

Social protection in the European Union

Statistics in focus

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Author

Alexandra PETRÁŠOVÁ

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In 2004 social protection expenditure accounted for 27.3% of GDP in the European Union. However, the percentage share in one country can be more than double that in another. Expenditure is highest in Sweden (32.9%) and lowest in Latvia (12.6%).

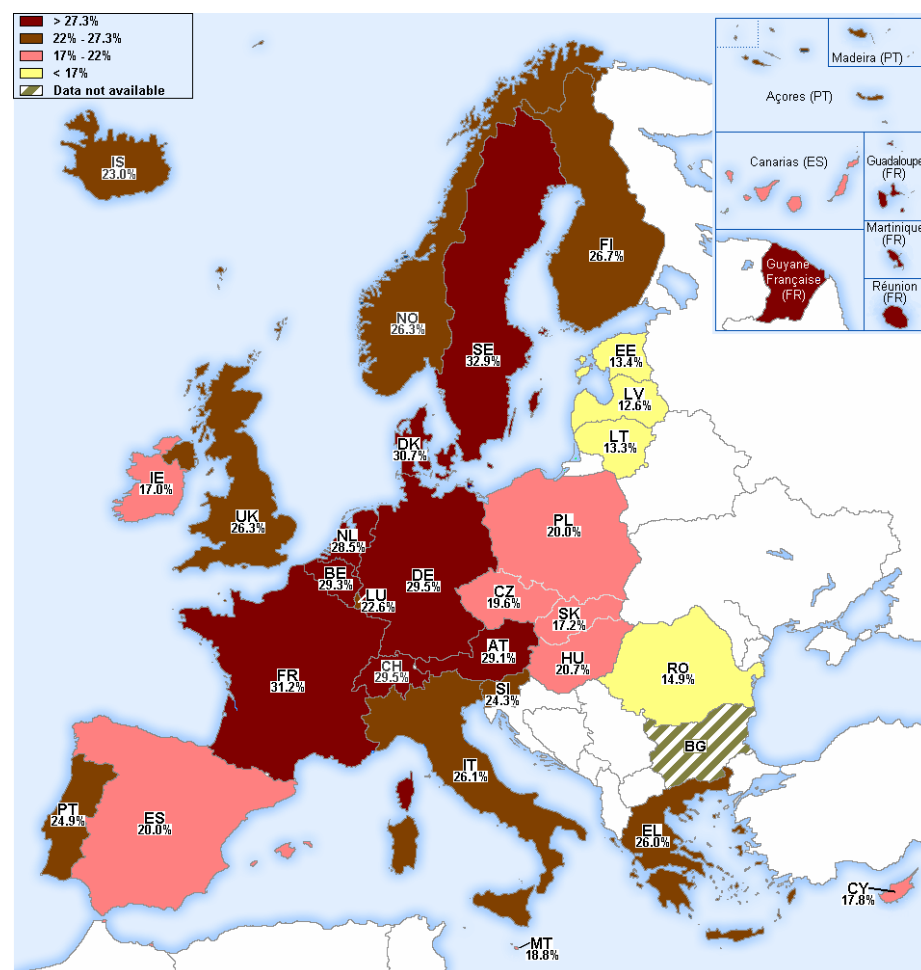
Expenditure on old-age and survivors' benefits accounts for a large proportion of social benefits in most countries. Sickness/health care expenditure also increased steadily over the period 2000-2004 in EU-25 (by 3.8% per annum on average).

Different countries have markedly different systems for financing social protection, depending on whether they favour social security contributions (59.5% of total receipts at EU-25 level in 2004) or general government funding (37.3%). However, the systems are showing signs of convergence.

27.3% of GDP was spent on social protection in 2004

In 2004 gross (see methodological notes) average social protection expenditure accounted for 27.3% of GDP in the EU-25 countries (see *Figure 1* and *Table 1*).

Figure 1: Expenditure on social protection as % of GDP in the EU in 2004



Source: Eurostat-ESSPROS

In 2004 the EU countries with average or above-average ratios (27.3% or more) accounted for 42.2% of the EU population, the group with between 22% and 27.3% for 32.7% of all EU inhabitants, those spending between 17% and 22% of their GDP on social protection for 23.6% and countries spending less than 17% of their GDP for only 1.5% of the EU population.

The countries with the highest ratios — Sweden (32.9%), France (31.2%), Denmark (30.7%), Germany (29.5%), Belgium (29.3%), Austria (29.1%) and the Netherlands (28.5%) — spend (in relation to GDP) more than twice as much as the three with the lowest ratios — the Baltic countries Latvia (12.6%), Lithuania (13.3%) and Estonia (13.4%).

Expenditure on social protection (in PPS* per capita) is seven times lower in the Baltic States than in the three EU countries with the highest levels

