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In 2008 gross expenditure on social protection in EU-27 accounted for 26.4 % of GDP

Social protection benefits are the largest component of total gross social protection expenditure. In 2008 they represented 25.3 % of GDP in the EU-27. Between them, old-age and survivors benefits predominated, representing 11.5 % of GDP.

Between 2007 and 2008, in the EU-27 expenditure on social protection as a percentage of GDP rose by 0.7 percentage points. This was the result of an increasing rate of growth for social protection expenditure (in nominal terms) combined with a decreasing rate of growth for GDP.

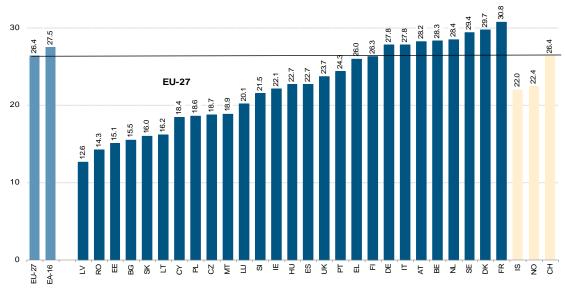
Over the period 2001-2008 social protection benefits in the EU-27 grew in real terms by 2.3 % per year on average; sickness/health care (+2.9 % per year) and housing and social exclusion combined (+3.2 % per year) were the functions that grew most rapidly on average.

The financing of social protection in the EU-27 in 2008 favoured social security contributions (57.5 % of total receipts) over general government funding (38.2 % of total receipts).

In 2008, gross expenditure on social protection (see definition in the methodological notes) accounted for 26.4 % of GDP in the EU-27 and 27.5 % in the EA-16 (figure 1).

There are significant differences between countries in the level of expenditure on social protection. France (30.8 %), Denmark (29.7 %) and Sweden (29.4 %) spent a large proportion of their GDP on social protection; Latvia (12.6 %) and Romania (14.3 %) were the countries with the lowest ratios between social protection expenditure and GDP.

Figure 1: Expenditure on social protection as percentage of GDP, 2008



Source: Eurostat (online data code : spr_exp_sum)



There are significant differences between countries in the level of per capita expenditure on social protection

In order to compare per capita social protection expenditure across the EU, figures are expressed in terms of purchasing power standards (PPS), see box 1.

In 2008 per capita social protection expenditure was 6 604 PPS in the EU-27 and 8 108 PPS in the euro area (figure 2).

As for expenditure as a percentage of GDP (figure 1), there are also pronounced differences between countries in expenditure per capita. Of all the EU countries, Luxembourg¹ had the highest expenditure in 2008 (14 057 PPS per capita), followed by the Netherlands and Sweden (with more than 9 000 PPS per capita). The values for the

countries with the largest per capita expenditure (Luxembourg excluded) were roughly six to eight times the values in the group of EU countries with the lowest expenditure, i.e. Bulgaria, Romania and Latvia (with values between 1 661 and 1 803 PPS per capita). Of the countries outside the EU-27 expenditure is highest in Norway (10 642 PPS), surpassed only by Luxembourg.

Differences between countries in terms of the level of expenditure are partly related to differing levels of wealth, but they also reflect diversity in social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors.

Box 1. Purchasing power standards (PPS): unit independent of any national currency that removes the distortions introduced by 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.

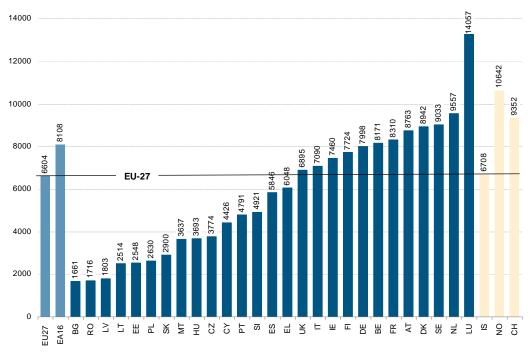


Figure 2: Expenditure on social protection in PPS per capita, 2008

Source: Eurostat (online data code : spr_exp_sum)

Total expenditure on social protection: benefits are the major component (96% in EU-27)

Figure 3 presents the structure of total expenditure on social protection for the EU-27 in 2008. It

shows the relative importance of each of its components: social protection benefits,

Luxembourg is a special case in that a considerable proportion of benefits are paid to people living outside the country (primarily expenditure on health care, pensions and family benefits). If this particular feature is left out of the calculation, expenditure falls to approximately 11 468 PPS per capita.

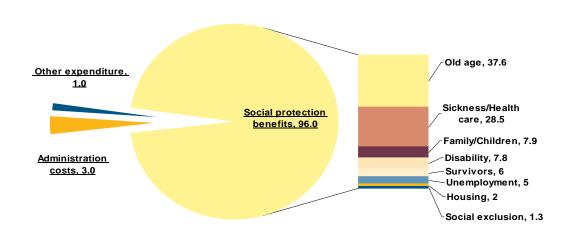
administration costs and other expenditure.

Social protection benefits are by far the largest component of social protection expenditure, totalling 96 %.

Social protection benefits are transfers to individuals aimed to provide cover against a set of eight risks/needs, which in ESSPROS Manual are

named 'functions'. Expenditure on benefits goes to areas that either are not particularly affected by the economic situation (such as health benefits and oldage and survivors pensions) or are in fact countercyclical (unemployment or social exclusion). Figure 3 shows on the right the weight of each of the eight functions in relation to total expenditure.

Figure 3: Structure of social protection expenditure in EU-27, 2008



Note: Social protection benefits are classified within ESSPROS by function, i.e. according to the primary purpose for which each benefit is provided and the main risk which it is aimed to offset.

