

# Social protection statistics - net expenditure on benefits

Statistics Explained

*Data extracted in June 2022.  
Planned article update: July 2023.*

**" Net expenditure on social protection benefits in the EU was 90.7 % of gross expenditure in 2019. "**

**" Net expenditure on social protection benefits in the EU was close to one quarter (24.3 %) of gross domestic product (GDP) in 2019. "**

**" In 2019, net expenditure on social protection benefits relative to GDP was less than 15.0 % in Romania, Latvia, Malta and Ireland. The highest ratio was recorded in France (29.4 %). "**

This article presents statistics on net social protection expenditure in the [EU](#) , three [EFTA](#) countries (no data for Liechtenstein), Montenegro, Serbia, Turkey, and Bosnia and Herzegovina. These statistics are collected through the [European system of integrated social protection statistics \(ESSPROS\)](#) . The income provided by some benefits paid in cash is potentially subject to levies imposed through the fiscal system. The deduction of levies – such as income taxes or social contributions – from the gross amounts received by beneficiaries, means that some of the original expenditure is returned to governments' budgets. As a result, net expenditure on social protection benefits may be considerably lower than the gross amount disbursed.

## Net expenditure on social protection benefits

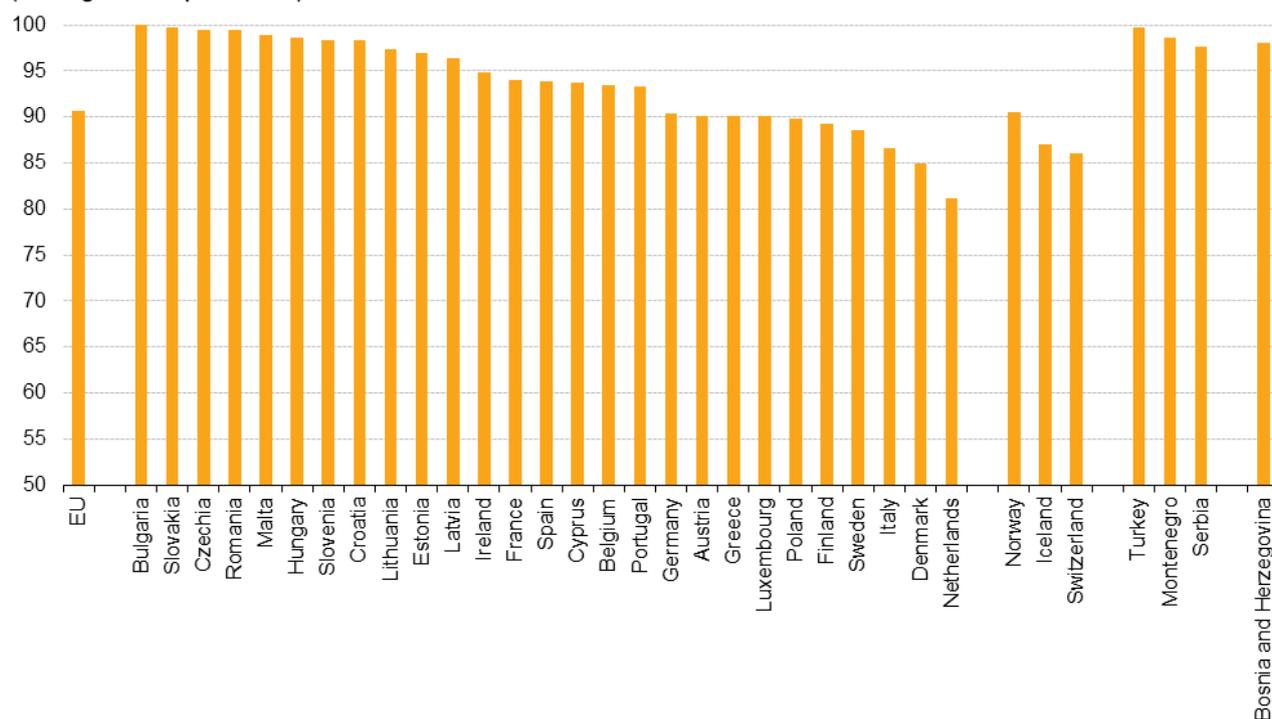
### Net expenditure on social protection benefits in the EU was 90.7 % of gross expenditure in 2019

In 2019, the EU spent an estimated € 3 761 [billion](#) on gross social protection benefits, equivalent to more than a quarter (26.8 %) of the EU's [gross domestic product \(GDP\)](#) . Statistics on the level of gross expenditure can however be misleading, particularly when comparing expenditure in different EU Member States. The way that social protection benefits are influenced by fiscal systems varies: in some Member States, income benefits form part of the base on which income taxes and/or social contributions are calculated, and from which these levies are deducted; in others, this is not typically the case. Where individuals or [households](#) are liable to pay obligatory levies on benefits received, part of the original expenditure is recouped. This means that gross expenditure may overestimate both the final cost of social support and the real value of benefits to recipients.

In 2019, net expenditure on social protection benefits in the EU was 90.7 % of gross expenditure (see Figure 1). This figure varied greatly across the EU Member States as a result of the differences in the treatment of social benefits within national fiscal systems. In most eastern Member States (specifically Bulgaria, Slovakia, Czechia, Romania, Hungary, Slovenia and Croatia), the [Baltic Member States](#) , as well as in Malta, less than 5.0 % of benefit expenditure was recovered by governments through the fiscal system; this situation was also observed in Turkey, Montenegro, Serbia, and Bosnia and Herzegovina.

