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To : [REDACTED]

From : [REDACTED] [REDACTED]

Via: [REDACTED]

Subject: Social protection in the Community

Please find attached some tables and some preliminary comments on the budgetary and macroeconomic impact of social protection in the Community.

I would also like to draw your attention to the fact that DG II is at present participating in two interservices groups, one on "Social Protection and Competition" and the other on "Financing of Pensions" under the auspices of DG V and DG XV respectively. Both study projects seem to be very ambitious and DG II should keep abreast of their activities. For your information I attach a copy of the minutes of the latest meetings of these two interservices groups.

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**BUDGETARY AND MACROECONOMIC ASPECTS OF SOCIAL PROTECTION
IN THE COMMUNITY**

Some preliminary comments

1. INTRODUCTION

The purpose of the present note is to provide a preliminary view on some aspects of the budgetary and macroeconomic impact of social protection and the way it is financed. It is primarily concerned with analysing levels, components and trends of social protection benefits and receipts in the Community. In addition, it dwells on effects of social protection on competitiveness, macroeconomic savings and future developments.

2. STATISTICAL MATERIAL AVAILABLE

It should be noted at the outset that an international comparison of the benefits and financing of social security is seriously hampered by difficult statistical and methodological questions, mainly stemming from wide institutional differences in the set-up of national social security schemes. The Statistical Office of the European Communities (1) has developed accounts on social protection (ESSPROS) which enable an international comparison of social expenditure and their financing on a highly harmonised basis. These accounts group together all social protection operations and the resources which go to finance them. These social protection accounts have the advantage of providing more comprehensive and more comparable figures. The disadvantage is that it is not possible to pass from ESSPROS definitions to the more familiar definitions of the national accounts.

At present, for the majority of the Member countries 1984 statistics are the latest available in ESSPROS, with the series beginning in 1970 (except for Spain, Italy and Portugal). In ESSPROS no figures at all are available for Greece. DG V together with national experts have carried out medium-term projections (1990) of social protection benefits and receipts for the twelve Member countries (2). The basic structures and trends are highlighted below.

3. SIZE OF SOCIAL PROTECTION BENEFITS AND RECEIPTS IN THE COMMUNITY :
SOME STYLIZED FACTS

a) Aggregate levels and trends

Table 1 shows the total level of current benefits and receipts of social protection as % of GDP for the period 1970-1990. In 1984 current benefits represented 27,1% of GDP for the Community on average with the ratio ranging from 15,2% in Portugal to 32,9% in the Netherlands. Figures in this table suggest a close and positive

correlation between the maturity of the economy and the share of social protection benefits. The lowest but fastest growing shares are found in the less-favoured countries (Portugal, Spain and Greece with the share ranging from 15% to 20%, notable exception being Ireland) and the highest in the mature economies (the Netherlands, Belgium, Denmark and Germany).

The size of social protection has increased steadily in virtually all Member countries over the period from 1970 to 1984. For the Community as a whole these benefits rose from about 18,6% of GDP to 27,1% in 1984. During the period 1975-1984, Germany stood apart from the general trend, in so far as it succeeded in reducing marginally the share of social protection benefits. The share of social protection benefits is projected to halt and even to decline over the period 1984-1990. For the Community on average the share is expected to drop to 25,6% of GDP in 1990.

Table 1 also shows that differences between total current expenditure and total receipts are very small. The differences in most cases account for capital expenditure (not recorded in the table). The similarity in the levels of expenditure and receipts stems from the fact that financing is an instrument to fulfil decisions on expenditure with government transfers preventing deficits to show up.

b) Structure of social protection benefits

As regards social protection benefits, it emerges from table 2 that for the Community as a whole, health benefits and pensions are by far the two biggest categories, representing 9,5% and 10,9% of GDP in 1984 respectively. The share of health benefits in GDP ranged from 3,7% in Greece to 13,9% in the Netherlands. Apart from Spain, Ireland and Portugal, which had relatively low shares, the proportion of pension benefits was very similar across Member States (between 9,9% and 11,7% of GDP in 1984). Employment/unemployment benefits have increased strongly to reach 2,3% of GDP in 1984, or almost six times their level in 1970. These benefits were important in Belgium, Denmark, Ireland, Luxemburg and the Netherlands. These three major categories were mainly responsible for the remarkable growth in social protection benefits over the period 1970-1984.

c) Financing of social protection benefits

As regards social protection receipts table 3 shows that for the Community on average social protection benefits were mainly financed through social security contributions (18,8% of GDP in 1984) with employers' contributions almost twice as important as those paid by protected persons. Budgetary financing represented 8,6% of GDP in 1984. Other receipts, which cover mostly income on assets held by social security funds, are only of significant importance in the Netherlands and the United Kingdom. (5,6% and 2,7% of GDP respectively in 1984).

