

## Social protection in the European Union

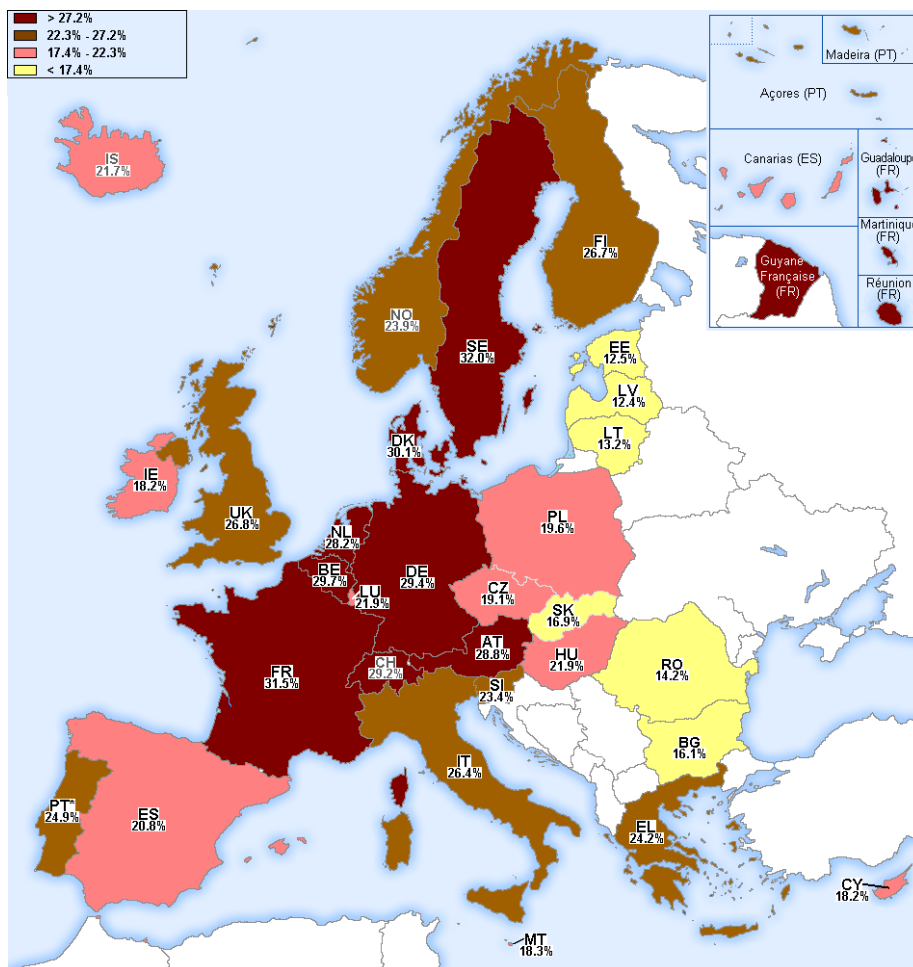
In 2005, expenditure on social protection accounted for 27.2% of GDP in the EU-27. However, the percentage share in one country can be more than double that in another. Expenditure was highest in Sweden (32.0%) and lowest in Latvia (12.4%).

Expenditure on old-age and survivors' benefits accounts for a large proportion of social benefits in most countries. Sickness/health care

expenditure increased steadily over the period 2000-2005 in the EU-25 (by 3.4% per annum on average).

Different countries have markedly different systems for financing social protection, depending on whether they favour social security contributions (59.0% of total receipts at EU-27 level in 2005) or general government funding (37.6%).

**Figure 1: Expenditure on social protection as % of GDP in the EU in 2005**



Source: Eurostat-ESSPROS

## 27.2% of GDP was spent on social protection in 2005

In 2005, gross average expenditure on social protection (see methodological notes) accounted for 27.2% of GDP in the EU-27 countries (see *Figure 1* and *Table 1*).

In 2005, the EU-27 countries with average or above-average ratios (27.2% or more) accounted for 39.6% of the EU population, the group with between 22.3% and 27.2% accounted for 30.0% of all EU inhabitants, and those spending between 17.4% and 22.3% of their GDP on social protection for 21.9%. Countries that spent less than 17.4% of

their GDP on social protection accounted for only 8.5% of the EU population.

The countries with the highest ratios - Sweden (32.0%), France (31.5%), Denmark (30.1%), Belgium (29.7%), Germany (29.4%), Austria (28.8%) and the Netherlands (28.2%) - spent more than twice as much (in relation to GDP) as the three countries with the lowest ratios, namely the Baltic countries: Latvia (12.4%), Estonia (12.5%) and Lithuania (13.2%).

## There was a large difference between countries in terms of expenditure on social protection (in PPS\* per capita)

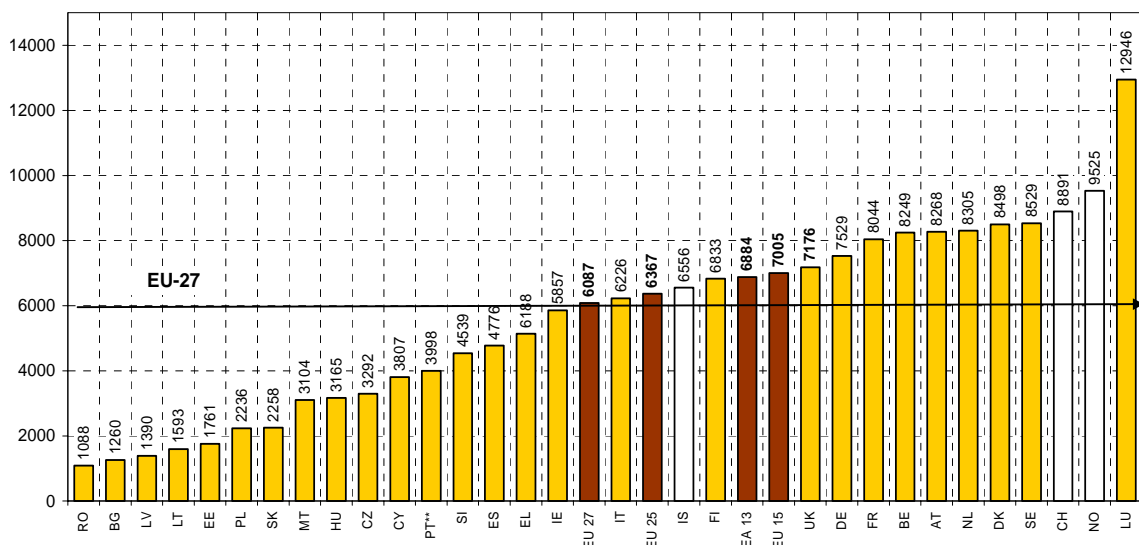
If social protection expenditure is expressed in terms of per capita PPS (purchasing power standards), the differences between countries are more pronounced (see *Figure 2*).