## Net expenditure on social protection benefits, 2019

(% of gross expenditure)



Note: the y-axis has been cut.

Source: Eurostat (online data code: spr\_net\_ben)

eurostat

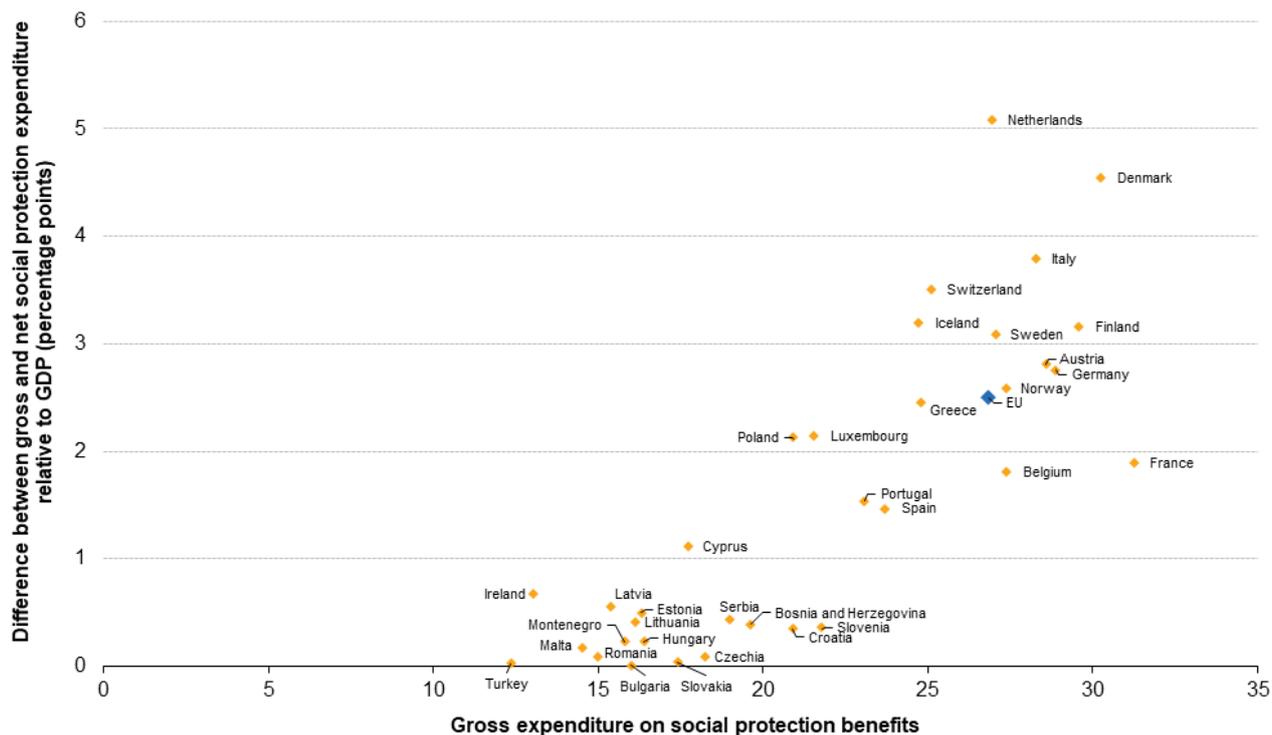
**Figure 1: Net expenditure on social protection benefits, 2019 (% of gross expenditure) Source: Eurostat (spr\_net\_ben)**

By contrast, in the [Nordic Member States](#) and several western EU Member States (the Netherlands, Luxembourg, Austria and Germany), as well as in Italy, Poland and Greece, more than 7.5 % of expenditure on social protection benefits was recouped through the fiscal system; this situation was repeated in the three EFTA countries for which data are available. Denmark and the Netherlands recorded the lowest ratios of net expenditure to gross expenditure among the Member States, at 84.9 % and 81.2 % respectively.

### Fiscal systems reduce the difference in expenditure between countries

Differences in the ways in which fiscal and benefit systems interact have important implications for the comparability of social protection expenditure among the EU Member States. The difference between gross and net social protection expenditure in 2019 was equivalent to 2.5 % of GDP in the EU, but there was a great variation between Member States. The largest [percentage points](#) differences tended to be concentrated in Member States which generally had higher ratios of gross expenditure relative to GDP (see Figure 2). As such, a comparison of the ratio of net expenditure to GDP shows less disparity among Member States than an analysis based on gross expenditure.

