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FIRST EUROPEAN SOCIAL
BUDGET
(REVISED)
1970-1975

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Social Affairs
Directorate-General

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Brussels, March 1976

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FOREWORD

In December 1974, the Commission presented the first European Social Budget covering 1970-1975 to the Council. The projections for 1975 which it contained had been based on economic assumptions - prices, earnings, level of employment - made during the first half of 1973. These assumptions were upset by events beginning at the end of 1973, particularly the energy crisis and increases in the prices of raw materials.

The projections in the first European Social Budget were thus affected to no little extent. The Commission proposed a revision of the data for 1975 in the light of the new economic context, to which the Council agreed.

The present report constitutes such a revision of the first European Social Budget. In the process of up-dating the 1975 data, the main legislative changes in the sectors covered have been taken into account. The picture projected of 1975 in this revised European Social Budget is therefore reasonably close to reality.

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Even so, the revised European Social Budget gives an indication of actual trends over recent years in the Community countries. It provides in this way certain indispensable items of information for an analysis of future action at either national or Community level.

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CHAPTER I

INTRODUCTION

A) Preliminary remarks

1. The main objective of the European Social Budget is to measure the social effort in Member States, by the dual approach of a look forward in the medium term and a retrospective view. It thus highlights the implications of tendencies existing at a given time for the prospective development of expenditure and receipts in several sectors of social policy, taking account of anticipated economic developments.

2. The word "Budget" should not be understood here in the precise sense which it is used in public finance, that is, an act authorising expenditure and the receipts for its financing. The European Social Budget uses the word in a somewhat different sense than the traditional meaning. It covers a wider field than the usual Budget in the sense that it includes in whole or in part the receipts and expenditure of numerous administrative entities or organisations of very different types, certain of which might be included in the Budget. In contrast to a usual Budget, the European Social Budget also contains a retrospective section.

The Social Budget is more limited than a usual Budget in that its prospective section has no power of constraint.

3. The first European Social Budget covering the period 1970-1975 was presented to the Council in December 1974 and constituted an attempt to fulfil the above objectives. The revised version set out in this report follows the same approach.

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4. It contains projections prepared in each member State on the basis of legislation already in existence or very probable, and presents an indication of the situation which would exist if legislation or policy were not changed, in the sectors covered by this Social Budget. Under these circumstances, the trends in expenditure for social protection are the result of demographic and economic factors, particularly prices, earnings and changes in the employment situation, together with improvements in techniques and equipment available and an increase in their utilisation and, finally, a rising consumption of benefits.

5. Based on these considerations, the projections in the European Social Budget tend to give a minimum estimate of expenditure on the economic assumptions used, and cannot be taken to represent either future objectives of national policy or the policy choices of Governments.

6. Whatever their basis, economic or social projections are always subject to a greater or lesser degree of uncertainty. This uncertainty is compounded when the political, economic or social context in which they are formulated changes suddenly. For this reason, the events which characterized the end of 1973 - in particular price inflation made worse by the rise in energy and raw material prices - have seriously weakened the credibility of short or medium term economic forecasts developed before these events, or before the full repercussions were realized. This applies to the projections in the 1974 version of the first Social Budget.

7. It explains why a revision was thought necessary, to take account of the new economic order. This point will be discussed further in Chapter II.

8. The projections in the European Social Budget do provide information which can be used in developing national policy and action in the social field. On the Community level, the comparison of the nine national projections is valuable both for further national work in the field of social expenditure and receipts and for the development of Community concertation in the area of policy on social protection.

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9. The fulfilment of the mandate given to the Commission by the Council of Ministers in the session held on 9 November 1972, regarding the development of the European Social Budget (1), was carried out in two stages :

First stage :

- The preparation by governmental experts from the Member States of national reports (2) according to a common plan. These national reports contain a description of the legislative development from 1970 to 1973 (inclusive), some details of the methodology used in developing forecasts for 1975, and a series of detailed tables - following a model adopted in common - of expenditure and receipts for the systems of various types covered by the first Social Budget. The tables are for 1970 and 1972 (the past period) and 1975 (the forecasts).

- On the basis of these national reports, the Commission drew up the first European Social Budget overall report (3), submitted to the national delegations for their comments.

Second stage :

The updating of the data for 1975 which formed part of the first version of the European Social Budget can be considered part of the mandate for the first stage (1).

10. The first European Social Budget (in both versions) outlines the similarities and differences in the pattern of expenditure and receipts in the Member States and the trends which can be seen in their development.

Bearing in mind all the necessary reserves, it provides indispensable information, even if limited, both for those responsible for social and economic policy in the Member States and for the Community institutions.

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- (1) Appendix IV contains the text of the Council's decision taken on 9 November 1972.
 (2) The national reports were made available to the experts participating in drawing up the European Social Budget.
 (3) Only this document was sent by the Commission to the Council in December 1974.

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11. More rapid and complete knowledge of social developments over time is becoming a necessity, recognized more and more by the national and Community authorities, whose objective is to promote social progress via co-ordination between the economies of the Member States.

It is not therefore surprising that the Council should have included the following instruction in its resolution of January 1974 (1) in respect of the European Social Budget :

" - to persevere with and expedite the implementation of the European Social Budget;

B) Basic features of the first European Social Budget

12. There are three basic features of the first Social Budget : the statistical framework, the fields included and the period covered.

a. The framework :

In order to ensure comparability as far as possible in the national reports, the framework used to collect national data (previous and forecast) was based on the statistical framework developed by the Statistical Office of the European Communities for use in the Social Accounts (2). It has, however, been simplified to take account of somewhat different objectives. The Social Accounts are designed to allow a detailed analysis of past trends - and only these trends - on the basis of comparable methods, definitions and classifications. While the European Social Budget keeps to these definitions and classifications (3), its main object is to provide basic information necessary for decision-making. To this end, it shows changes over time and the future

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(1) Concerning the Social Action Programme of the Community for the period 1974 to 1976, O.J. E.C. No. C.13, 12/2/1974, p. 3.

(2) Social Accounts, SOEC 1967, No 5 (social statistics series).

(3) More details - apart from those mentioned in note (2) - can be found in No 2, 1972, social statistics : Social Accounts 1962-1970, particularly the methodological appendix.

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medium-term development of the national financial variables relevant to the categories of social expenditure considered.

b. The contents :

As is the case with the Social Accounts, the first Social Budget is far from covering as yet all expenditure of a social nature in each of the Member States. Like the former, it takes into consideration only expenditure corresponding to the definition accepted when the Social Accounts were developed :

" 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 their being any simultaneous, equivalent counterpart provided
 " in exchange by the beneficiary"

and, among this expenditure, only current expenditure (excluding, therefore, capital expenditure).

