

## 6 Social Welfare Payments

***Indicator 6.1*** Unemployment Benefits Compared to Earnings (OECD countries)

***Indicator 6.2*** Unemployment Benefits Compared to Earnings in the Republic of Ireland and the United Kingdom



## Indicator 6.1 Unemployment Benefits Compared to Earnings (OECD countries)

### Indicator defined

We compare pre and post Unemployment income using **the replacement rate**. It refers to the level of welfare provided immediately after the individual becomes unemployed and calculates this as a proportion of previous after tax or net income.

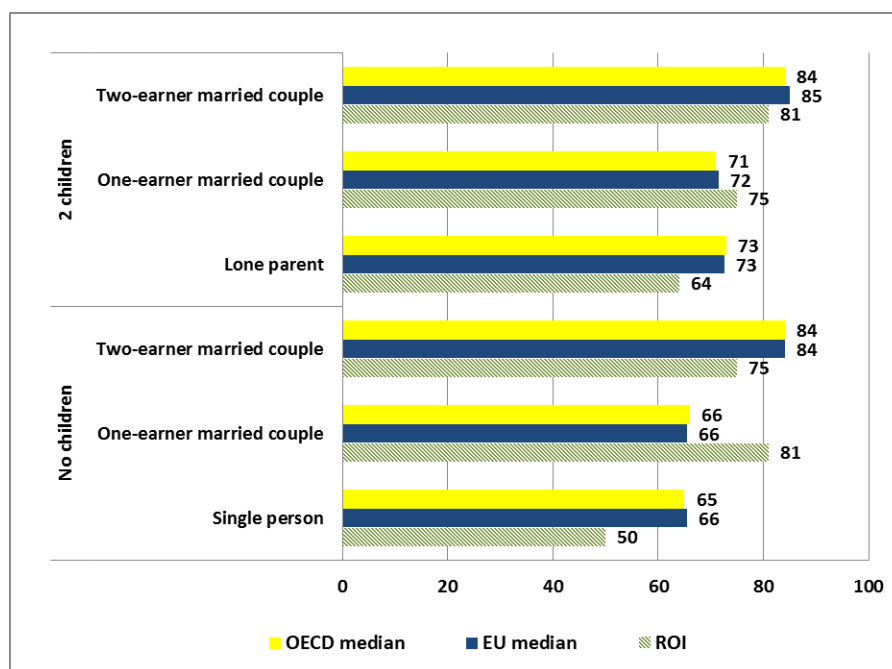
The figures in this assessment are based on an individual earning 67% of the average wage in each OECD country before becoming unemployed.

Reference period for latest available data used in this indicator is 2011. Data extracted on 5<sup>th</sup> April 2012. Next update due in early-2014.

**Table 6.1 Net Replacement Rates for six family, 2011**

OECD countries	No children			2 children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
Australia	31	54	53	57	66	64
Austria	55	57	79	71	73	85
Belgium	85	73	84	85	74	86
Canada	64	66	81	77	78	84
Chile	56	56	78	58	58	78
Czech Rep.	65	65	88	67	67	88
Denmark	83	84	91	88	86	92
Estonia	55	58	78	63	58	79
Finland	57	57	78	73	67	83
France	69	65	84	67	67	84
Germany	59	59	87	72	71	91
Greece	49	54	75	58	63	80
Hungary	71	71	86	73	73	88
Iceland	76	77	88	82	80	90
<b>Rep. Ireland</b>	<b>50</b>	<b>81</b>	<b>75</b>	<b>64</b>	<b>75</b>	<b>81</b>
Israel	84	84	92	83	85	93
Italy	68	72	84	76	74	87
Japan	68	66	85	73	68	86
Korea	55	55	78	57	55	78
Luxembourg	83	82	90	89	89	93
Netherlands	76	78	84	71	81	81
New Zealand	37	62	50	59	66	64
Norway	67	69	84	90	74	86
Poland	52	54	76	86	59	77
Portugal	75	75	92	77	76	91
Slovak Rep.	62	58	85	72	57	82
Slovenia	85	84	93	85	88	96
Spain	79	76	90	77	75	89
Sweden	66	66	83	74	70	84
Switzerland	75	72	85	86	85	91
Turkey	53	53	79	52	52	79
UK	19	30	60	48	56	68
USA	60	59	81	53	50	83
<b>OECD Median</b>	<b>65</b>	<b>66</b>	<b>84</b>	<b>73</b>	<b>71</b>	<b>84</b>
<b>EU Median</b>	<b>66</b>	<b>66</b>	<b>84</b>	<b>73</b>	<b>72</b>	<b>85</b>