Source: Eurostat (online data code: spr_exp_sum)

Expenditure on benefits by function: in the EU-27 an amount corresponding to 11.5 % of GDP was used to pay old-age and survivors benefits

In table 1, 2008 expenditure on benefits for each function is expressed as a percentage of total expenditure on social benefits (% of TSB): these columns describe, country by country, the structure of expenditure on social protection benefits. In a second set of columns expenditure on benefits is shown as percentage of GDP (% of GDP) to express the amounts spent on each function in terms of the country's wealth.

In 2008 social protection benefits in the EU amounted to 25.3 % of GDP.

In general, expenditure on benefits within the 'oldage and survivors' group and the 'sickness/health care' function predominates. In 2008 these benefits represented for the EU-27 45.4 % and 29.7 % respectively of total expenditure on social benefits; thus 11.5 % of GDP was spent on social protection benefits for old age and survivors and 7.5 % of

GDP on benefits for sickness and health care.

The percentage of total expenditure on benefits classified under a function other than old-age and survivors and sickness/health care (i.e. disability, family/children, unemployment and the housing-social exclusion group) was, taken altogether for the EU-27, less than 25 %, or less than 7 % of GDP.

The social protection systems in Italy² and Poland³ typically allocate large proportions of expenditure on old-age and survivors benefits (in both countries around 60 % of TSB); in Italy in 2008 this corresponded to 16 % of its GDP, an amount significantly higher than the European level.

By contrast, the lowest percentage of GDP across Europe devoted to such expenditure was recorded in Ireland (5.5 %). This is also due to the fact that the Irish population is the 'youngest' in Europe⁴. The

² In Italy people aged 60 or over accounted for 25.8 % of the population in 2008, compared to 22.5 % for the EU-27

In Poland people aged 60 or over accounted for 18 % of the population in 2008

In Ireland in 2008 around 27% of the population were under 20 years of age, compared to 21.7% in the EU-27, and 15.4% were aged over 60

significant proportion of young people in the structure of the Irish population implies that a larger proportion of expenditure goes to cover functions other than old age and survivors. Ireland stands out as the country with the largest percentage of TSB devoted in 2008 to the sickness/health care function (40.9 %); in terms of GDP Ireland recorded one of the largest values in Europe (8.5 %), exceeded only by France (8.7 %) and the Netherlands (8.8 %). Romania recorded the smallest percentage in terms of GDP devoted to sickness/health care benefits (3.5 %).

The share of old-age, survivors and sickness/health care taken together was lowest in Denmark, the other Nordic countries and Luxembourg.

Therefore, these were the countries that spent relatively more than the rest of Europe on other functions, namely disability, family/children, unemployment and the housing-social exclusion group. It was in the same countries that expenditure

on such functions grouped together reached the highest levels in relation to GDP across the EU.

Conversely, the countries with the lowest levels for total expenditure as % of GDP (namely Latvia, Romania, Estonia, Lithuania, Bulgaria and Slovakia) spent less than the EU average, not only on the total of old-age, survivors and sickness but also on the total of the other functions.

More precisely, with respect to unemployment benefits (1.3 % of GDP at EU level) the highest relative values as a percentage of GDP were recorded in Belgium (3.3 %) and Spain (3.0 %). It is also worth noting that the percentage of GDP dedicated to benefits in housing and social exclusion n.e.c. (0.9 % in the EU-27) was 0.5 % or below in many of the countries that most recently joined the EU, in many southern countries and Austria.

Table 1: Social protection benefits by function group as % of total social benefits (TSB) and as % of GDP, 2008

	Old-age and survivors		survivors Health care		Disa	ability	Family	/children	Unemployment		Housing and social exclusion	
	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP	% of TSB	% of GDP
EU-27	45.4	11.5	29.7	7.5	8.1	2.0	8.3	2.1	5.2	1.3	3.4	0.9
EA-16	46.2	12.2	29.6	7.8	7.0	1.9	8.2	2.2	5.9	1.5	3.0	0.8
BE	40.7	10.8	28.4	7.6	7.1	1.9	7.8	2.1	12.5	3.3	3.6	1.0
BG	49.5	7.4	29.4	4.4	7.7	1.2	8.7	1.3	2.3	0.3	2.3	0.3
CZ	45.8	8.3	33.3	6.0	8.2	1.5	8.0	1.5	3.5	0.6	1.2	0.2
DK	38.4	11.1	23.3	6.7	15.2	4.4	13.2	3.8	4.8	1.4	5.1	1.5
DE	43.0	11.5	30.5	8.1	7.8	2.1	10.6	2.8	5.4	1.4	2.8	0.7
EE	43.0	6.4	32.4	4.8	9.9	1.5	12.0	1.8	2.1	0.3	0.7	0.1
IE	26.2	5.5	40.9	8.5	5.5	1.1	14.8	3.1	8.7	1.8	4.1	0.9
EL	50.8	12.8	29.0	7.3	4.7	1.2	6.3	1.6	5.1	1.3	4.2	1.1
ES	39.6	8.8	30.8	6.8	7.2	1.6	6.8	1.5	13.6	3.0	2.1	0.5
FR	45.8	13.4	29.8	8.7	6.0	1.7	8.4	2.5	5.8	1.7	4.2	1.2
IT	60.7	16.1	26.4	7.0	5.9	1.6	4.7	1.3	1.9	0.5	0.3	0.1
CY	45.3	8.2	24.6	4.4	3.7	0.7	11.4	2.1	4.5	0.8	10.6	1.9
LV	45.6	5.6	29.5	3.7	7.3	0.9	11.2	1.4	4.1	0.5	2.3	0.3
LT	44.4	7.0	29.4	4.6	10.4	1.6	12.0	1.9	2.5	0.4	1.3	0.2
LU	36.0	7.1	25.2	5.0	11.5	2.3	19.8	3.9	4.6	0.9	2.9	0.6
HU	45.4	10.1	25.0	5.6	9.4	2.1	12.7	2.8	3.7	0.8	3.8	0.9
MT	51.7	9.6	29.7	5.5	5.9	1.1	6.8	1.3	2.7	0.5	3.3	0.6
NL	39.9	10.7	32.8	8.8	8.8	2.4	6.6	1.8	3.8	1.0	8.0	2.1
AT	49.2	13.4	26.1	7.1	7.8	2.1	10.3	2.8	5.0	1.4	1.6	0.4
PL	59.6	10.9	24.4	4.4	8.8	1.6	4.0	0.7	1.9	0.4	1.2	0.2
PT	51.5	11.9	28.0	6.5	9.3	2.1	5.5	1.3	4.5	1.0	1.2	0.3
RO	50.7	7.1	25.2	3.5	9.8	1.4	10.6	1.5		0.2	2.3	0.3
SI	45.8	9.6	33.8	7.1	7.8	1.6	8.5	1.8	2.0	0.4	2.1	0.4
SK	42.5	6.6	32.5	5.0	9.0		9.5	1.5	4.0	0.6	2.4	0.4
FI	38.0	9.7	26.8	6.8	12.6		11.6	3.0		1.8	3.9	1.0
SE	41.8	12.0	26.0	7.5	15.1	4.3	10.4	3.0		0.9	3.7	1.1
UK	39.7	9.0	33.3	7.6	11.0		7.3	1.7	2.5	0.6	6.1	1.4
IS	24.7	5.4	40.5	8.8	14.0		13.4	2.9	1.7	0.4	5.7	1.2
NO	31.8	7.0	32.7	7.2	17.6		12.5	2.8	1.9	0.4	3.5	0.8
CH	50.4	12.5	26.4	6.6	12.5	3.1	5.1	1.3	2.6	0.6	3.0	0.8

