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Social protection in the European Union

During 1995, social protection expenditure expressed as a % of GDP fell slightly for EU-15 from 28.6% to 28.4% .

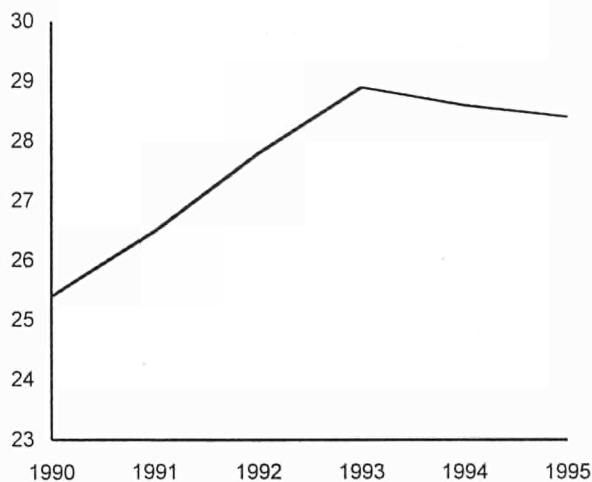
Overall, between 1990 and 1995, only the proportion of total social protection benefits allocated to unemployment, social exclusion and housing increased. The old age and survivors functions made up a predominant proportion of the total benefits: over 44% in 1995 in EU-15.

Social contributions were generally the main source of finance for social protection expenditure, although the proportion of tax-related general government contributions rose by around 3% between 1990 and 1995.

In 1995, social protection expenditure reached an average of 28.4% of GDP in EU-15 according to the new "ESSPROS Manual 1996" methodology (see page 5).

Between 1990 and 1995, the ratio of expenditure to GDP rose by over three points (as of 1991 the data include the new German Länder). The pattern was not regular over the whole period .

Figure 1:
Trend in social protection expenditure in EU-15 as a % of GDP, 1990-1995



Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

An appreciable increase was recorded between 1990 and 1993 (Fig. 1): this pushed the figure up to 28.9% in 1993, primarily as a result of the slowdown in the growth of GDP and the increase in the unemployment rate.

From 1993 there was a reduction: expenditure on social protection as a percentage of GDP fell in almost all countries. In 1995, the overall figure for EU-15 continued to fall: from 28.6% in 1994 to 28.4% in 1995. There were increases only in Belgium (29.0% in 1994 and 29.7% in 1995), Luxembourg (24.7% in 1994 and 25.3% in 1995), Germany (28.9% in 1994 and 29.4% in 1995) and France (30.5% in 1994 and 30.6% in 1995).

This development was the result of an upturn in the GDP growth rate and the reforms aimed at containing social protection expenditure applied by the different general government departments: in fact in 1994 and 1995 social protection expenditure fell slightly in real terms in Spain, Italy, the Netherlands and Sweden as a result of efforts to curb spending (Table 1).

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Vastly different ratios from country to country

Differences between countries reflect differences in social protection systems, demographic situations, unemployment rates and other social, institutional and economic factors.

Table 1:
Per capita social protection expenditure at constant prices, 1990-1995 (index 1990=100)

	1990	1991	1992	1993	1994	1995
EU-15	100	103	109	112	114	115
B	100	103	106	112	115	120
DK	100	105	108	113	122	122
D⁽¹⁾	100	96	103	104	106	110
EL	100	95	91	91	93	95
E	100	109	116	122	118	118
F	100	103	107	111	112	114
IRL	100	106	112	119	123	131
I	100	105	109	109	109	107
L	100	108	112	120	124	129
NL	100	101	103	104	102	101
A	100	104	107	110	115	117
P	100	112	128	143	148	151
FIN	100	108	115	117	119	120
S	100	100	105	104	105	104
UK	100	108	117	125	127	128