Within the EU-27, Luxembourg had the highest expenditure in 2005 (12 946 PPS per capita)<sup>1</sup>, followed by Sweden and Denmark (more than 8 400 PPS per capita). The average value in these three countries is 8 times higher than in the three EU countries with the lowest expenditure, i.e. Romania (1 088 PPS per capita), Bulgaria and Latvia.

Of the countries outside EU-27, expenditure is highest in Norway (9 525 PPS), just below that of Luxembourg.

The disparities between countries are partly related to differing levels of wealth, but they 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, 2005**



\* 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 Portugal refers to 2004

Source: Eurostat-ESSPROS

<sup>1</sup> 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 10 902 PPS per capita.

## Social protection expenditure as a percentage of GDP has remain stable since 2003

Looking at the EU-15 countries as a whole (for which data is available dating back to 1990), social protection expenditure as a percentage of GDP fell to 27.0% by 2000 after peaking at 28.7% in 1993. From 2001 to 2003, this ratio rose continuously to reach 27.8% in 2005 (see *Table 1*). However, social protection expenditure as a percentage of GDP has remained stable in the EA-13, as well as in the EU-15 and the EU-25 since 2003. This stability seems to be due to the difference between countries such as Germany, Austria, Poland and the Czech Republic on the one hand, where social protection expenditure as a percentage of GDP fell between 2003 and 2005, and countries such as Belgium, Ireland, France, Italy and Spain on the other hand, where social expenditure as a percentage of GDP rose continuously from 2000.

Between 2000 and 2005, expenditure on social protection as a percentage of GDP in the EU-25 was about 0.4 percentage points lower than in the EU-15.

Social protection expenditure goes to 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).

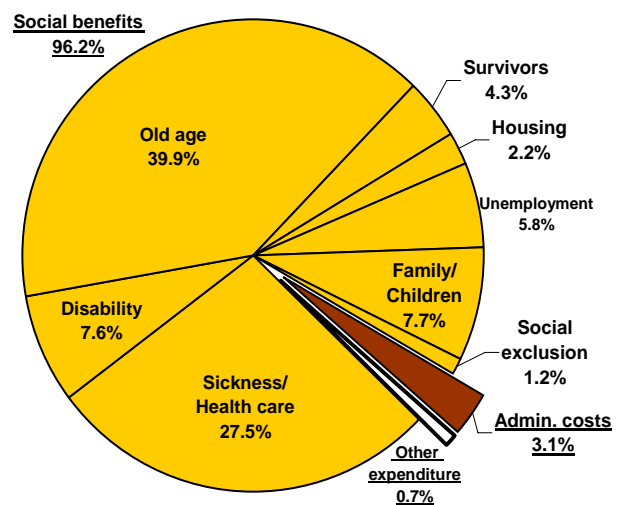
Since 2000, in countries which continued to show strong GDP growth (Estonia, Latvia, Lithuania, Poland, Slovenia and Slovakia), the share of social protection expenditure in GDP has decreased.

In 2005, out of the total EU-27 expenditure on social protection (see *Figure 3*), social benefits accounted for 96.2%, administration costs for 3.1% and other expenditure for 0.7%.

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

	2000	2001	2002	2003	2004	2005
EU 27	:	:	:	:	:	27.2
EU 25	26.6	26.8	27.1	27.4	27.3	27.4
EU 15	27.0	27.1	27.4	27.8	27.7	27.8
EA 13	26.8	26.9	27.4	27.8	27.8	27.8
BE	26.5	27.3	28.0	29.1	29.3	29.7
BG	:	:	:	:	:	16.1
CZ	19.5	19.5	20.2	20.2	19.3	19.1
DK	28.9	29.2	29.7	30.9	30.9	30.1
DE	29.3	29.4	30.0	30.3	29.6	29.4
EE	14.0	13.1	12.7	12.6	13.1	12.5
IE	14.1	15.0	17.3	17.8	18.2	18.2
EL	23.5	24.1	23.8	23.6	23.6	24.2
ES	20.3	20.0	20.3	20.4	20.6	20.8
FR	29.5	29.6	30.4	30.9	31.3	31.5
IT	24.7	24.9	25.3	25.8	26.0	26.4
CY	14.8	14.9	16.2	18.4	17.8	18.2
LV	15.3	14.3	13.9	13.8	12.9	12.4
LT	15.8	14.7	14.1	13.6	13.3	13.2
LU	19.6	20.9	21.6	22.2	22.3	21.9
HU	19.3	19.3	20.4	21.1	20.7	21.9
MT	16.5	17.4	17.5	17.9	18.4	18.3
NL	26.4	26.5	27.6	28.3	28.3	28.2
AT	28.1	28.4	29.0	29.3	29.0	28.8
PL	19.7	21.0	21.1	21.0	20.1	19.6
PT	21.7	22.7	23.7	24.1	24.7	:
RO	13.2	13.2	13.4	12.6	15.1	14.2
SI	24.6	24.8	24.8	24.1	23.7	23.4
SK	19.3	18.9	19.0	18.2	17.3	16.9
FI	25.1	24.9	25.6	26.5	26.6	26.7
SE	30.7	31.2	32.2	33.2	32.7	32.0
UK	26.9	27.3	26.2	26.2	26.3	26.8
IS	19.2	19.4	21.2	23.0	22.6	21.7
NO	24.4	25.4	26.0	27.2	25.9	23.9
CH	26.9	27.6	28.5	29.1	29.3	29.2

**Figure 3: Structure of social protection expenditure in EU-27, 2005**



\* The ratio EU27, EU25, EU15 and EA13 for 2005 is calculated with the 2004 data for Portugal

Source: Eurostat-ESSPROS

## Growth rate in per capita expenditure at constant prices fell in 2005

Per capita social protection expenditure at constant prices has increased steadily since 2000: in the

EU-25 it increased by an average of 2.1% per annum over the period 2000-2005 (see *Table 2*).