Note: In Italy, old-age and survivors benefits also include severance allowances (TFR — trattamento di fine rapporto), which partly come under unemployment. In Luxembourg the disability function also includes 'dependence insurance' benefits (according to the ESSPROS Manual, a part of these benefits should be recorded under old-age benefits, but the breakdown is not available).

Source: Eurostat (online data code : spr exp sum)

Expenditure on benefits by type: Cash and non-means-tested benefits are the main forms of transfers

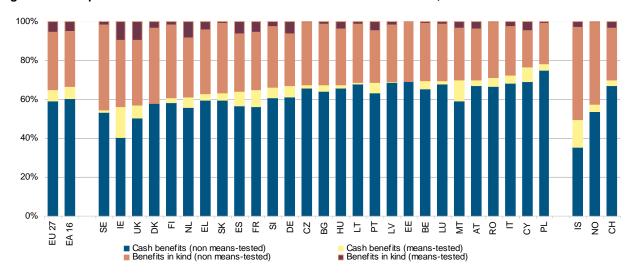
Social benefits in cash, paid out either at regular intervals or as lump sums (see methodological notes), are the main form of expenditure on benefits in the European Union.

In 2008 (see Figure 4) cash benefits accounted for 65.1 % of all social protection benefits in the EU-

27. Cash benefits had the highest share in Poland (78.5 % of all benefits) and Cyprus (76.8 %).

Of all EU countries the greatest use of benefits, either paid as reimbursements or provided directly in the form of goods and services (i. e. benefits in kind), was recorded in Sweden (45.5 % for all benefits) and Ireland (43.9 %).

Figure 4: Social protection benefits in cash and kind as % of total social benefits, 2008



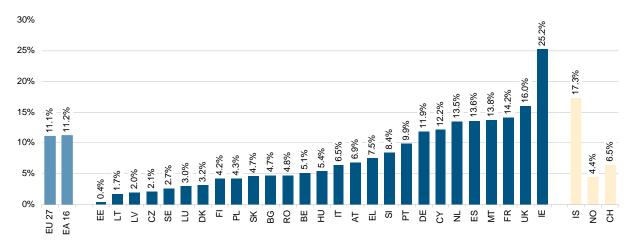
Note: The percentages in this graph are calculated on the basis of data expressed in euro Source: Eurostat (online data code: spr_exp_eur)

Social benefits paid without explicitly or implicitly checking that the beneficiary's income or wealth is below a specific level (i.e. non means-tested benefits, see methodological notes), are the main form of benefit expenditure in the European Union.

exclusion) accounted for 11.1 % of all social protection benefits in the EU-27. Means-tested benefits were significantly higher than the European level in Ireland, where they represented 25.2 % of total benefits.

In 2008 (see Figure 5) benefits paid out after means testing (mainly in respect of housing and social

Figure 5: Means-tested social protection benefits as % of total social benefits, 2008



Note: The percentages in this graph are calculated on the basis of data expressed in euro Source: Eurostat (online data code: spr_exp_eur)

In EU-27 between 2007 and 2008 an increasing rate of growth for social protection expenditure was combined with a decreasing rate of growth of GDP

In the EU-27 and EA-16, expenditure on social protection as percentage of GDP rose continuously between 2001 and 2003 (Table 2). From 2003 onwards, the ratio remained fairly stable until 2005; thereafter it contracted significantly in 2006, and even more so in 2007. It was only between 2007 and 2008 that there was a new increase: 0.7 percentage points for both aggregates.

