

COMMISSION OF THE EUROPEAN COMMUNITIES

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PROBLEMS OF SOCIAL SECURITY
- AREAS OF COMMON INTEREST -

(Communication from the Commission to the Council)

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- AREAS OF COMMON INTEREST -

INTRODUCTION

The objective of the Communication transmitted by the Commission to the Council at the end of 1982 (1) was to extend to the Community sphere the discussion already underway in the Member States concerning the whole range of problems which national social security schemes are facing as a result of the recession, the new needs which the latter has created (e.g. the "new poor") and the influence of a number of structural trends (e.g. the ageing population). Judging by the many different events and activities triggered off by this Communication, both at national and Community level, the Commission has been largely successful in its aims.

In 1983 round-table discussions were held in every Member State, at which participants were asked to give their opinions on the Communication and decide to what extent it represented the situation in their respective country. These debates revealed considerable differences of opinion, depending on the extent to which each country had achieved its social protection objectives. Thus it was found that although the problems were broadly similar in all Member States the degree of urgency and seriousness was not. Certain countries (Ireland and Greece) have been hampered in their efforts to catch up - in terms of the volume and level of benefits - with the richer Member States. The recent enlargement of the Community will only aggravate this imbalance and stimulate demands for the narrowing of the socio-economic gap.

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(1) COM(82)716 final of 17 November 1982

The above Communication, moreover, served as the central document for a meeting - the first since the Community was set up - of Ministers responsible for social security, in November 1983 in Athens. A second meeting was held in April 1984 in Paris. Although informal, these meetings revealed a number of common concerns (e.g. the need for finance), as well as more recent preoccupations (the implications of current demographic trends), which were reflected in the Council's conclusions of 22 June 1984, which in turn were taken up by the European Council meeting on 25 and 26 June 1984 (1).

Finally, a majority of member countries stated their opposition to the principle of harmonizing the current social security schemes (2).

The principal views contained in the Commission's 1982 Communication and the objectives it puts before the Member States (i.e. controlling the growth of social expenditure, reassessment of financing systems, increasing the social effectiveness of social security schemes) remain valid today, even if governments have introduced additional and tougher measures since then to deal with the problems (mainly of a financial and budgetary nature) currently affecting social security schemes, and a weaker trend is beginning to be seen in the progress of social expenditure (3).

The European Parliament adopted a Resolution (4) relating to this Communication in May 1984, while the ESC issued an opinion in October of the same year (5).

The OECD and the Council of Europe, meanwhile, have been spending an increasing part of their time discussing the same problems. A conference of Council of Europe Ministers responsible for social security was held in Athens in October 1985 on the theme of social security in difficult economic times.

As the economic situation continues to be unfavourable the debate must continue, particularly since, in the absence of concertation, the Member States are tempted to bolster the competitiveness of their economies by cutting back on social expenditure - particularly social security expenditure. This discussion should help to pave the way for the adaptation of social protection schemes to new economic, social and demographic trends and the situation likely to result from the

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- (1) Extracts from these conclusions are attached (OJ 4-7-84 No. C 175)
 - (2) This (controversial) aspect will be dealt with in greater details towards the end of this report.
 - (3) Figures in appendix
 - (4) European Parliament Resolution of 22 May 1984
 - (5) ESC opinion of 25 October 1984

completion of the internal market. In the circumstances, however, it is essential to widen the scope of the debate, not only to consider aspects of social policy but also to include economic policy in general. Now that Europe has entered a new phase of structural change, this discussion should help to prepare the ground for parallel changes in economic and social structures.

The discussion of the 1982 memorandum has enabled the different Community Institutions to identify a certain number of problem areas of common interest. The Commission has selected three, which it believes to be of particular significance for a new and more detailed exchange of views. These problems are closely linked and therefore require a comprehensive response. They are the problems underlying the financing of current or projected needs in terms of social protection expenditure, the implications of demographic trends, and the worsening problem of "marginalization" (the new poor) which is affecting or threatening a considerable number of people in the Member States. In the following chapters each of these problems is analysed individually. The Commission has added a chapter containing a number of proposals. Final comments are included in the last chapter, in which a number of points raised in the introduction to this Communication are developed in relation to economic and social change.

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I. FINANCING PROBLEMS

As has been demonstrated on a number of occasions (1), social security schemes have been under pressure from two quarters : the increase in expenditure resulting from persistent high-level unemployment, and changing demographic structures, which are already increasing the pressure on the old-age and sickness insurance sectors. The flow of incoming revenue, meanwhile, has been slowing down.