During this period, the increase was particularly pronounced in Romania (10.9%); Ireland (9.3%) Hungary (8.0% on average per annum), Estonia (7.7%), Cyprus (6.1%), Lithuania (5.5% per annum), Luxembourg (5.4%) and Greece (5.2%). Outside the EU, Iceland also achieved strong growth (6.0% per annum). In Germany, on the other hand, per capita expenditure rose by less than 1% per annum.

Per capita expenditure on social protection (in constant prices) increased by 2.6% between 2001 and 2002 at EU-25 level (for the EU-15 the growth rate was slightly lower, at 2.4%). The year-on-year increase was particularly marked in Ireland (20.1%) and Hungary (14.8%).

The growth rate in the EU-25 continued to rise slightly in 2003 (2.7%) and fell in 2004 (1.4%) and 2005 (1.3%). A decrease in growth rate in 2005 was seen in Estonia, Luxembourg, Belgium, Denmark and France. By contrast, there was a significant increase in growth in the Czech

Republic, Latvia and Lithuania. The lowest increases in expenditure (2005/2004) were in Sweden (+0.4%), the Netherlands (+0.7%) and Italy; Germany saw a decrease of 0.6%.

The trends shown in *Table 2* can be explained by a combination of factors, chiefly adjustments to social benefits and legal changes in the social protection systems. Other possible factors to explain these trends include the quality of the 2005 preliminary data, the rate of inflation, etc.

For Romania, for example, a big increase in the annual rate of growth can be observed in 2004 as compared to 2003. The reason for this can be explained by three main factors: changes in the legislation according to which new social benefits came into force, increasing the level of social protection expenditures for some social benefits and by enlarging the coverage of the social protection system according to the ESSPROS methodology.

**Table 2: Expenditure on social protection per capita at constant prices (annual rate of growth)**

	<u>2001</u> 2000	<u>2002</u> 2001	<u>2003</u> 2002	<u>2004</u> 2003	<u>2005</u> 2004	Annual average of growth for 2000-2005
EU 27	:	:	:	:	:	:
EU 25	2.3	2.6	2.7	1.4	1.3	2.1
EU 15	2.2	2.4	2.4	1.4	1.3	1.9
EA 13	2.0	3.2	1.6	1.0	0.9	1.7
BE	3.2	4.3	4.4	3.1	2.1	3.4
BG	:	:	:	:	:	:
CZ	3.4	7.8	5.2	1.0	3.9	4.2
DK	1.7	2.4	4.5	2.3	1.3	2.4
DE	0.9	2.1	0.5	-1.7	-0.6	0.2
EE	0.3	6.0	10.4	13.5	8.9	7.7
IE	12.7	20.1	4.3	5.5	4.9	9.3
EL	8.6	2.6	4.5	5.1	5.4	5.2
ES	1.8	4.1	3.1	3.2	3.8	3.2
FR	1.8	4.4	2.2	2.7	1.8	2.6
IT	3.1	1.9	1.5	1.3	0.8	1.7
CY	4.9	8.1	14.7	0.0	3.3	6.1
LV	1.3	5.8	7.1	2.6	7.9	4.9
LT	-2.7	2.6	6.8	8.9	12.4	5.5
LU	6.0	8.1	7.3	3.6	2.3	5.4
HU	4.3	14.8	10.1	2.9	8.3	8.0
MT	2.6	4.1	3.3	2.0	2.0	2.8
NL	2.2	4.3	2.2	1.9	0.7	2.3
AT	1.5	2.4	1.6	0.6	0.8	1.4
PL	8.2	1.2	3.3	1.8	1.8	3.3
PT*	6.3	5.0	0.3	3.4	:	3.8
RO	6.7	9.2	6.5	31.3	2.8	10.9
SI	4.8	3.5	0.2	3.0	2.1	2.7
SK	0.7	5.8	-1.9	-1.2	3.1	1.3
FI	2.2	3.4	5.1	3.4	3.1	3.4
SE	2.5	4.7	4.6	1.4	0.4	2.7
UK	3.5	-1.1	3.7	3.8	3.3	2.6
IS	4.5	9.4	9.3	4.7	2.1	6.0
NO	5.3	0.2	5.1	2.7	1.0	2.8
CH	3.2	2.3	1.9	2.1	1.0	2.1

(1) See page 11 for details of the method of calculation

\* Data for Portugal refers to 2000-2004

Source: Eurostat-ESSPROS

<sup>2</sup> In Italy, such benefits also include severance allowances (TFR - trattamento di fine rapporto), which partly come under unemployment expenditure. These benefits add up to some 4.1% of total social benefits.

## Old-age and survivors' benefits accounted for the major share of total benefits in 2005

In the EU-27 in 2005 **old-age and survivors'** benefits accounted for the largest proportion of social protection expenditure: 45.9% of total benefits (12.0% of GDP) (see *Table 3*).

These benefits were particularly large in Italy<sup>2</sup>, where they accounted for 60.7% of total benefits and 15.5% of GDP. Contributory factors include

the high percentage of the population aged 60 or over (25.1% average value in 2005 compared with 21.8% in EU-27). Other countries significantly above the European average were Poland (59.8%), Malta (52.4%), Greece (51.2%) and Bulgaria (51.1%).

