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Report

drawn up on behalf of the Committee on Social Affairs, Employment and
Education

on the first European social budget (revised) 1970-1975

Rapporteur: Mr. K. ALBERTSEN

1.2.1

English Edition

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By letter of 30 June 1976 the Committee on Social Affairs, Employment and Education requested authorization to draw up a report on the document from the Commission of the European Communities on the First European Social Budget (revised) 1970-1975.

Authorization was given by the President of the European Parliament in his letter of 14 July 1976.

On 3 June 1976 the Committee on Social Affairs, Employment and Education appointed Mr K. Albertsen rapporteur.

It considered the draft report at its meeting of 28 October 1976 and adopted it unanimously.

Present: Mr van der Gun, chairman; Mr Galluzzi, vice-chairman; Mr K. Albertsen, rapporteur; Mr Albers, Mr Caro, Mr Dondelinger, Mrs Dunwoody, Mr Evans (deputizing for Lady Fisher of Rednal), Mr Hansen (deputizing for Mr Glinne), Mr Härzschel, Mr Howell, Mrs Kellett-Bowman, Mr Meintz, Mr Pianta, Mr Schmidt (deputizing for Mr Kavanagh) and Mr Walkhoff.

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A

The Committee on Social Affairs, Employment and Education hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the first
European Social Budget (revised) 1970-1975

The European Parliament,

- having regard to the first European Social Budget (revised) 1970-1975 (COM(76) 201 final),
- having regard to the report of the Committee on Social Affairs, Employment and Education (Doc. 397/76),
- 1. Commends the submission of the first European social budget (revised) which provides a valuable picture of certain trends in and characteristic features of, the social policies conducted in the various Member States of the Community;
- 2. Regrets that this social budget for 1970-1975 was compiled at such a late date and therefore mainly in retrospect, and consequently suggest to the Commission that future social budgets should contain not only a survey of past trends but also medium-term prospects;
- 3. Also regrets that, in spite of the Commission's efforts, differences in interpretation have affected its compilation and jeopardized the exact value of the final figures;
- 4. Emphasizes the uncertainty attaching to some figures due not least to the limited field covered by the social budget and the fact that only current expenditure is taken into account;
- 5. Notes with satisfaction that in all Member States social expenditure increased as a percentage of national income in the period 1970-1975;
- 6. Takes the view that the fact that individual Member States do not allocate the same proportion of national income to social expenditure shows the need for harmonization of the social systems of the Community;

7. Wonders whether the considerable differences in national administration costs result exclusively from differences in interpretation or in the assumptions used as a basis for the collection of statistical data;
8. Calls on the Commission to improve the quality of future European social budgets, not least by strictly adhering to its own objectives and guidelines, i.e. that the area covered by the social budgets, should be extended, that the comparability of national forecasts should be improved and that the European social budget should be drawn up every two years;
9. Instructs its President to forward this resolution and the committee's report to the Council and Commission of the European Communities.

EXPLANATORY STATEMENTI. INTRODUCTORY OBSERVATIONS

1. The Council's decision on the implementation of the social budget dates back to 26 November 1970 when the Commission was requested to submit a programme of action in this respect.

On the basis of this programme the Council subsequently requested the Commission in November 1972 to draw up the first European Social budget. The purpose was to obtain an overall conspectus of past and future trends in social expenditure.

2. The Commission's Social Action Programme¹ notes the need for better and more easily comparable information about estimated future conditions in order to fix priorities in the field of social protection, and this was followed up by the Council's Resolution concerning a social action programme² which had as one of its objectives 'to persevere with and expedite the implementation of the European Social Budget'.

3. The first European social budget ultimately emerged on 4 December 1974; it contained a retrospective section on the years 1970-1972, and forecasts for the years 1973-1975.

4. As stipulated these forecasts were based on the situation in 1973, but the subsequent energy crisis and increased prices of raw materials upset the estimates and the figures had to be reconsidered.

The present document represents the outcome of this reconsideration and is therefore still the first European Social Budget - but in a revised form.

5. These circumstances have detracted from the value of the first European Social Budget. Publication was delayed until May 1976 taking conditions in 1975 into account, and thus the forward-looking section of the selected period 1970-1975 is of very limited value. So if the European budgets are to become a useful 'instrument for the progressive convergence of social protection in particular and social policy in general throughout the Community' (Action III in the Commission's

¹COM (73) 1600 final, 24.10.1973

²OJ No. C13, 12.2.1974

Social Action Programme) future social budgets must contain a conspectus of both past and future trends in social expenditure.

6. As the first (revised) social budget is almost exclusively concerned with a period of time already completed and limits its observations on developments to trends within this period, one could expect to have fully comparable tables.

This is unfortunately not the case, although to be fair one must concede that this complaint is also made by the Commission itself.

Thus one reads in point 28 of the present document that 'in spite of the efforts made in the course of several meetings in 1973 to arrive at a common definition of the elements constituting the European Social Budget, differences of interpretation have crept into the national reports, the basis of the present overall report'.