Remarkable differences exist between EC-countries as regards the way of financing social benefits. Grosso modo countries can be divided in two groups. In the first group, which contains the majority of the Member countries, total social security contributions account for the major part of the resources with the proportion in 1984 ranging from 16,4% of GDP in Luxemburg to 26,9% in the Netherlands. On the contrary, countries like Denmark (4,4% in 1984) Ireland (8,6%) and the United Kingdom (13,3%) have a very low level of financing through contributions and have essentially public funded systems. In these countries budgetary financing amounted to 24,5%, 17,0% and 12,2% of GDP respectively.

4. SOCIAL PROTECTION AND COMPETITIVENESS

As has been highlighted above, there exist substantial differences across Member countries in the relative importance of social security contribution. In 1984, as a % of GDP, they were low in Denmark (4,4%), Ireland (8,6%), Greece (9,5%), Portugal (10,4%), Spain (13,0%) and the United Kingdom (13,3%), on the other hand, they were very important in Italy (19,2%), Belgium (19,4%), Germany (21,0%), France (23,0%) and the Netherlands (26,9%). Given that social contributions constitute a part of total labour costs, the question arises whether countries with low social security contributions have a competitive advantage over countries with a high degree of earnings related social security contributions? This question can not be answered in an isolated manner, looking only at the level of these social security contributions. Additional elements have to be taken into consideration.

First a look on the structure of total hourly labour costs in industries (Table 4) points out that the importance (as % of total hourly labour costs) of statutory expenditure for social security is very different among countries. Only in Denmark (4,6%), Ireland (8,6%) and the United Kingdom (7,6%) they were relatively small, while in the other countries with relatively low earnings-related contributions (Greece, Portugal and Spain) their proportion is very similar to that of the other Member countries. What is more, it is not generally true that total hourly labour costs in industry are lower in countries with less employers' contributions. So e.g. Denmark had the fourth highest level of hourly labour costs in 1984, nearly as high as France and higher than Italy. In addition it should be stressed that if social security is more financed through taxation (as in the case of Denmark (3)) this certainly relieves the cost burden on the factor labour, but not on the economy as a whole. In the case of Denmark, Ireland and the United Kingdom financing of social protection through government funds was very high (respectively 24,5%, 17% and 12% of GDP in 1984). Greater reliance on VAT to fund the social security system confers a competitive advantage as VAT is refunded when goods are exported. However, this possible competitive advantage must be viewed in relation to the exchange rate and the balance on the current account.

International competitiveness, however, is not only determined by wage costs and non-wage labour costs. For competitiveness generally it is total labour costs in relation to productivity that matters. Within the European Community, differences in employers' contributions therefore

do not a fortiori give rise to distortions in competitiveness, as long as differences in total labour costs correspond to differences in productivity levels. On the basis of national accounts data it can be shown that in general the ratio of compensation of employees per head to labour productivity has been very similar across Member countries (see table 5 and graph 1). Therefore, fears that which the completion of the internal market, differing wage costs levels will distort competition within the Community seem not to be justified in general. Vigilance should be exercised, though as in specific fields problems may arise. This might particularly be the case in those sectors where labour costs are an important variable in competition and where protection will be removed through the realization of the internal market.

5. BUDGETARY COSTS OF SOCIAL PROTECTION

Above in section 3 it has been seen that social protection has grown remarkably over the period 1970-1984. This proliferation of social policies seems to have put an increasingly heavy burden on the economy and the public budget, as is shown in tables 6a and 6b.

In 1984, the share of social protection benefits in GDP amounted to 27,1% in the Community on average, while total government expenditure reached 47,5%. As such, in the Community social protection benefits accounted for about 57% of total outlays of general government in 1984, slightly up from almost 54% in 1970.

As a % of GDP, social protection benefits in the Community rose by 8,5% points over the period 1970-1984, while general government total outlays increased by 13% points; or, 65% of the increase in the latter can be attributed to an expansion of social protection benefits. In the United Kingdom, the growth in social protection benefits exceeded even that of total public expenditure while in Germany, France and the Netherlands the rise in public expenditure was also highly reflected in increased social protection benefits.

6. FINANCIAL STABILITY OF SOCIAL SECURITY FUNDS

Measuring the financial situation of social security schemes largely represents a grey area in the analysis of these schemes. The aggregated statistics of ESSPROS (and also of the national accounts) do not allow a proper assessment of the financial problems of particular social security schemes. Social security funds usually run no deficits (see table 7, except slight deficits in Ireland and Portugal in 1984). Social security total receipts should cover total expenditures and build up some reserves to assure liquidity of the social security funds. It is a (social) policy principle to maintain financial stability of the social security funds. To achieve this, it is up to political decisions to fix the level of contributions, benefits and government transfers to social security funds. The extension of social protection and the effects of unemployment (see table 2) have led to an increase in contributions and government transfers (see table 3) and also to some curtailments in benefits (e.g. in Germany in 1975 and early 1980s).