## Gross and net expenditure on social protection benefits, 2019



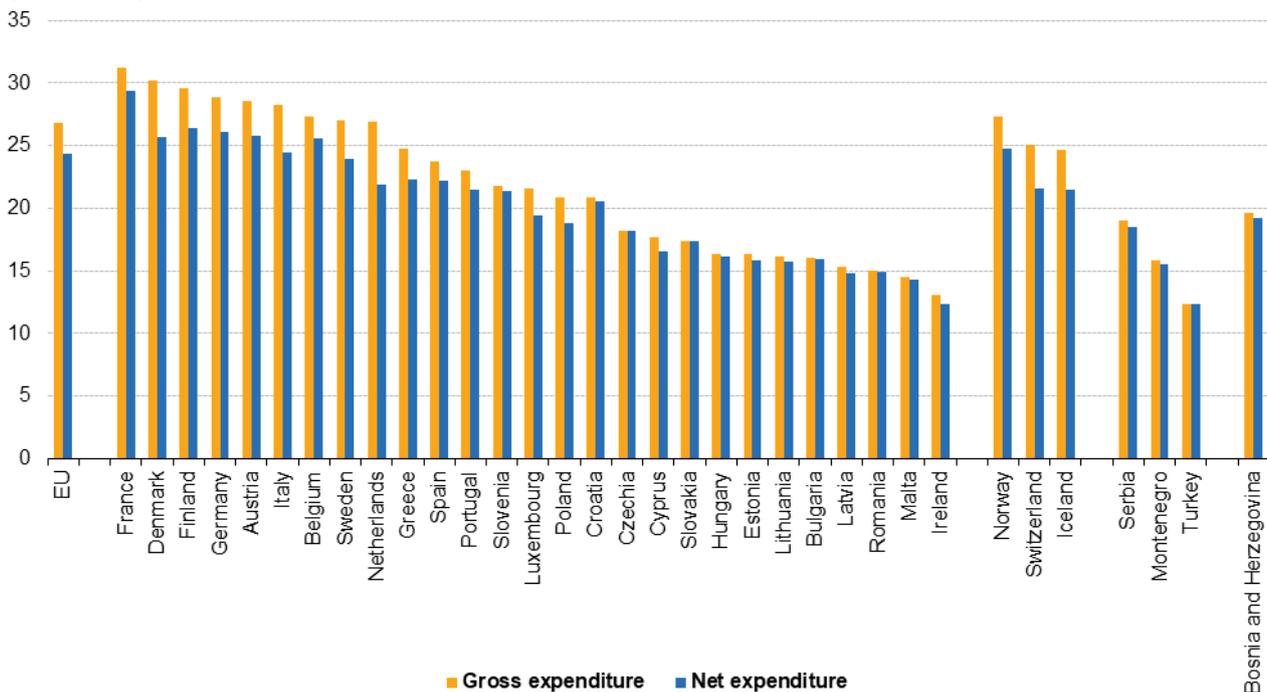
Source: Eurostat (online data code: spr\_net\_ben)

eurostat 

**Figure 2: Gross and net expenditure on social protection benefits, 2019 Source: Eurostat (spr\_net\_ben)**

When expenditure on social protection is expressed in relation to GDP, the difference between the highest and lowest spending EU Member States was 18.2 percentage points for gross expenditure (France 31.3 % and Ireland 13.0 %) compared with 17.0 percentage points for net expenditure (France 29.4 % and Ireland 12.4 %) – see Figure 3. The ranking (order) of Member States also varied somewhat, depending on whether gross or net expenditure was being considered. For example, Denmark had the second highest level of gross expenditure (relative to GDP) among the Members States but moved to fifth place when ranked on net expenditure.

## Gross and net expenditure on social protection benefits, 2019 (% of GDP)



Source: Eurostat (online data code: spr\_net\_ben)

eurostat

**Figure 3: Gross and net expenditure on social protection benefits, 2019 (% of GDP) Source: Eurostat (spr\_net\_ben)**

### Liability of benefits to taxes and social contributions

There are two factors which determine the overall impact of the fiscal system on social protection benefits:

- the proportion of benefits liable to levies, in other words liable to taxes and social contributions; and
- the rates at which the different levies are applied.

Expenditure on social protection benefits can be separated into three categories:

- benefits paid in cash and subject to taxes and/or social contributions (55.5 % for the EU in 2019);
- benefits paid in cash and free of any obligatory levies (9.7 %); and
- benefits provided in kind (for example, housing or medical treatment) and normally free of tax and social contributions (34.8 %).

