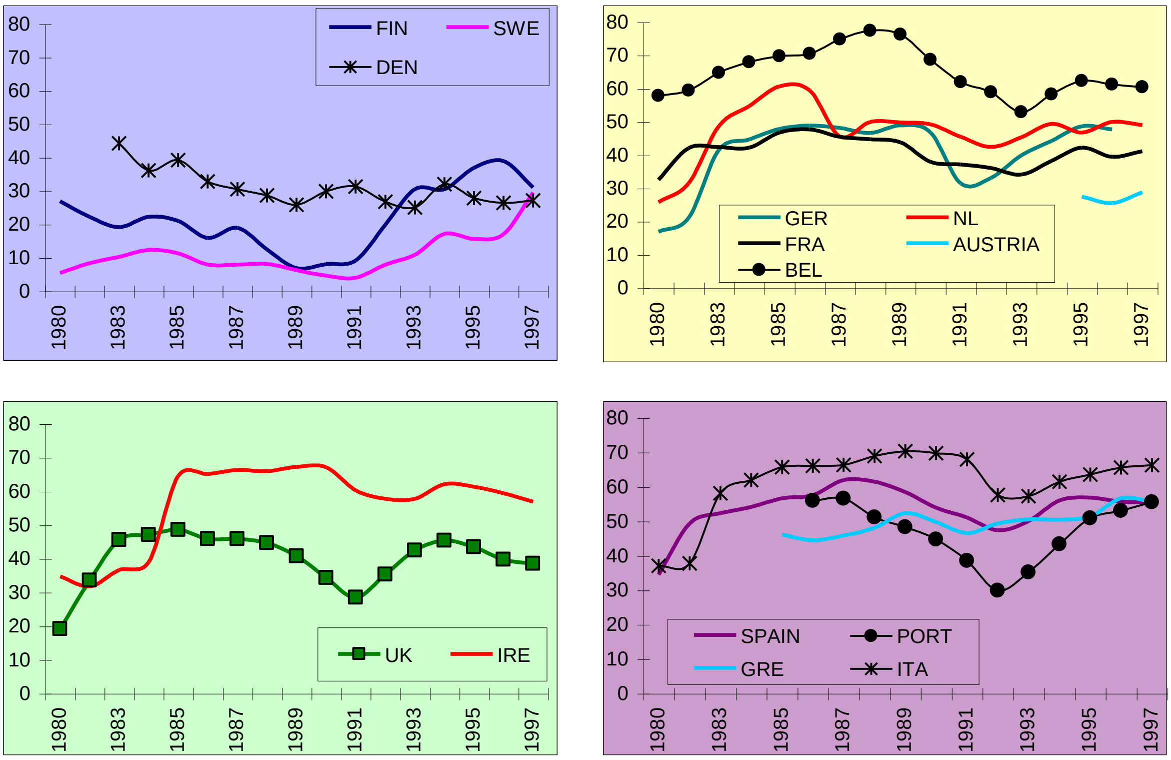
There are, however, considerable differences between countries. In most countries, the share of the long-term unemployed is 4-6 percent. The situation has been particularly serious in Spain where the share has been 11-12 percent of the labour force throughout the 1990s. The difference between men and women in this respect is striking in Spain. In 1997, 16,1 percent of female labour force and 7,5 percent of male labour force were counted as long-term unemployed. In Italy and Ireland, too, the long-term unemployed form an above-average share of the labour force, namely 7-9 percent. Unlike in Spain and Italy, men in Ireland have been affected more than women by long-term unemployment. Long-term unemployment declined significantly in Ireland in 1997. (Eurostat, Labour Force Survey Results 1994-1997.)

In contrast, long-term unemployed have formed a remarkably small share of the labour force (1-2 percent) in Denmark, Luxembourg and Austria. The situation used to be similar in Sweden, but in 1997 long-term unemployment there increased to 3,5 percent. (Eurostat, Labour Force Survey Results 1994-1997.)

In many countries, older workers (over 55-year-olds) were particularly severely affected by long-term unemployment. The duration of long-term unemployment tends to be shorter among younger people. (OECD, Employment Outlook 1995, 20.)

The share of long-term unemployment of total unemployment

Long-term unemployment can also be approached through its share of total unemployment. Figure 13 illustrates the percentage share of the long-term unemployed of the total number of unemployed persons in 1965-1997.



Source: OECD, Employment Outlook, various years.

Figure 13. The share of the long-term unemployed of all unemployed persons in the EU countries, 1980-1997.

The figures illustrate that the 1990s are in many OECD countries characterised by rising long-term unemployment. During the recovery of the late1980s, the share of the long-term unemployed declined in some cases remarkably. With the onset of the 1990s recession, however, the share of the long-term unemployed increased again.

In comparison with North America and Scandinavia, long-term unemployment has plagued the countries of Central and Southern Europe in particular. In Ireland, too, the share of the long-term unemployed has been exceptionally large since the mid-1980s. Before the 1990s' recession, few people in the Nordic countries had experienced long spells of unemployment, although the figures for Denmark were significantly higher than for the other Nordic countries.

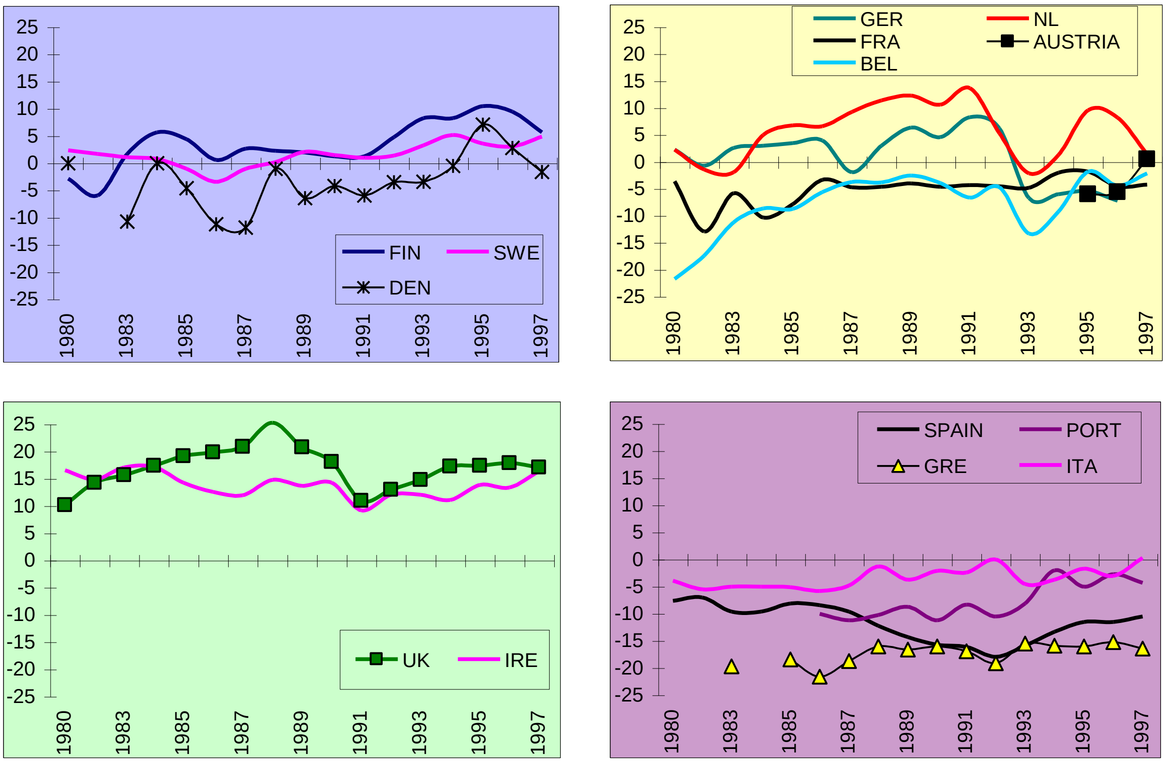
As during the first half of the 1990s, in 1997 over half of the unemployed persons in the EU had lacked work for longer than one year. Long-term unemployment was higher than the average (over 50 percent of the unemployed) in Belgium, Greece, Ireland, Italy, Portugal and Spain.

Generally speaking long-term unemployment had not declined significantly by 1997. However, in the UK, Ireland, Finland and Belgium the share of the long-term unemployed has started to diminish. The opposite development has taken place in Sweden where the share of the long-term unemployed rose markedly in 1997. In Austria, Italy and Portugal, too, the share continued to grow in 1997.

Long-term unemployment has then become a persistent and serious economic and social problem. The EU has identified combating long-term unemployment as one of the core tasks of labour market policy in the member states. The diversity of the causes and consequences of long-term unemployment calls for a broad spectrum of methods to address the problem. Special attention must be given to the weak position of women and older unemployed persons. (EC, Employment in Europe 1995, 11.)

Differences between women's and men's long-term unemployment

The above discussion on unemployment rates established that unemployment is on the whole higher among women than among men. There are, however, differences between countries. High female unemployment is a particularly serious problem in countries of the Central and Southern European welfare models. The division of long-term unemployment between the sexes is illustrated in Figure 14. The difference between men's and women's rates has been calculated by subtracting women's long-term unemployment rate from men's.



Source: OECD, Labour Force Statistics, various years.

Figure 14. The gender difference in long-term unemployment in the EU, 1980-1997.
Interpretation: When the curve sinks below zero, the incidence of long-term unemployment among women is higher than among men by the percentage point(s) indicated. When the curve is above zero, the incidence of long-term unemployment among men is higher than among women (men's long-term unemployment rate minus women's)

These figures reveal great variation between countries and over time within countries. As with unemployment in general, women's situation in comparison with men's in relation to long-term unemployment is on the whole weakest in the countries of Central and Southern Europe. Greece and Spain stand out clearly. Women's long-term unemployment has in these countries been considerably more common than men's. Also in Portugal, Belgium and France women's long-term unemployment exceeds men's. In Belgium, the difference between men's and women's rates has been low in comparison with the earlier rates.

As countries where the difference between men and women is exceptionally large, the UK and Ireland resemble Spain and Greece. However, the situation in the UK and Ireland has been the reverse throughout the period under study as men's long-term unemployment has been considerably higher (12-20 percentage points) than women's.

In Italy, Sweden and Finland the difference between men's and women's long-term unemployment has on the whole remained relatively small. During the 1990s recession, however, men's long-term unemployment increased in the Nordic countries more rapidly than women’s, as a consequence of which the gap between the sexes grew. As the economy took an upturn, the differences started to narrow in Finland and Denmark.

When studying the division of unemployment between the sexes it is important to bear in mind that institutional factors that vary between countries have an impact on the measured level of unemployment. The conventional ILO definition of unemployment underestimates the labour supply, and in particular women’s labour supply. For instance, in a weak labour market situation women are more likely than men to withdraw from the labour market and to become ‘invisible’ (from the point of view of conventional unemployment statistics). This 'hidden unemployment' then reduces women’s recorded unemployment rates. As the labour market situation improves, women return to paid employment. The employment rate rises, but the unemployment rate does not fall as new jobs are created. (Rubery and Fagan 1998, 32-33.)

The recorded rate of unemployment is also influenced by the extent to which registering as unemployed pays off. In some countries women do not fulfil the qualifying conditions for unemployment benefits due to their career history, their current employment and family situation, or because they fail to meet some other criteria. Unemployment may remain unregistered if registration brings no economic benefits. Even if a woman’s career history is the same as a man’s, her unemployment benefits may be smaller or non-existent as women are regarded as mothers or dependent on their partner. On the other hand, women’s unemployment rate may be increased by the so-called unemployment traps. A trap is created when working does not increase the disposable income of the household as taxes increase, social benefits are lost and the unemployed partner’s benefits are reduced. In some countries, where both partners are unemployed, the social security system appears to encourage women in particular to withdraw from or to stay outside the labour market. Means-testing based on family income reinforces this tendency. Exit from the unemployment trap is made more difficult for women by the fact that women’s wages are generally lower than men’s and also because the costs of child care are calculated as part of the costs of women’s employment. (Rubery, Smith, Fagan and Grimshaw 1998, 215-219, 240-243.)

6. CONCLUDING DISCUSSION

The dual-earner model

Wage labour among married women has increased dramatically during the last three decades. The manner in which women's roles as mothers and wage earners interact has undergone profound transformation. Marriage and child rearing keep fewer and fewer women away from the labour market. The models of male wage earner and full-time motherhood are giving way to the dual-earner model.

As a result of this transformation, welfare state regimes have converged with respect to women's employment outside the home. The increase in women's labour market participation has brought about greater similarities among women as well as between women and men. Decrease in male labour market participation, for instance due to early retirement pensions, has speeded up the convergence of men's and women's labour market positions.

The many faces of atypical work

The claim that atypical employment increased strongly from the 1980s onwards and during the 1990s recession in particular does not hold for all EU countries when we use changes in the shares of part-time and temporary employment as yardsticks. In many countries, however, the trend is upwards.

The frequency of part-time work varies greatly within the EU. Part-time employment is particularly widespread in the Netherlands. Between 1979 and 1996, part-time employment has increased in the Netherlands, Ireland, the UK, Belgium, Austria and France.

Part-time work as form of labour market flexibility is fairly gender specific. In all countries, most part-time work (between 70 and 90 percent) is undertaken by women. However, countries differ with respect to the share of part-time work of women's total employment outside the home. In the Netherlands, as much as 70 percent of women's work is done on part-time basis. In Sweden, Denmark, the UK and Germany, too, part-time work is relatively common among women. Countries differ with respect to the changes in women's and men's positions. In some countries the gender gap has become smaller, in others it has remained the same or grown larger.

Part-time work as a form of flexibility that benefits and suits the employee was measured on the basis of the share of part-time workers who did not want full-time work. Using this definition, half of part-time employment within the EU in 1997 was voluntary. The gap between the sexes is striking, however: 65 percent of women and 35 percent of men did not want full-time employment. It is worth noting that the difference between men and women was small in Italy, Spain, Belgium, Portugal, Austria and Finland. Countries differ greatly with respect to the share of voluntary part-time employment, too. In Spain, Belgium and Portugal part-time employment is very rarely taken up on the grounds that the employee does not want full-time work. The reverse is the case among British, Dutch and German women.

The extent of reluctant part-time employment, that is to say flexibility that primarily serves employers, was assessed by measuring the share of those who would have preferred full-time employment. Overall, 27 percent of men and 18 percent of women were reluctant part-timers, but the figures for both sexes varied greatly between countries. The highest proportions of reluctant part-time workers were found among men, the lowest among women. Half of part-time employed men in France, Greece, Italy and Ireland were reluctant i.e. would have preferred full-time status. The largest shares of reluctance among female part-timers (about 40 percent) were found in Finland and France. There were notable differences between countries, too. In the light of the methods used here, part-time work seemed to serve mostly the flexibility needs of employees, and did therefore not confirm the claim that it was largely an emergency solution dictated by labour market strictures.

As with part-time work, the share of temporary work varied greatly between the countries compared here. The general picture of the changes that took place between 1983 and 1997 lacks clarity. In most countries temporary work had increased. This development was particularly obvious in Spain, but also clearly visible in France, the Netherlands, Ireland and Finland. In some countries the share of temporary work sank, in others still it remained more or less stable.

Temporary work is more typical feature of women’s than men’s labour markets but not to the same extent as with part-time work. There is no uniform direction to the changes in the gender difference. In most cases the changes have been similar for both sexes with respect to the increase or decrease in temporary employment.

All in all, there have been many and diverse changes in both temporary and part-time employment within the EU. The general picture hides the diversity of the member states. The overall picture of one country, too, conceals how changes have occurred in different subsectors of the labour market. Atypical work is concentrated in certain groups of workers and changes in its share may in some segments be much stronger or weaker than in the country's labour market as a whole. (Nurmi 1998a.)

In the light of the indicators used in this study, temporary employment serves the needs of employees only rarely as in 1997 only 8 percent of temporary workers within the EU did not want permanent work. Over half were in temporary employment because they had not managed to find permanent work. Countries differ in this respect, too. Involuntary temporary work was exceptionally common (80 percent) in Spain, Greece, Portugal and Sweden. In most cases there were no significant differences between men and women.

Unemployment is a persistent and serious problem

Many countries faced rising unemployment rates already in the 1980s but the deep and persistent recession of the 1990s led in many countries to record-high levels of unemployment and long-term unemployment.

Until the late 1980s, unemployment levels in the Nordic countries were comparatively low, as was the proportion of the long-term unemployed. As a consequence of the 1990s' recession the unemployment rate in the Nordic countries doubled. In Finland, unemployment soared to unprecedented levels, reaching the Spanish level of mass employment. With economic recovery, employment has grown and unemployment has decreased somewhat, but more slowly than expected. In some countries falls in unemployment were registered, especially in Spain, Finland and Ireland where the employment situation had been particularly bleak. In contrast, unemployment continued to rise in Germany in 1997. In the EU as a whole, unemployment is expected to sink below 11 percent in 1998.

Long-term unemployment had not shown signs of declining by 1997. Over half of the unemployed in the EU had been without work for longer than a year in that year. Long-term unemployment exceeded the EU average in Belgium, Greece, Ireland, Italy and Spain.

The extent to which unemployment and long-term unemployment affects men and women differently varies across the EU countries as well as over time within individual countries. In many EU countries women's unemployment rate exceeds that of men's. Women's unemployment rates are considerably higher than men's in Spain, Greece, Italy and Belgium. Women's situation in comparison with men's in relation to long-term unemployment is on the whole weakest in the countries of Central and Southern Europe. Greece and Spain stand out clearly. Also in Portugal, Belgium and France women's long-term unemployment exceeds men's. In Belgium, the difference between men's and women's rates has been low in comparison with the earlier rates.

In Ireland and the UK, men have been harder hit than women by long-term unemployment.

Overall, it seems that unemployment and long-term unemployment will remain for a long time serious social and economic problems in the EU. Raising employment and reducing unemployment are indeed the main aims of EU employment policy.

New emphasis on equal opportunities in EU employment policy

During recent years EU has increasingly committed itself to integrating equality between men and women into all areas of EU policy making. Equal opportunities have been emphasised in outlines of employment policy, too. Equal opportunities is one of the four pillars of action (employability, entrepreneurship and adaptability are the other three) for member states employment policies in 1998 and 1999. In order to strengthen equal opportunities the member states should adopt a gender-mainstreaming approach in implementing the guidelines of all four pillars. (EU, Bulletin on… 1996 (8), 1; EU, Draft Joint Employment Report 1998; EC, Proposal for a Counsil Resolution on the 1999 Employment Guidelines 1998.)

Promoting equal opportunities means first of all actively increasing women's paid work outside the home as in many member states women's participation in the labour market is considerably lower than men's. National social policies play a central role in reaching this aim. Structures (such as tax policy, social security, social services, education, and so on) should encourage women to take up paid employment and ease women's return to the labour market.

In addition to increasing employment rates among women, equal opportunities call also for evening out other differences between men and women (gender gaps), such as differences in unemployment rates, in the proliferation of atypical work, in education and in incomes. Attention should also be given to the imbalance in the representation of women or men in certain economic sectors and occupations, and to the under-representation of women in decision making both in working life and in politics.

Gender-specific preconditions of wage labour are in many ways connected to the unfair division of unpaid work at home between men and women. The realisation of this connection is reflected in recent EU proclamations. The importance of facilitating the combination of work and family life is emphasised. This calls for increasing the availability of high quality, affordable services for children and other dependants and fairer division of family responsibilities (domestic work, family-related breaks from work) between men and women. We need policies designed to enable men to adjust their employment patterns and to become more actively involved in parenting and other care work. The state has a critical role to play in updating the institutional framework within which women and men carve out their work and family lives.

However, as Rubery and Fagan (1998, 18, 96, 114) point out, there is no reason for excessive optimism despite the fact that the rhetoric of equal opportunities has proliferated in the EU. In many EU member states welfare structures are still based on the traditional male breadwinner model and some member states have not yet committed themselves seriously to equal opportunities for men and women. Even when the willingness is there, real issues remain to be addressed. How to incorporate equal opportunities into all levels of national employment policies and, more importantly, how to extend equality of men and women into everyday life? The distance between laws, agreements, recommendations, directives, statements and proclamations (that are important and necessary in themselves) and practical applications is long.

Changes in labour markets and family structures (including increase in women's wage labour, rise of atypical and more flexible labour markets, increased divorce rates, single parenthood and neo-families, and declining birth rates) call for a fundamental reassessment of employment policies and welfare state structures. These need to be modified to respond to the more diverse and individualistic needs of contemporary society. Individual entitlement to social rights is an essential part of promoting equal opportunities.

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Marika Kanerva

SOCIAL RIGHTS OF ATYPICAL WORKERS IN THE EUROPEAN UNION

1. INTRODUCTION

A hundred years after the introduction of the first social insurance programmes, social protection in Europe is facing a changing society and consequently it needs to readapt. When first social insurance schemes were developed in the age of industrialisation and nation state, social security is now facing a new socio-economic context, characterised by the transition to post-industrial modes of production, increasing globalisation, trends towards supranational integration and rapid changes in demography and social relations (Ferrera, 1996). Current trends in the European labour market indicate that the form of employment for which social insurance was originally designed will decrease in importance in the future, as at the same time when unemployment is high the new jobs that are being created are increasingly part-time and fixed-term. In addition, employment is shifting away from agriculture and industry towards the service sector where female participation is high, and working hours vary greatly (Social Protection in Europe, 1995). Consequently, the rapid change that is taking place within, and outside, the European Union has fuelled the debate on the appropriateness and effectiveness of the current form of social security in tackling new problems. Three aspects of this change are of central importance, namely labour market changes, changes in family formation and social relations, and the salience of new types of risk (Clasen, 1997).

