

Social protection in the European Union

Statistics in focus

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In 2003, social protection expenditure accounted for 28.0% of GDP in the European Union. However, the percentage share in one country can be more than double that of another. The highest expenditure is in Sweden (33.5%) and the lowest (13.4%) in Estonia and Latvia. Per-capita expenditure at constant prices is increasing at a steady rate.

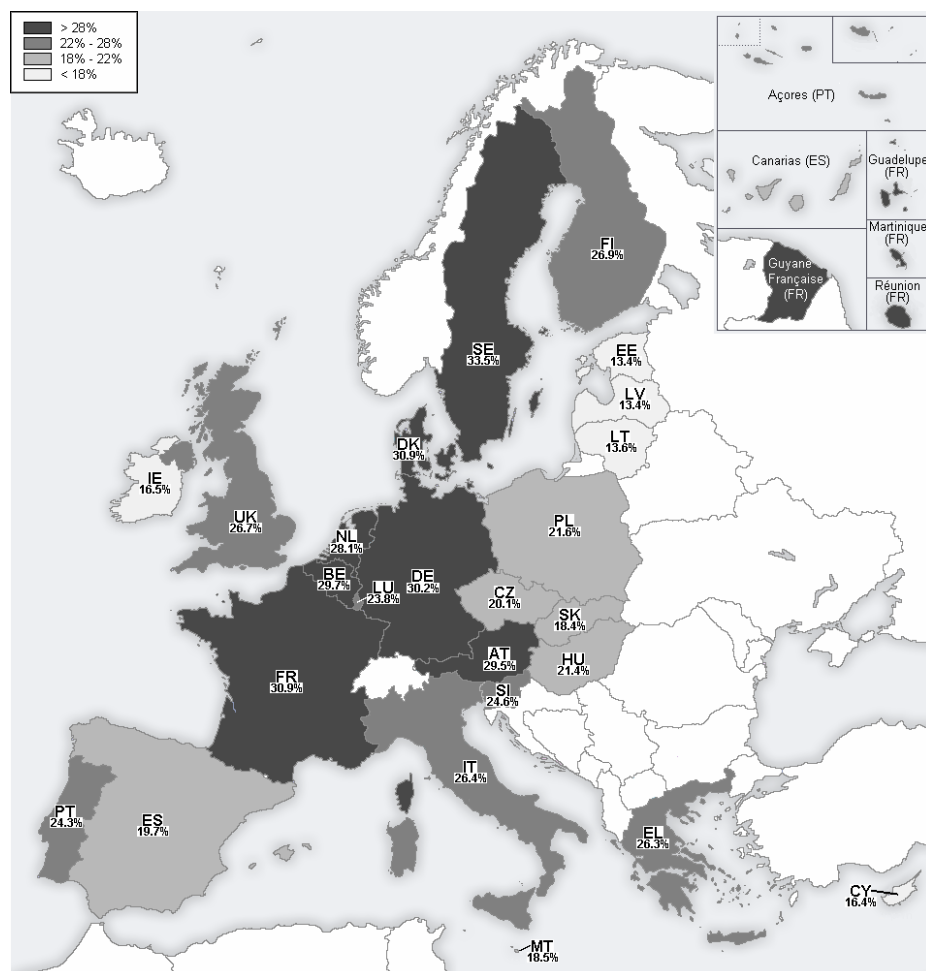
Expenditure on old-age and survivors' benefits account for a large part of social benefits in most countries. Sickness/health expenditure also increased steadily over period 1999-2003 in the EU-15 (by 4.2% per annum on average).

Different countries have markedly different systems for financing social protection, depending on whether they favour social security contributions (60.0% of total receipts at EU-25 level in 2003) or general government funding (37.0%). However, the systems are showing signs of convergence.

28% of GDP spent on social protection in 2003

In 2003, gross (see methodological notes) average social protection expenditure accounted for 28.0% of GDP in the EU-25 countries (Figure 1 and Table 1).

Figure 1: Expenditure on social protection as % of GDP in the EU in 2003



Source: Eurostat-ESSPROS

In 2003, the EU countries with average or higher ratios (28% or more) accounted for almost 43% of the EU population, the group with ratios between 23% and 27% had almost 32% of EU inhabitants, those between 18% and 22% of GDP had more than 23% and countries spending less than 17% of GDP accounted for less than 3% of the EU population.

The countries with the highest ratios — Sweden (33.5%), France, Denmark (both 30.9%) and Germany (30.2%) — spend more than twice as much as the three Baltic countries with the lowest ratios — Estonia, Latvia (both 13.4%) and Lithuania (13.6%).

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

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

Within the EU-25, Luxembourg had the highest expenditure in 2003 (10 905 PPS per capita)¹, followed by Sweden and Denmark (more than 8 000 PPS per head).