13. As in the Social Accounts, it provides details of the expenditure (as defined above) corresponding to the following risks or needs :

- sickness
- old age, death, survivors
- invalidity
- employment injuries and occupational diseases
- unemployment
- family needs (including maternity)

and miscellaneous (mainly comprising expenditure on physical or mental infirmity and expenditure resulting from political events or natural catastrophes).

As well as expenditure, information is provided on receipts or financing by the following groups of institutions or systems :

- systems in group A (social assurance or insurance)
- systems in group B (employers' voluntary benefits)
- systems in group C (benefits paid to victims of war or other political incidents or natural catastrophes)
- systems in group D (other social measures).

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14. If the European Social Budget has these essential elements in common with the Social Accounts (framework and contents), it contains other different aspects - in particular the period covered and in consequence the inclusion of projections.

c. Period covered by the European Social Budget

In contrast to the Social Accounts which only cover past periods, the European Social Budget takes into account the medium-term future. The whole point is to fix attention on the future. For this reason, as well as covering 1970-1972, the first exercise also added 1973-1975.

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CHAPTER II

DEVELOPMENT OF THE PROJECTIONS

A) Assumptions used in the projections

15. Two types of assumptions were used in developing national projections of expenditure and receipts from 1973 to 1975 in the first version of the European Social Budget. The assumptions had to be changed for the revised version of the European Social Budget.

a. Assumption on legislation

16. For the revision of the 1975 data, the main changes in legislation during 1974 and the beginning of 1975 were taken into account, in the fields covered by the European Social Budget.

b. Economic and demographic assumptions

17. In order to integrate forecasts of social expenditure into the framework of work relating to economic trends, it was necessary to use certain assumptions developed in this work, and in particular data relating to :

- consumer prices
- earnings
- the working population
- the total population.

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NOTE : To simplify the presentation of tables in this report, countries are referred to by the following letters : B = Belgium, DK = Denmark, D = Federal Republic of Germany, F = France, IR = Ireland, I = Italy, N = Netherlands, UK = United Kingdom).

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1/ Economic assumptions (prices and earnings)

18. For the first version of the European Social Budget, certain countries used their own assumptions developed nationally (Belgium, Germany, Luxembourg, the Netherlands, and United Kingdom); others made use of the Commission's services, which provided them with technical data (Denmark and Ireland); and finally two countries used their own assumptions in some instances and the Commission's in others (France and Italy).

For the revised version, only economic assumptions developed at national level were used; they were, however, chosen at different dates depending on the country, over the period December 1974 to October 1975.

The following table (Table 1) gives a comparison between assumptions relating to the period 1973-1975 and statistics for 1970-1972.

Table 1

ANNUAL RATES OF :	B	DK	D	F	IR	I	L	N	UK
a) <u>Consumer prices</u>									
1970/1972	4.9	6.4	5.5	5.7	8.8	6.2	4.9	7.7	7.6
1972/1975	10.5	11.5	6.6	10.8	17.3	15.3	8.8	8.7	15.1
b) <u>Earnings per head</u>									
1970/1972	13.0	11.4	10.6	10.3	15.2	12.9	9.6	12.2	10.9
1972/1975	18.1	14.5	10.6	14.4	22.4	20.3	14.3	12.6	18.4

Unlike the assumptions used previously, the more recent ones take account of the actual or forecast increases in prices and earnings since 1973, so that the picture projected is much closer to the reality of 1975 than that indicated in the first version.

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2/ Demographic assumptions

19. The changes in the total population and in the working population is given in the following table in index form :

Table 2

Indices	1970-1972 (1970 = 100)		1972-1975 (1972 = 100)		
	Country	Total population	Working population	Total population	Working population
B		100.8	101.3	100.8	102.2
DK		101.4	101.0	101.6	101.1
D		101.7	99.3	100.1	100.4
F		101.9	102.3	103.2	103.6
IR		102.2	99.3	103.6	100.4
I		101.3	99.7	101.5	100.0
L		102.5	105.3	102.6	102.9
N		102.0	100.8	102.0	100.2
UK		100.1	100.5	100.4	100.3

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Changes in the age structure of the population are shown by the following table :

Total population in main age groups
(total for each year = 100 %)

Table 3

Country	1970			1972			1975		
	Age groups			Age groups			Age groups		
	0-19	20-64	65 and over	0-19	20-64	65 and over	0-19	20-64	65 and over
B	31.1	55.5	13.4	30.8	55.6	13.6	30.3	55.9	13.8
DK	31.0	56.8	12.2	30.6	56.8	12.6	30.0	56.7	13.3
D	29.8	57.0	13.2	29.7	56.0	14.3	29.2	55.9	14.9
F	33.2	54.0	12.8	32.8	54.2	13.0	32.5	54.3	13.2
IR	40.2	48.7	11.1	40.3	48.6	11.1	40.3	48.6	11.1
I	31.7	57.7	10.6	31.5	57.6	10.9	31.7	56.6	11.7
L	29.3	58.1	12.6	28.9	58.3	12.8	27.4	59.5	13.1
N	35.7	54.1	10.2	35.0	54.6	10.4	33.9	55.3	10.8
UK	30.9	56.3	12.8	31.0	55.6	13.4	30.8	55.3	13.9

The population group of those aged under 20 is relatively more important in Ireland, the Netherlands and in France. It decreases relatively in Belgium, Denmark, France, Germany, Luxembourg and the Netherlands, but remains stable in Ireland, Italy and the United Kingdom. Except for Belgium, France, Luxembourg and the Netherlands, the proportion of the population in the 20 to 64 age group tends to remain unchanged or to decrease. It forms a smaller proportion in France and in Ireland.

The population aged 65 and over constitutes a growing proportion of the total population in all Member States, except in Ireland. The increase is relatively rapid in Italy, Denmark and the United Kingdom, very rapid in Germany, and more moderate in the other countries.

B) Methodology and presentation

a. Benefits

20. The development of the amount of expenditure for any one category of benefits can be represented by an index obtained by calculating the product of three factors representing :

- the demographic changes (in the number of beneficiaries),
- the total volume of benefits per head paid as a result of either changes in their rate of use or consumption (this refers to benefits in kind in various categories such as sickness, invalidity, maternity and employment injuries),
- the value of a unit of benefit (cost of hospitalisation per day, of a medical consultation or visit, etc) or of a basic benefit taking into account changes in rates (which may be linked to changes in price levels) or the methods of uprating applied to certain benefits.

21. The national delegations worked out their projections of expenditure, and particularly of benefits which account for the larger part of total expenditure, by taking account of the legislative measures in force or very likely developments, as has already been explained. In certain cases, trends observed over previous years have been taken into account, as well as publicly announced commitments to future action.

In this connection, a distinction must be made between the treatment of benefits in group A and those in groups C and D.