From 2002, expenditure on social protection as a percentage of GDP in the EU-27 was about 0.5 –

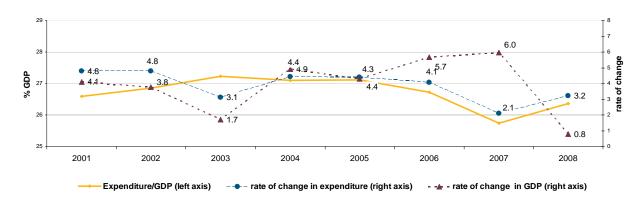
0.6 percentage points lower than in the euro zone (EA-16); this divergence reached 1.1 percentage points in 2007 and 2008. The difference throughout the whole period can be attributed to the fact that the EU-27 includes a number of non-euro countries with low values for the ratio; in most cases these are countries that continued to show strong GDP growth during that period (i.e. the Baltic countries, Bulgaria, and Romania).

Table 2: Expenditure on social protection as % GDP, years 2001-2008

	2001	2002	2003	2004	2005	2006	2007	2008
EU-27	26.6	26.9	27.2	27.1	27.1	26.7	25.7	26.4
EA-16	26.8	27.4	27.8	27.7	27.7	27.3	26.8	27.5
BE	27.2	28.0	29.0	29.2	29.6	30.2	26.8	28.3
BG	9.7	10.2	9.7	9.7	15.1	14.2	14.1	15.5
CZ	19.4	20.2	20.2	19.3	19.2	18.7	18.6	18.7
DK	29.2	29.7	30.9	30.7	30.2	29.2	28.8	29.7
DE	29.5	30.1	30.5	29.8	29.7	28.7	27.7	27.8
EE	13.0	12.7	12.5	13.0	12.6	12.1	12.3	15.1
IE	14.9	17.2	17.8	18.0	18.1	18.4	18.9	22.1
EL	24.3	24.0	23.5	23.6	24.6	24.6	24.5	26.0
ES	20.0	20.4	20.7	20.7	20.9	20.9	21.0	22.7
FR	29.6	30.4	30.9	31.3	31.4	30.7	30.5	30.8
IT	24.9	25.3	25.8	26.0	26.4	26.6	26.7	27.8
CY	14.9	16.3	18.4	18.1	18.4	18.4	18.1	18.4
LV	14.5	14.1	13.9	13.1	12.7	12.6	11.2	12.6
LT	14.8	14.1	13.6	13.4	13.3	13.4	14.5	16.2
LU	20.9	21.6	22.1	22.3	21.7	20.4	19.3	20.1
HU	19.2	20.3	21.2	20.6	21.9	22.4	22.4	22.7
MT	17.8	17.8	18.3	18.7	18.5	18.1	18.0	18.9
NL	26.5	27.6	28.3	28.3	27.9	28.8	28.3	28.4
AT	28.8	29.2	29.6	29.3	28.9	28.4	27.9	28.2
PL	21.0	21.1	21.0	20.1	19.7	19.4	18.1	18.6
PT	21.9	22.9	23.3	23.9	24.6	24.6	24.0	24.3
RO	12.8	13.6	13.1	12.8	13.4	12.8	13.6	14.3
SI	24.5	24.4	23.7	23.4	23.0	22.7	21.3	21.5
SK	19.0	19.1	18.2	17.2	16.5	16.3	16.0	16.0
FI	25.0	25.7	26.6	26.7	26.7	26.4	25.4	26.3
SE	30.5	31.3	32.2	31.6	31.1	30.3	29.1	29.4
UK	26.8	25.7	25.7	25.9	26.3	26.0	23.3	23.7
IS	19.4	21.2	23.0	22.6	21.6	21.2	21.4	22.0
NO	25.4	26.0	27.2	25.9	23.8	22.6	22.9	22.4
СН	27.7	28.5	29.2	29.3	29.3	28.0	27.3	26.4

Source: Eurostat (online data code : spr_exp_sum)

Figure 6: Social protection expenditure as % GDP and rates of change in expenditure and GDP, EU-27



Note: in this figure the rates of change for expenditure on social protection are calculated on the basis of nominal data expressed in euro Source: Eurostat (online data code: spr_exp_sum)

As Figure 6 shows, the contraction in social protection expenditure as a % of GDP since 2003 for the EU-27 was due to the fact that nominal GDP had risen faster than nominal expenditure;

this changed between 2007 and 2008, when GDP growth slowed down significantly and was overtaken by the increasing rate of change of expenditure.

Per capita social protection expenditure in real terms: 1.7 % average annual increase in 2001-2008 for the EU-27

There is an increase in social protection expenditure over the whole period under review for the EU-27 and EA-16, when the time series is expressed in terms of per capita expenditure in euro at constant prices. Table 3 shows the rates of growth over the period 2001-2008.

Between 2001 and 2008, per capita expenditure on social protection at constant prices rose in the EU-27 at an average annual rate of 1.7 %. The average

calculated over the same period in the EA-16 was higher (2 %).

The yearly average rate of change for the EU-27 depends mainly on changes in Germany, France, Italy and the United Kingdom since these four countries together account for nearly 70 % of the EU total. Among them, Germany recorded the lowest average growth rate across the whole of EU.