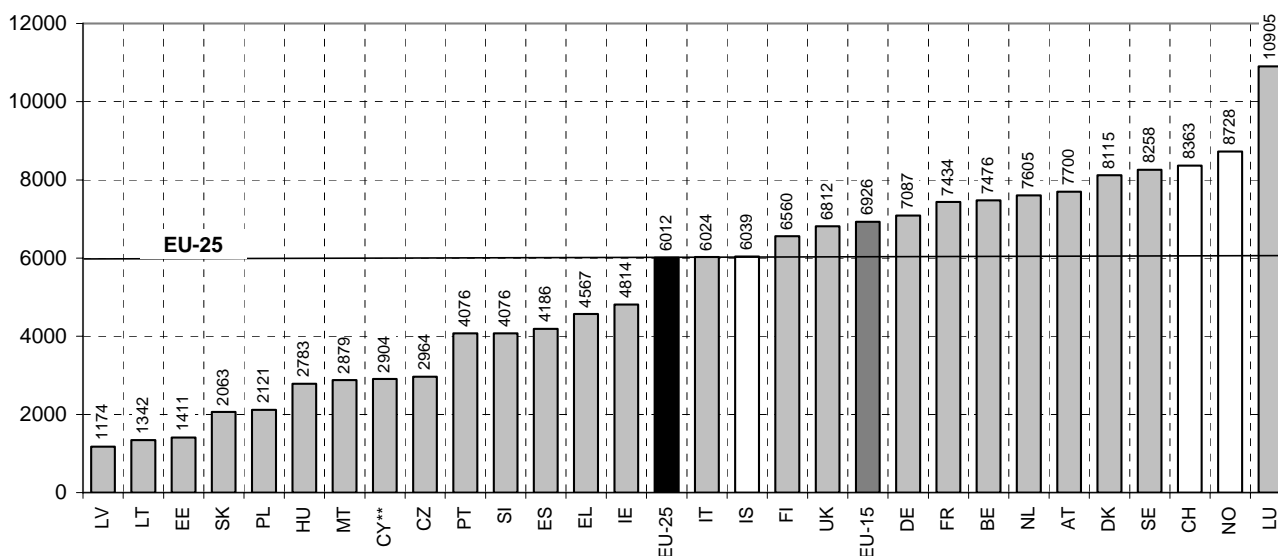
The Baltic States, on the other hand, are characterised by a very low level of expenditure: 1 411 PPS per capita

or less. This is seven times lower than in the three EU countries with the highest expenditure (average value).

Outside the EU-25, expenditure is highest in Norway (more than 8 700 PPS), just below Luxembourg.

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

Figure 2: Expenditure on social protection in PPS* per capita, 2003



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

** Data for Cyprus refers to 2002

Source: Eurostat-ESSPROS

¹ Luxembourg is a special case in so far as a considerable proportion of benefits are paid to people living outside the country (primarily expenditure on health care, pensions and family benefits). If this particular feature is disregarded, expenditure falls to approximately 9 200 PPS per capita.

The share of social protection expenditure in GDP continued to increase in 2003

Taking the EU-15 countries as a whole (for which there are long series available dating back to 1990), after reaching a maximum of 28.7% of GDP in 1993, social protection expenditure fell to 27.2% by 2000 (*Table 1*). This ratio then rose continuously from 2001 and was 28.3% in 2003.

2003 thus saw a rise in most of the EU-25 countries, with the exception of the Czech Republic, Greece, Latvia, Lithuania, Poland, Slovenia and Slovakia.

This increase reflects faster growth in social protection expenditure than in GDP, which slowed in the European

Union in 2002 in comparison with 2001 and again in 2003 in comparison with 2002. Social protection expenditure goes on areas that either are not particularly affected by the economic situation (such as health expenditure and pensions) or are in fact counter-cyclical (unemployment or social exclusion).

The situation in some new Member States (Latvia and Lithuania) is somewhat different to that in other countries of the European Union, since GDP in these countries continued to show strong growth between 2001 and 2003 and social protection expenditure as a percentage of GDP therefore decreased.