The majority, if not the whole, of the factors set out above played a part in the valuation of benefits of systems in group A. (These systems by themselves represent between 80 and 98 % of the amounts covered in the first

European Social Budget). Although the same factors affect systems in groups C and D, financed for the most part by the public sector (State and local authorities), constraint resulting from considerations of budgetary balancing comes into play in most cases.

22. The analysis which follows will therefore be restricted mainly to benefits provided by systems in group A through the main functions.

- Sickness, maternity, invalidity, employment injuries and occupational diseases

For the benefits relating to these functions, the national delegations took into account an increase in the number of beneficiaries, an increase in the consumption of care (benefits in kind) and changes in wage levels or prices as appropriate for benefits in cash.

23. - Old age and invalidity

As regards the valuation of benefits in cash for these two functions, the national delegations took into account, besides the demographic factor, the uprating principles already outlined for a future date in the period covered by the projections (1973-1975). For each country, the method of valuing these benefits can be sketched out :

Belgium

Automatic uprating based on the index of consumer prices, and adaptation to economic development by means of a coefficient of increase.

Denmark

Legislation allows only for automatic adaptation to the price level.

Germany

The annual uprating of pensions is fixed by legislation which takes into account the development of wage levels in the three previous years. As

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is the case in the Social Budget worked out each year by the Federal Government, the calculations have been carried out as if the uprating was automatic.

France

Automatic annual uprating taking into account the development of wage levels in the case of contributory pensions, and uprating by legal instrument sometimes twice a year for non-contributory old age pensions.

Ireland

Yearly adjustment to compensate for inflation and maintain the growth in real value.

Italy

Automatic adjustment to changes in the cost of living.

Luxembourg

Automatic uprating based on the cost of living index, and periodic adjustment of changes in wage levels by legal instrument or regulation. (This adjustment should be carried out at least every five years).

Netherlands

Automatic adjustment based on the wage index.

United Kingdom

Long-term benefits are increased in line with the movement in the general level of either prices or earnings, whichever would be more advantageous to the beneficiaries, while short-term benefits continue to be linked to the movement in the general level of prices.

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b. Receipts

24. - As far as systems in group A are concerned, the national delegations worked out the receipts for each of the various systems separately, taking into account the relevant demographic trends and assumptions about the variations in earnings. They also took into account the principles of budgetary balancing, where an important part of the receipts came from the budgets of the State and local authorities, and where this consideration was relevant as well as the provisions in the national legislations designed to keep a balance between the receipts and expenditure by adopting an adjustment method to achieve a balance.

In cases where a ceiling on the amount of earnings taken into account in assessing contributions exists, the changes in these ceilings have been aligned with changes in hourly earnings. This process results in some delay in changes of ceilings in relation to changes in average earnings.

- The receipts for systems in groups C and D correspond in general to the amounts of expenditure for these systems, since these systems develop in line with budget forecasts.

C) Remarks on the projections in the European Social Budget

25. The following remarks will deal with two important and complementary aspects :

- the development of the national projections
- their degree of comparability.

a. The development of the national projections

26. Economic forecasts, of an official or semi-official kind, are available in all the nine countries. In comparison, the situation with regard to social forecasts is less satisfactory, although in recent years a considerable effort has been directed to this end.

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Several countries already had a social budget (Germany and France) or had decided to create one (the Netherlands) some time before the beginning of work on the European Social Budget.

Moreover, if France and the Netherlands had social forecasts available for their economic and social planning, they were not the only countries in this situation, being joined by Belgium and Italy. Other countries (Denmark and the United Kingdom) developed such forecasts as part of the planning of public expenditure (in the short or medium term). Finally, other countries had begun to develop similar forecasts (Luxembourg via forecasts of public financing and for most of social security, Ireland on the occasion of its third economic and social development plan). It should be added that developments have accelerated over recent years in all Community countries.

27. During the development of the projections to be used in the European Social Budget the national delegations were obliged, by the force of events, to reconsider the forecasting work in this area in each of their countries and often had to choose new methods.

In these circumstances a comparison between the projections in the European Social Budget and the forecasts mentioned above, which are designed to meet objectives set by the various Governments, might be somewhat hazardous.

For other reasons, too, care should be taken in interpreting the indications given by the Community comparison as set out in the European Social Budget in its present state.

b. Degree of comparability between the national projections

28. 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. This applies to both versions of the first European Social Budget, even if the second has had the benefit of certain improvements.

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These differences concern essentially the following points :

- the field covered
- the legislative assumption
- the economic assumptions
- the period covered.

1/ The field covered

29. It should be noted that for 1970 and 1972 the data (total or partial) provided by the national delegations for the Social Budget and for the Social Accounts are not always the same. In some cases, significant differences exist. As well, the homogeneity of the data provided in particular for systems in group D (referred to as "Other Social Actions") may be questioned.

Certain countries in fact put under this heading measures which other countries do not take into account or which strictly speaking should not at the moment be included (functions such as professional training of adults or public housing, which have not yet been integrated into the Social Accounts). Insofar as systems in group D represent an important element in certain countries - as will be illustrated later - the comparability of the whole is weakened.

30. The point should be made that the exclusion of certain types of social expenditure - in particular on education and all capital spending - will have different effects for different countries, depending on the system in force. For example, where hospitals are public institutions, figures for current expenditure will underestimate the total expenditure on health, while where they are owned by private establishments, religious or charitable bodies, current payments may include all expenditure, including an allowance for capital costs. Family allowances, too, may to a certain extent replace educational services, and the part played by each may vary between countries.

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2/ The legislative assumption

31. It was decided that for the revision of the 1975 data the national delegations would take account of legislation in existence at the beginning of 1975. Since, however, not all the national projections could be prepared in the same time period, certain experts included the effects of important changes occurring after that date, in order to give a more realistic picture of the situation.

32. Moreover, the use of a common assumption on legislation does not mean that projections based on it are therefore comparable. In cases where new legislation is necessary for an increase in expenditure (as is perhaps the case for cash benefits), the rate of increase used in projections may be lower than where the increases are left to administrative decree.

3/ The economic assumptions

33. The economic assumptions also correspond to different dates in 1975; for most countries they were arrived at during the first half of the year, although it was October in one case.

34. 4/ The periods covered in the national reports begin and finish at two different dates, depending on whether the financial year begin on January 1st or April 1st. (The latter applies to Denmark and the United Kingdom, and applied to Ireland before 1975, when it began on January 1st). Complete synchronisation does not therefore exist in this Community comparison.