In this respect it is interesting to compare developments in government transfers to social protection with developments in the balance of general government (see table 7, the last two columns). Over the period from 1970 to 1984 government funding of social protection increased in the Community on average by 3,5% points of GDP while the general government balance deteriorated by 5,5% points of GDP. From this point of view over 60% of the increase in government deficit of the Member States corresponded to increased government transfers for social expenditure. In the case of Denmark, Germany, Ireland and United Kingdom the deterioration of the balance of general government is even fully matched by the increase of government financing of social protection.

7. SOCIAL PROTECTION AND NATIONAL SAVING

Economic theory does not provide an unambiguous prediction of the effect of alternative financing methods of social security on the level of saving in an economy. Basically, because at a theoretical level the substitution and income effects often compensate each other and at an empirical level the assessment of these phenomena in a dynamic way is far from simple. The complexity inherent in most social security schemes also adds to the inconclusiveness of theoretical and empirical research in this area.

Although largely based on intuition, some general principles can be advanced :

- A system of income redistribution has a negative effect on national saving if the saving propensity of net contributors exceeds that of net beneficiaries. Presumably, that is more often than not the case as regards social security schemes because they generally generate income flows from higher to lower income groups. A special case, in this context, are the households of the unemployed. They have usually a low and often even a negative savings rate. The increase in unemployment, especially in long-term unemployment could be one of the contributory factors to the observed decline in national saving in the Community since the early 1970s.
- At a given level of social protection, the impact on saving also depends on the fact whether contributions (or taxes) levied on earnings are progressive or regressive. It can be expected that a system of social contributions limited up to a ceiling affects less national saving than a progressive system.
- In mature systems the method of financing pensions systems does not seem to affect the level of national saving. Advance funding or capitalization raises aggregate saving only during the building up of financial reserves, until the arrival at retirement age of those age groups which started the funded schemes. Thereafter a period of stabilization (maturity) follows and the system will operate under conditions approximately equal to a pay-as-you-go system as contributions (savings) and pension benefits (withdrawals) become evenly matched at the macro-economic level.

- Any large-scale transition to funded pension schemes seems unlikely in the short to medium-term. First, short-term prospects for existing pension schemes are not so unfavourable (see also point 8a). The demographic trends over the next decade are only mildly adverse and with a recovering in economic growth and an improvement in the efficiency of the systems, countries should be able to keep the systems financially stable. In addition, there are tremendous problems of transition and finally at present, there does not seem to exist a social and political acceptance of change in the Member countries.

8. PROSPECTS

a) Short to medium-term prospects

Since the first oil price hike social security schemes have been under pressure from two sides : an increase in expenditure resulting from a persistently high number of unemployed and an ageing of populations, increasing the pressure on expenditure for old-age/survival and health benefits; on the other hand the growth in revenues has slowed down, greatly due to a deterioration in economic performance.

Presently, there are some signs that in the short to medium-term the situation may improve on both sides. A pivotal role falls to economic growth.

On the basis of demographic trends alone (i.e. levels of real benefits remain unchanged) the conventional view is that the ageing of populations will continue to exert upward pressure on social expenditure in the Community countries. Ceteris paribus in most EC countries the process of population ageing is expected to induce an increase in pension and health benefits. Education and family related expenditure will likely liberate some resources, but not enough to compensate for the increase in expenditure related to ageing. In that view, employment/unemployment benefits, as % of GDP, are expected to stabilize or to decline slightly.

However, if the Community countries manage to transform current growth rates of 3,5% into a lasting medium-term growth path of this order of magnitude or even more, the conventional view may be superseded. With such rates of economic growth a virtuous circle of more growth, more employment, less unemployed and lower social expenditure may emerge. Indeed, higher economic growth will lead to an increase in receipts because of an expansion of the taxation basis of social security contributions likely brought about by a combination of higher employment and higher earnings. On the other hand, the concurrent decline in unemployment will lead to relatively lower employment/unemployment benefits. The released room of manoeuvre can either be used to lower the overall ratio of social expenditure or be allocated to other functions, e.g. employment stimulation.

b) Long term prospects

Long-term prospects on the course of social expenditure are largely determined by the projected demographic transition to a large cohort of elderly, and a further slowdown in population growth. A recent

OECD-study (4) projects that the old-age dependency ratio - old age population (over 65 years) reported to the population of 15-64 years - will rise significantly in many Member countries before 2010, especially in Germany where it could reach 30%. In 2050, in six countries out of twelve, the old age dependency ratio will exceed 35%. Because of the relatively high reliance of the elderly on publicly provided social expenditure, prospects are that in most EC-countries the share of social outlays in total public outlays will rise. To the extent that this rise in social expenditure will not be accompanied by a commensurate reduction in other public expenditure, economies will have to devote an increasing share of output to support government expenditure.

