Benefit Dependency

Benefit dependency: the pros and cons of using 'caseload data' for national and international comparisons

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Abstract:

Policy makers in advanced welfare states have increasingly expressed concerns over large numbers of working-age people claiming social security support. Accordingly policies aimed at reducing the level of 'benefit dependency' have gained prominence. However, such policies rest on shaky empirical evidence. Systematic collections of national 'caseload' data are rare, social security programmes overlap and administrative categories vary over time. The internationally inconsistent treatment of national transfer programmes provides a further challenge for cross-national comparisons. This article first identifies and discusses several of these problems, and ways in which they may be addressed. It then employs administrative claimant data from six European countries as a way of illustrating trends over time and across counties. The underlying aim is to explore the scientific potential of benefit recipient numbers as an indicator for welfare state change over time and across countries.

Kewords: comparative social policy, benefit claimants, benefit dependency, social security transfers, international comparison, caseload data

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1. Introduction

One of the common characteristics of the development of modern welfare states over the past twenty years has been governments' concerns over the number of people in receipt of benefit. Whereas in the 1980s the focus had been on containing or reducing registered unemployment, by the middle of the 1990s policy makers had become increasingly focused on boosting labour force participation as a key strategy for coping with an ageing population. More recently debates have gone further and policies have shifted from 'ex-post' remedies that address the consequences of being out of work towards 'ex-ante' prevention of people from becoming dependent on a transfer income. Most current governments claim that they are pursuing policies aimed at a reduction of benefit dependency and, by implication, social security spending.

The onset of the financial and economic crisis has exacerbated such concerns. Rising unemployment and tight public budgets have reinforced perceptions of economically unsustainable levels of transfer spending. Moreover, if in the past benefits were seen as at least in part tackling material deprivation, nowadays they have come to be perceived as creating poverty traps, reinforcing social exclusion or undermining the moral foundations of the social contract. Activating the working age population and extending the active phase in the life course have thus become central tenets of social policy reform. Against this context it comes somewhat as a surprise to find that countries rarely collect data on the development of the number of benefit claimants (or 'caseloads') in any systematic fashion. Obviously, this makes it difficult to assess any policies aimed at reducing 'benefit dependency'. Equally, they make systematic research based on claimant data challenging both within and, even more so, across countries.

There are a number of reasons for the difficulty of producing comprehensive claimant data across programmes and over time, some of which we will discuss below. Such difficulties may also be the principal reason for the absence of theoretically guided empirical social research based on benefit recipient numbers. However, the recourse to the more conventional 'dependent

variables' such as social rights or social spending is faced with serious conceptual and methodological problems too (see Clasen and Siegel, 2007). Thus, it seems to us worthwhile to at least explore the options which existing and potential claimant data may offer comparative social security research. Concretely, building on preliminary considerations (De Deken and Clasen, 2011) we assess to which extent caseload trends may function as informative indicators of social policy change, possibly complementing social spending or social rights. Prior to addressing this key concern, we discuss methodological challenges faced by research based on national data (section 2) and international comparisons of recipient numbers (section 3), before proposing a categorisation of working age benefits (section 4). Making use of administrative claimant data for a collaborative project (Clasen and Clegg, 2011), in section 5 we explore case load developments in six countries (Belgium, the Netherlands, Germany, France, Denmark and the United Kingdom) that have followed different pathways, thereby allowing us to identify further problems of categorisation and measurement.[1] We juxtapose caseload trends and the development of unemployment and social spending respectively. The aim is to illustrate functional equivalence and 'communicating vessels' between different working age benefit programmes, and particularly the persistence of work incapacity and early retirement schemes as reflecting labour market developments. Finally we discuss a series of policy innovations which illustrate recent reconfigurations of benefit systems, including leave schemes, the integration of unemployment assistance and social assistance, and the combination of social transfers and earnings. As we show, all the latter pose considerable challenges for cross-national research based on caseload data, while at the same time highlighting the political and administrative nature of the construction of benefit dependency.

2. National claimant data – some methodological challenges

One reason for the paucity of comprehensive national data on claimant numbers is certainly the complexity of national social security arrangements, with distinctive benefit programmes at times catering for the same needs and similar social groups. Some governments have begun to

[1] We would like to thank Daniel Clegg, Irene Dingeldey, Marcel Hoogenboom and Jørgen Goul Andersen for valuable discussions on caseload data, and for the use of initial data collected for the countries featured in this article.

address this problem by combining what are functionally similar systems, such as Germany for example, where the so-called *Arbeitslosengeld* II (ALGII) has been created as a basic income security scheme for all employable persons outside of unemployment insurance (Clasen and Goerne, 2011). Others, such as the UK, are in the process of merging several programmes within the forthcoming Universal Credit which is heralded as a 'single working age benefit system', even though this is to some extent a misnomer since parallel programmes, such as contributory unemployment and disability transfers, will remain in place. Thus, even in these two countries persons out of work will continue to receive income transfers from a range of schemes that differ significantly in terms of generosity and conditionality, but often overlap in terms of risks covered.

National programmes also differ in the ways in which respective claimant numbers are documented. For example, for most countries it is relatively straightforward to collect claimant data on unemployment insurance benefits in a systematic fashion. For other schemes, particularly incapacity but also early retirement, the availability of administrative data is more problematic, partly due to the existence of parallel systems (e.g. early retirement options within unemployment as well as pension programmes; incapacity benefits within social assistance schemes; short-term incapacity benefits in the form of statutory sickness pay) and the termination of some and introduction of what are often merely slightly different programmes.

Systematically collecting comparable social assistance claimant data is particularly challenging for reasons such as divided administrative and financial responsibilities. In Spain, for example, social assistance ('Renta minima') is administered by autonomous regions and recipient numbers cannot be found in national statistics. Moreover, the 'target population' of social assistance can be very broad ('general' social assistance) or narrow (e.g. particular social assistance schemes for older people, lone parents, immigrants, etc). In Germany, for example, social assistance used to be an encompassing scheme for persons in need irrespective of citizenship, age or labour market status. Since the early 1990s separate social assistance (or basic security) programmes have emerged for asylum seekers, people of retirement age and, most recently, persons who are deemed not to be employable. A further complication is the nature of social assistance as poverty alleviating measure, making it impossible in some countries to distinguish between beneficiaries

who receive merely social assistance and others who claim additional social security transfers, or to distinguish between social assistance and other means-tested (e.g. housing or unemployment) assistance transfers, some of which may supplement earned income.

National data collection is also challenged by a blurred distinction between statutory and non-statutory benefits. Early retirement schemes in the Netherlands are a case in point. Formally considered as voluntary agreements these schemes are initiated and run by social partners at the level of industrial sectors. Such agreements are quasi mandatory and thus encompassing via the practice of administrative extension. Yet it is hard to obtain comprehensive data because these schemes are administered by numerous organisations and lack the formal status embodied in public early retirement programmes.

3. International comparisons

The first, and potentially most comprehensive attempt to assemble and standardise national administrative data on caseloads across different countries dates back to the late 1990s, when the Dutch Ministry of Labour (NEI) commissioned a pioneering study that covered nine European countries, Japan and the US for the period 1980-1997 (Arents, et al., 2002). Subsequently, the OECD has sought to improve the comparability of this database, and updated the data by a few years (OECD, 2003). For illustrative purposes in Figure 1A and 1B we reproduce the OECD estimates of working age benefit dependency in six European countries. Figure 1A shows the evolution of total working age benefit dependency between 1980 and 2004. Figure 1B breaks down the total caseload into four main categories: unemployment, work incapacity (which includes sickness and disability benefits); old age (early retirement) and social assistance (which includes lone parent benefits). [2]

[2] We would like to thank David Grubb of the OECD for providing us with the original datafiles and the update for 2004.

Figure 1A: Working-age benefit recipients as a percentage of the population 15-64 year

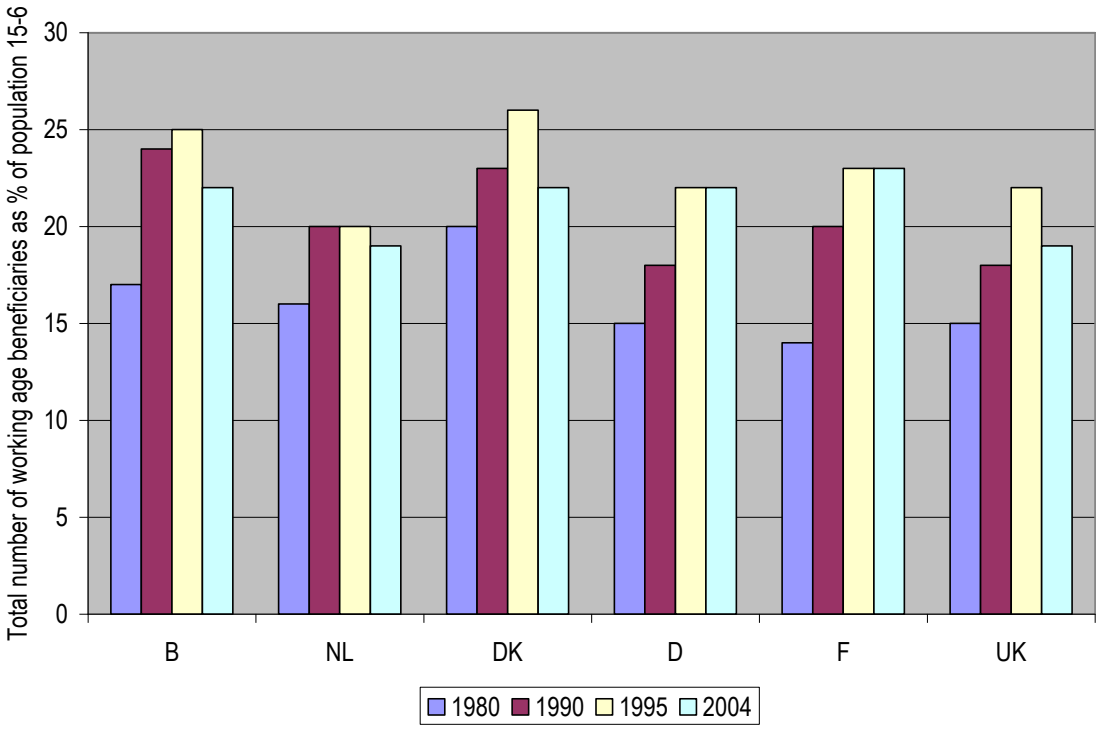


Figure 1B: Working age benefit recipients in 2004 broken down according to functional category

