

# INFORMATION

S O C I A L P O L I C Y

SOCIAL SECURITY FINANCE IN THE SIX COUNTRIES (1965-1970-1975)

24/72

For the second time, the European Community has social security forecasts for the medium-term. The first forecasts covered the period 1965-70 and the new ones cover 1970-75.

They are contained in a study of the financial development of social security in the member countries for 1965-75. The study is in two parts — a summary report of the information now available and the national reports from which this was compiled.

The study results from the joint work of the Commission departments and a group of independent experts, and contains statistics for the past period (1965-70) and projections for the following five years, on the assumption that the legislation remains unchanged. In view of the dynamic character of social legislation, the basic assumption means that the projections must be regarded as minimum estimates, calling, as the case arises, for rectification.

## The main trends

What are the chief lessons which may be drawn from a study which will undoubtedly be an important working document in drawing up the social budget which the Commission has been instructed by the Council of Ministers to prepare?

There are two such lessons. In the first place, social security expenditure is growing faster than national income in the Six countries. This was already noted in 1965-70, and it will continue in 1970-75, probably at a faster rate.

Divergences are beginning to appear in the actual and longer-term trend of expenditure. In 1958-65, it was noted that social security charges in the Six countries were more or less in line; but the situation in 1970 and the projections for 1975, show bigger gaps between the comparative costs in member countries.

## Population growth leads to heavier charges

In the 1965-75 period, the population trends in the Six countries were marked by a growth in the population aged 65 and over. On the other hand, the proportion of the total population in the 20-64 age group showed a slight decrease, except in France and the Netherlands, where it increased slightly:

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	56 %	59.3 %	53.8 %	57.6 %	59.3 %	52.5 %
1970	55.6 %	57.3 %	54 %	57.2 %	58.4 %	53.9 %
1975	55.3 %	55.6 %	54.2 %	56.1 %	57.3 %	54.3 %

The proportion of the total population aged under 20 years, showed a decline in Belgium, France, Italy and the Netherlands, but a slight increase in Germany and Luxembourg.

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	31.3 %	28.8 %	34.1 %	32.7 %	29.1 %	37.9 %
1970	31 %	29.9 %	33.1 %	32.1 %	29.2 %	35.9 %
1975	30.9 %	30.2 %	32.2 %	32.2 %	29.6 %	35 %

The over 65 age group shows an increase in all countries — a fast one in France, Italy and the Netherlands and a very fast one in Germany :

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	12.7 %	11.9 %	12 %	9.7 %	11.6 %	9.6 %
1970	13.4 %	12.8 %	12.9 %	10.7 %	12.4 %	10.2 %
1975	13.8 %	14.2 %	13.6 %	11.7 %	13.1 %	10.7 %

In general, the working population shows a less rapid growth than the total population. This is a trend which tends to make social security charges higher, because the cost is borne by a comparatively smaller number of contributors.

social security benefits compared with the national income

In all six countries, benefits in kind are growing faster than the cash benefits. This must be the effect, inter alia, of the increased consumption of medical services. This comes out particularly clearly in the Netherlands, through the entry into force of new legislation on incapacity for work and special sickness expenses.

Total benefits as percent of national income

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	17.5	18.3	18.8	17.3	19.9	18.6
1970	19.4	19.9	19.6	18.3	21.6	23.2
1975	19.8	21.8	21.5	18.4	22.6	26.4

In all six countries, family benefits show a certain decline in comparison with other benefits.

Family benefits as percent of national income

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	3.3	1.5	4.4	3	2.7	2.8
1970	4.0	1.2	3.6	2.4	2.5	2.9
1975	3.6	1.1	3.2	1.6	2.2	2.7

Expenditure on old-age benefits is increasing not only because of the population trends, but also because of the greater importance assigned to old people in the policies of member governments.

Old-age expenditure as percent of national income

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	7.1	9.3	7.7	7.0	12.3	8.8
1970	7.9	10.5	8.6	7.2	13.8	9.9
1975	8.4	11.6	9.4	7.0	15.0	10.4

Sources of funds

During the period under consideration, the changes in the sources from which the receipts come, have shown changes which are in some cases substantial. The employers' contribution, by comparison with 1965, will be materially higher in the Netherlands, somewhat higher in Italy and Germany, slightly less in France and Belgium and substantially lower in Luxembourg.

The workers' share of the contribution will be increasing in most countries except Luxembourg, where it will remain much the same and in the Netherlands where it shows a slight decrease.

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>	
Employers	1965	54.1	48.6	66.8	63.0	48	40.5
	1970	51.9	50.4	65	63.7	43.3	44.2
	1975	52.2	50.1	65.5	65.9	40.8	45.4
Workers (wage and salary earners)	1965	22.5	27.3	22.8	13.7	23.7	40.5
	1970	24.2	30.9	23.3	14.9	24.2	38.6
	1975	24.3	30.6	23.1	16.0	23.3	39.6

The State percentage contribution will show a slight decrease in France, rather more in Luxembourg and especially in the Netherlands. The Belgian figure shows no material change, but there will be a decrease in Germany and Italy.

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
Government 1965	19.6	20.3	9.0	17.6	19	9.9
contribution 1970	19.9	16.1	10.1	13.5	23	7.2
1975	19.9	16.5	10.0	12.0	21.4	15.9

Expenditure per inhabitant

In the period under consideration, the difference between the expenditure is growing wider. In a number of cases, it is generally true to say that the former 1:2 ratio, according to country, would become about 1:3.

The expenditure per inhabitant, converted into Belgian francs, gives an idea of the current trend.

Expenditure per inhabitant on sickness insurance benefits  
(Belgian francs)

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	2,814	3,800	3,385	1,785	2,550	3,548
1970	4,710	5,278	6,164	3,223	3,860	6,778
1975	7,411	10,080	11,082	5,910	5,386	15,342

The six countries fall into two groups, those with big expenditure ( the Netherlands, Germany, France) and those where the expenditure is low (Belgium, Italy and Luxembourg).

Family benefit expenditure per inhabitant (Belgian francs)

	<u>Belgium</u>	<u>Germany</u>	<u>France(1)</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	2,690	1,224	3,017	1,400	2,064	1,794
1970	4,038	1,379	3,899	1,643	2,679	2,877
1975	5,452	1,660	5,186	1,644	3,083	4,258

(1) France : Including housing allocations

In this, the six countries fall into three groups : a) Belgium and France, where the benefit expenditure is highest; b) Luxembourg and the Netherlands at an intermediate level; c) Germany and Italy, where the total expenditure is lowest.

Old age — invalidity — pensions per inhabitant (Belgian francs)

	<u>Belgium</u>	<u>Germany</u>	<u>France</u>	<u>Italy</u>	<u>Luxembourg</u>	<u>Netherlands</u>
1965	5,813	8,918	5,527	4,181	9,451	6,321
1970	8,849	13,958	9,719	6,771	14,811	11,069
1975	13,565	20,913	15,783	9,955	20,787	19,248

In this, there are two groups of countries:- Germany, Luxembourg and the Netherlands, where the expenditure is at its highest, and France, Belgium and Italy, where it is lower.