Governments dispose of a whole array of options for coping with the projected rise in social expenditure. Many of these possibilities entered already in the discussion on solving current financing problems in social security. These solutions - which do not exclude each other - encompass cuts in expenditure, increases in revenues by increasing contributions or taxes, a shift in the burden directly to households and/or firms (i.e. different types of privatisation of both benefits and receipts) and raising the retirement age.

Whatever instrument or combination of instruments selected by the authorities, their decisions will affect economic behaviour in a considerable way. Hence, these propositions must be evaluated in the light of :

- the projected fiscal impact of the demographic transition;
- the way the ageing of population is likely to affect labour markets, capital formation, productivity, private consumption and saving;
- the impact of alternative financing systems of social protection on employment, activity, competitiveness, inflation,
- the capacity of the different financing methods in coping with demographic shocks;
- the challenges the completion of the internal market will have on both benefits and receipts of social protection.

NOTES

- (1) Eurostat, European System of Integrated Social Protection Statistics, (ESSPROS) - methodology 1981.
- (2) CEC, Medium-term projections of Social Protection Expenditure and its financing. 1990 Projections - Summary report. COM(88) 655 final. These projections were made in 1987. Consequently, they do not take fully account of the improvement in economic growth in 1988 and thereafter.
- (3) The approximation of indirect taxation in view of the completion of the internal market might cause problems in the financing of social protection schemes in those countries, like Denmark, which largely finance social protection through VAT. These countries will be obliged to look for alternative financing sources.
- (4) OECD, Ageing populations : implications for public finance and the macroeconomy, CPE/WPl (88) 6.

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STATISTICAL ANNEX TO THE NOTE

"Budgetary and macroeconomic aspects of social protection
in the Community: some preliminary comments"

Table 1: Social protection in the European Community, as % of GDP, 1970-1990

	Current expenditure					Receipts				
	1970	1975	1980	1984	1990	1970	1975	1980	1984	1990
B	18,7	24,2	28,1	29,6	:	19,5	25,3	28,1	31,7	:
DK	19,6	25,8	29,7	28,9	27,0	20,7	27,2	30,6	31,1	30,3
D	21,5	29,8	28,6	28,5	26,4	22,5	30,4	30,1	29,5	27,6
GR	:	:	13,3	20,0	20,1	:	:	15,3	20,2	19,3
E	:	:	15,6	17,4	18,0	:	:	15,7	17,7	18,4
F	18,8	22,4	25,9	29,4	28,4	19,6	23,2	27,0	30,2	28,0
IRL	13,8	19,7	20,6	24,0	22,3	14,2	19,2	20,8	25,8	24,5
I	:	22,6	22,8	27,3	26,4	:	22,2	24,4	28,4	28,1
L	15,6	22,4	26,4	25,4	24,4	17,7	24,3	28,2	27,5	26,5
NL	19,6	27,1	30,4	32,9	32,1	24,7	33,3	36,9	39,4	39,8
P	:	:	14,6	15,2	13,4	:	:	14,8	16,1	14,0
UK	14,3	20,1	21,7	24,6	22,8	16,8	23,6	25,7	28,3	26,2
EUR12 ¹	18,6	24,2	24,9	27,1	25,6	20,2	25,7	26,9	28,8	27,2

¹ Weighted average of available country data; own calculations for 1970 and 1975
Source: 1970-1975: Eurostat, Integrated social protection statistics (ESSPROS),
June 1988.

1980-1990: CEC, Medium-term projections of Social Protection Expenditure
and its financing, 1990 Projections - Summary report,
Dec. 1988, COM(88)655 final.

Table 2: Current social protection expenditure, as % of GDP, in 1970, 1984 and 1990