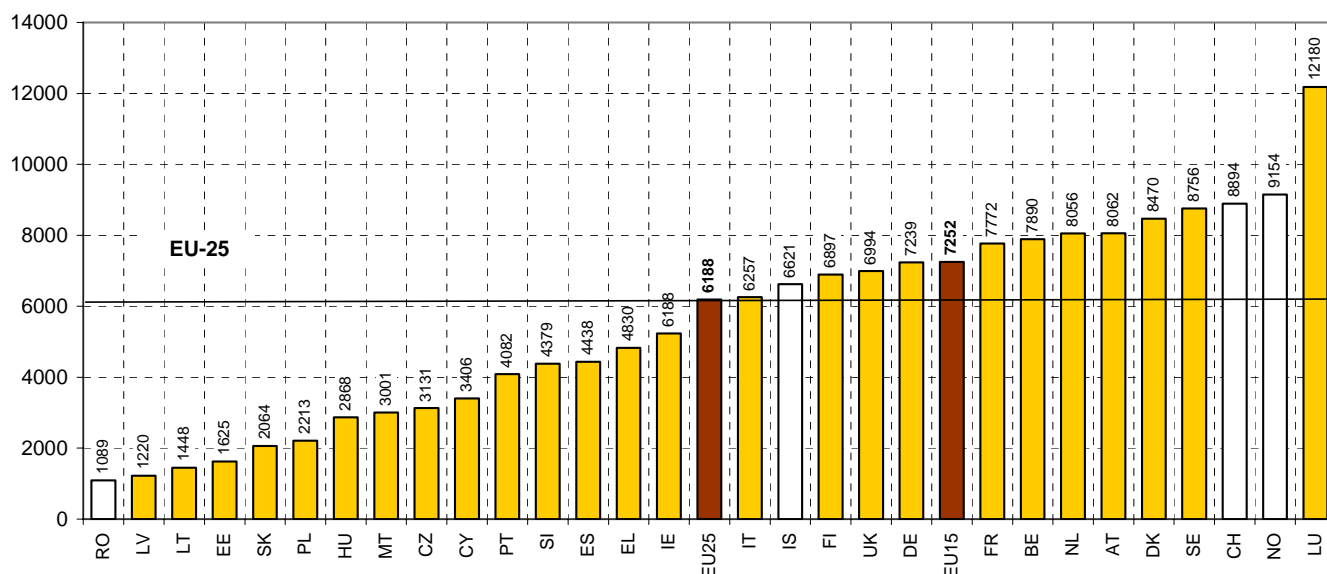
If social protection expenditure is expressed in terms of per-capita PPS (purchasing power standards), the differences between countries are more pronounced (see Figure 2).

Within EU-25, Luxembourg had the highest expenditure in 2004 (12 180 PPS per capita)¹, followed by Sweden and Denmark (more than 8 400 PPS per head). This is 6.9 times higher than in the three EU countries with the lowest expenditure, i.e. the Baltic States (average value).

Outside EU-25, expenditure is highest in Norway (9 154 PPS), just below Luxembourg.

The disparities between countries are partly related to differing levels of wealth and also reflect differences in social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors.

Figure 2: Expenditure on social protection in PPS* per capita, 2004



* Purchasing power standards (PPS): unit independent of any national currency that removes the distortions due to price level differences. PPS values are derived from purchasing power parities (PPPs), which are obtained as weighted averages of relative price ratios in respect of a homogeneous basket of goods and services, comparable and representative for each Member State.

Source: Eurostat-ESSPROS

¹ Luxembourg is a special case in that a considerable proportion of benefits are paid to people living outside the country (primarily expenditure on health care, pensions and family benefits). If this particular feature is left out of the calculation, expenditure falls to approximately 10 200 PPS per capita.

Social protection expenditure increased slightly less than GDP in 2004

Taking the EU-15 countries as a whole (for which long series dating back to 1990 are available), after peaking at 28.7% of GDP in 1993, social protection expenditure fell to 26.9% by 2000 (see *Table 1*). This ratio then rose continuously from 2001 to 2003 (27.7%) to end on 27.6% in 2004.

Over the period 2000-2004, expenditure on social protection as a percentage of GDP in EU-25 was about 0.3% lower than in EU-15. Significant rises were recorded in Belgium, Ireland, Luxembourg and Portugal.

This increase reflects faster growth in social protection expenditure than in GDP, which slowed down in the European Union in 2003 in comparison with 2002 and speeded up in 2004 in comparison with 2003. Social

protection expenditure goes to areas that either are not particularly affected by the economic situation (such as health expenditure and pensions) or are in fact counter-cyclical (unemployment or social exclusion).

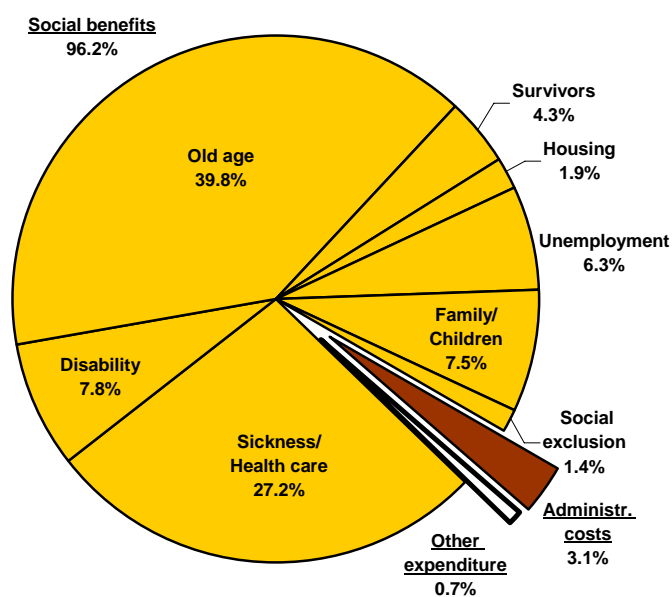
The situation was somewhat different in countries which continued to show strong GDP growth. In 2004 in particular, the share of social protection expenditure in GDP decreased in the Czech Republic, Cyprus, Latvia, Hungary, Poland and Slovakia.

In 2004 out of the total EU-25 expenditure on social protection (see *Figure 3*), social benefits accounted for 96.2%, administration costs 3.1% and other expenditure 0.7%.