CHAPTER IIIMAIN FINDINGSA) Institutional coverage of social security (1)

35. The main effort in social protection is carried out through systems in group A (that is, insurance or social security). It is estimated that between 80 % and 98 % of this protection was carried out through these systems in 1975, which are much more important than systems in the next group in terms of expenditure size, group D (other social measures or social aid), systems in group C (benefits to victims of political events or natural disasters) or systems in group B (voluntary payments by employers).

The division of the amount of protection between these various types of systems can be seen in Table 4.

36. The first observation to be made is on the relative importance of the systems in group D for certain countries. These systems were estimated to be more important in 1975 for certain countries than for others, particularly Ireland (20 % of expenditure), United Kingdom (15 %), Netherlands (11 %).

A second observation is that trends from 1970 to 1975 indicate if anything a growth in the share taken by systems in group D in the countries mentioned above. The opposite, decreasing trend can be seen in countries such as Luxembourg, Italy and France, where systems in group D accounted for about 5 % of total expenditure.

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(1) The field of which was detailed in the introduction.

In those countries where systems in group C play a significant part (Belgium, Germany, France, Italy), their relative importance decreased between 1970 and 1975.

Finally, the present lack of information about systems in group B does not permit further analysis.

B) Expenditure by type and function

a. Expenditure by type (Table 5)

37. Benefits comprise at least nine-tenths of total expenditure, depending on the country. They may be paid in cash, such as pensions or allowances, or given directly in kind, such as care by the social services.

Benefits in kind include the goods and services provided for those eligible. They form a variable proportion of expenditure according to the country mainly depending on whether health care is given directly in kind, or is paid for in cash with reimbursement totally or partially later.

Cash benefits represent around 60-75 % of total expenditure depending on the country. Only in Germany does there seem to be a trend throughout the years covered towards a reduction in the part played by benefits in cash, and a corresponding increase in the proportion accounted for by benefits in kind. In Denmark there is a slight trend in the opposite direction.

It has not been possible to find out what part of miscellaneous benefits are paid in cash or kind, and this item is given separately in the Table.

b. Benefits by function (Table 6)

38. The classification of benefits into different functions is by and large uniform in the E.E.C. countries, but several exceptions occur. For example, certain benefits in the functions invalidity and sickness in the Netherlands are not now classified separately as to the cause (whether via "employment injury" or "occupational disease" or not). Benefits arising from injuries suffered while travelling between home and the place of work are included in "employment injury" in Belgium, France, Germany and Luxembourg but not in general in other countries.

In all countries, old age benefits occupy the most important place. (These benefits also include relatively small amounts for death benefits and benefits to survivors). Their importance was reduced between 1970 and 1975 in Germany and the Netherlands, but increased particularly in Belgium, France and Italy. Benefits for sickness came second in importance. Here again, divergent trends were apparent between countries, with an increase in the importance of sickness benefits over the period only in Belgium, Denmark, Germany, France and Luxembourg.

39. Two other functions came third in importance depending on the country : family benefits in Belgium, Denmark, France and Ireland; invalidity in the other countries.

Finally, benefits paid to unemployed people have greatly increased in importance, particularly in 1975. In Belgium and Ireland, they are estimated as representing around 8 % of all benefits in 1975, while in Denmark, the Netherlands and the United Kingdom they are estimated as above 5 %.

C) Receipts

40. As well as analysing social expenditure, the European Social Budget looks at the receipts which finance it. This dual presentation is important, not only in times of economic stringency. Receipts as well as expenditure are estimated in current prices, and information on the inflation rates used in the 1975 projections has been given in Chapter II.

a. Receipts by type (Table 7)

In general, three main types of financing exist in the European Community, depending on the extent of direct contributions or, alternatively, State intervention. On the one hand, a high degree of State intervention can be seen in 1975 in Denmark and Ireland; on the other hand, the lowest degree is found in France and the Netherlands. The other countries show a fairly wide range of variation, but there seems little correlation between the level of State intervention and the level of receipts.

The importance of direct contributions levied on employers and employees compared to revenue provided by the same groups indirectly via taxes depends on the institutional arrangements in each country. Since no information is available in this Social Budget on the exact share of the taxes provided by employers or employees, the proportions in Table 7 should not be regarded as an exact indication of a "burden" borne by any group, particularly in comparisons of one country with another.

Contributions by employers

41. The share of total finance contributed directly by employers (both private enterprises and public administrations) via social security schemes shows considerable divergence between different countries. The highest shares are contributed in France and Italy. In the other countries, except Denmark and Ireland, employers contributions are estimated as being in the range 35-45 %.

Contributions by households

Households may be composed of employees, the self-employed and those not active in the labour force. It can be seen from Table 7 that they represent a lower share in financing than do employer's contributions.

Household contributions are most important for the Netherlands, where they are estimated to make up just over one third of total receipts in 1975. In a group consisting of Belgium, France, Germany and Luxembourg, they make up 20-25 % of the total, and 14-16 % in Ireland, Italy and the United Kingdom. The 1975 level in Denmark was much lower than this, at 3 %.

Taxes and subsidies (from the State and local authorities)

42. Considerable variation exists with respect to the part financed via taxes and subsidies. In 1975 Denmark with 84 % and Ireland with 64 % had the highest proportions; France with 12 %, the Netherlands with 16 %

and Italy with 20 % were at the other end of the scale. The other countries were placed between these two bands, with taxes and public subsidies accounting for 42 % in the United Kingdom.

Income from capital and other receipts

This type of finance plays a more limited role, but it contributed between 5 to 9 % of the total in Italy, Luxembourg, the Netherlands and the United Kingdom in 1975.

b. Receipts by source (Table 8)

43. This viewpoint differs from that presented above, in that it distinguishes private from public enterprises, by including the latter in the "Government" sector. One effect of this change is to give the "Government" sector a larger percentage for every country, in comparison with the previous analysis. Another effect is to bring out the contribution of private enterprises, although it should be remembered that any final figure for relative contributions by private enterprises and households depends on the overall structure of taxation, both direct and indirect, and the part played by the State.

D) Social expenditure compared to certain economic aggregates

44. The practice of comparing total social expenditure with economic aggregates such as national income (net national disposable income) has been used in other Commission publications and elsewhere to indicate the scale of resources devoted to social affairs. Such comparisons can serve as indicators, but their drawbacks should be borne in mind, particularly in international comparisons.