7. These differences are far from negligible: indeed they are considerable divergences which threaten to cast a doubtful light over the value of the final result.

The Commission itself lists four quite central points on which differences are noted between the Member States. It would of course be hardly reasonable to blame the Commission for this although as initiator and coordinator should have insisted on the definition of standards before the work was launched and completed.

- (a) As regards the institutions, figures for current expenditure give for example (the Commission tells us) a false picture of total expenditure on health in countries where hospitals are public institutions; in countries where they are private current expenditure can include all expenditure including an allowance for capital costs.
- (b) Nor was the condition that legislation in existence at the beginning of 1975 should be taken into account observed. Certain Member States included the effects of important changes which took place after the stipulated deadline. This naturally distorts any comparison considerably.
- (c) The reasonable request that the economic assumptions should be based on a certain point in time was not observed since the Member States mostly chose different dates in 1975.

(d) Finally, the period covered in the national reports should naturally have been the same, but as the financial year begins at different times in different Member States this condition was also not observed.

8. Despite these criticisms the Committee on Social Affairs, Employment and Education retains the view that this is a useful initiative, as was pointed out in the report on the communication from the Commission on the European Social Budget¹. But if the social budget is to be a useful instrument in the efforts to harmonize social systems in the name of progress, the abovementioned differences in interpretation must be eliminated.

II. CONTENTS OF THE FIRST EUROPEAN SOCIAL BUDGET

9. It must first of all be noted that the term 'budget' is misleading in this context, since the aim is to provide a survey and forecasts of social expenditure and the way it is financed. It contains a retrospective section and a forward-looking section although the latter has no power of restraint.

10. Secondly, not all expenditure of a social nature is included in the first social budget. The Commission only includes the expenditure incurred within the definition accepted when the social accounts were developed, namely:

'Any expenditure designed to indemnify households against the occurrence or existence of certain risks or needs, in so far as this expenditure gives rise to the intervention of a 'third party', that is a unit other than the household itself - an administration or enterprise (public or private) - but without there being any simultaneous, equivalent counterpart provided in exchange by the beneficiary'.

11. It should also be stressed that the Commission has only considered current expenditure, and that capital expenditure is consequently disregarded.

This is unfortunate, not least in view of the Commission's own communication on the European Social Budget², in which the section on the objectives of the European social budget mentions that 'it (the

¹Doc. 38/76

²COM(75) 647 final. 15.12.1975

budget) also involves the consideration of capital expenditure (investment) as well as operating expenses'.

12. The expenditure covered by the first social budget (revised) covers risks and needs connected with sickness, old age, death and provision for survivors, invalidity, employment injuries and occupational diseases, unemployment and family needs, including maternity, and physical infirmity, and political events and natural catastrophies.

13. In respect of the receivers of expenditure the Commission proposes four categories of institution or unit of administration, namely:

- systems in group A (social assurance or insurance) - these account for between 80 and 98% of social protection in 1975.
- systems in group B (employers' voluntary benefits). These are very limited and exist only in France and Western Germany.
- systems in group C (benefits paid to victims of political incidents or natural catastrophies). These systems operate only on a small scale in the Federal Republic of Germany, France and Italy and it should be noted that their overall importance was on the decline in the period 1970-1975.
- systems in group D (other social measures). These vary greatly from country to country, accounting for over 20% of social benefits in Ireland and almost nil (under 2%) in Denmark.

14. The most important results of the first European social budget (revised) are to be found in the various tables. Table 5 shows that Member States pay somewhat more than two thirds of benefits in cash, while benefits in kind (goods and services) vary between about 15 and 30%.

15. Examining the reasons for which benefits are paid (Table 6) we see that old age benefits are the largest item in all the Member States. For the majority they account for around 40%, whilst the United Kingdom allocates almost 50% and Luxembourg more than 55% of total benefits for this purpose. Sickness benefits come a definite second, accounting in most cases for less than 30%. Finally it should be noted that invalidity benefits are a large item in Italy and the Netherlands, whilst family benefits are high in France and Ireland.

16. In respect of receipts (Table 7) it is immediately noticeable that two countries, France and Italy, derive considerable revenue from employer's contributions (65 and 60% respectively) whereas Denmark and Ireland derive only 10% and 20% respectively from this source. The other countries occupy various midway positions between these two extremes. In every case employees' contributions are lower than employers' contributions, accounting for less than 3% in Denmark and at the other end of the scale, one third of 'social receipts' in the Netherlands. In view of this it is hardly surprising that the government contribution in Denmark is 84% as against 12% in France and 20% in Italy.

17. Table 10 contains a very interesting analysis of social expenditure, this being given as a percentage of national income to indicate the proportion of resources devoted to social purposes. Here the Member States can be divided into three groups. The first includes Denmark, West Germany, Luxembourg and the Netherlands, all of which devote more than 33% of national income to social purposes. Group two, comprising Belgium, France and Italy set aside about 28% for social expenditure, whereas group three (Ireland and the United Kingdom) allocate about 23% for these purposes.