**Table 3: Social benefits by function group in 2005 as % of total social benefits (TSB) and as % of GDP**

	Old-age and survivors		Sickness/Health care		Disability		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	45.9	12.0	28.6	7.5	7.9	2.1	8.0	2.1	6.1	1.6	3.5	0.9
EU 25	45.9	12.1	28.6	7.5	7.9	2.1	8.0	2.1	6.1	1.6	3.5	0.9
EU 15	45.7	12.2	28.6	7.7	7.9	2.1	8.0	2.2	6.2	1.7	3.5	0.9
EA 13	46.3	12.3	28.6	7.6	7.1	1.9	8.2	2.2	6.9	1.8	2.8	0.8
BE	44.7	12.7	27.1	7.7	7.0	2.0	7.2	2.0	12.2	3.5	1.8	0.5
BG	51.1	7.9	29.0	4.5	8.4	1.3	6.8	1.1	1.9	0.3	2.7	0.4
CZ	42.6	7.9	35.3	6.5	7.8	1.4	7.5	1.4	3.6	0.7	3.1	0.6
DK	37.5	11.0	20.7	6.1	14.4	4.2	12.9	3.8	8.6	2.5	5.8	1.7
DE	43.5	12.4	27.3	7.8	7.7	2.2	11.2	3.2	7.3	2.1	2.9	0.8
EE	44.0	5.4	31.9	3.9	9.4	1.2	12.2	1.5	1.3	0.2	1.2	0.1
IE	26.6	4.5	40.9	6.9	5.3	0.9	14.6	2.5	7.5	1.3	5.1	0.9
EL	51.2	12.0	27.8	6.5	4.9	1.2	6.4	1.5	5.1	1.2	4.5	1.1
ES	41.4	8.4	31.6	6.4	7.3	1.5	5.6	1.1	12.4	2.5	1.7	0.4
FR	43.9	13.0	29.8	8.8	5.9	1.8	8.5	2.5	7.5	2.2	4.3	1.3
IT	60.7	15.5	26.7	6.8	5.9	1.5	4.4	1.1	2.0	0.5	0.3	0.1
CY	46.6	8.3	25.3	4.5	3.7	0.7	11.8	2.1	5.8	1.0	6.7	1.2
LV	48.4	5.7	26.0	3.1	9.1	1.1	11.0	1.3	3.9	0.5	1.6	0.2
LT	46.4	6.0	30.3	3.9	10.4	1.3	9.3	1.2	1.8	0.2	1.8	0.2
LU	36.6	7.9	25.7	5.5	13.1	2.8	16.9	3.6	5.0	1.1	2.8	0.6
HU	42.5	9.1	29.9	6.4	9.9	2.1	11.8	2.5	2.9	0.6	3.1	0.7
MT	52.4	9.5	26.3	4.8	6.7	1.2	4.7	0.9	7.4	1.3	2.5	0.4
NL	42.3	11.1	30.9	8.1	9.9	2.6	4.9	1.3	5.9	1.5	6.2	1.6
AT	48.6	13.5	25.5	7.1	8.0	2.2	10.7	3.0	5.8	1.6	1.4	0.4
PL	59.8	11.5	19.9	3.8	10.5	2.0	4.4	0.8	2.9	0.6	2.5	0.5
PT*	47.2	10.9	30.4	7.0	10.4	2.4	5.3	1.2	5.7	1.3	1.0	0.2
RO	41.3	5.7	36.2	5.0	7.0	1.0	10.2	1.4	3.2	0.4	2.1	0.3
SI	44.4	10.2	32.3	7.4	8.5	2.0	8.6	2.0	3.3	0.7	2.9	0.7
SK	42.5	7.0	29.5	4.8	9.2	1.5	11.3	1.9	4.3	0.7	3.2	0.5
FI	37.3	9.6	25.9	6.7	12.9	3.4	11.6	3.0	9.3	2.4	3.0	0.8
SE	40.5	12.5	24.3	7.5	15.4	4.8	9.8	3.0	6.2	1.9	3.8	1.2
UK	45.0	11.8	30.9	8.1	9.0	2.4	6.3	1.7	2.6	0.7	6.3	1.7
IS	31.2	6.7	34.8	7.4	15.1	3.2	13.9	3.0	1.8	0.4	3.2	0.7
NO	30.7	7.2	32.2	7.5	19.1	4.5	12.1	2.8	2.7	0.6	3.2	0.8
CH	48.3	13.1	26.5	7.2	12.7	3.4	4.8	1.3	4.4	1.2	3.4	0.9

\* Data for Portugal refers to 2004

Source: Eurostat-ESSPROS

In Ireland, by contrast, old-age and survivors' benefits accounted for around 26.6% of total benefits (4.5% of GDP). This is partly due to the fact that the Irish population is the "youngest" in Europe: 27.7% of the Irish population were under 20 years of age in 2005 (compared with 22.3% in the EU-27), and barely 15.3% were over 60.

In the EU 27, sickness/health care expenditure accounted for 28.6% of all benefits (7.5% of GDP in the EU-27). It exceeded expenditure on old-age and survivors' benefits in Ireland (40.9%). More

than one third of benefit expenditure in the Czech Republic and Romania (and, outside the EU-27, in Iceland) went on sickness/health care. By contrast, in Denmark and Poland health expenditure accounted for under 21% of the total benefits. It stood at less than 4% of GDP in Estonia, Latvia, Lithuania and Poland.

Benefits relating to disability accounted for more than 13% of total benefits in Sweden (15.4%), Denmark (14.4%) and Luxembourg (13.1%)<sup>3</sup>, compared with an EU-27 average of 7.9% (2.1% of

<sup>3</sup> In Luxembourg a new "dependence insurance" scheme was introduced in 1999. These benefits accounted for 3% of total social benefits in 2005. According to the 1996 ESSPROS Manual, most of these benefits should be recorded under old-age benefits

GDP). Their share was also high (more than 10%) in Finland, Poland and Lithuania. Outside the EU-27, the country spending most on disability benefits was Norway (with 19.1% of total social benefits and 4.5% of GDP). In Cyprus, Greece, Ireland, Italy and France, on the other hand, the proportion was under 6%.

The “Family/children” function accounted for 8.0% of all benefits (2.1% of GDP) in the EU-27.

Expenditure on this function was equivalent to 12% or more of total benefits in Luxembourg (ranking highest at 16.9%), Ireland (14.6%), Denmark (12.9%) and Estonia (12.2%). The same was true

for Iceland and Norway. In Poland (4.4% of all benefits, 0.8% of GDP), Italy, Malta and the Netherlands, on the other hand, these benefits added up 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-27 was 6.1% of total benefits (1.6% of GDP), in Spain and Belgium, for example, the share stood at more than 12%. By contrast, in Bulgaria, Estonia, Lithuania, Italy, the United Kingdom, Hungary and, Poland, and outside the EU-27 in Iceland and Norway, unemployment benefits accounted for less than 3% of expenditure on social benefits.