Table 1: Expenditure on social protection (as % of GDP)

	2000	2001	2002	2003	2004
EU-25	26.6	26.8	27.0	27.4	27.3
EU-15	26.9	27.1	27.4	27.7	27.6
BE	26.5	27.3	28.0	29.1	29.3
CZ	19.5	19.4	20.2	20.2	19.6
DK	28.9	29.2	29.7	30.7	30.7
DE	29.2	29.3	29.9	30.2	29.5
EE	14.0	13.1	12.7	12.9	13.4
IE	14.1	15.0	16.0	16.5	17.0
EL	25.7	26.7	26.2	26.0	26.0
ES	19.7	19.5	19.8	19.9	20.0
FR	29.5	29.6	30.4	30.9	31.2
IT	24.7	24.9	25.3	25.8	26.1
CY	14.8	14.9	16.3	18.5	17.8
LV	15.3	14.3	13.9	13.4	12.6
LT	15.8	14.7	14.1	13.6	13.3
LU	19.6	20.8	21.4	22.2	22.6
HU	19.3	19.3	20.3	21.1	20.7
MT	16.3	17.1	17.1	17.9	18.8
NL	26.4	26.5	27.6	28.3	28.5
AT	28.2	28.6	29.1	29.5	29.1
PL	19.5	20.8	21.2	20.9	20.0
PT	21.7	22.7	23.7	24.2	24.9
SK	19.3	18.9	19.0	18.2	17.2
SI	24.9	25.3	25.3	24.6	24.3
FI	25.1	24.9	25.6	26.5	26.7
SE	30.7	31.3	32.3	33.3	32.9
UK	27.1	27.5	26.4	26.4	26.3
RO	13.2	13.2	13.4	12.6	14.9
IS	19.3	19.6	21.6	23.3	23.0
NO	24.6	25.6	26.2	27.5	26.3
CH	27.4	28.1	28.7	29.3	29.5

Figure 3: Structure of social protection expenditure in EU-25, 2004



Source: Eurostat-ESSPROS.

... and growth in per-capita expenditure at constant prices therefore fell in 2004

Per-capita social protection expenditure at constant prices has increased steadily since 2000: in EU-25 it increased by an average of 2.2% per annum over the period 2000-2004 (see *Table 2*).

Over this period, the increase was particularly pronounced in Hungary (8.2%), Ireland (7.8% on average per annum), Estonia (7.4%), Cyprus (7.0%), Luxembourg (6.2% per annum) and Greece (5.2% per annum). Outside the EU, Iceland also achieved strong growth (7.1% per annum). In Slovakia and Germany, on the other hand, per-capita expenditure increased by less than 1% per annum.

Per-capita expenditure on social protection (in constant prices) increased by 2.6% between 2001 and 2002 at EU-25 level (for EU-15 the growth rate was slightly lower at 2.5%). The year-on-year increase was

particularly marked for Hungary (15.0%) and Ireland (9.8%).

The growth rate fell slightly in EU-25 in 2003 (2.3%) and even more in 2004 (1.5%). A decrease was also seen in the majority of the EU-25 countries, particularly in the Czech Republic, Luxembourg, Latvia and Hungary. By contrast, growth rose significantly in Estonia and Lithuania. Expenditure increased least in Austria (+0.5%) and decreased in Slovakia (-2.0%), Germany (-1.9%) and Cyprus (-0.7%).

A combination of factors, mainly adjustments to social benefits and legal changes in the social protection systems (others include the quality of the 2004 preliminary data, the inflation rate, etc.), could explain the trends shown in *Table 2*.

Table 2: Expenditure on social protection per capita at constant prices (annual rate of growth)

	<u>2001</u> <u>2000</u>	<u>2002</u> <u>2001</u>	<u>2003</u> <u>2002</u>	<u>2004</u> <u>2003</u>	Annual average of growth for 2000-2004
EU-25 (1)	2.5	2.6	2.3	1.5	2.2
EU-15 (1)	2.4	2.5	2.2	1.5	2.1
BE	3.2	4.3	4.5	2.9	3.7
CZ	3.4	7.8	5.2	1.3	4.4
DK	1.7	2.5	3.7	2.2	2.5
DE	0.9	2.1	0.3	-1.9	0.4
EE	0.3	6.0	10.4	13.5	7.4
IE	12.0	9.8	4.1	5.5	7.8
EL	8.6	2.6	4.5	5.1	5.2
ES	2.0	4.3	2.9	2.6	3.0
FR	1.9	4.4	2.3	2.6	2.8
IT	3.1	2.0	1.4	1.5	2.0
CY	5.5	8.5	15.3	-0.7	7.0
LV	1.3	5.6	5.0	2.8	3.7
LT	-2.7	2.6	6.8	9.1	3.8
LU	5.6	8.5	7.1	3.6	6.2
HU	4.4	15.0	10.4	3.4	8.2
MT	2.8	1.8	4.5	2.3	2.8
NL	2.1	4.4	2.1	2.5	2.8
AT	1.6	2.5	1.6	0.5	1.6
PL	8.1	2.2	2.5	1.8	3.6
PT	6.3	5.0	0.4	3.4	3.7
SI	4.9	3.2	0.1	3.3	2.9
SK	0.7	5.8	-1.9	-2.0	0.6
FI	2.1	3.4	5.1	3.9	3.6
SE	2.6	4.8	4.7	2.3	3.6
UK	3.7	-0.9	3.8	3.3	2.5
IS	4.4	9.5	9.7	4.9	7.1
NO	5.3	0.2	5.2	2.6	3.3
CH	3.5	1.5	1.8	2.1	2.2

(1) See page 11 for details of the method of calculation.

Source: Eurostat-ESSPROS.

Preliminary estimates for 2005 show a decline in the share of social protection expenditure in GDP

Fourteen countries* provided estimates for 2005. Together, they accounted for 89.9% of social protection expenditure in EU-25 in 2004.

In this group of countries social protection expenditure increased slightly less than GDP (see *Table 3*) in 2005 and accounted for 27.3% of GDP (compared with 27.4% in 2004). The ratio increased slightly only in Greece, France and Finland.

Measured in constant prices, expenditure on benefits in real terms in euros stabilised in 2005 (as against +1.8% in 2004). In 2005 higher growth in real terms was observed only for family-related benefits (+1.5%).