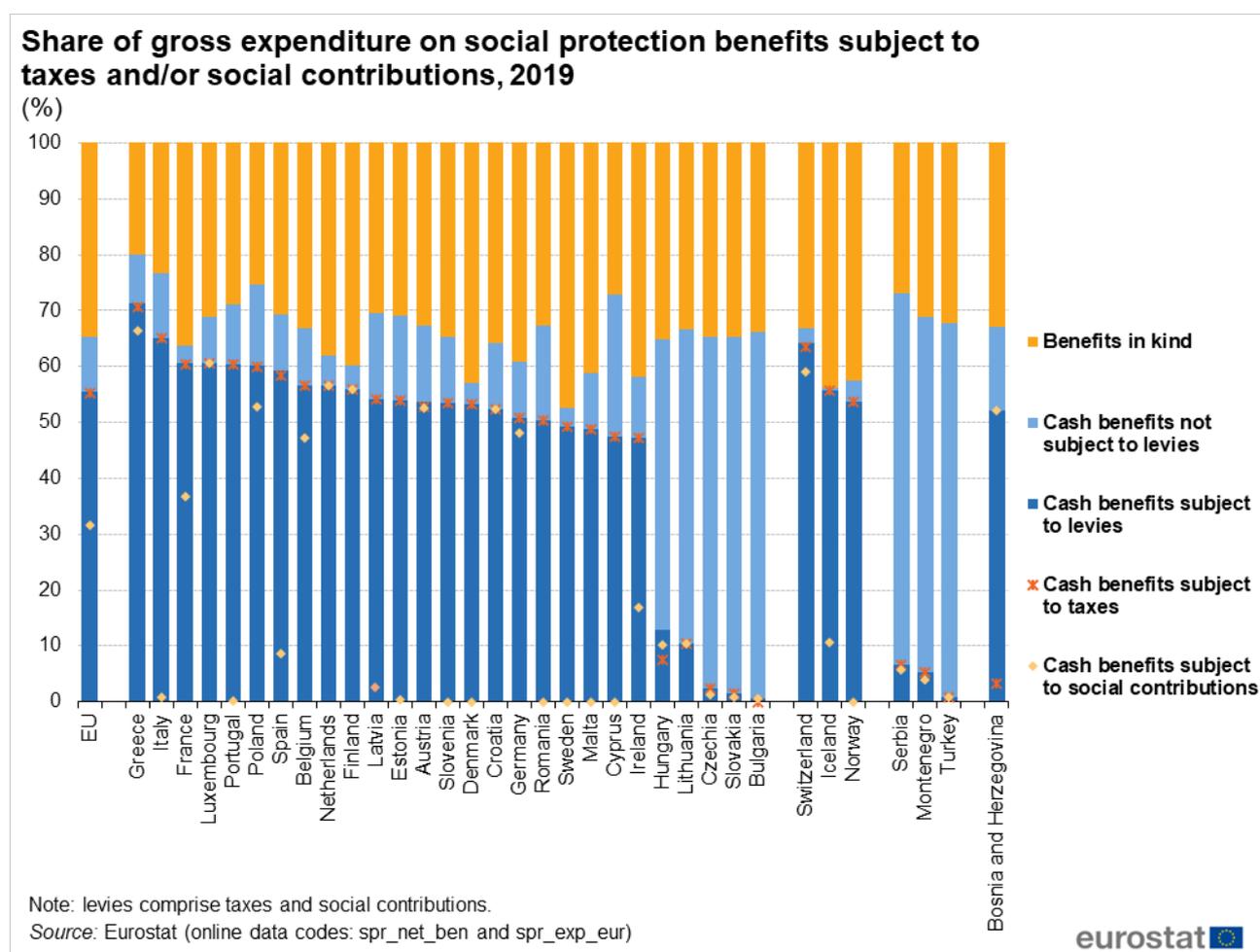
Within the category of cash benefits subject to levies (taxes and/or social contributions) it is important to understand that a number of recipients of these benefits will have paid no tax or social contributions in practice because their total income is below the threshold at which tax and/or social contributions becomes payable; as such they will have retained the full amount of benefits disbursed, despite these being – in theory – subject to levies.

The proportion of social protection cash benefits subject to levies (taxes and/or social contributions) was highest in Greece (71.3 %) and Italy (65.0 %) and was also above 60.0 % in France, Luxembourg, Portugal and Poland. More broadly, over half of the total gross value of social protection benefits was subject to levies in the majority of the EU Member States in 2019 (see Figure 4). The exceptions to this rule included:

- Sweden, Malta, Cyprus and Ireland, where between 47 % and 50 % of cash benefits were subject to levies;
- Hungary and Lithuania, where around one eighth to one tenth of cash benefits were subject to levies;
- Czechia, Slovakia and Bulgaria, where less than 3.0 % of cash benefits were subject to levies.

In two of the three EFTA countries shown in Figure 4 – Norway and Iceland – cash benefits subject to levies were close to the EU average; in Switzerland the share was notably higher, at 64.3 %. Serbia, Montenegro and Turkey recorded much lower shares of cash benefits subject to levies. By contrast, the share in Bosnia and Herzegovina was close to the EU average.

Focusing exclusively on these cash benefits, it is possible to analyse in more detail differences in the specific ways that levies are applied (see Figure 4). With the exception of Bulgaria, at least some cash benefits were subject to taxes in 2019 in all of the EU Member States, whereas there were six Member States – Denmark, Cyprus, Malta, Romania, Slovenia and Sweden – that did not apply social contributions to any cash benefits<sup>1</sup>. In the vast majority of the Member States where cash benefits were subject to both taxes and social contributions, the share of cash benefits subject to taxes was generally higher than the share of cash benefits subject to social contributions: this was most notably the case in Italy, Portugal, Estonia, Latvia, Spain, Ireland and France. By contrast, the share of cash benefits subject to taxes and the share of cash benefits subject to social contributions were identical in Lithuania, Luxembourg, the Netherlands and Finland, while Hungary was the only Member State where a higher share was recorded for cash benefits subject to social contributions.



**Figure 4: Share of gross expenditure on social protection benefits subject to taxes and/or social contributions, 2019 (%)** Source: Eurostat (spr\_net\_ben) and (spr\_exp\_eur)