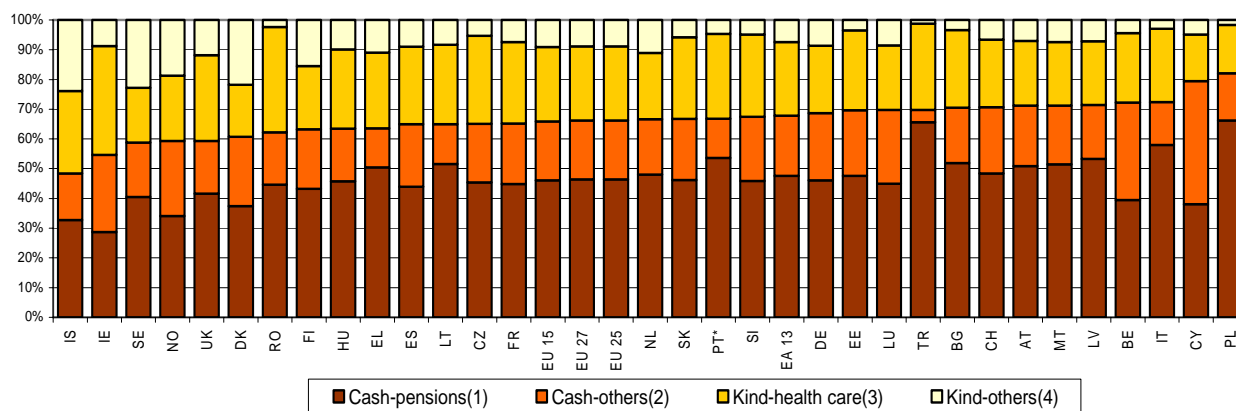
## Cash and non means-tested benefits are the main form of benefit expenditure

Social benefits paid in cash (see methodological notes) are the main form of benefit expenditure in the European Union (see Figure 4). In 2005, cash benefits accounted for 66.2% of all social protection benefits in the EU-27 (46.4% on pensions and 19.8% on other cash benefits) or 17.4% of GDP. They are paid out at regular intervals or as lump sums. Cash benefits took the highest share in Poland (82.1% of all benefits including 66.1% for pensions) and Cyprus (79.5%, including only 38.1% for pensions). In Belgium,

Austria, Germany and France cash benefits accounted for more than 19% of GDP.

In the EU-27, benefits in kind accounted for 33.8% of total benefits or 8.9% of GDP. The share of benefits in kind was highest in Ireland (36.6% for health care benefits and 8.7% for other benefits in kind) and Sweden (41.2% for all benefits including 18.4% for health care benefits), reflecting greater use of services and provision of goods across all social protection functions.

Figure 4: Social protection benefits in cash and in kind, 2005

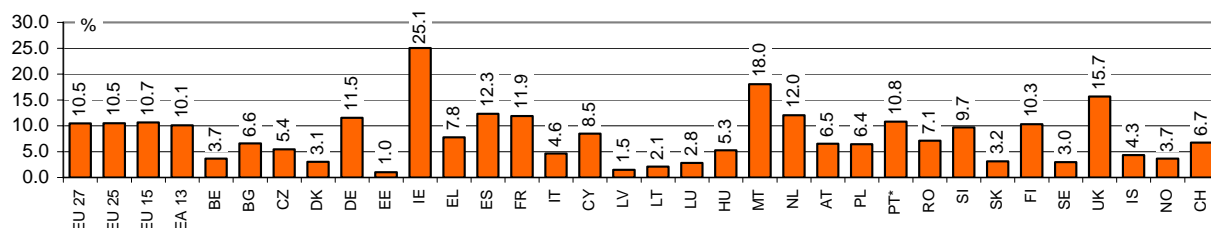


\* Data for Portugal refers to 2004

Source: Eurostat-ESSPROS

- (1) Disability pension, early retirement benefit due to reduced capacity to work, old-age pension, anticipated old-age pension, partial pension, survivors' pension and early retirement benefit for labour market reasons.
- (2) For example: paid sick leave, death grant, family or child allowance, unemployment benefit, income support, etc.
- (3) Direct provision and reimbursement of in-patient and out-patient health care (including pharmaceutical products).
- (4) Social services with accommodation, assistance with carrying out daily tasks, rehabilitation, child day care, vocational training, placement services and job-search assistance, etc.

Figure 5: Means tested social benefits, 2005 (as % of all social benefits)



\* Data for Portugal refers to 2004

Source: Eurostat-ESSPROS

Social benefits paid as non means-tested, as against means-tested benefits (see methodological notes), are the main form of benefit expenditure in the European Union. In 2005, means-tested benefits (paid out mainly in respect of housing and

social exclusion) accounted for 10.5% of all social protection benefits in the EU-27. Means-tested benefits (see *Figure 5*) are a significant part of social benefits in Ireland, Malta and the United Kingdom.

### 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 amendments to social protection legislation.

Between 2000 and 2005, therefore, social benefits developed at different speeds for the different functions. Taking all benefits together, the growth over this period averaged 2.4% per annum in the EU-25 (see *Table 4*).

However, this average increase masked a wide range of variation, with Germany (0.3%) and Slovakia (1.3%) almost stable at one end of the scale and Ireland and Romania, with an increase of

10.7%, at the other. There were also significant increases in benefits in countries such as Cyprus, Luxembourg, Hungary, Estonia, and Greece, whereas the increases in Austria and Italy were a little below and or equal to the average. In addition, the overall changes in each country were the result of different rates of change for each function.

In the EU-25, looking at the individual social protection functions, the average annual increases ranged from 1.5% for unemployment to 3.4% for sickness/health care.