Table 3: Expenditure on social protection in 2004 and 2005 in 14 EU countries*

		2004	2005
Expenditure on social protection as % of GDP		27.4	27.3
Annual growth rate in real terms in euros	Total benefits	1.8	0.0
	Old-age and survivors' functions	2.0	0.8
	Sickness/health care function	2.3	-0.1
	Disability function	1.3	0.1
	Family/children function	-0.1	1.5
	Unemployment function	0.1	-7.4
	Housing and social exclusion functions	2.7	0.4

* Belgium, Germany, Denmark, Greece, Estonia, Spain, France, Ireland, Italy, Lithuania, Luxembourg, the Netherlands, Finland and the United Kingdom.

Source: Eurostat-ESSPROS

Old-age and survivors' benefits accounted for the major share of total benefits in 2004

In EU-25 in 2004 old-age and survivors' benefits accounted for the largest proportion of social protection expenditure: 45.9% of total benefits (12.0% of GDP) (see *Table 4*).

These benefits were particularly large in Italy², where they accounted for 61.3% of total benefits and 15.4% of GDP. Contributory factors include the high percentage of the population aged 60 or over (25.1% in January 2004 compared with 21.7% in EU-25). Poland (60.1%), Malta (51.2%), Greece (50.9%) and Latvia (50.0%) were also significantly above the European average.

In Ireland³, by contrast, old-age and survivors' benefits accounted for around 23% of total benefits (3.8% of GDP). This is partly due to the fact that the Irish population is the "youngest" in Europe: 28.4% of the Irish were under 20 years of age in January 2004 (compared with 22.6% in

EU-25) and barely 15.2% were over 60.

Sickness/health care expenditure accounted for more than 28% of all benefits (7.4% of GDP in EU-25). It exceeded expenditure on old-age and survivors' benefits in Ireland (42.1%). More than a third of benefit expenditure in the Czech Republic (and, outside EU-25, in Iceland and Norway) went on sickness/health care. In Denmark and Poland, on the other hand, health expenditure accounted for less than 21% of the total benefits. It stood at less than 4% of GDP in Latvia, Lithuania and Poland.

Benefits relating to disability accounted for more than 13% of total benefits in Sweden (14.8%), Denmark (13.9%), Luxembourg (13.5%)⁴ and Finland (13.2%), compared with an average of 8.1% (2.1% of GDP) in EU-25. Its share was also high (more than 10%) in

² In Italy such benefits also include severance allowances (TFR - trattamento di fine rapporto), which partly come under unemployment expenditure. These benefits add up to some 4.1% of total social benefits.

³ For Ireland no data are available on (funded) occupational pension schemes for private-sector employees (by an estimate for 2004 missing amount was about 1.3% of GDP).

⁴ In Luxembourg a new "dependence insurance" scheme was introduced in 1999. These benefits accounted for 4.5% of total social benefits in 2004. According to the 1996 ESSPROS Manual, most of these benefits should be recorded under old-age benefits.

Poland, the Netherlands, Portugal, Hungary and Lithuania. Outside EU-25, Norway spent most on disability benefits (18.7% of total social benefits and 4.8% of GDP). In Cyprus, Greece, Ireland and France, on the other hand, the proportion was less than 6%.

The "Family/children" function accounted for 7.8% of all benefits (2.1% of GDP) in EU-25. Expenditure on this function was equivalent to 12% or more of total benefits in Luxembourg (ranking highest at 17.4%), Ireland (15.5%), Denmark (13.0%), Estonia (12.7%) and Hungary (12.1%). The same was true in Iceland. In Spain (3.5% of all benefits, 0.7% of GDP), Italy, Poland and the Netherlands, however, these benefits added up to less than 5% of total social benefits.

There are major differences between Member States as regards the weight of unemployment benefits: while the average for EU-25 was 6.5% of total benefits (1.7% of GDP), the share stood at more than 12% in Spain and Belgium, for example. By contrast, in Estonia, Lithuania, Italy, the United Kingdom, Hungary and, outside EU-25, Iceland unemployment benefits accounted for less than 3% of social benefit expenditure.

Table 4: Social benefits by function group in 2004 (as % of total social benefits (TSB) and as % of GDP)