1970													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social protection benefits	17,8	17,7	19,1	20,7	:	:	17,8	13,3	:	15,1	18,9	:	13,8
1. Health	6,9	6,1	8,3	8,3	:	:	6,6	5,4	:	5,5	7,9	:	5,1
2. Old-age/survival	7,8	7,2	6,9	9,4	:	:	7,3	4,6	:	7,7	7,7	:	6,7
3. Maternity/family	2,3	3,5	2,7	2,1	:	:	3,0	2,2	:	1,8	2,6	:	1,5
4. Employment/Unempl.	0,4	0,7	0,5	0,4	:	:	0,4	0,4	:	0,0	0,6	:	0,4
5. Housing	0,4	0,2	0,7	0,4	:	:	0,6	0,7	:	0,1	0,1	:	0,1
6. Others	n.a	n.a	n.a	n.a	:	:	n.a	n.a	:	n.a	n.a	:	n.a
B. Admin. costs	0,7	0,9	0,4	0,7	:	:	0,8	0,5	:	0,5	0,7	:	0,5
C. Other curr. exp.	0,1	0,1	0,0	0,2	:	:	0,2	0,0	:	0,0	0,0	:	0,0
Total curr. exp.	18,6	18,7	19,6	21,5	:	:	18,8	13,8	:	15,6	19,6	:	14,3
1984													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social protection benefits	25,8	28,2	28,1	27,4	19,0	16,8	27,8	22,9	25,3	24,2	31,7	14,1	23,6
1. Health	9,5	9,5	8,6	11,2	3,7	5,9	9,3	8,1	11,0	10,5	13,9	6,8	7,1
2. Old-age/survival	10,9	11,3	10,2	11,7	13,4	7,8	11,3	7,2	11,7	11,0	9,9	5,2	10,1
3. Maternity/family	2,3	3,1	2,9	1,9	0,7	0,4	3,1	2,8	1,7	2,2	2,7	1,0	2,8
4. Employment/Unempl.	2,3	3,9	4,9	1,8	0,5	2,6	2,9	3,5	0,9	0,5	4,1	0,4	2,4
5. Housing	0,4	:	0,5	0,2	0,1	:	0,7	1,0	:	0,0	0,5	0,0	0,9
6. Others	0,5	0,4	1,0	0,7	0,6	0,0	0,6	0,4	0,0	0,0	0,6	0,7	0,3
B. Admin. costs	0,9	1,2	0,8	0,8	0,6	0,4	1,3	1,0	0,9	0,8	1,1	1,1	0,9
C. Other curr. exp.	0,3	0,2	:	0,3	0,3	0,2	0,3	0,1	1,0	0,5	:	0,0	0,0
Total curr. exp.	27,1	29,6	28,9	28,5	20,0	17,4	29,4	24,0	27,3	25,4	32,9	15,2	24,6
1990													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social protection benefits	24,4	:	26,2	25,3	18,9	17,2	27,0	21,3	24,5	23,4	30,9	12,4	22,0
1. Health	9,2	:	8,2	10,6	3,8	5,7	9,3	7,5	9,9	10,8	13,6	6,0	7,0
2. Old-age/survival	10,8	:	9,8	10,9	13,3	8,3	11,7	6,6	12,8	10,3	10,4	4,6	9,4
3. Maternity/family	1,9	:	3,1	1,6	0,7	0,3	2,6	2,8	1,2	2,1	2,8	0,9	2,5
4. Employment/Unempl.	1,8	:	3,7	1,5	0,4	2,8	2,2	3,0	0,6	0,2	3,3	0,3	2,1
5. Housing	0,4	:	0,6	0,2	0,2	:	0,7	1,0	:	0,0	0,3	0,0	0,9
6. Others	0,4	:	0,9	0,6	0,5	0,0	0,5	0,4	0,0	0,0	0,6	0,7	0,2
B. Admin. costs	0,9	:	0,9	0,7	0,7	0,5	1,1	1,0	0,8	0,8	1,3	0,9	0,8
C. Other curr. exp.	0,3	:	:	0,3	0,5	0,3	0,3	0,0	1,0	0,1	:	0,0	0,0
Total curr. exp.	25,6	:	27,0	26,4	20,1	18,0	28,4	22,3	26,4	24,4	32,1	13,4	22,8

¹ Weighted average of available country data; own calculations for 1970.

Source: See table 1.

Table 3: Nature of social protection receipts, as % of GDP, in 1970, 1984 and 1990

1970													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social contributions	14,0	14,1	3,7	16,1	:	:	15,3	4,7	:	10,8	19,6	:	9,6
1. Employers	9,4	10,0	2,3	10,6	:	:	11,6	3,0	:	6,4	10,7	:	6,1
- Effective	6,5	7,5	1,0	5,6	:	:	9,2	1,4	:	4,9	9,3	:	4,5
- imputed	2,9	2,5	1,3	5,0	:	:	2,4	1,6	:	1,5	1,4	:	1,6
2. Protected persons	4,5	4,1	1,3	5,5	:	:	3,7	1,7	:	4,4	8,9	:	3,4
- employees	3,8	3,3	1,3	4,9	:	:	2,7	1,7	:	3,7	7,1	:	3,1
- self-employed	0,7	0,9	0,0	0,6	:	:	1,0	0,0	:	0,7	1,8	:	0,3
- other persons													
B. Government funds	5,1	4,6	16,4	5,3	:	:	3,6	9,4	:	5,3	3,1	:	5,7
C. Other receipts	1,1	0,8	0,6	1,1	:	:	0,6	0,1	:	1,6	2,1	:	1,5
Total receipts	20,2	19,5	20,7	22,5	:	:	19,6	14,2	:	17,7	24,7	:	16,8
Balance ²	1,6	0,8	1,1	1,0	:	:	0,8	0,4	:	2,1	5,1	:	2,5

