

DIRECTION GÉNÉRALE
PRESSE ET INFORMATION

Direction A

INFORMATION (Social policy)

SOCIAL SECURITY IN FIGURES

The logic behind the integration of Europe calls for a greater transparency not only of social realities but also of economic data.

The harmonisation and upward alignment of standards of living, one of the objectives of the Community laid down in the Treaties of Rome and Paris, cannot, moreover, be achieved without prior knowledge of the situation existing in each of the member countries.

With the publication in 1971 of a list of social security indicators¹ the Commission has provided public authorities and professional groupings with very useful points of reference. The aim of this information memo is to mention a certain number of these in order to show the important role played by social security in present-day society.

All in all, spending on social security in the Community in 1965 represented slightly more than 15% of the gross national product of the Six.

Social security spending as a % of GNP - 1965

Germany (Federal Republic)	France	Italy	Netherlands	Belgium	Luxembourg
15.6	15.9	15.5	15.4	14.5	15.7

According to a survey carried out by the International Labour Office, the Community thus belonged to the group of countries which devoted the highest percentage of their GNP to social security. This percentage (more than 15% in the Community, Austria, Sweden and

¹This 122-page work, which contains numerous tables, is a study of the structure and development of Social Security. It also provides a great deal of information on the benefits received by insured parties.

Czechoslovakia) was equalled neither in the United States (7.3%), the USSR (11.1%) nor Japan (6.0%) in 1966. At that time, one or two countries approached the Community average (Denmark 13.2%, United Kingdom 12.7%, Yugoslavia 12.3%), while the other countries devoted less than 12% of their GNP to social security.

Origin and destination of funds

In 1965 around 95% of social security spending was on social benefits, the remainder being accounted for mainly by administrative costs. However, the amount devoted to each category of benefits varies from country to country. As a percentage of the national income, the largest amount was spent on disability, old-age and death benefits:

<u>Luxembourg</u>	<u>Germany</u>	<u>Netherlands</u>	<u>Italy</u>	<u>Belgium</u>
12.1%	10.7%	9.8%	9.7%	8%

Next in the list comes spending on sickness benefits:

<u>Germany</u>	<u>France</u>	<u>Netherlands</u>	<u>Italy</u>	<u>Belgium</u>	<u>Luxembourg</u>
5.7%	5%	4.7%	4.1%	3.7%	3.3%

For family allowances and the like the amounts are as follows:

<u>France</u>	<u>Belgium</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>	<u>Germany</u>
5.2%	3.8%	3.4%	2.7%	2.2%	1.7%

In 1965, in the field of sickness insurance, the number of persons insured and their dependents varied between 85 and 90% of the total population, except in the Netherlands, where the figure was lower (74.1%) and in Luxembourg where practically all the population was insured (98.1%).

Social security revenue was, in 1965, made up of contributions paid by both employers and insured parties, which represented 75-80% of the total, except in France (90%) and in Luxembourg (65%). Financing from public funds played only a secondary role:

<u>Luxembourg</u>	<u>Belgium</u>	<u>Italy</u>	<u>Germany</u>	<u>France</u>	<u>Netherlands</u>
25.8%	21%	19.2%	18.1%	8.6%	7.9%

How is the total of contributions by employers and insured parties
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made up? As a general rule, employers' contributions accounted for between 40 and 50% of total revenue:

<u>Luxembourg</u>	<u>Netherlands</u>	<u>Germany</u>	<u>Belgium</u>
40.9%	42.0%	47.9%	51.1%

Higher percentages were registered in only Italy (60%) and France (70%). In the Netherlands the share paid by the insured persons was equal to that of the employers (42.2%). Elsewhere, the percentage was less:

<u>Germany</u>	<u>Luxembourg</u>	<u>Belgium</u>	<u>France</u>	<u>Italy</u>
30.7%	24.0%	23.1%	19%	14.7%

If total contributions are compared with total spending, it becomes clear that the cost of social security benefits was entirely covered by contributions in the Netherlands and was covered to 93% of the total in France. In the other countries, the contributions paid by employers and the insured represented, in 1965, 75.4% in Luxembourg, 78.7% in Belgium, 83.4% in Italy and 83.9% in Germany.