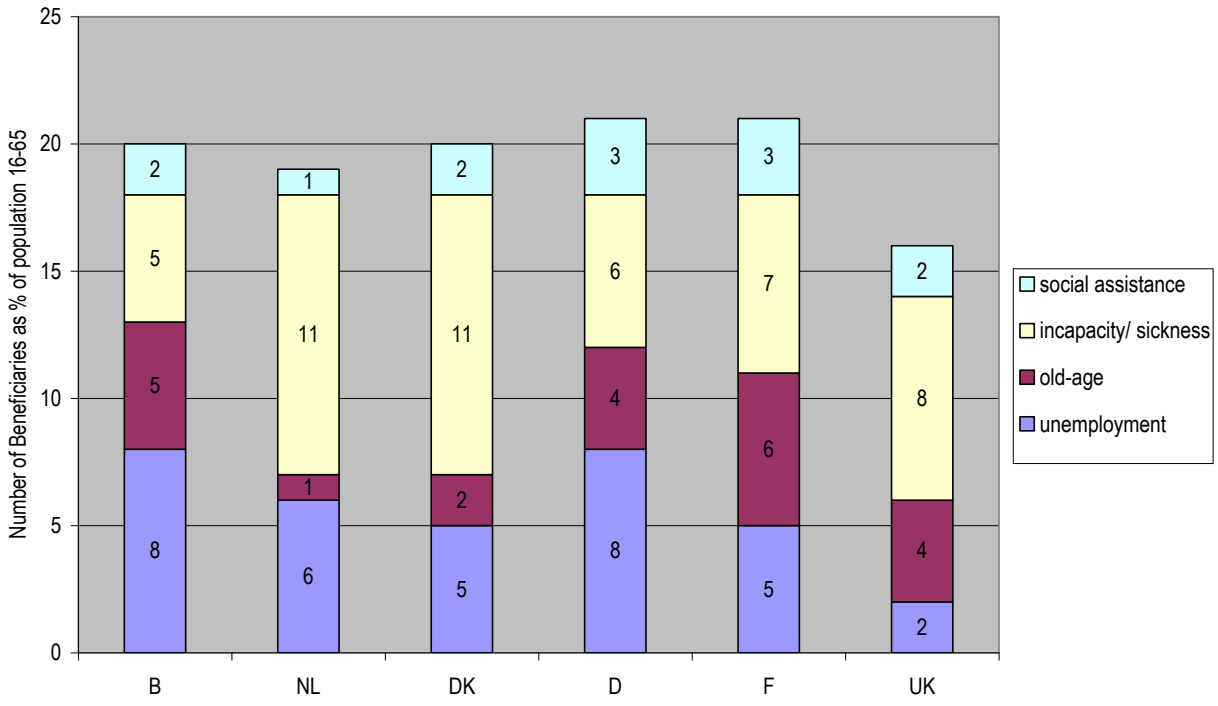


Figure 1A suggests remarkably similar trends of increasing claimant numbers across the six countries between 1980 and the mid 1990s, followed by modest declines in some countries. The composition of the total caseload indicates considerable differences in the prevalence of different benefit categories. Building upon earlier work (De Deken and Clasen, 2011) we have rearranged and extended the time series of the NEI-OECD database for a selected group of countries up to the year 2011. It should be pointed out that our aims are less ambitious than those of the original NEI study. Arents et al. (2002) sought to estimate a *total* 'benefit dependency ratio', i.e. the percentage of the population which is dependent upon some kind of benefit, which is an endeavour confronted with a number of problems (see below). By contrast in this article we are merely interested in tracing caseload trends, i.e. changes in the volume and composition of those working-age benefit schemes which can be considered as alternative or substitute for income from paid work. Concretely this means that we have not collected caseload data on survivor benefits or maternity benefits, and only examined old age benefits in so far as they allow people to leave the labour market prior to the statutory retirement age.

The OECD too focussed primarily on the working age population, but, as the NEI study, aimed to estimate a total dependency rate. Such an endeavour invites several methodological challenges, which, in contrast to what has sometimes been suggested (see for example CESifo, 2003), have at best only partially been resolved. Even though we are not interested in the total benefit dependency rate, and thus avoid some of these methodological problems, in what follows (section 5) we have aimed to apply as far as possible the same principles which were adopted in the original NEI study. Accordingly, for calculating of claimant trends over time and across countries we have identified four major challenges.

The first refers to the problem of *partial benefit receipt*, i.e. when claimants are employed on a part-time basis while concurrently receiving benefits. Partial benefits are often prevalent in disability schemes and also exist in early retirement and in unemployment benefit schemes in some countries. In order to create greater comparability, it may be possible to transform partial benefits into full benefit years. In some countries, including the Netherlands, partial unemployment benefits are already expressed in full time equivalents. For other countries where such schemes exist, including Belgium, Denmark and France, we applied a factor of 0.5 to

beneficiaries of part-time benefits. Similar procedures were used for calculating the case load of part-time early retirement schemes.

Second, *'periodic' benefits* should be, wherever possible and appropriate, expressed in benefit years. For recipients of unemployment, early retirement, disability and social assistance benefits this was done by calculating the caseload of any particular calendar month. For sickness benefits, benefits years we calculated benefit years by dividing the number of days during which a benefit was received by the maximum number of days per year for which a benefit can be paid out. This differs from country to country, i.e. 260 days in France, 312 days in Belgium and 365 days in Germany. Not limited to sickness benefits this problem applies to all schemes in which claimants receive benefits for less than a year, or where benefits are not paid for every day of the week. One problem is that the information of the number of days benefits are paid in particular countries is either missing or not available, another that only data for a particular benchmark month might be collected or accessible. In such instances, the NEI and the OECD used either the number of beneficiaries in December of the year or 'the figures of from whatever month … available' (Arents, et al., 2002: 11). Evidently it is impossible to know whether persons who received a benefit during the benchmark month claimed benefits also for the rest of the year. Moreover, persons who received a benefit during months other than the benchmark month are not included, and the assumption might be that these two effects might somehow cancel each other out. It should be noted that this is a rather big assumption however, neglecting, for example, seasonal effects. In what follows, we choose whenever possible September rather than December figures, as seasonal effects are less likely to manifest themselves. Nevertheless, other problems of taking monthly figures as an approximation of average annual caseloads remain. For example, a reduction in average spells of unemployment periods in one country but not another might explain a divergent trends in benefit expenditure and caseloads.

Third, there is a potential problem of *double counting*. One person should count for no more than one (full-time equivalent) benefit claim. In practice however, fragmented national social security administrations make it often impossible to implement this principle in countries where the simultaneous receipt of different benefits is permissible. As part of their efforts to combat benefit fraud, some governments have started to set up integrated databases for separate social security

benefits in a single registry. In the future, databases such as the 'datawarehouse labour market and social protection' of the Belgian KSZ-BCSS system might form a valuable tool in eliminating double counts, but the recent introduction of such initiatives prevents the development of historical time series. In the NEI study (Arents et al., 2002) this problem manifested itself particularly in the case of survivor benefits which are often combined with an old age pension, and for old age pensions which are supplemented by social assistance. As we are only interested in working age benefits, the problem of double counts is less relevant, except for the caseloads of active labour market policies, for example in Denmark. At some point in the 1990s participants of those programmes started to be reported separately, i.e. in addition to rather than included in the caseloads of unemployment and other working age benefits (Goul Andersen, 2011).

Finally, *payments to couples* should ideally be individualised. Primarily this problem manifests itself in the case of old age pensions and social assistance which is typically paid on a household basis. Within the countries we discuss in this article, a breakdown of benefit receipt between singles and married couples was not available.[3] As a consequence in all our six countries the total number of persons who are dependent upon social assistance is underestimated.

4. Problems of categorisation

As indicated**,** despite the increased political salience of 'benefit dependency', it is difficult to obtain reliable comprehensive time series of recipient numbers. Moreover, the quality of readily available data varies not only between countries, but also within the same country depending upon the branch of social security system. At times this seems to be a consequence of the fragmented and complex nature of those schemes. For example in the NEI and OECD studies, the category of 'early retirement' ignored one of the many early retirement schemes in Belgium, and thus significantly underestimated the caseload in this particular category.[4]

[3] As a matter of fact the in the larger sample of 12 countries analysed in (De Deken and Clasen, 2011), only Sweden turned out to systematically report a breakdown of benefit receipt between singles and married couples.

[4] In the 1980s four main early retirement options existed in Belgium, two of which were administered by the old age pension system: the so-called 'exceptional bridging pension' and the 'early retirement pension'. The two others were essentially run within the unemployment insurance administration: the 'conventional bridging pension' and the 'statutory bridging pension' (De Deken, 2011). The OECD failed to take into account the former.