1984													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social contributions	18,8	19,4	4,4	21,0	9,5	13,0	23,0	8,6	19,2	16,4	26,9	10,4	13,3
1. Employers	12,1	13,1	3,2	12,1	4,6	9,4	15,7	5,6	15,1	9,3	12,6	7,6	8,6
- Effective	:	10,0	1,2	7,6	:	8,4	12,9	3,7	9,9	6,9	10,9	6,4	6,1
- imputed	:	3,1	2,0	4,5	:	1,1	2,8	1,9	5,2	2,4	1,6	1,1	2,5
2. Protected persons	6,6	6,3	1,2	8,9	4,8	3,5	7,4	3,0	4,1	7,1	14,3	2,8	4,7
- employees	:	4,9	1,2	6,4	:	1,9	5,8	:	2,8	6,2	10,1	2,6	4,4
- self-employed	:	1,2	0,0	0,3	:	1,1	:	:	1,3	0,8	1,1	0,2	0,2
- other persons	:	0,2	0,0	2,1	:	0,6	1,5	:	:	0,1	3,2	0,0	0,1
B. Government funds	8,6	10,7	24,5	7,5	9,9	4,6	6,1	17,0	8,7	8,9	7,0	5,3	12,2
C. Other receipts	1,5	1,6	2,2	1,0	0,8	0,2	1,0	0,2	0,5	2,3	5,6	0,4	2,7
Total receipts	28,8	31,7	31,1	29,5	20,2	17,7	30,2	25,8	28,4	27,5	39,4	16,1	28,3
Balance ²	1,7	2,1	2,2	1,0	0,2	0,3	0,8	1,8	1,1	2,1	6,5	0,9	3,7

1990													
	EUR12 ¹	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK
A. Social contributions	18,1	:	4,8	20,2	9,1	11,8	22,0	8,3	19,2	15,2	26,5	9,0	12,4
1. Employers	11,7	:	3,4	11,6	4,3	9,1	14,7	5,4	15,2	8,8	12,9	6,6	8,0
- Effective	:	:	1,8	7,5	:	8,3	12,2	3,5	9,8	6,6	11,3	5,6	5,7
- imputed	:	:	1,6	4,1	:	0,9	2,5	1,8	5,3	2,2	1,6	1,0	2,3
2. Protected persons	6,3	:	1,4	8,6	4,8	2,7	7,3	2,9	4,0	6,4	13,6	2,4	4,4
- employees	:	:	1,4	6,3	:	1,7	5,8	:	2,7	5,5	10,0	2,2	4,1
- self-employed	:	:	0,0	0,3	:	1,0	:	:	1,3	0,8	0,8	0,2	0,2
- other persons	:	:	0,0	2,0	:	0,0	1,5	:	:	0,1	2,9	0,0	0,1
B. Government funds	7,8	:	22,7	6,5	9,4	6,4	5,2	16,0	8,5	9,5	5,5	4,7	11,2
C. Other receipts	1,4	:	2,8	0,9	0,8	0,1	0,8	0,2	0,4	1,9	7,8	0,3	2,5
Total receipts	27,2	:	30,3	27,6	19,3	18,4	28,0	24,5	28,1	26,5	39,8	14,0	26,2
Balance ²	1,6	:	3,3	1,2	-0,8	0,4	-0,4	2,2	1,7	2,1	7,7	0,6	3,4

¹ Weighted average of available country data; own calculations for 1970.

² Difference between total receipts and current expenditure of social protection.

Source: See table 1.

Table 4: Hourly labour costs in industry in 1984, measured in ecus (manual and non manual workers) and its structure as percent of hourly labour costs.

	B	DK	D	GR	F	IRL	I	L	NL	P	UK
Hourly labour costs in 1984											
- in ECU	13,40	11,95	14,24	5,85	12,37	8,90	10,73	11,07	13,68	2,38	9,04
- Germany=100	94,1	83,9	100,0	41,1	86,9	62,5	75,4	77,7	96,1	16,7	63,5
Structure:	in % of total hourly labour costs										
Direct earnings	54,9	83,6	56,5	62,0	52,5	69,7	53,4	69,0	56,1	58,7	71,3
Other costs	45,1	16,4	43,5	39,0	47,5	30,3	46,6	31,0	43,9	41,3	28,7
- Bonuses and premiums	10,9	0,7	8,6	12,0	5,0	1,0	8,0	3,2	7,1	10,3	1,1
- Payments of days not worked	9,1	8,0	11,4	7,0	9,4	11,7	10,9	11,2	9,6	5,3	10,4
- Customary expenditure for social security	1,4	1,1	4,6	-	8,7	6,1	3,3	0,6	8,1	2,1	7,0
- Statutory expenditure for social security	22,5	4,6	16,4	18,0	19,4	8,6	32,2	14,3	16,3	16,3	7,6
- other expenditure	1,2	2,0	2,5	2,0	5,0	2,9	-5,8	1,7	2,8	7,3	2,6