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(1) Notably in the first Commission Memorandum : Doc. COM(82)716 final.

In spite of steps taken to curb the growth in expenditure and the results obtained, the public authorities were unable for a long time to restore the system to financial equilibrium, forcing them to impose higher levies (in the form of social charges or taxes). This situation is reflected in table 1 below, which shows the total of compulsory levies, up to two-thirds of which is used for financing social protection.

Table 1 : Current public revenue as a percentage of GDP (1)

	B	DK	D	GR	F	IRL	I	L	NL	UK
1970	36.5	46.2	38.9	26.5	39.8	-	30.7	36.4	44.8	39.9
1980	44.6	52.9	45.3	30.2	46.6	38.4	37.7	52.7	53.6	39.5
1981	45.3	52.9	45.4	29.0	47.4	39.4	39.6	54.3	53.8	41.3
1982	47.0	51.6	46.0	31.2	48.3	41.6	42.2	55.7	54.2	42.5
1983	46.1	54.1	45.9	31.9	48.9	42.5	45.1	58.1	56.6	41.8
1984	46.6	55.9	46.2	33.2	49.8	43.4	45.1	57.0	55.1	42.0

(2) (SPAIN 1983 : 38.0 1984 : 37.3
) PORTUGAL 1983 : 37.2 1984 : 34.4

It is clear that the order of magnitude now reached - nearly 50 % in most countries - cannot but seriously affect the economy as a whole. Social charges which many people consider to be excessive may be prejudicial to economic activity as a whole, or increase the temptation to resort to the "black" economy.

However, not only the amounts of compulsory social charges are being criticized, but also - and especially - the way in which these charges are levied.

In most Member States, social security contributions are calculated and paid on the basis of wages received. This automatically leads to higher labour costs, which some people believe to be one of the reasons for the high level of unemployment today.

(1) Source : SOEC

(2) National data.

This is why in some of the countries concerned there is increasing pressure for a general review of the way in which the system is financed, although a consistent strategy for finding alternative ways of raising money has so far proved to be elusive.

We shall now examine ways in which the system can be changed, at least in theory, and what the implications are.

a. The relative importance of taxes and contributions as sources of finance

The relative weight given to contributions and taxes as sources of finance varies considerably, not only from one country to another, but also between the various branches of social security. For 1983 the figures can be broken down as follows :

Table 2 : Financing of social security in 1983 by source of revenue (%)

	B	DK	D	FR	IRL	GR	IT	L	NL	UK
Employers' contributions	32.9	10.9	40.2	52.8	23.0	24.2	53.3	33.1	31.1	31.8
Insured persons' contributions	16.8	3.7	29.6	23.6	12.5	25.0	13.9	25.6	36.8	15.9
Public subsidies	39.8	81.5	26.8	20.6	63.3	45.8	30.6	32.8	18.6	43.4
Other revenue	4.2	4.8	3.4	3.1	1.2	5.0	2.2	8.5	13.5	8.9
	100	100	100	100	100	100	100	100	100	100

SPAIN 1983 : Employers' and workers' contributions : 76.8
 Public subsidies : 22
 Other : 1.2

(These data are not comparable with those of other Member States as they have been arrived at by different methods).

A striking feature is the difference between the share represented by public subsidies in the Netherlands and Denmark (respectively 18.6 and 81.5 % of overall revenue). These figures refer to national averages, so differences between the various sectors of the social security schemes may be even greater.

It is impossible to prove the existence of a permanent and clear link between a type of benefit and the way in which it is financed (e.g. the financing from tax revenue of benefits enjoyed equally by all citizens, such as sickness benefit, flat-rate old age pensions, etc.; or, on the other hand, contribution-based for benefits the level of which depends on the contribution record (unemployment benefits), which are available to a limited number of people).

In fact, the structure of financing in each country described here is perhaps less the result of logical decisions than of the historical background in each case.

b. Earnings-related contributions vs contributions linked to value added/direct/indirect taxation

Since they add to wage costs, social security contributions, which are at present generally earnings-related, increase the cost of labour in the production system. But if that is so, what can we put in their place? Should we replace them by contributions linked to value added, provided the product remains unchanged, or should financing be obtained from direct or indirect taxation?

There are a number of different possibilities, some of which are discussed below by way of example (1) :

- calculating contributions on the basis of
 - . gross added value
 - . net added value
 - . gross aggregate wages plus amortization
- increasing income tax
- increasing VAT.