Table 3: Expenditure on social protection per capita at constant prices (year-on-year indexes and annual average of growth for 2001-2008)

	2002	2003	2004	2005	2006	2007	2008	Annual average of
	2002	2003	2004	2003	2005	2007	2008	growth for
								2001-2008
EU-27	102.6 (e)	102.5 (e)	101.6 (e)	101.7 (e)	101.2	100.8 (e)	101.9	1.7 (e)
EA-16	103.8	102.3	101.7	101.7	101.4	100.9	102.3	2.0
BE	104.5	104.7	103.3	102.1	103.4	90.3	104.3	1.7
BG*	:	:	:	:	106.7	106.7	118.1	10.3 (e)
CZ	107.7	105.1	101.1	104.0	103.3	105.8	99.2	3.7
DK	102.3	104.5	102.6	101.9	99.8	99.8	102.0	1.8
DE	102.2	100.7	98.6	99.9	99.3	99.2	100.8	0.1
EE	106.2	109.3	113.1	107.9	110.3	111.7	114.8	10.4
IE**	:	105.3	104.3	104.6	105.7	103.8	106.5	5.0 (e)
EL	102.6	103.8	104.7	105.6	103.7	103.1	106.1	4.2
ES	104.5	103.8	102.3	103.9	102.5	102.6	106.3	3.7
FR	104.4	102.2	102.7	101.8	99.7	101.1	100.4	1.7
IT	101.9	101.5	101.3	101.2	101.6	101.3	101.4	1.5
CY	108.6	114.2	101.8	103.2	102.8	103.2	104.0	5.3
LV	105.5	107.2	102.9	108.7	116.3	107.9	105.8	7.7
LT	102.6	106.8	109.9	112.5	112.3	121.3	114.3	11.3
LU	108.2	106.7	103.1	102.8	101.4	100.6	106.2	4.1
HU	115.1	110.4	103.0	108.4	106.7	100.4	101.8	6.4
MT	103.7	104.0	101.4	102.2	101.8	103.5	105.6	3.1
NL	104.4	102.2	101.9	100.4	106.4	101.8	103.0	2.9
AT	103.1	101.4	100.6	99.9	101.0	100.6	102.2	1.3
PL	101.3	103.3	101.8	102.3	104.7	101.5	106.3	3.0
PT	105.2	100.4	103.5	102.9	100.9	99.4	100.6	1.8
RO	115.4	108.3	109.4	114.8	108.8	122.0	118.4	13.8
SI	103.3	100.2	102.9	102.3	104.0	99.8	103.1	2.2
SK	106.4	98.6	98.0	102.0	105.3	106.7	104.2	3.0
FI	103.5	105.2	104.1	102.4	102.4	101.5	102.4	3.1
SE	104.9	105.1	101.3	101.2	101.5	99.9	100.0	2.0
UK**	99.0	103.7	103.7	102.8	101.5	:	101.0	1.9 (e)
IS	109.4	109.3	104.7	102.1	101.2	105.3	100.0	4.5
NO	99.9	105.3	102.7	101.1	102.5	104.1	103.7	2.7
СН	102.4	101.9	102.1	101.4	99.2	101.5	97.0	0.8

Notes: See the methodological notes for details of the calculation

(*)Bulgarian data for the years 2000-2004 are incomplete. The annual average of growth refers to the period 2005-2008. This had an impact on the calculation of the yearly average for the European aggregate; for further details on this specific case please refer to the methodological notes. (**) Whenever a year-on-year index was heavily affected by factors not directly linked to the development of the social protection system, a 'not available' flag has been used. In such cases also the calculation of the year-on-year rates and of the yearly averages for the European aggregate was modified. For more details on these specific cases please refer to the methodological notes.

Source: Eurostat (online data code : spr_exp_sum)

Countries with the lowest levels of per capita expenditure (in PPS, see figure 2) in 2008 had the highest average yearly increases. Among those (Bulgaria, Romania and the Baltic countries), Romania (+13.8 %) caught up significantly. Generally speaking, countries which recorded high levels of per capita expenditures in 2008 are characterised by comparatively slow growth.

Despite a level of per capita expenditure between 2 630 and 3 637 PPS, Poland, Slovakia and Malta had more or less the same level of growth (around +3 %) as some countries that spent more than double on per capita social protection in 2008, namely the Netherlands and Finland.

Social protection benefits between 2001 and 2008: significant overall increase in sickness/health care and housing and social exclusion; reduction in unemployment

The trends in expenditure over time can be explained by a combination of factors, chief among them being the adjustments made to social benefits. In each country the rates of change for the total of

benefits over the period 2001-2008 were affected by the rates of growth in each of the eight functions and by the relative importance of each function with respect to total benefits (Table 4).

Table 4: Expenditure on social protection benefits at constant prices, annual average rates of growth by function for 2001-2008 (*)

	Old-age and survivors	Sickness/ Health care	Disability	Family/ Children	Unemploy ment	Housing and social exclusion	Total benefits
EU-27	2.2 (e)	2.9 (e)	2.0 (e)	2.3 (e)	-0.4 (e)	3.2 (e)	2.3 (e)
EA-16	1.9	2.5	1.2	1.9	0.4	4.8	2.0
BE	0.9	4.6	-1.7	1.5	3.4	13.0	2.3
BG*	6.0	9.9 (e)	6.2 (e)	18.7 (e)	17.0 (e)	3.7 (e)	9.4 (e)
CZ	4.9	3.5	4.4	3.6	5.3	-10.3	4.0
DK	2.4	4.3	5.1	2.1	-7.8	-0.2	2.2
DE	0.1	0.4	0.1	-0.6	-4.4	8.5	0.0
EE	9.8	10.5	13.1	11.0	16.9	-10.6	10.2
IE**	6.4 (e)	8.3	9.8	9.2	9.0	7.9	7.3 (e)
EL	4.4	6.3	3.6	3.6	2.1	1.6	4.6
ES	3.8	6.0	4.2	11.0	6.7	9.9	5.4
FR	3.1	3.0	2.8	1.7	-0.5	1.5	2.6
IT	1.7	2.2	2.5	4.4	4.9	4.3	2.1
CY	6.6	5.9	6.9	12.3	0.9	12.0	7.2
LV	3.9	13.3	6.1	8.5	8.6	15.9	7.2
LT	9.7	10.4	13.3	16.6	13.2	-3.3	10.7
LU	5.2	5.4	2.4	9.0	9.3	4.0	5.7
HU	7.3	4.8	4.9	6.0	7.4	7.8	6.2
MT	3.6	4.2	4.3	1.6	5.0	11.8	3.9
NL	2.6	4.5	-0.5	9.6	-0.4	5.7	3.4
AT	2.0	2.1	-1.0	1.5	2.0	4.3	1.8
PL	3.9	6.6	-3.3	0.5	-8.1	-1.0	3.0
PT	5.2	1.8	-0.7	3.1	6.7	2.8	3.5
RO	14.6	12.3	15.3	11.4	-3.5	38.5	13.4
SI	2.6	3.5	0.9	1.7	-6.1	4.9	2.4
SK	4.6	2.0	4.5	5.2	4.6	-11.1	3.0
FI	4.0	4.7	2.2	2.7	-1.2	5.9	3.4
SE	3.6	1.5	4.3	4.2	-7.4	0.6	2.6
UK**	2.3 (e)	3.5	3.3	2.0	-3.8	0.3	2.8 (e)
IS	3.0	7.0	6.7	6.8	8.2	17.0	6.2
NO	4.1	2.7	4.4	3.2	-1.5	5.1	3.5
СН	1.7	2.4	2.5	2.2	3.4	2.2	2.1

