

# **ESSPROS Manual**

**The European System of integrated Social PROtection Statistics  
(ESSPROS)**

**2011 edition**



# **ESSPROS Manual**

**The European System of integrated Social PROtection Statistics  
(ESSPROS)**

**2011 edition**

***Europe Direct is a service to help you find answers  
to your questions about the European Union.***

**Freephone number (\*):  
00 800 6 7 8 9 10 11**

(\*) Certain mobile telephone operators do not allow access to 00 800 numbers or these calls may be billed.

More information on the European Union is available on the Internet (<http://europa.eu>).

Cataloguing data can be found at the end of this publication.

Luxembourg: Publications Office of the European Union, 2011

ISBN 978-92-79-20904-8

ISSN 1977-0375

doi:10.2785/16441

Cat. No KS-RA-11-014-EN-N

**Theme: Populations and social conditions**

**Collection: Methodologies & Working papers**

© European Union, 2011

Reproduction is authorised provided the source is acknowledged.

## TABLE OF CONTENTS

### PART 1: ESSPROS: GENERAL PRINCIPLES AND CORE SYSTEM ..... 5

<b>1 Introduction to the ESSPROS System.....</b>	<b>6</b>
<b>2 The conventional definition of social protection.....</b>	<b>9</b>
2.1 Introduction .....	9
2.2 General definition .....	9
2.3 Further explanation.....	9
<b>3 Accounting structure and classifications in the core system .....</b>	<b>13</b>
3.1 Introduction .....	13
3.2 Delimitations of the Core System.....	13
3.3 The accounting structure .....	14
<b>4 Definition and grouping of Social protection schemes.....</b>	<b>15</b>
4.1 The statistical unit.....	15
4.2 Grouping of Social protection schemes .....	16
<b>5 Receipts of Social protection schemes .....</b>	<b>21</b>
5.1 Introduction .....	21
5.2 Types of receipts.....	21
5.3 Classification of institutional sectors from which receipts originate .....	23
<b>6 Expenditure of Social protection schemes.....</b>	<b>27</b>
6.1 Introduction .....	27
6.2 Types of Expenditure .....	27
<b>7 Social benefits, main classifications .....</b>	<b>29</b>
7.1 Classification by Function .....	29
7.2 Classification by Type .....	30
7.3. Means-testing .....	30
<b>8 Accounting conventions .....</b>	<b>31</b>
8.1 Introduction .....	31
8.2 The principles of Exhaustiveness and Consistency .....	31
8.3 Valuation .....	31
8.4 Time of Recording and the Accounting Period .....	33
8.5 Netting and Consolidation .....	34
8.6 Recognising the Principal Party .....	34
<b>9 The rest of the world .....</b>	<b>35</b>
9.1 Transactions with the Rest of the World .....	35
9.2 The definition of Residence.....	35

### PART 2: CLASSIFICATION OF BENEFITS IN THE CORE SYSTEM ..... 37

<b>1 Introduction .....</b>	<b>38</b>
<b>2 Social benefits in the Sickness/health care function.....</b>	<b>40</b>
2.1 Introduction .....	40
2.2 Description of the types of benefit.....	42

<b>3 Social benefits in the Disability function .....</b>	<b>43</b>
3.1 Introduction .....	43
3.2 Description of the types of benefit.....	44
<b>4 Social benefits in the Old age function .....</b>	<b>45</b>
4.1 Introduction .....	45
4.2 Description of the types of benefit.....	46
<b>5 Social benefits in the Survivors' function.....</b>	<b>47</b>
5.1 Introduction .....	47
5.2 Description of the types of benefit.....	48
<b>6 Social benefits in the Family/Children function .....</b>	<b>49</b>
6.1 Introduction .....	49
6.2 Description of the types of benefit.....	49
<b>7 Social benefits in the Unemployment function .....</b>	<b>51</b>
7.1 Introduction .....	51
7.2 Description of the types of benefit.....	52
<b>8 Social benefits in the Housing function .....</b>	<b>54</b>
8.1 Introduction .....	54
8.2 Description of the types of benefit.....	54
<b>9 Social benefits in the function Social exclusion not elsewhere classified .....</b>	<b>55</b>
9.1 Introduction .....	55
9.2 Description of the types of benefit.....	56
<b>APPENDICES .....</b>	<b>57</b>
<b>APPENDIX I: The ESSPROS questionnaire detailed classification .....</b>	<b>59</b>
1 Receipts (compulsory data) .....	59
2 Expenditure .....	61
3 Detailed benefits by function.....	62
<b>APPENDIX II: Qualitative information by scheme and detailed benefit.....</b>	<b>71</b>
<b>APPENDIX III: Methodology of the module on pension beneficiaries.....</b>	<b>75</b>
1 Scope of the pension beneficiaries module.....	75
2 Statistical units and data collection requirements.....	75
3 Definitions and classifications.....	76
4. Guidelines and issues .....	78
<b>APPENDIX IV: Methodology of the module on net social protection benefits (restricted approach) .....</b>	<b>83</b>
1 Introduction .....	83
2 The definition of net social protection benefits (restricted approach) .....	85
3 Accounting structure and classifications in the net social benefits module.....	88

# Part 1

ESSPROS: General principles and core system

# 1 Introduction to the ESSPROS System

- 1 EU Treaties identify the promotion of social protection and the development of the economic and social cohesion of the Member States as tasks of the Union. In order to monitor the progress of these tasks, the European Commission needs access to detailed and up-to-date information on the organisation, current standing and developments of social protection in the Member States and beyond.
- 2 The European System of integrated Social PROtection Statistics (ESSPROS) was developed in the late '70s by Eurostat jointly with representative of the Member States of the European Union in response to the need for a specific instrument of statistical observation of social protection in the EC Member States.
- 3 The first ESSPROS methodology was published in 1981. In 1993, Eurostat undertook a general revision of the ESSPROS, in close co-operation with the Members States. The ESSPROS Manual 1996 was the outcome of this revision process.
- 4 In April 2005, Eurostat proposed to introduce a legal basis for the ESSPROS project. The legal basis was proposed as a Regulation of the European Parliament and the Council <sup>(1)</sup> (frame Regulation) supplemented by Commission Regulations <sup>(2)</sup> implementing in particular: ESSPROS core system (including qualitative information by schemes and detailed benefits), the module on pension beneficiaries and the pilot data collection on Net social protection benefits.
- 5 Simultaneously, an update of the ESSPROS Manual 1996 was undertaken because it was necessary to adjust its structure in order to incorporate some methodological clarifications. The ESSPROS Manual published in 2008 did not contain significant changes in respect to 1996 version, but mainly adjustments in the definitions and classifications. The first two parts of the Manual deal with the Core System. It consists of a stable, annually collected set of data on the receipts and expenditures of social protection schemes in the European Union. Supplementary sets of statistical information (modules), whose subjects were determined on the basis of the needs expressed, were introduced by the EP and Council ESSPROS Regulation: the module on Pension beneficiaries and the module on net social benefits. At the time of updating the manual, as the module on pension beneficiaries has already been planned, the methodology was added to the text. The second module, on net social benefits, was to be developed
- 6 A pilot data collection on net social protection benefits was launched in year 2008, and an EU synthesis report revealed positive results for a large majority of pilot studies. The report was presented to the Task Force (TF) on net social benefits in November 2009. All TF members agreed

<sup>(1)</sup> 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) published in OJ L113, 30.04.2007, p.3.

<sup>(2)</sup> Commission Regulation (EC) No 1322/2007 of 12 November 2007 implementing Regulation (EC) No 485/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the appropriate formats for transmission, results to be transmitted and criteria for measuring quality for the ESSPROS core system and the module on pension beneficiaries published in OJ L294, 13.11.2007, p.5.

Commission Regulation (EC) No 10/2008 of 8 January 2008 implementing Regulation (EC) No 485/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the definitions, detailed classifications and updating of the rules for dissemination for the ESSPROS core system and the module on pension beneficiaries published in OJ L5, 09.01.2008, p.3.

that the report provided the requisite backing for moving towards a full data collection. In the 2010 ESSPROS WG a Gentlemen's agreement was set up in order to collect data on the module for years 2007, 2008 and 2009 on a voluntary basis according to the so-called restricted approach.

Two Commission Regulations implementing the full net data collection were approved in year 2011 <sup>(3)</sup>. As the methodology on the module on the net social protection benefits (restricted approach) was finalised at the same time, an update of the ESSPROS Manual was undertaken in order to include this new methodology. On the other hand a pilot study on the net social benefits according to the so-called enlarged approach was launched at end of 2010.

The current Manual is equivalent to the previous version but complemented by the methodology on the module on net social protection benefits (restricted approach) finalised during the work on the pilot data collection.

The ESSPROS Manual is the reference document in the four Commission Regulations implementing the EP and Council ESSPROS Regulation. It contains all detailed definitions and classifications.

Concurrently, an extended Manual (or the "ESSPROS Manual and user guidelines") was produced. Its nature is serving as a User's Guide for compiling and using ESSPROS. The "ESSPROS Manual and user guidelines" contains in addition examples, further explanations and a complete list of schemes for each country. These specific items will be updated if necessary.

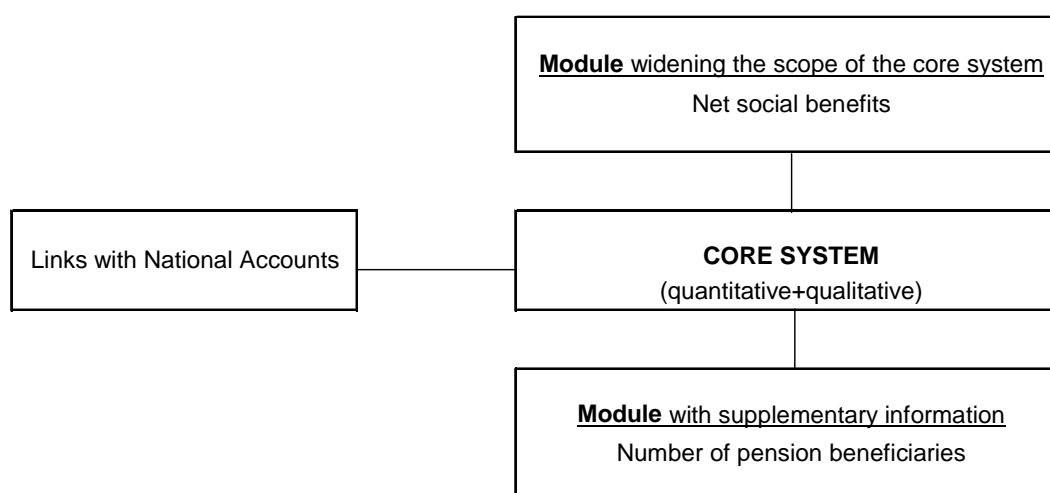
- 7 The objectives of ESSPROS are to provide a comprehensive and coherent description of social protection in the Member States:
  - covering social benefits and their financing;
  - geared to international comparability;
  - harmonising with other statistics, particularly the national accounts, in its main concepts.
- 8 ESSPROS, the integrated system of social protection statistics, provides a coherent comparison between European countries of social benefits to households and their financing. Social benefits are transfers to households, in cash or in kind intended to relieve them from the financial burden of a number of risks or needs.
- 9 The risks or needs of social protection refer to the ESSPROS functions that are comprehensive, but do not include education unless it is a support to indigent families with children. The functions are disability, sickness/health care, old age, survivors, family/children, unemployment, housing and social exclusion.
- 10 Social benefits are made through collectively organised schemes by government and/or collective agreements. The schemes do not necessarily refer to institutions, although they are in many cases. These schemes can be defined solely for ESSPROS as a classification of schemes exists, where schemes are grouped by criteria. All schemes that are solely based on individual arrangements or where simultaneous reciprocal agreements exist are not regarded as social protection.

<sup>(3)</sup> Commission Regulation (EU) No 263/2011 of 17 March 2011 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the launch of full data collection for the ESSPROS module on net social protection benefits published in OJ L71, p. 4

Commission Regulation (EU) No 110/2011 of 8 February 2011 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the appropriate formats for transmission, the results to be transmitted and the criteria for measuring quality for the ESSPROS module on net social protection benefits published in OJ L34, p.29..

- 11 The scheme concept of social protection is straightforward as it starts from the point of view of the beneficiaries and therefore differs from other concepts that concentrate on institutional units spending or budgetary costs. The schemes are defined nationally according to the ESSPROS framework.
- 12 There are links with National Accounts, although there is not a complete conceptual match between the ESSPROS system and National Accounts. Particularly, the achievement of ESSPROS is its accounting structure similar to the National Accounts (benefits and their financing) at the level of the statistical unit of ESSPROS system (the scheme). There is also a link to the risks or needs to social benefits in the National Accounts.
- 13 Whereas the Core system corresponds to the standard information on social protection receipts and expenditures, the modules contain supplementary statistical information on particular aspects of social protection. Each module has its own methodology and is based on a particular Commission regulation. The introduction of any additional modules shall require extensive preliminary consultations with the Eurostat Working Party for social protection statistics and shall require a specific EP and Council Regulation.
- 14 The subjects covered by the modules were determined on the basis of the needs expressed by the Commission and the Member States. Currently included in ESSPROS are modules that cover:
  - the number of pension beneficiaries;
  - net social protection benefits, i.e. the influence of fiscal systems on social protection by the taxes and social contributions paid on benefits by beneficiaries and the extent to which social benefits are provided in the form of tax rebates or tax reductions. At the moment this module is implemented via the restricted approach in order to maintain the scope of the Core System.

## SCHEMATIC REPRESENTATION OF THE FULL ESSPROS



## 2 The conventional definition of social protection

### 2.1 Introduction

- 15 There is no universally accepted definition of the scope of social protection, nor does there exist one that suits all purposes (including the compilation of statistics). It is therefore necessary to formulate a conventional definition of the scope of social protection which meets as well as possible the needs of social policy analysis and data collection on an international level. This chapter begins with a general definition, relevant to both the Core system of the ESSPROS and its modules, that is further explained and specified for use in the Core system in the following paragraphs.

### 2.2 General definition

- 16 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 that there is neither a simultaneous reciprocal nor an individual arrangement involved.

The list of risks or needs that may give rise to social protection is, by convention, as follows <sup>(4)</sup>:

1. Sickness/Health care
2. Disability
3. Old age
4. Survivors
5. Family/children
6. Unemployment
7. Housing
8. Social exclusion not elsewhere classified.

### 2.3 Further explanation

#### 2.3.1 Types of intervention

- 17 The word intervention in the definition should be understood in its broadest sense to cover the financing of benefits and related administration costs, as well as the actual provision of benefits.
- 18 Benefits granted within the framework of social protection can take many forms; however, in the Core system, they are limited to:
- (i) cash payments to protected people
  - (ii) reimbursements of expenditure made by protected people
  - (iii) goods and services directly provided to protected people.

<sup>(4)</sup> There are a number of differences between the ESSPROS and the national accounts in the list of risks or needs giving rise to social benefits. The most important one is that the national accounts include the need "Education". See Appendix 1.

### 2.3.2 Provision by public and private bodies

- 19 The condition that the intervention must come from public or private bodies excludes from the definition of social protection all direct transfers of resources between private households or individuals in the form of gifts, help to relatives and so on, even if their purpose is to protect the recipient from the risks or needs listed in paragraph 16.

For practical reasons, small-scale, informal and incidental types of support such as whip-rounds, Christmas collections, ad-hoc humanitarian aid and emergency relief in the event of natural disasters, which do not require regular management and accounting, are also excluded from the definition.

### 2.3.3 The risks or needs

- 20 The list of risks or needs given in paragraph 16 has two purposes. On the one hand it restricts the scope of social protection to the areas which are felt to be most relevant in the European context. On the other hand, it is a tool for producing comparable statistics where the institutions, regulations and social traditions of the Member States diverge widely. The various risks and needs define the primary purposes for which resources and benefits are provided, irrespective of legislative or institutional structures behind them. In this context, it is customary to use the term functions of social protection.
- 21 Functions are defined in terms of their end-purpose, not in terms of given branches of social protection or pieces of legislation. For instance, the benefits granted by a pension fund cannot simply be classified in their entirety under the Old age function, as some benefits may have the purpose to relieve the beneficiary from needs related to the death of a breadwinner (which belong to the Survivors function) or to the loss of the physical ability to engage in economic and social activities (which are to be classified under the Disability function).

The ESSPROS applies the functional breakdown exclusively to social protection benefits, and not to receipts. It is recognised, in fact, that a single type of receipts can be used to finance benefits under several different functions.

- 22 Paragraph 110 briefly describes the functions distinguished in the ESSPROS. Part 2 of the Manual contains a detailed specification of the types of benefits covered by each function and gives further guidance to their interpretation.

### 2.3.4 Absence of a simultaneous reciprocal arrangement

- 23 The conventional definition of social protection stipulates that the intervention does not involve a simultaneous reciprocal arrangement. This should be conceived as excluding from the scope of social protection any intervention where the recipient is obliged to provide simultaneously something of equivalent value in exchange. For instance, interest-bearing loans granted to households are not social protection because the borrower commits himself to paying interest and to refund the capital sum <sup>(5)</sup>. Likewise, the portion of the full cost of health care and other provisions that beneficiaries are required to meet personally falls outside the field of social protection.

This does not preclude that social protection benefits may be conditional on some action to be undertaken by the beneficiary (such as taking part in a vocational training programme), provided that this action does not have the character of salaried work or sale of services.

<sup>(5)</sup> Still, if the loan is interest-free or granted at an interest rate well below the current market rate for social protection reasons, the amount of interest waived qualifies as a social benefit.

- 24 The principle that the intervention should not involve a simultaneous reciprocal arrangement is particularly important for distinguishing social protection provided directly by employers to employees from the flows which make up gross wages and salaries.
- 25 However, where the reciprocal arrangement from the employee is not simultaneous, the expenditure is classified as social protection. For example, retirement and survivors' pensions paid by an employer, free housing to retired employees and so on are social benefits (even if the right to the benefit arises from the previous period of service with the employer, that is, work during active life being the reciprocal arrangement). Following the same reasoning, the continued payment of wages and salaries while an employee is unable to work during sickness, maternity, disability, redundancy and so on is classified as social protection provided by the employer.
- 26 Furthermore, in line with national accounts' definitions, social protection does not include expenditure by employers which is to their own benefit as well as to that of their employees because it is necessary for the employers' production process.
- 27 In practice, therefore, social protection provided directly by employers to their employees is limited to:
  - (i) the continued payment of normal, or reduced, wages and salaries during periods of absence from work as a result of sickness, accident, maternity etc.;
  - (ii) the payment of statutory special allowances for dependent children and other family members;
  - (iii) health care which is not related to the nature of the work.