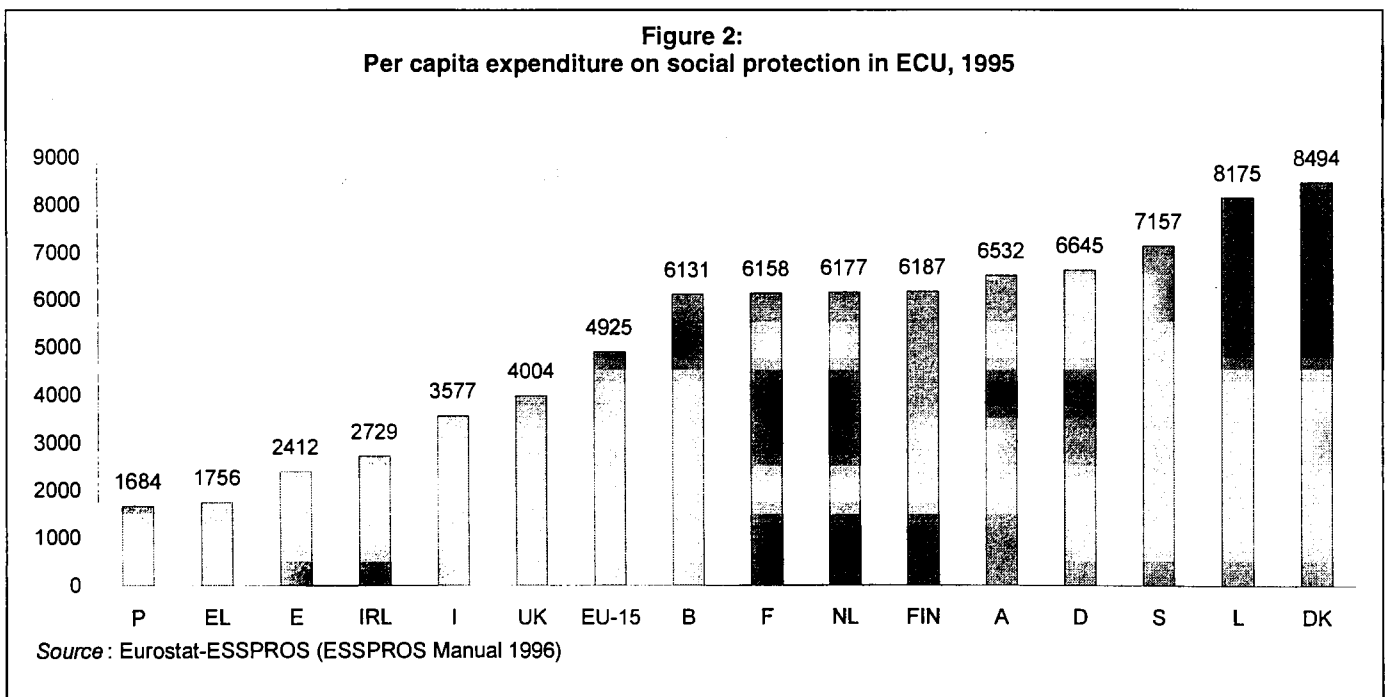
⁽¹⁾ The 1990 base is that of the former territorial situation
Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

The classification of countries in terms of social protection expenditure as a proportion of GDP changed slightly between 1990 and 1995 (Table 2). At the end of this period Ireland, Greece and Portugal had the lowest ratios (19.9% , 20.7% and 20.7% respectively in 1995), and Sweden (35.6%) and Denmark (34.3%) the highest.

Table 2:
Social protection expenditure in the Member States of EU-15, 1990 and 1993-1995 (in % of GDP)

	1990	1993	1994	1995
EU-15	25.4	28.9	28.6	28.4
B	26.6	29.0	29.0	29.7
DK	30.3	33.5	35.1	34.3
D⁽¹⁾	25.4	29.1	28.9	29.4
EL	22.6	20.8	20.8	20.7
E	19.9	23.5	22.4	21.9
F	27.7	31.0	30.5	30.6
IRL	19.1	20.9	20.3	19.9
I	24.1	26.0	25.8	24.6
L	23.5	25.2	24.7	25.3
NL	32.5	33.7	32.7	31.6
A	26.7	28.9	29.7	29.7
P	15.5	21.0	21.0	20.7
FIN	25.5	35.5	34.7	32.8
S	32.9	38.6	37.6	35.6
UK	23.0	28.4	28.0	27.7