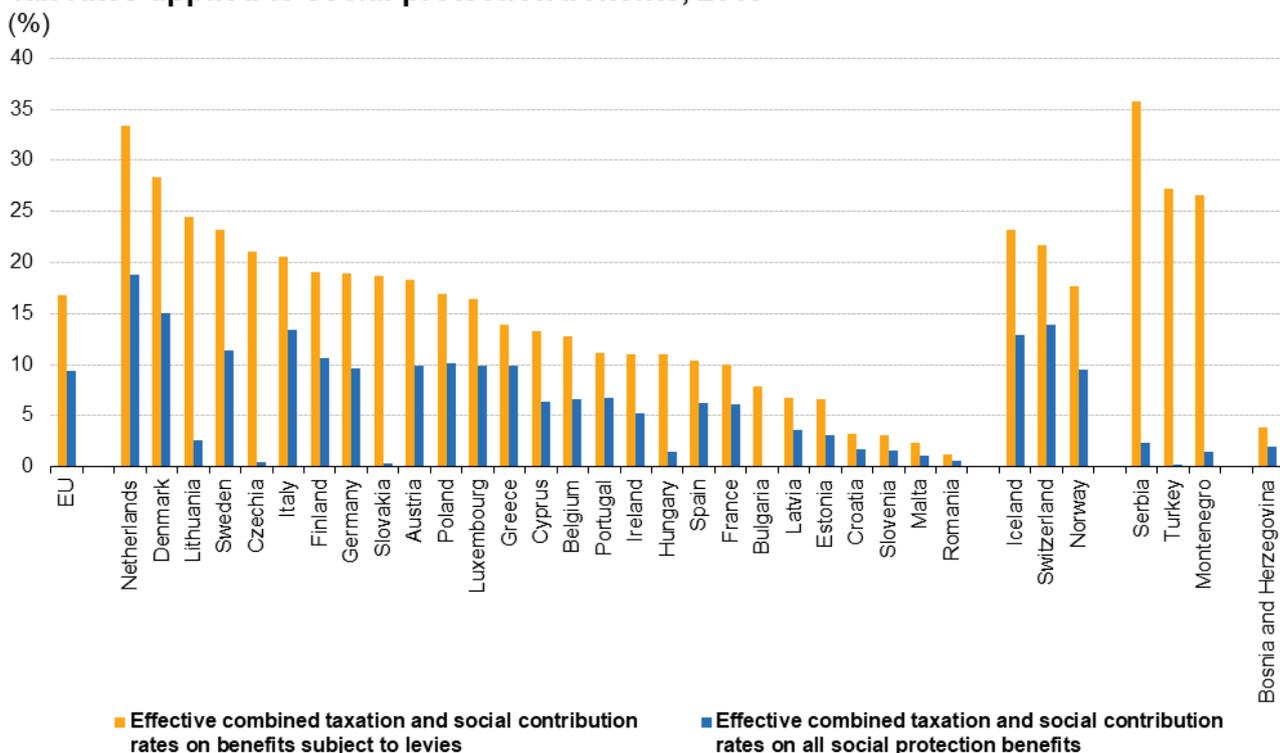
<sup>1</sup>Note that in some cases social contributions are 'payable by the scheme' from benefits at source and re-routed to other schemes before being paid to recipients, meaning that 'gross' expenditure is already net of these social contributions.

## Rates of levies deducted from liable benefits

The extent to which social protection benefits are liable to levies does not fully explain the difference between gross and net expenditure, as the rates at which these taxes and social contributions are levied also needs to be considered. The overall combined rate – in other words, the taxation and social contribution rate on all social protection benefits – for the EU was 9.3 % in 2019; just over half (55.5 %) of the total value of benefits granted were subject to one or more obligatory levies.

Generally, EU Member States that recouped a relatively large proportion of expenditure on social protection benefits through the fiscal system also tended to have both a high proportion of their benefits liable to levies and high effective tax and social contribution rates (see Figure 5). In 2019, the highest shares of benefits being recovered by general government through levies were in the Netherlands (18.8 %) and Denmark (15.1 %), while this share was below 1.0 % in Romania, Czechia, Slovakia and Bulgaria.

### Tax rates applied to social protection benefits, 2019



Note: levies comprise taxes and social contributions.

Source: Eurostat (online data code: spr\_net\_ben)

eurostat

Figure 5: Tax rates applied to social protection benefits, 2019 (%) Source: Eurostat (spr\_net\_ben)

### The impact of the fiscal system is more extensive for benefits predominantly paid in cash

Both fiscal and social protection systems play an important role in redistributing income. The range of social protection benefits serve a variety of social purposes and are provided to recipients through different forms (in kind or in cash). Fiscal systems take into account the purposes for which benefits are provided, while at the same time the methods by which they are delivered impact the extent to which such systems may recoup (some) expenditure.

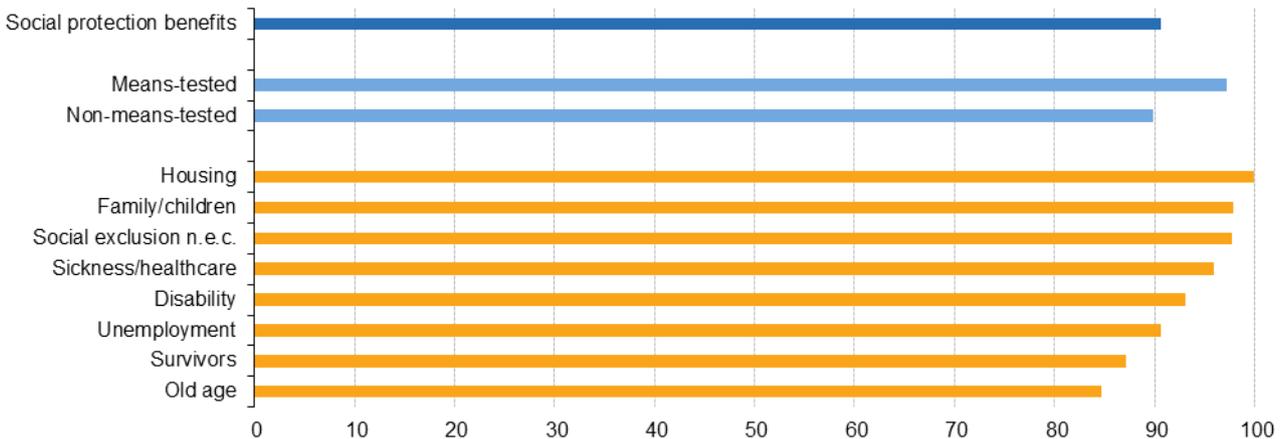
Given that means-tested benefits can play a role in the reallocation of income to those most in need, it is not surprising that only a small proportion (2.8 %) of EU expenditure on these benefits was recouped by governments through their fiscal systems in 2019. By contrast, 10.1 % of EU gross expenditure on non-means-tested benefits was returned to governments through the payment of taxes and social contributions.