	Old-age and survivors		Sickness/health care		Disability		Family/children		Unemployment		Housing and social exclusion	
	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP
EU-25	45.9	12.0	28.3	7.4	8.1	2.1	7.8	2.1	6.5	1.7	3.4	0.9
EU-15	45.7	12.2	28.3	7.5	8.0	2.1	7.8	2.1	6.6	1.8	3.5	0.9
BE	44.1	12.3	27.7	7.7	6.8	1.9	7.1	2.0	12.5	3.5	1.8	0.5
CZ	41.1	7.8	35.3	6.7	7.9	1.5	8.4	1.6	3.9	0.7	3.4	0.6
DK	37.2	11.1	20.6	6.1	13.9	4.1	13.0	3.9	9.5	2.8	5.8	1.7
DE	43.5	12.4	27.2	7.7	7.7	2.2	10.5	3.0	8.6	2.4	2.5	0.7
EE	43.7	5.8	31.5	4.2	9.1	1.2	12.7	1.7	1.6	0.2	1.5	0.2
IE	23.3	3.8	42.1	6.9	5.3	0.9	15.5	2.5	8.3	1.3	5.5	0.9
EL	50.9	12.8	26.5	6.7	5.0	1.3	6.9	1.7	5.9	1.5	4.7	1.2
ES	43.7	8.5	30.8	6.0	7.5	1.5	3.5	0.7	12.9	2.5	1.7	0.3
FR	43.6	12.8	30.0	8.8	5.8	1.7	8.5	2.5	7.8	2.3	4.4	1.3
IT	61.3	15.4	25.9	6.5	6.1	1.5	4.4	1.1	2.0	0.5	0.3	0.1
CY	48.3	8.5	24.1	4.2	4.3	0.8	11.4	2.0	4.9	0.9	6.9	1.2
LV	50	6.1	24.5	3.0	9.8	1.2	10.5	1.3	3.4	0.4	1.8	0.2
LT	47.3	6.1	29.5	3.8	10.2	1.3	8.8	1.1	1.6	0.2	2.6	0.3
LU	36.5	8.1	25.0	5.5	13.5	3.0	17.4	3.8	4.7	1.0	2.9	0.6
HU	42.5	8.6	29.5	6.0	10.3	2.1	12.1	2.5	2.9	0.6	2.6	0.5
MT	51.2	9.5	27.0	5.0	6.7	1.2	5.2	1.0	6.9	1.3	2.9	0.5
NL	41.6	11.1	30.4	8.1	10.9	2.9	4.8	1.3	6.3	1.7	6.0	1.6
AT	48.2	13.6	25.0	7.1	8.3	2.3	10.7	3.0	6.0	1.7	1.8	0.5
PL	60.1	11.8	19.5	3.8	11.5	2.3	4.6	0.9	3.5	0.7	0.8	0.2
PT	47.2	11.0	30.4	7.1	10.4	2.4	5.3	1.2	5.7	1.3	1.0	0.2
SI	44.7	10.6	32.7	7.8	8.1	1.9	8.6	2.0	3.1	0.7	2.8	0.7
SK	40.1	6.6	30.1	5.0	9.6	1.6	10.7	1.8	6.2	1.0	3.3	0.5
FI	36.9	9.6	25.5	6.6	13.2	3.4	11.5	3.0	9.8	2.5	3.1	0.8
SE	40.1	12.7	25.4	8.0	14.8	4.7	9.6	3.0	6.2	2.0	3.9	1.2
UK	44.6	11.5	30.4	7.8	9.2	2.4	6.7	1.7	2.6	0.7	6.4	1.7
RO	37.9	5.6	35.9	5.3	7.1	1.0	11.1	1.6	3.6	0.5	4.3	0.6
IS	30.6	6.9	34.8	7.9	14.7	3.3	14.0	3.2	2.5	0.6	3.5	0.8
NO	29.9	7.7	33.1	8.5	18.7	4.8	11.9	3.1	3.1	0.8	3.2	0.8
CH	48.5	13.3	26.0	7.1	12.6	3.5	4.8	1.3	4.7	1.3	3.4	0.9

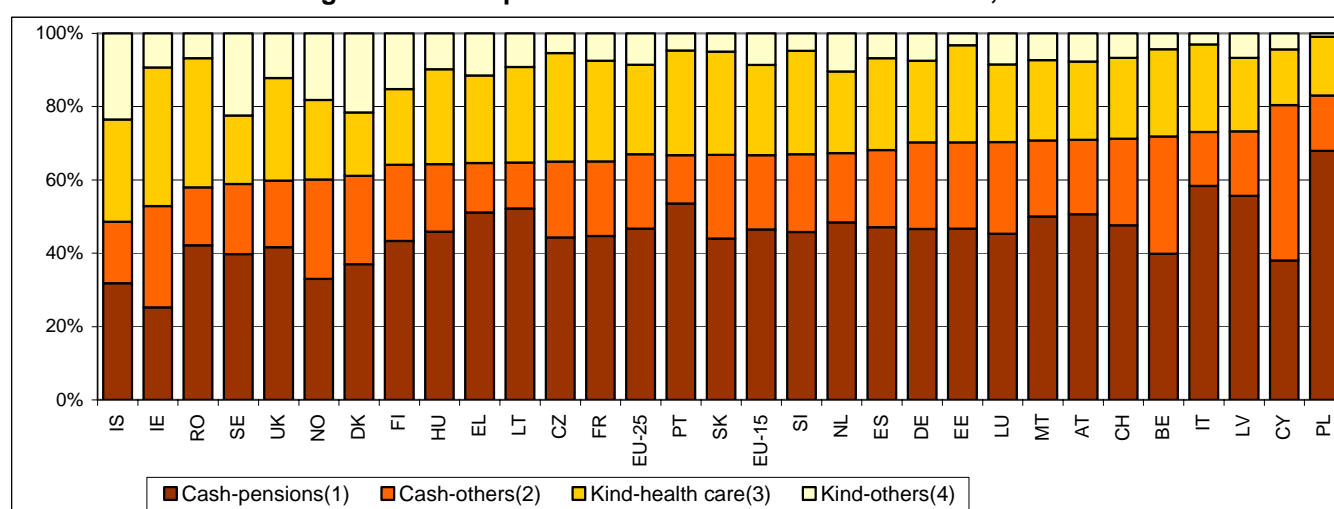
Source: Eurostat-ESSPROS.

Main form of benefits is cash

Social benefits paid in cash (see methodological notes) are the main form of benefit expenditure in the European Union (see *Figure 4*). In 2004 cash benefits accounted for 67.0% of all social protection benefits in EU-25 (46.8% on pensions and 20.2% for other cash benefits) or 17.6% of GDP. They are paid out at regular intervals or as lump sums. The share of cash benefits was highest in Poland (83.0% of all benefits and 67.9% of pensions) and Cyprus (80.4%, including 38% of pensions). In Austria and Belgium they accounted for more than 20% of GDP.

Benefits in kind accounted for 33.0% of total benefits or 8.7% of GDP. The share of benefits in kind was highest in Ireland (37.8% of health care benefits and 9.8% of other benefits in kind) and Sweden (41.1% of all benefits and 18.7% of health care), reflecting greater use of services and provision of goods across all social protection functions. Iceland is the only country where benefits in kind actually took a larger share (51.5%) than cash benefits.

Figure 4: Social protection benefits in cash and in kind, 2004



(1) Disability pension, early retirement benefit due to reduced capacity to work, old-age pension, anticipated old-age pension, partial pension, survivors' pension and early retirement benefit for labour market reasons.

(2) For example: paid sick leave, death grant, family or child allowance, unemployment benefit, income support, etc.