The assessment of these possibilities depends on their assumed effects.

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(1) Other possibilities have been suggested, such as abolishing the ceiling on contributions, and introducing a lower limit or exemptions, the possible effect of which on employment have been set out in a study carried out on behalf of the Commission : Financing of social security and employment - Doc. V/42/83 - Brussels 1983.

c. The effect on employment

The effect on employment must be studied first. We should therefore consider which of the above alternatives will have the greatest effect on the labour market (1), without restricting ourselves to studying the direct (positive) effect of the relative reduction in the cost of labour and the relative increase in the cost of capital. In the case of contributions linked to value added, for instance, contrary trends may appear in the medium term due to the negative effect on technical progress, a decline in demand for durable goods, slower growth and a deterioration in international competitiveness.

On the other hand, in the case of financing based on value added tax, the possibilities for refunding this tax would favour exports, while imports would have to bear additional costs. Overall effects cannot be assessed on the basis of these isolated factors. They will be determined in each country primarily by the sum total of all effects on the sectors concerned, and for the Community, by the aggregation of national trends. The lack of data, however, remains a major problem.

d. Adapting the solution to the size of the business

Some people also suggest that the burden of contributions on small businesses should be reduced, since they have in the past played a major part in expanding employment. There are a number of ways in which this could be done, with as many different results. But whatever solution is adopted, the loss of revenue entailed would have to be made up somehow. In other words, either all contributions would have to be reduced across the board, or contributions paid by others - i.e. social security contributions or taxes - increased, with all the negative implications that this might have.

e. Financial stability

The financial stability of the social security schemes is another crucial factor. Before suggesting reforms it is important to know how the different systems of contribution-based financing can be restored to financial stability, both in times of fluctuating economic trends and in times of growth.

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(1) See footnote 1, page 6.

It should, however, also be possible in future to increase contribution rates to cope with the increasing demands on the scheme due to demographic trends, without causing excessive disruption in economic structures. The best guarantee for this would appear to be to establish the broadest possible tax or contribution base to enable the lowest rates to be changed. It should be added that low levels of contribution or taxation also reduce the likelihood of fraud.

f. Other aspects

There are a number of other aspects which should be taken into account to enable a meaningful comparison to be made between existing financing systems and possible alternatives, even if they are perhaps not as important a factor as employment.

The problem of fraud is another argument against financing social security entirely from the general budget. Experience shows that levies meet less opposition when the relationship between contribution and benefit is as close as possible - in other words, when individual people see where their money is going. This is not usually the case with taxes.

The effects on the redistribution of income would also hamper reforms. In this respect, the consequences would vary depending on whether we were dealing with financing from direct taxation or indirect taxation, from earnings-related contributions or contributions linked to value added. Reliable data on these aspects are few and far between.

Finally, the effects of a reform of the financing system at Community level. At the moment there are considerable differences between the Member States. If we take the current situation as our base line then any change, depending on its nature and the number of countries involved, will affect intra-Community trade. This is clearly demonstrated by the example of financing from indirect taxation (with the possibility of refunding on exports) in comparison with direct taxation (no scope for refunding).

g. Capitalisation or redistribution

To cope with the rise in expenditure caused by changes in the population structure, particularly as regards pension schemes, there is a growing interest in funding as an alternative to the current system of financing from current income. Schemes based on funding do in fact seem to be less sensitive to demographic fluctuations.

At the moment most pension schemes in the Member States are current-income schemes. Although it has been possible to maintain their financial equilibrium in spite of the unfavourable economic climate in recent years, the future looks less certain. There are two main reasons for this : the fact that these schemes have reached maturity, and the demographic ageing factor. Even if the conjunction of these two factors will not produce its maximum effect until after the year 2000 - as economists and demographers believe - the fact remains that the effectiveness of these schemes will decline gradually, particularly those with a relatively narrow demographic base.

A significant drop in unemployment would slow down this development but would not prevent it.

It is therefore reasonable to ask whether an element of funding should not be introduced gradually. Current schemes are not in fact intended to provide the elderly with their sole source of revenue. Many people save up for retirement, during their working life, and in the future this may have to play a more important part. This raises the question as to whether savings should be individual or collective, which, in turn, raises the question of how such savings should be managed.

An answer to the development of long-term investment implied by this new line of thought might be found in the collective management and control of individual savings, which would amount to risk - sharing as far as the savers are concerned. Also, individual savings under this form of management could benefit from an additional guarantee if they were converted into ECUs. The resulting effect of lightening the burden of pensions, however, would only be felt in the long-term. In the transitional stage, which is bound to be a long one, there would be additional costs. Hence the urgent need to take a close look at this problem.