18. There is inevitably a difference between the total expenditure and the amount distributed in the form of benefits, depending on the cost of national administration. This difference (expressed as a percentage of national incomes) varies however surprisingly. 0.6% is spent on administration in Denmark, whilst the figure for Italy is 2.8%. Figures for the other countries vary between 1% and 1.8%.

19. What benefits are granted to the individual citizens in the Member States? Table 12 shows that the Danish citizen receives social benefits to a value of 1362 u.a. per annum. West Germany is a close second with 1360 u.a., and the Netherlands third with 1236 u.a. Belgium and Luxembourg share fourth place (1050 u.a.) and the gap between them and France (934 u.a.) is not so great. There is then an appreciable drop to the United Kingdom (558 u.a.) and Italy (503 u.a.), and finally to Ireland (336 u.a.).

III. TRENDS IN EXPENDITURE AND RECEIPTS

20. As mentioned above the present European social budget 1970-1975 was published so late that it no longer covered any future period and merely showed to what extent social expenditure and receipts had fallen or risen in the various Member States in the period covered.

21. In the case of expenditure there was an overall rise for the whole period 1970-1975 of 15-20% p.a. (somewhat higher - 24% - in Ireland). Comparison between 1970-1972 and 1973-1975 shows a higher rate of increase in general for the latter period, this being the result of the higher rate of inflation registered in the Community during more recent years. As regards administrative costs it is interesting to see that the rate of increase in Denmark dropped from 22% in the period 1970-1972 to only 5.5% in 1973-1975 whereas the rate of increase for the other countries in 1973-1975 lay between 13% and 24%.

22. Turning to trends in receipts (Table 15) it should first be noted that most countries record an increase which closely corresponds to the increase in total expenditure. Over the period 1970-1975 public financing rose at a sharper rate than receipts from contributions. Exceptions to this are Italy and Ireland, the latter in particular recording a much higher rate of increase than the other countries for employers' and employees' contributions; in this latter category Denmark is the only country to record a negative rate. It is also interesting to note (Table 16) that only in Belgium, Denmark, the Netherlands and the United Kingdom was the rate of increase in receipts from the public sector during the period 1970-1975 greater than for contributions to social security systems from employers and households.

23. Finally, regarding trends in constant prices, Table 17 shows that the rate of increase in social expenditure for the period 1972-1975 was only greater than that for the period 1970-1972 in the cases of France, Ireland and Luxembourg: Italy's rate of increase for the period 1972-1975 was only half as great as for the period 1970-1972.

24. Examination of trends in expenditure as a percentage national income (Table 18) shows that the relative growth in expenditure varies considerably from one country to another. Whereas the figures for Denmark, Western Germany, the Netherlands and Luxembourg are 33-34%, those for the United Kingdom and Italy are appreciably lower at 24% and 21% respectively.

25. On the other hand trends in benefits as a percentage of national incomes (Table 20) are as one would expect somewhat higher than trends in receipts as a percentage of national incomes (Table 22) - except, that is, in the case of Italy where the rate of increase for receipts is 25.8% whilst the rate of increase for benefits is 26%, a situation for which there is no immediate explanation.

V. CONCLUSIONS

Before drawing any conclusions from this document from the Commission, it would seem sensible to emphasize the uncertainty attaching to the figures given not least because of the limited field covered by the social budget. The social budget does not, for example, cover vocational training or public housing, which would normally be thought part of social policy. It is also important to note that the social budget deals only with current expenditure whereas capital expenditure plays a considerable role in this area of communal life. One only has to think of hospitals, old people's homes, day nurseries etc. Neither is it possible to form an accurate picture of the policy regarding family benefits since the tax benefits and special services granted to families in some countries are left out of consideration.

It cannot be denied, however, that certain tendencies and characteristic traits stand out clearly in the policies pursued by the various countries, and this in itself is justification for drawing up these statistics.

It is, for example, heartening to find that social expenditure increased faster than national income during 1970-1975, although the difference is very slight in the case of France. In the case of old age pensions, there has been a steady rise over the whole of the period 1970-1975, with Denmark and particularly Luxembourg setting the pace. This is undoubtedly connected with population trends, given the steep rise in the number of people over 65 in all Member States. On the other hand, the expansion of the working population has been small, and in West Germany, Italy and the Netherlands there has even been a slight decline in numbers.

Although it is to be deplored that the bulk of statistical data contained in the Commission's document is subject to certain qualifications because the criteria used in their collection were not always identical, it must be admitted that the amount of information supplied does set the ball rolling towards harmonizing certain aspects, so that the citizens of all the Member States may one day enjoy the same conditions in the social sphere.

Since it appears unrealistic to believe that this will happen within the foreseeable future, the Committee on Social Affairs, Employment and Education urges the Commission meanwhile to improve the quality of its social budgets, in particular by strictly adhering to its own objectives and guidelines, i.e. that the area covered by the social budgets should be extended, the comparability of national forecasts improved, and the European social budget drawn up every two years.