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

	1994	1996	1998	2000	2001	2002	2003
EU-25 *	:	:	:	26.9	27.1	27.4	28.0
EU-15	28.4	28.4	27.5	27.2	27.5	27.7	28.3
BE	28.7	28.6	27.6	26.8	27.7	28.8	29.7
CZ	:	17.6	18.6	19.6	19.5	20.2	20.1
DK	32.5	31.2	30.0	28.9	29.2	29.9	30.9
DE	27.7	29.4	28.9	29.3	29.3	29.9	30.2
EE	:	:	:	14.4	13.6	13.2	13.4
EL	22.1	22.9	24.2	26.3	27.0	26.4	26.3
ES	22.8	21.9	20.6	19.6	19.4	19.6	19.7
FR	30.2	30.6	30.0	29.3	29.5	30.2	30.9
IE	19.7	17.6	15.2	14.1	15.0	15.9	16.5
IT	26.0	24.8	25.0	25.2	25.6	26.1	26.4
CY	:	:	:	:	15.2	16.4	:
LV	:	:	:	15.3	14.3	13.8	13.4
LT	:	:	:	15.8	14.7	14.1	13.6
LU	22.9	24.1	21.7	20.3	21.3	22.6	23.8
HU	:	:	:	19.8	19.8	20.7	21.4
MT	:	18.8	18.9	16.9	17.7	18.0	18.5
NL	31.7	30.1	28.4	27.4	26.5	27.6	28.1
AT	28.9	28.8	28.4	28.3	28.6	29.2	29.5
PL	:	:	:	20.1	21.5	21.9	21.6
PT	21.3	20.4	21.2	21.7	22.8	23.7	24.3
SI	:	24.0	24.8	24.9	25.3	25.2	24.6
SK	:	19.8	20.2	19.5	19.1	19.2	18.4
FI	33.8	31.4	26.9	25.3	25.5	26.2	26.9
SE	36.8	33.8	32.2	31.0	31.5	32.5	33.5
UK	28.6	28.0	26.9	27.0	27.5	26.4	26.7
IS	18.7	19.1	18.7	19.6	20.0	22.2	23.8
NO	27.6	26.0	27.1	24.6	25.6	26.2	27.7
CH	25.0	26.6	27.7	27.4	28.1	28.7	29.8

* In 2000 and 2003, EU-25 does not include data of Cyprus. The ratio for EU-25 is calculated on the basis of the 24 countries for which data are available.

Source: Eurostat-ESSPROS.

...but growth in per-capita expenditure at constant prices fell slightly in 2003

Per-capita social protection expenditure at constant prices has increased steadily since 1999: in the EU-15 it increased by an average of 2.2% per annum during the period 1999-2003 (Table 2).

Over this period, the increase was particularly pronounced in Ireland (8.4% on average per annum), Hungary (7.9%), Greece, Luxembourg (both 5.0% per annum), and the Czech Republic (4.7% per annum). Outside the EU, Iceland also experienced significant growth (6.8% per annum). In Slovakia on the other hand, per-capita expenditure remained constant.

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

particularly marked for the Czech Republic (7.6%) and Hungary (16.2%).

Growth fell slightly in the EU-15 in 2003 (2.2%). A decrease was also seen in the majority of the EU-25 countries, particularly in the Czech Republic, Hungary, Ireland, Portugal and Slovakia. By contrast, growth rose significantly in Estonia, Lithuania and the United Kingdom. Expenditure increased the least in Germany, Slovenia, Portugal and Italy (less than 1%) and even decreased in Slovakia (-2.7%).

A combination of factors, mainly adjustments to social benefits and legal changes in the social protection systems (others include the quality of the 2003 preliminary data, the inflation rate, etc.), could explain the trends shown in Table 2.

Table 2: Expenditure on social protection per capita at constant prices (index 100 = previous year)

	2000/1999	2001/2000	2002/2001	2003/2002	Annual average 1999-2003
EU-25 (1) (2)	:	102.3	102.6	102.2	:
EU-15 (1)	102.1	102.2	102.5	102.2	102.2
BE	99.4	103.1	104.9	104.5	103.0
CZ	103.9	103.9	107.6	103.5	104.7
DK	100.1	101.7	101.8	103.8	101.9
DE	101.7	100.8	102.3	100.1	101.2
EE	:	100.4	105.8	110.7	:
EL	107.5	107.3	101.5	103.7	105.0
ES	99.3	101.9	103.7	103.2	102.0
FR	100.5	101.9	104.4	102.7	102.4
IE	105.2	112.7	110.8	105.2	108.4
IT	102.3	102.9	102.1	101.0	102.1
CY	:	:	108.7	:	:
LV	:	101.0	104.7	105.6	:
LT	:	97.3	102.6	108.7	:
LU	101.8	104.4	106.5	107.5	105.0
HU	101.4	104.5	116.2	110.0	107.9
MT	103.7	103.6	102.1	104.2	103.4
NL	101.3	102.1	104.7	101.4	102.3
AT	100.5	101.6	102.8	101.6	101.6
PL	:	107.9	103.3	102.1	:
PT	103.2	99.6	104.7	100.4	102.0
SI	102.3	104.9	103.2	100.1	102.6
SK	96.3	100.4	106.7	97.3	100.1
FI	99.0	101.2	102.7	104.8	101.9
SE	101.3	102.3	104.8	104.4	103.2
UK	106.2	103.7	99.1	104.3	103.3
IS	103.8	104.5	109.3	109.6	106.8
NO	104.3	105.3	100.0	105.3	103.7
CH	101.2	102.9	101.4	103.5	102.3

(1) see calculation method on the page 11

(2) in 2001/2000 and 2003/2002, EU-25 does not include data for Cyprus

Source: Eurostat-ESSPROS.