**Table 4: Social benefits at constant prices, annual average rate of growth for 2000-2005**

	Old-age and survivors	Sickness/Health care	Disability	Family / Children	Unemployment	Housing and social exclusion	Total benefits
EU 27	:	:	:	:	:	:	:
EU 25	2.0	3.4	1.7	2.2	1.5	2.9	2.4
EU 15	1.9	3.4	1.7	2.2	1.6	2.8	2.3
EA 13	1.7	2.3	0.3	1.6	1.7	2.7	1.8
BE	4.4	6.5	-1.6	0.0	5.0	3.9	4.1
BG	:	:	:	:	:	:	:
CZ	3.8	5.1	4.2	1.8	4.8	2.5	4.1
DK	2.4	3.3	6.6	2.4	-1.4	1.8	2.7
DE	0.9	-0.3	0.1	1.2	-2.5	4.7	0.3
EE	6.7	7.3	15.2	7.8	8.1	-8.8	7.4
IE	12.1	10.7	10.9	12.5	5.4	8.7	10.7
EL	6.3	6.7	6.0	2.7	1.9	2.1	5.7
ES	3.1	6.2	2.9	7.7	6.2	9.0	4.7
FR	3.1	4.1	3.4	1.9	4.1	1.6	3.3
IT	1.5	3.6	2.1	5.4	6.2	8.5	2.4
CY	7.0	6.4	9.9	22.4	3.5	6.7	8.0
LV	0.5	13.5	0.6	5.7	4.4	6.7	3.9
LT	4.3	5.3	9.5	6.1	5.9	-7.8	4.9
LU	5.2	7.3	6.6	7.4	16.9	21.0	7.0
HU	8.3	9.2	8.4	5.3	0.7	3.3	7.7
MT	4.1	4.3	6.2	-6.3	7.5	4.1	3.8
NL	2.6	3.7	-0.9	4.2	5.5	0.8	2.7
AT	1.9	1.8	-0.6	1.9	5.4	7.9	1.9
PL	4.8	3.4	-2.6	0.6	-6.0	14.8	3.2
PT*	7.1	4.3	0.4	5.1	17.5	-3.8	5.6
RO	7.2	18.7	8.1	11.1	-7.0	56.3	10.7
SI	2.6	4.0	1.7	1.5	-2.4	15.4	2.9
SK	4.0	-2.1	5.2	6.1	-1.1	-12.0	1.3
FI	4.5	5.5	2.2	2.1	1.1	0.8	3.7
SE	3.3	0.5	6.6	3.9	0.0	-0.6	2.7
UK	1.8	7.5	2.5	1.5	0.2	3.1	3.4
IS	7.1	4.6	9.0	10.9	14.1	10.3	7.1
NO	3.5	2.1	6.6	2.4	2.9	3.1	3.4
CH	1.8	4.3	4.9	1.9	13.1	2.3	3.2

(1) See page 11 for details of the method of calculation.

(2) New benefits were introduced in the disability function in 2001. An unemployment insurance system was introduced in 2002.

(3) The detailed breakdown of benefits in the unemployment and social exclusion functions has been revised as from 2001.

\* Data for Portugal refers to 2004.

Source: Eurostat-ESSPROS

Expenditure at constant prices on **old-age and survivors'** benefits rose by 2.0% per annum between 2000 and 2005 in the EU-25. The changes in this group were primarily due to pensions, which accounted for almost 90.7% of all old-age and survivors' benefits in 2005 (85.9% of the latter are actually old-age pensions). The percentage of the population aged 60 or over in the EU-25 increased from 21.0% in January 2000 to 21.9% in January 2005 (an average annual increase of 0.8% in the number of over-60s). 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 longer than they used to.

The average increase in old-age and survivors' benefits for the EU-25 is mainly due to the changes in the principal countries that make up the group (Germany, France, the United Kingdom and Italy); they account for 69.2% of benefits. The most significant increases in the European Union were in Ireland (12.1% per annum), Hungary (8.3% per annum), Romania (7.2%) and Cyprus (7.0%); outside the EU the biggest increase was in Iceland (7.1% per annum). The average increase in benefits was smallest in the United Kingdom (1.8%), Germany (0.9%), Italy (1.5%) and Switzerland (1.8%).

With an increase in real terms of 3.4% per annum between 2000 and 2005 for the EU-25 as a whole, spending on the "sickness/health care" function rose at a faster rate than expenditure on the other functions over the same period.

The acceleration observed since 2000 marks a general trend for the European Union, with the exception of the decreases in Slovakia (-2.1%) and Germany (-0.3%) and the low indices in Austria and Sweden. Between 2000 and 2005 the largest increases were in Latvia (13.5%), Ireland (10.7%) and Hungary (9.2%).

Disability expenditure increased steadily over the period 2000-2005 in the EU-25 (1.7% per annum on average). Disability pensions accounted for the largest share of this expenditure (55.3% of the total in 2005). However, entitlement conditions varied enormously from country to country.

This form of expenditure showed the biggest increase in Estonia (15.2%), Ireland (10.9%), Cyprus (9.9%), Lithuania, Romania and Hungary (and, outside the EU, in Iceland). In Germany, Slovenia and Latvia, on the other hand, expenditure rose by only a small amount. Expenditure actually decreased in Belgium, Austria, the Netherlands and Poland.

Expenditure on family/child benefits increased by 2.2% in real terms between 2000 and 2005. This increase is not linked to a rise in the number of children, since the population aged between 0 and 19 years fell by 3.4% between January 2000 and January 2005. Cash family benefits accounted for about 71.0% of total benefit expenditure on this function. Depending on the country, this trend is the result either of significantly higher rates or of family-friendly reforms (changes to the conditions of access and rates or creation of new benefits).

During this period, expenditure on family and child benefits increased most in real terms in Cyprus (22.4%), Ireland (12.5%), Romania (11.1%), Estonia (7.8%), Spain (7.7%), Luxembourg (7.4%) and Iceland (10.9%). In Ireland reforms to the maternity and parental leave system pushed expenditure up. The situation in Luxembourg is largely due to the rise in the value of family benefits. In Malta, however, expenditure on family benefits decreased in real terms. The decline in the population aged between 0 and 19 years of age between January 2000 and January 2005 in Malta (-6.3%) is largely responsible for the fall in expenditure in this country.

Unemployment expenditure increased by 1.5% in real terms over the period 2000-2005. Expenditure on unemployment benefits increased most in real terms in Luxembourg (16.9%) and Estonia (8.1%) during the same period and Portugal (17.5% between 2000 and 2004). The biggest increases were in Iceland and Switzerland. Expenditure decreased in Slovenia, Slovakia, Romania, Poland, Denmark and Germany.

Expenditure at constant prices on the "housing" and "social exclusion" functions increased by 2.9% per annum between 2000 and 2005. There were higher increases (of more than 10%) in Luxembourg, Romania, Slovenia and Poland.

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## Different systems of financing

In 2005, the main sources of funding of social protection at EU-27 level were social contributions, which made up 59.0% of all receipts, plus general government contributions from taxes (37.6%). Social contributions can be broken down into contributions paid by the persons protected (employees, self-employed persons, retired persons and others) and those paid by employers (see *Table 5*).