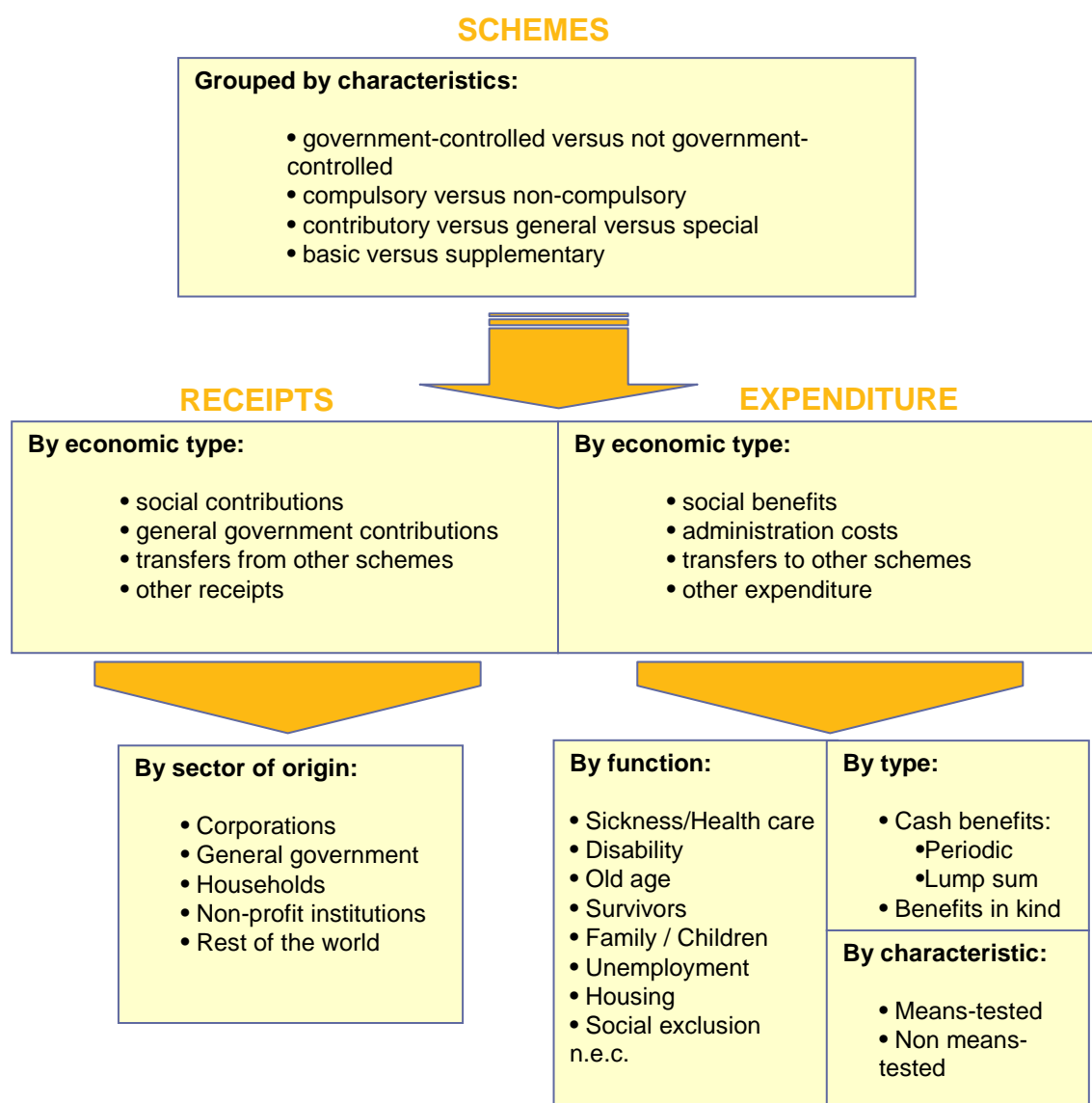
### 2.3.5 The exclusion of individual arrangements

- 28 Social protection excludes all insurance policies taken out on the private initiative of individuals or households solely in their own interest. For instance, the payment of a capital sum or an annuity to the holder of a private life insurance policy is not considered to be social protection.
- 29 This rule should not be interpreted as meaning that all individual policies are excluded from social protection. When social protection is provided by the employer in the form of insurance, it is sometimes allowed, or even required, that the policies be taken out in the names of the individual participants.
- 30 Nor does this rule imply that all collective contracts must be classified as social protection. Insurance policies that are taken out collectively with the sole purpose of obtaining a discount, as for example, a joint sickness policy covering a group of people travelling together, are not classified as social protection.
- 31 An insurance policy is included in the scope of the ESSPROS if it is based on social solidarity, whether or not it is taken out on the initiative of the person insured. An insurance policy is based on the principle of social solidarity if, as a matter of policy, the contributions charged are not proportional to the individual exposure to risk of the people protected <sup>(6)</sup>.
- 32 It is noted that social solidarity is a sufficient, but not necessary, condition for an insurance scheme to be classified as a scheme of social protection. Specifically,
  - (i) where by law or by regulation certain groups of the population are obliged to participate in a designated insurance scheme, or;

<sup>(6)</sup> This definition pertains exclusively to insurance schemes. The principle of social solidarity is also applied elsewhere and is, for instance, a feature of all non-contributory schemes.

- (ii) where employees and their dependants are insured as a consequence of collective wage agreements, the insurance is included in the scope of the ESSPROS even if it is not based on the principle of social solidarity.

## OVERVIEW OF THE CORE SYSTEM



## 3 Accounting structure and classifications in the core system

### 3.1 Introduction

- 33 This chapter provides an overview of the Core system of the ESSPROS. It introduces a number of concepts and classifications which will be discussed further in the following chapters, and in Part 2 of the Manual.

### 3.2 Delimitations of the Core System

- 34 There are three essential differences between the Core system and the full ESSPROS. Firstly, as stated in paragraph 18, the Core system deals only with social protection given in the form of cash payments, reimbursements and directly provided goods and services to households and individuals. Secondly, the statistical description is confined to receipts and expenditures of social protection schemes. Finally, the Core takes only distributive transactions into account.
- 35 The social protection scheme is a unit specially defined for the ESSPROS, and must be clearly distinguished from legal entities or other types of statistical units in common use. Chapter 4 will define a scheme as a distinct body of rules, supported by one or more institutional units, governing the provision of social benefits and their financing. The scheme should be as specific as possible as to the risk or need for which protection is provided and the categories of people protected, without being so small that it becomes impossible to draw up an account of receipts and expenditures.

The schemes are characterised according to the following five criteria:

- (i) Which unit takes the main decisions?
- (ii) Is membership of the scheme enforced by government?
- (iii) Are entitlements to benefits conditional on the payment of contributions?
- (iv) Is the scheme protecting the full population or only particular sections of it?
- (v) What is the level of protection provided by the scheme?

All relevant definitions are contained in chapter 4.

- 36 The Core system records receipts and expenditures of social protection schemes, but only in the form of:
- (i) distributive transactions, whether current or capital;
  - (ii) administration costs charged to the scheme.

Any receipts or expenditures relating to production activities (for instance, the production of administration services or of goods and services for direct provision to beneficiaries) are excluded. Likewise, no financial transactions by the scheme (such as the issue of a loan or bonds) are recorded.

### 3.3 The accounting structure

- 37 There are various ways of presenting the main categories of receipts and expenditures of social protection schemes. The most straightforward method is by listing them one under the other, beginning with receipts, as in Table A below.

Table A: Transaction categories of social protection schemes in the Core system	
<b>Receipts</b>	
1	Social contributions
2	General government contributions
3	Transfers from other schemes
4	Other receipts
<b>Expenditure</b>	
1	Social benefits
2	Administration costs
3	Transfers to other schemes
4	Other expenditure

- 38 The description of receipts and expenditures of social protection schemes is the subject of chapters 5 and 6 respectively.
- 39 Social benefits are a main focus of the ESSPROS. They are broken down by function (see paragraphs 20 to 22) and by type (the form in which the protection is given). The classification of social benefits by type contains two levels: an aggregate level which allows cross-functional analysis (e.g., benefits in cash and in kind, see section 7.2) and a detailed level which defines categories usually only relevant to one function (i.e., old age pensions, unemployment benefits). Part 2 of the Manual contains a detailed description of the various benefit categories.
- 40 The ESSPROS contains extensive classifications of both schemes and transactions of schemes, covering the many ways in which social protection is organised within the European Union.

## 4 Definition and grouping of Social protection schemes

### 4.1 The statistical unit

- 41 The Core system presents data on benefits provided, and their financing, as expenditures and receipts of the units that are responsible for providing social protection.

This method has a number of advantages. Firstly, the statistical information can be structured in a single accounting framework covering both the provision of social protection and its financing. Secondly, the data can easily be grouped according to the main characteristics of the providing units, making it easier to compare and analyse the ways in which the Member States organise their systems of social protection. Thirdly, the method allows to exploit in a coherent way the administrative files of the Member States, which are reliable and low-cost sources of statistical data <sup>(7)</sup>.

- 42 The statistical unit in the ESSPROS is called social protection scheme. It is defined as follows:

A social protection scheme is a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing.

This definition calls for further clarification:

- (i) Social protection schemes should at all times meet the condition that it must be possible to draw up a separate account of receipts and expenditures.
  - (ii) Preferably, social protection schemes are chosen in such a way that they provide protection against a single risk or need and cover a single specific group of beneficiaries.
- 43 Social protection schemes are concerned exclusively with redistribution and not with production. They are supported by institutional units and are not themselves institutional units.

Some institutional units support social protection schemes as their main activity; for example, social security funds, pension funds, welfare funds or mutual benefit societies. Others run social protection schemes only as a subsidiary activity; for example, employers, insurance companies or trade unions.

Goods and services provided in kind to beneficiaries are considered to be produced by the institutional unit (or units) which support the scheme in question, or else to be purchased from other institutional units.

Institutional units can support more than one social protection scheme, when they administer and provide very diverse types of social benefits. On the other hand, a single social protection scheme can be supported by several institutional units, where each is responsible for, say, a specific geographic region, group of enterprises or category of workers.

- 44 The body of rules referred to in this definition may be established de jure, by virtue of laws, regulations or contracts, or de facto, by virtue of administrative practice. De facto schemes are, for

<sup>(7)</sup> A full understanding of social protection, however, requires information that cannot be exclusively obtained from the administrative files of the providing units. For example, when no administrative data are available on benefits provided by employers in the form of continued payment of wages in case of sickness, information can be gathered from labour cost surveys.

example, set up by employers to provide their employees with extra-legal benefits, often topping up benefits provided by existing basic schemes.

- 45 *A separate account of receipts and expenditures* means the availability of a full and itemised set of records on resources and uses during the accounting period. Such account of receipts and expenditures may be derived directly from administrative sources or else be constructed by means of estimation.

It should be noted that the resources of some schemes include imputed receipts. This is particularly the case with government social assistance schemes (which are financed implicitly through imputed government contributions) and non-autonomous schemes run by employers (which draw on imputed employers' contributions).

- 46 The conventionally agreed list of risks or needs - the social protection functions - is given in paragraph 11 above.

The wish to define schemes in such a way that they provide protection against a single risk or need for a single specific group of beneficiaries could produce a multitude of units. The tendency to fragmentation, however, is kept within boundaries by the need to be able to compile information on both receipts and expenditures for each scheme. In practice, therefore, many schemes provide benefits which come under several functions.

- 47 In several Member States, a specialised agency is set up for the financing of public social protection and the distribution of resources among the institutional units which are responsible for the granting of benefits. In such cases, a fundamental choice has to be made whether to:

- (i) combine the financing and provision of benefits in a single social protection scheme, or:
- (ii) distinguish several schemes of social protection, among which one that finances the others through *transfers between schemes*.

It is recommended to choose the second option, as this provides more opportunities for analysing the structure of social protection.

## 4.2 Grouping of Social protection schemes

### 4.2.1 No single classification

- 48 The ESSPROS does not contain a single classification of schemes, but instead defines a number of characteristics which can be freely combined to produce different groupings of schemes as required by analysis.

For instance, schemes managed by social security funds are usually both government -controlled (ref. 11) and contributory (ref. 31). The categories are defined on the basis of (i) the type of unit which takes the essential decisions, (ii) the existence or absence of a legal obligation, (iii) the way entitlements are established, (iv) the scope of the scheme, (v) the level of protection provided. For each of these criteria, the schemes are allocated to the group which agrees with their predominant character. This implies that each scheme is classified into one single category per criterion.

**Table B: Overview of categories of social protection schemes**

Criterion	Categories of schemes
1. Decision-making	11 Government-controlled schemes <ul style="list-style-type: none"> <li>111 Central government schemes and social security funds</li> <li>112 State and local government schemes</li> </ul> 12 Not Government-controlled schemes <ul style="list-style-type: none"> <li>121 Schemes for employees               <ul style="list-style-type: none"> <li>1211 Contractual</li> <li>1212 Non-contractual</li> </ul> </li> <li>122 Other not Government-controlled schemes</li> </ul>
2. Legal enforcement	21 Compulsory schemes           22 Non-compulsory schemes <ul style="list-style-type: none"> <li>221 Schemes available by law</li> <li>222 Other non-compulsory schemes</li> </ul>
3. Establishment of entitlements	31 Contributory schemes           32 Non-contributory schemes
4. Scope	41 Universal schemes           42 General schemes           43 Special schemes <ul style="list-style-type: none"> <li>431 Schemes for public servants</li> <li>432 Schemes for the self-employed</li> <li>433 Other occupational schemes</li> <li>434 Other schemes</li> </ul>
5. Level of protection	51 Basic schemes           52 Supplementary schemes

#### 4.2.2 Decision-making

49 Decision making refers to the unit that takes the most important decisions: the level of benefits, the terms on which they are paid and the ways in which the scheme is financed. Schemes may be government-controlled or not government-controlled.

50 Government-controlled schemes (ref. 11) consist of social protection schemes which are controlled by government.

The definition of general government is given in paragraph 92. *Controlled* implies that the government takes all the principal decisions about the level of benefits, the terms on which they are paid and the ways in which the scheme is financed. It is not sufficient to classify a scheme as government-controlled simply because the government has a formal (but unexercised) right to determine the policy of a given scheme or the scheme's managers have an obligation to submit certain decisions for broad approval to the public authorities.

Government-controlled social protection is usually established by law or regulation. It includes all schemes that provide protection to public servants on the same lines as that provided to the general population by government-controlled schemes, but excludes schemes that government may set up in its role of employer and which have no government-controlled counterparts in the private sector. These schemes are classified as not government-controlled schemes for employees.

51 Government-controlled social protection may be further subdivided by level of government into:

(i) Central government schemes and social security funds (ref. 111),

(ii) State or local government schemes (ref. 112).

52 Not government-controlled schemes (ref. 12) are all social protection schemes which are not controlled by government in its role of public authority.

53 The ESSPROS sub-classifies not government-controlled\_schemes into not government-controlled schemes for employees and other not government-controlled\_schemes.

Not government-controlled schemes for employees (ref. 121) are social protection schemes organised (but not necessarily run) by employers for their employees, former employees and their dependants. Two groups are distinguished:

(i) Contractual not government-controlled schemes for employees (ref. 1211) provide social protection decided via bargaining between the social partners (employers and employees). The terms of such schemes are fixed by collective agreement and cannot be unilaterally changed by employers;

(ii) Non-contractual not government-controlled schemes for employees (ref. 1212) provide social protection to employees at the discretion of the employer.

Other not government-controlled schemes (ref. 122) are all not government-controlled\_schemes other than those organised by employers for their employees, former employees and their dependants. They may be organised, for instance, for the general public or specific groups such as the self-employed.

### 4.2.3 Legal enforcement

54 Legal enforcement refers to the rules laid down by legislation concerning the membership of the protected people. Membership of a social protection scheme may be compulsory or non-compulsory.

In the framework of the ESSPROS the concepts compulsory and voluntary are interpreted from the point of view of the people protected.

55 Compulsory schemes (ref. 21) are social protection schemes where membership is made compulsory by the government.

56 non-compulsory schemes (ref. 22) are all social protection schemes where membership is not made compulsory by government.

Two subgroups of non-compulsory schemes are distinguished separately:

(i) Schemes available by law (ref. 221) consists of schemes established by law or regulation and available for voluntary membership to specific groups such as low-income self-employed workers, or people who choose to remain protected after a period of compulsory cover comes to an end);

(ii) The other subgroup consists in the other non-compulsory schemes (ref. 222).

#### 4.2.4 Establishment of entitlements

- 57 Establishment of entitlements refers to the basis on which the protected person is eligible for benefits: conditional or not conditional on payment of contributions.
- 58 Contributory schemes (ref. 31) are social protection schemes that require the payment of contributions, by the protected persons or by other parties on their behalf, in order to secure individual entitlement to benefits.
- 59 Non-contributory schemes (ref. 32) are social protection schemes in which eligibility to benefits is not conditional on the payment of contributions by the protected persons or by other parties on their behalf.

#### 4.2.5 Scope of the scheme

- 60 Scope of the scheme refers to the part of the population which is protected (the whole population, all or the majority of workers or specific sections of the population).
- 61 Universal schemes (ref. 41) are schemes which apply to the whole population, implying that all residents or nationals, irrespective of their socio-professional status, are eligible to receive social benefits upon materialisation of specific risks or needs.
- 62 General schemes (ref. 42) are those which apply to the totality or the preponderance of the economically active population.
- 63 Special schemes (ref. 43) are schemes designed to protect a specific, restricted section of the population.
- 64 The ESSPROS defines four separate sub-groups of special schemes.

Schemes for public servants (ref. 431) are those reserved for established and acting public servants, other members of general government staff and officials of public corporations insofar as they have official status under public law.

Schemes for the self-employed (ref. 432) are schemes set up to provide protection for the self-employed and their dependants.

Other occupational schemes (ref. 433) are schemes created for certain categories of workers on the basis of occupation or profession, other than special schemes for public servants and the self-employed.

Other schemes (ref. 434) groups all remaining special schemes.

#### 4.2.6 Level of protection

- 65 Level of protection refers to whether social protection schemes offer a basic or a supplementary level of protection.

Various criteria are used for classifying, including some of the distinctions defined earlier in this chapter, so that interpretations may vary slightly from country to country. The following paragraphs explain the concepts in current use rather than try to provide standard definitions for international comparison.

66 Basic schemes (ref. 51) are social protection schemes that guarantee a basic level of protection.

A *basic level of protection* means the lower level of protection (based on the number of years of contributions/work and/or residency), without it being strictly understood as the level of resources allowing only the minimum socially acceptable standard of living. Basic old age schemes, for instance, typically guarantee either a flat-rate pension and/or a limited percentage of former earnings which may or may not be, supplemented by other provisions. In respect of medical care, basic schemes can either take charge of the lowest class of health care or compensate for only a specific fraction of its cost.

67 Supplementary schemes (ref. 52) are social protection schemes that:

- top up cash benefits granted by the basic scheme, or;
- extend the coverage of the basic scheme, or;
- replace the basic scheme where conditions for entitlement to the basic scheme are not fulfilled.

## 5 Receipts of Social protection schemes

### 5.1 Introduction

- 68 The ESSPROS Core system classifies receipts of social protection schemes by type and origin. The *type* indicates the nature of, or reason for, a payment; the *origin* specifies the institutional sector from which the payment is received.
- 69 When a single type of receipts finances benefits in different functions, it is difficult to tell what fraction of the receipts pays for which benefit and, therefore, for which function. This is the main reason why social protection schemes cannot always meet the requirement to provide protection against a single risk or need (see paragraph 46 above).

### 5.2 Types of receipts

Table C: Classification of receipts of social protection schemes by type		
1	Social contributions	
11	Employers' social contributions	
111	Actual employers' social contributions	
112	Imputed employers' social contributions	
12	Social contributions by the protected persons	
121	Employees	
122	Self-employed persons	
123	Pensioners and other	
2	General government contributions	
21	Earmarked taxes	
22	General revenue	
3	Transfers from other schemes	
31	Social contributions re-routed from other schemes	
32	Other transfers from other schemes	
4	Other receipts	
41	Property income	
42	Other	

- 70 Social contributions (ref. 1) means the costs incurred by employers on behalf of their employees or by protected persons to secure entitlement to social benefits.
- 71 Employers' social contributions (ref. 11) are the costs incurred by employers to secure entitlement to social benefits for their employees, former employees and their dependants.
- 72 Employers' actual social contributions (ref. 111) are payments made by employers to insurers to secure entitlement to social benefits for their employees, former employees and their dependants. The term insurers includes:

- (i) social security funds;
  - (ii) non-profit institutions running contributory schemes (such as autonomous pension funds);
  - (iii) commercial insurance companies;
  - (iv) employers running non-autonomous schemes and maintaining segregated reserves in their balance sheets for that purpose.
- 73 Employers' imputed social contributions (ref. 112) are the costs incurred by employers by granting social benefits or by promising social benefits payable in future, to their employees, former employees and their dependants, (i) without involving an autonomous insurer, and; (ii) without maintaining segregated reserves for that purpose in their balance sheets.
- 74 The valuation of employers' imputed social contributions may pose problems if the associated benefits are due in future (old age pensions, for example). In principle, the net current value of such promised future benefits must be determined.
- 75 Social contributions paid by protected persons (ref. 12) are payments made by individuals and households to social protection schemes in order to obtain or keep the right to receive social benefits.
- 76 Social contributions paid by protected persons are broken down by category into:
  - (i) Social contributions paid by Employees (ref. 121);
  - (ii) Social contributions paid by Self-employed persons (ref. 122);
  - (iii) Social contributions paid by Pensioners and other persons (ref. 123).
- 77 General government contributions (ref. 2) consists of:
  - (i) the cost to general government of running government-controlled non-contributory schemes, and;
  - (ii) financial support provided by general government to other resident social protection schemes.
- 78 The category of General government contributions is broken down into *Earmarked taxes and General revenue*.
- 79 Earmarked taxes (ref. 21) are the proceeds from taxes and levies which, by law, can be used only to finance social protection.
- 80 General revenue (ref. 22) are general government contributions from sources other than earmarked taxes.
- 81 Transfers from other schemes (ref. 3) means unrequited payments received from other social protection schemes. These are broken down in two categories.
- 82 Re-routed social contributions are payments that a social protection scheme makes to another scheme in order to maintain or accrue the rights of its protected people to social protection from the recipient scheme. Even if such payments only involve one transaction from one scheme to another, the ESSPROS records the following two flows of equal value:
  - (i) in the expenditure of the paying scheme, the amount of transfers to other schemes on behalf of protected people (*Social contributions re-routed to other schemes; see paragraph 104*);
  - (ii) in the receipts of the recipient scheme, social contributions paid by the paying schemes on behalf of protected people (*Social contributions re-routed from other schemes ref. 31*).