In the remainder of this article we aim to illustrate shifts in the mix of caseloads of different working age benefit programmes over time. For that purpose we distinguish between five basic types of programmes providing benefits which allow temporary or permanent exits from the labour market. The distinction is based on differences in employment-related behavioural requirements:

- unemployment: beneficiaries of unemployment insurance and unemployment assistance are expected to re-enter the labour market;
- work incapacity: beneficiaries of sickness and disability benefits are exempt from labour market participation on medical grounds;
- early retirement: beneficiaries younger than the statutory retirement age who are permanently exempt from labour market participation;
- sabbatical and leave schemes: claimants are temporarily exempt from labour market participation, allowing periods of non-remunerated activity;
- social assistance: a residual category typically including persons in need and facing problems other than, or in addition to, lack of employment.

It should be noted that these analytically relatively clear distinctions have become less explicit in recent years. For example, in countries such as Germany, social assistance programmes (for some claimants) have gradually been transformed into quasi unemployment assistance schemes. In other countries, such as the Netherlands and the UK, eligibility to disability transfers has become more employment oriented and subjected to regular 'work tests'.

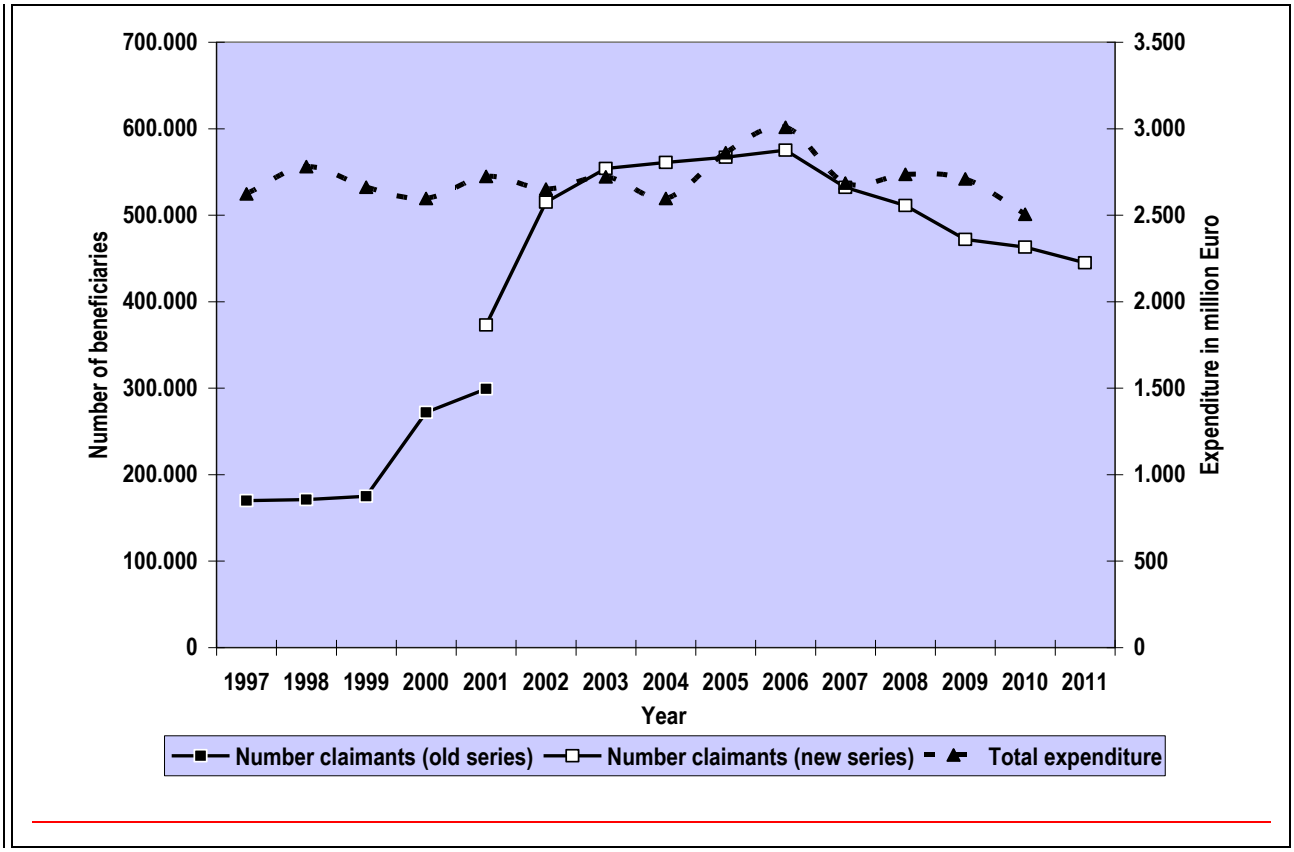
As discussed in the introduction, one problem for an international comparison of caseload data is the decision to include or exclude benefit programmes based on criteria which are not always easy to apply cross-nationally. For example, the NEI study and the OECD claim that they 'only included social security benefits that are regulated by law … regardless of the way they are administrated and financed' (Arents et al., 2002: 8). Based on industry-wide collective agreements, which are regarded as 'private', the application of this principle led to the exclusion of Dutch early retirement schemes. By contrast, in what follows below, we have included Dutch early retirement schemes since we did not consider those as private *voluntary* contracts. After all

such schemes are concluded in the shadow of the Dutch neo-corporatist system which ascribes collective agreements a status which is akin to legislation and backs such schemes up with a procedure of administrative extension (De Deken, 2012). Moreover, it could be argued that the NEI justification for the exclusion of 'private' schemes is inconsistent since it does not rule out non-statutory programmes such as the Danish unemployment insurance system, for example, which in essence is voluntary. According to the NEI 'not including [Danish unemployment insurance schemes] would render international comparison difficult because one important benefit category … would not be included…' (Arents et al., 2007: 8). We would agree with this statement, but see no reason why it should not be extended to Dutch early retirement schemes.

The creation of meaningful comparable caseload data is not only a challenge at international level but also hampered by figures reported by national administrations which appear to be unreliable at times. For example, published by the Dutch national (CBS) statistical office, annual claimant numbers of early retirement benefit suggest some erratic fluctuations. These tend to be attributed to internal revisions and a break in the series in the year 2001 when the number of beneficiaries was revised from 299,000 to 371,000 claimants (as illustrated by Figure 2). Moreover, discrepancies between trends in claimant numbers and benefit expenditure for the respective programme seem difficult to explain. Figure 2 illustrates this by plotting total expenditure on early retirement benefits in the Netherlands (left Y-axis) to the total number of recipients of benefits (right Y-axis), as reported by the Dutch statistical office. The figure suggests that the benefit caseload almost tripled during a 5-year period, but that the respective benefit spending remained more or less stable.[5]

[5] To some extent this discrepancy might be related to an increase in part-time early retirement (the CBS statistics do not allow the splitting of the caseload of early retirement benefits into full-time and part-time), but the scale of the deviation in trends is more likely to be related to either a measurement/reporting problem on the expenditure or the caseload side. In one of its publications, the CBS recognised that a substantial part of the early retirement plans is implemented by companies and these pension funds remained invisible (Gebraad and Pfaff, 2006: 2).

Figure 2. The development of caseloads and total expenditure on early retirement schemes in the Netherlands 1997-2008



Source: Statline Database of the Dutch Statistical Office

Of course, a discrepancy between trends in the number of recipients and total expenditure does not necessarily need to imply a measurement problem. It might be caused by other factors, most notably a change in benefit generosity (in terms of level and duration of transfers paid). While this is unlikely to have been the case here, we will return to the relationship between policy change, caseload and expenditure trends in section 5 below.

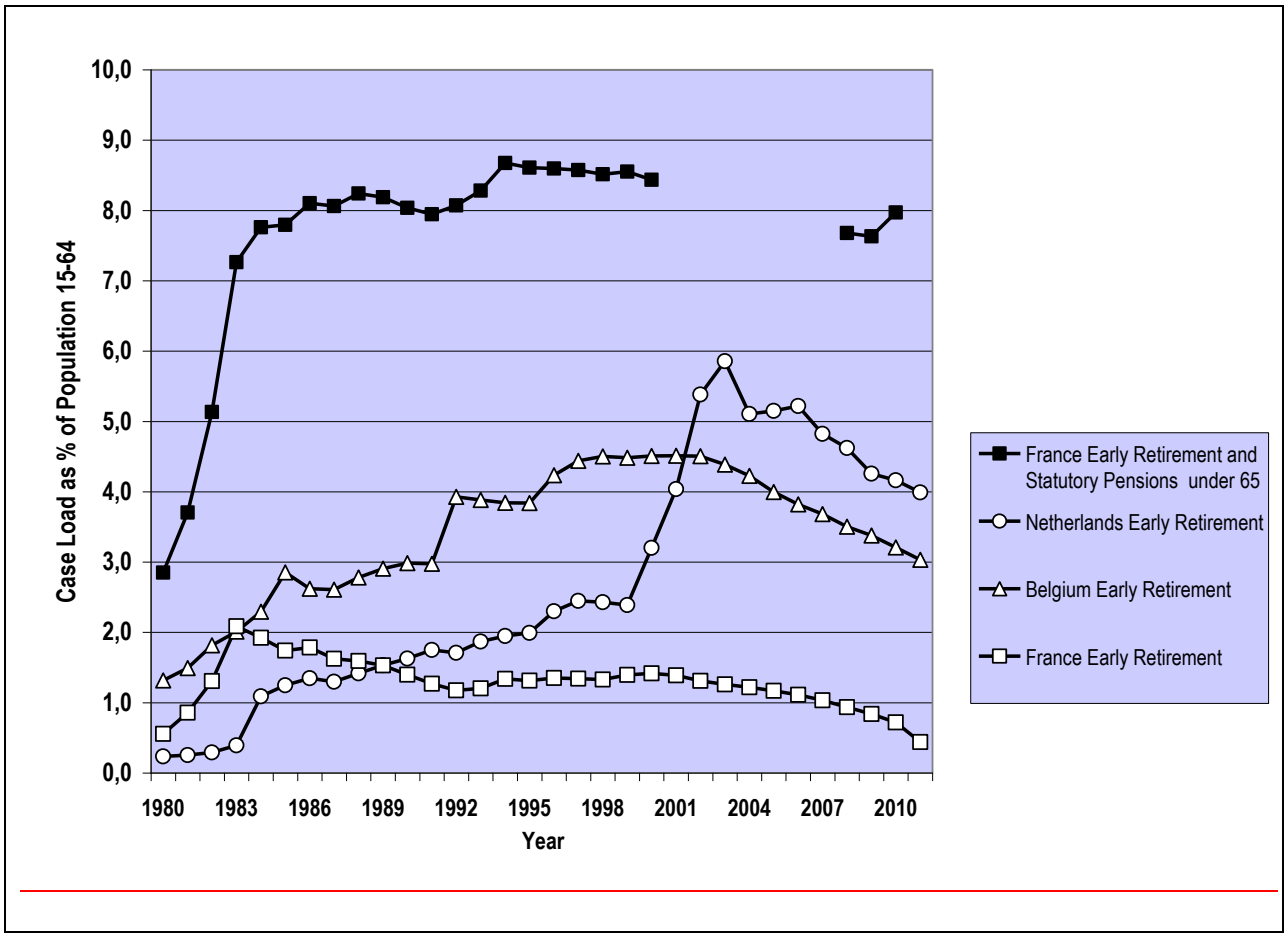
As indicated earlier, of interest here are benefits for people of working age, and caseloads are thus expressed as a percentage of the population between 15 and 64 years of age. This can pose a problem for comparisons of claimant numbers in early retirement programmes. In most (but certainly not all) countries the statutory retirement age is still around 65 for men. Women, and in some countries also men, used to enjoy a lower statutory retirement age and some still do. In principle, whenever making cross national comparisons it would be preferable to consider any