1.1 New types of risks and needs

Social needs have been rapidly changing their nature during the past couple of decades. First of all, a thorough restructuration of the modes of production and the functioning of the labour market is taking place in Europe. The so-called ‘fordist’ employment (i.e. stable and guaranteed jobs with indefinite contracts) has been undergoing a steady decline in the last decade or two, being compensated by the atypical forms of employment. However, this has provided only partial compensation, which has meant a considerable growth in the numbers of the unemployed, who need to be supported as well in order to prevent their marginalisation from active society. But especially when atypical workers are examined, it has been suggested that there is a need for a thorough revision of rules concerning the access and the maturation to welfare entitlements to avoid penalising people in atypical employment (Ferrera, 1996). Moreover, there is no sign of a return to high levels of 'fordist' employment. New jobs will be increasingly less standard: there are new demands such as higher productivity, mobility and flexibility, high education and more skills. It may be that full employment, defined as mainly for men, and largely in manufacturing, with people having more or less the same job for life, is gone. What is to be feared, is a scenario of a polarised labour market (and a two-tier society) with a division into full-time employed with full or nearly full benefits and the precarious workers in non-standard jobs with weaker or no social protection. (Ferrera, 1996)

However, there are also other changes relevant in the context of new forms of work. One of the most significant changes in the labour market during the past 30 years is characterised by an increase in female labour market participation. When it comes to atypical work, the issue of gender is crucial, given the concentration of women in atypical forms of employment. Yet, if we look at the European Union member states, the male breadwinner model is still embedded in many European social security systems. The eligibility conditions in the prevailing social security systems, based on continuous employment history and minimum weekly hours or earnings thresholds, hinder women's equal access to benefits, given their overrepresentation in low-paid, precarious and atypical employment. (However, the assumption of full-time continuous employment among men can also be increasingly called into question. Young people, both male and female, face increasing difficulties in making their initial entry into employment; more men opt for early retirement; and the move to non-standard employment and the extension of periods of full- and part-time training is affecting all segments of the labour force (Grimshaw & Rubery, 1997)). The question is, how can such a system protect the needs of those (mainly women) who work part-time, temporarily and/or are engaged in caring?

What is in order here is not only a higher and more effective provision of facilities for family support (for both childcare and for the care of the elderly), but also a revision of all those regulations which directly or indirectly penalise women when interrupting work for childbearing or caring responsibilities. An incisive response requires the experimentation of the new, integrative instruments of protection with individualised social rights. The establishment of specific leave from work for family reasons could also be considered in this context, taking into account the one more important change affecting current society, population ageing. The over-60 age group, mainly retired people, will rise by almost 50% during the next 25 years (Ferrera, 1996). It must be noted that ageing generates not only a growing demand for traditional benefits and services, but also new demands both on the side of the aged themselves (e.g. nursing care) and on the side of the family members (almost exclusively women) who perform caring tasks.

Faced with such a rapidly changing structure of needs, the traditional design of our social protection systems shows clear signs of obsolescence. Tailored as they are on old-fashioned conceptions of work and family relations, social insurance schemes tend to concentrate benefits on risks which no longer automatically generate need, while they increasingly fail to intervene where the demand is more urgent. As Esping-Andersen puts it, in addition to market failure there is “possibly also *welfare state* failure; that is, the edifice of social protection in many countries is ‘frozen’ in a past socio-economic order that no longer obtains, rendering it incapable of responding adequately to new risks and needs.“ (Esping-Andersen, 1996)

1.2. The research setting and basic concepts

As is well-recognised, the core of social protection is founded mainly on state support against a range of standard risks: old age, sickness, maternity, work injury and unemployment, listing just those that are under examination in this study. Social security is, thus, usually used as a ‘container concept’, under which a whole set of schemes and provisions are brought together although an important variety exists in the particular content of it across different countries (Berghman, 1993). In this study, the main emphasis lies within those systems that provide the primary support in case of contingency, i.e. social insurance schemes. Basically, the aim is to examine how atypical workers fare in relation to the ‘standard’ full-time workers, when in need of benefits. Also, where possible, the study will try to examine the extent to which benefit recipients are compelled to apply further support, for instance in the form of social assistance, i.e. means-tested benefits.

The concept of social rights refer here to T.H. Marshall’s well-known division of the concept of the citizenship into the concepts of political rights (the right to vote), civil rights (the right to equal treatment before the law) and social rights (the right to a fair share of the nation’s resources) (here interpreted by Deacon et al., 1997). By definition, the social rights remain a vague and ambiguous concept. When it comes to social security the fairness in redistributing income can basically refer to three different principles: benefits are either based on (previous) employment, or need, or they are granted universally. To some extent, these different principles of redistributing income can be identified with Esping-Andersen's well-known regime typology (Esping-Andersen, 1990). The worlds of welfare capitalism in Europe can be divided into liberal regimes with mainly means-tested and residual benefits of rather broad coverage; conservative corporatist regimes (continental Europe), providing fairly high benefits in case you have a sufficient work history; and social democratic regimes (Nordic countries) with a combination of work-based benefits and, more importantly, universal, citizenship-based benefits.

However, Deacon, Hulse & Stubbs (1997) claim that social policy activities traditionally analysed and undertaken within one country -or using a typology such as Esping-Andersen's- now take on a supranational and transnational character. They claim that within the European context it is now being recognised that the future of welfare state diversity within the European Union will be affected by the supranational social policies of the Commission. According to them, this means the levelling down and up towards a conservative corporatistic regime type (rather than liberal or social democratic). If this is correct, it will be all the more interesting from the viewpoint of atypical workers, due to the work-centred nature of the conservative corporatist regimes mentioned above. In addition, a fourth option of income redistribution has also been suggested, i.e. the basic income model, which guarantees a universal income to everyone with no reference to work. Claus Offe has suggested that the changing patterns of work within Europe suggest the need for social policy in the EU as a whole to break from work-based entitlement to a citizenship entitlement of basic income or social dividend (Offe, 1991).

However, in order to evaluate the relevancy of the different principles of redistributing income when it comes to the atypical worker, we will first examine atypical work in all its variations, how common it is and what are the specific implications from the social protection point of view.

2. Atypical work in the European Union

Figure 1. presents an index indicating the increase in flexible workforce in the EU. In the figure flexible workforce refers to the self-employed, the part-time employed and those employed on fixed-term contracts. In addition, domestic work (caring) is also studied. Despite the decrease in some countries, an overall increase can be detected. Atypical employment, which is also referred to as precarious, non-standard or contingent employment, is defined here as any arrangement that differs from full-time, permanent salary or wage employment.

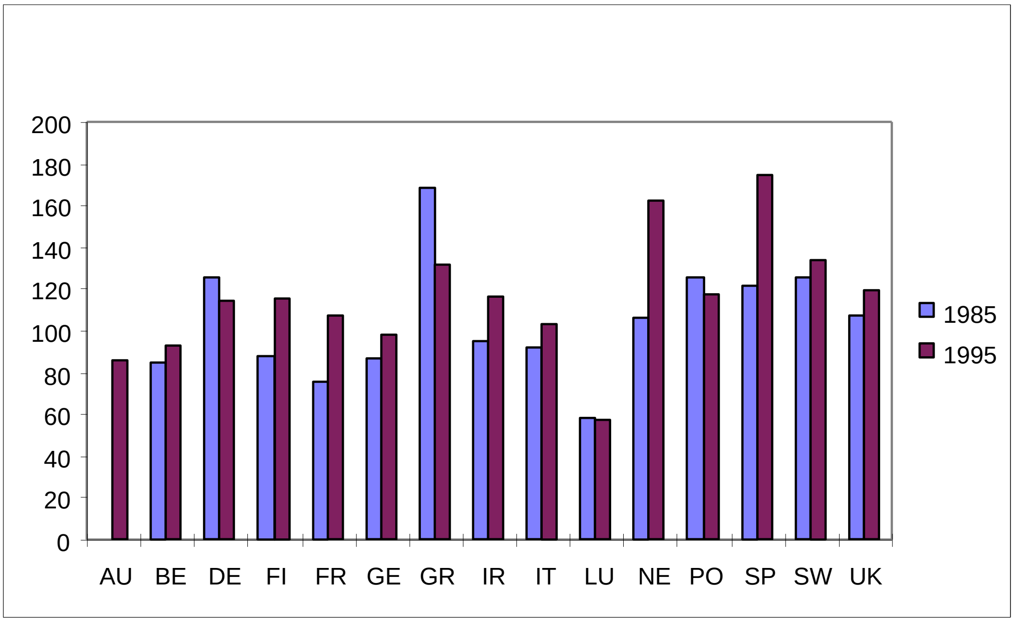


Figure 1. The development of the flexible workforce in the European Union, 1985 and 1995 (EU 1985 = 100, EU 1995=115) (Source: de Grip et al., 1997)

2.1 Part-time employment

As shown above , a widespread, but very gradual, trend that is evident across the Union towards greater flexibility in working time arrangements. One of the most marked features of labour market developments over the past decade has been the increase in part-time working, especially during the recent recession when it seems to have provided a way for employers to adjust their workforce in accordance with changes in demand (OECD, 1997). In a number of member states, however, especially in the South of the Union and in Finland, part-time employment remains comparatively rare. Fixed-term employment and self-employment are most common in Southern Europe. Highest percentages of part-time work are found in the Netherlands and the UK, where 29,3% and 20,3% of the employed, respectively, work part-time. The share of part-time employment as a percentage of total employment has been increasing since the 1970s in all countries except Denmark. In all countries part-time work is mainly done by women, especially in the Netherlands (87,3%), Austria (86,4%), the UK (85,7%) and Belgium (82,4%) although these figures have been decreasing (OECD, 1997).

While in many cases the basic conditions of part-time employment are not greatly inferior to those in full-time contracts, if looked at from one perspective part-time jobs are a means of enabling women especially but also some men to reconcile family responsibilities with working careers -and the need to earn an income- while at the same time enabling employers to organise their activities more flexibly. From another perspective, they represent inferior jobs with limited career prospects and limited social security, taken up only because those concerned have no alternative option. Typical problems attached to part-time workers social security entitlement is not being covered by a benefit scheme due to various earnings and hours thresholds.

2.2 Fixed-term employment

Instead of the term ‘temporary employment’ which the EU defines as being employed by a temporary work agency which acts as an employer and thus secures a long-term job contract (EUROPA, 1998), the term ‘fixed-term employment’ is preferred here.

Fixed-term contracts have been most common in Greece, Portugal and Spain, and least common in Belgium, Italy, the UK and Luxembourg. As a proportion of all employees, women were more likely than men to be on fixed-term contracts in all member states except Greece. In Belgium, Luxembourg and the UK, women constituted well over 50% of all workers on temporary contracts (Hantrais, 1995).

During the past decade, a third of the additional jobs which were created in the EU over the growth years 1987 to 1990 were fixed-term, and 40% of the new jobs were for men. Three-quarters of these extra jobs, however, were generated in one country, Spain. Only in two other countries, France and Portugal, was the expansion of fixed-term contracts of any significance over this period. In the subsequent four years, only in the Netherlands was there any marked growth in fixed-term contracts, although there was also some expansion in Ireland, Spain and Italy. Overall, however, the proportion of fixed-term jobs fell over this period (Employment in Europe 1995).

In 1994, only 10% of men and 12% of women in employment worked on fixed-term contracts. Only in Spain (where at 30% it was considerably higher than in the rest of the Union), Denmark and Finland (where it was just over 11%) was the proportion of men employed in such jobs more than 10%. For women, among whom fixed-term jobs were more common, the share of such jobs was over 10% in nine member states -in Finland it was 14%, in the Netherlands 15% and in Spain as high as 37% (Employment in Europe, 1997).

Even though these figures reflect differences across the EU in labour market regulations and member states' own practices and thus they are not necessarily an indication of instability or precariousness of employment, it does not mean that fixed-term employed would not be faced with similar problems such as, most typically, being left outside the schemes when not working long periods enough for the same employer. However, this is more of a problem with company schemes where the period of vesting can be several years.

2.3 Care Work

It is somewhat difficult to say exactly how many women are actually involved in caring, but the number of mothers engaged in paid work gives us an indication of the prevalence of care work by women. In 1991 across the EU as a whole, 41% of women aged 20 to 39 with a dependent child under 15 were inactive, (20% were in part-time work, 31% were in full-time work and the remainder were unemployed). These rates varied between member states, the inactivity rate ranging from 24% in Denmark to 59% in Ireland (and the part-time employment rate from 3% in Greece to 36% in the Netherlands) (Luckhaus & Ward, 1997).

As the population ages and as more women take up paid employment, the issue of the effect on the social rights of those who need to look after young children, disabled adults or elderly invalids and who interrupt their working careers for this reason is becoming more important. Indeed the problems posed by this development are increasingly recognised across the EU, and in most member states measures have been introduced in recent years to improve the position of the carers. Nevertheless, the focus has so far been on caring for children and in many cases difficulties remain for those caring for the disabled and invalid. It is important to note here that, at the same time, even in the case of child care, the amount of benefits payable and the extent of provisions for time-off with job reinstatement at the end of the period vary markedly across the Union. The social security aspect to the problem for carers, either of children or adults, who return to work is that they may have an insufficient employment record to qualify for insurance-based benefits, especially for unemployment benefits and sickness and maternity benefits (Luckhaus & Ward, 1997).

2.4 Self-employment

In 1994, the scale of self-employment in the EU ranged from around 8% of the total number of the employed in Denmark and 9% in Germany to 25% in Portugal and 34% in Greece. In most member states, the proportion of the self-employed in the workforce has remained fairly constant over time, although it has fallen somewhat in the countries of Southern Europe as a result of the decline in agriculture. A great majority (90%) of the self-employed work full-time. The variation in the frequency of female part-time self-employment is similar to that in salary and wage employment, although the figures tend to remain at a lower level. Approximately 16% of those counted as self-employed are unpaid family workers outside the social protection arrangements except to the extent that as wives they have derived rights or pay contributions voluntarily (Social Protection in Europe, 1995).

3. Research methods

The data for this study has primarily been obtained from databases including Eurostat publications, and the data compilation Social Security Programs throughout the World (U.S. Department of Health and Human Services, 1997), unless a different source is indicated. The study has utilised a number of national sources as well as literature giving insights into the benefit systems of individual countries. Examples of 'typical' atypical workers will be used to illustrate the actual outcomes of the system design of the social security systems; the purpose of this is to calculate how much different types of atypical workers receive in insurance-based benefits in comparison with full-time workers.

With regard to pensions, the model cases are all in pensionable age and have two adult children. Case 1, 'full-time worker', is a former male employee who has worked for 40 years for an average production worker's pay (APW). Case 2, 'the carer', has worked for 20 years with 75% of the average pay as she, as a woman, will typically receive a lower pay than a male worker would. Apart from working, she has spent 20 years at home looking after her 2 children. Case 3, 'the part-timer' has also worked for 20 years part-time 20 hours per week, also for 75% of average pay.

Table 1. The model types of full-time worker, carer and part-time worker

	FULL-TIME WORKER	CARER	PART-TIME WORKER
PENSIONS	• 40 years at work • full-time job • average pay • in pensionable age • 2 children	• 20 years at work • full-time job • 20 years at home • 75% of average pay • in pensionable age • 2 children	• 20 years at work • part-time work 20 hrs/w • 75% of average pay • in pensionable age • 2 children
OTHER SOCIAL SECURITY SCHEMES	• 10 years at work • full-time job • average pay • 35-years-old • 2 children	• 1 year at home • full-time job • previously 5 yrs at work • 75% of average pay • 35-years-old • 2 children	• 5 years at work • part-time work 20hrs/w • 75% of average pay • 35-years-old • 2 children

For the other systems the example cases are all 35 years old and have two children. Example case 1, 'the full-time worker' is a male employee with an average paid full-time job. Case 2, 'the carer', is temporarily out of the labour force having spent the previous year at home looking after her children. Previously she worked full-time receiving 75% of the average pay. Case 3, 'the part-timer', works part-time 20 hours per week for 75% of the average pay.

Both the carer's and the part-time worker's working periods have been assumed to take place at a later stage of their lives. Carer's possible derived rights as a wife or a family member are not included in the calculations. Social assistance benefits are not included either. This goes with the idea of studying the effects of the system design rather than the actual levels of (sufficient) income maintenance. From a different viewpoint, we could also ask what kind of employment the social insurance schemes refer to, i.e. what is considered acceptable employment.

Certainly, the typical case method is not without its drawbacks. The use of typical cases is inevitably arbitrary and simplistic. However, the aim in this research is not calculate what is the actual financial situation of the atypical workers. Thus, rather than that, this study focuses more on the system design and its outcomes. What are the merits and shortcomings of the various social insurance systems? If something goes wrong already in the system design, especially in this case where the social insurance is studied being comprehended as the primary source of income during contingency, if something goes wrong already there why should we even continue to look at social assistance, for example. The following chapters will aim at giving a sufficient number of details with the analysis of, first, pensions, followed by sickness and maternity benefits, work injury benefits and unemployment benefits.

4. Pensions

In four member states, namely Sweden, Netherlands, Finland and Denmark, a basic pension is payable to all resident nationals, irrespective of whether and how long they have worked. This kind of scheme provides a pension to everyone irrespective of their work history. The pension, however, is set at a minimum level, sufficient to meet basic needs. In all four countries, supplementary earnings-related pensions exist to increase retirement income.

The UK and Ireland also have national insurance schemes but they cover only those who are working or looking for work (i.e. who are part of the labour force) and whose earnings exceed a minimum level. In the UK, however, those who are not in the labour force or whose earnings fall below the lower limit for paying social contributions can make voluntary contributions to obtain a national insurance pension (although this is not the case for other insurance benefits).

In the remaining 9 countries, there is no single national scheme. Eligibility is based on occupational status, i.e. is contingent on satisfaction of conditions which require at least some participation in paid employment, while access to employer-sponsored company schemes is contingent on being employed within the particular enterprise (or industry) concerned and rules (for instance regarding the age of retirement) often vary between those working in the public sector and those in the private sector as well as between wage or salary earners and the self-employed. Membership of one of the several insurance schemes is compulsory for the vast majority in employment. There are no minimum earnings requirements except in Austria. In several cases the self-employed are excluded from coverage as are some atypical workers including in most cases family workers. Minimum assistance benefits are available in all countries, however, to all those who reach the retirement age without adequate insurance coverage.

The method and time in which pension is accumulated varies between different countries. Also, the definition of income (the reference salary) that is used in pension calculations varies. In some countries pension is calculated on the basis of the total lifetime income, whereas in other countries pension is based on the income earned during the last working years. Due to these differences, the actual pension can end up being very different in selected two countries, even in cases where the replacement rates were set at the same level.

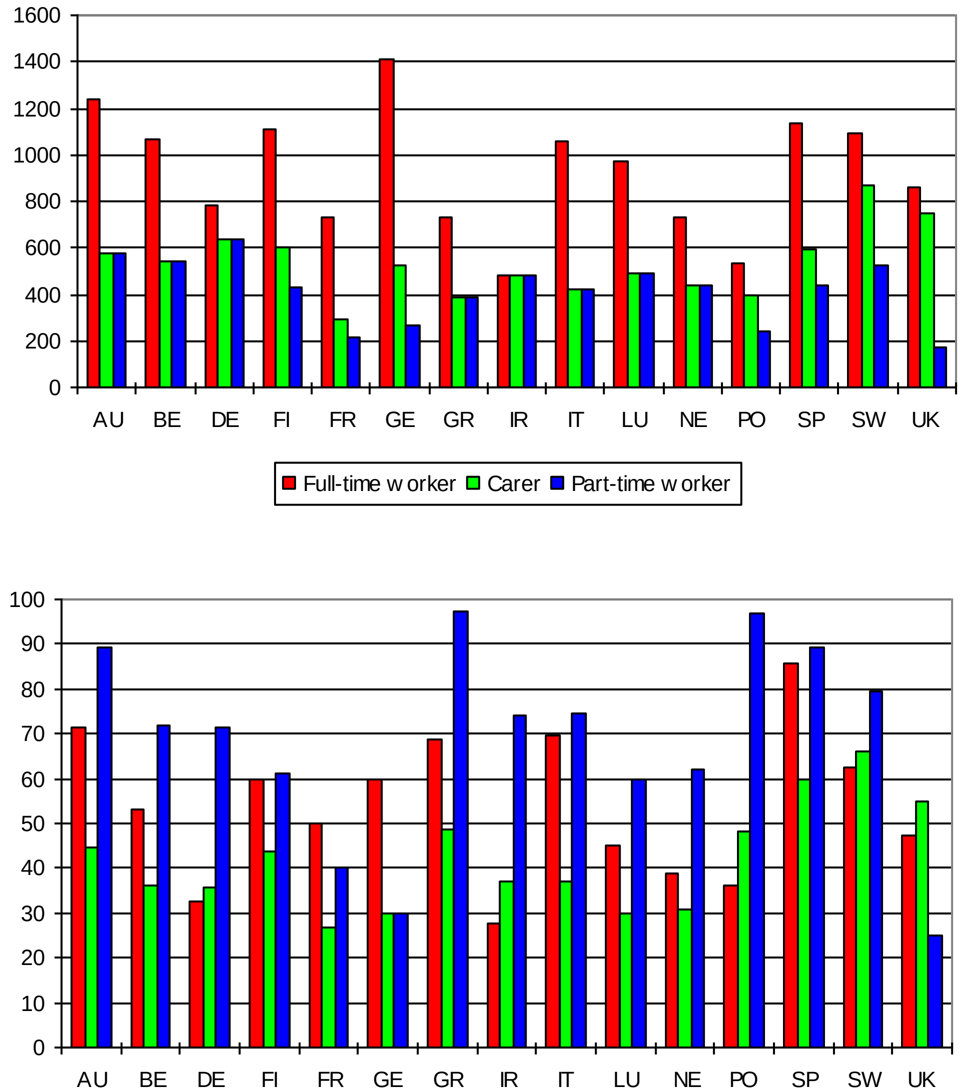


Figure 2. The level of work pensions in PPPs and income replacement rates in the EU countries in 1997

Figure 2 indicates that the highest pensions, for a full-time worker, are paid in Germany, Austria, Spain, Finland and Sweden. The high Spanish figure is based on the assumption that the example case is actually able to achieve the maximum benefit. Also, in Luxembourg the full-time worker can achieve the maximum benefit because it is set at such a low level that the actual replacement rate remains below 50% of average income in contrast to the 80% target level of replacement. The maximum benefit level is usually set at such a high level that it is not achieved by those with average pay, and the level of compensation diminishes rapidly when going to higher income groups. The opposite case is illustrated by Finland, where the target level of benefit is, in principle, the same in all income groups. Other countries are situated between these two extremes. However, international comparisons show that the effect of the income ceiling is eliminated by collective and individual arrangements. The stronger the position of certain occupational groups in the labour market, the likelier those groups are to have their own additional pension schemes. And the stronger the group, the better the additional benefits (Kangas, 1992).

