

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(81) 661 final

Brussels, 12 November 1981

## COMMUNICATION FROM THE COMMISSION TO THE COUNCIL

on medium-term projections of social  
expenditure and its financing

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I. INTRODUCTION

1. In a communication dated 28 July 1978 the Commission sent the Council a report on the second "European Social Budget", containing projections of social protection (1) expenditure and its financing until 1980. This report had been drawn up by the Commission's services in collaboration with national experts, in line with the guidelines adopted by the Council in its session held on 30 April 1976.
2. The Council thanked the Commission for the work accomplished, at its meeting on 27 November 1978, stressing the importance of the information in the document for expenditure on social protection and its financing in the medium-term for the Member States. It invited the Commission, in cooperation with governmental experts of the Member States, to evaluate the experience gained during the preparation of the second European Social Budget and to come back with proposals for continuing the work in this field (2).
3. To this purpose the Commission's services held a series of meetings - beginning at the end of 1978 and on several occasions since then - with governmental experts who had participated in drawing up the second European Social Budget. Advice was also sought from the Directors-General of Social Security in the framework of the concertation of social protection policy.

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(1) This term covers "social security" and "health".

(2) R/2873/78(SOC 244).

4. Finally, the European Parliament and the Economic and Social Committee set out their views on the European Social Budget (1).

## II. MAIN CONCLUSIONS FROM THE CONSULTATIONS

5. From these consultations, the Commission has drawn certain conclusions for future work in the field of medium-term projection of social (and in the first place, social protection) expenditure and its financing :

- i. The two overall objectives set out by the Commission in its communication dated 15 December 1975 (2) remain in force but their achievement will not be rapid and can only occur in stages.
- ii. The importance of making results available as soon as possible was recognised. It is necessary to avoid the possibility that the economic assumptions underlying the projections might be dismissed as invalid because of rapid change in the economic situation.
- iii. Succinct information is equally necessary on a regular basis, at fairly close intervals, concerning the future trends of social expenditure and financing in an economic environment characterised by weak growth, growing unemployment and relatively high inflation in a number of Member States.

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(1) Resolution of the European Parliament PE 6363/79; Economic and Social Committee CES 1233/79.

(2) The objectives were to create, firstly, a source of quantitative information on medium-term future trends and secondly an instrument to aid decision-making COM(75)647 final.

- iii. The general comparisons provided by earlier reports should be complemented by more concrete information on the real level of social protection provided under the social legislation of Member States. Such information should relate to both persons and the risks they might incur (sickness, work accidents, unemployment) as well as needs to be met (old age, dependants, etc.).
- iiii. Finally, it was stressed that a high priority should be given to extending the field covered by the projections outside the limited, relatively well-covered field of social protection so as to cover by gradual steps social expenditure as a whole.

### III. COMMISSION PROPOSALS

- 6. In order to put these conclusions into practice, the Commission intends to follow a different path to that which led to the second European Social Budget. In fact, to produce the report on that exercise required almost two years, including the period of drawing-up the national reports on which it was based. This long period can be explained by the wealth of information and number of analyses the report contained.

On the other hand, the economic assumptions on which the projections were founded had by that time lost some of their validity because of important changes in the economic situation.

Those changes thus affected the projected amounts, as moreover was stressed in the report, which also attempted to take the consequences into account.

7. The Commission therefore proposes a work-programme for medium-term projections of social expenditure and its financing of four years duration. The programme would comprise annual reports and priority policy analyses relating to urgent problems in the social protection field.

A) ANNUAL REPORTS

The objective of these reports is to provide :

i. A summary of medium-term trends in the main constituents of social protection expenditure and receipts in the Member States. Annual reports would thus be more succinct than the report on the second European Social Budget.

The same would apply to national reports. For the economic assumptions on which the projections would be based, account would be taken of those used in defining the Community's economic policy.

ii. Data on the net income received by typical households in various situations of need - sickness, old age, unemployment, dependent children, etc. - compared to net earnings. Such information has never before been available at Community level and will be produced step-by-step over the programme.

This new source of information, compared to the earlier conception of what a Social Budget should be, will provide more striking and meaningful comparisons of the levels of protection provided by social security legislation.

iii. Information on constituents of social expenditure other than social protection, where no comparable data exist at Community

level (housing) or if they exist do not yet provide sufficient information (adult occupational training). Such data will be provided on a "total Community" basis.

The work implied by this part of the programme has been planned so as to avoid overloading - at national and Community level - available resources, compared to the work required for earlier Social Budgets, particularly the second European Social Budget.

#### B) PRIORITY POLICY ANALYSES

Such analyses would have the objective of providing quantitative indicators of the medium and long-term effect of orientations in Community social policy.

As an example, the Commission at the beginning of 1980 charged a group of independent experts with the task of studying the cost of introducing flexible and gradual retirement, linked to the orientations of the Council resolution on the reorganisation of working time.

The choice of policy analyses will be made among Commission proposals in the framework of the concertation of social protection policy, instituted by the Council in January 1974.

Whatever the working method used to produce such analyses (eg. the Commission services on their own or aided by national experts; use of independent experts or research institutes) their overall framework will be defined by the Commission services in close cooperation with the national experts involved in the forecasting work.

In view of the importance and perhaps novelty of the work which these analyses will require, the Commission proposes that their number be fixed at two over the four-year programme.

8. Annual reports will be sent by the Commission to the European institutions - Council, European Parliament and the Economic and Social Committee - for information and if relevant for comment, as well as to the Member States. The information that they and the policy analyses contain will form part of the concertation process for social protection and will if necessary result in propositions from the Commission.
9. At the completion of this programme and before submitting a new one to the Council, the Commission in cooperation with governmental experts from the Member States will review the progress achieved during the previous four years.