 $Notes: See\ methodological\ notes\ for\ details\ on\ the\ calculation.$

For more details on the reforms affecting these rates please refer to box 2.

Source: Eurostat (online data code : spr_exp_sum)

^(*) BG Bulgarian data for the years 2000-2004 are incomplete for the all the functions with the exception of Old age and Survivors. The average rates for this country refer to the period 2005-2008. Those are the rates used to estimate the European aggregate. For more details on this specific case please refer to the methodological notes.

^(**) Country-specific yearly averages by function have been estimated whenever a year-on-year index for a specific function was seriously affected by factors not directly linked to the development of the social protection system. In such cases the calculation of the rates for the European aggregate was also modified. For more details on these specific cases please refer to the methodological notes.

The developments in time observed across the different functions were the result of varying needs, fluctuations in the economy, demographic trends and reforms of social protection legislation.

Taking all benefits together (at constant prices), the annual growth over the period 2001-2008 averaged an estimated 2.3 % in EU-27. During this period, social benefits grew at different rates for different functions: the average annual increase ranged from -0.4 % for unemployment to +3.2 % for housing and social exclusion combined.

Between 2001 and 2008 Romania, Lithuania and Estonia recorded a yearly average rate of growth for total benefits of more than 10 %.

In **Romania** the average annual growth rate of expenditure on total benefits (+13.4 %) was determined by the high average growth recorded in all functions (the yearly average was especially high,+38.5 %, in the housing-social exclusion group); only the fall in unemployment benefits recorded since 2005 had a negative effect on the overall rate.

In **Lithuania** the large average growth rate for total benefits (+10.7 %) recorded over the whole period was mainly affected by the high increasing rates (between 16 % and 28 %) observed between 2006 and 2007 for nearly all functions, with the exception of the housing and social exclusion group. In any event, the average rate of growth for family benefits reached a yearly average of +16.6 %, mainly as a result of the development of the function in 2008 (+58 %).

In **Estonia** there were remarkably high year-onyear rates, especially between 2006 and 2008, which led this country to be ranked among those with the highest average increase in terms of overall expenditure on benefits (10.2 %). This can mainly be explained by the broadening of the social protection system (new benefits and higher allowances) with respect to disability, family and unemployment benefits. For this last function (increasing at a yearly average of 16.9 %) the rates recorded in 2006-2007 (+43 %) and 2007-2008 (+104 %) are remarkable. Housing benefits reduced throughout the period 2001-2008.

The lowest yearly averages were recorded in Germany and Austria (both below +2 %).

In **Germany** the average rate is more or less zero. This is due to the negative trend in expenditure for benefits paid in most of the functions during the period in question; in some cases (survivors and family/children) this trend is linked to a number of changes in legislation. The negative yearly average for unemployment benefits (-4.4 %) was determined by the negative indices recorded from 2004.

In **Austria** the average increase of 1.8 % is brought down by the reduction in disability benefits recorded as from 2003 (averaging -1 % in the eight years).

In nine countries the increase was between 2% and 3%: Italy (2.1%), Denmark (2.2%), Belgium (2.3%), Slovenia (2.4%), France and Sweden (2.6%), Poland and Slovakia (3.0%); plus the estimated 2.8% for the United Kingdom. In these countries the trend followed a more uniform pattern throughout the period under revision.

Box 2: Further insights into data. Some reforms on social protection benefits

DE: Between 2003 and 2007 there was a decrease in expenditure on disability pensions, early retirements and vocational training benefits. As a consequence of the health reform in 2004, and given the fact that statutory health insurance no longer paid a death grant, a reduction in the survivors function was recorded between 2003 and 2004. With effect from the year 2005, a Subsistence Guarantee for Job-Seekers reform was introduced.

EE: For the family/children function, parental benefits have been paid since 2004 and the child allowance for the first child has been raised (doubled). An unemployment insurance system started paying a cash lump benefit in 2003 and the unemployment allowance increased in 2007.

CY: A new child benefit and a new social housing benefit were introduced in 2003.

LV: In 2005 a general tax-based financing system with allocations to health care was introduced. Since then it has represented the main source of health system financing).

LT: In 2007 the government increased the size of all the indicators fixing the level of the main benefits. The old-age and survivors group was affected by a lump sum benefit that was paid in 2007 following a resolution of the constitutional court. For the disability function non-stop growth has been recorded since 2002: a care allowance for disabled people under retirement age was included as from 2003 and another was introduced as from 2004 (with respect to the latter, since 2007 the amount of the allowance has been upgraded and new categories of beneficiary have been introduced); a new type of economic integration for the handicapped was introduced as from 2005.