(3) Direct provision and reimbursement of in-patient and out-patient health care (including pharmaceutical products).

(4) Social services with accommodation, assistance with carrying out daily tasks, rehabilitation, child day care, vocational training, placement services and job-search assistance, etc.

Source: Eurostat-ESSPROS

Significant increase in sickness, health care and unemployment expenditure

The changes observed across the different functions are the result of changing needs, fluctuations in the economy, demographic trends and amendments to social protection legislation.

Between 2000 and 2004, therefore, social benefits developed at different speeds for the different functions. Taking all benefits together, the growth over this period averaged 2.7% per annum in EU-25 (see *Table 5*).

However, this average increase masked a wide range of variation, with Germany (0.4%) and Slovakia (0.5%) almost stable at one end of the scale and an increase of 9.8% in Ireland at the other. There were also significant

increases in benefits in countries such as Cyprus, Hungary, Luxembourg, Estonia, Portugal and Greece, whereas the increases in Austria and Italy were a little below the average. Moreover, the overall changes in each country were the result of different rates of change for each function.

Looking at the individual social protection functions, the average annual increases ranged from 2.1% for housing/social exclusion to 3.8% for sickness/health care.

Table 5: Social benefits at constant prices - index, annual average rate of growth for 2000-2004

	Old-age and survivors	Sickness/health care	Disability	Family/children	Unemployment	Housing and social exclusion	Total benefits
EU-25 (1)	2.2	3.8	2.3	2.2	3.4	2.1	2.7
EU-15 (1)	2.2	3.8	2.5	2.3	3.8	2.2	2.7
BE	4.4	8.1	-3.2	-1.2	6.0	4.3	4.5
CZ	2.8	5.4	4.7	4.0	7.5	4.6	4.2
DK	2.2	3.3	6.7	2.6	0.1	1.8	2.8
DE	1.1	-0.6	0.3	0.2	1.0	-0.2	0.4
EE (2)	6.1	6.5	16.1	8.8	13.2	-8.6	7.1
IE	7.7	10.6	10.0	13.6	5.9	9.6	9.8
EL	6.1	5.6	6.5	3.7	4.5	1.8	5.5
ES	3.0	5.7	3.1	9.2	6.3	7.2	4.5
FR	3.0	4.5	3.3	1.6	5.3	1.6	3.4
IT	1.8	3.4	3.2	6.6	6.7	12.8	2.6
CY	8.4	5.4	15.4	26.1	-1.1	7.6	8.6
LV	-0.4	13.3	0.6	3.8	0.1	10.3	3.0
LT	3.0	3.0	8.4	3.3	0.9	-3.5	3.3
LU (3)	5.4	7.3	8.0	8.9	18.3	27.5	7.7
HU	8.6	9.5	9.8	5.7	-0.3	-1.5	7.9
MT	3.7	5.3	7.1	-6.3	6.6	8.8	3.9
NL	2.8	4.2	1.4	4.7	8.5	0.3	3.3
AT	2.0	1.6	-0.1	2.2	7.0	8.8	2.1
PL	5.6	3.2	-1.5	1.2	-3.7	10.6	3.6
PT	7.1	4.3	0.4	5.1	17.5	-3.8	5.6
SI	2.8	4.8	0.7	1.3	-4.8	17.8	3.1
SK	2.3	-3.1	6.5	5.0	7.0	-15.4	0.5
FI	4.6	5.6	2.5	1.6	2.0	1.0	3.8
SE	3.9	1.9	7.3	4.4	0.1	0.3	3.5
UK	1.0	8.0	2.7	2.6	-0.2	3.4	3.3
IS	7.7	5.0	9.7	13.2	25.9	14.7	8.2
NO	3.3	3.1	7.4	2.0	7.4	3.3	3.9
CH	1.9	4.4	5.5	2.0	18.3	2.3	3.6

(1) See page 11 for details of the method of calculation.

(2) New benefits were introduced in the disability function in 2001. An unemployment insurance system was introduced in 2002.

(3) The detailed breakdown of benefits in the unemployment and social exclusion functions has been revised as from 2001.

Source: Eurostat-ESSPROS.

Expenditure at constant prices on old-age and survivors' benefits increased by 2.2% per annum between 2000 and 2004 in EU-25. The changes in this group were primarily due to pensions, which accounted for almost 90.8% of all old-age and survivors' benefits in 2004 (85.1% of the latter are actually old-age pensions). The percentage of the population aged 60 or over in EU-25 increased from 21.0% in January 2000 to 21.7% in January 2004 (an average annual increase of 1.2% in the number of over-60s). The additional increase in old-age and survivors' benefits (i.e. not due to the ageing

population) is partly explained by the fact that pensions increased at a faster rate than prices and by the increase in the average pensions of women, who now work longer than they used to.

The average increase in old-age and survivors' benefits for EU-25 is mainly due to the changes in the principal countries making up the group (Germany, France, the United Kingdom and Italy), which account for 71.6% of benefits. The most significant increases in the European Union were in Hungary (8.6% per annum), Cyprus

(8.4%) and Ireland (7.7% per annum); outside the EU the highest increase was in Iceland (7.7% per annum). The average increase in benefits was smallest in the United Kingdom (1.0%), Germany (1.1%), Italy (1.8%) and Switzerland (1.9%). A decrease was recorded in Latvia (-0.4%).

With an increase in real terms of 3.8% per annum between 2000 and 2004 for EU-25 as a whole, spending on the “sickness/health care” function increased at a greater rate than expenditure on the other functions over this period. Sickness/health care expenditure increased only slowly in the first half of the decade 1993-2003 (0.2% per annum between 1993 and 1998), but subsequently picked up. This situation reflects, among other things, the efforts made by certain Member States to provide universal access to health care and the ageing population.