pensioners below the age of 65 as in receipt of a form of early retirement benefit rather than standard pension. The NEI-OECD project has made such an attempt for France (where until the 2010 reform the statutory pension system used a flexible retirement age between 60 and 65). We have been able to replicate the NEI-OECD estimates for two more recent points in time: 2008 and 2010.[6] The number of French claimants under 65 in receipt of a statutory pension turns out be much higher than the number of those in receipt of an early retirement programme, i.e. the *préretraités* and *dispensés* (older beneficiaries of unemployment benefits exempted from looking for employment). Moreover, whereas the latter programmes have effectively been phased out since the late 1990s, claims for statutory pensions between 60 and 65 have remained stable.

In other countries however national data make it hard to distinguish pensioners older from those who are younger than 65. Depicting Dutch, Belgian and French trends, Figure 3 illustrates this. It suggests that comparisons restricted to recipients of early retirement benefits only would be inappropriate as a measure of all people who have retired, are under the age of 65 and in receipt of a pension. However, a broader measure, e.g. all claimants of a statutory pension under the age 65, is not without problems either, since this may involve persons who have never been part of the workforce. Another challenge is the fact that in some countries, such as Belgium, the statutory retirement age for women was raised from 60 to 65 only fairly recently, i.e. in the decade after 1997. In other words, proceeding, as we do in Figure 3, runs the risk of exaggerating the relative extent of early retirement in France.

[6] Caisse nationale d'assurance vieillesse *Abrégé Statistique* 2008, 2009 and 2010.

Figure 3. Retirement below 65 in France compared to the Netherlands and Belgium 1980-2011



Sources: (ref De Deken and Casen, 2011); Netherlands: Statline database of the Dutch Statistical Office; France: Abrégé Statistiques and Pole Emploi Unistasis; Belgium: National Employment Office (RVA-ONEM) and National Pension Institute (RVP-ONP).

Table 1 summarises various problems of comparing caseloads, the ways in which they might affect the magnitude of benefit recipiency and how some measurement problems may be tackled.

Table 1: Problems of comparing benefit caseloads

Problem	*Possible Effects*	*Possible Solutions*
partial benefit receipt	increases caseload	convert part time benefit into full time benefit years, or apply weighting factor
periodic benefits	seasonal variations; short spells of recipiency	'neutral' reference month; convert days of benefit recipiency in benefit years
double counting	increases case load	recode programmes

household recipiency	reduces case load	individualise benefits
functional categorisation	underestimates recipiency in policy relevant categories	re-categorise benefit categories on the basis of behavioural requirements
non statutory programmes and mandating	underestimates case load in countries that use mandating instead of statutory programmes	include non-statutory programmes
boundaries of working age	underestimates case load in countries with lower statutory retirement age	matching early retirement with category of beneficiaries of statutory pensions under 65

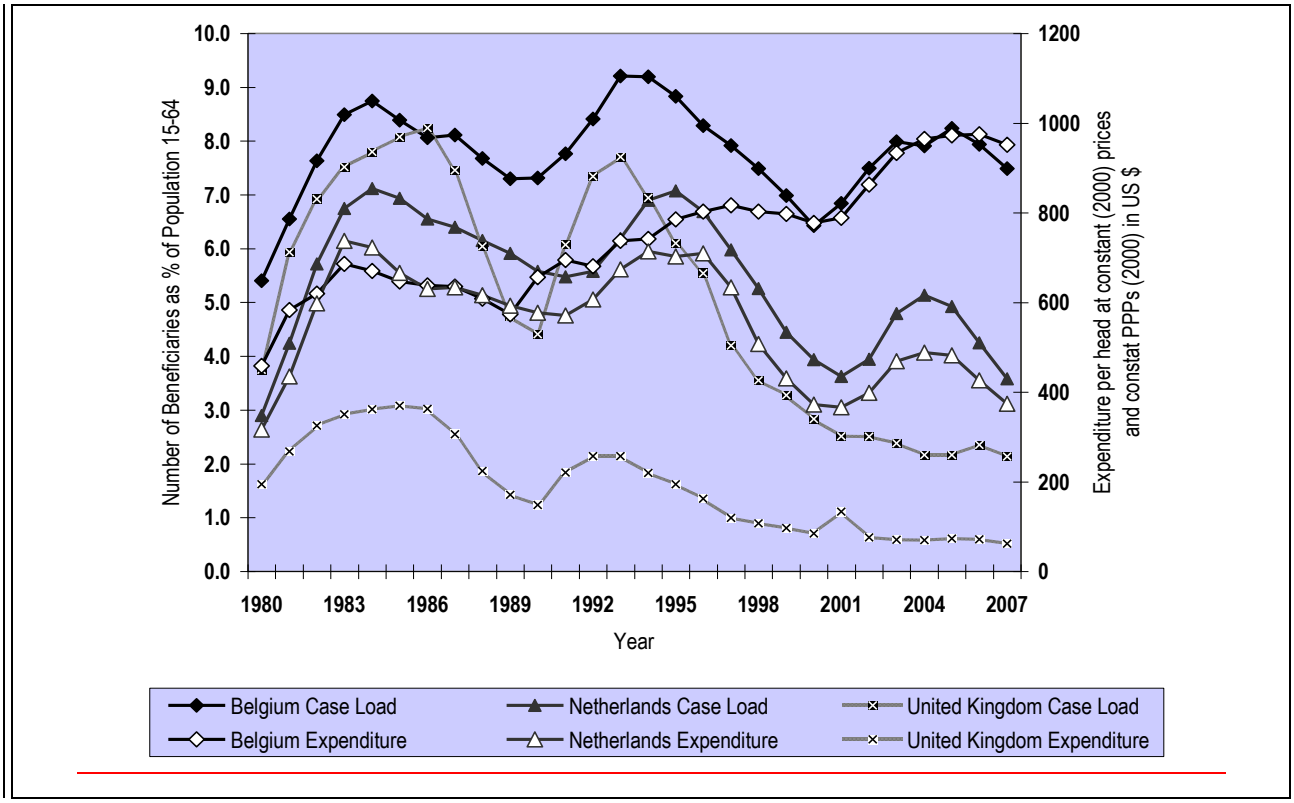
5. Exploring and illustrating caseload trends

Employing updated data from a book project (Clasen and Clegg, 2011) the remainder of this article selectively illustrates caseload trends and developments. Of course, problems of comparability across countries remain (e.g. in terms of early retirement, as discussed above). This is not our concern here however. Rather than aiming to produce a calculation of total caseload volumes across countries, our more modest objective is to discuss trends over time within single countries. As a first step, this serves as a platform for a reflection on conceptual and methodological aspects of comparative research based on caseload data.

Many national social security reforms over the past decade or so have been geared towards reversing earlier policies of 'labour shedding' during the 1980s and early 1990s, introducing behavioural requirements for unemployed and other working age benefit claimants, for example, which would encourage shifts from 'welfare to work'. To some extent the success of these policies may be measured in terms of a decline of the caseload of working age benefit schemes. However, the decrease in claimant numbers in one benefit programme (e.g. unemployment) may lead to a concomitant growth in others (e.g. disability or social assistance), particularly for some groups such as low-skilled men (Clasen et al., 2006). Such a 'substitution effect' has been noted in several countries and can be gauged from some of the graphs below. In what follows we map the direction and scale of the change in benefit schemes between 1980 and 2008 in terms of number of beneficiaries.

Initially however we explore the relationship between trends in caseload and developments in social spending. In Figure 4 we plot caseload trends (beneficiaries as a percentage of the population 15-64 – left axis) and total expenditure (in US $ at constant 2000 prices at the 2000 purchasing power parity – right axis) of unemployment benefit schemes in three countries that witnessed different national trajectories during that period.