## 83 Other transfers from other schemes (ref. 32)

An example of other transfers from other schemes is contributions made by one scheme to reduce the deficit of another.

84 Other receipts (ref. 4) means miscellaneous current receipts of social protection schemes. They are broken down into receipts of property income and other.85 Property income (ref. 41) is the income receivable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit.

In practice, it refers mainly to actual interest and dividends. Receipts from property income also include any entrepreneurial income, such as the proceeds from the exploitation of dwellings, credited to the scheme by the institutional unit that runs it. Note that, as social protection schemes by definition do not undertake production activities, they cannot themselves generate entrepreneurial income.

86 The category Other (ref. 42) groups miscellaneous receipts not otherwise attributable, such as proceeds of collections (mainly gifts from households), net proceeds from private lotteries, claims on insurance companies and large gifts such as legacies from the private sector.

This category does not include any direct payments made by beneficiaries towards the cost of social benefits in kind by way of cost-sharing. Such payments are receipts of the institutional units that sell these goods and services and not of social protection schemes.

### 5.3 Classification of institutional sectors from which receipts originate

**Table D: Classification of institutional sectors from which receipts of social protection schemes originate**

1	All resident institutional units
11	Corporations (non-financial and financial)
12	General government
121	Central government
122	State and local government
123	Social security funds
13	Households
14	Non-profit institutions serving households
2	Rest of the world

## 87 The definitions of the institutional sectors from which the receipts of social protection schemes originate are the same as those for the national accounts.

## 88 The institutional unit is defined as an elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A resident unit is regarded to constitute an institutional unit if it has decision-making autonomy in the exercise of its principal function and either keeps a complete set of accounts or is such that it would

be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if required.

In order to be said to have autonomy of decision in the exercise of its principal function, a unit must:

- be entitled to own goods or assets in its own right, and therefore be able to exchange the ownership of goods or assets in transactions with other institutional units;
- be able to take economic decisions and engage in economic activities for which it is held to be directly responsible and accountable at law;
- be able to incur liabilities on its own behalf, to take on further obligations or commitments and to enter into contracts.

A *complete set of accounts* means accounting records covering all economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities.

Households are held to always enjoy autonomy of decision in respect of their principal function and must therefore be regarded as institutional units, even though they do not keep a complete set of accounts.

- 89 Institutional sectors are aggregations of institutional units on the basis of similar economic behaviour.
- 90 The category All resident institutional units (ref. 1) groups all institutional units that are resident in the country. The principles of residence are set out in Chapter 9.
- 91 The sector Corporations (ref. 11) consists of institutional units whose distributive and financial transactions are distinct from those of their owners, whose principal activity is the production of goods and services and which are market producers.

Included in this sector are co-operatives, limited liability partnerships and quasi-corporations (that is, market producers without independent legal status that have an economic and financial behaviour different from that of their owners, implying that the *de facto* relationship with their owners is one of a corporation to its shareholder).

Corporations may run social protection schemes in their role as insurance companies or by operating non-autonomous schemes for the benefit of their employees. They secure benefits for their employees by paying actual or imputed employers' social contributions.

- 92 The sector General government (ref. 12) consists of:
- (i) all the resident distinct types of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area, to the extent that their main output consists of collective services or individual goods and services which are provided free or at prices which cover less than 50% of production costs;
  - (ii) resident non-profit institutions that provide most of their output to other institutional units free or at prices which cover less than 50% of their production costs and that are controlled and financed by the type of units mentioned in (i);
  - (iii) all resident social security funds, that is, institutional units whose principal activity is to provide social benefits and which fulfil each of the following criteria:
    - by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;

- government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer.

- 93 The sub-sector Central government (ref. 121) covers all general government institutional units of type (i) above whose authority extends over a whole national territory and all units of type (ii) they control and finance.

The sub-sector State and local government (ref. 122) covers all general government institutional units of type (i) mentioned above whose authority is restricted to a part of the national territory and all units of type (ii) they control and finance. State (regional) governments occur in countries with federal constitutions such as Belgium, Germany, and Austria.

The sub-sector Social security funds (ref. 123) combines all general government units of type (iii) irrespective of the geographical area in which they are active <sup>(8)</sup>.

Within the framework of social policy, general government usually runs a variety of contributory and non-contributory schemes. It may also grant current and capital transfers to other institutional units, in particular non-profit institutions, to finance and support the social protection schemes they administer. Government secures benefits for public servants and its other employees by paying actual employers' social contributions.

Normally, it will also provide certain social benefits directly to its employees.

Finally, government may provide social protection through other channels (such as by granting fiscal benefits and paying subsidies to market producers), but these are not recorded in the Core system of the ESSPROS.

- 94 The sector Households (ref. 13) covers individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and non-financial and financial services provided that, in the latter case, the corresponding activities are not those of separate entities treated as quasi-corporations <sup>(9)</sup>. It also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use.

Households as consumers are defined as all resident small groups of persons, not necessarily related, who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.

Domestic employees living on the employer's premises do not belong to the employer's institutional household. Persons living permanently or for a very long time in an institution and having no or little autonomy of action or decision in economic matters are treated as belonging, together, to a single institutional household, that is, a single household. Examples are members of religious orders living in monasteries, long-term patients in mental hospitals, prisoners serving long sentences and old people living permanently in retirement homes.

In modules based on micro data, the sector Households may be sub-sectored according to criteria such as the composition of the household, the level and largest source of its income and the type of area in which the household has its accommodation.

Households appear in the system as recipients of social benefits and contributors to social protection schemes by paying employers' contributions (if they are market producers or employers of paid domestic staff) and social contributions paid by the protected person.

<sup>(8)</sup> The ESSPROS does not define the concept of "social security scheme". Social security *funds* are institutional units that may run schemes with widely diverging characteristics. The transactions of quasi-corporations are recorded in the sector Corporations.

<sup>(9)</sup> The transactions of quasi-corporations are recorded in the sector Corporations.

- 95 The sector Non-profit institutions serving households (ref. 14) consists of all resident non-profit institutions that provide most of their output to households free or at prices which cover less than 50% of their production costs, except those which are controlled and mainly financed by government authorities. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by General government and from property income. (Compare the definition of *General government* in paragraph 92 (ii)).

Many social protection schemes are run by *Non-profit institutions* serving households. In their role as employers, they may pay actual employers' social contributions or provide social benefits directly to the employees working in these institutions.

- 96 The category Rest of the World (ref. 2) consists of all non-resident institutional units.

The ESSPROS covers the transactions of the *Rest of the World* only insofar as they relate to resident social protection schemes. Examples are social contributions paid by non-resident households into resident social protection schemes. The definition of *residence* is given in Chapter 9.

## 6 Expenditure of Social protection schemes

### 6.1 Introduction

- 97 The expenditure of social protection schemes is classified by type, which indicates the nature of, or reason for, the expenditure.
- 98 The ESSPROS distinguishes four main categories of expenditure. The first is expenditure on social benefits, that is, resources which are transferred to beneficiaries in the form of cash or goods and services. The description of this type of expenditure is one of the main aims of the ESSPROS; Part 2 of the Manual is entirely devoted to the description of the various types of social benefits. The second category of expenditure relates to administration costs charged to the scheme. The third and fourth categories deal with transfers to other schemes and miscellaneous expenditure.

### 6.2 Types of Expenditure

**Table E: Classification of expenditure of social protection schemes by type**

1	Social benefits
2	Administration costs
3	Transfers to other schemes
31	Social contributions re-routed to other schemes
32	Other transfers to other schemes
4	Other expenditure
41	Property income
42	Other

- 99 Social benefits (ref. 1) consists of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs.

The conventionally agreed list of risks or needs - functions - is given in paragraph 16 above.

- 100 In the Core system, social benefits refer exclusively to cash payments, reimbursements and directly provided goods and services. These are all direct benefits in the sense that they are advantages that imply an equivalent rise in the (adjusted) disposable income of the beneficiaries.
- 101 Resident social protection schemes may provide social benefits to both resident and non-resident protected people. Conversely, resident households and individuals may receive social benefits from non-resident schemes.  
These latter benefits are not recorded in the accounts, as they do not relate to resident social protection schemes (see chapter 9).
- 102 Administration costs (ref. 2) means the costs charged to the scheme for management and administration thereof.

- 103 Transfers to other schemes (ref. 3) means unrequited payments made to other social protection schemes. These are broken down in two categories
- 104 Re-routed social contributions are payments that a social protection scheme makes to another scheme in order to maintain or accrue the rights of its protected people to social protection from the recipient scheme. For a more detailed explanation, see paragraph 82.
- 105 Other transfers to other schemes
- Examples of other transfers payable to other schemes are the transfer of funds made by one scheme to reduce the deficit of another.
- 106 Other expenditure (ref. 4) means miscellaneous expenditure by social protection schemes. These are broken down into payment of property income and other expenditure.
- 107 Property income (ref. 41) is the income payable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the tangible non-produced asset at the disposal of the scheme via the institutional unit supporting it.
- 108 The category Other (ref. 42) includes all miscellaneous payments not attributable elsewhere such as the payment of taxes on income or wealth. Capital repayments on loans are not included here; these are financial transactions which fall outside the scope of the Core system.

## 7 Social benefits, main classifications

109 In the Core system, social benefits are classified by function and by type. The function of a social benefit refers to the primary purpose for which social protection is provided, irrespective of legislative or institutional provisions (see paragraphs 16 and 17). The type of benefit refers to the form in which the protection is provided.

### 7.1 Classification by Function

110 Eight functions of social protection are distinguished in the ESSPROS (see Table F).

Table F: Definitions of the functions of social protection	
Function	Brief description
1. Sickness/Health care	Income maintenance and support in cash in connection with physical or mental illness, excluding disability. Health care intended to maintain, restore or improve the health of the people protected irrespective of the origin of the disorder.
2. Disability	Income maintenance and support in cash or kind (except health care) in connection with the inability of physically or mentally disabled people to engage in economic and social activities.
3. Old age	Income maintenance and support in cash or kind (except health care) in connection with old age.
4. Survivors	Income maintenance and support in cash or kind in connection with the death of a family member.
5. Family/children	Support in cash or kind (except health care) in connection with the costs of pregnancy, childbirth and adoption, bringing up children and caring for other family members.
6. Unemployment	Income maintenance and support in cash or kind in connection with unemployment.
7. Housing	Help towards the cost of housing.
8. Social exclusion not elsewhere classified	Benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions.

## 7.2 Classification by Type

- 111 The classification of social benefits by type is on two levels: firstly a concise general classification which in principle applies to all functions, and secondly a more detailed classification where the items are only relevant to one or a limited number of functions. This chapter presents the general classification; the definitions of the categories on the detailed level are contained in Part 2 of this Manual.

**Table G: General classification of social benefits by type**

1	Social benefits
11	Cash benefits
111	Periodic
112	Lump sum
12	Benefits in kind

The general definition of Social benefits is given in paragraph 99 above.

- 112 A cash benefit (ref. 11) is a benefit:

- (i) paid in cash, and;
- (ii) that does not require evidence of actual expenditure by the recipients.

Benefits that require evidence of actual expenditure by the beneficiaries are reimbursements that the System classifies as Benefits in kind (ref. 12).

- 113 Periodic cash benefits (ref. 111) are cash benefits paid at regular intervals, such as each week, month or quarter.
- 114 Lump sum benefits (ref. 112) are cash benefits paid on a single occasion or in the form of a lump-sum.
- 115 Benefits in kind (ref. 12) are benefits granted in the form of goods and services.

## 7.3. Means-testing

- 116 Social benefits are broken down between means-tested and non means-tested benefits.
- 117 Means-tested social benefits are social benefits which are explicitly or implicitly conditional on the beneficiary's income and/or wealth falling below a specified level.

## 8 Accounting conventions

### 8.1 Introduction

- 118 This chapter discusses a number of general accounting conventions. It deals with the principles of exhaustiveness and consistency, valuation, time of recording and the accounting period, netting and consolidation and the recognition of the principal party to transactions.

### 8.2 The principles of Exhaustiveness and Consistency

- 119 All transactions that fall within the scope of the ESSPROS must be recorded in the accounts. The *principle of exhaustiveness* is of primary importance for the international comparability of social protection data.
- 120 Special attention should be given to schemes that provide considerable benefits in terms of aggregate value, but for which there are little administrative data (such as unfunded company early retirement schemes and continued payment of wages and salaries by employers during sickness). If available sources do not provide clear data, appropriate estimates must be made. This could be done by comparison with similar schemes for which sufficient information is available.
- 121 At all times, *consistency* must be ensured in the accounts. For example, if a certain type of benefit is entered in the accounts, the relevant financing transactions must be included under the receipts of social protection schemes. Another example is expenditure on Transfers to other schemes which must have, somewhere in the system, the same value as the receipts from Transfers from other schemes.  
Finally, the recorded transactions of all the individual social protection schemes should add up exactly to the national totals.

### 8.3 Valuation

- 122 The ESSPROS values transactions at *current exchange value*, that is, the value at which flows and stocks are, or could be, exchanged for cash. In certain cases, when it is not possible to establish current exchange value, goods and services are valued at their *production cost*.  
Normally, most social protection transactions are cash flows whose valuation does not pose any difficulties. The valuation of social benefits in kind directly provided to households is more difficult.
- 123 If a scheme buys goods and services for provision to its beneficiaries from producer units, the social benefit is valued at the actual price agreed by the two parties. There should be no, or only a relatively small, time lag between the time of purchase by the scheme and the time of supply to the beneficiaries.  
When this is not the case, the prices originally paid may no longer represent the real value of the benefits in kind provided. Under these circumstances, the benefits should, in principle, be valued at the price that the same or similar goods and services would fetch on the market at the time they are supplied to the beneficiaries.

124 If the institutional unit that manages the scheme produces the goods and services itself, there are two possibilities. If the institutional unit is a market producer <sup>(10)</sup>, the benefits in kind are valued at the current market price for the same type of goods or services.

If the providing unit is a non-market producer <sup>(11)</sup>, the benefits in kind are valued as the sum of the costs incurred in their production and supply to the beneficiaries, that is, the sum of:

- (i) Intermediate consumption <sup>(12)</sup>
- (ii) Compensation of employees <sup>(13)</sup>
- (iii) Consumption of fixed capital <sup>(14)</sup>
- (iv) Taxes on production and imports less subsidies <sup>(15)</sup>.

Other categories of costs, such as interest costs, are not taken into account. The element Compensation of employees refers exclusively to personnel involved in the provision of social benefits. So, for example, the salaries of doctors and nurses of State hospitals are included, but the salaries of personnel in the Ministry of Health are excluded because they produce collective rather than individual services.

125 Any portion of the full cost of goods and services which is met personally by the beneficiary is excluded from the value of social benefits in kind. The share paid by the beneficiary is household consumption expenditure - not social expenditure. It is a receipt for the producer of the goods and services in question, not a receipt for the scheme.

126 To summarise:

- social benefits produced by market producers are valued at the price that the same goods and services fetch on the market minus the share paid by the beneficiaries themselves to the scheme;
- social benefits produced by non-market producers are valued at the cost of production and supply minus the share paid by the beneficiaries themselves to the scheme.

127 If retirement homes, social housing corporations and similar are financed solely by the government, it would be more convenient to value their services on the basis to the actual government transfers, rather than according to the principles above. In this case, the following two conditions must be observed:

- (i) only that part of the government transfer that applies to the actual social benefits should be taken into account, excluding any contributions towards administration costs or other expenditure;

<sup>(10)</sup> A "market producer" is a unit that produces goods and services and whose production costs are for 50% or more covered by income from sales. Private non-profit institutions and government units may be market producers. All private producers other than non-profit institutions are classified as market producers by convention.

<sup>(11)</sup> I.e., a private non-profit institution or a public unit whose production costs are for 50% or less covered by income from sales.

<sup>(12)</sup> Intermediate consumption is the value of goods and services consumed as inputs in the production process, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

<sup>(13)</sup> Compensation of employees is the total remuneration, in cash or in kind, payable by an employer to his or her employees in return for work done. Compensation of employees can be broken down into Wages and salaries and Employers' social contributions.

<sup>(14)</sup> Consumption of fixed capital represents the amount of fixed assets used up during the period under consideration as a result of foreseeable economic obsolescence and normal wear and tear, including a provision for losses of fixed assets as a result of normal accidental damage. Its value may deviate considerably from the values calculated via normal business depreciation methods or as allowed for taxation purposes, especially when there is inflation.

<sup>(15)</sup> Taxes on production and imports consist of compulsory, unrequited payments, in cash or in kind, which are levied by general government or by the Institutions of the European Union in respect of the production and import of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production. Subsidies are defined as current unrequited payments which general government or the Institutions of the European Union make to producers with the objective of influencing their levels of production, their prices or the remuneration of the factors of production.

- (ii) the time span during which the benefits are provided must be taken into account. For example, if the government makes contributions in the shape of a substantial lump-sum (capital transfer), its amount should be allotted to the number of individual accounting periods during which benefits are provided. <sup>(16)</sup>
- 128 Social benefits in the form of interest-free or low-interest loans are valued at the amount of interest waived by the scheme in comparison with the current market value.
- 129 The Core system records social benefits without any deduction of taxes and other obligatory levies payable on benefits by beneficiaries.
- 130 With regard to the valuation of administration costs (see paragraphs 102 through 104), it is important to distinguish between the types of units which administer the schemes. If the scheme is run by a commercial insurer, for instance a life insurance company, administration costs are valued by the actual fees that the commercial insurer charges (plus any other management costs incurred by the scheme, such as attendance fees for the board of governors). If the scheme is managed by government units or non-profit institutions, administration costs are valued at the sum of the costs incurred in administering the scheme (that is, intermediate consumption, compensation of employees, consumption of fixed capital and taxes on production and imports less subsidies; see paragraph 124).
- For reasons of simplicity, the value of administration costs is not imputed when such costs form an inseparable part of intermediate consumption of the institutional unit that runs the scheme. This is the case for all unfunded employer's schemes and possibly for certain government-controlled non-contributory schemes and funded employers' schemes.
- 131 Transactions denoted in *foreign currency* are converted into their value in local currency at the rate prevailing when they are entered in the accounts. The midpoint between the buying and selling rate should be used, and any service charge must be excluded.

## 8.4 Time of Recording and the Accounting Period

- 132 In principle, all transactions are recorded on an accrual basis, that is, at the time the events which create the related claims and liabilities occur.
- For instance, employer's contributions are recorded at the time the work that gives rise to the liability to pay the contributions is done. Social benefits in cash are recorded at the time the beneficiaries obtain the right to receive them. Reimbursements are recorded at the time the household makes the relevant purchase. Other types of benefits in kind should normally be recorded at the times the goods are transferred or the services provided.
- 133 In theory the *accounting period* can refer to any period of time. For their own purposes, the countries may prefer periods that coincide with administrative years or intervals during which the scales for social benefits and contributions remain unchanged. However, for the purpose of international comparisons, the calendar year seems the most appropriate accounting period. The transactions recorded in the ESSPROS must therefore refer to the calendar year <sup>(17)</sup>.

<sup>(16)</sup> For example, a social housing corporation annually receives 210 units from government, of which 10 units are a contribution to administration costs, and also received, a few years previously, a single capital transfer of 1000 units, allowing rents charged to be reduced over a period of 10 years. In this case, the benefits in kind provided by the social housing corporation over a single year can be approximated as  $(210 - 10) + 1000/10 = 200 + 100 = 300$  units.

<sup>(17)</sup> If it proves impossible to make the required adjustments, the data for a financial year should be presented for the calendar year in which the greater part of the financial year falls.

## 8.5 Netting and Consolidation

- 134 *Netting* occurs when the values of certain transactions arising in both receipts and expenditure are cancelled out against each other, leaving only a net balance shown either under receipts or expenditure. Otherwise, the recording is said to be gross.
- 135 The ESSPROS recommends gross recording; for instance, interest received and interest paid by a scheme must not be offset against each other.

However, the ESSPROS does not record separately any transaction which corrects an earlier erroneous or unauthorised one. In that case, the value of the rectifying transaction is netted against the value of the previous transaction, as if neither had taken place. Examples of rectifying transactions are the refund of overpaid social contributions and the repayment of benefits granted in error.

If the government claims excess reserves of government-controlled social protection schemes, this is recorded under (negative) General government contributions for those schemes.

- 136 *Consolidation* refers to the mutual cancellation of transactions among schemes in the same group, for example, among resident government-controlled schemes or among the whole of schemes operating in the country. The ESSPROS recommends not to use consolidation in its accounts.