In general, the countries compared here are fairly similar when it comes to the number of years required to qualify for employment-related pension. In most cases the full pension is gained in 40 years. In Belgium, the Netherlands and the UK a longer insurance time is required. In Austria, Germany, Ireland, Spain, Sweden and France the qualifying time is shorter. It is interesting to note that labour force in the EU has become concentrated in a narrower age range, from 25 to 60 or 65 years, despite the ageing of the population as a whole (Social Protection in Europe, 1995). From the point of view of calculating pension entitlement this means that fewer and fewer people are gaining entitlement to maximum benefits. It needs to be added that even though the example cases here are in pensionable age, early exit from the labour market has considerably decreased the actual pension age. This has been especially true of the countries of Central Europe and Finland (Kangas, 1992). Leaving the labour market before the regulatory age in statutory schemes usually leads to a reduced pension.

In a number of member states arrangements exist for moderating the effect of domestic work on the final pension. This can be done either in the form of calculating the pension on the basis of earnings over a limited number of best years rather than over the entire time spent in employment (as in Spain, Portugal or Finland), dropping years spent in caring activities explicitly from the calculation (as in the UK or Ireland), crediting contributions during periods of caring (as in Luxembourg, Germany, Italy, Austria, the Netherlands or Belgium) or allowing voluntary payment of contributions (as in Italy or Greece). In many cases, however, such arrangements provide only partial compensation. The carer has to settle with the minimum pension in Austria, Belgium, Greece, Italy, Luxembourg and Portugal, despite the fact that caring bonuses exist in all these countries. In 10 out of 15 countries the carer receives a relatively smaller share as income replacement in comparison with the full-time worker. The countries that compensate for the low earnings are Denmark, Ireland, Portugal, Sweden and the UK.

Pension scheme membership may be conditional on participation in employment of a certain number of hours or in employment above a certain income level. Hours and earnings thresholds of this kind appear to influence access to state or employer-sponsored national schemes in five member states, namely in Austria, Spain, Ireland, Germany and the UK. Another rule that may be crucial to part-time and fixed-term workers is referred to as vesting (Luckhaus & Ward, 1997), meaning the period needed to acquire the pension rights. Belgium does not impose any minimum period of membership. The Finnish occupational pension is also very liberal as even short-term employment adds to the pension. In other European countries the minimum working time varies from 3 years in Sweden to 15 years in Spain. The period of vesting, which may be imposed by employer-sponsored company schemes, is regulated by statute in a number of member states differing from 2 years in the UK to 10 years in Germany. Moreover, the penalty for leaving a scheme prior to reaching the minimum period is especially severe since it involves a loss of the contributions paid into the scheme to date as well as failure to acquire pension rights for the period concerned. In this respect, it may be noted, less than 20% of part-time workers are members of employer-sponsored company schemes, as first they often do not reach the earnings and hours thresholds, and second have not been employed long enough (by the same employer) (Ginn & Arber, 1998).

The earnings-related pensions of part-time workers often remain below the minimum limit and are raised by minimum pension rules. The part-time worker has to settle with the minimum pension in Austria, Belgium, France, Greece, Italy, Luxembourg, Portugal and Spain. In France the minimum pension is reduced by the number of years of non-employment, and thus it will be of no compensation for low income part-time workers. In Belgium, France and Portugal, which do not have a basic pension system, the 'social pension' paid to the part-time worker is means-tested. In 3 countries out of 15 (France, Greece and the UK) the part-time worker ends up with a smaller income replacement than the full-time worker.

5. Sickness and maternity benefits

5.1 Sickness benefits

There are great differences in the coverage of the sickness benefit systems between the countries. In the case of sickness benefits, eligibility is confined to wage and salary earners in Austria, France, Greece, Ireland, Italy and the Netherlands, but also covers the self-employed in Belgium (basic protection only), Denmark, Spain, Luxembourg, Portugal (voluntary), Sweden, the UK and (partially) Germany and in Finland. In the two latter countries students are covered, too. The coverage is broadest in Finland although some cuts have been made during the 1990s, as a consequence of which eligibility has been restricted and, for example, housewives have been excluded. In Central Europe only the wage earners are generally covered. Even some wage earners are left uncovered in Spain and Greece.

In several countries the precondition for benefit entitlement is either receiving a wage or a salary, or paying contributions during a certain period of time before the illness. In Austria, Germany, Italy, Netherlands and Luxembourg, in order to receive sickness benefit one has to be covered by insurance and prove that the illness has resulted in loss of income. In case a carer falls ill soon after returning to paid employment this kind of systems are very beneficial. It is more difficult to obtain sickness benefits in some countries where a minimum period of work is required: in Finland 3 months and in France 200 hours of work in last 3 months. Also, in Denmark there is a work requirement of 120 hours in the last 13 weeks, employed by the same employer. In this case fixed-term workers are also excluded, although the part-time employed working at least 10 hours a week are covered. In other countries different combinations of contributions and working time are applied. For example in the UK 6 months contributions and weekly income above a certain limit are required. In Austria, too, earnings must exceed a certain limit.

When comparing the absolute levels of compensation (figure 3), the highest sickness benefits are paid in Germany, Luxembourg and Belgium. The part-time worker also receives the best benefits in these countries. The carer’s entitlements are cut off as soon as she stops working, except in Spain, where the very liberal eligibility rules, 180 days of contributions during last 5 years, would give an entitlement even after a fairly long period of non-employment.

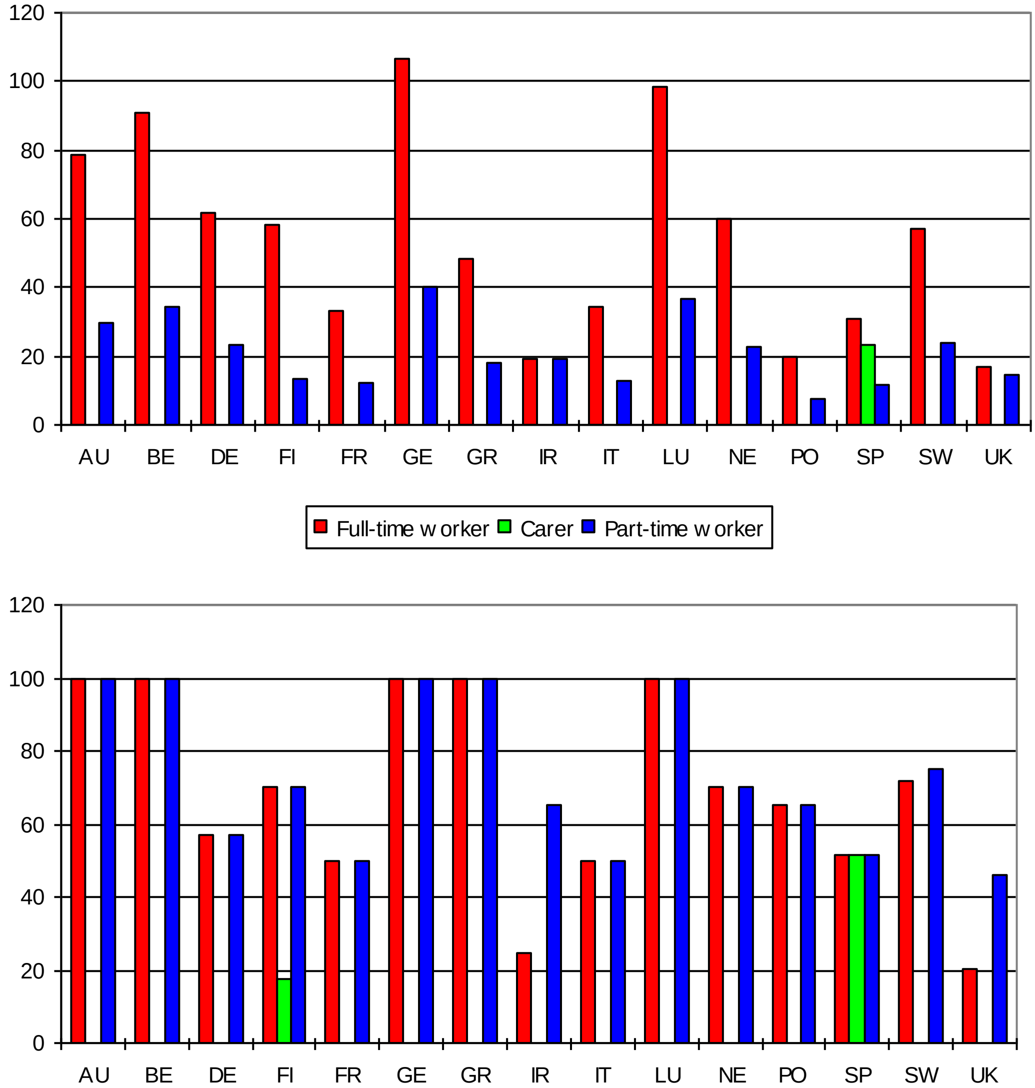


Figure 3. The level of sickness benefits and the income replacement rates in the EU countries in 1997

The compensatory level of statutory insurance is the highest in Austria, Belgium, Germany, Greece and Luxembourg. In all these countries the benefit is 100 per cent of wage. However, in Belgium and Germany the level of compensation decreases in the course of longer periods of sickness. In Denmark the set replacement rate is defined as 90 per cent of wage. However, the maximum benefit is so low (57% of APW) that the part-time worker is able to achieve the same level. In Sweden, Italy and Spain the level of compensation is higher during longer periods of sickness. The benefits are weakest in the Mediterranean countries, France, the UK and Ireland. In the latter two countries there is no actual statutory earnings-related insurance. In practice, the benefit is flat-rate and the earnings-related benefits are arranged by collective insurance. The sickness insurance schemes rarely contain a minimum benefit (only in Finland, and in France after 6 months of sickness) which improves the benefit level of part-time workers.

The duration of the waiting period varies greatly, from 0 to 7 days, between different countries in Europe, although there is no waiting period at all in Belgium, Denmark, Germany, Luxembourg and Sweden. However, in most countries wage earners are covered by wage arrangements for sickness periods, and receive full wage or salary during 1-6 months of sickness from the first day of sickness. Thus, occupational insurance fills the gaps in statutory social security and the effect of waiting periods is eliminated (Kangas, 1992). However, to the disadvantage of carers and part-time workers, they are not usually covered by occupational insurance. The collective benefits are not limited to waiting periods only. In most countries the benefit levels are greatly improved through occupational insurance. In Belgium the starting level of compensation is 60 per cent, but usually the employer pays a full salary for at least the first month of sickness. In Greece, where the level of compensation in statutory sickness insurance is 50 per cent of salary, the collective arrangements guarantee full salary during the first 30 days for those who have been employed for at least a year by the same employer. In Italy the level of compensation in statutory sickness insurance is 50 per cent during the first 20 days of sickness. However, certain officials and some other groups of wage earners receive a full salary according to collective arrangements. In Portugal, most employers pay daily allowances, with the level of compensation varying between 60 to 100 per cent. Also, in the Netherlands most wage earners have additional insurance. In Germany, where the compensatory level of statutory insurance decreases after 6 weeks of absence to 80 per cent, about half of the wage earners receive full salary on the basis of collective agreements also after the first 6 weeks.

In Finland and in Sweden the entitlement to sickness benefits extends over periods of unemployment. In the UK the Incapacity Benefit (paid under sickness insurance program) is, in principle, paid to the unemployed if they satisfy the contribution conditions which the example cases here do not. In general, there is little information on unemployment and social security entitlements, although such data is urgently needed.

5.2 Maternity benefits

The terms of eligibility and the coverage of maternity insurance vary in the same way as in sickness insurance. The coverage is the highest in the Nordic countries. In Central and Southern Europe the terms of eligibility include having a wage or a salary and/or being a member of a sickness fund.

In the case of maternity benefits, all economically active women are eligible in all countries, except in Ireland and the Netherlands, where the self-employed are excluded, while in Luxembourg and Finland women who are not in employment are also covered. In a few countries, fathers who are in work can claim benefits for a newborn child instead of the mother (Social Protection in Europe, 1995).

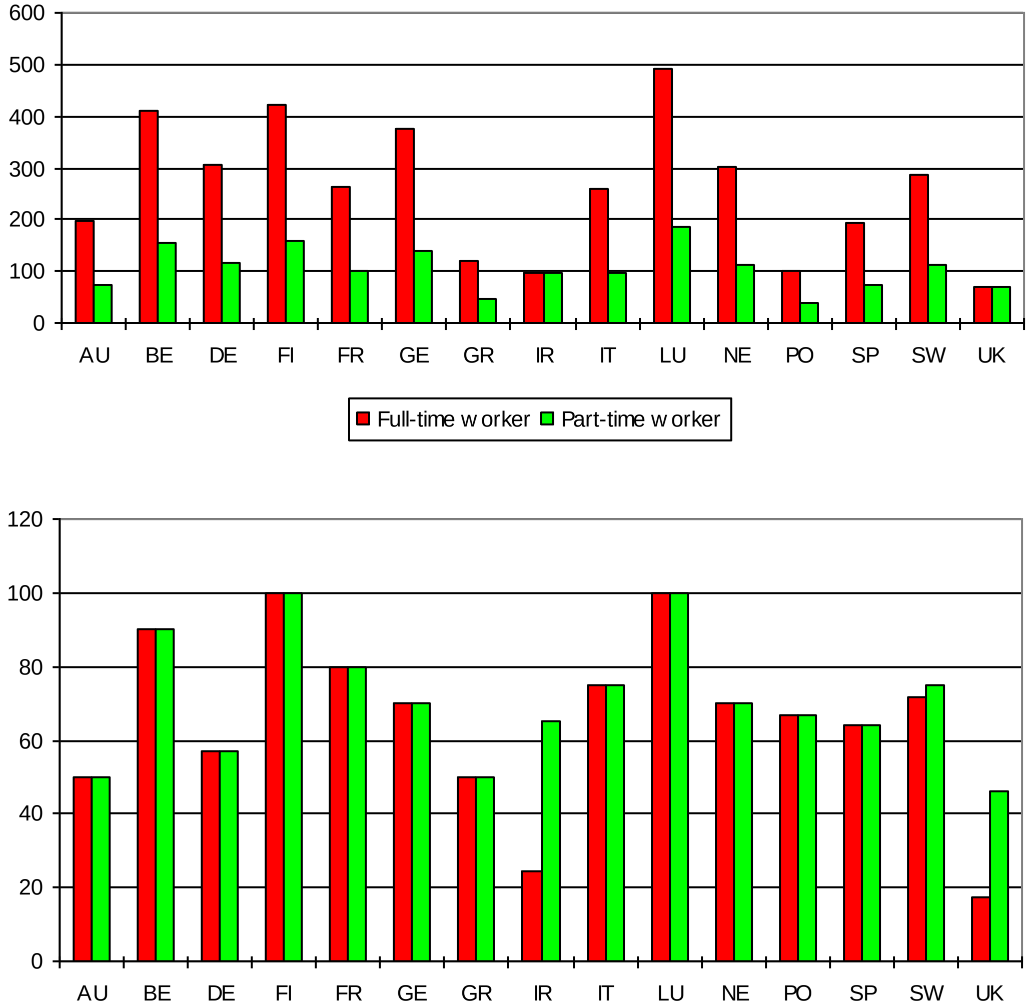


Figure 4. The level of maternity benefits in PPPs and the income replament rates in the EU countries in 1997

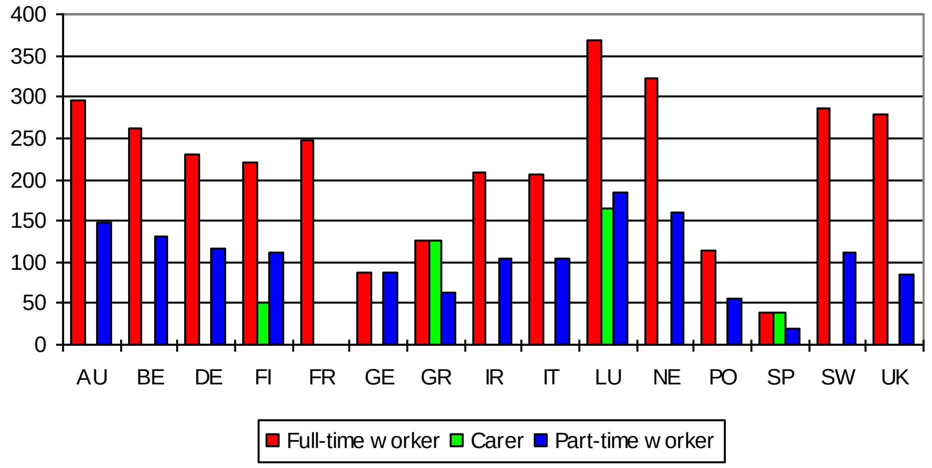
The bar charts in figure 4 show that in Austria, France, Luxembourg, Netherlands and Portugal the maternity benefit is 100 per cent of salary. After the period covered by the employer, the statutory benefit will be applied. In Denmark the benefit level is quite high by definition, but the maximum benefits are so low that the set replacement rates remain unachieved even in average income groups. The German system aims at a 100% replacement rate, but the maximum benefit is set at such a low level that the actual replacement rate remains below 50%.

Similarly to sickness insurance, fixed-term and temporary workers are excluded in Denmark. In Finland and Sweden, the carer will receive a guaranteed minimum benefit. In Luxembourg a maternity allowance is paid also to those who suffer no loss of income. In Belgium, Italy, Luxembourg and Sweden there is no minimum work period required, which works to the advantage of the carer in case she returns to work. In Greece and Spain the eligibility rules are so liberal that even the carer is entitled to work-related benefits. In Ireland the part-timer benefits from the minimum benefit which is not applicable in the other countries.

The duration of payments varies markedly between countries. In Germany and Ireland the duration is the shortest, 14 weeks. The duration is longest in Sweden (51 weeks) and in Finland (46 weeks). The duration of the maternity benefit is longest in the Nordic countries. In Sweden the maternity benefit is paid for 51 weeks, in Finland for ca. 43 weeks and in Denmark for 28 weeks. In other countries the duration varies from 14 to 24 weeks. In Italy the period of payment can be extended at a reduced benefit level.

6. WORK INJURY BENEFITS

Work accident schemes are composed of two different systems: benefits for fixed-term work injury and benefits for permanent work injury. Only wage and salary earners are typically eligible for cash benefits in case of occupational injuries and diseases; the self-employed are covered only in Austria, Luxembourg and Sweden, and some self-employed persons are covered in Denmark, Germany and Italy. In a few countries, students are also included in compulsory insurance schemes. The casual labour in Belgium is explicitly covered and domestic workers are excluded in Ireland. In the Netherlands there is no work accident insurance, but instead the work injury benefits are paid under sickness insurance scheme. The payment of benefits starts from the 1st day of contingency except in Greece where the benefit is payable after a 1 day waiting period.



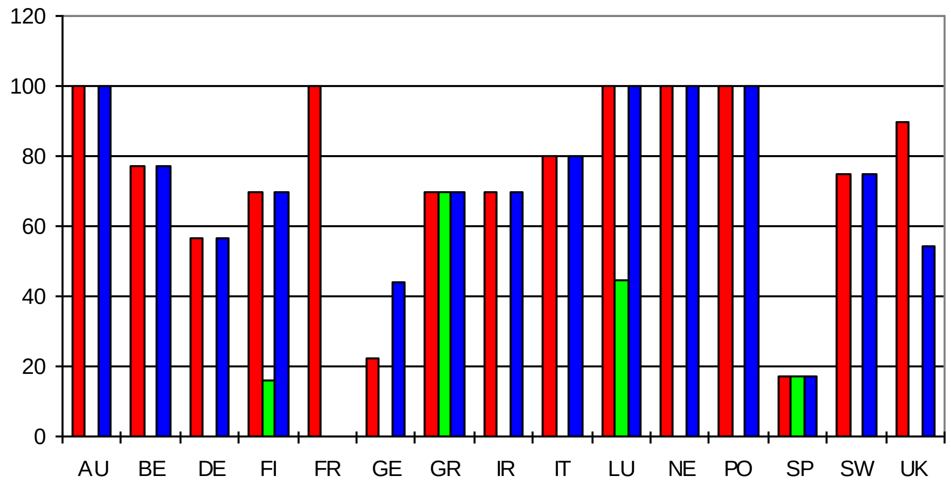
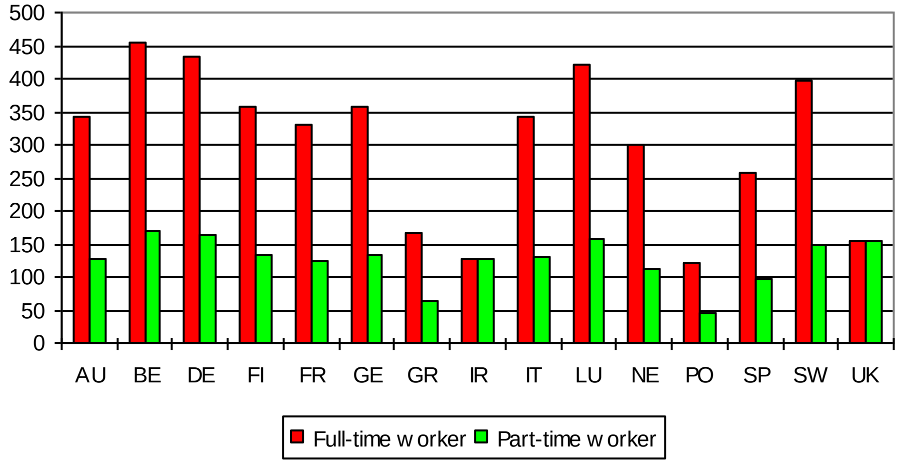


Figure 5. The level of benefits for fixed-term work injury in PPPs and the income replacement rates in the EU countries in 1997

In general, work injury benefit schemes are rather straightforward. Therefore, the replacement rates reflect for the most part only the differences in the average wages.