In terms of the purposes that social protection benefits serve, old age benefits and survivors' benefits (paid to ensure a source of income after the death of a spouse or parent) were most affected by obligatory levies, with gross

values in the EU reduced by 15.4 % and 12.8 % respectively in 2019 (see Figure 6). The gross value of unemployment, disability benefits and sickness benefits were reduced by 9.4 %, 6.9 % and 4.0 % respectively, while social exclusion n.e.c. and family/children benefits were both reduced by 2.2 %; housing benefits were unaffected (as the rate of levies was zero<sup>2</sup>).

## Net expenditure on social protection benefits, by type of benefit, EU, 2019

(% of gross expenditure)



Source: Eurostat (online data code: spr\_net\_ben)

eurostat

**Figure 6: Net expenditure on social protection benefits, by type of benefit, EU, 2019 (% of gross expenditure)**

Source: Eurostat (spr\_net\_ben)

### Liability to taxes and social contributions varies between benefits serving different purposes

The proportion of benefits that are liable to obligatory levies varies with the form of benefit. When benefits are considered by function or use of means-testing, as opposed to by EU Member State, it becomes apparent that, because certain benefits are more often provided in kind, the possible influence of the fiscal system on these is more limited compared with those predominantly paid in cash. Furthermore, among those functions where the majority of benefits are paid in cash, the proportion of the cash benefits which are liable to levies varies greatly.

As might be expected, means-tested benefits are generally exempt from levies (in the form of taxes and/or social contributions). In 2019, just over one fifth (21.8 %) of total EU expenditure on means-tested benefits were cash benefits subject to levies compared with 59.6 % of expenditure for non-means-tested benefits (see Figure 7). This is partly due to the fact that means-tested benefits more often take the form of benefits in kind (41.9 % compared with 33.9 % for non-means-tested benefits) but mainly because, when paid in cash, they are far less often subject to obligatory levies.

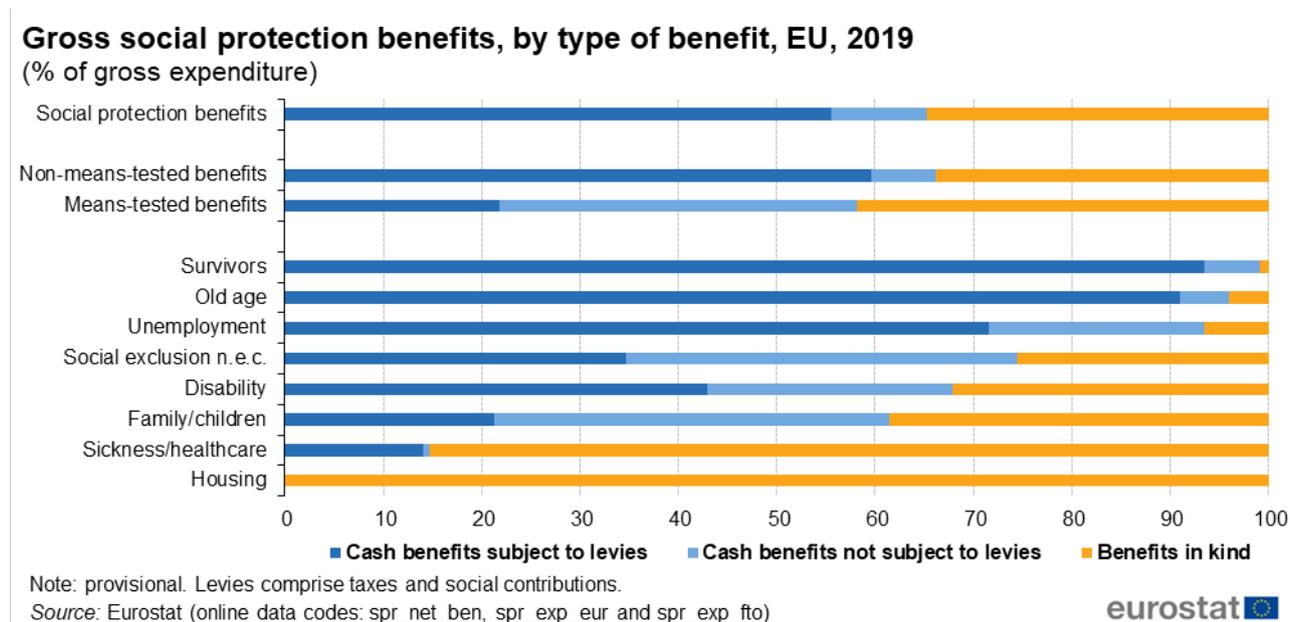
Differences in the application of levies can also be observed between benefits serving different functions. Across the EU, more than 90.0 % of old age and survivors' benefits were subject to taxes and/or social contributions in 2019, as were 71.5 % of unemployment benefits. By contrast, the corresponding shares for housing, sickness/healthcare, and family/children were all below 30.0 %. Between these extremes, 34.6 % of social exclusion n.e.c. and 43.0 % of disability benefits were subject to some form of levy.