## 8.6 Recognising the Principal Party

- 137 When a unit carries out a transaction on behalf of another unit, the transaction is recorded only in the accounts of the unit on whose behalf the transaction is made. Some service charge may appear in the accounts of the unit serving as intermediary.
- 138 In some cases it is not clear on whose behalf a transaction is carried out. For instance, in case the central government makes payments to a lower government in order to enable the provision of social benefits at a local level, who is running the social protection scheme, the central government or the local one? The answer is important, both in order to avoid double counting in the System and for classifying all transactions correctly.

The general rule in such circumstances is that the unit which is dealing directly with the households must be held to be running the scheme. In the example given above, this implies that local government is running the scheme, which is (partially) financed by contributions from central government.

The only exception to this rule is when the unit dealing directly with the households has no authority whatsoever over the terms of the benefits (for example, level of benefit or eligibility). In this case, that unit is held to be acting on behalf of another unit. In the example above, the central government payment would then be recorded as a social benefit, and no transactions would be recorded for the local government unit.

- 139 If the local government receives social contributions that it passes on to central government, the general rule is again that the unit directly dealing with the contributors is held to receive the social contributions on its own behalf, except when it has no authority whatsoever over the terms under which the contributions must be made).

## 9 The rest of the world

### 9.1 Transactions with the Rest of the World

- 140 The completion of the European Union internal market means that in many areas, including social protection, transactions with the Rest of the World are gaining in importance.

The Rest of the World is a grouping of units without any characteristic functions and resources; it consists of non-resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units.

- 141 The ESSPROS records transactions with the Rest of the World only insofar as they are carried out between resident social protection schemes and non-resident units.

In the receipts of a social protection scheme, transactions with the Rest of the World can concern the categories Social contributions and Other receipts. Examples of the former are social contributions paid by non-resident households or by non-profit institutions serving households. However, no breakdown by sector of origin is required in respect of receipts of social protection schemes from the Rest of the World. In the expenditure, transactions with the Rest of the World can concern the categories "Social benefits" and "Other expenditure".

### 9.2 The definition of Residence

- 142 The concept of residence in the ESSPROS is the same as used in the fifth edition of the Balance of Payments Manual of the International Monetary Fund (IMF) and the national accounts. The main definitions are summarised here.

- 143 An institutional unit is considered to be resident in a country when there exists some location - dwelling, place of production or other premises - within the territory of that country on, or from, which the institutional unit engages and intends to continue to engage for at least one year in activities and transactions on a significant scale. The territory of a country consists of the geographic space administered by a national government within which persons, goods and capital circulate freely. It includes the airspace, territorial waters and so on under the jurisdiction of the country and also clearly demarcated areas of land located in other countries which are used by government with the formal political agreement of the host country. Examples are embassies, consulates, military bases and scientific stations. Similar areas within its own borders used by foreign governments and international organisations whose members are national states are excluded.

#### *Social protection schemes*

- 144 Social protection schemes have the same residence as the institutional units that manage them.

This rule implies that Member States should report on social protection schemes which are run by local offices of foreign insurance companies. By the same token, the Member State's reports should exclude any social insurance schemes run by foreign branches or subsidiaries of that Member State's insurance companies.

Social protection schemes which are financed by means of development aid are considered to be resident of the developing countries in which they operate.

### *Corporations*

- 145 Corporations are resident in the country where they are engaged in the production of goods and services on a significant scale, or where they own land or buildings located there.

When a corporation maintains a branch, office or production site in another country in order to engage in a significant level of production over a long period of time but without creating a subsidiary corporation for that purpose, the branch, office or site is considered to be a resident institutional unit of the country in which it is located.

### *General government*

- 146 The legal entities established by political processes as having legislative, judicial or executive authority over other institutional units are resident in the country in which they have jurisdiction. Social security funds and government non-profit institutions are resident in the country where they are located.

International organisations whose members are national states, such as the European Union or the North Atlantic Treaty Organisation, are not considered resident in any country, including those in which they are located or conduct their affairs.

### *Households and individuals*

- 147 Households are resident in the country where their principal common accommodation is located. All individual members of a household have the same residence. If the members of a household live in different countries for more than one year, that particular institutional household is split into two or more households resident in different countries. The residence of households and individuals is therefore not determined by nationality or legal status, but by normal location.

Some specific rules are:

- cross-border workers are resident in the country in which their households have their principal accommodation;
- travellers, visitors and seasonal workers remain residents of their home country, provided they return to that country within one year;
- students remain residents of their country of origin however long they study abroad, provided they do not start a family in the host country;
- employees of international organisations are residents of the country in which they are expected to have their abode for one year or more;
- on the other hand, military personnel, diplomats and other public servants whom a government posts abroad have the same residence as the employing government however long they stay abroad in this capacity;
- locally recruited staff of overseas military bases, embassies, consulates and so on are residents of the country in which they live.

### *Non-profit institutions serving households*

- 148 Non-profit institutions serving households are resident in the country under whose laws and regulations they were created and where their existence as a legal or social entity is officially recognised and recorded. If a non-profit institution is engaged in charity or relief work on an international scale and maintains a branch for one year or more in a foreign country, that branch should be considered as a resident of the foreign country.

# Part 2

Classification of benefits in the core system

# 1 Introduction

- 1 Part 2 of the ESSPROS Manual <sup>(18)</sup> defines the various types of benefits classified by function of social protection.
- 2 The great detail of types of benefits introduced with the present Part allows a better understanding of the social protection systems in the Member States and permits the users of the statistics to form groupings of benefits according to their analysis needs. Data can be analysed by function of social protection, but also according to other criteria, for example by grouping all the benefits paid in the transition from work to retirement. It can be said therefore that, although this Manual groups benefits by function (that is, by their finality), the types of benefits have been defined in such a way that they can be easily regrouped according to other criteria.

This introduces a great level of flexibility in the system. The user of the statistics, however, must be warned against carrying out cross-country comparisons at the level of single types of benefits. Such comparisons in fact can be very misleading, as the Member States may use different types of benefits to fulfil the same objectives.

For this reason, it appears advisable to carry out cross-country comparisons at more aggregated levels. The general classification of benefits presented in Part 1, chapter 7, which distinguishes benefits in cash and benefits in kind, periodic benefits and benefits paid once only (lump sums), as well as means-tested and non means-tested benefits, can be very valuable. The tables presented in this part do not repeat these general classification categories (except the distinction cash benefits - benefits in kind). The cross-classification of all the benefit types presented in the Core of the ESSPROS is presented in the attached ESSPROS questionnaire (Appendix 1).

- 3 Another aspect of flexibility introduced with the revised ESSPROS is the fact that the content of this Part can be modified without affecting the general principles of the ESSPROS Core system set down in Part 1 if new types of benefits or new modes of social protection provision emerge in the national systems.
- 4 Social benefits either emerge from a purpose (wherefore?) or a reason (why?). Each function has a definition of contents and there surely is an overlap between different functions for certain benefits, e.g. a family or child component often exists, while benefits are granted for a specific purpose either as a risk (unemployment) or need (old age). In these cases the more specific function is generally preferred, e.g. unemployment instead of family/children.
- | 5 In terms of the functional classification of benefits, the following general principles apply:
  - all medical care is included in the Sickness/health care function, benefits in kind, irrespective of the reason why medical care is provided;
  - no minimum or maximum age are used to define the concepts of old age in the Old age function and of children in the Family/children functions. Therefore, data will reflect, to a certain extent, national practices.
- 6 An important concept to distinguish clearly between the old-age function and others is the concept of a standard/legal retirement age. Old age benefits are generally granted to beneficiaries above the standard/legal retirement age. Disability is then limited to the integration into the workforce and early retirement benefits are only benefits paid to recipients below the standard/legal retirement age. The

<sup>(18)</sup> For a general description of the ESSPROS, see the introduction to Part 1 of the present Manual.

specific age is mostly defined for each scheme separately or in a few cases determined by a reference scheme.

- 7 The present Manual does not define a function for the event of occupational accidents and diseases. Statistical data on this type of expenditure are not comparable, as they reflect the definition of occupational hazard adopted by each Member State in its own legislation and practice. Furthermore, benefits provided in the event of occupational accidents or diseases may range from sickness cash benefits to health care provision, from rehabilitation benefits to disability pensions. These benefits are covered by the functions in the Core system, where no distinction is made as for the causes of sickness or disability.

However, where the risk of occupational accidents and diseases is covered by specific regulations, it is recommended to identify one or more separate schemes providing the relevant benefits. This ensures that information on the value of benefits as well as on their financing will be available for those countries where specific regulations on protection against occupational accidents and diseases exist.

## 2 Social benefits in the Sickness/health care function

### 2.1 Introduction

8 The Sickness/health care function covers:

- cash benefits that replace in whole or in part loss of earnings during temporary inability to work due to sickness or injury;
- medical care provided in the framework of social protection to maintain, restore or improve the health of the people protected.

9 The scope of cash benefits in this function is rather limited. Cash benefits that replace loss of earnings during temporary inability to work in case of pregnancy or disability are recorded under the Family/children or Disability functions respectively.

Benefits provided by employers in the form of continued payment of wages and salaries during sickness are taken into account.

10 All medical care falls under this function irrespective of the need or risk against which it is provided. For example, specific medical care provided to expectant mothers and disabled persons is included here and not under the Family/children and Disability functions.

In particular, medical care covers the following goods and services used in prevention, cure or rehabilitation:

- *Services*: medical and paramedical services provided by general practitioners, specialists and other health care personnel; laboratory tests and other examinations; dental care; physiotherapy; thermal cures; transport of sick people; preventive treatment such as vaccinations; accommodation in the case of a stay in hospital or other medical institution. Medical services as defined here cover those provided outside medical institutions as well as within.
- *Goods*: pharmaceutical products; medical prosthesis (optical and acoustical aids; orthopaedic; dental and other prosthesis); dressings and medical supplies.

11 Only preventive measures through which an individual benefit (for example, a medical check-up) is provided to a protected person or household fall under the Sickness function and in general within the scope of ESSPROS. Preventive campaigns to alert the general public to health hazards (for example, smoking, alcohol or drug abuse) are not recorded by the ESSPROS.

12 Health care provided within the frame of the work environment by the employer aimed at guaranteeing safety at work or necessary for the production process of the enterprise is not included in the ESSPROS (see paragraph 26 of Part 1 of the Manual).

13 The way in which health care systems are organised varies considerably from one Member State to another. Data relating to in-patient and out-patient health care are broken down into directly provided benefits and reimbursements. A definition of the concepts of reimbursement and directly provided appears in paragraph 115, Part 1 of the Manual. Here below are described more in detail the circumstances under which health care benefits should be considered as directly provided or as reimbursements.

There are three main patterns of health care provision:

- under the indirect system, the social protection scheme provides medical care benefits for protected people by paying all or part of the cost of the medical care supplied by the providers. The patient pays the medical bill, all or part of which is then reimbursed by the social protection scheme. The benefits therefore take the form of reimbursements.
- under the direct system, the institutional unit running the social protection scheme owns, operates and controls the necessary medical facilities and employs the medical, para-medical and administrative staff. In this system benefits are directly provided to the protected people.
- in an alternative pattern of provision, intermediate between the two above - known as *direct settlement system*, the social protection scheme enters into a variety of contracts or agreements with health care providers. The medical care is provided to the beneficiary free or at the contractual rate (below its cost) by the providing unit (which is not a social protection scheme). The providing unit is then reimbursed by the social protection scheme. This type of benefit is also recorded as directly provided.

14 *Cost sharing* is an important aspect of health care provision. In these cases, the patient is required to meet part of the cost of medical treatment received. Various methods of cost-sharing exist in the Member States, for example:

- the beneficiary pays either a fixed percentage of the cost of services and goods received, or a flat rate contribution towards those goods and services;
- there is a cost threshold below which medical costs must be borne by the protected people (franchise levels);
- there is a cost threshold above which medical costs must be borne by the protected people;
- the patient must pay a fixed fee if he or she goes directly to a provider on a higher level of care than the designated entry level, for example by consulting a specialist without seeing a general practitioner first;
- a defined range of goods or services is excluded from the social protection scheme. The cost of these goods and services must be borne in full by the patient.

As the ESSPROS is intended to record the cost of social protection, and not the cost of total medical care, any part of the full cost of medical care which is met by the beneficiary himself under cost-sharing arrangements must be deducted from the value of the social benefit.

**Table A: Classification of benefits in the Sickness/health care Function****Cash benefits**

- Paid sick leave
- Other cash benefits

**Benefits in kind**

- In-patient health care
  - Direct provision
  - Reimbursement
- Out-patient health care
  - of which:* pharmaceutical products
    - Direct provision
    - Reimbursement
- Other benefits in kind

## 2.2 Description of the types of benefit

### 2.2.1 Cash benefits

- 15 Paid sick leave: flat-rate or earnings-related payments intended to compensate the protected person in full or in part for the loss of earnings caused by temporary inability to work due to sickness or injury. These benefits may be paid by autonomous social protection schemes, but they may also be provided by the employer in the form of continued payment of wages and salaries during the period of sickness. For reasons of convenience, paid leave in case of sickness or injury of a dependent family member (in most case a child) is also reported under this heading.
- 16 Other cash benefits: miscellaneous payments made to the protected people in connection with sickness or injury. Examples are allowances for intensive care, special bonuses or allowances for tuberculosis patients.

### 2.2.2 Benefits in kind

- 17 In-patient health care: medical care provided to protected people during a stay in hospital, clinic, sanatorium, approved thermal therapy establishment or similar medical establishment, including the cost of board and lodging. Normally, the patient must spend at least one night in the establishment.
- 18 Out-patient health care: medical care provided to protected people in their homes (including old peoples' homes), at the doctor's premises, or at the out-patient department of a hospital or a clinic.
- 19 Pharmaceutical products: a sub-category of out-patient care, consisting of all pharmaceutical products prescribed, purchased or directly supplied for medical care; blood and plasma are also reported under this heading.
- 20 Other benefits in kind: help provided to sick or injured people, other than medical care, to assist them with daily tasks, such as home help or transport facilities.

## 3 Social benefits in the Disability function

### 3.1 Introduction

21 The Disability function covers benefits that:

- provide an income to persons below standard retirement age as established in the reference scheme whose ability to work and earn is impaired beyond a minimum level laid down by legislation by a physical or mental disability;
- provide rehabilitation services specifically required by disabilities;
- provide goods and services other than medical care to disabled people.

22 Disability is the full or partial inability to engage in economic activity or to lead a normal life due to a physical or mental impairment that is likely to be either permanent or to persist beyond a minimum prescribed period.

23 Benefits excluded from the Disability Function are:

- all medical care specific to disability, reported under the Sickness/health care function;
- benefits provided to replace in whole or in part earnings during temporary incapacity to work due to sickness or injury, which is reported under the Sickness/health care function;
- family allowances paid to recipients of disability benefits, which are reported under the Family/children function;
- benefits paid to the surviving dependants of disabled people, such as pensions and funeral expenses, which are reported under the Survivors' function.

**Table B: Classification of benefits in the Disability Function**

#### **Cash benefits**

Disability pension  
Early retirement benefit due to reduced capacity to work  
Care allowance  
Economic integration of the handicapped  
Other cash benefits

#### **Benefits in kind**

Accommodation  
Assistance in carrying out daily tasks  
Rehabilitation  
Other benefits in kind

### 3.2 Description of the types of benefit

#### 3.2.1 Cash benefits

- 24 Disability Pension: periodic payments intended to maintain or support the income of someone below the legal/standard retirement age as established in the reference scheme who suffers from a disability which impairs his or her ability to work or earn beyond a minimum level laid down by legislation.
- 25 Early retirement in case of reduced ability to work: periodic payments to older workers who retire before reaching the legal/standard retirement age as established in the reference scheme as a result of reduced ability to work. These payments normally cease when the beneficiary becomes entitled to an old age pension.
- 26 Care allowance: benefit paid to disabled people who need frequent or constant assistance to help them meet the extra costs of attendance (other than medical care). The benefit must not be a reimbursement of certified expenditure, which would be classified as benefit in kind.
- 27 Economic integration of the handicapped: allowances paid to disabled people when they undertake work adapted to their condition, normally in a sheltered workshop, or when they undergo vocational training.
- 28 Other cash benefits: periodic and lump-sum payments not falling under the above headings, such as occasional income support and so on. If it concerns a lump-sum, the benefit is normally granted instead of a periodical disability pension, the beneficiaries usually only having a low level of disability.

#### 3.2.2 Benefits in kind

- 29 Accommodation: provision of lodging and possibly board to disabled people in appropriate establishments.
- 30 Assistance in carrying out daily tasks: practical help provided to disabled people to assist them with daily tasks. Home help is included in this category, as well as the payment of an allowance to the person who looks after the disabled person.
- 31 Rehabilitation: provision of specific goods and services (other than medical care) and vocational training to further the occupational and social rehabilitation of disabled people. These services may be provided in specialised institutions. Goods and services may be provided by an employer, but if they are mainly to service the production process of the enterprise, they should not be included (see also paragraph 26, Part 1). Medical rehabilitation - such as physiotherapy - is included in the Sickness/health care function.
- 32 Other benefits in kind: miscellaneous services and goods provided to disabled people to enable them to participate in leisure and cultural activities, or to travel and/or to participate in community life, including reduced prices, tariffs, fares, and so on granted to disabled people expressly for social protection reasons.

## 4 Social benefits in the Old age function

### 4.1 Introduction

- 33 The Old age function covers the provision of social protection against the risks linked to old age: loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social life, and so on. Medical care of the elderly is not taken into account, as all health care expenditure is reported under the Sickness/health care function.

The Old age function covers benefits that:

- provide a replacement income when the aged person retires from the labour market;
- guarantee a certain income when a person has reached a prescribed age;
- provide goods or services specifically required by the personal or social circumstances of the elderly.

- 34 Benefits excluded from the Old age function are:

- medical care specific to old age, which is reported under the Sickness/health care function;
- family allowances for dependent children where the beneficiary is also in receipt of an old age benefit; this is reported under the Family/children function.
- early retirement benefits paid for labour market reasons or in case of reduced capacity to work, which are reported under the functions Unemployment and Disability respectively.

**Table C: Classification of benefits in the Old Age Function**

#### **Cash benefits**

Old age pension  
Anticipated old age pension  
Partial pension  
Care allowance  
Other cash benefits

#### **Benefits in kind**

Accommodation  
Assistance in carrying out daily tasks  
Other benefits in kind

### 4.2 Description of the types of benefit

#### 4.2.1 Cash benefits

- 35 Old age pension: periodic payments intended to i) maintain the income of the beneficiary after retirement from gainful employment at the legal/standard age or ii) support the income of elderly persons (excluding support of limited duration).
- 36 Anticipated old age pension: periodic payments intended to maintain the income of beneficiaries who retire before the legal/standard age as established in the relevant scheme. This may occur with or without a reduction of the normal pension.
- 37 Partial retirement pension: periodic payment of a portion of the full retirement pension to older workers who continue to work but reduce their working hours or whose income from a professional activity is below a set ceiling. The partial pension is converted into a full pension and recorded under the item *old age pension* when the beneficiary retires completely or when he or she ceases to earn professional income above the defined level.
- 38 Care allowance: benefit paid to old people who need frequent or constant assistance to help them meet the extra costs of attendance (other than medical care). The benefit must not be a reimbursement of certified expenditure, which would be classified as benefit in kind.
- 39 Other cash benefits: periodic or lump-sum benefits paid upon retirement or on account of old age that do not fall under the above headings, such as capital sums paid to people who do not fully meet the requirements for a periodic retirement pension, or who were members of a scheme designed to provide only capital sums at retirement.

#### 4.2.2 Benefits in kind

- 40 Accommodation: provision of lodging and sometimes board to retired people either in specialised institutions (old people's homes, nursing homes) or staying with families. The provision can be of temporary or indefinite duration.
- 41 Assistance in carrying out daily tasks: practical help provided to old people to assist them with daily tasks. Home help is included in this category, as well as the payment of an allowance to the person who looks after an elderly person.
- 42 Other benefits in kind: miscellaneous goods and services for retired people to enable them to take part in leisure and cultural activities, to travel and/or participate in community life. These include reductions in prices, tariffs and fares for old age pensioners where they are expressly granted for social protection.

#### 4.2.3 Legal/standard age of retirement for old age benefits

- 43 The legal retirement age for old age benefits means the age at which old age benefits become payable, if laid down legislation or by contract. This age can vary both between countries and within Member States, depending on the sector of activity, occupation, gender and so on.

When no legal retirement age exists, a standard retirement age is to be used, which means the retirement age offered by the scheme that paid the pension to the beneficiary.