II. DEMOGRAPHIC PROBLEMS (1)

Demographic data and hypotheses are of considerable importance to political, economic and social decision-makers. In view of the wide range of medium - and particularly long-term - consequences, they can no longer ignore the current population structure.

(1) See attached table.

Since 1964 fertility has been declining in all Member States and there are no signs indicating whether, or when, we shall return to the average fertility rate of 2.1 children per woman, which would only take care of the quantitative renewal of the population (Ireland is the only exception, with a fertility rate of 2.95 in 1982). The situation is not limited to Europe : the declining birthrate was first observed in the United States in the 1960s, and subsequently in Japan. We are therefore dealing with a phenomenon affecting all developed countries, for which there is no historical precedent.

But the quasi stagnating population figures in Europe (1) - in contrast to those in other areas, such as Asia, Africa, South America - are due to a variety of causes, i.e. a drastic drop in fertility, a fall-off in immigration and a gradual slowing down of the rate at which mortality is declining. Although this demographic decline affects all European countries, there are considerable differences in population growth rates (negative in the case of the Federal Republic, more or less zero for five countries, positive for others, and even highly positive in the case of Ireland).

If current trends are maintained, the population of the Community will cease to grow in about 15 years time and then begin to decline slowly. Unless the fertility rate suddenly picks up - and at the moment nothing suggests that this will happen - or immigration takes off again, which is not part of any Member State's current policy, the ageing of the population - i.e. the increase in the proportion of old people in the total - will continue slowly for another 20 years and accelerate sharply from 2005-2010 onward.

For the active population, the effect of this ageing process is likely to manifest itself much earlier. Hitherto it has been slowed down by two opposite trends : the increased activity among young women and the rapid decline in activity rates after 55.

What are the likely consequences of the current hypothesis that the low fertility rate will continue and will not be offset by a high immigration rate ? (2)

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- (1) The population of the twelve Member States stood at 321 million in mid 1984 (6.7 % world population) and will reach 329 million in 2000, an increase of 2.6 % composed to 1984. World population will increase by 28.6 % during the same period (6 127 million in 2000).
 - (2) See also ESC report of June 1985 on the demographic situation; and work done by the OECD working party on social policies in 1984 and 1985 on ageing populations.

The short-term consequences (i.e. up to 1990) can, generally speaking, be considered as positive, at least with regard to the visible part of the changes caused by a transition to low fertility. In terms of public finance it means that expenditure on young people will be reduced, savings can be made on social security because less money is required for health care related to maternity and infancy, family benefits will be reduced, etc. On the other hand, the increase in the number of persons over 75 will mean an increase in health expenditure.

The economic effect of these demographic changes, however, looks different. In addition to certain elements which may be regarded as certain, both positive and negative, there are a number which are more doubtful or at least subject to controversy. The "certain" elements are the following : the growth, and subsequently decline, of the potential working population towards 1990 (which could be offset by a growth in activity among women); negative sectoral repercussions (e.g. a fall-off in demand relating to the needs of younger generations, particularly in consumer goods, school equipment, and housing). Other aspects are less certain : changes in the level and structure of consumption (1) which are likely to cause significant shifts in demand from one sector to another; changes in the volume and quality of savings and investment.

The long-term consequences of a continuing low fertility rate will be two-fold : economic and political. Both imply an ageing population in the Community (loss of manpower potential and security of young people in the labour force; ageing increase in the aged; threat to competitiveness with the political consequences (balance between rich and poor countries) which would result. The ageing of the working population, in particular, will lead to a heavier burden on the economy, especially in terms, of social charges. This will produce strains as regards the cost of labour, a decline in geographical and vocational mobility and a sharp drop in the rate of which the active population is renewed.

Given these conditions we cannot exclude - in a more distant future - the need for new imports of immigrant labour; except that this time round it will be a slow migration in contrast to the rapid influx of the 1960s. Such forms of modulated immigration would enable us to prevent conflict situations and absorb immigrants into European societies without drastic problems. These demographic factors, combined with a number of economic factors, could also be a threat to the Community's international competitiveness. Nor should we disregard the political consequences of the sudden and major redistribution of the world population in the decades to come if current demographic trends continue. (The EEC of twelve in 1984 represents 6.2 % of the world population, this will have declined to 5.4 % by the year 2000).