Finland and Luxembourg pay 100% of the pay as fixed-term work injury benefit. Even at their lowest level the benefits are 50% of the reference pay, except for the Irish and British full-time workers who receive a flat-rate benefit of approximately 20% of their pay.



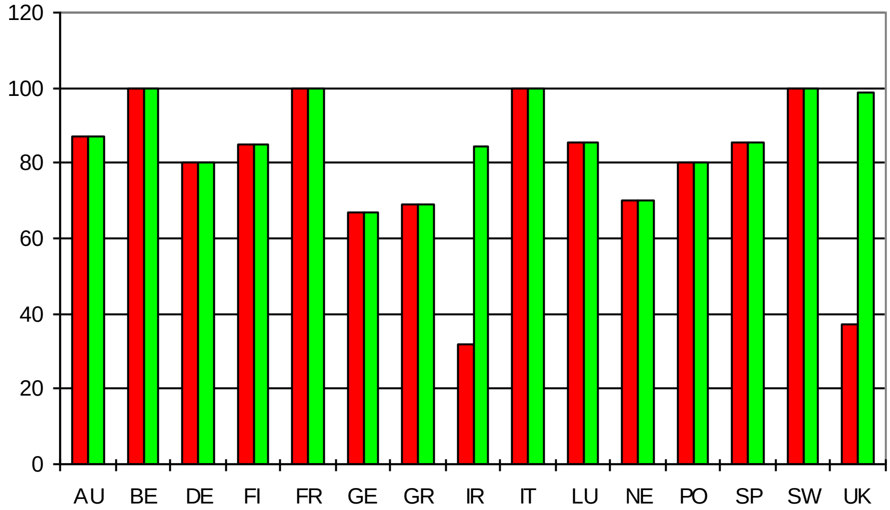


Figure 6. The level of benefits for permanent work injury in PPPs and the income replacement rates in the EU countries in 1997

The level of benefits is markedly higher in permanent work injury scheme, in which Belgium, France, Italy and Sweden provide a 100% replacement rate. Even at their lowest level the benefits are nearly 70 % of the reference pay, except for the Irish and British full-time workers who receive a flat-rate benefit of 30-40% of their pay.

The work injury benefit does not compensate for the low income of the part-time worker except possibly in countries with flat-rate benefits, where the level of benefits is set through a ‘levelling-down’ method. Whether this measure increases equality is questionable.

7. Unemployment insurance

In the case of unemployment benefits, rules governing eligibility vary not only across countries, but also with respect to the type of benefit scheme in force. In Denmark, Finland and Sweden membership of unemployment insurance funds is voluntary and also open to the self-employed. In all the other countries, unemployment insurance is compulsory, but only for employees; Luxembourg is the only country which offers insurance benefits to the self-employed. Some countries provide specific unemployment assistance which is paid when eligibility to insurance benefits has not matured or has expired; these include the Nordic countries, France, Germany, Spain and Portugal and Ireland. In the latter, eligibility to unemployment assistance also extends to the self-employed. Thus, in Denmark, Finland, Germany, Ireland, Luxembourg, the Netherlands and Sweden the coverage of unemployment insurance schemes is high, whereas in Southern European countries the benefit coverage is limited to certain groups of wage earners.

In Sweden, Finland, Italy and Greece the waiting periods are rather long, approximately one week. In the UK and Ireland the waiting period is 3 days. In the rest of the countries benefit is paid from the first day of unemployment. The situation presented in Figure 7 is the 1st day of unemployment after the waiting period.

In relation to the earnings of our example case, the average paid full-time worker, benefit rates under unemployment insurance vary from lows of around 20% to 30% in the United Kingdom, Ireland and Italy, to 80% in Luxembourg. In most countries unemployment benefit is independent of whether or not the spouse is working (the exceptions are Austria, Ireland and Spain) but there is also considerable variation in the duration of the benefit, the shortest duration being 6 months in Italy and the longest 7 years in Denmark (excluding Belgium where the duration is indefinite). The set replacement rate is highest in Denmark, where the benefit is 90 per cent of gross income. Also, the period of payment is quite long. However, setting a maximum benefit cuts the set rate substantially. An upper ceiling is applied for the full-time worker in the Danish and Swedish examples. The ceiling is set at such a low level in Denmark that it restricts even the carer's unemployment benefit. In Luxembourg, too, the level of benefits approaches 80 per cent which is achieved by both the full-time worker and the part-time worker. The lowest levels are found in Greece, Italy, Portugal, Ireland and the UK.

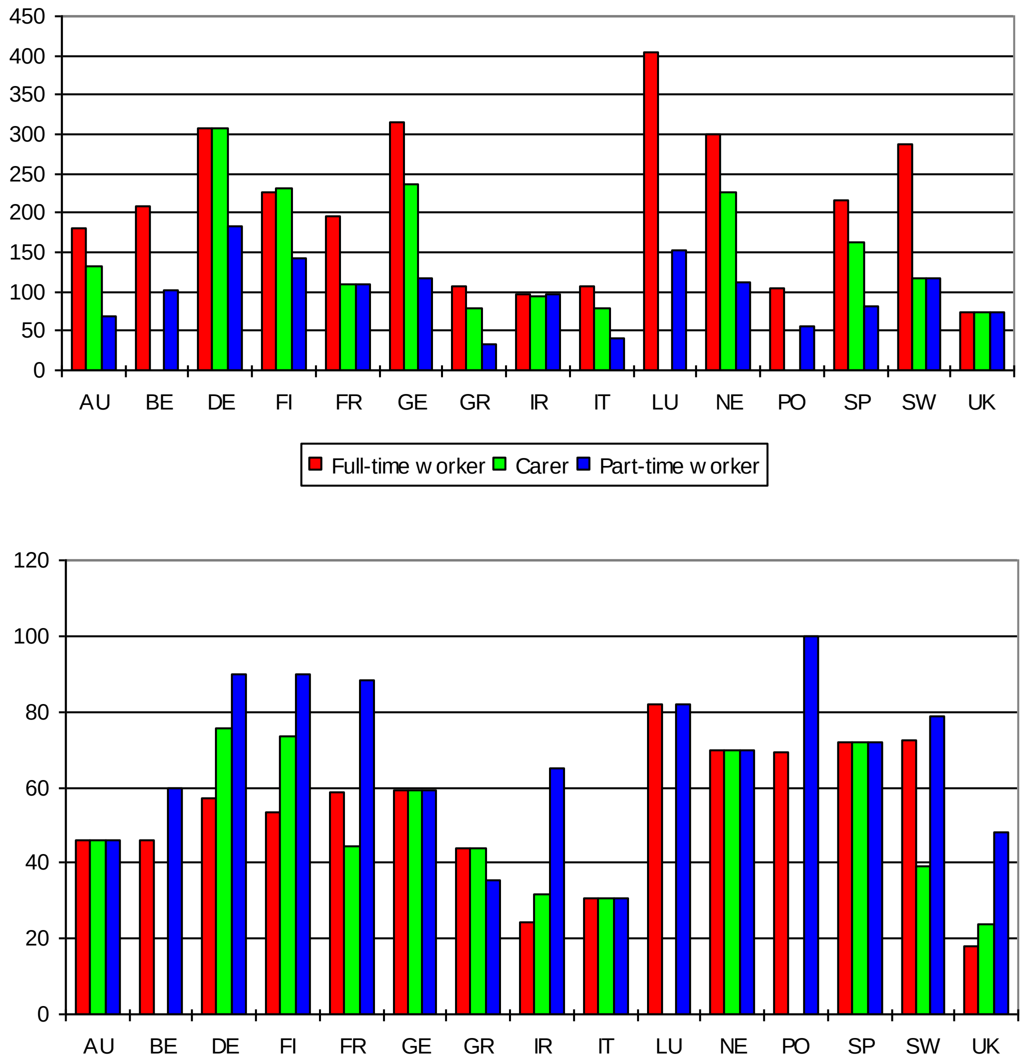


Figure 7. The level of unemployment benefits and the income replacement rates in the EU countries in 1997

In several countries the duration of unemployment benefits varies according to the insured person's age and work history. This is the case in France, Greece, Netherlands, Portugal and Spain. The duration is longest in the Netherlands, Denmark, France and Germany. The Finnish unemployment benefit is also paid for a fairly long period, as is the Spanish maximum benefit. In most countries there is no limit for the duration of payments for those who are outside the actual unemployment insurance.

In general, the qualifying conditions for the receipt of unemployment benefit in cases where a person loses a job soon after returning to work tend to pose a problem. This is not the case in Finland where unemployment benefit is paid after five days of registered unemployment. As in pension schemes, there are caring bonuses attached to unemployment benefit schemes. In Germany and the Netherlands, there are special provisions for those returning to work from caring for children at home, but these are not available to those caring for adults, (which is possible in the UK). In Belgium and Greece, some of the provisions for leave from work enable the carer to remain insured and so to qualify for unemployment benefits, but in general, in three of the countries (Belgium, Luxembourg and Portugal) the carer is not entitled to any unemployment benefit due to the strict eligibility rules. In Finland, where the aim is not only to compensate for the loss of income, but also to provide the same level of benefits to everyone, the carer actually gets a better unemployment benefit than the full-time worker does, even though the benefit is paid under an earnings-related scheme.

In Austria, Germany, the Netherlands and Spain the replacement rates are equal for all example types, but in Greece the part-timer's compensation is lower due to the assumption that she is a wage-earner with a 40% replacement rate, whereas the full-time worker is assumed to be a salary earner with a 50% replacement rate.

The part-time worker is compensated for her low income in 7 countries, namely in Belgium, Denmark, Finland, Ireland, Portugal, Sweden and the UK. In 4 countries (France, Greece, Italy and the Netherlands) there are no earnings or hours thresholds set for the part-timer or low-income earner. The part-time worker has to settle with minimum benefits in France, Portugal and Sweden. (It could also be that minimum benefits are set at a fairly high level. In Sweden the carer receives the minimum benefit which indicates a fairly high level of the minimum unemployment benefit). But even though the example cases here mostly qualify for receipt of unemployment benefits it has been calculated that in 1992, only 30 % of the unemployed in the EU received unemployment benefits (Grimshaw & Rubery, 1997).

It is worth mentioning that in Denmark and Finland, where the part-time worker's benefit compensates for 90% of income loss, this is very likely to create an incentive problem. Also, in Portugal there seems to be an incentive problem, as the benefit is 100% of the pay resulting from the fact that both the part-timer's pay and the minimum unemployment benefit are at the level of the minimum wage.

8. Conclusions and further discussion

There is still great variation in the principles guiding the benefit systems in the EU. It is hard to evaluate with certainty to what extent the harmonisation process of the European social security schemes has managed to standardise the systems, or the outcomes. With regard to the example cases, the system design is more harmonised when it comes to part-time work. The part-time worker receives a benefit in relation to her income, which is occasionally lifted up to the level of the minimum benefit (maximum benefit is also occasionally applied in the case of a full-time worker thus increasing equality, although it is more likely that the purpose has been to cut costs). In the case of a carer, the practices are more varied or even arbitrary and raise the question of whether the different social security schemes actually aim at income replacement or securing a satisfactory level of income maintenance. This is reflected by the fact that the carer receives no benefit in most countries' sickness and maternity benefit systems and sometimes not even in unemployment benefits systems.

In general, the level of benefits varies greatly between the countries. The highest benefits are paid in Central and Northern Europe, whereas benefits are lower in Southern Europe and Ireland and the UK. Even though a part-time worker regularly ends up with lower benefits than a full-time worker, the replacement rates show that there is some compensation for low income whereas carers receive less compensation. Especially in pensions, carers have to settle for lesser compensation. This indicates a blurred connection between the contribution made and the final (pension) benefit. It could be argued that from the carer's and part-time worker's point of view the pension system could just as well be a flat-rate scheme as both have to settle for minimum pensions in most countries. This suggests that for an atypical worker the most beneficial form of income redistribution is the universal model. However, if flat-rate benefits were to become more common, the fear is that they need to be increased to too high a level relative to earnings from work, which could adversely affect work incentives; this is another issue of current concern. On the other hand if they are too low and social benefits gradually fall behind earnings, those who can seek compensation in private insurance will do so, thus weakening broad support for the welfare state (Esping-Andersen, 1996).

Saying the same from another viewpoint, when examining the results from the regime perspective, the results support the presumption that if the European Commission is to promote the continental (conservative corporatist) model as it was suggested, it will result in greater income differences between different worker groups, as the full-time worker (especially in pensions) receives highest benefits in the continental Europe, where the carer and part-time worker usually settle with the minimum pension. Furthermore, in continental Europe, the fact that atypical workers receive lower benefits has even been used to exclude them from social insurance altogether, pointing at the potential impact of contributions on low incomes. The low level of contributions which they would be able to pay is an issue, in that they would give rights only to very low earnings-related benefits which, in practice, might not be any greater than means-tested allowances (Equal Opportunities for Women and Men in the European Union, 1996).

According to Ploug & Kvist (1994d) there are two problems that we are facing due to atypical employment. First, there is the problem of social rights, the focus of this research. Second, atypical work poses a financial problem as atypical workers pay less tax, but are more vulnerable and more often in need of benefits. The latter will undoubtedly be of great importance in the future if we are to see more part-time work and fragmented periods of employment. In this debate, on the one hand there are those who want to increase labour market flexibility by reducing contributions and the costs to employers - as well encouraging more part-time jobs - and on the other hand those who wish to see improved social protection. It has been suggested that there does not need to be a trade-off between these two, as, for example, putting more emphasis on active labour market measures and ‘social investment’ a balance between high employment and sound social protection could be achieved. It also implies, that to secure a proper social protection for the atypical workers, it is maybe not only about simply improving the benefit levels and eligibility conditions, but also about social policy in a broad sense. Nevertheless, having said that, with no improvements in the current social protection system, it is certain that benefits paid to atypical workers are very likely to be below the poverty line which means, especially in the case of pensions, that the number of poor people will continue to rise in the EU.

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KATJA FORSSÉN

FAMILY POLICIES AND THE ECONOMIC WELL-BEING OF CHILDREN IN SOME OECD COUNTRIES

1. Introduction

Much social policy is concerned with families and family life. Children and their families are very often a central issue in contemporary political and policy debate in most western welfare states. This special interest in children's well-being can be explained in many ways: It is said that the well-being of children is not only an indication of a society's moral worth, children are also a human capital, the most important resource for a society's future (Bradshaw 1997; Ringen 1997). Almost every action that welfare states take has impacts on families and family life.

Economic well-being of families and children are based on a combination of four types of resources: work (including earnings and non-market 'home' work), social services and government benefits; and taxes to pay for them. (Smeeding et al. 1997.) Welfare states differ from each other in the way they offer different income package opportunities to the families. These differences have been described by clustering welfare states to regimes, although the clusters made in family policies are not as clear as in general welfare policies (Gauthier 1996).

One reason to the problems in finding similarities in different countries' family policy-making styles is simply due to conceptual problems, i.e., due to the fact that the definition of family policy is very unclear and vague. Maximalist definitions include everything that affects families, whether intended or not. Minimalist definitions include only those policies directly targeted on families. The family policy in one country could have both, minimalist and maximalist features in it (Kamerman & Kahn 1978; 1994; Kamerman 1986; Ginsburg 1992; Bradshaw et al. 1993; Wennemo 1994; Gornick et al. 1996). Consequently, there exist strong differences among countries in terms of the governments' agenda and concern towards the demographic situation, but also in terms of the nature of governments' intervention and the level of governmental support for families. While some governments have opted for an explicitly interventionist policy aimed at encouraging fertility, or at promoting a traditional family structure, others have opted for a less interventionist approach. (Gauthier 1996: see also

Wennemo 1994.)

Family policy has been defined to mean everything that government does to and for the family (Kamerman et al. 1978). Some researchers view family policy as involving not only families with under-age children but also other types of households, such as pensioners' families (Wilensky 1975). In the present study, family policy is defined broadly to cover both social security transfers and social services. This means that the general social security benefits such as sickness and unemployment compensation are included in addition to benefits targeted specifically for families with children, i.e., child allowances and tax deductions as well as services such as day care services. This study apply for maximalist approach.

The effectiveness of different family policy systems can be evaluated by analysing the outcomes of welfare states. The quality of family policy systems can be measured for example by comparing child poverty rates, social assistance dependency, infant mortality, birth rates and other indicators of well-being. The aim of this study is to compare family policy legislation and family policy outcomes in different OECD countries. The special interest will be shown to the European countries, because the role of family policy in European Commission is still quite unclear (Hantrais 1996).

The structure of the study is following: The section after this introduction gives an overview of family policies and classifications made of them. This short overview of the previous studies serves as a platform for empirical analyses on economic well-being. After that I will concentrate on family policy outcomes and then look closer at the European family policy systems. Data on economic well-being is mostly derived from the Luxembourg Income Study Database. Since these inspections are – for data reasons – based on cross-sectional inspections it is interesting to display longitudinal development in countries where such data are available. This longitudinal scrutiny will be done in the penultimate section. Finally there will be a brief discussion of the level and development of the economic well-being of children in OEDC countries.

2.Family policies in OECD countries

In the past twenty years there has been various attempts to classify different family policy systems. Sheila Kamerman and Alfred Kahn (1978) categorised countries according to their family policy-making styles. They distinguished between countries that had explicit and implicit family policies. At that time comprehensive (explicit) family policy countries exemplified France, Sweden, Norway, Hungary and Czechoslovakia. Countries with an explicit but more narrowly focused family policy included Denmark, Germany, Austria, Poland and Finland. Countries without an explicit family policy and which went so far as to reject the idea of such a policy were illustrated by the United Kingdom, Canada, Israel and the United States.

In a much more recent study on family policy Anne H. Gauthier presented a historical review of the development of family policy in OECD countries. She clustered countries to four different groups. First, in countries belonging to **pro-family/ pro-natalist model** the major concern is low fertility and because of this the main task of family policy is to encourage families to have children. This is done by helping mothers reconcile work and family life. In this model, relatively high levels of support are provided for maternity leave and child-care facilities. Great emphasis is placed on cash benefits and more particularly, towards the third child. Gauthier names France and Quebec as examples in this group. (Gauthier 1996, 203.)

In the second, **pro-traditional model** the preservation of the family is the main concern. Government takes some responsibility for supporting families, but the most important sources of support are seen as the families themselves and voluntary organisations. Under this model, a medium level of state support for families is provided. The low provision of childcare does not give women the opportunity to combine employment and family responsibility easily. Germany is an example given. (Gauthier 1996, 203-204.)

In third, pro-egalitarian model seeks to promote gender equality. Men and women are treated as equal breadwinners and equal carers and policy aims to support dual parent/worker roles. This model is in deep contrast with the previous one. Liberal policies on marriage, divorce and abortion mean that there are few restrictions on how people can choose their family life. The principle of voluntary parenthood describes this family policy model. The best representatives of this model are Sweden and Denmark. (Gauthier 1996, 204.)

In the countries belonging to pro-family but non-interventionist model the main concern is the families in need. The participation of women in the labour force is not discouraged, but limited benefits are provided by the state to support them. Families are viewed as basically self sufficient and able to meet their own needs through the private market with only a limited help from the state. It is believed that the market will meet any needs that emerge, as long as it is not hindered by government regulation. The UK and USA can be regarded as best examples of this model. (Gauthier 1996, 204-205.)

As in all classification there has to be remembered that pure models in their pure form are found only in limited number of countries. Gauthier's (1996) classification is in some parts very close to typology made by Esping-Andersen (1990). Gauthier's pro-egalitarian model and non-interventionist one match Esping-Andersen's democratic and liberal models respectively, while Gauthier's traditional and pro-natalist one are closed to Esping-Andersen's conservative model. Neither Esping-Andersen nor Gauthier does single out Southern European countries as a distinct model, although Gauthier points out that in her strict analysis of benefits' level Southern European countries were placed in a separate categories.

Jane Millar and Andrea Warman (1996) compared welfare states by what kind of family obligation the countries presented. They did not construct a typology of national approaches to defining family obligations because 'the data they had, told only a part of the story'. In spite of this they group countries according how the legislation takes in count the family (see table 1). In the Scandinavian countries the emphasis is on **individual entitlements and citizenship rights** available to all. Those in need are most likely to expect and receive state, rather than family, provision and there are rarely any legal requirements to provide support. Children in the Scandinavian countries are more likely to be treated as individuals with rights of their own than they are elsewhere. (Millar & Warman 1996.)