## 5 Social benefits in the Survivors' function

### 5.1 Introduction

44 The Survivors' function includes benefits that:

- provide a temporary or permanent income to people who have suffered from the loss of the spouse or a next-of-kin, usually when the latter represented the main breadwinner for the beneficiary;
- compensate survivors for funeral costs for any hardship caused by the death of a family member;
- provide goods and services to eligible survivors.

Survivors eligible for benefit may be the spouse or ex-spouse of the deceased person, his or her children, grandchildren, parents or other relatives. In some cases, the benefit may also be paid to someone outside the family.

45 Benefits excluded from the Survivors function are:

- family allowances for dependent children where the beneficiary is receiving a survivor's benefit; these are reported under the Family/children function.

46 A survivor's benefit is normally granted on the basis of a derived right, that is, a right originally belonging to another person whose death is a condition for granting the benefit. However, some social protection schemes treat this right as a direct one, that is, there is no connection between the survivor's benefit received and any benefit that the deceased would have been able to claim.

**Table D: Classification of benefits in the Survivors Function**

#### **Cash benefits**

Survivors' pension  
Death grant  
Other cash benefits

#### **Benefits in kind**

Funeral expenses  
Other benefits in kind

## 5.2 Description of the types of benefit

### 5.2.1 Cash benefits

- 47 Survivors' pension: periodic payments to people whose entitlement derives from their relationship with a deceased person protected by the scheme (widows, widowers, orphans and similar).
- 48 Death grant: single payment to someone whose entitlement derives from their relationship with a deceased person (widows, widowers, orphans and similar).
- 49 Other cash benefits: other periodic or lump-sum payments made by virtue of a derived right of a survivor.

### 5.2.2 Benefits in kind

- 50 Funeral expenses: sums paid towards the cost of the funeral, burial (or other arrangement) of a deceased person protected by the scheme. This benefit is granted, as a rule, to the persons who bear those costs.
- 51 Other benefits in kind: miscellaneous goods and services provided to survivors to enable them to take part in community life; these include reductions in prices, tariffs, fares and so on for widows, widowers, and orphans if expressly granted for social protection.

## 6 Social benefits in the Family/Children function

### 6.1 Introduction

52 The Family/children Function includes benefits that:

- provide financial support to households for bringing up children;
- provide financial assistance to people who support relatives other than children;
- provide social services specifically designed to assist and protect the family, particularly children.

**Table E: Classification of benefits in the Family/children Function**

#### Cash benefits

Income maintenance benefit in the event of childbirth  
 Birth grant  
 Parental leave benefit  
 Family or child allowance  
 Other cash benefits

#### Benefits in kind

Child day care  
 Accommodation  
 Home help  
 Other benefits in kind

### 6.2 Description of the types of benefit

#### 6.2.1 Cash benefits

53 Income maintenance benefit in the event of childbirth: flat-rate or earnings-related payments intended to compensate the protected person for the loss of earnings due to absence from work in connection with childbirth for the period before and/or after confinement or in connection with adoption. The benefit may also be paid to the father.

These benefits may be paid by autonomous social protection schemes, but they are also provided by employers in the form of continued payment of wages and salaries during absence from work. When there are no administrative data on the value of these payments, estimates must be based on other sources, such as labour cost surveys.

54 Birth grant: benefits normally paid as a lump sum or by instalments in case of childbirth or adoption.

- 55 Parental leave benefit: benefit paid to either mother or father in case of interruption of work or reduction of working time in order to bring up a child, normally of young age.
- 56 Family or child allowance: periodical payments to a member of a household with dependent children to help with the costs of raising children.
- 57 Other cash benefits: benefits paid independently of family allowances to support households and help them meet specific costs, such as costs arising from the specific needs of lone parent families or families with handicapped children. These benefits may be paid periodically or as a lump-sum.

### 6.2.2 Benefits in kind

- 58 Child day care: shelter and board provided to pre-school children during the day or part of the day. The age limit for pre-school is defined by national legislation. Financial assistance towards the payment of a nurse to look after children during the day is also included here. Child day care services provided by the employer should not be taken into account, according to paragraphs 24 to 27 of Part 1.
- 59 Accommodation: shelter and board provided to children and families on a permanent basis (such as in nursing homes and foster families).
- 60 Home help: goods and services provided at home to children and/or to those who care for them.
- 61 Other benefits in kind: miscellaneous goods and services provided to families, young people or children (holiday and leisure centres), including reductions in prices, tariffs, fares and so on for children or large families, where expressly granted for social protection. This category also includes family planning services.

## 7 Social benefits in the Unemployment function

### 7.1 Introduction

62 The Unemployment Function includes benefits that:

- replace in whole or in part income lost by a worker due to the loss of gainful employment;
- provide a subsistence (or better) income to persons entering or re-entering the labour market;
- compensate for the loss of earnings due to partial unemployment;
- replace in whole or in part income lost by an older worker who retires from gainful employment before the legal retirement age because of job reductions for economic reasons;
- contribute to the cost of training or re-training people looking for employment;
- help unemployed persons meet the cost of travelling or relocating to obtain employment;
- provide help and relief by providing appropriate goods and services.

63 Family allowances paid for dependent children to recipients of unemployment benefits are reported under the Family/children function, not under Unemployment.

64 A distinction currently applied to employment policies is between *passive* and *active measures*. The former simply try to mitigate the disadvantages of unemployment, while the latter aim to prevent unemployment or achieve shorter periods of unemployment.

The Unemployment function contains mainly passive measures (especially unemployment pay and early retirement benefits), but also some active measures, such as benefits related to training programmes.

In practice, the distinction between passive and active spending is not very practical from a statistical point of view. There are a number of measures which are hard to classify under one category or the other. For example, vocational training may be provided to recipients of unemployment benefits. Some partial early retirement benefits are conditional on the recruitment of young unemployed people, combining the effects of active and passive expenditure or making passive expenditure active.

Some active employment measures in Member States are not within the scope of social protection in the Core system of ESSPROS, particularly expenditure that is not a direct advantage to households, in the sense that it does not raise their disposable income by cash transfers or the provision of goods and services (see paragraph 100, Part 1 of the Manual). The main examples are wage subsidies, exemptions from paying employers' social contributions and similar measures aimed at business with the purpose of combating unemployment. A common characteristic of these measures is that they help both business and the unemployed.

**Table F: Classification of benefits in the Unemployment Function****Cash benefits**

Full unemployment benefit  
 Partial unemployment benefit  
 Early retirement benefit for labour market reasons  
 Vocational training allowance  
 Redundancy compensation  
 Other cash benefits

**Benefits in kind**

Mobility and resettlement  
 Vocational training  
 Placement services and job-search assistance  
 Other benefits in kind

## 7.2 Description of the types of benefit

### 7.2.1 Cash benefits

- 65 Full unemployment benefits: benefits compensating for loss of earnings where a person is capable of working and available for work but is unable to find suitable employment, including persons who had not previously been employed.
- 66 Partial unemployment benefits: benefits compensating for the loss of wage or salary due to formal short-time working arrangements, and/or intermittent work schedules, irrespective of their cause (business recession or slow-down, breakdown of equipment, climatic conditions, accidents and so on), and where the employer/employee relationship continues.
- 67 Early retirement for labour market reasons: periodic payments to older workers who retire before reaching the legal/standard retirement age due to unemployment or to job reduction caused by economic measures such as the restructuring of an industrial sector or of a business. These payments normally cease when the beneficiary becomes entitled to an old age pension.
- 68 Vocational training allowance: payments by social security funds or public agencies to targeted groups of persons in the labour force who take part in training schemes intended to develop their potential for employment.
- 69 Redundancy compensation: capital sums paid to employees who have been dismissed through no fault of their own by an enterprise that is ceasing or cutting down its activities. This benefit may be paid either directly by the employer or by a fund set up for the purpose.
- 70 Other cash benefits: other financial assistance, particularly payments to the long-term unemployed, such as start-up incentives in the form of payment of unemployment benefit.

### 7.2.2 Benefits in kind

- 71 Mobility and resettlement: payments by social security funds or public agencies to unemployed persons to encouraging them change to another locality or their occupation in order to seek or to obtain work.
- 72 Vocational training: payments made by social security funds or public agencies to institutions which provide professional training to people without a job or at risk of losing their job shortly to develop their potential for further employment.
- 73 Placement services and job-search assistance covers intermediation, information and career guidance services provided by job-placement/employment agencies.
- 74 Other benefits in kind: benefits in kind not classified elsewhere, such as the provision of accommodation, food or clothes or similar assistance to unemployed persons and their families, including reduced prices, tariffs, fares and so on for unemployed persons where they are expressly granted for social protection.

## 8 Social benefits in the Housing function

### 8.1 Introduction

- 75 The Housing Function is made up of interventions by public authorities to help households meet the cost of housing. Housing policies are widespread in the Member States and their purpose often goes beyond that of social protection: they may be aimed at encouraging the building industry, ownership of dwellings, saving and so on. These wider measures are not within the scope of ESSPROS.

An essential criterion for defining the scope of the Housing function is the existence of a qualifying means-test for the benefit.

- 76 Even when housing benefits are paid in cash as a supplement to old age pensions or minimum guaranteed income benefits, they are classified in the Housing function as benefits in kind. The object of the benefits in this function is to help households meet the cost of housing: by definition, housing is considered certified expenditure (see paragraph 115 of Part 1 of the Manual).

**Table G: Classification of benefits in the Housing Function**

**Benefits in kind**

Rent benefit  
*of which:* Social Housing  
 Benefit to owner-occupiers

### 8.2 Description of the types of benefit

#### 8.2.1 Benefits in kind

- 77 **Rent benefit:** a current means-tested transfer granted by a public authority to tenants, temporarily or on a long-term basis, to help with rent costs.
- 78 **Social housing:** sub-category of rent benefit. Loss of rental income due to the current imposition of non-commercial rents (that is, rents below the normal market price) by public bodies or private non-profit institutions that own low-cost or social housing. The assignment of housing at non-commercial rents must be determined by a test on the households' income and/or wealth.
- 79 **Benefit to owner-occupiers:** a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs: in practice often help with paying mortgages and/or interest. All capital transfers (in particular investment grants) are excluded.

## 9 Social benefits in the function Social exclusion not elsewhere classified

### 9.1 Introduction

80 The need or risk against which social protection benefits are provided in this area is not easily defined. The concept of social exclusion is multidimensional: it refers firstly to an insufficient level of income (poverty), but also to precarious situations in the field of health, education and employment.

It follows that the content of this function, or rather group of benefits, is fairly heterogeneous. However, the borderlines of this function are traced by the definition of social protection itself in chapter 2 of Part 1, and by the following principles:

- small-scale, informal and incidental types of support that do not require regular management and accounting are conventionally excluded from the scope of ESSPROS. This is the case, for example, of whip-rounds, Christmas collections, ad-hoc humanitarian aid and emergency relief in the event of natural disasters;
- all social benefits related to a risk or need for which ESSPROS defines a specific function are reported under that function. For example, all non-contributory and means-tested public schemes providing a minimum entitlement in the case of old age, disability or unemployment must be incorporated in the corresponding functions and not under the present function. The residual character of this function may lead to differences in cover among Member States depending on the main system of social protection they apply;
- while the other functions refer to people subject to clearly identifiable risks or needs (the elderly, the disabled, the unemployed and so on), this function refers to the "socially excluded" or to "those at risk of social exclusion". General as this is, target groups may be identified (among others) as destitute people, migrants, refugees, drug or alcohol addicts, victims of criminal violence.

**Table H: Classification of benefits in the function Social exclusion n.e.c.**

#### **Cash benefits**

Income support  
Other cash benefits

#### **Benefits in kind**

Accommodation  
Rehabilitation of alcohol and drug abusers  
Other benefits in kind

## 9.2 Description of the types of benefit

### 9.2.1 Cash benefits

- 81 Income support: periodic payments to people with insufficient resources. Conditions for entitlement may be related not only to the personal resources but also to nationality, residence, age, availability for work and family status. The benefit may have a limited or an unlimited duration; it may be paid to the individual or to the family, and provided by central or local government.
- 82 Other cash benefit: support for destitute and vulnerable persons to help alleviate poverty or assist in difficult situations. These benefits may be paid by private non-profit organisations.

### 9.2.2 Benefits in kind

- 83 Accommodation: shelter and board provided to destitute or vulnerable people, where these services cannot be classified under another function. This may be short term in reception centres, shelters and so on or on a more regular basis in special institutions, boarding houses, reception families and so on.
- 84 Rehabilitation of alcohol and drug abusers: treatment of alcohol and drug dependency aimed at reconstructing the social life of the abusers, making them able to live an independent life. The treatment is usually provided in reception centres or special institutions.
- 85 Other benefits in kind: basic services and goods to help vulnerable people, such as counselling, day shelter, help with carrying out daily tasks, food, clothing, fuel, etc... Legal aid provided with a means-test is also included.

# Appendices





## APPENDIX I: The ESSPROS questionnaire detailed classification

### 1 Receipts (compulsory data)

#### 1.1 Social contribution

Code	Description
<b>2000000</b>	Total receipts
<b>2100000</b>	Social contributions
<b>2110000</b>	Employers' social contributions
<b>2110100</b>	Actual employers' social contributions
<b>2110101</b>	Sector of origin: Corporations
<b>2110102</b>	Sector of origin: Central government
<b>2110103</b>	Sector of origin: State and local government
<b>2110104</b>	Sector of origin: Social security funds
<b>2110105</b>	Sector of origin: Households
<b>2110106</b>	Sector of origin: Non-profit institutions serving households
<b>2110107</b>	Sector of origin: Rest of the World
<b>2110200</b>	Imputed social contributions
<b>2110201</b>	Sector of origin: Corporations
<b>2110202</b>	Sector of origin: Central government
<b>2110203</b>	Sector of origin: State and local government
<b>2110204</b>	Sector of origin: Social security funds
<b>2110205</b>	Sector of origin: Households
<b>2110206</b>	Sector of origin: Non-profit institutions serving households
<b>2110207</b>	Sector of origin: Rest of the World
<b>2120000</b>	Social contributions by the protected persons
<b>2121000</b>	Employees
<b>2121005</b>	Sector of origin: Households
<b>2121007</b>	Sector of origin: Rest of the World
<b>2122000</b>	Self-employed
<b>2122005</b>	Sector of origin: Households
<b>2122007</b>	Sector of origin: Rest of the World
<b>2123000</b>	Pensioners and other
<b>2123005</b>	Sector of origin: Households
<b>2123007</b>	Sector of origin: Rest of the World

**1.2 General government contributions and other receipts**

<b>Code</b>	<b>Description</b>
<b>2200000</b>	General government contributions
<b>2210000</b>	Earmarked taxes
<b>2210002</b>	Sector of origin: Central government
<b>2210003</b>	Sector of origin: State and local government
<b>2210004</b>	Sector of origin: Social security funds
<b>2220000</b>	General revenue
<b>2220002</b>	Sector of origin: Central government
<b>2220003</b>	Sector of origin: State and local government
<b>2220004</b>	Sector of origin: Social security funds
<b>2300000</b>	Transfers from other schemes
<b>2310000</b>	Social contributions rerouted from other schemes
<b>2310005</b>	Sector of origin: Households
<b>2310007</b>	Sector of origin: Rest of the World
<b>2320000</b>	Other transfers from other resident schemes
<b>2400000</b>	Other receipts
<b>2410000</b>	Property income
<b>2410001</b>	Sector of origin: Corporations
<b>2410002</b>	Sector of origin: Central government
<b>2410003</b>	Sector of origin: State and local government
<b>2410004</b>	Sector of origin: Social security funds
<b>2410005</b>	Sector of origin: Households
<b>2410006</b>	Sector of origin: Non-profit institutions serving households
<b>2410007</b>	Sector of origin: Rest of the World
<b>2420000</b>	Other
<b>2420001</b>	Sector of origin: Corporations
<b>2420002</b>	Sector of origin: Central government
<b>2420003</b>	Sector of origin: State and local government
<b>2420004</b>	Sector of origin: Social security funds
<b>2420005</b>	Sector of origin: Households
<b>2420006</b>	Sector of origin: Non-profit institutions serving households
<b>2420007</b>	Sector of origin: Rest of the World



## 2 Expenditure

### 2.1 Compulsory data

Code	Description
<b>1000000</b>	Total expenditures
<b>1100000</b>	Social protection benefits
<b>1101000</b>	Social protection benefits non means-tested
<b>1101100</b>	Cash benefits non means-tested
<b>1101110</b>	Periodic cash benefits non means-tested
<b>1101120</b>	Lump sum cash benefits non means-tested
<b>1101200</b>	Benefits in kind non means-tested
<b>1102000</b>	Social protection benefits means-tested
<b>1102100</b>	Cash benefits means-tested
<b>1102110</b>	Periodic cash benefits means-tested
<b>1102120</b>	Lump sum cash benefits means-tested
<b>1102200</b>	Benefits in kind means-tested
<b>1200000</b>	Administration costs
<b>1300000</b>	Transfers to other schemes
<b>1310000</b>	Social contributions rerouted to other schemes
<b>1310001</b>	Social contributions rerouted paid on sickness/health care benefits
<b>1310002</b>	Social contributions rerouted paid on disability benefits
<b>1310003</b>	Social contributions rerouted paid on old age benefits
<b>1310004</b>	Social contributions rerouted paid on survivors benefits
<b>1310005</b>	Social contributions rerouted paid on family/children benefits
<b>1310006</b>	Social contributions rerouted paid on unemployment benefits
<b>1310007</b>	Social contributions rerouted paid on housing benefits
<b>1310008</b>	Social contributions rerouted paid on social exclusion n.e.c. benefits
<b>1320000</b>	Other transfers to other resident schemes
<b>1400000</b>	Other expenditure
<b>1410000</b>	Property income
<b>1420000</b>	Other

### 2.2 Optional data: Breakdown between residents and non-residents

Code	Description
<b>1100000</b>	Social protection benefits
<b>1100010</b>	Social protection benefits granted to resident households
<b>1100020</b>	Social protection benefits granted to non-resident households
<b>1100021</b>	Social protection benefits granted to residents of the EU
<b>1100022</b>	Social protection benefits granted to residents of other countries
<b>1400000</b>	Other expenditure
<b>1400001</b>	Other expenditure to resident units
<b>1400002</b>	Other expenditure to non-resident units

### 3 Detailed benefits by function

#### 3.1 Compulsory data

##### 3.1.1 SICKNESS/HEALTH CARE FUNCTION

Code	Description
<b>1110000</b>	Social protection benefits
<b>1111000</b>	Social protection benefits non means-tested
<b>1111100</b>	Cash benefits non means-tested
<b>1111110</b>	Periodic cash benefits non means-tested
<b>1111111</b>	Paid sick leave non means-tested
<b>1111112</b>	Other cash periodic benefits non means-tested
<b>1111120</b>	Lump sum cash benefits non means-tested
<b>1111121</b>	Other cash lump sum benefits non means-tested
<b>1111200</b>	Benefits in kind non means-tested
<b>1111210</b>	In-patient care non means-tested
<b>1111211</b>	Direct provision non means-tested
<b>1111212</b>	Reimbursement non means-tested
<b>1111220</b>	Out-patient care non means-tested
<b>1111221</b>	Direct provision of pharmaceutical products non means-tested
<b>1111222</b>	Other direct provision non means-tested
<b>1111223</b>	Reimbursement of pharmaceutical products non means-tested
<b>1111224</b>	Other reimbursement non means-tested
<b>1111230</b>	Other benefits in kind non means-tested
<b>1112000</b>	Social protection benefits means-tested
<b>1112100</b>	Cash benefits means-tested
<b>1112110</b>	Periodic cash benefits means-tested
<b>1112111</b>	Paid sick leave means-tested
<b>1112112</b>	Other cash periodic benefits means-tested
<b>1112120</b>	Lump sum cash benefits means-tested
<b>1112121</b>	Other cash lump sum benefits means-tested
<b>1112200</b>	Benefits in kind means-tested
<b>1112210</b>	In-patient care means-tested
<b>1112211</b>	Direct provision means-tested
<b>1112212</b>	Reimbursement means-tested
<b>1112220</b>	Out-patient care means-tested
<b>1112221</b>	Direct provision of pharmaceutical products means-tested
<b>1112222</b>	Other direct provision means-tested
<b>1112223</b>	Reimbursement of pharmaceutical products means-tested
<b>1112224</b>	Other reimbursement means-tested
<b>1112230</b>	Other benefits in kind means-tested