Figure 4: Caseload and total expenditure on unemployment benefit schemes between 1980 and 2008 in Belgium, the Netherlands and the UK



Sources: case load data: De Deken and Clasen, 2011; expenditure data http://stats.oecd.org/ data extracted on 12 Jan 2011 Social Expenditure - Aggregated data: Total public unemployment expenditure per head, at constant prices (2000) and constant PPPs (2000), in US dollars

Figure 4 helps to illustrate that, whatever their respective uses, expenditure and caseload data should be regarded as separate indicators since trends in one are not necessarily reflected in developments of the other. Looking only at Dutch data in Figure 4, this point does not seem to be immediately obvious. In the Netherlands the level of benefit caseload and expenditure on unemployment benefit developed in parallel and both are in line with the trend in unemployment rates. This is not the case for the other two countries however. In Belgium the number of beneficiaries fluctuated broadly in line with the economic cycle and with changes in

unemployment rates which remained well above Dutch and British rates during the 1990s and beyond. Cross-national differences in unemployment rates are also reflected in the fact that British caseload data continued to decline in the early 2000s in contrast to Dutch and Belgian claimant numbers which increased for a few years before declining again. Indeed, during the period 2002-2005 the UK economy performed marginally better than the Dutch and even more so than the Belgian economy, but it is unlikely that it was completely shielded off from the economic cycle. Hence the lack of 'responsiveness' of the caseload can be assumed to be related to changes in eligibility conditions.

For Belgium it is striking that spending continued to rise without showing any of the cyclical patterns exhibited by the development of caseloads. This suggests that either unemployment benefits became more generous (which is not the case, see OECD, 2011: 40), or that the OECD's spending category is broader than our caseload category, i.e. that it includes beneficiaries who are officially not counted as unemployed. Indeed, there are two schemes which might have contributed to the spending boom: early retirement (which may account for the increases during the first half of the period) and the paid sabbatical schemes that started to take off during the second half of the period. The most important Belgian early retirement schemes are financed by the unemployment insurance system, and so are the career break benefits (De Deken, 2013). Had the caseloads of these three programmes been plotted next to the OECD aggregate spending data, the inconsistency would have largely disappeared. In other words, the discrepancy between the spending and caseload lines in Belgium is an indicator of what has been termed 'risk reconfiguration' (Clasen and Clegg, 2011). In this particular case this implies a transformation and widening of unemployment benefit into a type of umbrella scheme which incorporates a range of out of work benefits for claimants with quite different behavioural requirements.

Turning to the UK it is noticeable that the gap between British spending and caseloads is much larger than in Belgium and the Netherlands respectively. This suggests a considerably less generous unemployment benefit system. However, it does not seem immediately obvious why this gap narrowed so much during the second half of the period. Legislative change is a unlikely explanation. The introduction of Jobseekers Allowance (JSA) in 1996 halved the contributory benefit entitlement and thus certainly led to some decline of claimant numbers, but also of

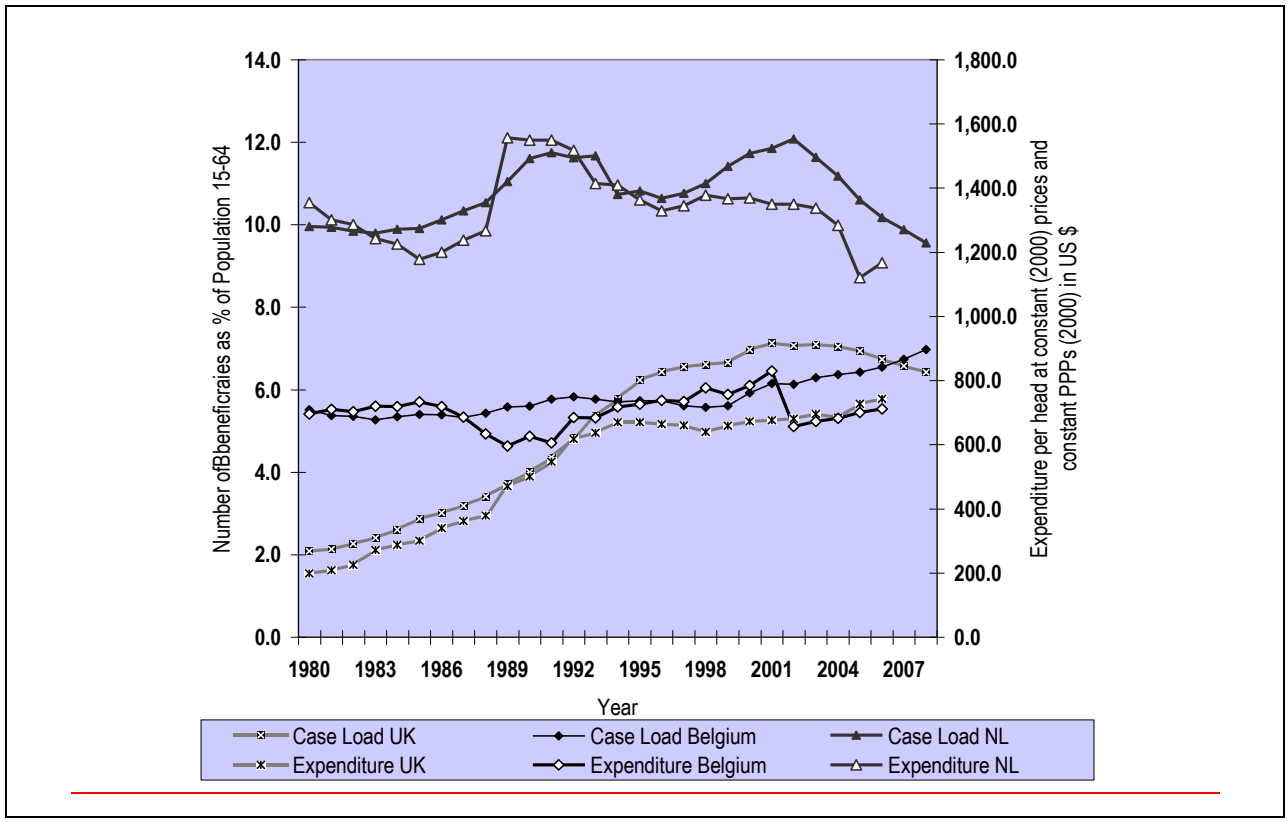
expenditure. A more plausible explanation might be the combination between low unemployment benefit rates and changes in the composition of benefit caseloads. It can be assumed that the job growth after the mid 1980s and again after 1993 benefited particularly claimants with shorter unemployment spells. Since caseloads are measured as number of claimants in a particular month, this would mean a faster depletion of recipient numbers than total expenditure given that the latter is disproportionately determined by long-term benefit claimants. Potentially there are other reasons to do with national data reporting and consistency over time which would have to be explored further. For the time being the British trends illustrate our point that it is not possible to simply 'read off' expenditure from case-load date or vice versa.

Since countries differ substantially in the ways in which they administratively configure the risk of unemployment (see also Erlinghagen and Knuth, 2010) an exclusive focus on unemployment benefit dependency would be deceptive. In particular those unemployed who are hard to reintegrate into the labour market are often referred to a range of other out-of-work benefit programmes, which entail different behavioural requirements. The most often used alternative exit routes are work incapacity and early retirement. In absence of a long-term insurance type of benefit, hard to employ persons may also end up in social assistance schemes. What complicates things is that in some countries the separation between these three out of work statuses has become blurred. In Belgium early retirement and sabbatical leave systems are part of the unemployment insurance system (and hence form a considerable part of this expenditure category in the OECD's Socx database or Eurostat's ESSPROS database). In Germany, unemployment assistance (UBII, *ALGII*) can be claimed not only by those who are registered as unemployed but also those who are 'employable', even in a minor capacity, as well as those in low paid work (Clasen and Goerne, 2011).

The category of work incapacity appears to be less marred by discrepancies between trends of caseloads and total benefit spending. In Figure 5 we have plotted those two trends in a similar way as in Figure 4 for unemployment. The two sets of lines are fairly parallel within each country, but differ cross-nationally. In the Netherlands work incapacity beneficiary numbers followed a cyclical development reminiscent of the caseload of unemployment insurance. In the

UK there has been a steady rise in caseloads, whereas in Belgium the caseload has remained relatively stable.

Figure 5: Caseload and expenditure on cash benefits of work incapacity benefit schemes between 1980 and 2008 in Belgium, the Netherlands and the UK