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(1) This will result both from a pause in the increase in the number of inhabitants and from a transformation in the age pyramid and will affect notably the construction sector and public investment (schools, hospitals, housing equipment and other infrastructure) as also needs of specific age groups (health, leisure, tourism, etc.).

Demographic changes are slow and leave ample time for appropriate measures, but since they do not clearly manifest themselves in the short-term they are also easily overlooked. It is their long-term effect which is crucial for the future of the societies concerned. Although in densely populated European countries the decline in populations has for years been seen as ecologically beneficial, we should now become aware of the possible long-term drawbacks. The direct effects of an ageing population on social charges and taxes is becoming increasingly clear, but the way in which it will affect our ability to master the newer technologies or remain in the forefront in international competition and external markets should not be ignored, since this may well be even more decisive in the long-term.

In spite of the relative convergence of demographic trends in the Member States, the moment and intensity of impact of the consequences of continuing low fertility will depend on the initial state of the age pyramid. The degree of urgency of national situations - and therefore the need for action on the part of the authorities - varies from one Member State to another.

In these circumstances, the Commission's role should be to encourage a wide-ranging debate on the current demographic situation and the consequences it might have in the medium- and long-term: in the first instance for schemes of social protection (in the health field and for old age pensions).

III. MARGINALISATION

Better known as the problem of the "new poor", this phenomenon - which has spread as a result of slow growth and labour market trends caused by industrial restructuring - takes a number of different forms.

For the purpose of this Communication (1) we shall restrict ourselves to persons who are not - or inadequately - covered by existing social protection schemes (social security and assistance). Budgetary restrictions often lead public authorities to exclude young unemployed persons, at national or local level, from social protection (particularly first-time applicants) or to restrict the duration or level of entitlement for other categories of unemployed persons (this applies in particular to the long-term unemployed).

(1) The Commission will at any rate have to expand its activities in this area in years to come. Its work programme for 1986 takes this into account.

The numbers of these job-seekers is growing in all Member States as a result of changes in the labour market and in the quality of employment. The young are facing additional complications caused by the demographic expansion of the 1950s and early sixties. Another hard-hit category is that of working people aged over 50, who are the first to lose their jobs as a result of industrial restructuring.

For them the possibility of finding reasonably secure employment is often remote. They are liable to end up without (adequate) income and are threatened with more or less long-term social isolation. Public assistance schemes, which are facing increasing or insurmountable financial difficulties, are not - or no longer - in a position to take over where social security schemes leave off. The scale of this problem has prompted the public authorities to take specific transitional measures.

In addition to employment problems, new poverty is also caused by the increasing instability of the family situation. The number of divorces, separations and cases of cohabitation is growing. In the absence of individual rights, social protection, which is based on the rights enjoyed by the spouse, is threatened when the marriage breaks down. The rights of the cohabiting partner are often limited. A spouse with no occupational record not only risks loss of income, but also loss of entitlement to health care and old age or survivors' pensions rights. In such situations the children also suffer.

Large groups of beneficiaries, moreover, are insufficiently aware of their rights, how to exercise them, and how to get help in their dealing with the appropriate authorities. These people tend to be at the bottom of the social and educational scale. Social security bodies should make a special effort on behalf of these categories, to enable them to make full use of the entitlement which is theirs by rights.

IV. COMMISSION PROPOSALS

The Commission, on the basis of the analysis made in chapters I, II and III, proposes a range of actions for each specific group of problems in hand. The objectives of these actions vary. As far as financing is concerned the aim is to concentrate the debate and deal with the problem in greater depth; with regard to demography or new poverty, the objective is to launch a debate at Community level. These proposals should all be implemented during the mandate of the present Commission.

1) Financing

- Although it is extremely difficult in the short term to reduce the current level of compulsory social charges, the relative proportions in which these charges are levied can always be changed, both with regard to industry and between industry and households.

For this purpose the Commission will, within the next two years, draw up an inventory of all solutions currently under discussion as well as those in force. This also implies an evaluation of the objectives to be achieved. The effects on employment obviously come first; however, the consequences, such as the redistribution of incomes and the financial stability of the social security scheme must also be taken into account.

- The first steps have already been taken (on the basis of the study mentioned on page six as well as other work currently in progress). The Commission will also refer to a considerable amount of preparatory work which is being done in the Member States, the results of which need to be compared and discussed, particularly where conclusions tend to diverge. This applies above all to the few practical experiments so far undertaken in this field (e.g. the MARIBEL scheme in Belgium).