The acceleration observed since 2000 marks a general trend for the European Union, with the exception of the decreases in Slovakia (-3.1%) and Germany (-0.6%) and the lower indices in Austria and Sweden. The largest increases between 2000 and 2004 were in Latvia (13.3%), Ireland (10.6%) and Hungary (9.5%).

Disability expenditure increased steadily over the period 2000-2004 in EU-25 (2.3% per annum on average). Disability pensions accounted for the largest share of this expenditure (56.6% of the total). However, entitlement conditions varied enormously from country to country.

Such expenditure increased most in Estonia (16.1%), Cyprus (15.4%), Ireland and Hungary (and, outside the EU, in Iceland). In Germany, Portugal, Slovenia and Latvia, conversely, expenditure rose by only a small amount. Expenditure even decreased in Belgium, Austria and Poland.

Expenditure on family/child benefits increased by 2.2% in real terms between 2000 and 2004. This increase is not linked to a rise in the number of children, since the population aged between 0 and 19 years fell by 2.9% between January 2000 and January 2004. Cash family benefits accounted for about 73.0% of total benefit expenditure on this function. Depending on the country, this trend is the result either of significantly higher rates or of family-friendly reforms (changes to the conditions of access and rates or creation of new benefits).

Expenditure on family and child benefits increased most in real terms in Cyprus (26.1%), Ireland (13.6%), Spain (9.2%), Luxembourg (8.9%), Estonia (8.8%) and Iceland (13.2%) during this period. In Ireland reforms to the maternity and parental leave system pushed up expenditure. The situation in Luxembourg is largely due to the rise in the value of family benefits. In Malta and Belgium, however, expenditure on family benefits decreased in real terms. The decline in the population aged between 0 and 19 years of age between January 2000 and January 2004 in both Malta (-9.6%) and Belgium (-1.7%) is largely responsible for the fall in expenditure in these two countries.

Unemployment expenditure increased by 3.4% in real terms over the period 2000-2004. Expenditure on unemployment benefits increased most in real terms in Luxembourg (18.3%), Portugal (17.5%) and Estonia (13.2%) during the same period. The biggest increases were in Iceland and Switzerland. Expenditure decreased in Slovenia, Poland, Cyprus, Hungary and the United Kingdom.

Expenditure at constant prices on the “housing” and “social exclusion” functions increased by 2.1% per annum between 2000 and 2004. There were higher increases (more than 10%) in Luxembourg, Slovenia, Italy, Poland and Latvia.

Financing systems very different, but nevertheless signs of convergence

In 2004 the main sources of funding of social protection at EU-25 level were social contributions, which made up 59.5% of all receipts, plus general government contributions from taxes (37.3%). Social contributions can be broken down into contributions paid by the persons protected (employees, self-employed persons, retired persons and others) and those paid by employers (see *Table 6*).

The European average masks major national differences in the structure of social protection funding. More than 70% of all receipts are funded by social contributions in the Czech Republic, Estonia and Belgium.

Conversely, Denmark and Ireland finance their social protection systems largely from taxes, which make up over 60% of total receipts. Cyprus, the United Kingdom and Sweden (together with Norway) also rely heavily on general government funding (over 45% and more).

The differences are historical and due to the institutional reasoning behind social protection systems. Northern European countries, where government funding dominates, are steeped in the “Beveridgian” tradition (in this type of system, it is enough to be a resident in need in order to be eligible to claim social benefits). Other countries are strongly attached to the “Bismarckian” tradition, in which the system is based on the insurance concept (in the form of contributions). However, the divergence between European countries is gradually declining, with more funding from tax revenue in the countries where it used to be low (France, Germany, Italy and Portugal, for example) and with more from contributions in the countries with high levels of government funding on the other.

The share of other receipts (property income and other receipts) was low: 3.2% in 2004 for EU-25. However, it was well over 10% in Poland, the Netherlands, Cyprus and Portugal and also in Iceland and Switzerland.

Table 6: Social production receipts by type (as % of total receipts)

	General government contributions		Social contributions						Other receipts	
			Total		Employers		Protected persons (1)			
	2000	2004	2000	2004	2000	2004	2000	2004	2000	2004
EU-25	35.4	37.3	60.9	59.5	38.7	38.6	22.3	20.9	3.7	3.2
EU-15	35.5	37.5	61.0	59.5	38.7	38.6	22.2	20.8	3.6	3.1
BE	25.3	27.0	72.1	71.1	49.9	49.3	22.3	21.8	2.5	1.9
CZ	25.0	19.6	73.8	79.2	49.7	53.2	24.1	25.9	1.2	1.2
DK	63.9	63.5	29.4	29.8	9.1	10.2	20.3	19.6	6.7	6.7
DE	31.8	34.5	66.1	63.8	38.5	36.3	27.6	27.6	2.1	1.7
EE	20.6	21.2	79.2	78.7	79.2	78.0	:	0.6	0.2	0.1
IE	58.3	60.8	40.1	37.6	25.1	23.1	15.1	14.5	1.5	1.6
EL	29.2	30.5	60.8	60.8	38.2	37.3	22.6	23.5	10.0	8.7
ES	27.4	30.3	68.7	67.2	52.4	50.9	16.3	16.4	3.9	2.4
FR	30.4	30.4	65.9	66.0	46.0	45.5	19.9	20.6	3.8	3.5
IT	40.6	42.4	57.7	56.0	42.8	41.2	14.9	14.8	1.6	1.6
CY	45.0	52.7	37.3	35.5	9.4	8.8	27.9	26.7	17.7	11.8
LV	30.2	33.4	69.8	66.6	52.6	48.9	17.1	17.7	0.0	0.0
LT	38.9	39.5	59.6	60.1	53.7	54.0	5.9	6.0	1.5	0.4
LU	46.9	44.6	48.6	51.8	24.7	27.3	23.8	24.5	4.6	3.6
HU	31.6	33.0	59.7	59.0	47.0	42.8	12.8	16.2	8.7	8.0
MT	30.5	32.5	66.8	64.2	45.3	44.4	21.5	19.8	2.6	3.3
NL	14.4	19.2	67.5	68.7	29.4	34.0	38.1	34.7	18.1	12.1
AT	32.7	34.6	66.0	64.0	39.0	37.2	27.0	26.8	1.3	1.4
PL	32.4	34.8	55.2	51.7	30.1	27.7	25.1	24.0	12.4	13.5
PT	39.1	42.2	53.0	47.5	35.6	31.7	17.4	15.7	7.9	10.4
SI	31.5	31.6	66.3	67.0	27.0	27.1	39.3	39.9	2.2	1.3
SK	31.0	28.8	66.8	69.8	48.3	49.8	18.5	20.0	2.2	1.4
FI	43.2	44.3	49.8	50.3	37.7	39.4	12.1	10.9	7.1	5.4
SE	45.8	48.7	49.9	49.4	40.5	40.8	9.4	8.6	4.3	1.9
UK	46.4	49.7	52.4	48.7	29.9	32.5	22.5	16.2	1.2	1.7
IS	51.4	38.3	48.6	34.0	39.5	27.8	9.1	6.1	:	27.7
NO	60.5	56.3	38.4	43.7	24.4	29.6	14.0	14.1	1.1	0.1
CH	21.0	23.5	60.4	62.3	29.3	29.3	31.1	33.0	18.6	14.3