### 3.1.2 DISABILITY FUNCTION

Code	Description
<b>1120000</b>	Social protection benefits
<b>1121000</b>	Social protection benefits non means-tested
<b>1121100</b>	Cash benefits non means-tested
<b>1121110</b>	Periodic cash benefits non means-tested
<b>1121111</b>	Disability pension non means-tested
<b>1121112</b>	Early retirement benefit due to reduced capacity to work non means-tested
<b>1121113</b>	Care allowance non means-tested
<b>1121114</b>	Economic integration of the handicapped non means-tested
<b>1121115</b>	Other cash periodic benefits non means-tested
<b>1121120</b>	Lump sum cash benefits non means-tested
<b>1121121</b>	Care allowance non means-tested
<b>1121122</b>	Economic integration of the handicapped non means-tested
<b>1121123</b>	Other cash periodic benefits non means-tested
<b>1121200</b>	Benefits in kind non means-tested
<b>1121201</b>	Accommodation non means-tested
<b>1121202</b>	Assistance in carrying out daily tasks non means-tested
<b>1121203</b>	Rehabilitation non means-tested
<b>1121204</b>	Other benefits in kind non means-tested
<b>1122000</b>	Social protection benefits means-tested
<b>1122100</b>	Cash benefits means-tested
<b>1122110</b>	Periodic cash benefits means-tested
<b>1122111</b>	Disability pension means-tested
<b>1122112</b>	Early retirement benefit due to reduced capacity to work means-tested
<b>1122113</b>	Care allowance means-tested
<b>1122114</b>	Economic integration of the handicapped means-tested
<b>1122115</b>	Other cash periodic benefits means-tested
<b>1122120</b>	Lump sum cash benefits means-tested
<b>1122121</b>	Care allowance means-tested
<b>1122122</b>	Economic integration of the handicapped means-tested
<b>1122123</b>	Other cash periodic benefits means-tested
<b>1122200</b>	Benefits in kind means-tested
<b>1122201</b>	Accommodation means-tested
<b>1122202</b>	Assistance in carrying out daily tasks means-tested
<b>1122203</b>	Rehabilitation means-tested
<b>1122204</b>	Other benefits in kind means-tested

## 3.1.3 OLD AGE FUNCTION

Code	Description
<b>1130000</b>	Social protection benefits
<b>1131000</b>	Social protection benefits non means-tested
<b>1131100</b>	Cash benefits non means-tested
<b>1131110</b>	Periodic cash benefits non means-tested
<b>1131111</b>	Old-age pension non means-tested
<b>1131112</b>	Anticipated old age pension non means-tested
<b>1131113</b>	Partial pension non means-tested
<b>1131114</b>	Care allowance non means-tested
<b>1131115</b>	Other cash periodic benefits non means-tested
<b>1131120</b>	Lump sum cash benefits non means-tested
<b>1131121</b>	Other cash lump sum benefits non means-tested
<b>1131200</b>	Benefits in kind non means-tested
<b>1131201</b>	Accommodation non means -tested
<b>1131202</b>	Assistance in carrying out daily tasks non means-tested
<b>1131203</b>	Other benefits in kind non means-tested
<b>1132000</b>	Social protection benefits means-tested
<b>1132100</b>	Cash benefits means-tested
<b>1132110</b>	Periodic cash benefits means-tested
<b>1132111</b>	Old-age pension means-tested
<b>1132112</b>	Anticipated old age pension means-tested
<b>1132113</b>	Partial pension means-tested
<b>1132114</b>	Care allowance means-tested
<b>1132115</b>	Other cash periodic benefits means-tested
<b>1132120</b>	Lump sum cash benefits means-tested
<b>1132121</b>	Other cash lump sum benefits means-tested
<b>1132200</b>	Benefits in kind means-tested
<b>1132201</b>	Accommodation means-tested
<b>1132202</b>	Assistance in carrying out daily tasks means-tested
<b>1132203</b>	Other benefits in kind means-tested



### 3.1.4 SURVIVORS' FUNCTION

Code	Description
<b>1140000</b>	Social protection benefits
<b>1141000</b>	Social protection benefits non means-tested
<b>1141100</b>	Cash benefits non means-tested
<b>1141110</b>	Periodic cash benefits non means-tested
<b>1141111</b>	Survivors' pension non means-tested
<b>1141112</b>	Other cash periodic benefits non means-tested
<b>1141120</b>	Lump sum cash benefits non means-tested
<b>1141121</b>	Death grant non means-tested
<b>1141122</b>	Other cash lump sum benefits non means-tested
<b>1141200</b>	Benefits in kind non means-tested
<b>1141201</b>	Funeral expenses non means-tested
<b>1141202</b>	Other benefits in kind non means-tested
<b>1142000</b>	Social protection benefits means-tested
<b>1142100</b>	Cash benefits means-tested
<b>1142110</b>	Periodic cash benefits means-tested
<b>1142111</b>	Survivors' pension means-tested
<b>1142112</b>	Other cash periodic benefits means-tested
<b>1142120</b>	Lump sum cash benefits means-tested
<b>1142121</b>	Death grant means-tested
<b>1142122</b>	Other cash lump sum benefits means-tested
<b>1142200</b>	Benefits in kind means-tested
<b>1142201</b>	Funeral expenses means-tested
<b>1142202</b>	Other benefits in kind means-tested

## 3.1.5 FAMILY/CHILDREN FUNCTION

Code	Description
<b>1150000</b>	Social protection benefits
<b>1151000</b>	Social protection benefits non means-tested
<b>1151100</b>	Cash benefits non means-tested
<b>1151110</b>	Periodic cash benefits non means-tested
<b>1151111</b>	Income maintenance in the event of childbirth non means-tested
<b>1151112</b>	Parental leave benefit non means-tested
<b>1151113</b>	Family or child allowance non means-tested
<b>1151114</b>	Other cash periodic benefits non means-tested
<b>1151120</b>	Lump sum cash benefits non means-tested
<b>1151121</b>	Birth grant non means-tested
<b>1151122</b>	Parental leave benefit non means-tested
<b>1151123</b>	Other cash lump sum benefits non means-tested
<b>1151200</b>	Benefits in kind non means-tested
<b>1151201</b>	Child day care non means-tested
<b>1151202</b>	Accommodation non means-tested
<b>1151203</b>	Home help non means-tested
<b>1151204</b>	Other benefits in kind non means-tested
<b>1152000</b>	Social protection benefits means-tested
<b>1152100</b>	Cash benefits means-tested
<b>1152110</b>	Periodic cash benefits means-tested
<b>1152111</b>	Income maintenance in the event of childbirth means-tested
<b>1152112</b>	Parental leave benefit means-tested
<b>1152113</b>	Family or child allowance means-tested
<b>1152114</b>	Other cash periodic benefits means-tested
<b>1152120</b>	Lump sum cash benefits means-tested
<b>1152121</b>	Birth grant means-tested
<b>1152122</b>	Parental leave benefit means-tested
<b>1152123</b>	Other cash lump sum benefits means-tested
<b>1152200</b>	Benefits in kind means-tested
<b>1152201</b>	Child day care means-tested
<b>1152202</b>	Accommodation means-tested
<b>1152203</b>	Home help means-tested
<b>1152204</b>	Other benefits in kind means-tested



### 3.1.6 UNEMPLOYMENT FUNCTION

Code	Description
<b>1160000</b>	Social protection benefits
<b>1161000</b>	Social protection benefits non means-tested
<b>1161100</b>	Cash benefits non means-tested
<b>1161110</b>	Periodic cash benefits non means-tested
<b>1161111</b>	Full unemployment benefit non means-tested
<b>1161112</b>	Partial unemployment benefit non means-tested
<b>1161113</b>	Early retirement benefit for labour market reasons non means-tested
<b>1161114</b>	Vocational training allowance non means-tested
<b>1161115</b>	Other cash periodic benefits non means-tested
<b>1161120</b>	Lump sum cash benefits non means-tested
<b>1161121</b>	Vocational training allowance non means-tested
<b>1161122</b>	Redundancy compensation non means-tested
<b>1161123</b>	Other cash lump sum benefits non means-tested
<b>1161200</b>	Benefits in kind non means-tested
<b>1161201</b>	Mobility and resettlement non means-tested
<b>1161202</b>	Vocational training non means-tested
<b>1161203</b>	Placement services and job-search assistance non means-tested
<b>1161204</b>	Other benefits in kind non means-tested
<b>1162000</b>	Social protection benefits means-tested
<b>1162100</b>	Cash benefits means-tested
<b>1162110</b>	Periodic cash benefits means-tested
<b>1162111</b>	Full unemployment benefit means-tested
<b>1162112</b>	Partial unemployment benefit means-tested
<b>1162113</b>	Early retirement benefit for labour market reasons means-tested
<b>1162114</b>	Vocational training allowance means-tested
<b>1162115</b>	Other cash periodic benefits means-tested
<b>1162120</b>	Lump sum cash benefits means-tested
<b>1162121</b>	Vocational training allowance means-tested
<b>1162122</b>	Redundancy compensation means-tested
<b>1162123</b>	Other cash lump sum benefits means-tested
<b>1162200</b>	Benefits in kind means-tested
<b>1162201</b>	Mobility and resettlement means-tested
<b>1162202</b>	Vocational training means-tested
<b>1162203</b>	Placement services and job-search assistance means-tested
<b>1162204</b>	Other benefits in kind means-tested

**3.1.7 HOUSING FUNCTION**

Code	Description
<b>1170000</b>	Social protection benefits
<b>1172000</b>	Social protection benefits means-tested
<b>1172200</b>	Benefits in kind means-tested
<b>1172210</b>	Rent benefits means-tested
<b>1172211</b>	Social housing means-tested
<b>1172212</b>	Other rent benefits means-tested
<b>1172220</b>	Benefit to owner-occupiers means-tested

**3.1.8 SOCIAL EXCLUSION (N.E.C.) FUNCTION**

Code	Description
<b>1180000</b>	Social protection benefits
<b>1181000</b>	Social protection benefits non means-tested
<b>1181100</b>	Cash benefits non means-tested
<b>1181110</b>	Periodic cash benefits non means-tested
<b>1181111</b>	Income support non means-tested
<b>1181112</b>	Other cash periodic benefits non means-tested
<b>1181120</b>	Lump sum cash benefits non means-tested
<b>1181121</b>	Other cash lump sum benefits non means-tested
<b>1181200</b>	Benefits in kind non means-tested
<b>1181201</b>	Accommodation non means-tested
<b>1181202</b>	Rehabilitation of alcohol and drugs abusers non means-tested
<b>1181203</b>	Other benefits in kind non means-tested
<b>1182000</b>	Social protection benefits means-tested
<b>1182100</b>	Cash benefits means-tested
<b>1182110</b>	Periodic cash benefits means-tested
<b>1182111</b>	Income support means-tested
<b>1182112</b>	Other cash periodic benefits means-tested
<b>1182120</b>	Lump sum cash benefits means-tested
<b>1182121</b>	Other cash lump sum benefits means-tested
<b>1182200</b>	Benefits in kind means-tested
<b>1182201</b>	Accommodation means-tested
<b>1182202</b>	Rehabilitation of alcohol and drugs abusers means-tested
<b>1182203</b>	Other benefits in kind means-tested

### 3.2 Optional data

#### SICKNESS/HEALTH CARE FUNCTION

3.2.1 Pay leave in the event of sickness or injury of a dependent family member (included in the items "Paid sick leave" -1111111 and 1112111-)

Sickness / Health function	
<b>1111111</b>	<i>Paid sick leave non means-tested</i>
<b>1111119</b>	Pay leave in the event of sickness or injury of a dependent family member non means-tested
<b>1112111</b>	<i>Paid sick leave means-tested</i>
<b>1112119</b>	Pay leave in the event of sickness or injury of a dependent family member means-tested

#### DISABILITY, OLD AGE AND UNEMPLOYMENT FUNCTIONS

3.2.2 Supplement for dependent children

Disability function	
<b>1121111</b>	<i>Disability pension non means-tested</i>
<b>1121119</b>	Supplement for dependent children
<b>1122111</b>	<i>Disability pension means-tested</i>
<b>1122119</b>	Supplement for dependent children
Old age function	
<b>1131111</b>	<i>Old-age pension non means-tested</i>
<b>1131119</b>	Supplement for dependent children
<b>1131112</b>	<i>Anticipated old age pension non means-tested</i>
<b>1131129</b>	Supplement for dependent children
<b>1131113</b>	<i>Partial pension non means-tested</i>
<b>1131139</b>	Supplement for dependent children
<b>1132111</b>	<i>Old-age pension means-tested</i>
<b>1132119</b>	Supplement for dependent children
<b>1132112</b>	<i>Anticipated old age pension means-tested</i>
<b>1132129</b>	Supplement for dependent children
<b>1132113</b>	<i>Partial pension means-tested</i>
<b>1132139</b>	Supplement for dependent children
Unemployment function	
<b>1161111</b>	<i>Full unemployment benefit non means-tested</i>
<b>1161119</b>	Supplement for dependent children
<b>1161112</b>	<i>Partial unemployment benefit non means-tested</i>
<b>1161129</b>	Supplement for dependent children
<b>1162111</b>	<i>Full unemployment benefit means-tested</i>
<b>1162119</b>	Supplement for dependent children
<b>1162112</b>	<i>Partial unemployment benefit means-tested</i>
<b>1162129</b>	Supplement for dependent children

*SURVIVORS' FUNCTION*

3.2.3 For the items 1141111 and 1142111 “Survivors’ pensions over the standard retirement age”

<b>Survivors' function</b>	
<b>1141111</b>	<i>Survivors' pension non means-tested</i>
<b>11411119</b>	Survivors' pensions over the standard retirement age
<b>1142111</b>	<i>Survivors' pension means-tested</i>
<b>11421119</b>	Survivors' pensions over the standard retirement age



## APPENDIX II: Qualitative information by scheme and detailed benefit

- 1 Qualitative information by scheme and detailed benefit provides:
  - a more in-depth knowledge of social protection schemes;
  - better information to evaluate scheme and benefit classifications;
  - a clearer basis for footnotes in publications and for ESSPROS database in New Cronos;
  - an improved response to questions from users of data by scheme;
  - a support during the validation process of quantitative data and data on pension beneficiaries.
- 2 The following information sets (Table A) in English should be available and annually updated (Table B):

Table A: ESSPROS qualitative information sets Table
<p><b>1.1 General information includes:</b></p> <ol style="list-style-type: none"> <li>1. Period covered</li> <li>2. Date of updating qualitative information</li> <li>3. Responsible organisation, person and E-mail contact</li> </ol> <p><b>1.2 General description of the scheme includes:</b></p> <ol style="list-style-type: none"> <li>1. English and original (in national language) name of the scheme</li> <li>2. Scheme movement (year of introducing/abolishing/merging/splitting of the scheme)</li> <li>3. classifications of the scheme</li> <li>4. reference legislation and/or regulation</li> <li>5. organisation(s) responsible for running the scheme</li> <li>6. financing of the scheme</li> <li>7. scope (protected people under scheme)</li> <li>8. bibliography and web bibliography (optional)</li> <li>9. history of the scheme</li> <li>10. notes (other important information)</li> </ol> <p><b>1.3 Description of the benefit includes:</b></p> <ol style="list-style-type: none"> <li>1. English and original name of benefit</li> <li>2. Year of introducing or abolishing the benefit</li> <li>3. General conditions for granting the benefit</li> <li>4. The categories of beneficiaries</li> <li>5. Taxation of benefit</li> </ol>

- 3 Period covered (yearT1 to yearT2)  
Current qualitative information should refer to the calendar yearT2, where yearT2 is the year to which last collected quantitative data refers to.

Information on period covered (starting from year 2006 compulsorily or from the first year of the availability of data when it is possible) should supply general information on the social protection system main evolutions (at least in items: scheme movement, history of scheme, notes, etc.) affecting the scheme.

- 4 Date of updating qualitative information should be refer to month and year of the last updating by country.
- 5 English and original (in national language) name of scheme
- 6 Scheme movement: information on year of introducing or abolishing or merging or splitting of the scheme
- 7 Classifications of the scheme: the classification of the schemes under the five criteria set in the Commission Regulation (EC) No 10/2008, (Section 1 of Annexes I and II) and following the detailed classification in the ESSPROS Manual.
- 8 Reference legislation and/or regulation: List of valid legislation (name, number and years)
- 9 Organisation(s) responsible for running the scheme: Name of organisation(s) [abbreviation optional]
- 10 Financing of the scheme: Short description and list of payers.
- 11 Scope (protected people under scheme): Short description of list of risks and covered people.
- 12 Bibliography and web bibliography: (optional information):
- 13 History of the scheme <sup>(19)</sup> a brief description of the main reforms of the scheme for the whole period covered.
- 14 Notes: links between schemes and other important information not elsewhere included.
- 15 Description of benefit(s) recorded under the reference heading comprising information for every benefit as follows:
  - a) English and original name of benefit [in bracket]
  - b) Year of introducing or abolishing of benefit (during covered period)
  - c) General conditions for granting the benefit
  - d) The categories of beneficiaries
  - e) Taxation of benefit (liability to taxes and social contributions)
- 16 Annual updating of a complete set of previous qualitative information should be refer to current transmission quantitative data and will be limited to changes in the social protection system and will apply for following items (Table B):

---

<sup>(19)</sup> If relevant

**Table B: Annual updating qualitative information**

on the qualitative database level<sup>(1)</sup> for all items:

on the scheme level<sup>(1)</sup>

- a) complete description of introduced schemes
- b) information about abolished schemes
- c) name of new legal act or regulation
- d) brief description of the main reform<sup>(2)</sup>
- e) new reference publications or web sites (optional)

on the benefit level<sup>(3)</sup>

- a) complete description of introduced benefit
- b) information about abolished benefit
- c) updating description of benefit

<sup>(1)</sup> In accordance with the previous paragraph 3-4

<sup>(2)</sup> In accordance with the previous paragraphs 5-14

<sup>(3)</sup> In accordance with the previous paragraph 15





## APPENDIX III: Methodology of the module on pension beneficiaries

### 1 Scope of the pension beneficiaries module

- 1 According to the EP and Council Regulation 458/2007 (Annex II), pension beneficiaries are defined as recipients of one or more of the periodic cash benefits of a social protection scheme falling within seven pension categories (disability pension; early retirement benefit due to reduced capacity to work; old-age pension; anticipated old-age pension; partial pension; survivors' pension; early retirement benefit due to labour market reasons).

A social protection scheme is defined in the same Regulation as: "a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing".

- 2 The aim of the module on pension beneficiaries is to calculate the total number of beneficiaries within:
  - Each of the previously mentioned seven categories of pensions;
  - Each of the four functions grouping these categories (disability, old-age, survivors' and unemployment);
  - and, at total level, for the aggregation of the four functions.

### 2 Statistical units and data collection requirements

- 3 Data, i.e. the number of beneficiaries, expressed exclusively in units (not thousands, millions...of pensioners), must be provided by social protection scheme ("scheme" level) and for the total of schemes ("all schemes" level).

Each of the 7 pension categories in the definition is further split into two subcategories, non means-tested and means-tested pensions, so that the total number of elementary (they are not obtained by aggregation of other items in the questionnaire but rather directly from data sources) items for which figures are to be provided is 14.

- 4 At "all schemes" level (see paragraph 3.1), the information must be broken down by gender while this breakdown is optional at "scheme" level (see paragraph 3.2.). At both levels, figures on pension beneficiaries (standard table Benefits/Schemes of the questionnaire), are integrated by information concerning legal aspects with direct impact on data (qualitative information) and complementing statistics (quantitative data), from here on defined "Supplementary information". For both the kinds of information (standard table and supplementary information) compulsory and optional elements are distinguished.
- 5 In general, the number of pensions received by pensioners differs from the number of pensioners as many pensioners might receive more than one pension. The total number of beneficiaries is, so, defined as the number of persons receiving at least one pension (i.e. a person who receives more than one pension is counted only once). Double counting is to be avoided. Calculating the number of beneficiaries entails gradual aggregation in shifting from a unit (scheme) level to an overall (all schemes) one. Double counting must be spotted and treated at all stages of this gradual process of aggregation. Some guidance for detecting, estimating and eliminating double counting is given in paragraph 4.2.

### 3 Definitions and classifications

- 6 General definitions of categories and classification of the beneficiaries included as mandatory in the module are laid down in the Commission Regulation (EC) No 10/2008, Section 2 of Annexes I and II, respectively. For optional information this appendix has to be referred.
- 7 Detailed definitions of the benefits included under the seven categories of pension (disability, early retirement benefit due to reduced capacity to work, old-age, anticipated old-age, partial, survivors' and early retirement due to labour market reason) and subcategories (breakdown according to mean-testing), and here mentioned by item-codes, are defined in the ESSPROS Manual, Part 2 (where categories are grouped by function).

#### 3.1 All schemes (total) level

##### 3.1.1 Compulsory data

- 8 Special items and codes have been created for the pension beneficiaries' module in order to report, compulsorily at all schemes level, on the total number of beneficiaries without double counting for the seven categories and the four functions involved (see their nested classification in Table A).