Preliminary estimates for 2004 show a decline in the share of social protection expenditure in GDP

Ten countries*, which in 2003 accounted for 49.7% of social protection expenditure in the EU-25 (51.4% of expenditure in the EU-15 in 2003), have provided estimates for 2004.

In this group of countries, social protection expenditure increased slightly more slowly than GDP (*Table 3*) in 2004 and accounted for 26.8% of GDP (compared with 27.0% in 2003). The ratio increased only in Ireland, Greece, the Netherlands and Finland.

Measured in constant prices, benefits increased by 2.3% in 2004 (as against +3.7% in 2003). In 2004, a higher rate of growth in real terms was observed only for the "housing" and "social exclusion" functions. Family-related benefits increased the least (+0.6%), which was linked to a drop in the population aged under 20 in these countries.

Table 3: Expenditure on social protection in 2003 and 2004 in 10 countries* of the EU

As % of GDP		2003	2004
		27.0	26.8
Annual rate of growth in real terms in euros	Total benefits	3.7	2.3
	Old age and survivors' functions	2.7	2.2
	Sickness, health care function	5.0	3.0
	Disability function	2.0	1.1
	Family, children function	3.9	0.6
	Unemployment function	8.0	2.6
	Housing and social exclusion functions	0.2	1.4

* Belgium, Denmark, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Finland

Source : Eurostat-ESSPROS

Old age and survivors' benefits accounted for the major share of total benefits in 2003

In the EU-25 in 2003, old age and survivors' benefits accounted for the largest share of social protection expenditure: 45.7% of total benefits (12.3% of GDP) (*Table 4*).

These benefits are particularly important in Italy², where they accounted for almost 62% of total benefits. Contributory factors include the high percentage of the population aged 60 or over (25% in January 2003 compared with an average of 21.6% in the EU-25). Poland (58.5%), Latvia (53.1%), Malta (52.3%) and Greece (50.8%) are also significantly above the European average.

In Ireland³ in contrast, old age and survivors' benefits accounted for around 23% of total benefits. This is partly due to the fact that the population of Ireland is the "youngest" in Europe: 28.8% of the population were under 20 years of age in January 2003 (compared to an EU-25 average of 22.8%) and barely 15.1% were over 60.

Sickness/health care expenditure accounted for more than 28% of all benefits (7.6% of GDP). It exceeded expenditure on old-age and survivors' benefits in Ireland (41.8%) and, outside the EU-25, in Iceland and Norway. More than a third of benefit expenditure in the Czech Republic (and Iceland and Norway) went on sickness/health care. In Denmark and Poland, on the other hand, health expenditure accounted for 20.5% of total benefits.

Benefits relating to disability accounted for more than 13% of total benefits in Sweden, Denmark, Finland and Luxembourg⁴, compared with an average of 8.0% (2.1% of GDP) in the EU-25. The share was also high (more than 11%) in Poland, Portugal and the Netherlands. Outside the EU-25, Norway spent the most on disability (17.8% of total social benefits). In Cyprus (2002 data), France, Greece and Ireland, on the other hand, the proportion was less than 6%.

² In Italy such benefits also include severance allowances (TFR - trattamento di fine rapporto), which partly come under unemployment expenditure. These benefits represent some 5% of total social benefits.

³ For Ireland, no data are available on (funded) occupational pension schemes for private-sector employees.

⁴ In Luxembourg, a new "dependence insurance" scheme was introduced in 1999. These benefits accounted for 3.7% of total social benefits in 2003. According to the 1996 ESSPROS Manual, most of these benefits should be recorded under old-age benefits.

The "Family/children" function accounted for 8% of all benefits (2.1% of GDP) in the EU-25. Expenditure on this function represented 13% or more of total benefits in Luxembourg (ranking highest at 17.7%), Ireland (16%), Denmark and Hungary. The same was true of Iceland. In Spain, Italy, Poland and the Netherlands, however, these benefits amounted to less than 5% of total social benefits.

There are major differences between Member States as regards the weight of unemployment benefits: while the average for the EU-25 was 6.6% of total benefits (1.6% of GDP), the share amounted to more than 12% in Spain and Belgium, for example. By contrast, in Estonia, Italy, Lithuania, Hungary, and the United Kingdom and, outside the EU-25, in Iceland, unemployment benefits accounted for less than 3% of expenditure.