Tables 9 and 10 relate total social expenditure and benefits to certain economic measures : the Gross National Product (at market prices) and the National Income (net national product at factor cost). The trends in both cases are similar. According to the proportion of national income represented by the estimates for 1975, the countries can be divided into three expenditure groups. One group includes countries where the proportion is around

Expenditure and benefits as % of the Gross National Product
(at market prices)

Table 9

	Years	B	DK	D	F	IR	I	L	N	UK
TOTAL EXPENDITURE	1970	18.1	19.7	20.9	18.3	12.8	18.5	17.3	20.7	16.0
	1972	19.5	21.7	22.3	18.6	13.3	21.6	19.5	23.0	16.7
	1975	23.0	26.3	26.3	21.2	16.9	24.2	25.3	28.0	18.5
TOTAL BENEFITS	1970	17.0	19.2	20.1	17.2	12.3	17.2	16.7	20.0	15.4
	1972	18.1	21.1	21.4	17.5	12.7	19.7	18.8	22.2	16.1
	1975	21.6	25.8	25.3	19.9	16.3	21.8	24.4	27.1	17.9

Expenditure and benefits as % of national income (1)

Table 10

		B	DK	D	F	IR	I	L	N	UK
TOTAL EXPENDITURE	1970	23.0	24.9	27.1	23.9	16.6	22.7	23.0	25.4	20.9
	1972	24.4	27.6	29.1	24.1	17.1	26.1	25.8	28.4	21.4
	1975	28.6	33.2	34.3	27.7	21.0	28.8	33.5	34.3	24.0
TOTAL BENEFITS	1970	21.6	24.2	26.0	22.5	16.0	21.1	22.1	24.5	20.1
	1972	22.6	26.9	27.9	22.7	16.4	23.8	24.9	27.4	20.6
	1975	26.8	32.6	33.0	25.9	20.2	26.0	32.3	33.2	23.2

(1) Net national product at factor cost.

one-third of national income, and includes Denmark, Germany, Luxembourg and the Netherlands. Countries in the second group devote less than a third of the national income to social expenditure, but at least a quarter : Belgium, France and Italy. The third group of countries, Ireland and the United Kingdom, spend an amount less than a quarter of the national income on social expenditure, according to the definitions used in this first European Social Budget.

If the amounts spent on administering the health and social security systems are excluded, and attention focussed on the benefits received, no great changes occur in the grouping of countries and the proportions of national income are reduced in every case.

E) Expenditure and benefits per head

45. The above macro-economic comparison may be complemented with an analysis at a more individual level. In this first Social Budget, the data available do not allow more than a rudimentary measure in terms of an average per head but this measure can provide some indication of differences which exist between countries of the Community.

Tables 11 and 12 show both expenditure and benefits per head, converted into European Units of Account (1). This method of comparison reflects in general the relative positions of countries which was indicated above by looking at social expenditure and benefits as a percentage of certain economic measures. Belgium and Luxembourg, however, are shown for 1975 as having fairly similar per head expenditure. Italy's figure drops slightly below that of the United Kingdom. The two countries with the highest level of benefit per head are Denmark and Germany immediately followed by the Netherlands. It should be remembered that the main disadvantage with this type of comparison is that it takes no direct account of differences in the cost of living between countries. It thus distorts the differences in command over goods and services provided by the benefits in different countries.

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(1) These are calculated in units of account on the basis of the exchange rates between national currency as indicated by the Statistical Office of the Communities for 1970 and 1972. Reference will be made to this subject in Annex III/C. For 1975, the rate adopted was an average of the rates over the period January to June.

EXPENDITURE PER HEAD (in units of account)

Table 11

	B	DK	D	F (1)	IR (1)	I (1)	L	N	UK (1)
EXPENDITURE 1970	484.8	629.2	645.8	526.3	174.1	320.6	520.1	501.1	354.2
PER HEAD 1972	649.2	835.8	856.7	652.2	236.3	436.5	667.8	721.4	457.8
1975 (1)	1 107.8	1 387.7	1 415.2	996.4	349.7	557.7	1 106.8	1 277.8	578.6

BENEFITS PER HEAD (in units of account)

Table 12

	B	DK	D	F (1)	IR (1)	I (1)	L	N	UK (1)
BENEFITS 1970	456.2	614.4	620.5	495.6	167.5	297.5	500.5	484.0	341.0
PER HEAD 1972	602.5	815.1	822.9	614.9	226.6	397.7	643.6	696.8	441.5
1975 (1)	1 039.9	1 352.7	1 360.4	934.6	336.5	503.5	1 068.3	1 236.8	558.4

(1) The exchange rates used for conversion into units of account are an average of the rates during the period January-June 1975.

CHAPTER IVTRENDS IN EXPENDITURE AND RECEIPTS

46. This chapter sets out to examine the trends in social expenditure and receipts over the years 1970, 1972 and 1975. An annual average rate of change is given in the tables so that the first part of the period may be compared with the second. The major part of the discussion will refer to figures in current prices, the form in which the data were originally requested. In order, however, to indicate comparisons of trends which are not distorted by differences in inflation rates in each country, the latter part of the chapter attempts to provide figures in constant prices.

47. At the time of collecting data for this first European Social Budget, 1970 and 1972 were already in the past and therefore statistics were available on the actual amounts received and spent in each country. 1975 was, at that time, yet to come and therefore projections were drawn up for that year. As mentioned in Chapter II, these projections were based on the legislative or policy position at the beginning of 1975, and latest available estimates of changes in other factors affecting the data, particularly prices and earnings. Thus the trends studied in this report are likely to be very similar to those which will be shown when the definitive statistics are available for 1975.

A) Trends in expenditure

a. Type of expenditure

48. Table 13 shows annual average increases in total expenditure, split into benefits in cash, benefits in kind, and administrative costs. The trend of total expenditure in nominal terms over the whole period was for it to increase by between 15-20 % yearly, except in Ireland where the increase was about 24%. In general, the rate of increase quickened appreciably between 1972 and 1975 compared to between 1970 and 1972, mainly because of higher inflation. The main exceptions to this trend were Germany, and the Netherlands, with more or less steady rates of increase.

TRENDS IN EXPENDITURE BY TYPE (annual rates)

Table 13

		B	DK	D	F	IR	I	L	N	UK
BENEFITS IN KIND	1970/72	15.4	15.5	20.5	16.3	27.2	20.9	13.7	26.4	13.0
	1972/75	20.0	16.8	17.5	18.7	22.8	17.5	22.2	20.2	22.3
	1970/75	18.2	16.3	18.6	17.7	24.7	18.8	18.7	22.5	18.5
BENEFITS IN CASH	1970/72	14.0	17.1	10.6	11.6	12.7	15.5	13.2	17.8	14.0
	1972/75	21.0	20.1	14.4	18.7	31.9	22.6	18.9	19.7	21.0
	1970/75	18.2	18.9	12.9	15.8	23.8	19.7	16.5	19.0	18.2
TOTAL BENEFITS	1970/72	13.8	16.6	13.5	12.5	17.5	16.9	13.2	19.6	13.8
	1972/75	20.3	19.3	15.1	18.3	28.8	21.2	18.8	20.0	21.4
	1970/75	17.6	18.2	14.5	15.7	24.2	19.5	16.6	19.8	18.3
ADMINISTRA- TIVE AND OTHER COSTS	1970/72	26.4	22.3	13.9	11.2	23.6	32.0	11.1	17.5	11.1
	1972/75	13.6	5.5	14.3	21.3	24.9	25.3	17.7	17.5	20.5
	1970/75	18.6	11.9	14.2	17.2	24.4	27.5	15.0	17.5	16.7
TOTAL EXPENDITURE (excluding transfers)	1970/72	14.6	16.7	13.5	12.4	17.8	18.0	13.2	19.5	13.8
	1972/75	19.8	19.0	15.0	18.1	28.7	21.6	19.4	19.9	21.2
	1970/75	17.7	18.1	14.5	15.8	24.2	20.2	16.8	19.7	18.3

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Denmark and Italy had relatively small increases in the rate of growth between the two periods.