In the schemes for self-employed people, the public authorities play a greater financial role than in those for wage-earners, except in Italy. The respective percentages for these two categories are 35.9% and 20.8% in Belgium, 44.7% and 5.3% in France and 46.1% and 18.9% in Luxembourg. In Italy, the situation is the reverse, with 17.1% for the self-employed category and 23.0% for the wage-earners. No social security data on the self-employed is available for Germany and the Netherlands, this being due, amongst other things, to the insurance structure in these two countries.

Examination of the ways in which the different branches of insurance are financed reveals that the financial role played by the public authorities in the field of sickness insurance may vary greatly from country to country:

<u>Germany</u>	<u>Netherlands</u>	<u>Luxembourg</u>	<u>France</u>	<u>Italy</u>	<u>Belgium</u>
2.7%	3.3%	4.3%	5.8%	17.3%	40%

A much greater role is played by the public authorities in the disability - old-age - surviving dependents branches. Although it represents only 6.7% of the total revenue in the Netherlands and 13.1% in France, the relevant percentages in Belgium, Germany and Luxembourg are 23.2%, 26.2% and 27.1%. In Italy the percentage borne by the authorities is even higher: 35.7%

Effects on competition

Examination of the effects on competition of the social costs borne by employers first reveals the existence of two distinct groups of countries within the Community. The Community study carried out in 1966 showed that in France and Italy indirect social costs regularly account for nearly 30% of labour costs. As for the other countries, the average is 17% in Germany and Luxembourg, and 22% in the Netherlands and Belgium. As for employees, there is a similar relationship between the countries, although the rates are not as high.

The situation changes, however, if this comparative examination is extended to include aggregate labour costs, these being defined as the total expenditure on wages and related social costs. If an index figure of 100 is taken for the country with the highest total costs, we see that the average labour costs (with labour accounting for almost three-quarters of the industrial workforce) are lower throughout industry in France (78) and Italy (72) than in Luxembourg (100), Germany (92), Belgium (87) and the Netherlands (85). As regards employees - still for the whole of industry - Luxembourg (100) and France (94) head the list, followed by Belgium (86) and Italy (84) in an intermediate position, the Netherlands (77) and, finally, Germany (76).

Furthermore, an overall view of social and fiscal levies enables useful comparisons to be made. As a percentage of the gross national product, the total of these levies (social contributions + taxes collected by the State and local authorities) was as follows in 1965:

<u>Netherlands</u>	<u>France</u>	<u>Germany</u>	<u>Luxembourg</u>	<u>Italy</u>	<u>Belgium</u>
39.5%	38.9%	36.5%	32.8%	32.6%	31.9%

If, however, the amounts furnished by the public authorities are deducted from the total of social contributions, the above percentage bracket narrows and becomes:

<u>Netherlands</u>	<u>France</u>	<u>Germany</u>	<u>Luxembourg</u>	<u>Italy</u>	<u>Belgium</u>
37.2%	35.6%	34.1%	30.9%	30.4%	30.1%

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Developments 1958-65

How did social security evolve between 1958 and 1965? In each Community country expenditure in this field increased more rapidly than the national product. In real value, total contributions increased between these two dates at different rates in the countries concerned. Taking 1958 as 100, the index rose to 200 in Italy and the Netherlands, to 176 in France and to between 150 and 160 in Germany, Belgium and Luxembourg.

All in all, a more uniform pattern of spending appeared in the countries in question, since the highest growth rates were achieved in those countries where, in 1958, the level of development in the social security field had been the lowest. In 1958 the difference between Germany, which devoted 18.6% of its national income to social security spending, and Italy, with 12.4%, was 6.2%. In 1965 there was a difference of only 2.5% between Luxembourg (20.2%) and Italy (17.7%).

Overall development of social security within the Community does not, however, necessarily result in symmetrical growth in the different branches in each country. Between 1962 and 1965, taking 1962 as 100, family benefits increased at a higher rate than pensions in Germany (153-138), the Netherlands (184-177) and Belgium (138-127). The reverse was true in France (134-161), Italy (125-184) and Luxembourg (140-148). In relation to wages, and with 1962 as 100, there was a rapid increase in the level of pensions in France (161-124), Italy (184-142), the Netherlands (177-137) and in Luxembourg (148-127), as well as of family benefits in Germany (153-128) and the Netherlands (184-137). In Italy, however, the growth of family benefits was slower than that of wages (125-142).