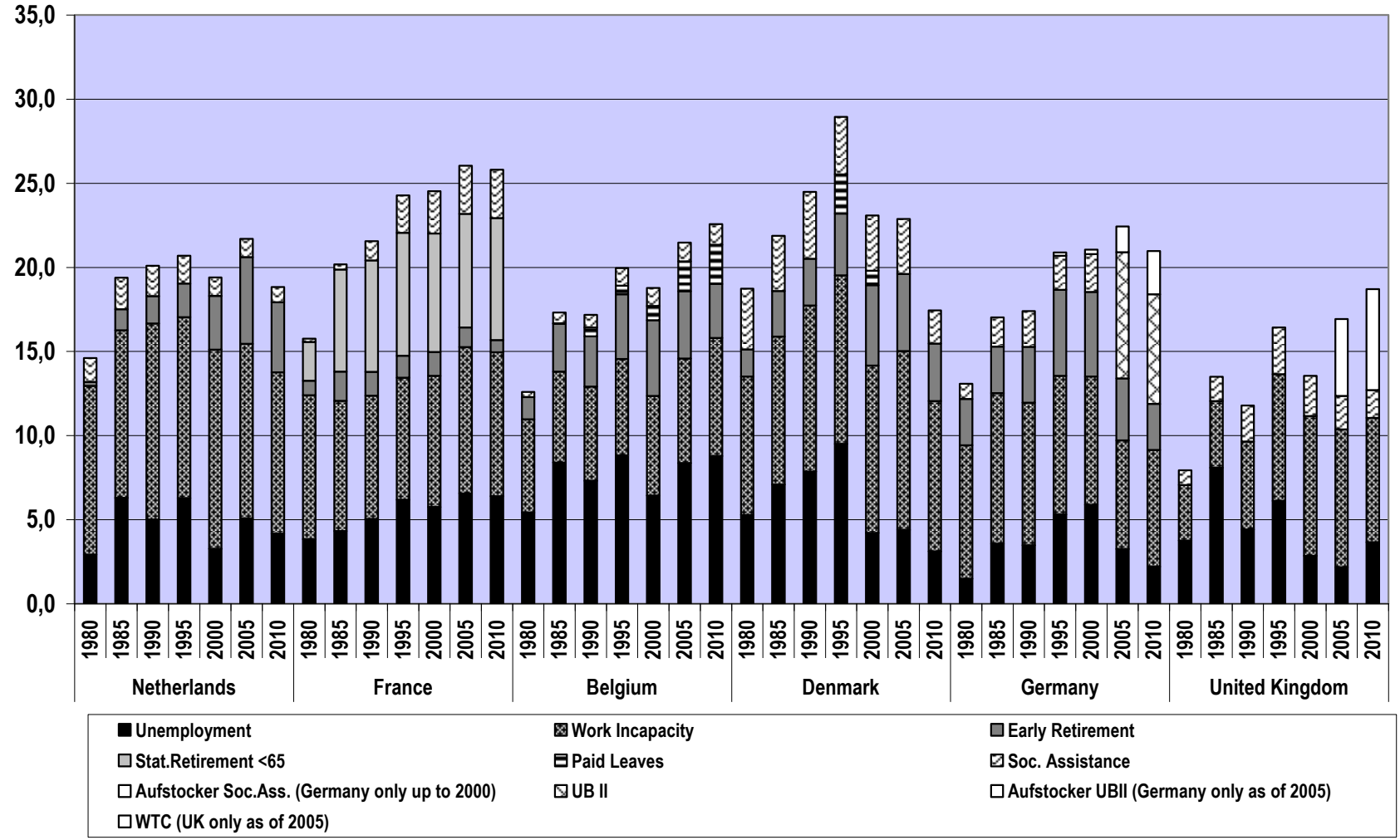
Sources: case load data: (De Deken and Clasen, 2011); expenditure data http://stats.oecd.org/ data extracted on 12 Jan 2011 Social Expenditure - Aggregated data: Total public and mandatory private incapacity related expenditure per head, at constant prices (2000) and constant PPPs (2000), in US dollars

Following unemployment trends, the cyclical pattern in the Netherlands suggests that work incapacity benefits throughout the period might have functioned as an alternative form of (long-term) unemployment benefit. In the UK unemployment declined steadily after 1993 but disability benefit receipt continued to rise. This might be due to a number of reasons, including work incapacity increasingly covering more than the classic types of physiological impairment (see below), as well as policy reforms which appear to have contributed to transfers from unemployment to disability support for some groups (Clasen et al., 2006). Another reason may be changes in average benefit durations, possibly helping to explain the divergence between caseload and expenditure trends in the 1990s.

In Figure 6 we provide an overview of the evolution of caseloads of different out of work benefits in six European countries between 1980 and 2011 at five year intervals. We have used the categorisation as explained earlier.[7] In addition to our five basic groups (unemployment, work incapacity, early retirement, paid leaves and social assistance) we have created further categories in order to depict programmes which are hard to classify, or which merit special attention. These special categories are beneficiaries of statutory retirement benefits in France who are under the age of 65, claimants of UBII benefit in Germany and recipients of working tax credit in the UK.

[7] Hence it is irrelevant out of which national social security branch early retirement, for example, is financed or whether incapacity benefits in a particular country is manifest in sickness, disability or social assistance schemes (as long as benefits are granted on a medical basis).

Figure 6 Changes in the Caseload Mix in Belgium, Germany, the Netherlands, Denmark, France and the UK between 1980 and 2010



Note: during the first years that ALMP beneficiaries were reported as a separate category, there probably is a problem of partial double counts between the unemployment category and the ALMP category in Denmark, which is why for 2005 and 2010 ALMP beneficiaries in those countries are depicted as a separate category. For Belgium, work incapacity data refer to 2009 instead of 2010. For France unemployment and early retirement data refer to instead of 1980; work incapacity refer 2004 instead of 2005, and 2006 instead of 2010; and statutory pensions under 65 refer to 2008 instead of 2005.

Most striking in Figure 6 is the common pattern of relatively low out-of-work benefit caseloads in 1980 and the subsequent growth. Towards the end of the period only Denmark and the UK managed to significantly reduce claimant numbers which had peaked during the mid 1990s. The Netherlands only recently succeeded in reversing a trend of rising claimant numbers; and in Belgium, Germany and France the number of working age benefit claimants continued to rise or at best stagnated well into 2011. However, if for Germany one excludes those recipients of UBII (ALGII) who are working (the so-called *Aufstocker*), that country too would show a significant decline in claimant numbers for 2010.[8] Alternatively, if for the UK one includes recipients of the working tax credit (which to some extent can be regarded as equivalent to *Aufstocker* in Germany), the British benefit recipiency rate becomes much higher, following a steep recent upward trend. This example illustrates problems of comparability and functional equivalents. Almost a third of recipients of unemployment assistance (ALG II) in Germany are actually in paid work, and consequently these claimants are part of the working age benefit caseload. Elsewhere those with similar subsidised types of (generally low paid and/or part time) jobs might receive tax funded wage subsidies (tax credits) and are thus, as in the UK, excluded from the caseload claimant count (see also below). On the other hand for some countries our caseload claimant counts include part-time unemployment benefits and time credit schemes, which in effect can also be considered as a form of subsidising part-time work and as such fulfil some of the functions of working tax credits.

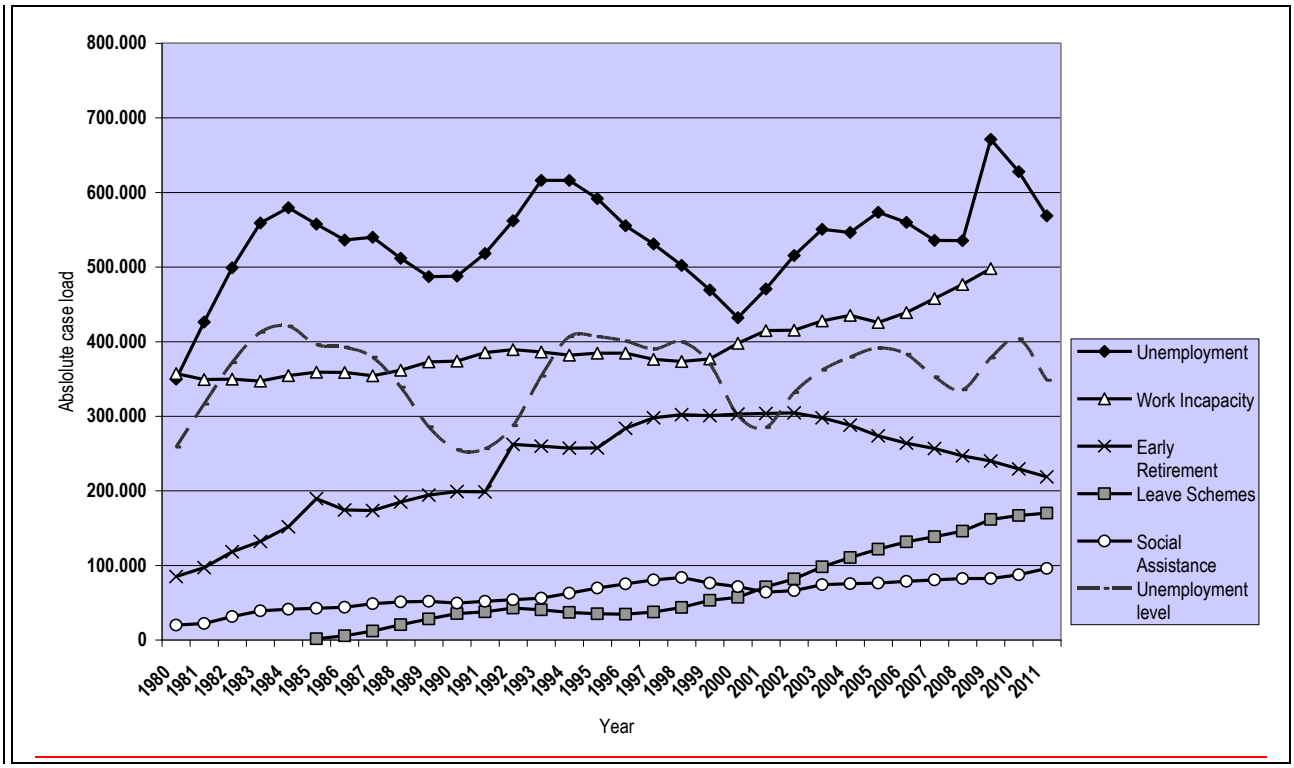
A cursory analysis of the benefit mix in our six countries suggests some degree of substitution between (low) unemployment caseloads and (comparatively high) work incapacity caseloads: countries with lower caseloads in the unemployment category tend to be faced with high claimant rates in the work incapacity category (Netherlands and Denmark), and the successes in reducing the caseload of unemployment benefits concur with increasing work incapacity caseloads (the United Kingdom).

[8] Ideally one should take account of the exact scale of the relevance of UBII benefit in the total income package for *Aufstocker* -- just as we control for the work intensity of those on part time unemployment benefits, part early retirement benefits or temporary unemployment schemes. Unfortunately the data do not allow this.