<b>Table A: Classification of pension beneficiaries <u>without double counting</u> at all schemes (total) level</b>
<b><u>Total pension beneficiaries</u></b>
<b>Total pension beneficiaries in disability function</b>
Disability pension beneficiaries
Beneficiaries receiving early retirement benefits due to reduced capacity to work
<b>Total pension beneficiaries in old-age function</b>
Old-age pension beneficiaries
Anticipated old-age pension beneficiaries
Partial pension beneficiaries
<b>Total pension beneficiaries in survivors' function</b>
Survivors' pension beneficiaries
<b>Total pension beneficiaries in unemployment function</b>
Beneficiaries receiving early retirement benefits for labour market reasons
<b><i>Total pension beneficiaries in old-age and survivors' functions</i></b>

Ranging from a pension category level, through the function level up to the total number of beneficiaries, these special items and corresponding codes, as listed in the questionnaire are so defined:

- 9 Total pension beneficiaries (1000000). It is the number of persons in the country receiving at least one pension. It is obtained as aggregation of the totals for the four functions (1120110, 1130110, 1140111, 1160113), treating for *type 6* double counting.



- 10 Total pension beneficiaries in disability function (1120110). It is the number of beneficiaries obtained as aggregation of the 2 following categories classified under the Disability function, treating for *type 4.1* double counting:

Disability pension beneficiaries (1120111). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1121111 and 1122111, treating for *type 3* double counting;

Beneficiaries receiving early retirement benefits due to reduced capacity to work (1120112). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1121112 and 1122112, treating for *type 3* double counting.

- 11 Total pension beneficiaries in old-age function (1130110). It is the number of pension beneficiaries obtained as aggregation of the 3 following categories classified under the Old age function treating for *type 4.2* double counting:

Old-age pension beneficiaries (1130111). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131111 and 1132111, treating for *type 3* double counting;

Anticipated old-age pension beneficiaries (1130112). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131112 and 1132112, treating for *type 3* double counting;

Partial pension beneficiaries (1130113). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131113 and 1132113, treating for *type 3* double counting.

- 12 Total pension beneficiaries in survivors' function (1140111). It is the number of pension beneficiaries classified under the Survivors' function obtained as aggregation of the elementary items 1141111 and 1142111, treating for *type 3* double counting.

- 13 Total pension beneficiaries in unemployment function (1160113). It is the number of pension beneficiaries classified under the Unemployment function obtained as aggregation of the elementary items 1161113 and 1162113, treating for *type 3* double counting.

- 14 Total pension beneficiaries in old-age and survivors' function (1190110). It is the number of pension beneficiaries obtained as aggregation of the total old-age and total survivors' beneficiaries (1130110 and 1140111) treating for *type 5* double counting.

Such information on the relation between the two largest pension categories should help to explain differences between the total number of pensioners in a country and the figure obtained through aggregation of functions' totals.

### 3.1.2 Optional data

- 15 Supplementary information is included at "all schemes" level as optional:

(e) Rest of the world: number of beneficiaries living outside the country. Information about the pensions paid to non-residents.

## 3.2 Scheme level

### 3.2.1 Compulsory data

- 16 At "scheme" level, figures for the "Total" (Men and Women) column are compulsory just for those items, out of the 14 (categories and subcategories), treated by that particular scheme.

For any scheme qualitative information has to be provided with respect to:

(a) Legal or standard retirement age by gender.

A legal/standard retirement age by gender must be indicated for each scheme providing old-age benefits according to the definitions given in the Commission Regulation (EC) No 10/2008. Further on this in paragraph 4.1;

(b) Reference date / mode of calculation.

Under Annex II, point 2 of the EP and Council Regulation 458/2007 data provision is established with reference to the end of the calendar year. This figure refers to the number of beneficiaries on 31 December/1 January. Further on this in paragraph 4.

### 3.2.2 Optional data

- 17 The information by scheme could be further integrated by the gender breakdown of data (the questionnaire is structured so to include these figures) and by the following supplementary information:

(c) Total number of pension beneficiaries by scheme (and by gender).

It may be defined as the number of persons receiving at least one pension provided by the scheme, i.e. a person who receives more than one pension is counted only once.

(d) Total number of pension benefits by scheme (and by gender).

Linked to the value under c), this information, basic for a better assessment of the importance of double counting, may be defined as the total number of benefits provided by the scheme, (i.e. a person who receives more than one pension is counted several times).

## 4. Guidelines and issues

- 18 The layout of the questionnaire to be used for the pension beneficiaries' module is as the one in annex 3.1 in ESSPROS Manual and user guidelines. Its format is developed in compliance with the rules on transmission set by the Commission Regulation (EC) No 1322/2007, implementing ESSPROS (Annex I, Section 2).
- 19 The ESSPROS Manual to the Core system has to be referred for general principles in filling in the questionnaire. Though, the two main aspects defining recording in the pension beneficiaries' module are:
- 1) Recording of benefits paid to beneficiaries over the legal/standard retirement age, as established in the reference scheme, has to be dealt differently on the basis of the category of benefit formerly participated. More details are given in paragraph 4.1;
  - 2) Calculating the number of pension beneficiaries necessitates the identification of double counting and if double counting exists, its elimination at all stages of aggregation. Guidelines are given in detail in paragraph 4.2.



- 20 Alternative practices follow for issues that are likely to be met by countries when filling in the questionnaire:
- 21 The data required concern the number of beneficiaries. In the impossibility to supply this information at scheme level, the number of benefits should be supplied, by explicitly indicating the value concerns the benefits and not the beneficiaries. In this case, calculating the number of beneficiaries, at "all schemes" level, would require estimates for the sum of double counting (*Number of beneficiaries = Number of benefits – Sum of double counting*).
- 22 The values at "all scheme" level have to be supplied broken down by gender. If this breakdown is not known, or supplying it would represent a very hard work or would involve a worsening on the data, an estimation of the figures concerning the two genders has to be provided.
- 23 The questionnaire sent to any Member State would contain white cells for those benefits for which expenditures (quantitative data in ESSPROS Core system) were recorded the year before the one pension beneficiaries' collection refers to. The values should be inserted only in these "white cells". In case some schemes are missing (for instance, a new scheme has started up), it is possible to add them, maintaining the same format in the questionnaire.
- 24 In case of discovering inconsistencies between expenditure figures and data on pension beneficiaries due to an imperfect classification of expenditure data (e.g. expenditures on disability pensions above the legal/standard retirement age not recorded under old age), it is recommended to revise and improve the classification of expenditure data rather than classifying data on the number of beneficiaries in the wrong way. So again, there might be the need to revise the questionnaire (including a short comment indicating these revisions would be very helpful).

#### 4.1 Legal/standard age of retirement

- 25 The concepts of legal and standard retirement age, defined in the Commission Regulation (EC) No 10/2008, Annex I, are necessary, as stated in the Part 2 of Manual, to distinguish clearly between the old-age functions and other functions.
- 26 Regardless the country-specific practice, in order to respect the principle of the functional classification of the ESSPROS, pensions paid to beneficiaries over the legal/standard retirement age, as established in the reference scheme, must be recorded under the item old-age pension in case the benefit provided was formerly classified as disability pension; not the same applies to survivors' pensions keeping their classification regardless the age of the pensioner.
- 27 The concepts are better explained in the user guidelines integrating the ESSPROS Manual where further guidance to practical issues is given.

Countries specifying a standard retirement age should indicate the methods or the reasons for selecting a specific age.

#### 4.2 Treatment of double counting

- 28 Stages of the gradual aggregation process where double counting could arise have been individuated (Table B).

**Table B: Ordered steps in elimination of double counting in number of pension beneficiaries**

1. At cell level inside a scheme
2. At one pension category level between schemes
3. At item level between Non Means and Means-tested subcategories
4. At intra-function level
5. At inter-function level (Old-age plus Survivors)
6. At total pension beneficiaries level

Different double counting types are numbered according to the implicit ordered steps followed in the data aggregation process leading to the total number of pension beneficiaries. Double counting when aggregating at scheme level is not included in the methodology as its treatment is not finalized to obtain data as in the aim of the module.

#### *A. Double counting for a pension category inside a scheme (cell level): type 1*

- 29 The first step in filling in the questionnaire is the aggregation of all benefits included under the same heading; a cell can include either different types of benefits (case 1.1) or beneficiaries from two or more schemes (case 1.2).
- 30 case 1.1) If the cell refers to a category including different types of benefits, in most cases the number of beneficiaries cannot be obtained by a simple aggregation of the beneficiaries of the benefits included in the cell because a person can be beneficiary of different benefits at the same time.
- 31 case 1.2) Sometimes, because of the lack of information, it is impossible to know how many beneficiaries receive one specific type of benefits from a scheme, and how many from another one. In this case an estimate/imputation of the breakdown between the schemes should be made.

#### *B. Double counting between schemes (pension category level): type 2*

- 32 The second step is horizontal aggregation: the same pension category is aggregated through schemes. Double counting between schemes has to be eliminated since, in general, the number of beneficiaries given under a social benefit (pension), cannot be obtained by a simple aggregation of the beneficiaries for all the schemes.

For a given benefit, pensioners might be beneficiaries of:

- 33 case 2.1) several basic schemes (e.g., public and private).  
If this the case and each person has an own personal identification number (that is, for instance, given to everyone soon after birth), the double counting can be easily avoided. Otherwise, a correction coefficient, showing the relationship between pensions and pensioners, could be used.
- 34 case 2.2) several supplementary schemes.  
The same methods mentioned for case 2.1 could be used.
- 35 case 2.3) one basic and one supplementary scheme.  
Each pensioner gets benefits from a basic scheme and from a supplementary scheme: the beneficiaries of the supplementary scheme should not be aggregated.



- 36 case 2.4) several basic schemes and one supplementary scheme.  
One should first deal with double counting between supplementary and basic (see case 2.3) and then with double counting between the basic schemes (case 2.1).
- 37 case 2.5) one basic scheme and several supplementary schemes.  
It is necessary first to treat double counting between supplementary schemes (see case 2.2) and then proceed as indicated in case 2.3.
- 38 case 2.6) several basic schemes and several supplementary schemes.  
It is necessary first to treat double counting between supplementary schemes (see case 2.2) and then proceed as indicated in case 2.4.

*C. Double counting between non-means-tested and means-tested pension categories (item level): type 3*

- 39 Third step, set at all-schemes level, is the aggregation of non means-tested and means-tested subcategories of any benefit.  
At this step, generally it is the case where no double counting arises, but in some countries different situations may deserve attention:
- 40 case 3.1), all the beneficiaries of means-tested benefit also get a non means-tested benefit. In this case, the number of beneficiaries without double counting is the number of beneficiaries of the non means-tested benefit.
- 41 case 3.2) if a beneficiary of a means-tested benefit does not get necessarily a non means-tested benefit as well, the methods to estimate the total number of beneficiaries (non means-tested + means-tested) for that benefit should be indicated.

*D. Double counting between categories in aggregation*

- 42 In the last step, namely vertical aggregation at all-schemes level, double counting treatment has to be dealt with differently according to degrees of aggregation (intra-function aggregation, inter-function aggregation, total aggregation).

**D.1 Double counting in intra-function aggregation:**

With respect to the two functions involved:

**Double counting in Disability function: type 4.1**

- 43 There should be no double counting between the pensions categories falling under the disability function, because the conditions for granting these pensions are different (see § 24 and 25 in ESSPROS Manual – Part 2). Hence, if it is the case, the number of beneficiaries can be easily calculated by adding the beneficiaries of these two pension categories. For countries meeting problems in distinguishing between "disability pensions" and "early retirement benefits due to reduced capacity to work" references and clarifying examples could be found in the ESSPROS Manual and user guidelines.

### Double counting in Old-age function: type 4.2

- 44 In theory, the number of beneficiaries for old-age can easily be calculated by adding up the beneficiaries of the three pension categories. Following the ESSPROS methodology, there should be no double counting between the three pension categories falling under the old-age function, because, as specified in the ESSPROS Manual, the anticipated and partial pensions are converted into old age-pensions when the beneficiary reaches the retirement age or when he/she retires completely. Still exceptions to this general principle could be met by countries: in this case references and clarifying examples could be found in the ESSPROS Manual and user guidelines.

### D.2 Double counting in inter-function aggregation

#### Double counting between total old age and survivors' pension beneficiaries: type 5

- 45 Whether the case of a country without a national pension system integrating old age, disability and survivors' functions and without a conversion system transforming disability and survivors' pensions into old age pensions at the legal retirement age, double counting might be present when aggregating pensioners under "old-age pension" and those under "survivors' pension".

#### Double counting in total number of pensioners: type 6

- 46 The total number of pensioners, previously indicated by the code 1000000, is defined as in § 9 of this Appendix. Generally speaking, the number of the total of pension beneficiaries is not assumed to be equal to the sum of the beneficiaries of each pension category even though it is obtained as aggregation of them.

Further difficulties are expected to appear for some countries, when double counting has to be eliminated at this final stage. In these cases, the value for total pensioners might be obtained from other sources (e.g. administrative data).

- 47 Double counting between beneficiaries in disability and old-age functions does not need to be eliminated, if disability cash benefits paid after retirement age are recorded in the old-age function under the old-age pensions as required in the methodology. Still, double counting might arise between survivors' and disability pensions and between the category partial pensions and other pension categories.

## APPENDIX IV: Methodology of the module on net social protection benefits (restricted approach)

### 1 Introduction

- 1 According with the decision taken at the April 2009 Working Group meeting on net social benefits, Eurostat decided to implement the net benefits module according to the so-called restricted approach, explained in the following. The module on net social protection benefits should be obtained using this approach, in order to have the same population of beneficiaries of the gross social protection benefits collected in the ESSPROS Core System.

#### 1.1 Background

- 2 The ESSPROS Core system consists of a stable, annually collected set of data on the receipts and expenditures of social protection schemes in the European Union. ESSPROS data are collected according to the Regulation 458/2007 and two supplementary Commission Regulations. The first Regulation provides the basis for the development of a module on net social protection benefits. Following this provision, other two Commission Regulations were introduced as legal basis for the module on net social protection benefits.
- 3 The methodology of the Core system is defined in the first two parts of this manual, which is the reference document for the four Commission Regulations implementing the EP and Council ESSPROS Regulation. It contains all detailed definitions and classifications for the ESSPROS Core system. This appendix dedicated to the module on net social protection benefits (restricted approach) should be seen as an extension to the first two parts, following all definitions given therein and providing additional definitions and clarifications where necessary.
- 4 The ESSPROS Core system collects data on the expenditure on social protection benefits provided by public and private bodies to individuals and households without any deduction of taxes and other obligatory levies payable on social benefits by beneficiaries. This expenditure is therefore considered as *gross*. It represents the value of social benefits disbursed by resident social protection schemes and the value of benefits received in cash or in kind by beneficiaries.
- 5 However, the cross-country comparability of data on gross expenditure is limited by the fact that in some cases the benefits paid to recipients are liable to taxes on income and/or social contributions, whilst in others they are not. Taxes and social contributions levied on social benefits have the effect of reducing the gross expenditure of general government on social protection and reducing the extent to which social benefits increase the disposable income of recipients.
- 6 The aim of the ESSPROS module on net social protection benefits is to collect information that measures the impact of the fiscal system on gross expenditure and thereby provide data on net social protection expenditure that are more comparable between countries.

#### 1.2 The restricted and enlarged approaches to measuring net social protection benefits

- 7 Article 2 of the ESSPROS Regulation (EC) No 458/2007 of the European Parliament and of the Council defines net social protection benefits to be “*the value of social protection benefits excluding*

*taxes and social contributions paid by the benefits' recipients complemented by the value of fiscal benefits*" where fiscal benefits are defined to be *"social protection provided in the form of tax breaks that would be defined as social protection benefits if they were provided in cash, excluding tax breaks promoting the provision of social protection or promoting private insurance plans"*. This definition marks out two separate elements to net benefits.

- 8 The first – social protection benefits less taxes and social contributions paid on those benefits by their recipients – implies no change to the scope of the Core system. It represents a strict conversion from gross expenditure to net expenditure after taking into account the value of taxes and social contributions paid on gross benefits. By definition, the population of recipients of net and gross benefits must be the same. This is known as the "restricted approach" to measuring net benefits.
- 9 The second element – fiscal benefits – potentially enlarges the scope of the net benefits module compared to the Core system because it includes the value of social benefits implemented solely through the fiscal system, which are not included in the Core system. Fiscal benefits reduce the amount of taxes and/or social contributions paid on all forms of income (e.g. from employment) and therefore increase the disposable income of beneficiaries in addition to the social benefits recorded in the Core system. Moreover, fiscal benefits may accrue to persons who receive no social benefits paid in cash or in kind who are therefore not members of the population of benefit recipients covered by the Core system. Adding the value of fiscal benefits to the value of net benefits according to the restricted approach is known as the "enlarged" approach to measuring net benefits<sup>20</sup>. The two approaches can be summarised as follows (<sup>21</sup>):

**F.1** *Net social benefits (restricted) = Gross social benefits – Taxes & social contributions paid on benefits by recipients*

**F.2** *Net social benefits (enlarged) = Net social benefits (restricted) + Fiscal benefits*

### 1.3 Development of the net benefits module (restricted approach)

- 10 In accordance with the timetable laid out in Article 5 of the ESSPROS Regulation (EC) No 458/2007 of the European Parliament and of the Council, Eurostat launched in 2007 a programme of work to implement a pilot collection of data on net social protection benefits referring to 2005.
- 11 Following consultation with a Task Force meeting in January 2008, Eurostat decided to implement the net benefits module according to the restricted approach.
- 12 A pilot data collection of net social protection benefits according to the restricted approach was launched in April 2008 for all EU-27 countries plus Iceland and Norway, with a deadline for submission of data by the end of October 2008. Preliminary results were presented to a full Working Group on net benefits in April 2009. In accordance with the procedure outlined in Article 5.2 of the regulation, the meeting voted in favour of progressing work towards the implementation of the module on net social protection benefits (restricted approach) as a routine data collection.

<sup>(20)</sup> Note that part of the value of fiscal benefits is in fact included in the restricted approach since any relief on the levies paid on income from social benefits will be accounted for in the actual value of taxes and social contributions deducted from the gross benefits. See the section on *residual fiscal benefits*.

<sup>(21)</sup> Both definitions are given for matter of clarification. According to the decision taken by Member States, the approach to be used for compiling net social protection benefits is the restricted approach. The enlarged approach is at an experimental stage only.

## 2 The definition of net social protection benefits (restricted approach)

### 2.1 The concepts of gross and net social protection benefits

- 13 Expenditure recorded in the Core system <sup>(22)</sup> covers **gross** social protection benefits (paragraph 99, 100 and 129 of the first part of this manual)– it refers to the value of social benefits disbursed by general government before the deduction of any taxes or social contributions paid on social benefits by their recipients.
- 14 The ESSPROS module on **net** social protection benefits (restricted approach) records social benefits after the deduction of taxes or social contributions paid on cash social benefits by their recipients.

$$\Rightarrow \text{Net social benefits (restricted)} = \text{Gross social benefits} - \text{Taxes \& social contributions paid on benefits by recipients}$$

### 2.2 Obligatory levies: Taxes and social contributions

- 15 The net benefits module (restricted approach) determines the final net value of social benefits by deducting from gross social benefits the part of the combined value of two forms of obligatory levy applied by general government to the income of fiscal units that relates to liable cash social benefits:
- (i) Taxes on income
  - (ii) Social contributions

### 2.3 Definitions

- 16 *Taxes on income* refers to taxes on individual or household income from employment, property, entrepreneurship, social benefits, etc., including taxes deducted by employers (pay-as-you-earn taxes)<sup>(23)</sup>. (In the remainder of the document *Taxes on income* are often referred to simply as *taxes*.)
- 17 *Social contributions* refers to compulsory *social contributions paid by protected persons* as defined in this manual, first part, par. 75.
- 18 Social contributions refer only to compulsory contributions paid by employees, self-employed persons and non-employed persons. Non-compulsory contributions to private schemes are not included.
- 19 Social contributions in the net benefits module should never include employers' contributions - either actual or imputed - since these are not levies applied to income from social benefits actually received by individuals or households.

<sup>(22)</sup> The ESSPROS Core system collects data on the expenditure of social protection schemes broken down into four main categories: social benefits, administration costs, transfers to other schemes and, finally, other expenditure.