Source Eurostat

Table 5: Compensation of employees

	B	DK	D	GR	E	F	IRL	I	L	NL	P	UK	EUR12
	Compensation per employee (total economy) in ECU												
1987	22082	21424	22956	8255	13932	22246	16382	19047	21735	23903	4804	14463	18787
NL = 100	92,4	89,6	96,0	34,5	58,3	93,1	68,5	79,7	90,9	100	20,1	60,5	78,6
	Compensation of employees (total economy) per ECU 1000 of GDP at market prices												
1987	558	561	534	391	458	532	537	456	615	532	445	554	517
	Labour costs (included imputed compensation of the self-employed) per ECU 1000 of GDP at market prices												
1987	680	641	611	764	631	628	701	670	689	611	650	625	643

Source: Eurostat, Commission services

Table 6a: Expenditure of general government, social security and social protection¹ as % of GDP

	in 1970			in 1984			Change over period 1970-1984		
	S60	S63	Social Protection	S60	S63	Social Protection	S60	S63	Social Protection
B	40,7	13,6	18,7	59,3	22,2	29,6	18,6	8,6	10,9
DK	42,0	2,5	19,6	57,6	6,3	28,9	15,6	3,8	9,3
D	37,5	13,0	21,5	45,1	19,0	28,5	7,6	6,0	7,0
GR	:	:	:	:	:	20,0	:	:	:
E ²	20,7	6,6	:	35,2	15,1	17,4	14,5	8,5	:
F	35,7	14,0	18,8	47,9	23,1	29,4	12,2	9,1	10,6
IRL ³	37,4	3,8	13,8	53,8	7,5	24,0	16,4	3,7	10,2
I	31,9	12,1	:	55,0	20,8	27,3	23,1	8,7	:
L ^{2,4}	29,1	12,0	15,6	39,8	15,8	25,4	10,7	3,8	9,8
NL	41,7	14,4	19,6	57,8	21,4	32,9	16,1	7,0	13,3
p ⁵	:	:	:	41,8	10,2	15,2	:	:	:
UK	34,9	5,5	14,3	43,2	7,1	24,6	8,3	1,6	10,3
EUR12	34,6	10,9	18,6	47,5	17,4	27,1	13,0	6,6	8,5

¹ S60: general government; S63: social security funds. Data for general government are taken from Eurostat's database on General Government Accounts and do not necessarily correspond to the data recorded in DG II's database FINPUB.

² 1982 as regards S60 and S63.

³ 1983 as regards S60 and S63.

⁴ % of GNP.

⁵ 1981 as regards S60 and S63.

Source: Eurostat, General Government Accounts and ESSPROS.

Table 6b: Receipts of general government, social security and social protection¹ as % of GDP

	in 1970			in 1984			Change over period 1970-1984		
	S60	S63	Social Protection	S60	S63	Social Protection	S60	S63	Social Protection
B	38,1	14,4	19,5	48,9	23,2	31,7	10,8	8,8	12,2
DK	45,4	3,0	20,7	52,9	7,6	31,1	7,5	4,6	10,4
D	37,7	13,9	22,5	43,2	18,9	29,5	5,5	5,0	7,0
GR	:	:	:	:	:	20,2	:	:	:
E ²	21,3	7,1	:	29,8	16,1	17,7	8,5	9,0	:
F	36,6	14,7	19,6	45,1	23,7	30,2	8,5	9,0	10,6
IRL ³	33,8	3,9	14,2	42,3	7,4	25,8	8,5	3,5	11,6
I	28,4	12,8	:	41,4	20,8	28,4	13,0	8,0	:
L ^{2,4}	31,7	13,2	17,7	38,1	16,2	27,5	6,4	3,0	9,8
NL	40,5	15,0	24,7	51,5	21,8	39,5	11,0	6,8	14,8
p ⁵	:	:	:	32,3	10,0	16,1	:	:	:
UK	37,5	5,6	16,8	39,5	7,3	28,3	2,0	1,7	11,5
EUR12	34,6	11,5	20,2	42,0	17,7	28,8	7,6	6,3	8,6

¹ S60: general government; S63: social security funds. Data for general government are taken from Eurostat's database on General Government Accounts and do not necessarily correspond to the data recorded in DG II's database FINPUB.

² 1982 as regards S60 and S63.

³ 1983 as regards S60 and S63.

⁴ % of GNP.

⁵ 1981 as regards S60 and S63.

Source: Eurostat, General Government Accounts and ESSPROS.