The European average masks major national differences in the structure of social protection funding. More than 70% of all receipts are funded by social contributions in Slovakia (84.4%), the Czech Republic (80.7%), Estonia (79.5%), Belgium (73.4%) and Romania (73.3%).

Conversely, Denmark (63.2%), Ireland (53.9%), Cyprus (53.7%) and the United Kingdom (50.5%)



(together with Norway) finance their social protection systems largely from taxes, which make up over 50% of total receipts. Sweden and Luxembourg are also heavily dependent on general government funding (over 45%).

The differences are historical and due to the institutional rationale behind social protection systems. Northern European countries, where government funding dominates, are steeped in the "Beveridgian" tradition (in this type of system, 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, in which the system is based on the insurance

concept (in the form of contributions). However, the gap/difference between European countries is gradually narrowing, with more funding from tax revenue in those countries where it used to be low (France, Germany, Italy and Portugal, for example), on the one hand, 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: 3.4% in 2005 for the EU-27. However, it was well over 10% in Poland, the Netherlands, Cyprus, Greece, Romania, and also in Iceland and Switzerland.

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

	General government contributions		Social contributions						Other receipts	
	2000	2005	Total		Employers		Protected persons (1)		2000	2005
			2000	2005	2000	2005	2000	2005		
<b>EU 27</b>	:	<b>37.6</b>	:	<b>59.0</b>	:	<b>38.3</b>	:	<b>20.8</b>	:	<b>3.4</b>
<b>EU 25</b>	<b>35.4</b>	<b>37.7</b>	<b>60.9</b>	<b>59.0</b>	<b>38.7</b>	<b>38.2</b>	<b>22.2</b>	<b>20.8</b>	<b>3.6</b>	<b>3.3</b>
<b>EU 15</b>	<b>35.6</b>	<b>37.9</b>	<b>60.9</b>	<b>58.9</b>	<b>38.7</b>	<b>38.2</b>	<b>22.2</b>	<b>20.7</b>	<b>3.5</b>	<b>3.2</b>
<b>EA 13</b>	<b>31.8</b>	<b>33.9</b>	<b>64.3</b>	<b>62.6</b>	<b>41.5</b>	<b>40.1</b>	<b>22.9</b>	<b>22.5</b>	<b>3.9</b>	<b>3.4</b>
BE	25.3	24.7	72.1	73.4	49.9	51.4	22.3	22.0	2.5	1.9
BG	:	36.1	:	60.7	:	42.4	:	18.3	:	3.1
CZ	25.0	18.1	73.8	80.7	49.8	54.3	24.0	26.4	1.2	1.2
DK	63.9	63.2	29.4	28.8	9.1	10.3	20.3	18.5	6.7	8.0
DE	31.8	35.6	66.1	62.7	38.5	35.0	27.6	27.7	2.1	1.6
EE	20.6	20.4	79.2	79.5	79.2	79.0	:	0.4	0.2	0.1
IE	58.3	53.9	40.1	40.0	25.1	24.7	15.1	15.3	1.5	6.1
EL	29.2	30.7	60.8	58.4	38.2	35.5	22.6	22.9	10.0	11.0
ES	29.4	33.3	68.0	64.5	51.8	48.9	16.2	15.6	2.6	2.1
FR	30.3	30.6	65.9	65.6	46.0	44.7	19.9	20.9	3.8	3.8
IT	40.6	41.4	57.7	57.0	42.8	41.7	14.9	15.3	1.6	1.6
CY	45.0	53.7	37.3	34.7	20.5	19.7	16.8	15.0	17.7	11.6
LV	33.5	35.3	66.5	64.1	50.2	47.1	16.3	16.9	0.0	0.7
LT	38.9	39.6	59.6	59.9	53.7	53.8	5.9	6.0	1.5	0.5
LU	46.9	45.3	48.6	51.4	24.7	26.9	23.8	24.4	4.6	3.4
HU	31.6	34.8	59.7	57.9	47.0	42.0	12.8	15.9	8.7	7.3
MT	30.5	34.5	66.8	62.7	45.3	43.5	21.5	19.2	2.6	2.8
NL	14.4	19.9	67.5	67.9	29.4	33.4	38.1	34.4	18.1	12.3
AT	32.5	33.1	66.2	65.4	39.1	37.9	27.1	27.4	1.3	1.6
PL	32.5	39.2	55.3	50.4	30.5	28.0	24.8	22.3	12.2	10.4
PT*	39.1	42.2	53.0	47.5	35.6	31.7	17.4	15.7	7.9	10.0
RO	:	11.7	:	73.3	:	49.7	:	23.5	:	15.0
SI	31.5	31.7	66.3	67.4	27.0	27.4	39.3	40.0	2.2	0.8
SK	31.0	14.0	66.8	84.4	48.3	62.0	18.5	22.4	2.2	1.5
FI	42.9	43.7	50.0	50.2	38.0	38.8	12.0	11.4	7.0	6.1
SE	45.8	48.0	49.9	49.8	40.5	41.0	9.4	8.8	4.3	2.3
UK	46.4	50.5	52.4	47.9	29.9	32.4	22.5	15.5	1.2	1.6
IS	51.4	32.8	48.6	32.0	39.5	26.2	9.1	5.7	:	35.2
NO	60.5	55.8	38.4	44.1	24.4	29.5	14.0	14.6	1.1	0.1
CH	21.0	22.2	60.4	59.8	29.3	27.6	31.1	32.1	18.6	18.0

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

: Data not available.