49. Benefits in kind grew at a faster rate than benefits in cash over the whole period, except in certain countries (Belgium, Denmark, Italy). The difference between the rates of increase was particularly noticeable in Germany and the Netherlands.

The trends of administrative and other costs was broadly similar to that of benefits over the period as a whole. The main exceptions were a lower rate in Denmark, where administrative costs did not increase as quickly between 1972 and 1975, and a higher rate in Italy although somewhat less between 1972 and 1975.

b. Expenditure by function

50. Different trends begin to become more apparent when the various functions or purposes of social expenditure are examined, and large changes can be seen in Table 14 for those functions whose importance in total expenditure is relatively low. An examination by each main function reveals the following :

Sickness

The growth rate between 1970 and 1972 was increased in the next period for all countries except Germany and the Netherlands, with little change in Italy. A particularly high increase in the rate of growth occurred between 1972 and 1975 in Denmark, Ireland, Luxembourg and the United Kingdom.

Old age

51. The growth rate over the period as a whole compared to that of sickness benefits varied from country to country. It was about the same rate in Belgium, France and Ireland; lower in Denmark, Germany, Luxembourg and the Netherlands; and higher in Italy and the United Kingdom. All countries have a

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TRENDS IN BENEFITS BY FUNCTION (annual rates)

Table 14

		B	DK	D	F	IR	I	L	N	UK
SICKNESS	1970/72	17.1	16.7	18.1	15.6	18.6	17.4	14.7	22.7	12.8
	1972/75	20.3	21.0	15.9	18.3	26.5	18.6	28.2	19.0	17.9
	1970/75	19.0	19.2	16.7	17.2	23.3	18.1	22.6	20.5	15.9
OLD AGE	1970/72	16.2	14.3	11.4	13.6	17.5	17.9	14.1	15.6	14.7
	1972/75	20.3	19.8	12.5	19.0	27.9	22.3	18.1	17.9	21.3
	1970/75	19.0	17.6	12.1	16.8	23.6	20.5	16.5	16.9	18.6
INVALIDITY	1970/72	5.7	18.3	10.3	6.6	21.7	23.7	12.5	25.9	15.0
	1972/75	22.0	15.9	11.0	23.6	19.9	20.6	13.7	27.1	27.3
	1970/75	15.2	16.9	10.7	16.5	20.6	22.5	13.2	26.6	22.2
EMPLOYMENT INJURY/OCCUPA- TIONAL DISEASE	1970/72	17.0	18.1	13.1	11.6	27.0	9.9	8.8	-	7.0
	1972/75	17.6	3.5	10.2	15.8	25.7	14.0	20.5	-	25.2
	1970/75	17.4	8.8	11.4	14.1	26.3	12.3	15.7	-	17.6
UNEMPLOYMENT	1970/72	23.3	23.6	- 14.9	20.1	16.7	41.3	9.5	35.5	24.1
	1972/75	37.7	37.1	83.0	62.1	44.7	43.5	207.8	33.6	26.4
	1970/75	31.7	31.5	34.7	43.8	32.8	42.6	103.6	34.3	25.5
MATERNITY	1970/72	36.6	19.6	9.0	29.2	238.5	8.0	11.6	17.9	7.3
	1972/75	- 1.4	11.6	9.6	14.8	25.1	16.9	51.2	10.5	22.6
	1970/75	12.9	14.8	9.3	20.4	86.3	13.3	33.8	13.4	16.2
FAMILY BENEFITS	1970/72	7.1	18.9	9.7	6.4	3.4	2.5	10.1	14.7	6.4
	1972/75	16.4	14.3	21.4	15.2	37.1	28.1	11.6	14.7	23.3
	1970/75	12.6	16.1	16.5	11.6	22.4	17.2	10.9	14.7	16.3

higher rate of increase between 1972 and 1975 than between 1970 and 1972, particularly in Denmark, France, Ireland and the United Kingdom.

Invalidity

The trend for this function was a general slower rate of increase in expenditure than for sickness or old age, except in Italy, the Netherlands and the United Kingdom. The rate of increase in the latter two countries was particularly high.

Unemployment

52. The average rate of increase in expenditure devoted to this function between 1970-75 was higher than for any the functions mentioned above in all countries. During the second part of the period, it was considerably higher for certain countries (Germany, France, Luxembourg).

Family benefits

Certain countries shared a much higher rate of growth in the second part of the period than in the first (especially Ireland, Italy and the United Kingdom). Other countries had almost no increase (Luxembourg and the Netherlands) or even a decrease (Denmark) in expenditure on family benefits. It should be reiterated that the data in this first European Social Budget do not include the effect of tax allowances based on family circumstances. As well, maternity benefits are listed separately in table 14.

B) Trends in receipts

a. Type of receipts

53. Total receipts in current prices show a pattern of growth in the years 1970, 1972 and 1975 which was very similar to that of total expenditure, in most countries : in other words, an increasing rate of growth in the latter years corresponding to an increase in inflation. Table 15 shows their development, analysed by the main types of receipts: contributions of employers, employees

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the self-employed and those not considered part of the active working force; finance from Government; and income from capital or other sources.

54. The repartition of receipts by type varies greatly from country to country. Examples of relatively large increases and decreases can be seen in Table 15 for certain types of receipts in certain countries.

55. In most countries, finance from governmental sources (the item "Taxes and government subsidies" in Table 15) has a somewhat higher rate of increase over the period as a whole than receipts from contributions. (The exceptions are France, Ireland and Italy). The differences in these rates of increase for particular countries are not great, except in the case of the Netherlands where government finance increased at a considerably faster rate than contributions. Receipts from capital and other sources increase less rapidly than finance from Government except in France and Italy. Considerable fluctuation in the rate of increase in receipts from capital and other sources occurs within the period, however, for these two countries, as it also does in the case of Germany.

b. Source of receipts

56. The comparison in Table 16 is of interest because the different classification of the various receipts indicates the proportion which flows through the budgets of the State and local authorities (taxes + subsidies + contributions of the State and local authorities as employers) and the proportion contributed by private enterprises or households. The rate of growth over the period 1970-1975 as a whole in receipts via the public sector is greater than social security contributions by employers and households only in Belgium, Denmark, the Netherlands and the United Kingdom. In Germany and France, social security contributions are seen as growing at more or less the same rate, and slightly faster than finance via the Government sector. More emphasis was placed on contributions from employers in certain countries, especially in Ireland and the United Kingdom. In Italy contributions from households rise rapidly in the latter part of the period, whereas in Denmark there is a significant decrease.