(1) Employees, self-employed, pensioners and other persons.
: Data not available.

Source: Eurostat-ESSPROS.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Methods and concepts

The data on social protection expenditure and receipts have been calculated in accordance with the methodology of the European System of Integrated Social Protection Statistics "ESSPROS Manual 1996". Expenditure includes social benefits, operating expenditure and other expenditure incurred by social protection schemes. Social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided neither a simultaneous reciprocal nor an individual arrangement is involved. The 1996 ESSPROS Manual classifies social benefits under the following eight risks or needs: sickness/health care, disability, old age, survivors, family/children, unemployment, housing, social exclusion and "not elsewhere classified" (n.e.c.).

A **cash benefit** is a benefit that i) is paid in cash and ii) does not require evidence of actual expenditure by the recipients. Benefits that require evidence of actual expenditure by the beneficiaries are reimbursements, which are classified as benefits in kind. Examples of cash benefits are all types of pensions, paid sick leave, parental leave benefits, family and child allowances, unemployment benefits and income support.

Benefits in kind are benefits granted in the form of goods and services. They may be provided in the form of reimbursement or directly. Reimbursements are payments that refund the recipients in whole or in part for certified expenditure on specified goods and services. Directly provided benefits are goods and services granted without any pre-financing by the beneficiary. Examples of benefits in kind are in-patient and out-patient health care, pharmaceutical products, funeral expenses, child day care, home help, social services with accommodation, vocational training, placement services and job assistance, and housing allowance.

Social benefits (gross) are recorded without deduction of taxes or other compulsory levies payable by recipients. "Tax benefits" (tax reductions granted to households as part of social protection) are generally excluded.

Calculation of indices in Tables 2 and 5

Wide annual fluctuations in conversion rates between the ECU/euro and national currencies made it necessary to use something other than an ECU/euro index for the EU-15 and EU-25 aggregates in these tables.

At EU-15 and EU-25 levels, the indices are obtained from a weighted average of each country's annual index (in national currency). The expenditure of countries in ECU/euro in the previous year serves as the basis for the weighting (for example, 2000 expenditure for the weighted index for 2001/2000, 2001 expenditure for the weighted index for 2002/2001, etc.).

Abbreviations

EU-15 comprises Belgium (BE), Denmark (DK), Germany (DE), Greece (EL), Spain (ES), France (FR), Ireland (IE), Italy (IT), Luxembourg (LU), the Netherlands (NL), Austria (AT), Portugal (PT), Finland (FI), Sweden (SE) and the United Kingdom (UK).

EU-25 includes the EU-15 countries plus the Czech Republic (CZ), Estonia (EE), Cyprus (CY), Latvia (LV), Lithuania (LT), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI) and Slovakia (SK).

RO = Romania.

IS = Iceland, NO = Norway, CH = Switzerland.

Remarks concerning the data

Data for EU-25 as a whole (including Cyprus) are from 2000 for all countries.

The 1994 figures for Spain were calculated in accordance with the old national-accounts methodology, ESA79; the figures for other countries were calculated in accordance with ESA95.

The 2004 data are provisional for CZ, DE, ES, FR, IT, LV, LT, NL, PL, PT, SI, SK, SE, RO and UK. The 2004 data for EU-25 and EU-15 are estimates.

The GDP, PPS, population and consumer price index data were extracted in November 2006. This might explain any differences from national publications.

Data on GDP at market prices (for the period 2000-2004) changed significantly with the recent updating by national statistical institutions in 2006.

Regulation (EC) No 458/2007 of the European Parliament and of the Council of 25 April 2007 on the European system of integrated social protection statistics (ESSPROS) was published in the Official Journal on 30 April 2007. Commission Regulations implementing the EP and Council Regulation are currently being prepared.

Further information:

Reference publications

Title [ESSPROS MANUAL – 1996](#)

Catalogue No CA-99-96-641-EN-N

Title [European Social Statistics – Social protection – Expenditure and receipts – Data 1996 - 2004](#)

Catalogue No KS-DC-07-001-EN-N

Data:

[EUROSTAT Website/Population and social conditions/Living conditions and welfare/Social protection/Social protection expenditure/Expenditure: main results](#)

[EUROSTAT Website/Population and social conditions/Living conditions and welfare/Social protection/Social protection receipts/Receipts by type](#)

[EUROPA Website/European Commission/Employment and Social Affairs/Social Protection in the EU/MISSOC Database](#)

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