Table 4: Social benefits by function group in 2003 (as % of total social benefits)

	Old age and survivors	Sickness/ health care	Disability	Family/ Children	Unemployment	Housing and social exclusion
EU-25	45.7	28.3	8.0	8.0	6.6	3.5
EU-15	45.5	28.4	7.9	8.0	6.7	3.5
BE	44.5	27.0	6.6	7.8	12.4	1.7
CZ	41.3	35.6	8.2	7.5	3.9	3.5
DK	37.2	20.5	13.5	13.2	9.8	5.7
DE	42.9	27.7	7.8	10.5	8.6	2.5
EE	44.8	31.8	9.3	10.0	1.8	2.2
EL	50.8	26.5	5.1	7.3	5.7	4.6
ES	43.8	30.7	7.4	3.0	13.3	1.7
FR	43.3	30.5	4.8	9.0	7.9	4.5
IE	23.2	41.8	5.1	16.0	8.4	5.6
IT	61.8	25.7	6.4	4.1	1.8	0.2
CY*	49.4	25.2	3.8	8.0	5.7	7.9
LV	53.1	22.9	8.5	10.8	3.2	1.5
LT	47.4	29.8	9.7	7.9	1.8	3.3
LU	37.2	24.8	13.4	17.7	4.2	2.8
HU	41.3	29.7	10.3	13.0	2.8	2.9
MT	52.3	26.0	6.5	5.6	6.7	2.9
NL	40.3	31.4	11.1	4.9	6.2	6.2
AT	48.2	24.8	8.6	10.8	6.0	1.7
PL	58.5	20.5	12.2	4.7	4.0	0.2
PT	46.2	28.8	11.5	6.5	5.5	1.6
SI	45.0	32.4	8.2	8.6	3.1	2.6
SK	39.4	32.8	8.9	8.3	5.8	4.9
FI	37.0	25.1	13.3	11.5	9.9	3.3
SE	40.1	26.3	14.2	9.5	5.9	4.0
UK	44.9	29.6	9.4	6.9	2.7	6.5
IS	30.5	36.1	14.3	13.6	2.5	3.2
NO	29.7	34.5	17.8	11.7	3.2	3.1
CH	47.5	26.3	13.3	5.0	4.7	3.1

* Data for Cyprus refers to 2002

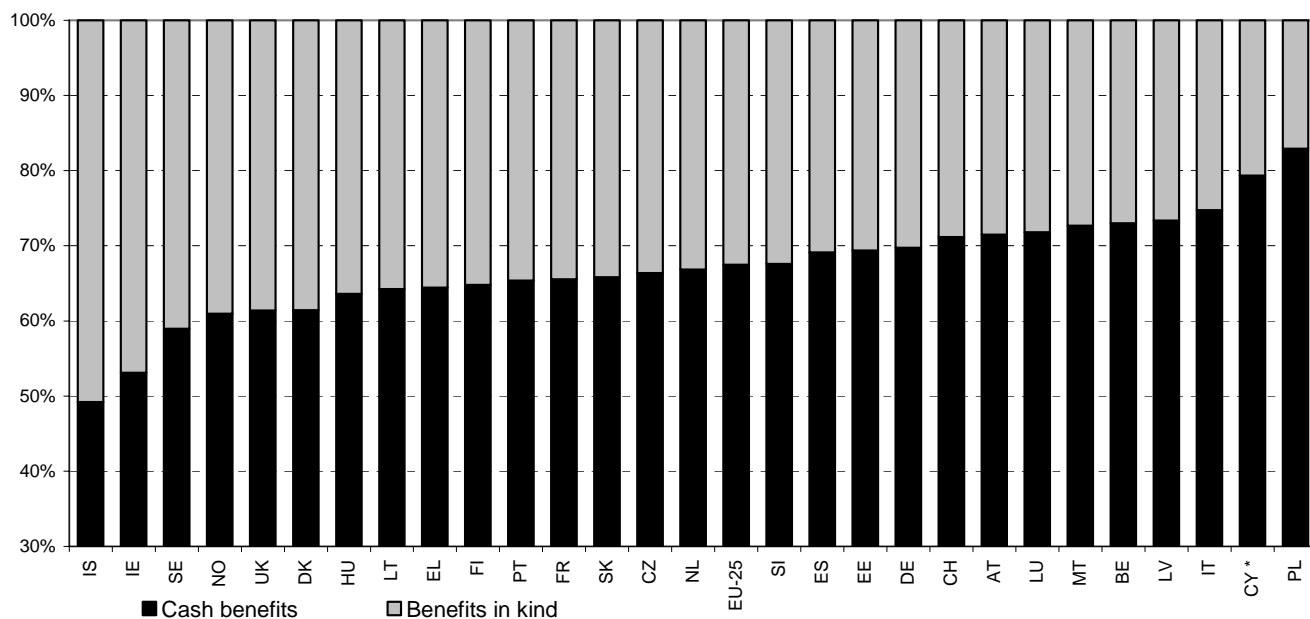
Source: Eurostat-ESSPROS.