- The crucial step, however, as far as the Commission is concerned, is to bring these results together at Community level. The close economic links between the Member States and with third countries should be taken into account. This is not a matter of simply adding up the effects at national level. Certain positive or negative effects in national terms may well be cancelled out by aggregating them at Community level. Positive effects on employment in one country may well lead to job losses in other countries.

- However, the economic effect of changes in methods of financing in one, several, or all Member States can only be quantified on the basis of extensive simulation. This requires extremely detailed knowledge of the economic data relating to individual Member States, which are not always available. The Commission must therefore gather the necessary information in as many countries as possible and build up the necessary database for an econometric model to obtain quantitative information at Community level.

- Finally, the Commission will study the trend towards the partial or total funding of old-age pension schemes in the Community, and examine possible alternatives to the present pay-as-you-go systems, as well as their medium- and long-term implications.

2) Demography

Bearing in mind the number of recommendations made in the report adopted by the Economic and Social Committee (1), the Commission proposes :

- . to draw up, with assistance of the Member States, an inventory of family policy measures and provisions in effect or envisaged by the former;
- . to compare these policies,
and, on the basis of the result,
- . to organise concertation at the level of senior national officials responsible for these policies, as is already the case in the field of social protection;
- . to undertake a programme of studies on long-term population trends and their consequences.
In this context the outlook for pension schemes in the medium- and long-term will receive special attention (2);
- . to launch information campaigns to make public opinion aware of the various aspects of current population trends and their economic and social impact.

3) Marginalisation

To get a clearer view of this phenomenon and the various ways of dealing with it which are already taking share in certain areas, the Commission proposes :

- . to draw up - with the help of the Member States - an inventory of the various measures already taken or planned in this field, and to gather quantitative data currently available on the population categories concerned;
- . to complement this information by various kinds of studies and research particularly statistical studies on aspects hitherto little known;

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(1) ESC report on the demographic situation, June 1985

(2) Taking care to avoid overlap with work and activities of a similar nature by other international organizations such as the Council of Europe and the OECD. This study will take account of real pensions, financing problems and the question of retirement age.

- . to examine, on the basis this inventory, primarily with the Member States, changes that can or should be made in social security and public assistance legislation to cope with these new social phenomena. In this context various projects or proposals designed to introduce a minimum social income as a way of combating poverty will receive particular attention.

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V. FINAL COMMENTS

The above analysis clearly demonstrates the considerable degree of interdependence that exists between the problems studied in this document.

For society to take charge, through its social protection schemes of the social risks arising from economic changes resulting from the restructuring of the labour market (unemployment and social exclusion) or the consequences of the ageing of the population (in terms of expenditure on health care for the elderly and aged, pensions and new services for this category) would inevitably lead to a considerable increase in compulsory social charges.

The question that arises is whether this new situation would be compatible with economic policies generally followed so far.

A preliminary answer can be found in an OECD study, published in 1985 (1), according to which the possibilities for extending the scope of social intervention are minimal or non-existent up to the end of the 1980s; the study recognizes, however, that overall social expenditure could at least keep up with real economic growth.

Beyond that period, however, the consequences of structural change, both economic and social, particularly as regards social protection schemes, must be dealt with in one way or another.

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(1) Social Expenditure : 1960-1990

Would it not, therefore, be appropriate for the Member States to proceed forthwith with a discussion at Community level on the objectives to be fixed for social protection schemes beyond the 1990s ? The purpose of this initiative would be to obviate the danger that Member States, within the framework of the completion of the internal market, might introduce social measures which would give them a competitive edge against other member countries - in other words, to prevent "social dumping".

This quest for the convergence of long-term objectives would also overcome at least part of the opposition to the idea of progress towards an approximation of social protection schemes in the Community which exists in the current economic climate.

This Communication, by highlighting a number of factors of change and bringing them to the attention of the Member States - is intended to serve as a guideline for the necessary discussion on the future of social security schemes.

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LIST OF ANNEXES1.

Conclusions of the Council of 22 June 1984 (Extracts) (*)
Social protection and demographic trends

2.

Table 1 : Social protection (% of G.D.P)
Table 2 : Social protection (functions)

3.

Table 3 : Total population
Table 4 : Population projection

(*) 84/C 175/01 - O.J. NC/175/1 of 4.7.84.

CONCLUSIONS OF THE COUNCIL
OF 22 JUNE 1984

concerning a Community medium-term social action programme

(84/C 175/01)

(EXTRACTS)

Social protection and demographic trends

Social protection systems are an important feature of the social cohesion of the Community countries. Furthermore, the security thus obtained is the counterpart of the necessary mobility of jobs in the face of technological change and competition.

