Government expenditure on social protection

Data extracted in February 2022
Planned article update: February 2023

Total general government expenditure on social protection, 2020 (% of GDP)

This article analyses data on general government total expenditure on 'social protection' (according to the Classification of the Functions of Government - COFOG). It is part of a set of statistical articles based on Government expenditure by function.

Eurostat collects data on general government expenditure by economic function according to the international Classification of the Functions of Government (COFOG) in the framework of the European System of National Accounts (ESA 2010).
Expenditure on 'social protection'

Expenditure on 'social protection' remained by far the most important COFOG division in 2020 in the EU and in all reporting Member States and EFTA countries. This reflects government’s core function to redistribute income and wealth, financed by compulsory payments. Not surprisingly, the expenditure category dominating this division is 'social benefits' and social transfers in kind (purchased market production). Social benefits are paid to households to alleviate social risks and needs. Examples include unemployment benefits and pension payments. In 2020 in the EU, social benefits and social transfers in kind (purchased market production) made up almost 90 % of expenditure in the social protection COFOG division.

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<th>Total general government expenditure on social protection, 2020, % of GDP</th>
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**Table 1: Total general government expenditure on social protection, 2020 (% of GDP) - Source: Eurostat (gov_10a_exp)**

In the EU in 2020, expenditure on social protection stood at 22.0 % of GDP, 41.3 % of total expenditure and EUR 2 943 billion.

By far the most significant group in this division, ‘old age’ (11.3 % of GDP in 2020 in the EU and 11.6 % of GDP in
the euro area) relates mainly to pension payments. The same is true for ‘survivors’, for which total expenditure amounted to 1.6 % of GDP in 2020 at the level of the EU and 1.8 % of GDP at the level of the euro area. This also mainly relates to social benefits in cash or in kind.

‘Sickness and disability’ (3.0 % of GDP in 2020 in the EU and 3.1 % of GDP the euro area) relates mainly to social payment in cash or in kind connected with the operation of social insurance schemes.

The COFOG group ‘family and children’ accounted for 2.0 % of GDP in the EU and 1.9 % of GDP in the euro area, ‘unemployment’ accounted for 2.2 % of GDP and 2.5 % of GDP respectively in the EU and the euro area. ‘Housing’ accounted for 0.3 % of GDP in the EU and 0.4 % of GDP in the euro area in 2020. This latter group relates mainly to social protection payments to households to help with the cost of housing as well as the operation of social housing schemes.

Government social protection expenditure to GDP varied across EU Member States from 10.2 % to 27.3 %

Social protection represented the largest area of general government expenditure in 2020 in all EU Member States. The ratio of government social protection expenditure to GDP varied across EU Member States from 10.2 % of GDP in Ireland to 27.3 % in France.

Ten EU Member States – France (27.3 % of GDP), Finland (25.7 % of GDP), Italy (25.2 % of GDP), Austria (22.9 % of GDP), Belgium (22.7 % of GDP), Greece (22.5 % of GDP), Denmark (22.4 % of GDP), Spain (22.1 % of GDP), Germany (21.8 % of GDP) and Luxembourg (20.6 % of GDP)—devoted at least 20 % of GDP to social protection with Norway being the highest among EFTA countries (22.3 %). Contrarily, Ireland (10.2 % of GDP), Malta (12.0 % of GDP), Bulgaria (13.1 % of GDP), Latvia (13.5 % of GDP), Cyprus and Hungary (both 13.6 % of GDP) and Romania (13.8 % of GDP) as well as Iceland among the EFTA countries (13.8 % of GDP) each spent less than 14 % of GDP on social protection.

‘Social protection’ expenditure by type of transaction

At the level of the EU in 2020, around 90 % of expenditure related to ‘social protection’ was in the form of social (cash) benefits and the purchase of social transfers in kind (purchased market production). 5 % of expenditure in this function was in the form of compensation of employees, e.g. wages and salaries of staff administering social protection schemes and 3 % of total expenditure on social protection was in the form of intermediate consumption (purchases of goods and services). 2 % related to other current transfers, for example to non-profit institutions serving households.

Evolution of ’expenditure on social protection’

Compared to 1995, expenditure on ‘social protection’ has increased at the level of the EU as a share of total expenditure (36.6 % of total expenditure in 1995 and 41.3 % of total expenditure in 2020). As a percentage of GDP expenditure on ‘social protection’ increase from 19.4 % of GDP in 1995 to 22.0 % of GDP in 2020. The strongest annual increase of the ratio was reported in 2020 (2.7 percentage points) and 2009 (1.9 percentage points). This was a consequence of increases in the GDP in both periods as well as increases in total expenditure on ‘social protection’ to mitigate the effects of the financial crisis and the COVID-19 pandemic, respectively. Between 2007 and 2009, expenditure on ‘unemployment’ (‘social protection’) in the EU increased from 1.5 % of GDP to 1.9 %, decreasing to 1.3 % of GDP in 2019. Due to the COVID-19 pandemic and the government measures to mitigate its economic and social impact, this ratio increased to 2.2 % of GDP in 2020. Between 2019 and 2020, at EU level, expenditure on unemployment increased from €180 billion to €298 billion, that is an increase of + €118 billion.

Not all the functions of government expenditure evolved the same in the period analysed. Some of the functions have a natural tendency to be counter-cyclical, even without a change in policy. For example, government expenditure on unemployment benefits (part of social protection) is more prone to have a natural counter-cyclical evolution than other functions, such as government expenditure on education. During an economic crisis, more people become unemployed, whereas the number of pupils and students is more affected by long-term demographic changes.
Source data for tables and graphs

The detailed tables are available [here](#).