Main form of benefit expenditure is cash benefits

Social benefits paid in cash (see methodological notes) are the main form of benefit expenditure in the European Union (Figure 3). In 2003, cash benefits accounted for 67.5% of all social protection benefits, or 18.1% of GDP. They are paid out at regular intervals or as lump sums. The share of cash benefits was highest in Poland (82.9%) and Cyprus (79.3%). In Germany, Austria and Belgium, they accounted for more than 20% of GDP.

Benefits in kind (see methodological notes) accounted for 32.5% of total benefits, or 8.7% of GDP. The share of benefits in kind was highest in Ireland (46.9%) and Sweden (41.1%), reflecting a greater use of services and provision of goods across all social protection functions. Iceland is the only country where benefits in kind actually account for a larger share (50.8%) than cash benefits.

Figure 3: Benefits on social protection in cash and in kind, 2003



* Data for Cyprus refers to 2002

Source : Eurostat-ESSPROS

Significant increase in sickness/health care expenditure

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

Between 1999 and 2003, therefore, social benefits developed at different speeds for the different functions. Taking all benefits together, the growth over this period was on average 2.7% per annum in the EU-15 (Table 5), i.e. the group of countries that have sufficiently long time series (see Methodological notes).

However, this average increase masked a wide range of variation, with Slovakia at one end of the scale with

virtual stability and Ireland at the other with an increase of 10.2%. There was also a significant increase in benefits in countries such as Hungary, Luxembourg and Greece, whereas the increase in Austria, Germany, Finland and Denmark was a little below the average. Moreover, the overall changes in each country stemmed from the different rate of change for each function.

Looking at the individual social protection functions, the annual average increases were within a range of 1.3% to 4.2%, with housing/social exclusion and sickness/health care occupying the two extremes.

Table 5: Social benefits at constant prices - index, annual average for 1999 - 2003

	Old age and survivors	Sickness/ health care	Disability	Family / Children	Unemployment	Housing and social exclusion	Total benefits
EU-25	:	:	:	:	:	:	:
EU-15 (1)	102.3	104.2	101.7	102.0	101.9	101.3	102.7
BE	103.8	106.2	95.6	100.2	104.2	105.6	103.5
CZ	103.5	106.2	103.8	100.9	106.3	109.4	104.5
DK	101.6	103.4	104.9	102.6	99.0	100.6	102.2
DE	101.7	100.9	101.3	101.7	100.9	99.6	101.3
EE	:	:	:	:	:	:	:
EL	104.7	107.5	106.7	104.7	105.3	101.0	105.3
ES	102.4	104.3	101.8	107.9	104.7	100.7	103.4
FR	102.2	104.8	98.0	100.5	104.4	102.0	102.7
IE	108.1	111.5	110.7	115.0	103.0	111.2	110.2
IT	101.4	104.6	102.7	104.8	98.4	113.4	102.3
CY	:	:	:	:	:	:	:
LV	:	:	:	:	:	:	:
LT	:	:	:	:	:	:	:
LU	104.5	105.4	104.7	109.9	115.8	135.7	106.5
HU	107.7	109.8	109.2	107.2	95.4	99.8	107.6
MT	104.8	106.9	108.0	94.7	105.4	102.4	104.8
NL	102.0	104.8	101.2	106.4	103.7	100.0	102.9
AT	102.2	100.5	101.2	103.8	104.6	100.1	101.9
PL	:	:	:	:	:	:	:
PT	104.9	104.2	101.0	102.5	92.0	102.6	104.2
SI	102.7	104.2	101.0	102.5	92.0	115.4	102.8
SK	102.1	99.2	107.2	95.9	96.1	95.0	100.1
FI	103.3	104.3	100.3	99.3	98.7	99.2	102.0
SE	103.3	104.0	106.1	103.2	94.0	99.2	103.0
UK	103.1	107.9	103.0	100.4	98.5	101.8	103.9
IS	107.4	105.3	112.6	111.1	116.3	109.2	108.0
NO	103.0	105.7	105.6	101.2	110.2	102.8	104.3
CH	101.3	104.5	104.8	101.9	107.0	99.5	102.8

(1) see calculation method in page 11

Source: Eurostat-ESSPROS.

Expenditure at constant prices on old age and survivors' benefits increased by 2.3% per annum between 1999 and 2003 in the EU-15. The changes in this group were primarily due to changes in pensions, which represented almost 91% of all old age and survivors' benefits in 2003 (85.5% of the latter are actually old age pensions). The percentage of the population aged 60 or over in the EU-15 increased from 21.4% in January 1999 to 22.2% in January 2003 (an average annual increase of 1.3% in the number of persons). The additional increase in old age and survivors' benefits (i.e. not due to the ageing population) is partly explained by the fact that pensions increased at a faster rate than prices and by the increase in the average pensions of women, who now work for longer than they did in the past.