⁽¹⁾ For 1990, the territorial situation corresponds to the one before 03/10/1990
Source: Eurostat-ESSPROS (ESSPROS Manual 1996)



The differences from country to country are more pronounced when the expenditure is expressed in per capita terms

When expressed in ECU *per capita*, the differences between countries in social protection expenditure for 1995 are more pronounced (Fig. 2); a group of countries exceeds the European average (EU-15, 4 925 ECU *per capita*) with Denmark in the lead spending almost double the European average (8 494 ECU *per capita*), followed by Luxembourg, Sweden, Germany, Austria, Finland, the Netherlands, France and Belgium. The other countries lie below the average, with Portugal recording the lowest levels (1 684 ECU *per capita*).

Differences appear between countries within groups but what is striking is the size of the range between the country spending the most on social benefits *per capita* and the country spending the least (a ratio of 5 to 1).

These disparities do not fully reflect the real differences in protection since comparisons of expenditure in ECU are based on exchange rates which do not properly reflect differences in purchasing power. In fact, if the *per capita* expenditure is expressed in PPS (purchasing power standards: cf. p. 5), comparisons between countries are more significant; the ratio between the country which spends the most and that which spends the least is then 3.4 to 1 (Fig. 3).

The old age and survivors functions make up a predominant share of total benefits.

In 1995, in most Member States, old age and survivors benefits made up the largest item of social protection expenditure (Table 3). This was especially true of Italy, where these two functions accounted for over 60% of all benefits. In Ireland, the Netherlands, Portugal and Finland, on the other hand, the sickness/health care and disability functions together accounted for the largest share of total benefits.

There are major differences between the Member States when it comes to the relative importance of unemployment-related benefits. These account for over 14% of the total benefits in Belgium, Denmark, Spain, Ireland and Finland, but less than 3% in Italy and Luxembourg. It should be noted that the total amount of "unemployment" benefits is not always explained by the level of unemployment in these countries. There are, in fact, still substantial differences in the coverage and level of unemployment benefits.

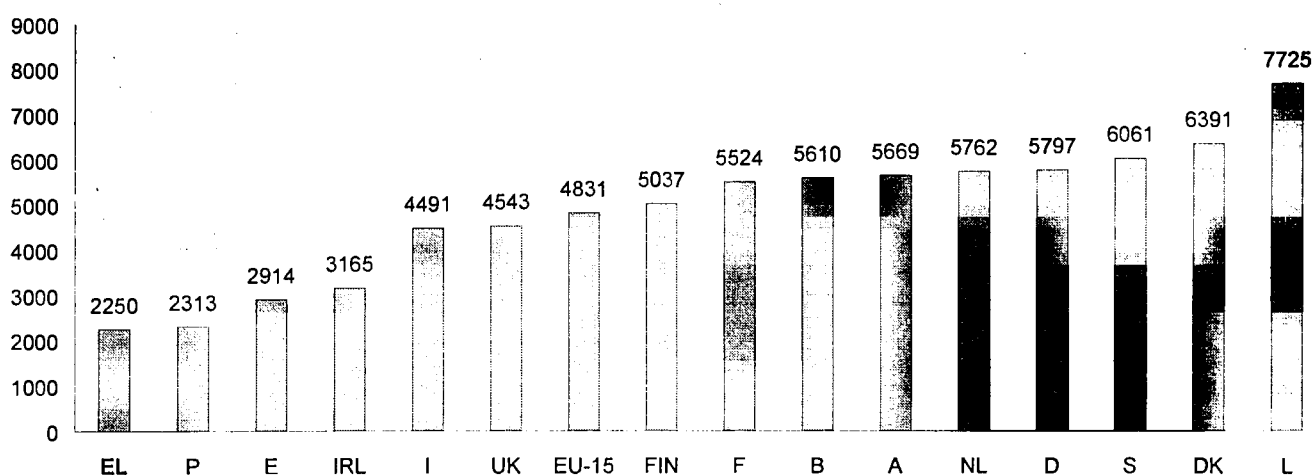
Finally, on average in EU-15, the family/children function accounted for 7.5% of all benefits in 1995, with Finland spending the most (13.3%) and Spain the least (1.8%).