While some of these differences arise as a result of varying proportions of benefits that are provided in kind, others are due to the differing application of levies on cash benefits. For example, within the EU a relatively low share of sickness/healthcare benefits (14.7 %) and no housing benefits were paid in cash and therefore the scope for applying levies was limited or non-existent. By contrast, three fifths or more of each of the remaining social protection benefit functions were paid in cash, with more than 90.0 % of unemployment, old age and survivors'

<sup>2</sup>Housing benefits are provided in kind by definition, as reimbursement of certified expenditure.

benefits paid in cash. Nonetheless, not all types of benefits predominantly paid in cash were liable to levies to the same extent:

- some 93.4 % of unemployment benefits in the EU were paid in cash – close to three quarters (71.5 %) of these benefits were liable to levies;
- around three fifths (61.5 %) of family/children benefits were paid in cash – close to one fifth (21.3 %) of these benefits subject to levies.



**Figure 7: Gross social protection benefits, by type of benefit, EU, 2019 (% of gross expenditure) Source: Eurostat (spr\_net\_ben), (spr\_exp\_eur) and (spr\_exp\_fto)**

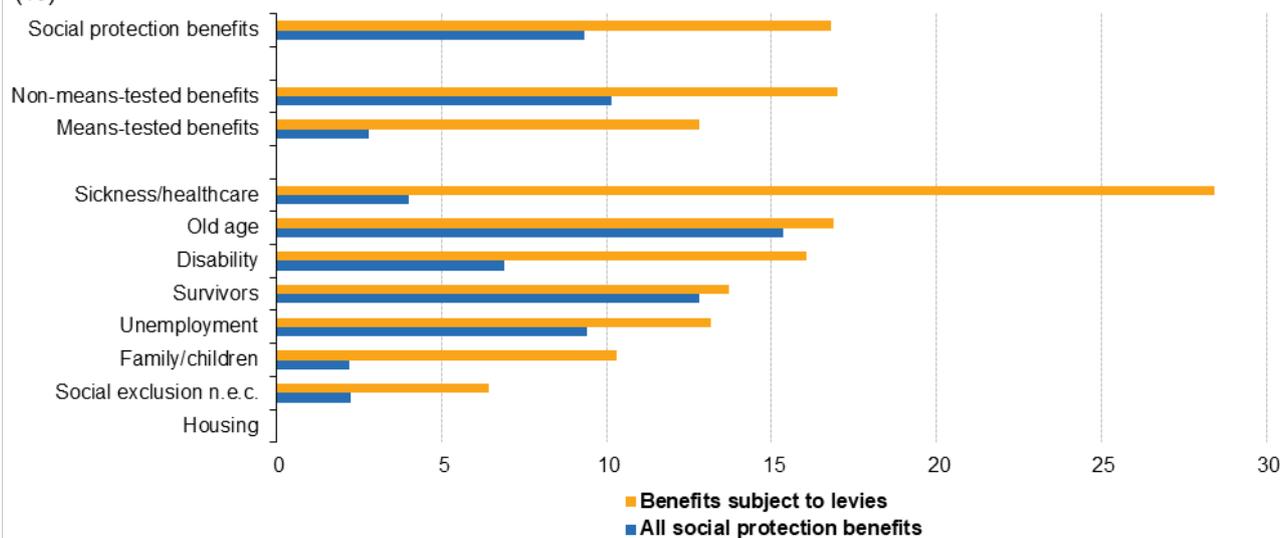
### Rates of levies deducted from liable benefits vary between benefits serving different purposes

In 2019, average combined taxation and social contribution rates applied to social protection benefits subject to levies in the EU varied between functions, exceeding 6.0 % in all cases except for housing (see Figure 8). The range was from a low of 6.4 % for social exclusion n.e.c. up to 28.4 % for sickness/healthcare benefits. Somewhat higher effective taxation and social contribution rates were applied to non-means-tested benefits subject to levies than their means-tested counterparts (17.0 % compared with 12.8 %). Because a larger proportion of non-means-tested benefits were subject to such levies (59.6 % compared with 21.8 %) this translated into a much higher proportion of all such benefits (whether liable to levies or not) being returned to government budgets (10.1 % compared with 2.8 %).

In general, the benefits for which relatively large proportions of expenditure are recouped through the fiscal system are those where large proportions of benefits are liable to levies and at the same time the effective taxation and social contribution rates applied to liable benefits are high. Although the highest effective rates in the EU were applied to liable sickness/healthcare benefits (28.4 %), they were only applied to a relatively small proportion of total sickness/healthcare benefits and as a result the overall share recouped from this function was relatively low (4.0 %). Similarly, the effective rates applied across the EU to disability, family/children and social exclusion benefits that were liable to taxes and social contributions were 16.0 %, 10.3 % and 6.4 %, leading to shares of 6.9 %, 2.2 % and 2.2 % respectively being reclaimed by governments on all such benefits. By contrast, the effective combined rates applied to liable old age and survivors' benefits in the EU were 16.9 % and 13.7 % and, as almost all of these benefits were liable to obligatory levies, relatively high shares of the expenditure on all such benefits were recouped by governments (15.4 % and 12.8 % respectively).

## Effective combined taxation and social contribution rates applied to social protection benefits, by type of benefit, EU, 2019

(%)



Note: levies comprise taxes and social contributions. For the housing function the tax rate is zero by definition.