HU: In 2002, and only in 2002, a benefit classified as 'other cash lump sum' was paid out under the old-age function. In 2007 a new benefit was introduced, classified as a 'benefit to owner occupiers'.

RO: The average value concerning housing and social exclusion has been affected by the introduction, as from 2002, of a new ESSPROS scheme providing income support. Besides the increase in the level of expenditure on a number of benefits, the disability function was positively affected by the introduction of a new care allowance in 2003. The family function was positively affected by the introduction of two schemes. In 2003 new legislation came into force introducing new unemployment benefits.

SK: In 2004 there was a change in the legislation relating to paid sick-leave benefit.

Social protection receipts: different systems of financing across Europe

In 2008, the main sources of funding of social protection at EU-27 level (Table 5) were social contributions, which accounted for 57.5 % of all receipts and general government contributions from taxes (38.2 %). Social contributions can be broken down into contributions paid by the protected persons (employees, self-employed persons, retired persons and others) and those paid by employers.

The European average for 2008 masks major national differences in the structure of social protection funding.

In Estonia and the Czech Republic more than 70 % of all receipts were funded by social contributions.

Denmark and Ireland, on the other hand, financed their social protection systems largely from taxes, which accounted for over 50 % of total receipts. Sweden, the United Kingdom, Cyprus and Luxembourg were also heavily dependent on general government funding (over 45 %).

The share of 'other receipts' (including property income) was low in 2008: 4.3 % for the EU-27. However, the share in Poland, Cyprus, the Netherlands and Greece was well over 10 %.

These differences are historical and stem from the institutional rationales underpinning social

protection systems. Northern European countries, where government funding predominates, are steeped in the 'Beveridgian' tradition (where it is sufficient to be a resident in need in order to be eligible for social benefits). Other countries are strongly attached to the 'Bismarckian' tradition, which is based on the insurance concept (in the form of contributions).

Nevertheless, in some countries the structure changed over time (relative to the year 2001) and following different patterns. Bulgaria, Romania, Belgium and Malta have substantially increased their share of government funding. Normally this is combined with a reduction in social contributions; in Bulgaria and Romania, it has also been associated with a reduction in 'other receipts'. A considerable change in favour of social contributions as against government contributions has been observed in the Czech Republic, Estonia and Slovenia. The share of 'other receipts' increased by less than 1 percentage point in EU-27. They decreased, or remained more or less stable, in a number of countries. Where there was an increase, this was due to a loss of funding from tax revenue in Ireland and Slovakia and of social contributions in Poland and the United Kingdom.

Table 5: Social protection receipts by type (as % of total receipts)

	General			Other receipts						
	governn contribu		Tot	al	Emplo	yers	Protec		(2)	ceipts
	2001 2008		2001	2008	2001	2008	2001	2008	2001	2008
EU-27	35.9	38.2	60.4	57.5	38.8	37.1	21.6	20.4	3.6	4.3
EA-16	32.1	35.4	64.1	61.1	41.5	38.7	22.7	22.4	3.7	3.5
BE	25.8	39.8	72.2	57.8	49.7	36.6	22.5	21.2	2.0	2.4
BG	17.4	44.4	75.9	53.9	58.8	33.9	17.1	20.1	6.7	1.6
CZ	24.1	19.4	74.6	79.5	50.3	53.1	24.4	26.3	1.3	1.1
DK	62.6	61.8	30.4	32.2	9.3	11.4	21.1	20.8	7.0	6.1
DE	32.4	35.0	65.4	63.1	37.8	34.9	27.6	28.2	2.2	1.9
EE	22.7	19.1	77.1	80.8	77.1	79.8	0.0	1.0	0.2	0.1
IE	60.6	54.1	39.0	41.5	24.9	25.8	14.1	15.7	0.4	4.4
EL	27.8	34.6	62.0	53.8	38.5	32.7	23.5	21.1	10.2	11.5
ES	29.0	36.2	68.5	62.0	52.3	47.0	16.2	15.0	2.5	1.8
FR	30.3	32.0	66.0	64.6	45.7	43.8	20.3	20.8	3.7	3.4
IT	40.9	42.2	57.3	56.2	42.7	40.2	14.7	16.0	1.8	1.6
CY	40.0	47.7	43.5	38.5	26.7	23.5	16.8	15.1	16.5	13.7
LV	35.1	34.5	64.9	65.3	48.7	48.5	16.1	16.8	0.0	0.2
LT	39.1	37.5	59.8	61.6	53.6	55.5	6.2	6.1	1.1	0.8
LU	42.8	46.3	52.2	50.0	27.2	25.9	25.1	24.1	4.9	3.7
HU	33.1	36.8	58.3	60.2	45.3	38.0	13.0	22.2	8.6	3.0
MT	27.0	39.2	70.2	58.0	49.1	40.6	21.1	17.4	2.8	2.9
NL	16.1	21.3	68.1	66.6	32.4	32.4	35.6	34.2	15.8	12.2
AT	32.3	33.2	65.9	65.2	38.9	38.0	27.1	27.2	1.8	1.5
PL	33.2	34.6	52.4	42.8	28.6	23.4	23.9	19.4	14.4	22.6
PT	37.8	44.9	54.4	46.1	36.4	30.8	18.0	15.3	7.8	9.0
RO	18.7	43.5	74.9	55.0	44.6	38.7	30.4	16.3	6.4	1.5
SI	32.6	28.9	65.9	69.3	26.5	28.1	39.3	41.2	1.5	1.9
SK	32.5	25.8	65.1	67.5	46.6	46.1	18.5	21.5	2.5	6.7
FI	42.5	43.7	50.6	49.6	39.1	38.4	11.5	11.2	6.9	6.7
SE	45.8	49.6	51.9	47.5	42.7	37.7	9.2	9.8	2.3	2.9
UK	48.5	49.4	49.7	43.9	30.2	32.4	19.5	11.4	1.8	6.7
IS	45.5	49.2	46.0	39.7	38.0	32.2	8.0	7.4	8.5	11.2
NO	61.2	69.3	37.7	30.5	24.4	15.2	13.3	15.3	1.1	0.2
СН	22.2	24.2	65.1	73.1	31.9	35.3	33.2	37.8	12.7	2.7