Table 7: Balance on social security, social protection and size of general government and government transfers towards social protection¹
(% of GDP)

	in 1970				in 1984				Change over period 1970-1984			
	Balance S63	Balance Social Protection	Government Funds	Balance S60	Balance S63	Balance Social Protection	Government Funds	Balance S60	Balance S63	Balance Social Protection	Government Funds	Balance S60
B	0,8	0,8	4,6	-2,6	1,0	2,1	10,7	-10,4	0,2	1,3	6,1	-7,8
DK	0,5	1,1	16,4	3,4	1,3	2,2	24,5	-4,7	0,8	1,1	8,1	-8,1
D	0,9	1,0	5,3	0,2	0,0	1,0	7,5	-1,9	-0,9	0,0	2,2	-2,1
GR	:	:	:	:	:	0,2	9,9	:	:	:	:	:
E ²	0,6	:	:	0,7	0,9	0,3	4,6	-5,4	:	:	:	-6,1
F	0,7	0,8	3,6	0,9	0,6	0,8	6,1	-2,8	-0,1	0,0	2,5	-3,7
IRL ³	0,1	0,4	9,4	-3,7	-0,1	1,8	17,0	-11,5	-0,2	1,4	7,6	-7,8
I	0,7	:	:	-3,5	0,5	1,1	8,7	-13,5	-0,2	:	:	-10,0
L ^{2,4}	1,2	2,1	5,3	2,6	0,4	2,1	8,9	-1,7	-0,8	0,0	3,6	-4,3
NL	0,6	5,1	3,1	-1,2	0,4	6,5	7,0	-6,3	-0,2	1,4	3,9	-5,1
P ⁵	:	:	:	:	-0,2	0,9	5,3	-9,5	:	:	:	:
UK	0,1	2,5	5,7	2,5	0,3	3,7	12,2	-3,9	0,2	1,2	6,5	-6,4
EUR12	0,6	1,6	5,1	0,0	0,4	1,7	8,6	-5,5	-0,2	0,1	3,5	-5,5

¹ S60: general government; S63: social security funds. Data for general government are taken from Eurostat's database on General Government Accounts and do not necessarily correspond to the data recorded in DG II's database FINPUB.

² 1982 as regards S60 and S63.

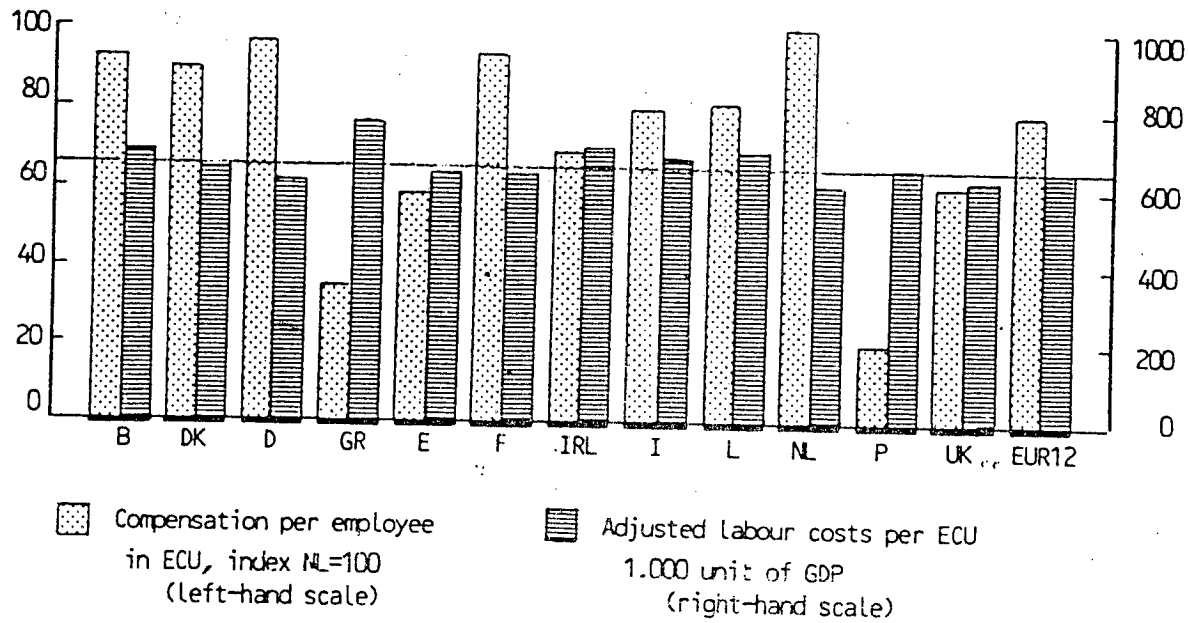
³ 1983 as regards S60 and S63.

⁴ % of GNP.

⁵ 1981 as regards S60 and S63.

Source: Eurostat, General Government Accounts and ESSPROS.

Graph 1: Compensation per employee and labour costs per unit of output in 1987



Source: Commission services