Source: Eurostat (online data codes: spr\_net\_ben)

eurostat

**Figure 8: Effective combined taxation and social contribution rates applied to social protection benefits, by type of benefit, EU, 2019 (%)** Source: Eurostat (spr\_net\_ben)

### Source data for tables and graphs

[Social protection statistics – net expenditure on benefits: tables and figures](#)

### Data sources

All of the data presented in this article are from the [European system of integrated social protection statistics \(ESSPROS\)](#), specifically the core system and the module on net social protection benefits (restricted approach). These data are collected from national statistical authorities and/or ministries of social affairs in each country and are generally compiled from administrative sources, while household surveys are also used in some cases.

[Regulation \(EC\) No 458/2007](#) of the European Parliament and of the Council provides the legal basis for the collection of ESSPROS data and a series of Commission Regulations provide further specifications for the implementation of this Regulation.

Eurostat has collected data on gross social protection expenditure for many years through the ESSPROS system. The first formal data collection for net social protection expenditure took place in 2012 for the reference year 2010. The collection is undertaken according to the 'restricted approach', which means that it is strictly limited to measuring the impact of the fiscal system on the gross cash benefits reported in the ESSPROS core system (benefits in kind are not covered). It does not, therefore, take full account of tax relief for social purposes which reduces the amount of taxes paid on other (non-benefit) income or which may be granted to persons who do not receive any (cash) benefits. Such relief is taken into account only in relation to the extent to which it reduces the amount of taxes normally payable on cash benefits. Similarly, tax relief for social purposes which reduces indirect taxes is not accounted for. The full value of such tax relief would only be addressed by the 'enlarged' approach (enlarged because the population of beneficiaries is larger), which is the subject of on-going research within Eurostat.

The ESSPROS module on net social protection benefits (restricted approach) measures net expenditure by collecting information on the average rates of taxes and social contributions paid by recipients of each cash benefit reported in the core system. These rates are then applied to the gross expenditure on each benefit to obtain a net value as follows:

**Net social benefits = gross social benefits \* (1 – AITR – AISCR)**

where AITR/AISCR are the average itemised tax/social contribution rates.

Exceptionally, if some fiscal benefits cannot be taken into account in the assessment of the actual taxes and social contributions paid on social benefits (this only happens for a few countries), then the value of net benefits should be complemented by the residual value of the fiscal benefit. In this case the formula above becomes:

**Net social benefits = gross social benefits \* (1 – AITR – AISCR) + residual fiscal benefits**

The [European system of national and regional accounts \(ESA 2010\)](#) replaced ESA 1995. This change had consequences in relation to ESSPROS results which were indirectly affected by the implementation of ESA 2010. The revision of ESSPROS data to take into account the current national accounts methodology took place for a large majority of EU Member States during the collection of data for the 2013 reference period.

## Context

The organisation and financing of social protection systems is the responsibility of each of the EU Member States. The model used in each Member State is therefore somewhat different. The EU plays a coordinating role to ensure that people who move across borders continue to receive adequate protection. The EU seeks to promote actions among the Member States to combat poverty and social exclusion, and to reform social protection systems on the basis of policy exchanges and mutual learning. This policy is known as the social protection and social inclusion process. The European Commission provides guidance to Member States to modernise their welfare systems through the [social investment package](#) .

The [European pillar of social rights](#) sets out 20 key principles and rights to support fair and well-functioning labour markets and welfare systems. This forms part of the policy developments related to [an economy that works for people](#) , one of the [European Commission priorities for the period 2019–2024](#) . The pillar contains three main categories for action, one of which concerns social protection and inclusion.

## Other articles

- [Social protection statistics – overview](#)
- [Social protection statistics – background](#)
- [Social protection statistics – family and children benefits](#)
- [Social protection statistics – pension expenditure and pension beneficiaries](#)
- [Social protection statistics – social benefits](#)
- [Social protection statistics – unemployment benefits](#)

## Main tables

- [Social protection \(t\\_spr\)](#)

## Database

- [Social protection \(spr\)](#) , see:

Social protection expenditure (spr\_expend)

Net social protection benefits (spr\_net\_ben)

## Dedicated section

- [Social protection \(ESSPROS\)](#)

## Publications

- [Sickness/healthcare benefits up in 2020 – News release from 23 November 2021](#)
- [Social protection expenditure: 2019 early estimates – News release from 4 November 2020](#)
- [Share of EU GDP spent on social protection slightly down – News release from 22 November 2019](#)
- [Share of EU GDP spent on social protection slightly down – News release from 12 December 2018](#)
- [Almost one third of EU GDP spent on social protection – News release from 8 December 2017](#)

## Methodology

- [Social protection methodology](#)
  - [European system of integrated social protection statistics ESSPROS – 2019 edition](#)
  - [Compendium of methodological clarifications – ESSPROS, European system of integrated social protection statistics – 2021 edition](#)
- [Social protection \(ESMS metadata file – spr\\_esms\)](#)

## Legislation

- [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). ([Summary](#))
- [Commission Regulation \(EU\) No 110/2011](#) of 8 February 2011 concerning the appropriate formats for the transmission of data, the results to be transmitted and the criteria for measuring quality for the ESSPROS module on net social protection benefits.
- [Commission Regulation \(EU\) No 263/2011](#) of 17 March 2011 concerning the launch of full data collection for the ESSPROS module on net social protection benefits.

## External links

- [Directorate-General for Employment, Social Affairs and Inclusion – Social protection and social inclusion](#)
- [Directorate-General for Employment, Social Affairs and Inclusion – Social protection systems – MISSOC](#)