This mechanism of 'communicating vessels' also becomes evident from a country-by-country perspective. For example, Figure 6 shows that the caseload of unemployment benefits in the UK halved on a long term basis, while the number of claimants on incapacity benefits almost tripled. Such a dramatic increase is not (only) the consequence of the disappearance of certain types of industrial jobs, but suggests a broadening of entitlement criteria or an increase in types of work incapacity of a psychological rather than merely physiological nature (or both). In Denmark, a spectacular decline in the caseload of unemployment benefit between 1992 and 2008 can be observed, but the number of beneficiaries of work incapacity benefits, as in the Netherlands, remained exceptionally high during the same period.

By contrast, in Belgium the number of unemployment benefit claimants remained high throughout, while the caseload of incapacity benefits rose only moderately. In Figure 7 we plotted the absolute case load developments of our four basic working age categories as well as unemployment levels as harmonised by the OECD.

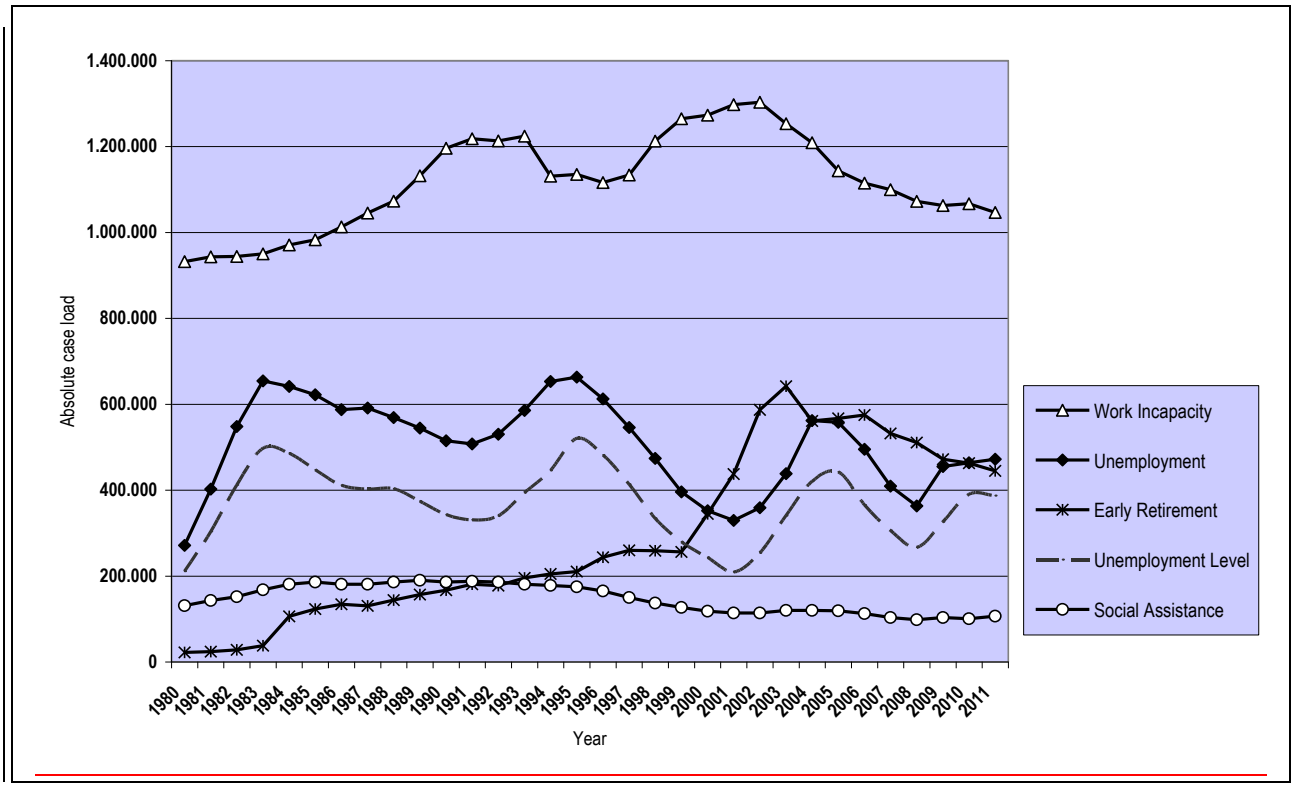
Figure 7: Changes in the caseload mix in Belgium 1980-2011



The transition towards a post-industrial service sector economy in Belgium seems to have been facilitated by the use of early retirement, as the number of work incapacity beneficiaries started rising only when government began to close down this particular exit route. In addition, since 2000 there has been a steep increase in the caseload of the paid sabbatical leave schemes (from about 70,000 to ca 170,000 cases by 2011). This particular labour supply reduction route seems to fit more with the 'cost disease problems' of a service sector economy (Baumol, 2001) than the labour shedding needs of a de-industrialising economy. The benefits of the Belgian sabbatical scheme are financed by the unemployment insurance system, which largely accounts for the divergence between the caseload and expenditure trends reported above.

The Netherlands illustrate yet another variation on the principle of communicating vessels. Here we see not so much a decline of one type of benefit (unemployment) being compensated by an increase in another (work incapacity), but what could be described as a delayed shockwave. Trends in unemployment benefits caseload seem to follow the economic cycle, and work incapacity schemes follow suit, albeit with a time lag of a few years. It is too early to judge to what extent the rise in unemployment following the financial crisis of 2008 will produce a new shock wave in work incapacity, but a recent report of the Central Statistical Office suggests a dramatic continuous increase of disability benefits for young people (the Wajong scheme): in recent years about one out of 12 young adults have been entering the scheme (van Vuuren et al., 2011).

Figure 8: Changes in the caseload mix in the Netherlands 1980-2011



In some respects, the Netherlands 'pioneered' the use of work incapacity benefits as a way of accommodating redundant workers during the era of the so-called Dutch 'disease' when the country's labour market was plagued by an exceptionally large scale of inactivity. As Figure 8 demonstrates, it was only towards the end of the period under study when policy reforms seem to have facilitated a reduction of the caseload of incapacity benefit receipt. The steep rise in early retirement benefits during the 1990s is a reason to cast doubt on the alleged Dutch employment 'miracle' (Visser and Hemerijck, 1997) of that decade. While the volume of unemployment benefit receipt declined steadily, structural unemployment over time seems to have been accommodated initially by the work incapacity scheme, and since the early 2000s by collectively bargained early exit from the labour market (bearing in mind the discrepancies we discussed earlier between the caseload of early retirement and the spending figures). In other words, these early retirement scheme seem to have taken over the shock absorbing role that the work incapacity schemes played during the heyday of the Dutch 'disease'. The steep increase in early retirement caseloads between 2000 and 2004 is remarkable. It seems conceivable that this was at

least in part a reaction to the Dutch government's plan to close down the early retirement pathway.

Finally, the German case illustrates a number of problems of creating comparable categorisations across countries and over time. As Figure 9A shows, German unification in 1990 and the collapse of the East German economy manifested itself in steep rises in unemployment, incapacity and early retirement caseloads. A change in the registration of persons claiming a statutory pension benefit before retirement age masked the scale of the latter for some time. The pension reform law of 1992 led to the re-categorisation of persons drawing a standard pension before the statutory retirement age, treating early retirees as 'regular' pensioners and thus reduced the early retirement caseload considerably (Deutsche Rentenversicherung, 2010:169). However, this was masked by the subsequent steady increase of early retirement and persistence at a high level until about 2004, which indicates the important role this programme played at a time when the German economy was faced with a considerable decline of industrial employment, relatively low economic growth and mass unemployment.