TRENDS IN RECEIPTS BY TYPE (annual rates of change)

Table 15

		B	DK	D	F	IR	I	L	N	UK
Employers contributions and direct benefits including :	1970/72	14.0	15.9	14.5	12.2	16.8	16.3	10.5	16.2	13.8
	1972/75	18.3	20.4	13.2	16.7	34.6	20.1	22.9	18.8	20.8
	1970/75	16.6	18.6	13.7	14.9	27.2	18.5	17.8	17.8	17.9
- Enterprises	1970/72	15.4	18.9	16.3	12.0	17.9	15.6	9.9	15.3	12.0
	1972/75	18.0	18.2	13.4	17.4	42.6	20.6	23.5	20.1	22.2
	1970/75	16.9	18.4	14.5	15.2	32.2	18.6	17.9	18.2	18.0
- Government	1970/72	7.4	10.9	10.0	12.6	15.0	19.0	12.3	18.4	18.5
	1972/75	19.9	24.2	12.8	14.8	19.9	17.8	21.1	15.6	17.8
	1970/75	14.7	18.7	11.7	13.9	17.9	18.2	17.5	16.7	18.1
Households including :	1970/72	17.1	19.2	14.9	12.9	25.9	5.5	10.6	18.0	14.5
	1972/75	17.6	- 13.1	13.9	17.0	26.5	23.3	19.7	17.2	14.8
	1970/75	17.4	- 1.4	14.3	15.3	26.3	15.8	16.0	17.5	14.7
- Employees	1970/72	16.7	-	13.4	13.6	25.9	4.2	13.0	17.6	14.5
	1972/75	17.1	-	14.4	18.4	24.6	21.2	19.6	17.7	14.7
	1970/75	16.9	-	14.0	16.5	25.1	14.1	16.9	17.7	14.6
- Self-employed	1970/72	18.4	-	6.6	10.3	-	10.5	- 3.2	19.7	13.5
	1972/75	19.9	-	5.5	12.6	-	33.6	20.0	11.3	13.1
	1970/75	19.4	-	5.9	11.7	-	23.8	10.1	14.6	16.3
- Non-employed	1970/72	82.1	-	16.9	16.8	-	109.6	14.3	22.6	20.2
	1972/75	11.6	-	- 86.5	8.9	∞	3.9	21.6	21.3	4.9
	1970/75	35.8	-	- 52.2	12.0	∞	37.6	18.6	21.8	10.8
Taxes and government subsidies	1970/72	16.4	16.7	10.9	8.8	15.6	11.4	13.2	19.5	15.6
	1972/75	21.6	20.8	17.6	15.2	27.0	13.2	18.6	30.9	22.0
	1970/75	19.5	19.1	14.9	12.6	22.4	12.5	16.4	26.2	19.4
Income from capital and other receipts	1970/72	4.0	14.9	23.3	7.5	17.9	25.8	8.6	19.2	9.0
	1972/75	9.1	16.5	6.7	35.8	22.6	8.8	12.7	21.4	11.4
	1970/75	7.0	15.9	13.0	23.7	20.7	15.1	11.0	20.5	10.5
Total receipts	1970/72	14.8	16.7	13.7	11.8	17.2	14.1	11.2	17.5	14.3
	1972/75	18.7	18.8	14.2	17.0	28.5	18.3	20.0	20.1	19.6
	1970/75	17.2	17.9	14.0	14.9	23.8	16.6	16.4	19.0	17.4

TRENDS IN RECEIPTS BY SOURCE (annual rates)

Table 16

		B	DK	D	F	IR	I	L	N	UK
ENTERPRISES (Employers contributions and direct benefits)	1970/72	15.4	18.9	16.3	12.0	17.9	15.6	9.9	15.3	12.0
	1972/75	18.0	18.2	13.4	17.4	42.6	20.6	23.5	20.1	22.2
	1970/75	16.2	18.4	14.5	15.2	32.2	18.6	17.9	18.2	18.0
GOVERNMENT including :	1970/72	14.4	16.7	10.6	10.9	15.6	13.7	12.9	18.9	16.2
	1972/75	21.3	20.5	12.6	15.0	26.4	14.8	19.2	23.8	21.2
	1970/75	18.5	19.1	11.8	13.3	21.9	14.3	16.7	21.8	19.2
- EMPLOYERS CONTRIBUTIONS	1970/72	7.4	10.9	10.0	12.6	15.0	19.0	12.3	18.4	18.5
	1972/75	19.9	24.2	12.9	14.8	19.9	17.8	21.1	15.6	17.8
	1970/75	14.7	18.7	11.7	13.9	17.9	18.2	17.5	16.7	18.1
- TAXES AND SUBSIDIES	1970/72	16.4	16.7	10.9	8.8	15.6	11.4	13.2	19.5	15.6
	1972/75	21.6	20.8	17.6	15.2	27.0	13.2	18.6	30.9	22.0
	1970/75	19.5	19.1	14.9	12.6	22.4	12.5	16.4	26.2	19.4
HOUSEHOLDS including :	1970/72	17.1	19.2	14.9	12.9	25.9	5.5	10.6	18.0	14.5
	1972/75	17.6	- 13.1	13.9	17.0	26.5	23.3	19.7	17.2	14.8
	1970/75	17.4	- 1.4	14.3	15.3	26.3	15.8	16.0	17.5	14.7
- EMPLOYEES	1970/72	16.7	-	13.4	13.6	25.9	4.2	13.0	17.6	14.5
	1972/75	17.1	-	14.4	18.4	24.6	21.2	19.6	17.7	14.7
	1970/75	16.9	-	14.0	16.5	25.1	14.1	16.9	17.7	14.6
- SELF-EMPLOYED	1970/72	16.4	-	6.6	10.3	-	10.5	- 3.2	19.7	13.5
	1972/75	19.9	-	5.5	12.6	-	33.6	20.0	11.3	18.1
	1970/75	19.4	-	5.9	11.7	-	23.8	10.1	14.6	16.3
- NON-EMPLOYED	1970/72	82.1	-	16.9	16.8	-	109.6	14.3	22.6	20.2
	1972/75	11.5	-	- 66.5	8.9	∞	3.9	21.6	21.3	4.9
	1970/75	35.8	-	- 52.2	12.0	∞	37.6	18.6	21.8	10.8
OTHER SECTORS	1970/72	4.0	14.9	23.3	7.5	17.9	25.8	8.6	19.2	9.0
	1972/75	9.1	16.5	6.7	35.8	22.6	8.8	12.7	21.4	11.4
	1970/75	7.0	15.9	13.0	23.7	20.7	15.3	11.0	20.5	10.5
TOTAL RECEIPTS	1970/72	14.8	16.7	13.7	11.8	17.2	14.1	11.2	17.5	14.3
	1972/75	18.7	18.8	14.2	17.0	28.5	18.3	20.0	20.1	19.6
	1970/75	17.2	17.9	14.0	14.9	23.8	16.6	16.4	19.0	17.4