The countries where family obligations are mainly assumed to lie in the **nuclear family** are Austria, Belgium, France, Germany, Ireland, Luxembourg, the Netherlands and the UK. Individualisation is relatively undeveloped; benefits and taxes almost always recognise these family obligations. Within this group of countries there are some differences of emphasis. In some countries the legal obligations to provide financial support extend only downward (from parents to children) and in some countries only upwards (from adult children to parents) as well. Ireland and the UK fall into the first category and the other countries into the second category. However, although these obligations exist in laws in Austria, Belgium, France, Germany, Luxembourg and the Netherlands they are rarely enforced. Millar and Warman identify differences in approach in respect of care of children. In some countries there is a presumption of family care for children. This is true in Austria, Germany, the Netherlands, Ireland, Luxembourg and the UK. In these countries childcare coverage seem to be low and school hours make it difficult for mothers to be in full-time work. In Belgium and France childcare is seen as a responsibility of the state. (Millar & Warman 1996.)

In Portugal, Spain, Italy and Greece the **extended family** plays a more important role. Families are expected to support one another across a broad range of relationships and someone in need is expected to look first to their family for support. Services that exist are mainly for those without family. State provision of childcare for young children is relatively low and is not primarily intended as support for working parents. (Millar & Warman 1996.)

Table 1. Indicators of family policies in various countries in the late 1980s and early 1990s.

	Child bene-fit	Single parent benefit	Child main-te-nance quaran-tee	Pa-ter-ni ty leave	Leave to care for sick child-ren	Cove-rage of day care	Regula-tion of family day care	**Family policy index**
Finland	+	+	+	+	+	++	+	**8**
Belgium	+	-	+	+	+	++	+	**7**
Sweden	+	-	+	+	+	++	+	**7**
Denmark	+	+	+	+	-	++	+	**7**
France	+	+	+	+	-	++	+	**7**
Norway	+	+	+	+	+	+	-	**6**
Austria	+	-	+	+	-	+	+	**5**
Germany	+	-	+	-	+	+	-	**4**
Italy	-	-	-	-	+	++	+	**4**
Greece	-	-	-	+	+	+	-	**3**
Spain	-	-	-	+	+	+	-	**3**
UK	+	+	-	-	-	-	+	**3**
Australia	-	+	-	-	-	-	+	**2**
Luxem-bourg	+	-	+	-	-	-	-	**2**
Portugal	+	-	-	-	+	-	-	**2**
USA	-	+	-	-	-	-	-	**1**
Nether-lands	+	-	-	-	-	-	-	**1**

Source: Millar & Warman 1996 (tables 3.4 and 3.5) except the family policy index and countries Australia and USA. Family policy index is calculated as following: ++= 2 points, + = 1 point and - = 0 point.

Table 1 above allows us to compare the levels of family policies in seventeen countries. It is based mostly on Jane Millar's and Andrea Warman's above described study. There is a great variation in family policy legislation. Scandinavian countries together with France and Belgium have quite wide range of family policy legislation. Most countries in Southern Europe have the legislation just above or at the same level as the countries belonging to the liberal welfare state regimes. This firms the difficulty to place Southern European countries to traditional regimes. Somewhat surprising is the Netherlands – usually ranking very highly in the quality of the welfare states – is here among the lowest rankings. The Dutch family policy has been developed under the male breadwinner ideology. Day care services were until the 1990s quite underdeveloped. In the beginning of 1990s there occurred drastic changes in Dutch policy especially towards single parent families. Individualisation and the fragmentation of life styles gave rise to the perception that lone motherhood was a self-selected life style that no longer required social protection. The results of these changes various in different groups. According to Bussemaker et al. (1997) for those mothers who had built their identity primarily on full-time motherhood the changes were radical and strongly negative.

As all the family policy classifications presented above have shown one of the key divider of the family policy systems is how different welfare states help families to reconcile family and professional life. When parental leave, leave to care for sick children and childcare are considered together it is clear that Nordic countries have gone much further than others in supporting parents to reconcile employment with family life. The liberal welfare states together with Southern European countries lack this kind of support almost totally. From the poverty point of view day care arrangements play important role because employment is one of the main factors which keeps families out of poverty. On the other hand it is not only the coverage of day care but also the cost of day care which matters. According to recent study (Bradshaw et al. 1996) the day care fees of single parents in relation to their incomes are highest in the UK (28 %) and USA (22 %). High day care fees might force women to return or stay at home. This has been argued to have happened for example in Australia. In Nordic countries the coverage of day care and states' subsidies for day care costs are high.

The degree to which family policy legislation has been developed in various countries depends largely upon ideological factors. In the Nordic countries, the state has long participated in the equalisation of the expense caused by children. In the corporatist countries social rights are tied in with family status. This has resulted in women's and children's individual benefits remaining poorly developed. In liberal welfare states, the family is viewed as so untouchable an institution that the state must not interfere with how it functions. Child-raising and childcare are seen as private family matters. These ideological factors reflect the way in which family policy legislation is developed.

Level of legislation tells only one part of the story. Although the social policy legislation forms the basis of family policy, it does not tell us how well the legislation is working in practise. To get this side of the picture it is necessary to include information about the outcomes of the legislation. This will be done in next section.

3. The economic well-being of children in OECD countries

The primary producer and distributor of welfare is the family. Such characteristics of the family as the family structure, occupational status of the parents, and the age and number of children, have direct effect on the welfare of the family members. It is of course clear that many other factors besides the family are involved in the production of welfare for the individual. The economic condition of the surrounding society is a stronger factor than family. The welfare state has been defined as a state that makes itself responsible for social security and welfare of its citizens. It is a state, which seeks to assure the security and adequacy of the standard of living of all its citizens. (Rainwater et al. 1986.) By looking the outcomes of welfare states we can evaluate how well different welfare states have succeeded to fulfil their task to quarantine its citizens' well-being.

The economic standing is one of the main factors connected to the well-being of households. In this study the economic standing will be measured only by comparing poverty rates of different family types in several countries.

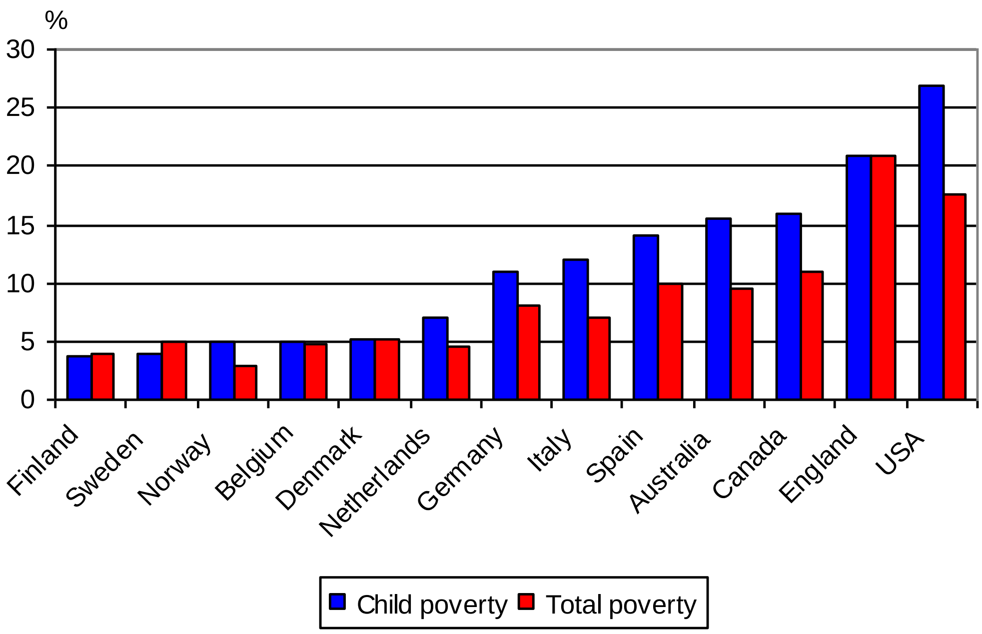

Figure l. Poverty in childhood and in the total population in the late 1980s and early 1990s (%)

Figure 1 has two important messages. First it reveals that the differences between welfare state regimes in child poverty and general poverty parallel each other. The Nordic countries have low child poverty rates, then come the Central European countries, and last the liberal countries in which child poverty is fairly common. Secondly the figure shows that in most countries child poverty rates are higher than the poverty rates in the total populations. Many comparisons on income inequality and social spending show that the democratic welfare state is universally a good bargain for the elderly, whereas the treatment of children is more varied. Affluent democracies have instituted social security systems that give the elderly a standard of living roughly on a par with that of the population average. The same societies have not instituted “social security for children“ which would allow families to give their children an even level standard of living (Ringen 1997). Cornia (1997) has pointed out that from the year 1973 to the year 1989 in most industrialised countries pension coverage was broadened and existing programmes were improved or consolidated. This meant the relative neglect of social policy towards children and adolescents. Ringen (1997) says that if democracy is a system of equal rights for citizens, there is a remaining democratic deficit caused by the exclusion of children and the non-representation of their interests. Ringen has also noticed that the economic well-being of children has got worse in many countries. He argues that even if it were natural for children and for families with children to be on the lower side of the distribution, there is nothing “natural“ about children and families raising children being disproportionately among the losers in the redistribution which occurs when inequality increases. (Ringen 1998, 5.)

The common fact in the western welfare states is that marriage and work reduce the risk of poverty for women, whereas motherhood and especially single motherhood increase the probability of being poor (McLanahan et al. 1995). In many studies it has been indicated that single-parent families are often in the low income brackets because there is only one wage-earner in the household and because single parents are most often women (Millar 1992; Millar et al. 1989). Because women work in low-wage jobs more often then men, the poverty risk of single parent families is higher than that of two parent families. It is argued that the reason for feminisation of poverty is that as families dissolve women end up in difficult economic circumstances because of their reproductive responsibility. So it is the single parenthood arising from the breakdown of the family and the difficulties caused by single parenthood which add the poverty risk of women and children.

Against this background it will be interesting to see how welfare states have acted to quarantine the well-being of single parent families. Next two figures show how single parent and two parent families are treated in different social security systems from the poverty point of view. Figure 2 shows single parents’ poverty rates and the effectiveness of welfare states to reduce their poverty risks. Figure 3 shows the same thing in two parent families. As said above it is obvious that in all countries poverty risk for single parent families is higher than in two parent families. However there is a great difference between different countries according to single parent families' poverty rates. Single parent families' risk to live in poverty is the highest in USA, Australia and the Netherlands and the lowest in Germany, Sweden, Denmark and Finland. During the past ten years there has been a backlash against the economic situation in single parent families in the Netherlands, Australia, the UK and USA. There has been a clear development to narrow single parents' autonomy. For example in the UK single parents' access to social housing has been tighten and also benefits for single parent families have been cut. Also in USA morally slanted attitudes tend to dictate benefits for single parent families and for example the new income support scheme (TANF) is much stricter than the preceding one (AFDC). In Scandinavian countries single parents are seen as workers or caregivers. This has been made possible by extensive public day care and universal benefits. According to Lewis (1997) single parents have a need to be full participants in their society, they want inclusion but they also want full participants in their society. This need has been fulfilled in Scandinavian countries but not in liberal welfare states.

These ideological differences between welfare state regimes can also be recognise when looking poverty reduction coefficients. Without any state intervention single parents' poverty rates would be high in every welfare states. Only in USA and in Australia the reduction in single parent families' poverty rate was below 50 %.

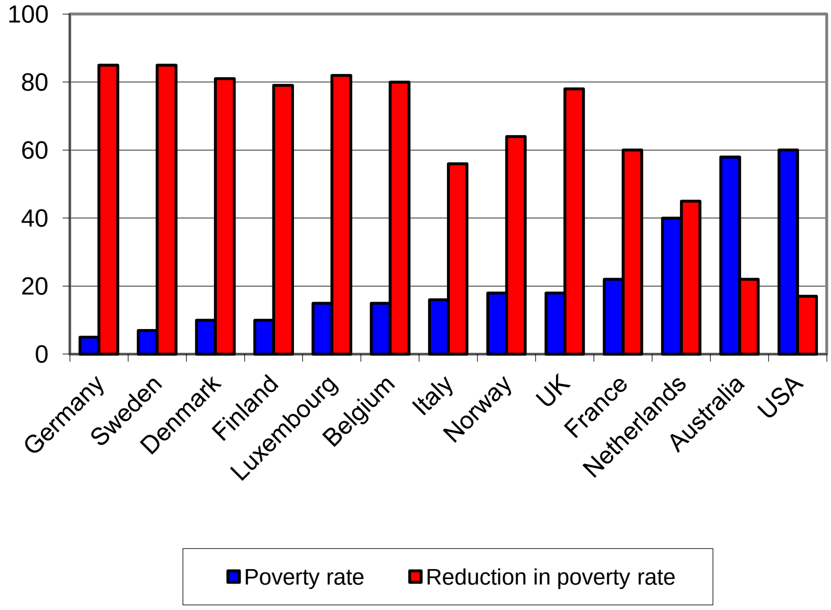

Figure 2. Poverty rates and poverty reduction coefficients for single parent families in different countries, %

[1]Poverty rate before income transfers minus poverty rate after income transfers, divided by poverty rate before income transfers.

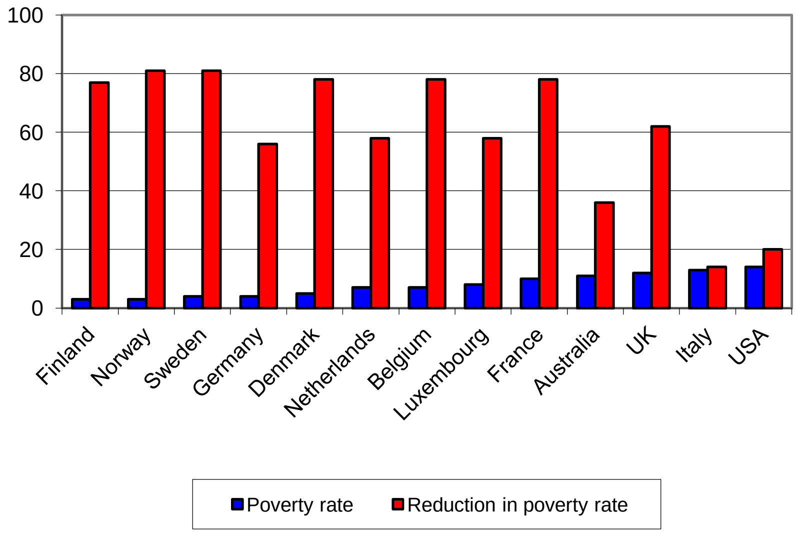

Figure 3. Poverty rates and poverty reduction coefficients for two parent families in different countries, %

1Poverty rate before income transfers minus poverty rate after income transfers, divided by poverty rate before income transfers.

The economic well-being of two parent families is much better in every welfare state than in single parent families. The poverty risk for two parent families is very low in most of the countries except USA, Italy, UK and Australia, but even in these countries two parent families' poverty rates are clearly lower than poverty rates of single parent families.

Most of the European countries have taken clear step to protect single parent families more effectively than two parent families. USA, Australia and the Netherlands are countries in which single parent families poverty reduction before and after income transfers situation is lower than in two parent families. In these countries single parenthood has been stigmatised by providing strict, means-tested benefits and services.

This chapter has shown than even if there is a common agreement on the support to single parent families the outcomes of state interventions differs enormously. Single parents poverty risk has been reduced most effectively in Scandinavian countries (except Norway) and in Germany, Luxembourg and Belgium. All in all there seems to be much stronger agreement in how two parent families are supported. In every country studied here the poverty rate for two parent families were lower than for single parent families.

4. Can we talk about the European family policy system?

As shown earlier in this study there are several country-specific variants when regarding family policy legislation or the outcomes of family policy. There have been various attempts to categorise countries according to their family policy making styles. According to these classifications it is not justified to talk about one single form of European family policy. In the European Union family policy was placed very low on the political agenda. Linda Hantrais points out three reasons why, until the late 1980s, the European Commission was particularly reluctant to intervene in family affairs. Firstly, views on the objectives of family policy are divided along ideological lines both within and between countries. Secondly, some governments have considered family life to belong to the private domain and therefore to be forbidden territory for explicit state intervention. Thirdly, the welfare of families has been given low priority because social protection in the Union and in most member state is centred on worker's rather than citizenship rights. (Hantrais 1995.) In 1989 the Commission finally drafted a Communication on family policies. Hantrais evaluates that there has been little progress towards defining a "comprehensive" European family policy.

Table 2 shows the correlation of the legislation level to the outcomes of family policy. It shows the diversity between family policy legislation and the economic situation of the children living in the lowest quantile. It tells us how poor the poor children really are in different countries.

Table 2. Typology of different welfare state by the level of legislation and real incomes of children in the lowest quantile as a percent of US median income.

	REAL	REAL

	INCOMES 60 – 45 % OF US MEDIAN INCOME	INCOMES 44 – 30 % OF US MEDIAN INCOME
STRONG LEGISLATI ON	Finland Sweden Denmark Belgium Norway	France
WEAK LEGISLATI ON	Germany Luxembourg	Italy Netherlands USA Australia United Kingdom

Sources: Legislation (Millar et al. 1996) Real incomes (Smeeding et al. 1997).

It seems that in most cases the strong family policy legislation goes hand in hand with the economic situation of children in the lowest quantile. In the Netherlands, USA, Australia, Italy and the United Kingdom and France poor children are living in worse economic situations than poor children in Scandinavian countries, and in Belgium, Germany and Luxembourg. Although the strong legislation level the situation of poor children is weak in France. In France although the child poverty is not at the same level as in liberal welfare states the deepness of poverty is in the same level than in liberal welfare states.

In the liberal welfare state it is a task of the market to provide citizens with welfare services and benefits. In these countries the aim is to keep the social aspect of the state contained, need-based and selective. In practice this has meant that family policy benefits have been targeted only to poor families and to children at risk. The family policies in the UK, Australia and United States are targeted explicitly on poor families, especially single-parent families, with no special attention to very young children (Kamerman & Kahn 1994). In the Netherlands marked shift were occurring towards individualisation of rights and self-reliance, accompanied by a more diversified and pluralistic approach. These changes in the Netherlands' family policy legislation means that it is getting closer to liberal welfare state model when concentrating on the legislation and child poverty. Also Italy is grouped together with liberal welfare states. Italy has featured a long period of family care for children and relatives, alongside residual state responsibility for family welfare This means that the welfare state recognises the legitimate priority of the family group to mediate individual rights (Bimbi 1997). According to Saraceno (1997) the policy in 1990s restrict support to social services developed in past. Local budget restrictions have led to increased user costs for child care and a reduction in the range of services offered. The National Health Service has been transformed into a means-tested social service, with increased costs to families. Saraceno points out that in Italy the local-level differences has to be taken account because there exist a great diversity in the services delivered in different municipalities, some municipalities are developing ‘child and family friendly’ policies.

All in all it seems that there is not a coherent family policy system in European countries. Nordic countries together with Belgium have strong legislation level and the situation of poor children is better than in many other countries. Liberal countries together with Italy and the Netherlands are grouped to the opposite way: they have weak legislation and the situation of poor children is worse than in most other countries. This diversity can be explained only by ideological and historical factors. In Europe the views continue to diverge about the acceptability of state intervention to the family. What is considered as self evident in Nordic countries is in many other countries considered to be too far going intervention into the family privacy.

5. Developmental patterns in time

By looking at the outcomes of different policy making styles it is possible to identify two most diverse family policy systems, the Nordic one and the Liberal one. In the Nordic countries, families with children are supported not only by income transfers but also by comprehensive social services, whereas in liberal countries the support for families with children is almost totally limited to means-tested benefits. Besides the benefit system one important factor which explains the outcomes of different countries is the way the day care for children is provided. In liberal welfare states the commercial based day care with high user fees is very often too expensive alternative for low income families. But unfortunately it often is the only alternative available. This situation prevents single parent families to participate in labour market. In liberal welfare states jobless single parent families are almost automatically poor. The Nordic welfare states stress a policy in which the manifest objective is to permit parents to choose either an at-home role while children are very young or a labour market role. These objects are quarantined by publicly provided day care and generous child benefits.

The inspections on the economic well-being were based on cross-sectional snap shots and these shots identified the Nordic and the Liberal family policies as the two most diverse models, and fortunately the LIS offers longitudinal data just for these two extremes. Figure 4 shows how the adopted family policy systems have been effected on the economic well-being of children in 15 years perspective.

Figure 4. Development of child poverty in sample countries from 1980 to 1995.

Finland (the same trend has also been found in Sweden) has managed to prevent poverty risk for children in different family types almost totally. Thanks to the income transfer and day care systems that support women's paid employment, the poverty risk for children in different kinds of households is nearly at a minimum. As least as far as economic welfare is concerned, the Scandinavian model may be called not only woman-friendly but also child-friendly.

6. Discussion

This study has shown that there are several types of family policy systems. Different family policy systems create different outcomes. Childrenisation of poverty (Cornia 1997; Forssen 1998) and fairly extensive child poverty rates are facts of social life outside the Nordic countries. The notion that the responsibility for children's welfare belongs to the family has survived in both liberal and corporatist countries. This reflected in tough means-testing for benefits and services and scarcity of individual social rights, these again reflected in the high child poverty rates that have grown worse in many countries in the past few years. From the point of view of child poverty, social policies in the liberal countries can be characterised as neglectful of children. The absence of comprehensive family policies is linked to overly high regard for family privacy. Setting up support systems for families has been restrained by ideological factors, such as fear of "sovietization of families." Ideological perspectives that emphasise the territorial integrity of the family do not encourage development of services targeted for women and children. Yet more and more women have been compelled to find employment outside the home. The necessary services have had to be purchased either from the private or unofficial sectors. Those without enough money to buy these services have been provided with means-tested day care services, often planned specifically for children at risk. Conservative values and marginal conditions within a changing society have pushed children and families with children into situations that are often riddled with conflict and lead to unfortunate end results. High rates of child poverty bear partial witness to this.