A change in the structure of social protection expenditure between 1990 and 1995

Between 1990 and 1995, the expenditure for social protection benefits was subject to different growth rates depending on the functions. The changes observed result from both the way in which needs have evolved and the changes which have taken place in social protection legislation.

Old age and survivors benefits increased by 14% in real terms between 1990 and 1995 in EU-15 (Table 4), but their share of total benefits fell from 45.8% in 1990 to 44.6% in 1995. In Italy, where expenditure on these functions was already high in 1990, the increase was greater than in other countries, and their share of total benefits increased by 6 points between 1990 and 1995 (Table 3). Faced with an ageing population, several countries are currently carrying out reforms to their pension schemes, the effects of which will gradually become apparent over time.

Figure 3:
Per capita expenditure on social protection in PPS, 1995



Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

Table 3:
Social protection benefits by group of functions, 1990 and 1995
(as a % of total social protection benefits)

	Sickness/health care + Disability		Old age + Survivors		Family/children		Unemployment		Other ⁽¹⁾	
	1990	1995	1990	1995	1990	1995	1990	1995	1990	1995
EU-15*	36.6	36.0	45.8	44.6	7.6	7.5	6.9	8.3	3.1	3.6
B	34.4	32.3	40.7	42.5	9.5	8.2	13.9	14.3	1.5	2.7
DK	30.0	28.4	36.8	37.6	11.9	12.4	15.4	14.7	6.0	6.8
D**	38.1	38.0	45.8	42.5	7.6	7.5	5.9	9.1	2.7	2.8
EL	36.3	34.2	48.8	49.7	5.9	7.0	5.5	5.9	3.5	3.2
E	37.7	37.5	44.0	45.4	1.7	1.8	15.8	14.3	0.9	0.8
F	35.5	34.9	42.7	43.0	9.4	9.0	8.3	8.2	4.1	4.9
IRL	38.3	40.1	30.5	26.0	11.3	11.7	14.6	17.3	5.1	4.9
I	33.7	28.6	59.6	65.7	4.9	3.5	1.7	2.2	0.0	0.0
L	39.1	37.5	45.8	44.7	10.8	13.2	2.6	3.0	1.7	1.6
NL	44.7	44.4	37.4	37.4	5.6	4.7	8.3	10.1	3.9	3.4
A	33.2	33.4	50.0	48.3	10.5	11.3	4.6	5.6	1.8	1.5
P	46.9	44.8	43.1	43.4	7.1	5.8	2.5	5.5	0.4	0.4
FIN	43.7	36.1	34.1	32.8	13.5	13.3	6.1	14.3	2.6	3.6
S	:	33.9	:	37.1	:	11.3	:	11.1	:	6.5
UK	35.9	37.7	42.6	39.4	9.0	9.0	5.7	5.9	6.8	8.1

* data for Sweden are not included

** For 1990, the territorial situation corresponds to the one before 3/10/1990

⁽¹⁾ Housing and Social exclusion.

Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

Table 4:
Per capita social benefits at constant prices by group of functions in EU-15 ⁽¹⁾, 1990-1995
(index 1990=100)

	1990	1991	1992	1993	1994	1995
Sickness/health care + Disability	100	103	109	110	111	113
Old age + Survivors	100	101	107	109	111	114
Family/children	100	103	108	110	111	111
Unemployment	100	122	137	152	144	137
Other*	100	99	111	123	129	133
Total	100	104	110	113	114	115

* Housing and Social Exclusion

⁽¹⁾ Data for Sweden and Denmark are not included.

Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

In 1995, expenditure in EU-15 on the sickness/health care and disability group of functions accounted for a slightly smaller share of total benefits than in 1990. The percentage allocated to this group of functions decreased in almost all Member States as a result of the efforts made to curb expenditure in this field.