Data sources and availability

Reporting of data to Eurostat

Annual government finance statistics (GFS) data are collected by Eurostat on the basis of the European System of Accounts (ESA 2010) transmission programme. Member States are requested to transmit, among other tables, table 1100, 'Expenditure of general government by function' twelve months after the end of the reference period. Table 1100 provides information about expenditure of the general government sector divided into main COFOG functions and ESA 2010 categories. The transmission of the COFOG I level breakdown (divisions) is compulsory for the years 1995 onwards, whereas information on the COFOG II level (COFOG groups) is provided on a compulsory basis for the reference years 2001 onwards. The main reference year used in this publication is 2020 as the latest year available at EU-27 level.

Data was extracted on 22 February 2022.

Provisional data

While a significant effort was undertaken to harmonise the recording of government measures to mitigate the economic and social impact of the COVID-19 pandemic, a full harmonisation of data for the reference year 2020 was not yet achieved. The likelihood of future revisions is thus higher than usual and EU and euro area data is provisional.


Definition of general government and its subsectors

The data relate to the general government sector of the economy, as defined in ESA 2010, paragraph 2.111: 'The general government sector (S.13) consists of institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth'.

Classification of functional expenditure of government
The Classification of the Functions of Government (COFOG) classifies government expenditure into ten main categories (divisions known as the 'COFOG I level' breakdown): general public services; defence; public order and safety; economic affairs; environmental protection; housing and community affairs; health; recreation, culture and religion; education; social protection. These divisions are further broken down into 'groups' (COFOG II level).

For 'social protection', the groups are

- 'sickness and disability',
- 'old age',
- 'survivors',
- 'family and children',
- 'unemployment',
- 'housing',
- 'social exclusion n.e.c.',
- 'R&D social protection',
- 'social protection n.e.c.'

Further information is available in the Eurostat Manual on sources and methods for the compilation of COFOG Statistics.

COFOG level II data

The provision of COFOG level II data at general government level has become compulsory with the introduction of ESA 2010.

Satellite accounts

Administrative expenditure data is additionally collected in so-called satellite accounts. In general, the amount of expenditure recorded in satellite accounts is expected to exceed the expenditure recorded under the respective COFOG division. More details on the comparability of COFOG data with satellite accounts data can be found in the COFOG manual.

Definition of general government total expenditure

Government total expenditure is defined in ESA 2010, paragraph 8.100 by using as reference a list of ESA 2010 categories.

Government total expenditure comprises the following categories:

- P.2, 'intermediate consumption': the purchase of goods and services by government;
- P.5, 'gross capital formation' consists of: (a) gross fixed capital formation (P.51g); (b) changes in inventories (P.52); (c) acquisitions less disposals of valuables (P.53); where
- P.51g, 'gross fixed capital formation': consists of acquisitions, less disposals, of fixed assets during a given period plus certain additions to the value of non-produced assets realised by the productive activity of producer or institutional units. Fixed assets are tangible or intangible assets produced as outputs from processes of production that are themselves used repeatedly, or continuously, in processes of production for more than one year;
- D.1, 'compensation of employees': the wages of government employees plus non-wage costs such as social contributions;
- D.29, 'other taxes on production, payable',
- D.3, 'subsidies, payable',

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D.4, ‘property income, payable’, consists of: (a) ‘interest, payable’ (D.41) and (b) ‘other property income, payable’ (D.42+D.43+D.44+D.45), where

D.41, ‘interest’: excludes settlements under swaps and forward rate arrangements, as these are treated as financial transactions in the ESA 2010;

D.42, ‘current taxes on income, wealth, etc, payable’;

D.5, ‘current taxes on income, wealth, etc, payable’;

D.62, social payments: cover social benefits and pensions paid in cash;

D.632, ‘social transfers in kind - purchased market production’;

D.7, ‘other current transfers, payable’;

D.8, ‘adjustments for the change in pension entitlements’

D.9, ‘capital transfers payable’

NP, ‘acquisitions less disposals of non-financial non-produced assets’: public investment spending. Non-financial non-produced assets consist of land and other tangible non-produced assets that may be used in the production of goods and services, and intangible non-produced assets.

Capital investments includes P.5 and NP.

Other current expenditure includes D.29, D.5 and D.8.

Gross Domestic Product

Throughout this publication, nominal GDP, i.e. GDP at current prices is used.

Time of recording & symbol

In the ESA 2010 system, recording is in principle on an accrual basis, that is, when ‘economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.’

‘*’ not available

”pp” percentage points

More data and information

For more country-specific notes, e.g. on missing data, please refer to the metadata published on Eurobase. The authors can be contacted at ESTAT-GFS@ec.europa.eu

Context

In the framework of the European System of National Accounts (ESA 2010), Eurostat collects data on general government expenditure by economic function according to the international Classification of the Functions of Government (COFOG) – see methodological note.

Other articles

• Government expenditure by function - online publication

• Government finance statistics

• Government finance statistics - quarterly data

• Structure of government debt

• Tax revenue statistics

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Main tables

- Government finance Statistics, see:
  - Government statistics (t_gov)
    - Annual government finance statistics (t_gov_10a)

Database

- Government finance statistics, see:
  - Government statistics (gov)
    - Government finance statistics (EDP and ESA2010) (gov_gfs10)
      - Annual government finance statistics (gov_10a)
        - Government revenue, expenditure and main aggregates (gov_10a_main)
        - General government expenditure by function (COFOG) (gov_10a_exp)
        - Main national accounts tax aggregates (gov_10a_tax_ag)

Dedicated section

- Government finance statistics

Methodology

- Government revenue, expenditure and main aggregates (ESMS metadata file — gov_10a_main_esms)
- General government expenditure by function (COFOG) (ESMS metadata file — gov_10a_exp_esms)

Legislation

- European system of accounts - ESA 2010