It is hard to understand why many developed welfare states keep on having high and constantly increasing child poverty rates. In the ideological level every welfare state wants to quarantine the well-being of children. Child poverty could be reduced in no time at all by sufficiently high increases in public support to the families that have children. For some reason child poverty continues to be increasing problem in many advanced welfare states. This problem cannot be understood by concentrating only on the current situation. The existing family policy system cannot be understood without knowledge of its history, because it has been transformed through time as a result of compromises between many different interest groups. Policy making does not happen in a vacuum. Decisions about social security benefits or child protection are made by real people in particular historical settings and under pressure from a wide range of individuals and organisations. (Dalton et al. 1996.) To understand the policy process in relation to a particular issue, we need to understand all the many factors that form the context of that process. Only this way it is possible to understand why there exist “the welfare paradox“ in the leading liberal welfare states.

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Tiina Mäkinen

INCOME PACKAGES OF THE AGED IN 11 OECD COUNTRIES

1. Introduction

Human life can be divided into three different stages, namely youth, adulthood, and old age. Every stage involves events and activities such as studying, the birth of a child, unemployment, sickness and retirement that influence the needs, labour market participation, and welfare state dependence of an individual (Atchley 1976). Labour market participation and life outside work no longer follow regular patterns, and a 'de-standardisation' of life cycles is now evident in industrialised societies. These irregularities present social policy with new challenges. The traditional aim of social policy has been to secure the livelihood of individuals during those stages of life when participation in the labour market is not possible for one reason or another. Social benefits were previously targeted mostly at the passive working-age population, whereas at present an increasing share of the total income of the working population consists of income transfers (Kolberg & Esping-Andersen 1992; Saari 1996).

The changes in life patterns are most evident when we observe trends in the periods of active labour market participation. The duration of labour market participation has shortened in all Western countries. Whereas in the 1960s the average European worked for 45 years, the average worker in the 1990s retires after 35 years. The duration of retirement has correspondingly increased, as a result of both earlier retirement and longer life expectancy, from 15 to 25 years. Longer periods in education and difficulties in finding employment have postponed the entry of young people into the labour market, and retirement before the official pensionable age has shortened the period of active labour market participation. Old-age pension systems' role in controlling labour market participation is changed as fewer people are in fact retiring at the age of 65. (Salvage 1995; Guillemard 1997; Walker & Maltby 1997.)

Changes in active labour market participation in combination with destandardisation of life patterns have had an impact on citizens' sources of income. Increased irregularity of life courses is also reflected in the irregularity of labour markets as more and more people are experiencing alternating periods of employment and unemployment. The purpose of this article is to investigate the impact of irregularities in labour market participation on income packages.[16] To what extent has income from work been replaced by pensions and other social transfers ('social income') among the older age groups? Older age groups include here those aged 50-54 years, 55-59 years, 60-64 years and over 65-year-olds. Does the content of the income packages in the mid-1990s differ significantly from the income packages of the early 1980s? What are the differences between countries and country groups or welfare state models?

The EU countries included in this comparison are Denmark, Finland, France, Germany, the Netherlands, Sweden and the UK. Other countries included are Australia, Canada, Norway and the USA. The countries compared in this article have been selected to represent different welfare state models which traditionally have been classified on the basis of factors such as the relative roles of the family, the state and the market as producers of welfare. This article makes use of Korpi and Palme's (1998) classification of welfare state models to clarify the central characteristics of individual welfare states (for a close survey see article 'Structural Pressures, Social Policy and Poverty in 15 OECD Countries' in this book). Canada, the UK and the USA are in this article defined as basic security welfare states. Australia represents the targeted model. As the best examples of the corporatist model are regarded France, Germany, and the Netherlands. The countries belonging to encompassing model are Denmark, Finland, Norway and Sweden.

More encompassing international databases have opened up new possibilities for comparative welfare state studies. One of these international databases is the Luxembourg Income Study (LIS) (see Smeeding et al. 1990; Atkinson et al. 1995; Mitchell 1991). The income package analyses in this article are based on LIS data. In addition to LIS data, the household-based data from the 1995 income distribution statistics are used for Finland. The definition of income distribution has been modified to correspond to the income distribution

[16] For a close survey see Rainwater, Rein and Schwartz 1986; Hedström and Ringen 1985.

definition used in LIS[17] (see Uusitalo1989). The income package under study consists of wage/salary, income from private enterprise, capital income, sickness daily benefit, work disability and unemployment benefits, legislated pensions, occupational pensions, means-tested benefits and other miscellaneous income. The unit studied is an individual who lives in a household where the reference person belongs to one of the age categories listed above. The study includes only those households that have income from the income components listed above (negative income components are not given consideration here). Income package analysis then depicts the average[3] share of an individual income component of the gross income of a household.

[17] The following income components have been removed from the income distribution statistics: perquisites, costs of income acquisition, the value of own labour and materials in building and repairs, forestry expenses, and the benefit of own residence and summer residence.

[3] Quinn (1987, 64) has written 'The most important characteristics of the aged is their diversity. The average can be very deceptive, because it ignores the tremendous dispersion around it. Beware of the mean.'

The purpose of the article is to give detailed answers to the following questions:

Is it the case that

- in countries of the encompassing model, the labour market participation rates among the aged are lower than in countries of the basic and targeted models, and as a consequence pensions and other income transfers have in the encompassing model replaced income from work as the primary source of income?
- in countries of the encompassing model where the level of public pensions is high, an increasing share of the income packages of the aged consists of the so-called social income (pensions and other income transfers)? (see Haveman et al. 1984; Luoma 1987; Aarts & de Jong 1990; Hänninen et al. 1990; Ippolito 1990; Quinn et al. 1990; Quinn & Burkhauser 1990; Kangas 1992a)
- in countries of the encompassing model the high level of benefits and pensions has led to lower propensity to save as compared with saving rates among the populations in the countries of the basic security and targeted models? (c.f. Danziger et al. 1981; Achdut & Tamir 1985; OECD 1988)

The article is structured as follows. It starts with an analysis of the labour force participation rates of the different age groups in the mid-1990s. This is followed by a study of the income packages of the age groups, starting with the youngest group. The article will conclude with a summary of the central research results and a more general discussion of the issues.

2. Labour Force Participation Rates

As stated in the introduction, the role of the old-age pension system in regulating labour market participation has changed. A pattern of leaving the labour force before the official retirement age is evident if we study the labour force participation rates among the aged (Figures 1a and 1b). Men’s labour market participation has declined in all the countries compared here since the 1970s in all the age groups investigated. The differences in the labour market participation rates of 50-54 and 55-59-year-old men are not large as yet, but as we move on to the 60-64-year-olds, the differences between the countries become more stark. Correspondingly, the labour force participation rates among the 50-54 and 55-59-year-old women have increased in all the countries under investigation. As with men, the differences between female labour force participation rates in different countries are most evident in the 60-64 age group.

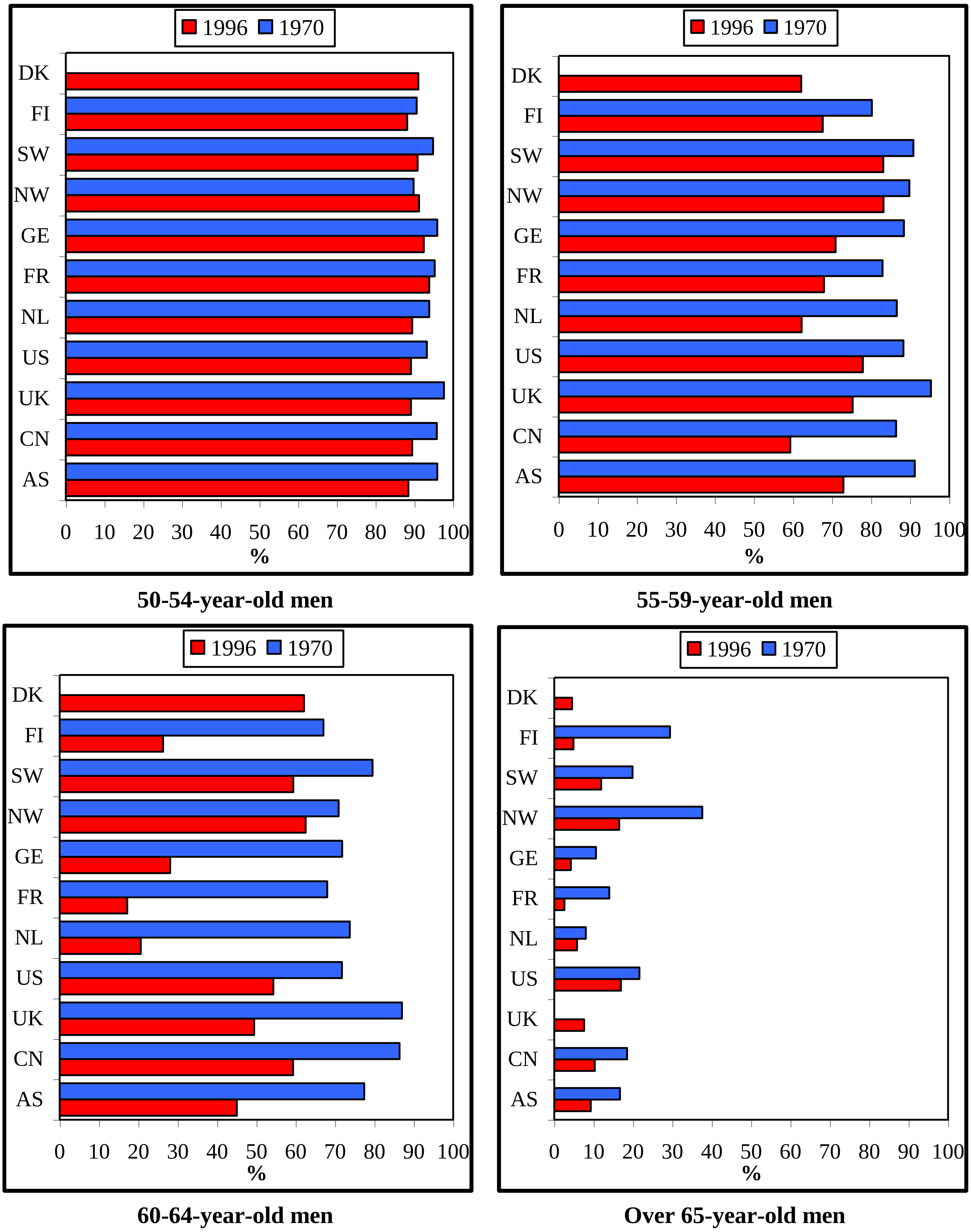
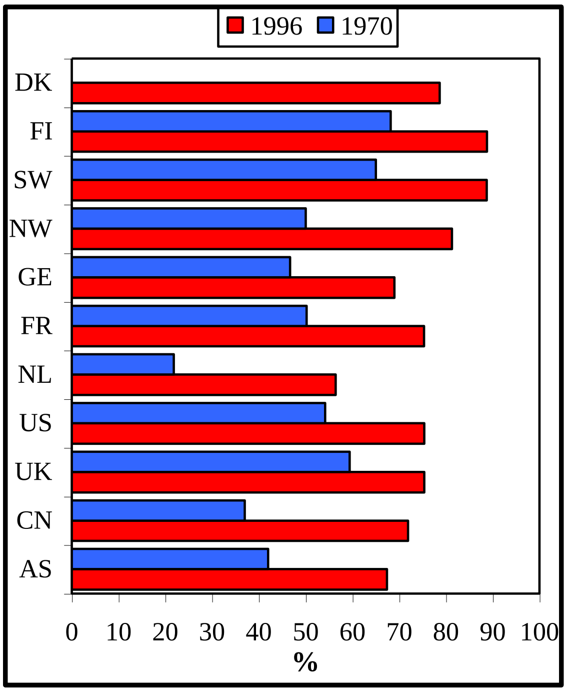
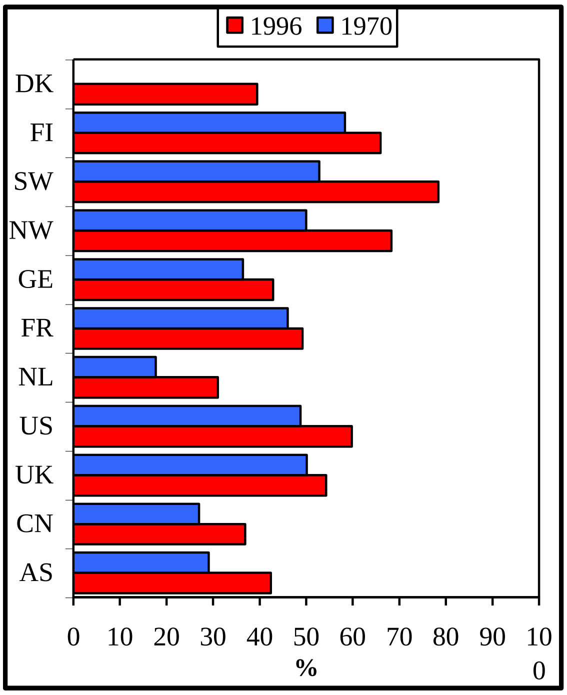


Figure 1a. Labour force participation rates of aged men

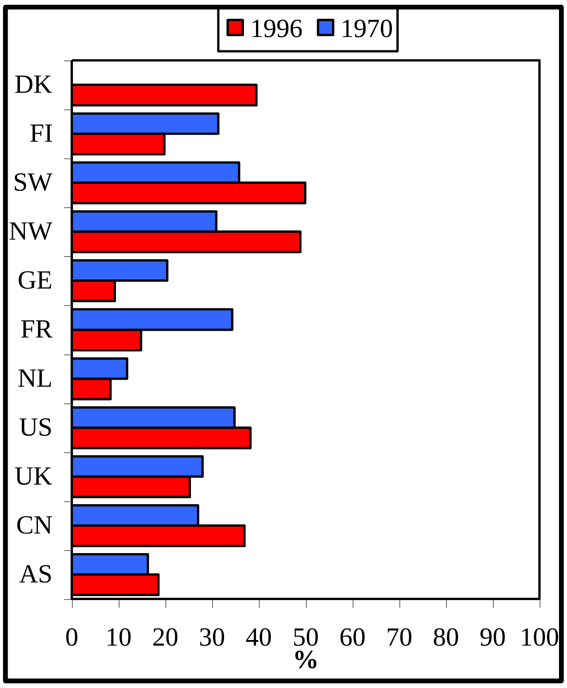
UK=United Kingdom **CN**=Canada **US**=USA **AS**=Australia **NL**=Netherlands **FR**=France **GE**=Germany **NW**=Norway **SW**=Sweden **FI**=Finland **DK**=Denmark



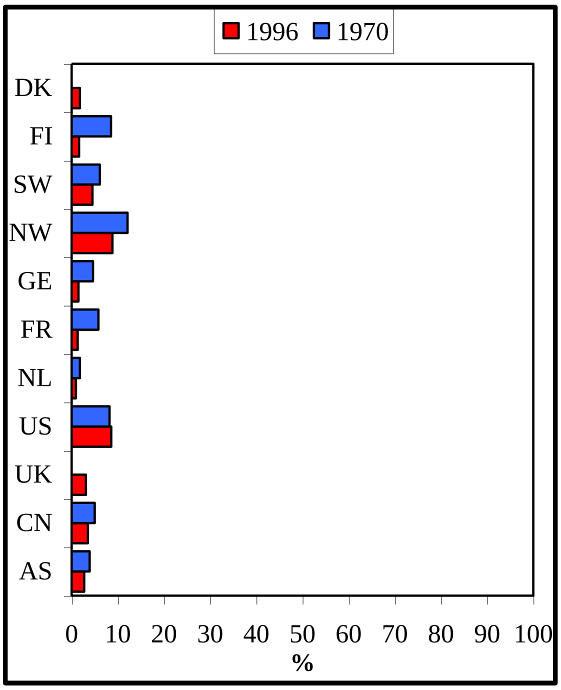
50-54-year-old women



55-59-year-old women



60-64-year-old women



Over 65-year-old women

Figure 1b. Labour force participation rates of aged women

UK=United Kingdom **CN**=Canada **US**=USA **AS**=Australia **NL**=Netherlands **FR**=France **GE**=Germany **NW**=Norway **SW**=Sweden **FI**=Finland **DK**=Denmark
Source: OECD 1997b.

In studying the labour market participation rates of the 60-64-year-old men, the countries of the corporatist welfare state model (France, Germany and the Netherlands), and the encompassing welfare state model as represented by Finland form their own distinctive: in these countries the labour market participation rates are extremely low. The labour market participation rates of the 60-64-year-old women are relatively low in the above-mentioned countries as well as in Australia.

Institutional arrangements that make it possible to leave the labour force prior to the official retirement age bring about differences in the labour force participation rates of the 60-64-year-olds. These institutional arrangements were originally created to cover for the risks of unemployment and work disability, but in many countries they have gradually been transformed into institutionalised routes of early labour force exit. These early exit pathways are more detailed described in table 1.

In **France**, decreasing participation rates have brought about changes in the early exit arrangements. France is the only country that has been forced to bring down the retirement age (with a full pension) from 65 to 60 years in 1983. The most common mode of exit in France has been through basic unemployment compensation, followed by a special minimum solidarity payment during a waiting period for retirement. In France, unlike in the USA, the UK and the Netherlands, early exit arrangements have been mostly public, with private ones being largely an exception. (Guillemard 1991, 127-180; Reday-Mulvey 1996, 45-68; SSA 1997.)

In **Germany** older workers constitute a minority in the labour market: in 1993 people aged 55 and over accounted for only 11 % of the total labour force. The most common forms of exit in Germany correspond largely to entry into public social security programs, either directly into the pension system or via other programmes such as unemployment insurance. There are also possibilities for early exit outside the state programs, but they are usually linked to the public pension scheme. The German public pension system is relatively generous compared with most other OECD countries. The Retirement Reform which was introduced in 1992 provide individuals more flexible retirement options (see table 1). The German system includes strict earnings test for all early retirements (before age 65). The threshold is around 15 per cent of the average gross wage. After age 65, the earnings test does not apply, and full benefits are paid regardless of other sources of possible earnings. (Antolin & Scarpetta 1998.) The trend toward early exit from the labour force has not been a major topic of socio-political discourse, but in the 1990s it has become a significant issue of its own, especially with regard to the financing of old-age security. In the Netherlands, France and Germany, very early retirement has been encouraged over the last 15 years by a strong consensus between enterprises, the state and the labour force. Labour force participation rates in these countries are said to reflect more the availability of generous social security provisions than the situation in the labour markets. (Jacobs, Kohli & Rein 1991, 181-221; Schmähl, George & Oswald 1996, 69-93.)

Table 1. Pensionable Age and Early/Deferred Retirement

a) is for actuarial adjustment of benefit, b) for partial pension, and c) for other schemes such as unemployment benefits.
Source: Kalisch et al. 1998; Blöndal & Scarpetta 1998a; SSA 1997; OECD 1995

	Men	Women	Provision on Early Retirement	Provision on Deferred Retirement	Accrual Rate[4]	Pension wealth[5]
Australia	*65*	*61* from 1.7 2013 65 yrs	c) Mature Age Allowance (MAA, introduced in 1994) 60-64 (M) 60 (W)		0.0	0.0
Canada	*65*	*65*	a) 60-64 (for earnings-related pension, introduced in 1987) a) flexible retirement under Canada pension plan (1987- any time between ages of 60 and 70 – before 65 reduction 6 % year. Introduction of partial pension is being considered.	a) 65-70 (for earnings-related scheme, introduced in 1987)	0.0	-0.6
UK	*65*	*60* increase to 65 yrs between 2010-2020	a) 50-64 (M) 50-59 (W) ('personal pension' introduced in the 1986 Act, also available up to age 75)	a) 65-70 (M) 61-70 (W) (state schemes) From 2010 can defer indefinitely.	20.1	-0.4
USA	*65* increase to 67 yrs between 2000-2027	*65* increase to 67 yrs between 2000-2027	a) 62-64 actuarially-reduced pension (1961 -) Reduction of benefits 5/9 of 1% every month prior to age 65.		0.0	-1.1
Netherlands	*65*	*65*	c) for 57 ½ years older unemployment benefit programmes – 70 % replacement rate Furthermore, private pension has those arrangements based on Collective agreements (VUT) – 80% replacement rate of previous gross earnings.	Not a policy priority.	22.2	-0.5
France	*60*	*60*	Under age 60 Unemployment – solidarity benefit (long-term unemployed. Income tested.		18.3	-1.4
Germany	*65*	*60* increase to 65 yrs between 2000-2004	a) Needs partial cessation of Employment. 63 'flexible retirement' for long service (1973 -) 35 yrs of insurance contributions; full pension for the long-term unemployed. 60 unemployment (1957 -) 15 yrs contributions and unemployed 52 weeks c) occupational disability – full old age benefit to 60 and over. c) general disability - individuals receiving occupational disability can claim after 1 year of unsuccessful search for part-time employment, full level of old age retirement benefits.	b) 0.5% bonus for each month working beyond age 65.	19.8	-1.3
Norway	*67*	*67*	a) 62-66 early retirement pension (1990 -)	a) 67-70	14.9	-1.3

[4] Percentage points increase in the synthetic pension replacement rate for a 55-year old male worker by working ten more years.
[5] Changes in the pension wealth (measured as a multiple of annual earnings) for a 55-year old male by working ten more years.