Without this implying any harmonization objective, adjustments should, however, be envisaged in order to consolidate achievements and increase the efficiency of national systems. They would also contribute to strengthening the competitiveness of European economies in the face of international competition. The Commission will have to continue to ensure that these adjustments do not become a stake in the competition between European economies.

While taking institutional differences into account, the Commission is requested to endeavour to identify better the impact of social security payments on the competitiveness of undertakings, employment and the standard of living of households in the economic context as a whole. At the end of this task, it will report back to the Council.

The ministers responsible are invited to examine the means employed to control trends in health expenditure on the basis of a periodical report from the Commission. The latter will examine with the Member States the possibilities for cooperation in the field of health.

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The Council will hold a regular exchange of information on the development of family policy and the effects of population trends as well as the consequences of ageing. The Commission is requested to conduct studies to this end.

Tableau 1/ Table 1

Dépenses de protection sociale en % du P.I.B.
Social security expenditure as % of G.D.P. (1)

	B	DK	D	FR	IRL	IT	L	NL	UK
1983	31,9	30,2	28,9	28,8	24,6	27,3	29,3	34,0	23,7

) ESPAGNE : 18,5
(2) (PORTUGAL : 12,6
) GRECE : 20,2

Tableau 2 / Table 2

Part (en % du total des prestations de protection sociale)
représentée par les fonctions suivantes (1)

Proportion (as % of total social security benefits) of following functions

	B	DK	D	FR	IRL	IT	L	NL	UK	EUR 9
Santé Health	21,9	23,5	27,0	24,7	29,0	22,5	22,8	25,6	20,3	24,1
Vieillesse Old Age	27,0	34,3	29,8	34,0	24,9	34,7	26,7	27,0	40,6	33,3
Famille Family	9,9	9,4	6,5	9,6	9,4	6,9	7,6	8,1	10,6	8,3
Chômage Unemploy- ment	14,2	13,7	7,1	9,8	13,1	3,2	3,1	12,7	10,1	8,4
Autres fonctions Other functions	27,0	19,1	29,6	21,9	23,6	32,7	39,8	26,6	18,4	25,9
	100	100	100	100	100	100	100	100	100	100

(2)) ESPAGNE : Santé : 29 - Vieillesse : 42 - Famille : 0,02 - Chômage : 15 -
Autres : 9,0.
(GRECE : Santé : 18,7 - Vieillesse : 70,3 - Famille : 3,3 - Chômage 2,7 -
Autres : 5,5.

(1) Données fournies par l'O.S.C.E.

(2) Données nationales.

Total population, birth and death rates, population projections

Country	Population, 1984 (1 000)	Birth rate 1984 (2)	Death rate 1984 (2)	Population projection (1) (1 000)		Population change (%) 1984-2000
				1990	2000	
FR of Germany	61 175	9.5	11.3	60 664	59 198	-3.2
France	54 947	13.8	9.9	56 089	57 882	5.3
Italy	57 005	10.3	9.3	57 258	57 925	1.6
The Netherlands	14 424	12.1	8.3	14 725	15 147	5.0
Belgium	9 855	11.8	11.2	9 747	9 630	-2.3
Luxembourg	366	11.5	11.1	370	373	1.9
United Kingdom	56 488	12.9	11.4	56 724	57 684	2.1
Ireland	3 535	18.2	9.1	3 765	4 123	16.6
Denmark	5 112	10.1	11.2	5 099	5 114	0.0
Greece	9 896	12.7	8.9	9 880	10 435	5.4
EUR 10	272 803	11.7	10.4	274 321	277 691	1.8
Spain	38 387	12.5	7.7	39 457	40 975	6.7
Portugal	10 089	14.2	9.6	10 518	11 012	9.1
EUR 12	321 279	11.9	10.3	324 296	329 678	2.6
USSR	275 000	19.6	10.8	291 309	314 818	14.5
USA	236 681	15.7	8.7	248 017	268 079	13.3
Japan	120 018	12.2	6.2	122 652	127 683	6.4
World	4 763 000	27.3	10.6	5 248 000	6 127 000	28.6

(1) National projection, where published. Otherwise UN 1981-based (medium) projection.

(2) 1983 for Spain, USSR, Japan.