⁽¹⁾ Employees, self-employed, pensioners and other persons; (2) Miscellaneous current receipt; between them property income (income receivable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the asset at the disposal of, another institutional unit), proceeds of collections and claims on insurance companies

Source: Eurostat (online data code: spr_rec_sumt)

METHODOLOGICAL NOTES

Methods and concepts

The data on social protection expenditure and receipts have been drawn up according to the methodology of the European System of Integrated Social Protection Statistics. The 'ESSPROS Manual 1996' was used until the 2007 collection, while the new 'ESSPROS Manual' has been used as from the 2008 collection. Expenditure includes social benefits, operating expenditure and other expenditure incurred by social protection schemes. Social protection encompasses all interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided neither a simultaneous reciprocal nor an individual arrangement is involved. The ESSPROS Manual classifies social benefits under the following eight risks or needs: sickness/health care, disability, old age, survivors, family/children, unemployment, housing, social exclusion and 'not elsewhere classified' (n. e. c.).

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.

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 in kind are benefits granted in the form of directly provided goods and services (granted without any prefinancing by the beneficiary). They may be provided in the form of reimbursement (payments that refund the recipients in whole or in part for certified expenditure on specified goods and services).

Means-tested benefits are social benefits that are explicitly or implicitly conditional on the beneficiary's income and/or wealth falling below a specified level.

Legal basis

Starting with the 2008 collection, the following legislation applies for ESSPROS data: 1) 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); 2) Commission Regulations (EC) No 1322/2007 and No 10/2008 implementing the EP and Council Regulation.

Calculation of indices in Tables 3 and 4

Wide annual fluctuations in conversion rates between the ECU/euro and national currencies made it necessary to use an alternative to the ECU/euro index for the aggregate EU-27 in these tables. At national and EA-16 level the indices are calculated on the basis of data in national currencies. At EU-27 level, the indices are obtained from a weighted average of each country's annual index (calculated on the basis of data in national currencies). The weightings are the composition ratios for the expenditure in each component country in relation to the expenditure of the aggregate, both expressed in ECU/euro. The expenditure of the previous year is used (for example, 2000 expenditure for the

weighted index for 2001/2000 and 2001 expenditure for the weighted index for 2002/2001, etc.).

For **Bulgaria** data for the years 2000-2004 are not complete, with the exception of data for the old-age and survivors functions (which represent roughly 50 % of total expenditure on benefits). The yearly average rate for per capita expenditure and the yearly average rates for total benefits and for all functions, with the exception of old-age and survivors' functions, have been estimated with the yearly average calculated on the basis of 2005-2008 data. These estimated average values replace the Bulgarian year-on-year rates for the period 2001-2005 in order to calculate the corresponding ones for EU-27.

For Ireland data for "not government-controlled" occupational schemes providing old-age and survivors pensions, are available only from 2002 onwards. The yearly average rates for Ireland — per capita expenditure, total benefits and old-age and survivors benefits — are calculated by excluding the 2002/2001 rates. The average values obtained are then used instead of the 2001/2002 IE index in order to calculate EU-27. For the **United Kingdom** those benefits provided by the Department of Work and Pensions have been reclassified as from 2007 data. This has led to breaks in the time series of the functions concerned. Moreover. the return from occupational pension's schemes for the year 2007 is considered to be incomplete. When calculating the yearly average rates for per capita expenditure, total benefits, old-age and survivors benefits, the rates for 2006/2007 are excluded. The yearly average rates obtained are then used instead of the 2006/2007 UK indexes in order to calculate EU-27.

Statistical symbols and abbreviations

EU-27 comprises Belgium (BE), Bulgaria (BG), the Czech Republic (CZ), Denmark (DK), Germany (DE), Estonia (EE), Ireland (IE), Greece (EL), Spain (ES), France (FR), Italy (IT), Cyprus (CY), Latvia (LV), Lithuania (LT), Luxembourg (LU), Hungary (HU), Malta (MT), the Netherlands (NL), Austria (AT), Poland (PL), Portugal (PT), Romania (RO), Slovenia (SI), Slovakia (SK), Finland (FI), Sweden (SE) and the United Kingdom (UK). EA-16 includes BE, DE, IE, EL, ES, FR, IT, CY, LU, NL, MT, AT, PT, SI, SK and FI.

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

':' indicates data not available; 'e' indicates estimated data

Remarks concerning the data

Data for EU-27 are available from 2000. The 2008 data are provisional for DE, ES, FR, IT, LV, LT, NL, SI, SK, SE and UK. The 2007 data are provisional for ES and IT. The 2006 data are provisional for IT. All aggregates are provisional for those three years. The GDP, PPS, population and consumer price index data (in national currency for households and NPISH final consumption expenditure) were extracted in October 2010. This might explain any divergences from national publications.

Further information

Eurostat Website: http://ec.europa.eu/eurostat

Data on 'Social protection statistics'

http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/data/database

Further information about 'Social protection statistics'

http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/introduction

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