			Pension entitlement but is less favourably treated under income taxation than a full pension.			
Sweden	*65*	*65*	a) 60-64 a) 61-64 (with reduced working hours) Reduction of 0.5% of benefits for every month prior to 65.	c) 65-70 Employer's consent is required. Bonus of 0.7% for each month deferred.	0.0	-1.8
Finland	*65*	*65*	a) 60-64 (early retirement pension) b) 58-64 (part-time pension) c) 53-60 (unemployment daily allowance) c) 60-64 (unemployment pension)	c) 65- (no upper limit) 1% pension bonus for each month defered after age 65 for public sector workers.	6.2	-2.3
Denmark	*67*	*67*	b) 60-66 Needs contribution of over 10 yrs in last 20 yrs. Needs to continue working part-time. c) voluntary early retirement (January 1979- Scheme is open to both employees and the self-employed who are covered by unemployment insurance c) voluntary early retirement (1984- For persons in arduos occupations. c)'anticipatory' pension (1984-		n.a	n.a

Participation in the labour market has always been very low in the **Netherlands** in comparison with other industrialised countries and in the case of women it has been historically low. One reason to low female participation rates is that in the Netherlands the man is seen as the main income provider. So the Netherlands can be considered as a typical male breadwinner society. But also male activity rates are extremely low: over the period 1960-1990, the drop in the male activity rate in the 55-64 age group (-42 %) has been sharper than in any other OECD country. The Dutch social security system can be characterised as a private system within a public framework. The private nature of the social policy system is rather important in explaining early exit from the labour market in the 1980s. As a result of bargaining between employers and trade unions the so-called pre-retirement scheme was created in the late seventies to induce older workers to retire early in order to make place for young unemployed workers. This voluntary early retirement scheme, VUT, became a popular private exit path because of the relatively small income loss. Net replacement rates may in some cases be close to 100 per cent. The average replacement rate is 80 per cent of previous gross earnings. (de Vroom & Blomsma 1991, 97-126; Delsen 1996, 111-134.) In his study Lindeboom (1998) has shown that the Dutch early retirement schemes have strong incentive effects on the probability to retire. Early retirement replacement rates also affect the transition rates of the other exit routes. The alternative exit routes are taken into account in the decision to retire and these alternative exit routes act as substitutes, implying that changes in the regulation of one exit route have an effect on the exit rate of the others. The non-working Dutch elderly seldom re-enter to working-life, because elderly unemployment and disability insurance recipients are not required to actively search for (re)employment. Early retirement recipients loose retirement benefits upon re-entering employment. (Lindeboom 1998.)

On the basis of figures 1a and 1b it is obvious that **Finland** has become a country where early exit from work has changed from being an exception to being the rule. The situation is illustrated by the fact that only 10% of Finns withdraw their first pension payment after they have turned 65. This is partly affected by many available options for early retirement. The option for deferred retirement has been less used (see table 1). Work disability pension was incorporated in the Finnish pension system from the very start. Improvements in pensions security in combination with structural changes in society increased the number of work disability pensions in payment in the early 1970s. Until the late 1970s, work disability pension was the only significant form of early retirement in Finland. Work disability pensions were complemented in the 1980s by the so-called flexible types of pension. Retirement became more flexible in the private sector in 1986 when individual early retirement pension (YVE) and early old age pension were introduced. Flexible pensions were introduced in the public sector in

1989. YVE has been the most popular form of flexible retirement. Simultaneously with YVE, part-time pension was introduced in Finland. This pension form mirrored the Swedish system but did not become equally popular in Finland. Part-time pension is the only Finnish early retirement pension that is clearly a component of the active labour market policy. Before mass unemployment the disability pathway was the most common exit path in Finland, but in the 1990s most of those who withdraw from the labour market start their exit process under unemployment programmes. (Hytti 1993; 1998; Gould & Takala 1997; Takala 1997.)

The labour force participation rates among the 60-64-year-old men and women are relatively high in Norway and Sweden (representatives of the encompassing model) and in Canada and the USA (basic security model). Among the Nordic countries, **Norway** has had the highest male labour force participation rate. In 1973, Norway became the first country to introduce a pension explicitly designed to complement part-time work. However, unlike the options available in other countries which involve receiving benefits before the standard retirement age, the partial pension in Norway is payable only after the normal retirement age of 67. (OECD 1995, 85.) On the basis of table 1 Norway can be said to lack institutional arrangements that provide financial incentives to leave the labour market before statutory pension age. This is one explanation of the high labour force participation rate in Norway.

Sweden still has a rather high rate of employment among the elderly, and Sweden can be said to be a 'late-exit' country in comparison with most other countries. There are many reasons for this. Sweden has had favourable labour market development with low unemployment which means that there has not been as much pressure on older workers to exit early in favour of younger workers as there has been in other countries. Full employment for everyone has been the catchphrase. Another factor explaining the relatively high labour force participation among the elderly is the Swedish pension system that facilitates part-time work for older workers and thus enables people to gradually decrease the number of hours they work. The age-wage profile is also less steep in Sweden than in most other countries, and economic incentives to get rid of older workers are consequently weaker. The obstacles to taking on older workers may also be lessened if age and wage are unrelated or only weakly related. Flexibility and integration have been words that have differentiated Sweden from most other countries. The combination of part-time work and part-time pension has kept the aged in working life. This flexible route, that has been deemed too costly, is due to disappear in 2000. (Wadensjö 1991, 284-323; 1996; SSA 1997.)

Canada belongs to those countries where labour force participation among men aged between 60 and 64 has remained relatively high. In Canada there are two kinds of early retirement programmes. The first is so-called flexible retirement under Canada pension plan in which retirement pensions can commence any time between the ages of 60 and 70. For pensions commencing before the age of 65 benefit reduction is 6 per cent per year. The other option is voluntary early retirement for those aged 60. This benefit provides the same net benefit as the unemployment benefit. (OECD 1995.)

Early retirement culture is not anymore as visible in the **USA**. A combination of public policy initiatives regarding mandatory retirement and Social Security, a trend toward defined-contribution pensions and a strong domestic economy have halted the dramatic post-war early retirement trend and encouraged many older workers to remain employed. Many Americans combine earnings and retirement income by remaining employed, often on a new job, and often part-time, after they have left their career employer and began collecting public and/or private retirement benefits. For example, in Finland and France public pensions are granted only if individuals stop working with their current employer, a qualification that can be seen a de facto restriction on remaining employed. The amount individuals can earn in the USA before losing Social Security benefits has increased, and is about to rise dramatically for workers aged 65 to 69 (from $13 500 in 1997 to $ 30 000 by 2002). The USA differs from the other countries included in this study in that American companies have offered incentives to those who wish to withdraw from the labour market earlier than the norm. These special arrangements - ‘the golden handshakes’ - have become fairly common since the early 1980s. However, the primary exit pathway in the USA has been through the retired-worker benefits programme under Social Security. The number of persons exiting via the disability route has increased at a much higher rate than the ‘normal’ retirement pensions. The requirements for eligibility to Social Security disability programme are more stringent – no partial disability benefits or explicit linkage to unemployment or chronological age – than in countries such as the Netherlands, Sweden and Germany. Therefore, in the USA, Social Security disability benefits are not a common alternative to early retirement benefits under another name. (Chen 1996, 164-176; Sheppard 1991, 252-283; Walker & Maltby 1997, 80; Quinn et al. 1998; Bjöndal & Scarpetta 1998b.)

It is not easy to classify **Australia**, **Denmark**, and the **UK** as high or low labour force participation countries on the basis of figures 1a and 1b. If we analyse welfare state models we notice that countries included in the corporatist model seem to be low labour force participation countries. In the case of the encompassing and basic security models the deviation is greater. Among the countries of the encompassing model, only Finland is clearly a case of low labour force participation, whereas in Norway and Sweden the labour market participation rates of the aged have remained relatively high. In other words, the individual countries are not positioned in figures 1a and 1b in the way we would expect on the basis of the welfare state models.

3. Income packages by age groups

Figure 2 analyses the income packages of the aged in the countries included in this comparison. For the purposes of condensing information, income from salaries/wages and enterprise have been combined in income earned. The share of public pensions and occupational pensions of household gross income has been calculated. Sickness daily benefit, unemployment and work disability benefits and means-tested benefits form the ‘other income transfers’ component. The ‘other income’ component consists of income obtained from miscellaneous private sources and includes income transfers between households, transfers from private non-profit organisations and from abroad (taxable/tax-free pensions from abroad) and compensation for loss of income through private insurance.

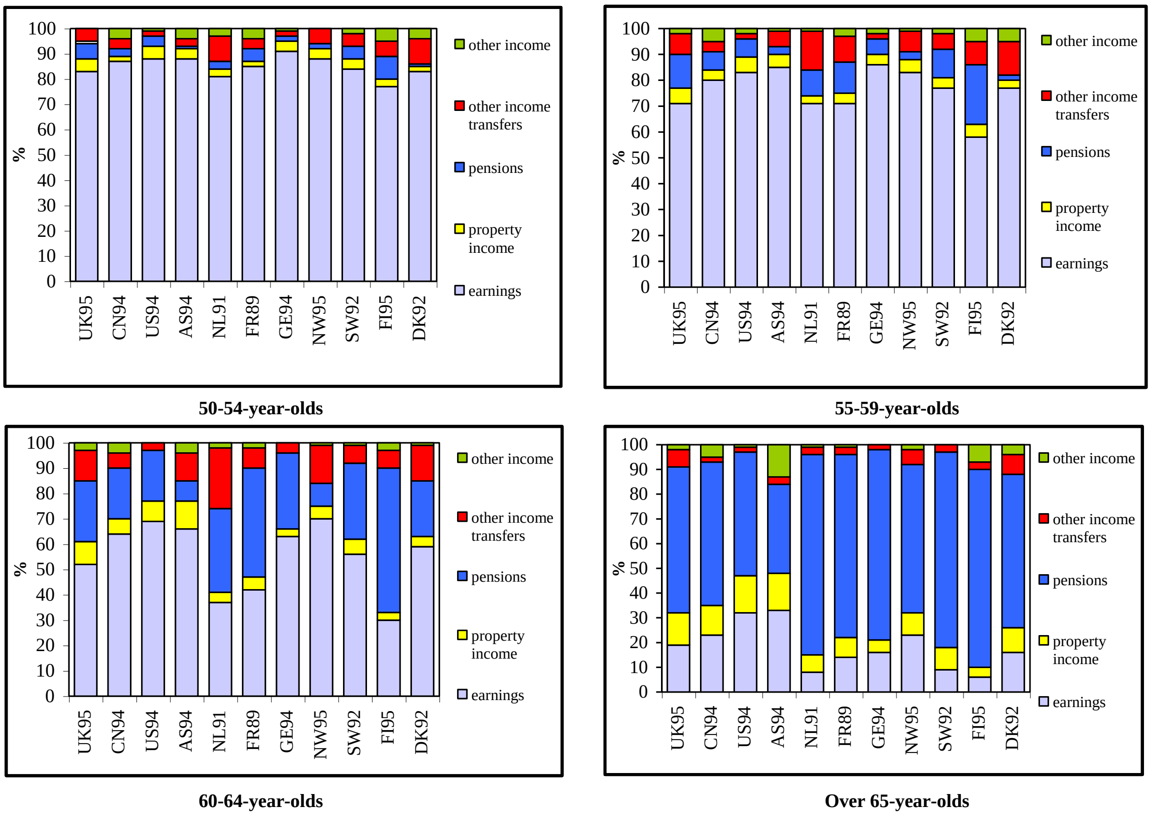


Figure 2. Income packages of the aged

3.1. 50-54-year-olds

Income from work constitutes - not surprisingly - the most important source of income of the 50-54-year-olds. The share of income earned from work is highest among the 50-54-year-olds in Germany[6]. In Canada, the USA, Australia and Norway, the share of income from wage/salary and private business of the total income package of the 50-54-year-olds raises above the average in the countries studied here. The share of income from work is clearly smallest in Finland. This can be explained by the relatively low labour force participation rates of the 50-54-year-olds in Finland (c.f. figure 1a). Furthermore, unemployment was higher in Finland in 1995 than in any other country included in this comparison which accounts partly for the relatively small share of income from work (OECD 1997a).

The share of income from capital among the 50-54-year-olds is clearly smaller than in the other age groups. The share of income from capital is slightly higher in the UK and the USA than in the other countries. The small share of income from capital in this age group is partly explained by the fact that individuals in this group tend to have more debts than individuals in the older age groups. After debts have been paid, there is more scope for saving, and wealth tends to increase with age. For instance in Finland, households where the reference person is 65 years or older tend to have little or no debts, and have larger savings and other assets than younger households (Statistics Finland 1997a). The share of capital income and income from 'other sources' in the total income package of the 50-54-year-olds is relatively small. Only in Finland, Denmark, Canada, Australia and France do 50-54-year-olds gain some income from the private sources identified above.

Public income transfer, and above all pensions, are not central components in the total income package of 50-54-year-olds. Finland is an exception here. The share of pensions of total household income is significantly higher in Finland than in the other countries. The exceptionally high share of pensions in Finland is explained by the use of pensions as a component of employment policy. Firms laid off staff during the recession, and older workers were often among the first to lose their jobs. Special unemployment benefit arrangements made it possible for older workers to simply wait for retirement while unemployed. Anybody older than 53 years and one month could withdraw unemployment benefit until the age of 60 if he or she failed to find employment. After this waiting period, most people were entitled to unemploy-

[6] In analysing the share of earned income in Germany one need to take into account the fact that LIS counts sickness daily benefit as part of earned income.

ment pension. (Komiteanmietintö 1996; Lämsä et al. 1997.) The share of pensions in the income package of the 50-54-year-olds is lowest in Australia and Denmark.

The share of non-pension income transfers in the income package of the 50-54-year-olds is clearly highest in the Netherlands and Denmark. In the Dutch case, this can be explained by the fact that work disability benefits have been traditionally awarded even on the basis of relatively harmless disability (de Vroom and Blomsma 1991). The share of other income transfers is not particularly high in Finland due to the large share of pensions. The share of other income transfers of gross income is the lowest in the USA, Australia and Germany.

The results obtained here indicate that the share of income from work is somewhat higher in Australia, Canada and the USA (countries that represent the basic security and targeted models) than in Sweden, Finland and Denmark which represent the encompassing model. The most concrete example is the difference between the shares of income from work in Finland and the USA (-11 percentage points). If 'social income' is defined as 'other income transfers' in figure 2, the share of social income among the 50-54-year-olds is clearly higher in Denmark with an encompassing welfare state and the Netherlands with a 'Nearly Nordic' welfare state, than in Australia and the USA where basic security and targeting are emphasised. In the Dutch and Danish cases, the relatively high replacement rates of pensions and early retirement pensions increase the share of social income (see appendices 1 and 2).

It has been argued that the high level of benefits in countries of the encompassing model lead to a lower propensity to save in comparison with countries of the basic security and targeted models (Danziger et al. 1981). If eagerness to save is explained by the share of capital income of gross income, the UK and the USA as countries representing the basic security model are the most thrifty among the countries included in figure 2. In all countries of the encompassing model, the share of capital income is smaller than in the UK and the USA.

Some of the assumptions presented in the introduction appear to be verified for the group of 50-54-year-olds. Among the countries of the encompassing model, Sweden, Finland and Denmark have a smaller share of income from work than Australia, Canada and the USA which emphasise basic security and means-testing. In the Finnish case it is the pensions, and in the Danish case the transfers other than pensions that reduce the share of income from work and private enterprise in the income packages of the 50-54-year-olds. Based on income from capital, the Americans and the British 50-54-year-olds save and invest more than for example their Nordic counterparts. However, figure 2 indicates clearly that income from work is the main source of income among the 50-54-year-olds in all the countries compared. The significance of other income components is considerably smaller.

3.2. 55-59-year-olds

If we compare the income packages of 50-54-yer-olds and 55-59-year-olds in figure 2, we notice that the share of income from work is smaller in all countries. The small share of income from work can be partly explained by the lower labour market participation rates among the 55-59-year-olds (c.f. figure 1). The decline in the share of income from work has been steepest in the UK, France and Finland. The share of pensions of the gross income of 55-59-year-olds has correspondingly increased in these countries. For income from capital, the gap between 50-54-year-olds and 55-59-year-olds is smaller.

The share of income from work and private enterprise of the gross income among the 55-59-year-olds is clearly smallest in Finland. In the Finnish case, the small share of income from work can be explained by the exceptionally high unemployment among people in this age group; in 1995, unemployment among men was approximately 30 percent, and among women about 25 percent (OECD 1997a). In the UK, the Netherlands and France, too, the share of income from work remains smaller than in the other countries compared. In contrast, in the USA, Australia, Germany and Norway, the share of income from work of the total income package is relatively large.

The difference between capital incomes of the 50-54 and 55-59-year-olds is not significant: in both age groups the income from capital is higher in the USA and the UK than in the other countries. In contrast, income from capital accounts only for a small part of gross income in Denmark and the Netherlands. 55-59-year-olds in Canada, Finland and Denmark receive the largest shares of income from private sources.

Figure 2 indicates that Finns are the keenest to retire. The share of pensions is also relatively high in the UK and France. In contrast, the share of pensions has remained comparatively small in Australia, Norway and Denmark. Even in this age group, income from work accounts for a large share of total income in Australia and Norway. In Denmark, the large share of income transfers reduces the share of pensions.

The Netherlands and Denmark stand out also among the 55-59-year-olds as countries where non-pension income transfers form the most significant share of gross income. In the USA and Germany, the share of other incomes of the total income package remains small. A relatively large share of income from work reduces the income obtained through other income transfers by the 55-59-year-olds in the USA and Germany.

Figure 2 indicates that in Canada, the USA and Australia where basic security and targeting are emphasised, the share of income from work in the total income package of the 55-59-year-olds has remained higher than in the countries of the encompassing model represented by Finland, Sweden, Denmark and the ‘nearly Nordic’ system of the Netherlands. Among the countries of the encompassing model, Norway constitutes an interesting exception since the share of income from work has remained relatively high there. As with income from work, the share of income from capital among the 55-59-year-olds is larger in countries of the basic security model (Canada and the UK) than in countries of the encompassing model. As with the younger age group, the share of non-pension income transfers in the 55-59 age group is highest in the Netherlands and Denmark. Some of the assumptions outlined above appear to be reinforced by the data on 55-59-year-olds: work and capital constitute a somewhat more important source of income in the countries emphasising basic security and means-testing than in the countries of the encompassing model. However, it is worth noting that among the 55-59-year-olds, income from work is still the main source of income. This group derives its livelihood mainly from paid labour rather than social transfers. The situation is therefore broadly similar in all the countries included in this comparison despite different institutional redistributive principles.

3.3. 60-64-year-olds

In analysing the income packages of the 60-64-year-olds, the USA and Norway stand out as countries where the share of income from work and private business of the total income package has remained clearly largest. Also in Canada and Australia, income from work constitutes a significant share of the income of the 60-64-year-olds. Among the countries of the encompassing model, wage labour has retained its position as the primary source of income among the 60-64-year-olds in Norway, Sweden and Denmark.

In the case of Norway, the result can be partly explained by the highest labour force participation among the countries compared and by the retirement age of 67 (see table 1). The high labour force participation rate can further be explained by the tradition of disapproving of staying away from or leaving the labour force. On the other hand, the absence of routes of early exit from the labour force (with the exception of work disability pensions) also accounts for the high labour force participation rates among the 60-64-year-old Norwegians (Hytti 1998; Kosonen 1998; Øverbye 1997). In the case of Sweden, fairly low unemployment, the opportunity to opt for part-time work and the solidaristic wage policy have contributed towards income from work remaining the most important source of income among the 60-64-year-olds.

In contrast, in Finland and in the Netherlands the importance of work as a source of income for the 60-64-year-olds is considerably less. Labour market participation among 60-64-year-old men is low in France, Finland and the Netherlands (see figure 1). Leaving work before the official retirement age has been made easier by various institutional arrangements (see table 1) that have enabled people to exit the labour market prior to reaching the pensionable age in Finland, the Netherlands and France (Guillemard 1991; de Vroom and Blomsma 1991; Reday-Mulvey 1996; Delsen 1996).

The share of capital income of the total income package among the 60-64-year-olds is clearly highest in Australia. This finding is also supported by national sources as according to the Australian property statistics, the 60-64 age group together with the 65-69-year-olds is the thriftiest age group (Marketing Insights April 1997). Also in the UK the share of income from capital is relatively high. In contrast, in Germany and Finland the significance of income from capital is small among the 60-64-year-olds. Income from private sources has a significant influence on the livelihoods of Canadians and Australians only.

A number of interesting observations on pensions can be made on the basis of figure 2. Finland and France stand out as countries where pensions account for a larger share of the total income of the 60-64-year-olds than income from work. In the case of France, this result is influenced by the minimum age limit of the age-old pension which is as low as 60 (see table 1). Among the Nordic countries, Denmark, Sweden and, above all, Norway have smaller shares of income from pensions in the income packages of the 60-64-year-olds than Finland. The share of pensions is clearly the lowest in Norway and Australia.

The share of non-pension income transfers of the gross income in the 60-64 age group is largest in the Netherlands. This can be explained by the fact that many Dutch people have made their permanent exit from the labour market via unemployment or work disability (de Vroom and Blomsma 1991, 97-126). In the Netherlands, perhaps more than in the other OECD countries, it is difficult for older people to find work once they have become unemployed. The very existence of different compensatory programmes has blocked the development of effective integration and reintegration programmes by individual firms, trade unions and the state. From the perspective of the individual firm there is no need to feel responsible for lifetime employment of their workers or to elaborate specific management strategies to cope with ageing workforce since these problems can be easily shifted to the external safety net. From the perspective of employers, early exit of older workers has become a tool that can be used to increase productivity. (Delsen 1996, 111-134.)