The average increase in old age and survivors' benefits for the EU-15 is mainly due to the changes in the principal countries making up the group (Germany,

France, the United Kingdom and Italy), which account for 73% of benefits. The most significant increases in the European Union were in Ireland (8.1% per annum) and Hungary (7.7% per annum); outside the EU, the biggest increase was in Iceland (7.4% per annum). The average increase in benefits was smallest in Italy (1.4%), Denmark (1.6%), Germany (1.7%) and Switzerland (1.3%).

With an increase in real terms of 4.2% per annum between 1999 and 2003 for the EU-15 as a whole, spending on the "sickness/health care" function increased at a greater rate than on the other functions over this period. Although sickness/health care expenditure increased only slowly in the first half of the decade 1993-2003 (0.2% per annum between 1993 and 1998), it subsequently picked up. This situation reflects, among other things, the efforts made by certain Member States to provide universal access to health care and the ageing of population.

The acceleration observed since 1999 represents a general trend for the European Union, with the exception of Slovakia, Austria and Germany. The largest increases between 1999 and 2003 were in Ireland (11.5%) and Hungary (9.8%).

Disability expenditure increased steadily over the period 1999-2003 in the EU-15 (1.7% per annum on average). Disability pensions accounted for the largest share of this expenditure (58.5% of the total). However, entitlement conditions varied enormously from country to country.

Such expenditure increased most in Ireland, Hungary, Malta, Greece and Slovakia (and, outside the EU, in Iceland). In Finland, Portugal, Slovenia, the Netherlands, Germany and Austria, conversely, expenditure rose only by a small amount. Expenditure even decreased in Belgium and in France.

Expenditure on family/child benefits increased by 2.0% in real terms between 1999 and 2003. This increase is not linked to a rise in the number of children, since the population aged between 0-19 years fell by 1.7% between January 1999 and January 2003. Cash family benefits accounted for about 73% of total expenditure on this function. Depending on the country, this trend is the result of significantly higher rates and family-friendly reforms (changed conditions of access and rates, creation of new benefits).

Expenditure on family and child benefits increased most in real terms in Ireland, Luxembourg and Iceland during this period. In Ireland, reforms to the system for

maternity and parental leave boosted the increase in expenditure. The situation in Luxembourg is largely due to the rise in the value of family benefits. In Malta, Slovakia and Finland, however, expenditure on family benefits decreased in real terms. The decline in the population aged between 0 and 19 years of age between January 1999 and January 2003 in Slovakia (-9.5%), Malta (-4.5%) and Finland (-2.4%) is largely responsible for the fall in expenditure in these three countries.

Unemployment expenditure increased by 1.9% in real terms over the period 1999-2003. The growth in expenditure on unemployment initially followed the downward trend seen previously, which continued in 1999 and 2000, but was boosted by the upsurge in unemployment benefits in 2001 (Spain, United Kingdom), 2002 (Czech Republic, France, Italy, Malta, Netherlands, Austria, Portugal, Slovakia) and 2003 (Denmark, Latvia, Lithuania, Finland, Sweden), resulting from the weakening labour market in most of these countries. The fall noted at the beginning of the period was due partly to a gradual improvement in the economic situation and partly to reforms of the benefit system in a certain number of countries. It was also the product of restrictions on the period for which benefits were paid and moves towards more restrictive conditions for entitlement to benefits.

Expenditure at constant prices on "housing" and "social exclusion" functions increased by 1.3% per annum between 1999 and 2003. There were higher increases in Luxembourg, Slovenia, Italy and Ireland.

Very different financing systems that nevertheless show signs of convergence

In 2003, the main sources of funding of social protection at EU-25 level were social contributions, representing 60% of all receipts, and general government contributions derived from taxes (37%). Social contributions can be broken down into contributions paid by protected persons (employees, self-employed persons, retired persons and others) and those paid by employers (*Table 6*).

The European average masks major national differences in the structure of social protection funding. The part funded through social contributions accounts for more than 70% of all receipts in Estonia, the Czech Republic, Belgium and Latvia.

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

The differences are due to historical reasons and to the institutional reasoning behind social protection systems. Northern European countries where government funding dominates are thus characterised by the "Beveridgian" tradition (in this type of system, it is enough to be a resident in need in order to be able to claim social benefits). Other countries have a strong attachment to the "Bismarckian" tradition, in which the system is based on the insurance concept (in the form of contributions). However, the divergence between European countries is gradually declining, with more funding from tax revenues in the countries where it was low (France, Germany, Italy and Portugal for example) and with more coming from contributions in the countries with high levels of government funding on the other.

The share of other receipts (property income and other receipts) was low: 3.0% in 2003 for the EU-25. However, it was well over 10% in Cyprus and the Netherlands and in Iceland and Switzerland.