As for benefits in kind, namely medical care, there was also a different trend in each category of benefits between 1960 and 1965. In Germany spending on hospital care (188) increased at a faster rate than that on medical treatment and pharmaceutical products (177 and 178). The same is true of Luxembourg, where the index for hospitalization was 160 and those for medical treatment and pharmaceuticals 149 and 152 respectively. In France, on the other hand, medical costs (292) increased faster than pharmaceutical (229) and hospital costs (212). As for Italy, where the comparative analysis covers the period 1962-66, hospital costs (238) head the list, followed by medical treatment (217) and pharmaceutical products (192).

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The average total cost of social security benefits in kind increased between 1960 and 1965 in the following manner:

<u>Belgium</u>	<u>Italy</u>	<u>France</u>	<u>Netherlands</u>	<u>Germany</u>	<u>Luxembourg</u>
122%	117%	103%	88%	68%	38%

If social security benefits are expressed as a percentage of the disposable income of households, they represented, within the Community, between 18.3 and 22.4% of this income in 1965, as against 15.7 to 19.6% in 1962. Generally speaking, the faster increase in benefits in Italy and the Netherlands brought the situation in these two countries more in line with those in Germany, France and Luxembourg.

Increase in social security benefits from 1962 to 1965, in relation to
disposable incomes of households

Year	Increase in benefits (1962 = 100)						Benefits as a percentage of disposable income of households					
	Germany	France	Italy	Netherlands	Belgium	Luxembourg	Germany	France	Italy	Netherlands	Belgium	Luxembourg
1962	100	100	100	100	100	100	19.6	18.0	15.7	17.3	16.7	19.2
1963	117	119	122	124	110	107	21.7	19.3	16.6	19.4	17.2	19.3
1964	130	136	137	150	117	128	21.8	20.3	17.3	20.3	16.6	20.5
1965	147	153	170	181	141	145	22.3	21.3	19.6	21.9	18.3	22.4

Miscellaneous information

Social security indicators provide much more information on social security. We will highlight here just a few points.

In 1966 there were, on average, in each of the six countries 17 doctors and dentists, and 4 pharmacists for every 10 000 inhabitants. As for hospital infrastructure, there were, on average, 100 beds for every 10 000 inhabitants.

For each individual insured, the average cost in 1966 of benefits received in kind was the highest in France (FF 400). Then came Italy, Belgium, Germany, Luxembourg and the Netherlands in that order.

The percentage of the family budgets of working-class households devoted to health expenditure and not covered by sickness insurance was much higher in 1966 in France (3.13%) and Belgium (2.23%) than in Germany (0.70%), Italy (0.82%), Luxembourg (1%) and the Netherlands (1.05%). This difference is due to the proportional payment schemes (ticket modérateur) set up by the law in France and Belgium.

If we look at the average annual amount of "old-age - death - surviving dependents" benefits received per individual aged 65 or more in the different countries, we see that, in absolute value, the amounts varied appreciably from country to country in 1965: from Bfrs. 73 300 in Germany to Bfrs. 60 000 in the Netherlands, Bfrs. 50 000 in France, Bfrs. 40 000 in Belgium and Bfrs. 34 200 in Italy.

More recent figures are available for family allowances granted to wage-earners. On 1 January 1969 between 8 and 12 u.a. (1 u.a. = Bfrs. 50) were received in respect of the first child, with the exception of Germany and, to a lesser extent, France. With two children the amount was practically double, except for Germany, where it was lower (6.25 u.a.) and for Belgium and France, where it was higher (33 u.a.). For the third child, the differences increase (Germany, 18.75 u.a.; the Netherlands, between 33.91 u.a. and 49.70 u.a.; Luxembourg, 44.32 u.a.; France, between 45.32 u.a. and 65.5 u.a.; Belgium, 63.72 u.a.) and became even greater for families with 4 or more children.

In real value, i.e. taking into account the decrease in the purchasing power of money, the growth index in 1967 for family allowances (1958 = 100) was high in Germany (203), the Netherlands (166) and Belgium (154), and much lower in Luxembourg (126), France (124 or 99 if we take into account the allowance granted to families with only one source of income) and especially Italy (91).