The relatively high share of income transfers in the income package of the Danish 60-64-year-olds is partly a result of the so-called *efterløn* ('delayed wage') system: the *efterløn* is paid to over 60-year-olds out of the unemployment insurance, but it can still be counted as part of the pension (Laitinen 1996; Øverbye 1997). In Denmark the 'delayed wage' has become a popular form of early exit from the labour market. Income transfers are least significant in the income packages of the 60-64-year-old Germans and Americans.

When we combine income from pensions and transfers, the Netherlands, France and Finland stand out as countries where so-called social income has replaced wage labour as the primary guarantor of livelihood among the 60-64-year-olds. In these countries, the low rates of labour market participation then seem to be connected to a smaller share of income from work and private enterprise in the total income package of the 60-64-year-olds. Work has most clearly remained the primary source of income in the USA, Australia and Norway. In the USA and Norway, the relatively high labour market participation rates in the 60-64 age group have contributed towards the share of income from work and enterprise remaining relatively significant. The composition of income packages of the 60-64-year-olds is not homogeneous within the different welfare state models. For instance, there are marked differences between the Norwegian and Finnish income packages.

3.4. Over 65-year-olds

One of the assumptions of this study was that in countries of encompassing social policies, over 65-year-olds have generally withdrawn from active participation in the labour market due to sufficient pension security. Figure 2 offers partial support to this assumption. Among the countries of high pensions, Sweden, Finland and the Netherlands are characterised by small shares of income from work (see appendix 1). In Norway and Denmark, too, the level of public pensions is relatively high, but the share of income from work in the income packages of over 65-year-olds remains higher than in Sweden, the Netherlands and Finland. In Norway and Denmark the age limit of old-age pension (67 years) accounts partly for the larger share of income from work in the gross income of over 65-year-olds (c.f. Hedström & Ringen 1985, 11).

In Australia and the USA where basic security and means-testing are emphasised, the level of public pensions is lower than in the countries of the encompassing model, and income from wage labour forms a more significant share of the total income package of the aged. The USA has adopted a law that forbids discrimination on grounds of age by employers hiring new workers. The same law, dating from 1986, also forbids the application of a compulsory retirement age. This legislation contributes towards the elderly in the USA remaining active in the labour market. The other countries which have legislated against age discrimination are France, Spain, Canada, Australia, New Zealand and Ireland. (Chen 1996, 164-176; Sheppard 1991, 252-283.) However, age discrimination legislation has been less effective in these countries than in the USA: the labour market participation rates among the over 65-year-olds are lower than in the USA. In Spain, Ireland and New Zealand the labour market participation rate of the 55-64-year-olds has remained relatively high, but labour market participation by those over 65 is low in these countries, too (OECD 1997b).

A key feature of the UK retirement system is said to be that individuals who are drawing an occupational pension may continue to work as long as they change employer and consequently, can not classified as ‘retirees’ (Miniaci & Stancanelli 1998). Regardless of this opportunity labour force participation rates of British over 65-year-olds remain modest, and also the share of earnings from gross income stays lower than other countries classified to basic security welfare sate model.

The introduction put forward the idea that sufficient public pensions discourage saving for old age among those nearing the pensionable age in countries with encompassing social policies. The review of the earlier research reveals a wide variety of estimates of the effect of the introduction and increased generosity of public pension systems on private saving, with total effects ranging from 100 per cent displacement of non-pension wealth to no effect, or even to providing a small stimulus (for a detailed survey see Kohl & O’Brien 1998). According to Cooper & Scherer (1998) in countries where pension schemes (public or occupational) offer less assistance, individuals tend to work longer as well, accumulating increased savings for their own future requirements. In other words this means that in countries with sufficient public pensions households are not keen on save for old age. However, in countries with not that good public pensions eagerness to save is not necessarily more visible (see Kangas 1992b). Figure 2 offers support for the disincentive effect of sufficient public pensions. In Australia and the USA, savings and investment prior to retirement appear to bear fruit after retirement. The difference between Australia and countries of the encompassing model is quite striking. This finding is backed by a study that compared the numbers of the aged living in owner-occupied housing. According to the study, owner-occupancy was by far most common in Australia, and owner-occupancy rates were fairly even across different income deciles (Castles1997, 39). If we compare the situation in Australia with the situation in the USA, the UK and Finland, we notice that owner-occupancy rates differ more across the income deciles. For instance in Finland, owner-occupancy is most common among the 35-54-year-olds. (Statistics Finland

1997b; Hancock 1998; Kendig 1990.) Owner occupancy is one way of improving old-age security. Partial letting of the housing owned, or changing for a smaller house or flat increases the resources available for aged households. We can find among the elderly those older people who are estimated to be income-poor but house-rich (Hancock 1998). Thus, home-ownership alone can not alleviate the income poverty in old age.

The importance of income from capital in social policy regimes that emphasise basic security and means-testing can also be assessed by studying the poverty rates among the over 65-year-olds. Pre-transfer poverty in Australia and the USA is clearly lower than for instance in Sweden, Finland and the Netherlands. Income from capital combined with income from work then improves the pre-transfer incomes of over 65-year-olds living in countries of the basic security and targeted models. The low poverty rates in Australia and in the USA among those who receive income from work is partly explained by the fact that LIS classifies private pensions as income from work, and not as income transfers. These factors reduce the pre-transfer poverty rates in the countries with the weakest public pensions. The post-transfer situation, however, is more favourable in the countries with encompassing social policies. Among the countries of the basic security model, Canada constitutes an interesting exception as the poverty rate among the over 65-year-olds is exceptionally low there. The low poverty rate in Canada results mainly from the targeting of improved pension security at the worst-off pensioners (Card & Freeman 1990; Banting 1997; Mäkinen 1998).

In assessing the incomes of the aged it is important to bear in mind that in the USA and Australia, the costs of long-term institutional care for the patient are based on his or her income and resources. In the USA, the income limit is fairly low, close to the qualifying level for income support, and hence the better-off patients need to invest their own income and other resources in institutional care. A recent development is a private insurance that protects the aged in the case of long-term institutional care. In the USA, only 3 percent of the aged have such an insurance policy, and only 1 percent of the costs of institutional care are paid through such policies. There is increasing interest in such insurance in, for instance, France, Japan and the UK. These insurance policies are most common in Japan. (Hennessy 1997, 29-31.) Also in Finland, there are plans to take the patient's income and wealth into account when determining the monthly payment for those in long-term institutional care. As in Australia, the patient's house and a reasonable allowance for personal expenditure would not in any case be touched. As Australia and the USA have had such practices in place for 30 years, they provide practical examples for other countries that are planning to introduce income-based contribution rules.

The Netherlands, Finland and Sweden form their own distinctive group in the comparison of pensions: the share of pensions in the total income package of over 65-year-olds is clearly larger than in the other countries studied here. This result is partly explained by the comparatively high income replacement levels of public pensions in the Netherlands and Sweden (see appendix 1). The small difference between the share of pensions in Canada and Denmark is particularly interesting. The Canadian exceptionalism in relation to other countries with a liberal model of social policy can be explained by the continuous improvement of the basic pension since the 1960s. In comparison with the income replacement level of the Finnish national pension, the replacement level of the Canadian basic pension is clearly higher (Palme 1990; Kangas 1997, 53). The share of pensions is clearly lowest in the income packages of over 65-year-old Australians.

The share of income transfers is clearly highest in the UK and Denmark. Income transfers form the smallest share in the USA, Canada and Germany. In Germany, as in other OECD countries, the population is ageing. Germany is projected to have the highest proportion of elderly in the population and the most drastic population decline. While there are currently about four retired persons per every ten active persons, the ratio will reach 9/10 by the year 2050, unless participation rates among older German workers increase significantly (OECD 1995; Antolin & Scarpetta 1998). This may cause problems in financing old-age security and a shortage of labour supply may also add to the problem. Income from private sources is most significant in the income packages of over 65-year-old Australians.

The differences between different welfare state models become very clear when we focus on the over-65 age group. In basic security and targeted models, the share of pensions and other transfers in the income package of over 65-year-olds is significantly smaller, but income from work and capital plays a considerably bigger role than in countries of the encompassing model. This result can be interpreted as a consequence of the differences in pension systems between the countries (c.f. appendix 1). In countries of the encompassing model, pensions are a sufficient guarantee of the livelihood of the aged, but work and wealth form the safest option for security in old age to those aged living in countries classified to basic security and targeted welfare state models.

Comparing the composition of income packages in the mid-1990s with the situation at the start of the 1980s, we notice that the share of income from work has declined in all the countries compared here, regardless of the age group under study. Income from work has been increasingly replaced by so-called social income from pensions and income transfers (see appendix 3).

4. Conclusions

The purpose of this article has been to analyse the income packages of the aged from the viewpoint of their livelihood and labour market participation. It was assumed that pensions and other income transfers have replaced income from work as the primary source of income of the aged in those countries where the labour market participation rates of the aged are low. Furthermore, this article departed from the assumption that the share of so-called social income, consisting of pensions and other transfers, has grown in the income packages of the aged in the countries of the encompassing model. Due to their universalistic nature and comparatively high level, pensions were assumed to guarantee a sufficient income during old age so that the over 65-year-olds no longer need to work in order to secure their livelihood. It was furthermore assumed that the high level of benefits and pensions in countries of the encompassing model would lead to lower saving rates among the citizens who no longer feel the need to save for their old age.

Income from work has remained the primary source of income among the 50-54 and 55-59-year-olds in all the countries included in this comparison. However, the countries differ in terms of the exact share of earned income of the total income package. Among the countries of the basic security and targeted models, the share of income from work is larger in Australia and the USA than it is in Finland and in the Netherlands. The small share of income from work in Finland and the Netherlands is partly explained by the labour market participation rates that are lower than in the countries with basic security and targeted social policy regimes. Pensions in the Finnish case and other income transfers in the Dutch case have reduced the share of earned income in the total income package. Income from work forms the largest share of the income packages in all age groups in the USA, the UK and Australia. We can hence assume that the poorer level of social security in the countries of the basic security and targeted models encourages people to save for their old age.

At the start of the article I presented the hypothesis that the labour force participation rates of the aged are low, and the so-called social income from pensions and other transfers has replaced earned income as the primary source of income in the countries of the encompassing model. From table 2, we can draw the conclusion that among the countries belonging to the encompassing model, only Finland confirms this hypothesis. Low labour market participation rates combined with a small share of earned income of the total income is associated most strongly with the countries of the corporatist welfare state model. Among the different age groups, the 60-64-year-olds constitute the group where the differences between, as well as within, the different welfare state models are most visible. The composition of income packages is not homogenous even within the countries classified as belonging to the same welfare state model. For instance, there are significant differences between the income packages in Finland and Norway, and in Germany and the Netherlands.

Table 2. Countries included in the comparison classified by labour force participation rate of 60-64- year-olds men and the share of earned income of gross income (%)

	high share of earned income of gross income (> 60 %)	**low share of earned income of gross income (< 60 %)**
high labour force participation rate (> 30 %)	Canada (b) USA (b) Australia (t) Norway (e)	United Kingdom (b) Sweden (e) Denmark (e)
low labour force participation rate (< 30 %)	Germany (c)	Netherlands (c) France (c) Finland (e)

b = basic security t = targeted c = corporatist e = encompassing welfare state model

The opportunities for early retirement have traditionally been scarce in the countries of the basic security and targeted models (c.f. table 1). This scarcity of opportunities for early exit from the labour market is obvious from the share of earned income in the income packages of the 60-64-year-olds. Among the countries with basic security models, the USA has a clearly higher share of income from work than the countries of continental Europe where there are more opportunities for early exit (c.f. Laitinen 1998, 20-22).

Among the countries of the encompassing model, Norwegian and Swedish pension systems have offered fewer opportunities to opt for early retirement than the Danish and Finnish systems. The share of earned income in the income packages of the 60-64-year-olds, however, indicates divergences among the Nordic countries: in Norway, Sweden and Denmark, wage labour has retained its position as the primary source of income of the 60-64-year-olds, whereas in Finland the significance of work as a source of income is much smaller. In the case of Denmark, the larger share of earned income is partly explained by the higher retirement age. The difference between Finland and the other Nordic countries is also accounted for by the fact that income support has been correlated with permanent exit from the labour market in Finland. In the other Nordic countries, income support has been used to keep people in the labour market: the income lost through temporary absence from work has been replaced by sickness benefits in Sweden and Norway, by unemployment benefits in Denmark, and by early retirement pensions in Finland (Hytti 1998). The divergence of Finland from the other Nordic countries is evident when we combine the income from pensions and other transfers: Finland, France and the Netherlands stand out as countries where the share of the so-called social income in the gross income of the 60-64-year-olds is highest.

The differences between the welfare state models become most evident when we focus on the income packages of the over 65-year-olds. The hypothesis that, in the countries of the encompassing model, over 65-year-old no longer extensively participate in the labour market due to the sufficiently high standard of pension security, is backed by the results of this study. Finland, the Netherlands and Sweden stand out as countries where the share of earned income is low, whereas in the USA and in Australia income from work forms a more significant share of the total income package of the aged. Alongside earned income, the share of income from capital among the over 65-year-olds is larger in Australia and in the USA than in the countries of the encompassing model.

Work has remained the principal source of income until the age of 60 in all the countries compared here. After this, the different institutional arrangements become more evident in the income packages of the aged. However, the prevalent trend is that the relative share of income from work and enterprise has declined in all age groups since the beginning of the 1980s, regardless of the welfare state model. Earned income has been increasingly replaced by the so-called social income i.e. income from pensions and other income transfers.

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APPENDIX 1. Replacement Rates of Public Pension Programmes

Country	*Description*
AUSTRALIA	**AS THERE IS ONLY A FLAT-RATE SCHEME, WHICH IS NEED-BASED, THERE IS NO TARGET REPLACEMENT RATE. HOWEVER, THE MAXIMUM PAYMENT** rate is equivalent to 25 % of male average total weekly Earnings for a single person and 40 % for a couple.
Canada	**TARGET REPLACEMENT RATE (STATUTORY) IS 25 % FOR INDIVIDUALS (EARNINGS-RELATED SCHEME ONLY). COMBINED WITH FLAT-RATE** pension, About 40 % (53 % for one-earner couple) is currently insured.
Denmark	**CURRENT REPLACEMENT RATE IS NEARLY 80 % FOR A SINGLE PERSON, A LITTLE OVER 50 % FOR A MARRIED OR COHABITING COUPLE, IN 1994, FOR BASIC** and supplementary pension inclusive. No target replacement rate is provided.
Finland	**TARGET REPLACEMENT RATE IS 60 % OF EARNINGS FOR 37-42 YEARS OF COVERAGE. IN PRACTICE, AN ACTUAL REPLACEMENT RATE IS USUALLY** 40-50 %. As to public sector, the target rate is 66 %.
France	**DEPENDING ON AGE AND DURATION OF INSURANCE COVERAGE, 25-50 % OF AVERAGE SALARY FOR THE BEST 25 YEARS, AS OF 1 JAN 2008. IN** the meantime, the length of the best years varies between 11 and 24 years. Net replacement rate (public and occupational/compulsory schemes inclusive) in the private sector in 1993 is about 78 %. (b)

Germany	**TARGET REPLACEMENT RATE IS ABOUT 70 % AFTER INSURANCE PERIOD OF 45 WORKING YEARS. THIS IS ENVISAGED TO BE REDUCED TO 64 %** in about 30 years.
Netherlands	**BENEFITS OF PUBLIC PENSION ARE RELATED TO NET MINIMUM WAGE: 100 %, 90 %, 70 % FOR A COUPLE, SINGLE PARENTS AND SINGLE PERSONS RESPECTIVELY.**
Norway	**CURRENT REPLACEMENT RATE IS NEARLY 70 % FOR A SINGLE PERSON, A LITTLE LESS THAN 60 % FOR A MARRIED OR COHABITING COUPLE IN 1994,** basic and supplementary pension inclusive. There is no target replacement rate.
Sweden	**CURRENT REPLACEMENT RATE IS NEARLY 70 % IN 1998, BASIC AND SUPPLEMENTARY PENSION INCLUSIVE. THERE IS NO TARGET** replacement rate.
United Kingdom	**AS TO EARNINGS-RELATED SCHEMES, 25 % OF AVERAGE EARNINGS OVER NATIONAL WORKING LIFE OF BEST 20 YEARS IS ENSURED. THIS IS PLANNED TO BE REDUCED TO 20 % OF AVERAGE EARNINGS OVER ENTIRE WORKING LIFE, FOR PENSIONERS REACHING PENSIONABLE AGE BETWEEN** April 1999 and April 2009. There is no target replacement rate.
United States	There is no target replacement rate. Historically, about 40 % of earned income has been ensured.

Source: Kalisch et al. 1998

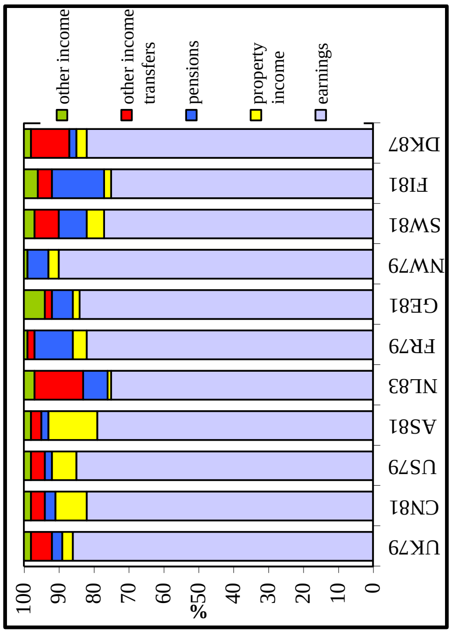
APPENDIX 2. REPLACEMENT RATES OF EARLY RETIREMENT SCHEMES IN SELECTED COUNTRIES, 1989

Country and Scheme	Percentage of Net Income (after direct taxes) That Is Replaced:
Canada	
Early pension at age 60:	
* Without earnings – related pension	42
* With earnings – related pension	62
* Unemployment pension	51
Denmark	
Single man	73
Single woman	89
Married man with 2 children, (6 & 9 years) and working wife	76
Finland	
Single man	68
Single woman	73
Married man with 2 children, (6 & 9 years) and working wife	81
Germany	
Long service	70
Unemployment	70
Netherlands	
Unemployment pension	100

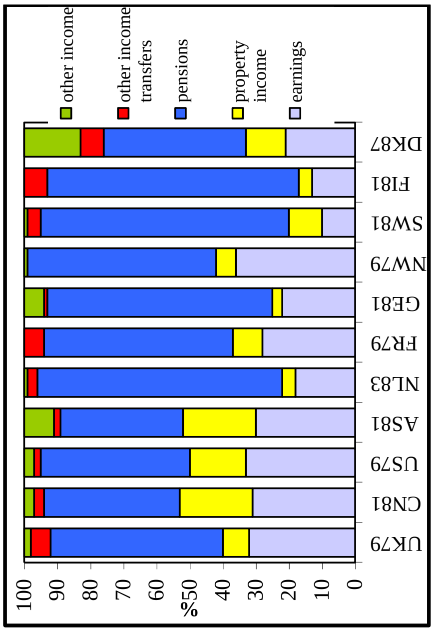
Source: OECD 1995

Country and Scheme	
Norway	
Single man	
72	
Single woman	73
Married man with 2 children (6 & 9 years) and working wife	78
Sweden	
Single man	
73	
Single woman	75
Married man with 2 children (6 & 9 years) and working wife	77
United Kingdom	
Income support:	
- single person	27
- couple	42
United States	
Retired worker claiming social Security at age 62	43

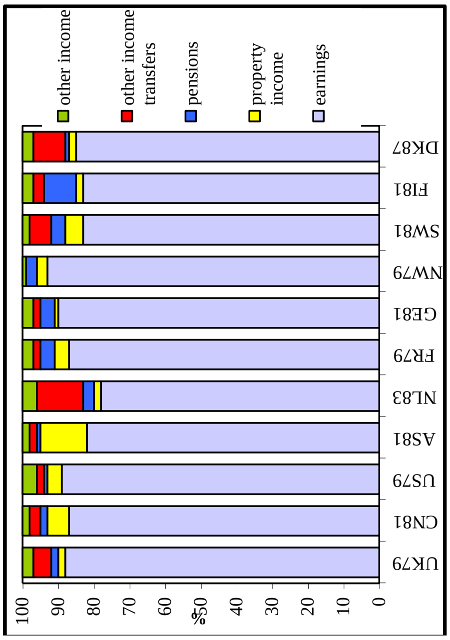
APPENDIX 3. Income Packages of the Aged in 1980



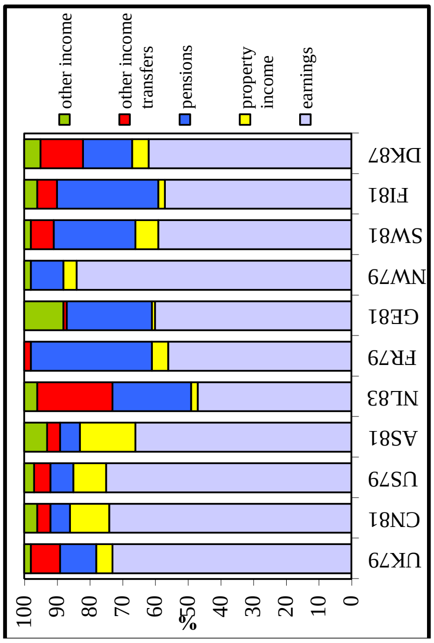
55-59-year-olds



Over 65-year-olds



50-54-year-olds



60-64-year-olds