\* Data for Portugal refers to 2004

Source: Eurostat-ESSPROS

Table 6: Expenditure on chosen benefits in PPS per inhabitant, 2005

	EU 27	EU 15	EA 13	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	IT	CY	LV	LT	LU	HU	MT	NL	AT	PL	PT*	RO	SI	SK	FI	SE	UK	IS	NO	CH
1 Paid sick leave benefit	197	227	240	206	34	162	265	341	70	129	115	256	184	118	345	34	56	504	95	78	509	301	73	70	9	194	42	302	485	120	460	940	312
1 In-patient care	810	937	829	1814	194	460	990	676	218	1389	614	698	1006	813	388	152	213	1117	286	526	1163	900	198	78	274	444	217	592	610	1500	1056	1301	895
1 Out-patient care	631	725	768	21	125	433	449	926	228	606	543	518	1011	669	199	131	197	1609	541	120	542	775	157	934	92	729	363	806	873	532	667	689	814
2 Disability pension	255	287	269	379	61	185	503	251	90	235	159	259	218	181	71	88	109	957	198	153	703	410	187	357	39	177	117	523	700	284	661	1020	740
2 Accomodation	57	67	64	99	7	23	169	109	15	:	:	2	134	9	1	15	15	0	20	13	0	49	:	3	1	32	28	27	154	55	139	15	153
2 Home help	19	22	6	10	2	4	101	11	2	:	2	2	:	3	:	1	0	577	:	0	0	5	:	0	3	0	:	50	217	59	6	69	:
3 Old age pension	2096	2404	2410	2022	472	1183	2055	2789	580	834	1652	1540	2671	2683	1294	578	640	2461	1044	1367	2389	3218	885	1360	409	1255	843	1787	2256	2429	1287	1991	2922
3 Anticipated old age pension	98	100	109	0	87	40	529	185	144	211	542	124	2	0	1	19	22	870	130	0	204	262	238	42	2	496	9	147	198	0	:	52	:
3 Accomodation	51	60	39	2	3	39	34	23	10	27	7	50	15	23	0	14	10	0	38	83	258	84	:	30	0	9	24	103	473	94	506	380	63
3 Assistance in carrying daily tasks	32	38	17	12	:	10	455	30	2	45	14	22	7	5	0	2	1	0	17	16	0	21	3	11	1	0	:	71	191	71	26	261	:
4 Survivors pension	245	287	312	586	12	27	0	88	12	267	165	119	465	595	60	24	20	1297	38	45	421	103	94	241	5	69	29	233	179	215	165	109	329
5 Income maintenance benefit in the event of childbirth	35	40	35	40	6	27	152	27	68	26	37	35	40	42	24	19	13	139	18	6	0	41	5	31	5	29	11	113	181	31	195	195	26
5 Parental leave benefit	17	16	20	0	22	73	:	36	23	:	14	:	41	0	3	34	23	106	76	0	0	1	20	0	40	68	59	58	:	0	:	60	:
5 Family or child allowance	263	306	311	411	41	65	273	514	83	441	119	52	425	99	228	52	44	1188	167	113	185	627	61	79	45	163	157	232	214	298	167	294	309
5 Birth grant	2	2	3	10	2	5	:	0	4	:	8	1	9	0	4	7	5	27	4	0	0	0	2	0	1	:	2	2	0	0	:	9	:
5 Child day care	62	73	62	19	7	0	440	111	:	:	37	101	0	36	1	11	10	233	14	0	33	105	:	54	11	106	:	240	241	60	354	309	27
5 Accomodation	15	18	10	9	:	25	139	0	9	82	10	19	:	18	1	12	15	9	25	7	0	33	:	7	1	4	11	52	83	32	71	60	27
6 Full unemployment benefits	215	254	291	538	17	39	371	324	11	241	71	328	399	78	85	36	10	285	38	183	456	217	26	184	19	52	23	393	330	50	93	205	256
6 Early retirement benefit for labour market reasons	22	25	31	117	:	3	:	43	:	:	4	5	38	23	:	:	6	127	10	13	0	17	30	0	:	38	13	112	0	0	:	8	0
6 Vocational training	16	19	17	7	2	2	:	10	5	38	121	62	:	6	2	8	4	15	5	7	0	34	2	0	1	7	:	39	36	27	:	6	17
7 Rent benefits	124	147	94	19	0	:	199	156	4	165	50	:	190	5	30	8	0	41	40	1	98	28	14	1	:	3	:	69	147	392	63	15	47
7 Benefits to owner-occupiers	5	5	6	0	:	15	:	1	:	:	61	:	17	0	55	:	:	50	34	26	2	:	:	0	:	:	:	2	:	1	:	42	:
8 Income support	37	41	45	49	17	51	178	44	14	93	:	9	91	0	158	4	9	168	4	21	133	14	7	27	21	99	64	71	86	0	50	114	180

Functions: 1-Sickness/Health care, 2-Disability, 3-Old-age, 4-Survivors, 5-Family/Children, 6-Unemployment, 7-Housing, 8-Social exclusion

Source: Eurostat-ESSPROS

\* Data for Portugal refers to 2004

## 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. 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 1996 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 that require evidence of actual expenditure by the beneficiaries are reimbursements, which are classified as benefits in kind. Examples of cash benefits are all types 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 in the form of reimbursement or directly. Reimbursements are payments that refund 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 are broken down between means-tested and non means-tested benefits.

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

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

### Statistical symbols and abbreviations

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

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

EU 27 includes the EU 25 countries plus Romania (RO) and Bulgaria (BG).

EA 13 includes BE, DE, IE, EL, ES, FR, IT, LU, NL, AT, PT, FI and SI.

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

":" indicates data not available

### Remarks concerning the data

Data for EU-25 as a whole are from 2000 for all countries (except Portugal for 2005).

The 2005 data are provisional for CZ, DE, ES, FR, IT, LV, LT, NL, PL, SI, SK, SE and UK. The 2005 data for EU-27, EU-25; EU-15 and EU-13 are estimates. All data from BG and RO are provisional.

The GDP, PPS, population and consumer price index data (in national currency for households and NPISH final consumption expenditure) were extracted in November 2007. This might explain any differences from national publications.

Data on GDP at market prices (for the period 2000-2005) changed significantly with the recent updating by national statistical institutions in 2007.

### Legal acts

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) was published in the Official Journal on 30 April 2007.

Commission Regulations (EC) No 1322/2007 and No 10/2008 implementing the EP and Council Regulation were published in the Official Journal on 13 November 2007 and 9 January 2008.

ESSPROS data will be collected and disseminated from 2008 (data 2006) according to that legislation (modules: expenditure and receipts, qualitative information and pension beneficiaries).

## Further information

### Reference publications

Title	<a href="#">ESSPROS MANUAL – 1996</a>
Catalogue No	CA-99-96-641-EN-N
Title	<a href="#">European Social Statistics – Social protection – Expenditure and receipts – Data 1997 - 2005</a>
Catalogue No	KS-DC-08-001-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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