<sup>(23)</sup> [See ESA definition of Taxes on income \(D.51\)](#)

## 2.4 Principles of valuation

- 20 For the assessment of the taxes and social contributions payable by fiscal units, income from liable social benefits is typically cumulated with other sources of income (primarily from employment) to form a *tax base* (or social-contribution base). Since the final liability is determined by the value of the tax base as a whole, the liabilities cannot be attributed directly to particular components of the tax base and are therefore considered to be distributed according to the proportion each income component represents within the tax base.
- 21 The part of the total liability related to benefits is therefore calculated as:
- $$\Rightarrow \text{Taxes on benefits} = ( \text{Value of benefits liable to taxes} / \text{Tax base} ) * \text{Total tax payable}$$
- $$\Rightarrow \text{Social contributions on benefits} = ( \text{Value of benefits liable to social contributions} / \text{Social contribution base} ) * \text{Total social contributions payable}$$
- 22 The value of taxes and social contributions to be taken into account should always be the final liability, taking into account any post year-end adjustments and, where relevant, the impact of any fiscal benefits as they apply to liabilities derived from social benefits. In the case that this is not possible, residual fiscal benefits may be reported as complementary amounts (see below).
- 23 Social benefits that are not liable to taxes or to social contributions do not form part of a tax base or social contribution base. The net value of benefits not liable to levies will always be the same as the gross value.

## 2.5 Further clarifications

- 24 Withholding taxes are taxes due on income from social benefits that are calculated in advance of payment, withheld by the payment authority and paid directly to the tax authority on behalf of the recipient. Withholding taxes should not be taken into account when calculating taxes paid on social benefits in the case they are not included in the gross amount paid to the recipient, which is effectively already net of these taxes. In this case to include withholding taxes in the net module would therefore introduce a double counting.
- 25 The same applies to re-routed social contributions, which are not included in gross benefits paid to recipients but transferred directly to the appropriate social protection scheme.

## 2.6 Residual fiscal benefits

- 26 *Fiscal benefits* are social protection provided in the form of tax breaks that would be defined as social protection benefits if they were provided in cash, excluding tax breaks promoting the provision of social protection or promoting private insurance plans<sup>(24)</sup>.
- 27 A *tax break* is an advantage granted to fiscal units in the form of a total or partial reduction in the compulsory levies (taxes on income, social contributions) applied by general government and which is granted for the purposes of social protection.
- 28 Fiscal benefits increase the net disposable income of fiscal units by reducing taxes and other obligatory levies that they would otherwise have to pay. Fiscal benefits give relief to levies paid on all forms of income (not just benefits) and, in some cases, to indirect taxes on expenditure (e.g. reduction in VAT). They may also be granted to persons that do not receive any social benefits paid

<sup>(24)</sup> Article 2 of the ESSPROS Regulation (EC) No 458/2007.

in cash or in kind. The main value of fiscal benefits is therefore outside the scope of the restricted approach to net social protection benefits and should not be included.

- 29 Fiscal benefits typically take the form of adjustments to the regular fiscal system and the value of the relief that applies to levies payable on social benefits should therefore be taken into account in the assessment of the actual taxes and social contributions paid on social benefits. Exceptionally, if the impact of a fiscal benefit is not taken into account in this assessment then the value of net benefits should be complemented by the residual value of the fiscal benefit. In this case the conceptual definition of net benefits (paragraph 0) is modified to make a practical definition as follows:

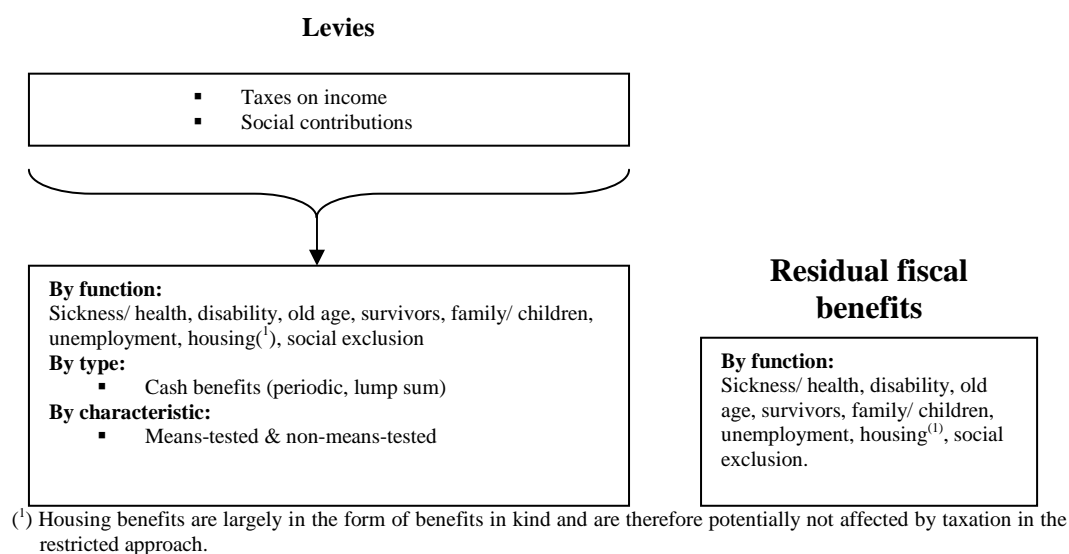
<p><b>F.3</b> <i>Net social benefits (restricted) = Gross social benefits – Taxes and social contributions paid on cash benefits by recipients + Residual fiscal benefits</i></p>
---

- 30 A *residual fiscal benefit* is the fraction of the total value of a fiscal benefit that relates to relief on levies applied to social benefits (as opposed to the part that relates to relief on levies applied to all other forms of income, which is outside the scope of the restricted approach).
- 31 Fiscal benefits that relate to relief on indirect taxation are always outside the scope of the restricted approach.
- 32 A tax break that is deducted directly from the tax liability and is given to the beneficiaries of a certain social protection benefit should be treated consistently with its actual role in the fiscal system. In this respect, two main cases can be envisaged:
- the tax break is alternative to other tax breaks (i.e. the tax unit, in case of other sources of income, can choose among different tax breaks, typical of each source of income, the one that is more convenient for him);
  - the tax break is added to the standard tax breaks normally applied (i.e. the standard ones apply and this tax break is additional and specific for the beneficiaries of that benefit).

In the first case, in the estimation of the net social protection benefits, the tax break should as a rule be considered like a tax break not related to the benefit (except for the fact that the value is different) and covering all the sources of income. Conversely, in the second case, the tax break should decrease only the taxation on the benefit for which it is allowed. Borderline cases can be treated according to countries' choice.

### 3 Accounting structure and classifications in the net social benefits module

#### Overview of the Net social protection benefits module (restricted approach)



#### 3.1 Introduction

- 33 Net social protection benefits (restricted approach) are derived from gross social benefits less levies (taxes and social contributions) paid on cash social benefits by recipients plus (where relevant) residual fiscal benefits (Table A).
- 34 The simplest way of determining net social protection benefits should be their direct measure. This could be obtained by collecting data on the amount of taxes and social contributions actually paid by recipients on the cash gross social protection benefits received and applying the **F.1** (or eventually the **F.3**, if there is any residual fiscal benefit).
- 35 In order to summarise the information on net social protection benefits, it would then be possible to determine ex post the average tax and social contribution rates that are applied to ESSPROS benefits by scheme and/or by function. In most of the countries data sources do not allow to obtain such a direct estimation.
- 36 Where direct measures are not available the application of average itemised tax and social contribution rates to gross expenditure on social protection benefits (like in **F.4**) allows the estimation of the module.
- 37 This chapter provides an overview of the accounting structure within which data are recorded in order to derive the final value of net benefits.

**Table A: Derivation of net expenditure on social protection benefits (restricted approach)**

<b>Gross expenditure on cash social benefits (from the Core system)</b>
LESS
<b>Levies payable on cash social benefits</b>
1. Taxes on income
2. Social contributions
PLUS (WHERE RELEVANT)
<b>Complementary amounts</b>
3. Residual fiscal benefits

### 3.2 Calculation of taxes and social contributions

- 38 In the ESSPROS net social protection module, the value of obligatory levies to be deducted from gross expenditure is calculated from tax and social contribution rates applied to the gross value of each benefits such that:

$$\mathbf{F.4} \text{ Net social benefits (after deduction of levies)} = \text{Gross social benefits} * (1 - AITR - AISCR)$$

Where AITR = Average itemised tax rate and, AISCR = Average itemised social contribution rate.

#### 3.2.1 Average itemised tax rates (AITRs)

- 39 The AITR for a benefit (or group of benefits) is defined as the sum of taxes paid on that benefit by recipients divided by the total income from that benefit (i.e. gross benefits received). A social benefit that is not liable to taxes will always have an AITR of zero.

$$AITR_i = \sum_{tu=1,n} TI_{i,tu} / \sum_{tu=1,n} I_{i,tu}$$

$I$  is the amount of income of type  $i$ ,  $TI$  is the amount of tax paid on that income,  $i$  is the type or category of income,  $tu$  is a fiscal unit with income of type  $i$ , and  $n$  is the number of fiscal units in the sample with income of type  $i$ .

#### 3.2.2 Average itemised social contribution rates (AISCRs)

- 40 The AISCR for a benefit (or group of benefits) is defined as the sum of social contributions paid on that benefit by recipients, divided by the total income from that benefit (i.e. gross benefits received). A social benefit that is not liable to social contributions will always have an AISCR of zero.

$$AISCR_i = \sum_{tu=1,n} SC_{i,tu} / \sum_{tu=1,n} I_{i,tu}$$

$I$  is the amount of income of type  $i$ ,  $SC$  is the amount of social contributions paid on that income,  $i$  is the type or category of income,  $tu$  is a fiscal unit with income of type  $i$ , and  $n$  is the number of tax units in the sample with income of type  $i$ .

### 3.2.3 Practical calculation of AITRs and AISCRs

- 41 The subchapter describes the typical method used by compilers to obtain AITRs and AISCRs. This method is the minimum requirement in order to achieve acceptable figures on net social protection benefits. On the basis of availability of more detailed information, more precise methods can be applied by the countries provided that:
  - a. they respect the definitions set in this manual for the restricted approach;
  - b. they improve the accuracy of the final results;
  - c. and, they preserve the comparability among countries.
- 42 In practice, taxes and social contributions are levied on groups of income of different types. For example, income from (taxable) social benefits is typically aggregated with income from employment and other sources for the assessment of liability to taxes on income.
- 43 A *tax base* or *social contribution base* refers to the sum of all income, irrespective of its source, that is subject to the same rules of liability. The income of any fiscal unit may be divided into one or more tax or social contribution bases.
- 44 In the case that particular social benefits are subject to distinct liability rules then AITRs and/or AISCRs should be calculated on a separate tax or social contribution base. For example, if selected benefits are subject (in the final assessment) to flat-rate levies independent of other income (typically taxed progressively) then income from these benefits should be aggregated in a separate tax or social contribution base for which the AITR/AISCR will be the flat-rate fixed by regulation. The income from these benefits will then normally be excluded from the tax or social contribution base used to calculate levy rates for the remaining income, though there may be exceptions – for example in the case that the income reduces the tax threshold for the regular assessment.
- 45 Note that it is also possible for a social benefit to be included in two tax bases – for example if there are taxes on income levied by regional government as well as by national government. In this case the tax rates applicable to each tax base should be summed to generate the overall tax rate for that benefit.
- 46 In the typical case that obligatory levies are applied to income aggregated from multiple sources it is not feasible or realistic to prioritise the application of levies and then measure, for each recipient, the amounts paid in respect of a particular social benefit. The net benefits module therefore treats all income within the same tax or social contribution base equally. As a result, for a fiscal unit that receives one or more benefits liable to taxes on income, the tax rate applicable to each of those benefits is the same as the overall rate of taxes paid by the fiscal unit (total tax paid / tax base). Benefits received by the same fiscal unit that are not liable to taxes do not form part of a tax base and will always have an AITR of zero. The same applies to social contributions.
- 47 For a fiscal unit receiving  $n$  social benefits liable to taxes on income and  $y$  social benefits that are not liable to taxes:

$$\text{Taxable benefits 1 to n: } TR_{i=1} = TR_{i=2} = \dots = TR_{i=n} = TR$$

Non-taxable benefits  $n+1$  to  $y$ :  $TR_{i=n+1} = TR_{i=n+2} = \dots = TR_{i=n+y} = 0$

$TR_i$  is the tax rate for social benefit  $i$ ,  $TR$  is the overall tax rate for the fiscal unit (total tax paid / tax base)

- 48 For each benefit or group of benefits, the final AITR or AISCR is then calculated from tax or social contribution rates for each fiscal unit receiving that benefit (including those that pay no taxes or social contributions on the benefit because their total income is below the threshold at which levies become payable), weighted by the amount of benefit received by the fiscal unit and divided by the total amount of benefit received by all fiscal units (i.e. gross benefits):

$$AITR_i = \sum TR_{i,tu} * I_{i,tu} / \sum_{tu=1,n} I_{i,tu}$$

$AITR_i$  is the average itemised tax rate for social benefit  $i$ ,  $TR_{i,tu}$  is the tax rate for social benefit  $i$  for fiscal unit  $tu$  and  $I_{i,tu}$  is the income from social benefit  $i$  for the fiscal unit  $tu$

- 49 Note that when working with tax rates from individual fiscal units or sample groups of similar fiscal units then the weighting must be by amount of benefit received and not by population size since this will give incorrect results.

### 3.3 Application of tax and social contribution rates

- 50 Final values of net social protection benefits are derived by collecting tax and social contribution rates for each individual benefit and applying these to the appropriate gross values from the ESSPROS Core data. Net values at the detailed level are then aggregated by function and by main type of benefit (mean-tested, non-means-tested, periodic, lump-sum, etc.) in exactly the same way as in the Core system.
- 51 The collection of tax and social contribution rates at the most detailed level allows different tax and social contribution rates to be applied to each benefit disbursed by a scheme or to similar benefits provided by different schemes. This is important because even when similar benefits are subject to the same liabilities, if they are issued to different groups of recipients that have different income characteristics then the effective tax/social contribution rates applicable could vary.
- 52 In the case that it is not practical (or worthwhile in terms of cost/benefit) to collect information on taxes and social contributions at this level of detail it is acceptable for AITRs and AISCRs to be calculated at a more aggregated level and applied to each of the individual benefits/schemes within that aggregate. For example, rates may be applied to all benefits within a scheme or to all benefits of a particular type (across schemes). However, the reliability of results may be compromised if rates are applied to groups of benefits that are issued to recipients with very different income and household characteristics or which are subject to different liability regimes and rates should always be provided at a level of detail that ensures good quality results.
- 53 When rates are calculated at an aggregated level and applied to each benefit within the aggregate, it is important to ensure the correct treatment of any benefits within the group that are not liable to taxes by the application of a zero rate to relevant benefits.
- 54 In the case that it is not practical (or worthwhile in terms of cost/benefit) to collect information on taxes and social contributions for AITRs and AISCRs on an annual basis, the technique of applying AITRs and AISCRs on a biennial basis can be followed.

In such a case net data referred to year N+1 are obtained by applying to gross data of year N+1 the AITRs and AISCRs calculated for year N.

This technique can be followed provided that:

1. in the country the rules of taxation for social protection benefits are stable over the two years involved;
2. AITRs and AISCRs for year N are calculated as provided for in the above paragraph 3.2;
3. the reliability of results is not compromised.

- 55 In case of regular application of the technique of AITRs and AISCRs on a biennial basis, corrections to the AITRs and to AISCRs calculated for year N are allowed before the application of the rates to the gross data of year N+1.

These corrections can be introduced by the country provided that the quality of the final results for year N+1 is improved.

### 3.4 Complementary amounts: Residual fiscal benefits

- 56 The major part of fiscal benefits belongs only to the enlarged approach to measuring net social protection benefits (paragraph 9). In the restricted approach, the part of the total value of fiscal benefits that pertains to reduced liabilities on social benefits should normally be taken into account in the levies calculated from AITRs and AISCRs. However, when this is not the case, any further amounts accruing to recipients as a result of reduced liabilities on benefits can be reported as residual fiscal benefits. Amounts reported are then added to the net value after deduction of levies to give a final value of net benefits.

#### 3.4.1 Calculation of residual fiscal benefits

- 57 The subchapter describes the typical method used by compilers to obtain residual fiscal benefits in case they are not accounted for in the levies calculated from AITRs and AISCRs. This method is the minimum requirement in order to obtain acceptable figures on net social protection benefits. On the basis of availability of more detailed information, more precise methods can be applied by the countries provided that:

- a. they respect the definitions set in this manual for the restricted approach;
- b. they improve the accuracy of the final results;
- c. and, they preserve the comparability among countries.

- 58 The calculation of residual fiscal benefits shall always be limited to the portion of fiscal benefits that is lowering the liability to taxes or to social contributions on social protection benefits.

- 59 A fiscal benefit has the effect of reducing the tax and/or social contribution liabilities of a fiscal unit and the value should be calculated using the *revenue forgone* method <sup>(25)</sup>. In the typical case, the net benefits module applies the relief provided by fiscal benefits equally to the different components of the liabilities due, similar to the application of levies to different sources of income. A residual fiscal benefit can therefore be calculated as follows:

A fiscal unit *tu* has income *I* (tax base) that includes income from social benefits (*SB*) and other sources (*O*):

<sup>(25)</sup> The *revenue foregone* method measures the amount by which the revenues of the tax (or social contribution) collecting authority are reduced as a result of the application of a fiscal benefit and assuming no change in behaviour of the tax-payer. In other words, it measures the value of taxes or social contributions that would have been received by the collecting authority had the fiscal benefit not been applied.

$$I_{tu} = I_{tu,SB} + I_{tu,O}$$

The total tax paid by the fiscal unit  $T_{tu}$  is reduced by the total value of a fiscal benefit  $F_{tu}$  that has not been included in the tax paid.

The value of the residual fiscal benefit  $RF_{tu}$  (i.e. the part that relates to income from social benefits) is:

$$RF_{tu} = F_{tu} * I_{tu,SB} / I_{tu}$$

The final value of the residual fiscal benefit to be reported is then the sum of the value for each fiscal unit that receives the benefit:

$$\sum_{tu=1,n} RF_{tu}$$

- 60 This will not be an easy value to calculate, which is an additional reason for recommending that the impact of fiscal benefits is taken into account in the calculation of AITRs and AISCRs. If residual fiscal benefits have to be calculated it may be simpler to make an estimation by applying the share of liable social benefits in the total tax or social contribution base of the population to the total value of the fiscal benefit.
- 61 If a certain fiscal break is designed to reduce the taxes and/or social contributions paid by the fiscal units on a specific social protection benefit (say  $j$ ) and if it is not taken into account in the calculation of AITRs and AISCRs; the amount of the corresponding residual fiscal benefit  $RF_j$  is equal to the value of the allowed fiscal break calculated on the set of fiscal units receiving that social protection benefit (say  $FU_j$ ):

$$RF_j = \sum_{tu \in FU_j} F_{tu} .$$

### 3.4.2 Application of residual fiscal benefits

- 62 Residual fiscal benefits are collected and applied at function level only. The value of residual fiscal benefits at function level and at aggregate (total) level is added to the net value of expenditure after deduction of taxes and social contributions to give the final value of net benefits.

### 3.4.3 Further clarifications

- 63 In the case that a social benefit has a cash part and a fiscal part then it should be treated as two separate benefits with the cash part included in the gross benefits and the fiscal part treated as any other fiscal benefit.
- 64 Fiscal benefits which are granted to individuals who are not recipients of social benefits recorded in the ESSPROS Core system or which are applied to income from sources other than social benefits are not within the scope of the ESSPROS net benefits module (restricted approach). This includes all fiscal benefits that provide relief to indirect taxes (e.g. VAT).



European Commission

**ESSPROS Manual - The European System of integrated SocialPROtection Statistics (ESSPROS)**

Luxembourg: Publications Office of the European Union

2011 — 94 pp. — 21 x 29.7 cm

Theme: Populations and social conditions

Collection: Methodologies & Working papers

ISBN 978-92-79-20904-8

ISSN 1977-0375

doi:10.2785/16441

Cat. No KS-RA-11-014-EN-N



## HOW TO OBTAIN EU PUBLICATIONS

### Free publications:

- via EU Bookshop (<http://bookshop.europa.eu>);
- at the European Union's representations or delegations. You can obtain their contact details on the Internet (<http://ec.europa.eu>) or by sending a fax to +352 2929-42758.

### Priced publications:

- via EU Bookshop (<http://bookshop.europa.eu>).

### Priced subscriptions (e.g. annual series of the *Official Journal of the European Union* and reports of cases before the Court of Justice of the European Union):

- via one of the sales agents of the Publications Office of the European Union ([http://publications.europa.eu/others/agents/index\\_en.htm](http://publications.europa.eu/others/agents/index_en.htm))



Publications Office

ISBN 978-92-79-20904-8



9 789279 209048