Figure 9A: Changes in the caseload mix in Germany 1980-2011

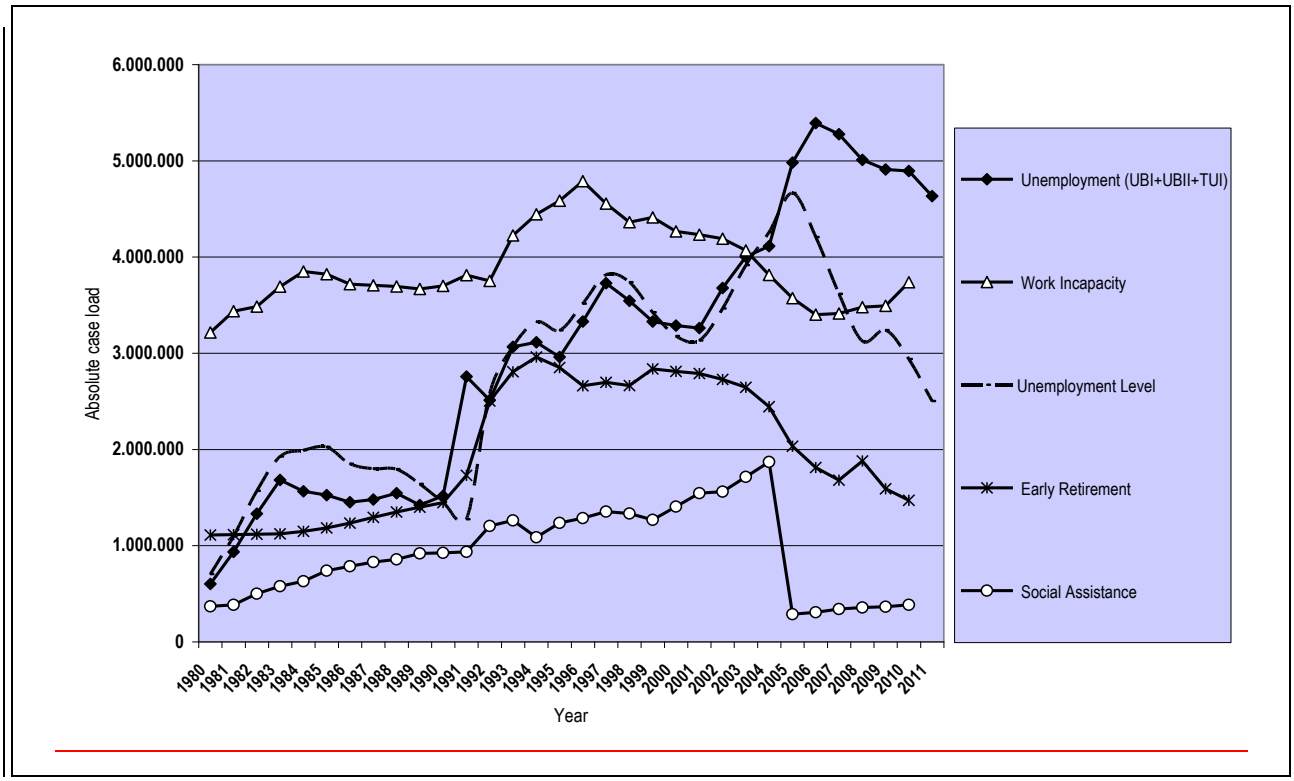
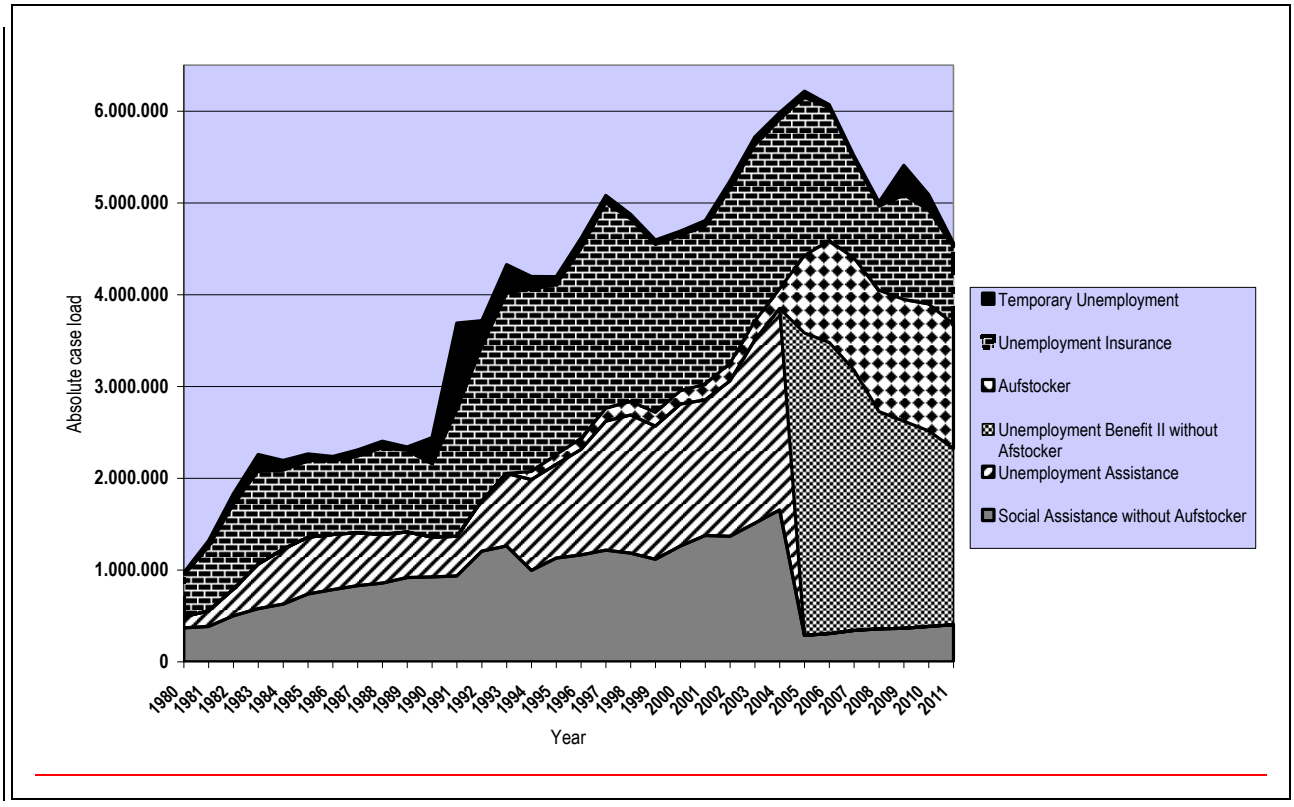


Figure 9B: Changes in Cumulative Caseloads of Unemployment Benefits in Germany 1980-2011



Early retirement, but also incapacity benefits, helped to contain the increase in unemployment related caseloads. In Figure 9B we show the shifts between six types of benefits: unemployment insurance (*Arbeitslosengeld*, as of 2005 UBI, *ALG I*), temporary unemployment insurance (*Kurzarbeitergeld*), unemployment assistance (*Arbeitslosenhilfe*), which ended in 2005, and unemployment benefit II (UBII, *ALG II*). We also list separately recipients of social assistance or, as of 2005, of the *ALG II* who are in paid work (the so-called *Aufstocker*) as this can be considered more as a wage subsidy than an out of work benefit. Disregarding the latter, the figure illustrates the steep decline of the number of people without paid work and in receipt of working-age benefit after 2010.

A few remarks need to be made in order illustrate this trend, which in turn is a prime example of the need for reflection in the use of benefit claimant data for comparative purposes. First, before 2005 a certain percentage of social assistance claimants were registered as unemployed. However, this proportion varied over time as well as across regions. In the absence of systematically collected data we have thus not included unemployed social assistance claimants in the total unemployment caseload in Figure 9A, which is therefore underestimated. On the other hand, we have included persons in receipt of temporary unemployment insurance (*Kurzarbeitergeld*) which is a temporary benefit for persons in employment whose company reduced their working hours for economic reasons, thereby avoiding redundancies. It is thus a benefit which replaces lost earnings in part and claimants might be considered temporarily (and partially) unemployed. This instrument was heavily used in response to the economic downturn in 2008 but also in earlier periods (Möller, 2010; Hijzen and Venn, 2011).

Plotting trends separately Figure 9B indicates that the means-tested unemployment assistance became increasingly important during the 1990s to the extent that overall unemployment protection in Germany became increasingly 'dualised' in terms of caseload numbers, or rather heterogeneous if unemployed social assistance claimants are included (see Clasen and Goerne, 2011). However, in 2005 this changed fundamentally when, in the context of the most important reform in German labour market policy since the 1960s, unemployment benefit provision was

administratively and institutionally reformed. Of particular interest for us is the merger between the former unemployment assistance with social assistance (for claimants deemed to be employable) into the new unemployment benefit II (UBII). UBII (*ALG II*) is more than a simple merger however but conceptually new in the sense that it is not (only) a form of unemployment protection but wider by (also) covering claimants not registered as unemployed but able to work, as well as some groups of persons who are in minor or poorly paid employment that cause those workers to fall below the official poverty line.

The introduction of UBII has led to a relative marginalisation of unemployment insurance in caseload terms and a dominance of means-tested unemployment support in the modern German welfare state. From one perspective it illustrates a form of risk re-categorisation (Clasen and Clegg, 2011) and new orientation within unemployment protection, potentially signalling a shift from unemployment to 'employability' as the more appropriate caseload category in the future. Alternatively it could be argued that the social, political and administrative category of 'unemployment', which during the onset and development of the industrial era was increasingly restrictively applied (Whiteside, 2008) is currently undergoing a major revision. It is these types of processes which cross-national research based on benefit caseload data need to take account of. Without this the use of social transfer claimant numbers, whether systematically collected or not, would at best be minimal and at worst misleading.

6. Conclusion

This article has explored the viability of caseload data for comparative analysis while making use of available administrative data to illustrate trends in working age benefit receipt in six European countries. The discussion has shown that the relative paucity of internationally available and comparable time series is not only due to absence or inconsistency of national data sources. There are substantial methodological challenges for research aimed at calculating total benefit dependency ratios and comparing those across countries. While certainly of interest, not least politically, considerable efforts would be required to overcome problems such as double counting, partial and periodic benefit receipt. Another set of challenges relates to identifying

benefit categorisations and conceptual boundaries between public and private programmes, as well as or functional equivalents between, for example, persons of the same pre-retirement age drawing pensions from different pension programmes. Our discussion has shown that what might appear to be a fairly straightforward task of selecting, allocating and adding caseload numbers often requires concept stretching, omissions of some data or compromises.

This does not mean that caseloads should be ignored. Indeed, in many respects the use of other key indicators in comparative social policy research, such as social expenditure, face very similar problems. In recent years information on 'disaggregated' social spending on different areas over time has become more readily available which has allowed more detailed programme-based analyses of developments in comparative perspective (e.g. see Castles 2008, De Deken 2013). However, depending on research aims the use of these data also requires conceptual deliberation and, as with the use of caseload data, rests on contestable assumptions about categorisation or functional equivalence. This is underlined by the, at times, considerable degree of discrepancy between what is supposed to be comparable data at international level (see De Deken and Kittel, 2007).

Neither does this mean that caseloads do not offer 'added value'. The discussion has shown that trends in spending and caseloads of the same programme do not always co-vary. This can be due to changes in employment or unemployment structures, or because of policy reforms which affect the two indicators differently. Provided that methodological problems can be adequately addressed both types of data are therefore distinctive and important indicators of welfare state change. In any case, given the political saliency and concern over 'benefit dependency', social researchers should be clear about the options for and limitations of investigating social security claimant numbers over time both within and across countries.

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