**Chart 6.1 Republic of Ireland Net Replacement Rates for six family types in initial phase of unemployment compared to the EU and OECD median values, 2011**



### Interpretation

Replacement rates compare income prior to unemployment with income from welfare after unemployment. Across the OECD these rates range from 19% (UK single person) to 96% (Slovenia two-earner married couple). Given the variation in individual country replacement rates, reflecting the nature and composition of welfare entitlements in these countries, the data shows the futility of making simple cross country comparisons based on one particular type of individual/household. The ROI possesses the fifth lowest replacement rate for single unemployed people with no children within the OECD (50%), only the UK, Australia, New Zealand and Greece possessing lower rates. Of the six household types examined by the OECD (see table and chart) four record replacement rates below the OECD and EU median values and two above these median values.

### Technical Notes

Data is from the OECD's Tax-Benefit Calculator. The OECD also examine replacement rates for individuals at 100% and 150% of average earnings. The data in the table and chart is from 2011, the latest comparable data available from the OECD, and assumes families do not qualify for cash housing assistance or social assistance top ups. Since 2011 changes to welfare rates and average earnings will have altered these replacement rates.

### Source

OECD Tax-Benefit Calculator [here](#).

## Indicator 6.2 Unemployment Benefits Compared to Earnings in the Republic of Ireland and the United Kingdom

### Indicator defined

We compare pre and post Unemployment income using **the replacement rate**. It refers to the level of welfare provided immediately after the individual becomes unemployed and calculates this as a proportion of previous after tax or net income.

The figures in this assessment are based on an individual earning 67%, 100% and 150% of the average wage in each country before becoming unemployed.

Reference period for latest available data used in this indicator is 2011. Data extracted on 5<sup>th</sup> April 2012. Next update due in early-2014.

**Table 6.2 Net Replacement Rates for six family types in initial phase of unemployment, ROI, UK, EU and OECD 2011**

	No children			2 children		
	Single person	One-earner married couple	Two-earner married couple	Lone parent	One-earner married couple	Two-earner married couple
<b>67% of the average wage</b>						
ROI	50	81	75	64	75	81
UK	19	30	60	48	56	68
<i>EU median</i>	66	66	84	73	72	85
<i>OECD median</i>	65	66	84	73	71	84
<b>100% of the average wage</b>						
ROI	36	58	63	63	67	69
UK	13	21	49	40	47	56
<i>EU median</i>	56	59	74	67	66	77
<i>OECD median</i>	56	58	74	67	64	77
<b>150% of the average wage</b>						
ROI	28	43	52	52	54	58
UK	9	15	39	29	35	45
<i>EU median</i>	46	45	63	53	53	67
<i>OECD median</i>	45	46	62	52	52	66

## Interpretation

Replacement rates compare income prior to unemployment with income from welfare after unemployment. The table above compares replacement rates for individuals/households in the initial phase of unemployment (in effect the first year of unemployment) in ROI and the UK. The OECD's calculations assume that families do not qualify for cash housing assistance or social assistance top ups.

The results show a variation in replacement rates between ROI and the UK with those in the ROI being higher than the UK for all household types. The scale of this difference varies by household type and OECD data suggests the gap reduces when account is taken of housing assistance and secondary social assistance payments.

Across all of the 18 household types examined, in four cases the ROI replacement rates are higher than the OECD and EU median values: one-earner married couple no children at 67% of average earnings and one-earner married couple two children at 67%, 100% and 150% of average earnings. In the UK all the replacement rates are below the EU and OECD medians.

Comparisons of net replacement rates do not take into account differences in various types of non-cash payment benefits to households such as subsidised services or exemption from various charges.

## Technical Notes

See note to indicator 6.1.

## Source

OECD Tax-Benefit Calculator [here](#).