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

	General government contributions		Social contributions						Other receipts	
			Total		Employers		Protected persons (1)			
	1995	2003	1995	2003	1995	2003	1995	2003	1995	2003
EU-25	:	37.0	:	60.0	:	38.9	:	21.0	:	3.0
EU-15	32.1	36.9	63.8	60.0	39.2	39.0	24.7	21.0	4.0	3.1
BE	26.1	25.7	71.1	72.0	48.9	50.1	22.1	21.9	2.9	2.4
CZ	20.7	23.4	78.2	75.4	53.6	50.9	24.5	24.5	1.2	1.2
DK	69.7	63.0	24.0	30.3	10.2	9.7	13.8	20.7	6.3	6.7
DE	28.4	34.6	69.0	63.7	40.4	36.3	28.7	27.5	2.6	1.7
EE	:	20.1	:	79.8	:	79.2	:	0.6	:	0.1
EL	29.0	29.6	61.0	61.0	37.4	37.5	23.5	23.5	10.0	9.4
ES	30.3	28.4	67.0	68.7	50.0	52.3	17.1	16.4	2.7	2.8
FR	21.5	29.7	74.9	67.1	47.4	46.1	27.5	20.9	3.5	3.2
IE	62.8	61.7	36.3	36.7	22.3	22.8	14.0	13.9	0.8	1.6
IT	30.0	39.8	67.6	58.6	50.3	43.7	17.3	14.9	2.3	1.6
CY (2002)	:	48.4	:	36.8	:	:	:	26.6	:	14.8
LV	:	28.9	:	71.1	:	52.1	:	19.0	:	:
LT	:	38.8	:	60.7	:	54.6	:	6.1	:	0.4
LU	47.0	44.5	47.7	51.6	25.9	27.3	21.9	24.2	5.2	3.9
HU	:	34.8	:	58.4	:	43.5	:	14.9	:	6.9
MT	32.3	29.4	64.2	67.2	45.5	46.5	18.7	20.7	3.4	3.4
NL	17.1	19.4	63.7	67.5	21.0	32.8	42.8	34.7	19.2	13.1
AT	34.8	34.5	64.3	63.7	38.4	37.6	26.0	26.2	0.9	1.7
PL	:	50.1	:	49.6	:	26.5	:	23.0	:	0.3
PT	31.9	40.0	53.6	50.3	35.9	33.4	17.7	16.9	14.5	9.7
SI	:	31.5	:	67.2	:	27.3	:	39.9	:	1.3
SK	35.5	30.2	62.6	68.5	46.4	49.3	16.2	19.2	1.9	1.3
FI	45.8	44.3	47.3	49.9	33.7	39.0	13.7	10.9	6.9	5.7
SE	49.5	48.8	42.6	49.4	37.3	40.6	5.3	8.8	7.9	1.8
UK	50.5	49.5	48.7	48.9	25.4	32.7	23.3	16.2	0.9	1.6
IS	61.2	40.8	38.8	38.5	30.7	31.8	8.2	6.7	:	20.7
NO	62.2	55.9	36.9	44.0	22.6	:	14.4	:	0.9	0.1
CH	19.2	22.7	62.0	61.2	31.8	28.4	30.2	32.8	18.8	16.1

(1) Employees, self-employed, pensioners and other persons

Source: Eurostat-ESSPROS.

➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

Methods and concepts

The data on social protection expenditure and receipts have been calculated in accordance with the methodology of the European System of Integrated Social Protection Statistics "ESSPROS Manual 1996". Expenditure includes social benefits, operating expenditure and other expenditure incurred by social protection schemes. The 1996 ESSPROS Manual classifies social benefits under the following eight functions: sickness/health care, disability, old age, survivors, family/children, unemployment, housing, social exclusion, and "not elsewhere classified" (n.e.c.).

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

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

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

Calculation of indices in Tables 2 and 5

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

At EU-15 and EU-25 levels, the indices are obtained from a weighted average of each country's annual index (in national currency). The expenditure of countries in ECU/euro in the previous year serves as the basis for the weighting (for example, 1999 expenditure for the weighted index for 2000/1999, 2000 expenditure for the weighted index for 2001/2000, etc.).

Abbreviations

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

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

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

Remarks concerning the data

Data for the EU-25 as a whole (including Cyprus) are available for the first time. However, the series for the new Member States are not uniform in length: data from 1999 were available only for CZ, HU, MT, SI and SK.

The figures for Spain (for the period 1993-1994) were calculated according to the old national-accounts methodology, ESA79; the figures for other countries were calculated in accordance with ESA95.

The 2003 data are provisional for BE, CZ, DE, EE, ES, EL, FR, IE, IT, LV, LT, LU, NL, PL, PT, SI, SK, SE and UK.

The GDP, PPS, population and consumer price index data were extracted in November 2005. This might explain possible differences from national publications.

Further information:

Reference publications

Title	ESSPROS MANUAL – 1996
Catalogue No	CA-99-96-641-EN-N
Title	European Social Statistics – Social protection – Expenditure and receipts – Data 1995 - 2003
Catalogue No	KS-DC-06-001-EN-N

Data:

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

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

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

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