



**European
community**

BACKGROUND INFORMATION

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BACKGROUND INFORMATION

EUROPEANS ARE "SOCIALLY SECURE"

The recently approved 20 per cent increase in U.S. social security benefits has put the issue back into the headlines, momentarily. In Europe, social security has long and consistently been a focus of public attention, and national insurance has a broader, womb-to-tomb base. Expenditure is proportionately more ambitious.

In 1966, for example, the European Community member countries' social security expenditures amounted to more than 15 per cent of gross national product (GNP). The same year, social security in the United States was 7.3 per cent of the GNP.* (In fact, only the social security systems of Austria, Czechoslovakia, and Sweden contribute as high a percentage of the GNP as those of the six Community countries.)

One of the European Community's goals, as set forth in the Common Market Treaty, is "to promote improvement of the living and working conditions of labor so as to permit the equalization of such conditions in an upward direction." Toward this end, the

* Source: International Labor Office.

Community's Commission has authorized a number of studies on the social security systems of the six member countries. From these studies, the following facts emerge.

Most Europeans Have Health Insurance

Between 85 per cent and 90 per cent of the population in most Community countries have health insurance. In Luxembourg, 98.1 per cent of the population are covered; in the Netherlands, only 74.1 per cent. Not surprisingly, then, European working class households, in contrast to American, spend relatively little on health care. (See Table I.)

Social security revenue comes primarily from employee and employer contributions. Public financing is secondary. (See Table II.) Employer contributions are greater than those of the employee.

Social Security Systems Evolve Toward Harmony

Social security costs in the six member countries have steadily risen faster than GNP since the Community's inception in 1958. (See Table III.) The costs of social security have grown most in the countries that spent the least in 1958 -- thus harmonizing the Community's six different systems.

In 1958 Germany, which allotted 18.6 per cent of its national income to social security, was proportionally spending 50 per cent more than Italy, which allotted only 12.4 per cent. In 1962, however, the gap had narrowed. Luxembourg, with 20.2 per cent was spending proportionally the most; the lowest proportion, Italy's, was 17.7 per cent. Social security has become probably the most important means of redistributing national wealth.

Social security expenditure affects competition and consumption. The cost of social security contributions affects a product's selling price, but social security benefits also help the poor buy more consumer goods. Adequate health care increases available manpower. Social security systems have an inbred momentum of their own -- self-perpetuating and progressive.

The European Commission's gathering of social security statistics and information is thus a necessary first step not only toward coordinating national legislation on social security but also toward developing progressive social and labor policy at Community level.

Social security statistics, even more than general economic figures, are difficult to compile and update -- thus the six-year lag in most of the following tables. Unless otherwise noted, all figures are for 1965.

TABLE I

WORKING CLASS FAMILY HEALTH EXPENSES NOT COVERED BY
SOCIAL SECURITY

(percentages of household budget)

Germany	0.70	Netherlands	1.05
Italy	0.82	Belgium	2.23
Luxembourg	1.00	France	3.13

TABLE II

FINANCING SOCIAL SECURITY

(percentages)

	Employers			Employees (salaried & non-salaried)		
	<u>1965</u>	<u>1970</u>	<u>1975*</u>	<u>1965</u>	<u>1970</u>	<u>1975*</u>
Netherlands	40.5	44.2	45.4	40.5	38.6	39.6
France	66.8	65.0	65.0	22.8	23.3	23.1
Germany	48.6	50.4	50.1	27.3	30.9	30.6
Italy	63.0	63.7	65.9	13.7	14.9	16.0
Belgium	54.1	51.9	52.2	22.5	24.2	24.3
Luxembourg	48.0	43.3	40.8	23.7	24.2	23.3

* Projections

(The difference between 100 per cent and the sum of employers' and employees' shares is made up from public sources and investment returns on surpluses.)

TABLE III

SOCIAL SECURITY EXPENDITURE INDEX

(1958 = 100)

Italy	200	Germany	150-60
Netherlands	200	Belgium	150-60
France	176	Luxembourg	150-60

TABLE IV

SOCIAL SECURITY CONTRIBUTIONS AND DISPOSABLE HOUSEHOLD INCOME

Growth of Contributions (1962 = 100)

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1962	100	100	100	100	100	100
1963	117	119	122	124	110	107
1964	130	136	137	150	117	128
1965	147	153	170	181	141	145

Contributions as Percentage of Disposable Income

	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1962	19.6	18.0	15.7	17.3	16.7	19.2
1963	21.7	19.3	16.6	19.4	17.2	19.3
1964	21.8	20.3	17.3	20.3	16.6	20.5
1965	22.3	21.3	19.6	21.9	18.3	22.4

TABLE V

PER CAPITA SOCIAL SECURITY BENEFITS

(in dollars)

	<u>Health Insurance</u>	<u>Family Benefits</u>	<u>Old Age/Incapacity</u>
Belgium			
1965	56	53	116
1970	94	80	176
1975	148	109	271
Germany			
1965	76	24	178
1970	105	27	279
1975	201	33	418
France			
1965	67	60*	110
1970	123	77*	194
1975	221	103*	315
Italy			
1965	35	28	83
1970	64	32	135
1975	118	32	199
Luxembourg			
1965	51	41	189
1970	77	53	296
1975	107	61	415
Netherlands			
1965	70	35	126
1970	135	57	221
1975	306	85	384

* Includes housing allocations

(1975 figures are projections)