Source : EUROSTAT

Tableau 4

**POPULATION PROJECTION
PROJECTION DE LA POPULATION**

(Total persons - Total des personnes)

BUNDESREPUBLIK DEUTSCHLAND

AGE	1.1.1985	1.1.1990	1.1.2000
0 - 14	9 370,4	8 964,2	8 848,0
15 - 44	27 300,4	26 277,2	24 055,8
45 - 64	15 378,5	15 968,4	16 173,3
65 +	8 977,0	9 454,9	10 121,3
TOTAL	61 026,3	60 664,7	59 198,4

FRANCE

AGE	1.1.1985	1.1.1990	1.1.2000
0 - 14	11 744,3	11 226,9	10 995,1
15 - 44	24 137,1	25 302,0	24 220,9
45 - 64	12 125,0	11 745,0	13 552,5
65 +	7 056,6	7 815,3	9 113,0
TOTAL	55 063,0	56 089,2	57 881,5

ITALIA

AGE	1.1.1986	1.1.1991	1.1.2001
0 - 14	11 054	10 346	10 839
15 - 44	24 406	25 157	23 885
45 - 64	13 941	13 626	14 058
65 +	7 563	8 202	9 189
TOTAL	56 964	57 331	57 966

NEDERLAND

AGE	1.1.1985	1.1.1990	1.1.2000
0 - 14	2 850,8	2 621,3	2 590,4
15 - 44	6 937,6	7 105,3	6 532,0
45 - 64	2 935,7	3 077,8	3 833,4
65 +	1 730,0	1 920,1	2 191,4
TOTAL	14 454,2	14 724,6	15 147,1

BELGIE/BELGIQUE

AGE	31.12.1985	31.12.1990	31.12.2000
0 - 14	1 844,1	1 782,5	1 762,9
15 - 44	4 274,7	4 262,0	3 854,2
45 - 64	2 322,8	2 223,4	2 376,2
65 +	1 361,9	1 466,6	1 621,9
TOTAL	9 803,5	9 733,5	9 615,2

LUXEMBOURG

AGE	1.1.1985	1.1.1990	1.1.2000
0 - 14	64,9	67,5	70,7
15 - 44	165,9	165,1	155,4
45 - 64	88,7	90,6	95,7
65 +	46,4	46,8	51,7
TOTAL	365,9	370,0	373,5

UNITED KINGDOM

AGE	30.6.1983	30.6.1990	30.6.2000
0 - 14	11 170	10 774	11 840
15 - 44	24 239	24 846	23 577
45 - 64	12 550	12 238	13 504
65 +	8 419	8 865	8 761
TOTAL	56 377	56 724	57 684

IRELAND

AGE	15.4.1981	15.4.1984	15.4.1991
0 - 14	1 043,4	1 039,9	966,9
15 - 44	1 440,3	1 569,8	1 666,8
45 - 64	590,5	593,2	624,4
65 +	368,9	381,0	387,8
TOTAL	3 443,4	3 583,9	3 645,9

- 3 -

DANMARK

AGE	1.1.1985	1.1.1990	1.1.2000
0 - 14	950,7	864,8	893,4
15 - 44	2 304,6	2 300,5	2 092,1
45 - 64	1 089,7	1 134,8	1 333,9
65 +	766,1	798,7	794,6
TOTAL	5 111,1	5 098,8	5 114,0

GREECE

AGE	30.6.1985	30.6.1990	30.6.2000
0 - 14	2 147,0	2 245,5	2 414,4
15 - 44	3 919,0	4 075,2	4 266,8
45 - 64	2 316,0	2 305,7	2 247,0
65 +	1 208,7	1 253,6	1 506,5
TOTAL	9 590,7	9 880,0	10 434,7

PORTUGAL

AGE	1.1.1986	1.1.1991	1.1.2001
0 - 14	2 549,5	2 510,3	2 365,7
15 - 44	4 552,1	4 802,3	4 997,9
45 - 64	2 100,5	2 094,6	2 328,8
65 +	1 082,0	1 169,6	1 361,0
TOTAL	10 284,1	10 576,8	11 053,4

ESPANA

AGE	1.3.1986(1)	1.3.1991(1)	1.3.2001
0 - 14	8 926,4	8 229,4	7 987,0
15 - 44	16 696,2	17 678,1	18 205,6
45 - 64	8 437,6	8 499,5	8 720,5
65 +	4 686,2	5 227,8	6 204,3
TOTAL	38 746,4	39 634,8	41 117,4

(1) Including population of Ceuta and Melilla
Y compris la population de Ceuta et Melilla

Source : EUROSTAT