1993 was a turning point as regards the trend in real expenditure on unemployment benefits in EU-15 (Table 4). These benefits shadowed the trend in unemployment, although the decrease between 1993 and 1995 was also

the effect of reforms made to the unemployment benefit system in some countries (particularly Spain). Between 1990 and 1995, the share of total expenditure allocated to unemployment benefits rose in all the Member States, with the exception of Denmark, France and Spain, where a series of changes made to the benefits system over this period made it less costly.

Expenditure on family benefits fell in proportion to the total in EU-15, as a result of the fall in fertility recorded in almost all the developed countries.

In 1995, social contributions were the largest source of finance for social protection in almost all the Member States

In 1995 for EU-15 as a whole, the main sources of funding for the social protection system were social contributions (62.9% of total receipts), followed by tax-funded general government contributions (31.9%). (See Table 5).

The European average conceals considerable differences between the Member States in the structure of social protection funding. Social security contributions are particularly high in France, Germany, the Netherlands, Belgium, Italy and Spain, where this type of finance accounts for over 65% of the total receipts. At the other end of the scale, Denmark and Ireland finance their social protection systems mainly through taxes, whose relative share of total receipts is in excess of 60%. Sweden and the United Kingdom are also heavily dependent upon general government contributions (48.4% and 49.5% respectively).

Table 5:
The structure of social protection receipts, 1995
 (as a % of total receipts)

	EU-15 ⁽¹⁾	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
General government contributions	31.9	20.2	71.0	28.6	:	30.5	21.1	62.8	29.8	46.1	16.0	36.4	39.4	44.7	48.4	49.5
Social security contributions	62.9	67.2	23.4	69.0	:	66.7	76.9	36.4	66.8	48.8	68.1	62.8	48.8	48.8	43.2	39.4
Social security contributions by employers	39.3	42.3	9.5	40.4	:	51.7	49.4	22.3	49.0	25.3	22.0	36.9	30.0	35.2	38.0	25.5
Social security contributions by protected persons ⁽¹⁾	23.6	24.9	13.9	28.7	:	15.0	27.4	14.1	17.8	23.4	46.1	25.9	18.9	13.6	5.2	13.9
Other receipts	5.2	12.6	5.6	2.4	:	2.8	2.0	0.9	3.4	5.1	16.0	0.8	11.7	6.4	8.4	11.1
Total	100	100	100	100	:	100	100	100	100	100	100	100	100	100	100	100

* Employees, self-employed, pensioners and others

(1) Data for Greece are not included

Source: Eurostat-ESSPROS (ESSPROS Manual 1996)

However the share of total receipts made up by general government contributions rose in EU-15 by around 3% between 1990 and 1995. They showed a decline only in Belgium, Denmark and the Netherlands.

In contrast the share of total receipts made up by social contributions by employers decreased, in EU-15 by around 3% between 1990 and 1995.

Methods and concepts

The data on social protection expenditure and receipts for the 15 Member States of the European Union contained in this analysis have been calculated in accordance with the revised methodology for the European System of integrated Social Protection Statistics (ESSPROS), the "ESSPROS Manual 1996".

Social benefits are classified in the "ESSPROS Manual 1996" in the following eight functions: Sickness/health care, Disability, Old age, Survivors, Family/children, Unemployment, Housing, Social exclusion.

Data on social protection expenditure are recorded without any deduction of taxes or other compulsory levies applicable to social benefits.

The 1995 data are provisional for Germany, Spain, the Netherlands, Portugal and Finland, and are estimated for Belgium and UK. Data on social benefits by function are not available for Denmark for the period 1991-1993 and for Sweden for the period 1990-1992. Data on receipts are not available for Greece.

Purchasing Power Standards, or PPS, are obtained by means of conversion rates (purchasing power parities) based on the relative prices between countries of a basket of comparable products. Converting national currency values by using these rates allow the differences in price levels between countries to be taken in account: values expressed in PPS are directly comparable in purchasing power terms.

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