C) Trends in constant prices

57. The analysis in sections A and B above is given in current prices. When inflation is occurring or is projected to occur at different rates in different countries, then comparisons between countries in terms of growth rates based on nominal values may be misleading. To obtain a comparison in real terms of trends in the social expenditure and receipts, it is necessary to separate changes caused by inflation from changes to other factors.

58. In this first European Social Budget, it has only been possible to attempt in a crude way a comparison of trends due to factors other than inflation. Data was available only on the general consumer price index for each country. No account can be taken of the fact that prices of social services may rise at a different rate from prices in general, or that the people who receive social benefits may have different spending patterns than the general population.

a. Expenditure

Table 17 indicates that the average yearly increase in real terms over the period 1970-1975 ranged from about 5.5 % to 10.5 %, compared to a range of 14.4 % to 24.3 % in nominal terms. If the first part of the period (1970-1972) is compared with the second (1972-1975), then social expenditure in constant prices is shown as having a higher rate of increase in the second part only in France, Ireland and Luxembourg.

b. Receipts

The rate of growth in receipts at constant prices is on the whole lower than that of expenditure, similar to the trend in current prices. Over the period 1970-1975, the annual average rate of increase ranged from 4.3% to 9.9% in constant prices, compared to a range of 12.5% to 24.0% in current prices.

Comparing the first part (1970-1972) of the period with the second (1972-1975), receipts have a higher rate of increase in the second part at constant prices only in Ireland, Luxembourg and the Netherlands.

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TRENDS EXPRESSED IN CONSTANT AND CURRENT PRICES (annual average rates :
percentage increases)

Table 17

		B	DK	D	F	IR	I	L	N	UK
<u>EXPENDITURE</u>										
Constant prices	1970/72	9.2	9.6	8.1	6.3	8.3	11.1	7.9	10.9	5.8
	1972/75	8.4	6.7	7.9	6.6	9.7	5.0	9.7	10.3	5.3
	1970/75	8.7	7.9	8.0	6.5	9.1	7.4	9.0	10.5	5.5
Current prices	1970/72	14.6	16.7	13.5	12.4	17.8	18.0	13.2	19.5	13.8
	1972/75	19.8	19.0	15.0	18.1	28.7	21.6	19.4	19.9	21.2
	1970/75	17.7	18.1	14.4	15.8	24.3	20.2	16.9	19.7	18.2
<u>RECEIPTS</u>										
Constant prices	1970/72	10.9	9.7	7.8	5.8	7.7	7.4	6.0	9.1	6.2
	1972/75	7.4	6.5	7.1	5.6	9.5	2.2	10.3	10.5	3.9
	1970/75	8.8	7.9	7.4	5.7	8.8	4.3	8.6	9.9	4.8
Current prices	1970/72	14.8	16.7	13.7	11.8	17.2	14.1	11.2	17.5	14.3
	1972/75	18.7	18.8	14.2	17.0	28.5	18.3	20.0	20.1	19.6
	1970/75	17.1	18.0	14.0	12.5	24.0	16.6	16.5	19.1	17.5

CHAPTER VCOMPARISON OF EXPENDITURE AND RECEIPTS WITH
NATIONAL INCOME AND GROSS NATIONAL PRODUCT

59. The main results of a comparison between the level of social expenditure and that of the national income or gross national product have already been presented in Chapter III. This chapter discusses the comparison in more detail, as regards the constituent parts of expenditure and receipts. To avoid repetition, the commentary concentrates on the comparison with national income, since the trends in national income were broadly similar to those in gross national product.

A) Expenditure

60. Over the period 1970-1975, the data indicate an increase in the amounts spent via benefits in cash or kind, compared to both national income and the gross national product. (Table 18 gives details of expenditure in cash and in kind as a proportion of national income and Table 19 the same for gross national product).

The rate of increase for social expenditure as a proportion of national income differs greatly according to the country concerned. The highest percentage can be seen in Denmark, Germany, Luxembourg and the Netherlands (above 30 % increase in the share of national income between 1970 and 1975).

TRENDS IN EXPENDITURE AS % OF NATIONAL INCOME

Table 18

	Years	B	DK	D	F	IR	I	L	N	UK
BENEFITS - in kind (1)	1970	4,2	5,8	5,3	5,3	4,7	5,6	3,2	4,8	6,0
	1972	4,6	7,5	6,4	5,7	5,6	6,7	4,2	6,0	6,1
	1975	5,4	8,5	8,1	6,7	6,0	6,7	5,9	7,3	7,1
- in cash (1)	1970	16,4	17,4	20,1	15,0	11,1	14,1	18,4	19,7	13,6
	1972	17,2	19,1	20,5	14,9	10,4	15,3	20,7	21,4	14,0
	1975	20,9	23,6	23,7	17,4	13,8	17,8	26,3	25,8	15,6
TOTAL BENEFITS (2)	1970	21,6	24,2	26,0	22,5	16,0	21,1	22,1	24,5	20,1
	1972	22,6	26,9	27,9	22,7	16,4	23,8	24,9	27,4	20,6
	1975	26,8	32,6	33,0	25,9	20,2	26,0	32,3	33,2	23,2
ADMINISTRATIVE AND OTHER COSTS	1970	1,4	0,7	1,1	1,4	0,6	1,6	0,9	0,9	0,8
	1972	1,8	0,7	1,2	1,4	0,7	2,3	0,9	1,0	0,8
	1975	1,8	0,6	1,3	1,7	0,8	2,8	1,2	1,1	0,8
TOTAL EXPENDITURE (excluding transfers)	1970	23,0	24,9	27,1	23,9	16,6	22,7	23,0	25,4	20,9
	1972	24,4	27,6	29,1	24,1	17,1	26,1	25,8	28,4	21,4
	1975	28,6	33,2	34,3	27,6	21,0	28,8	33,5	34,3	24,0

(1) Excluding miscellaneous benefits

(2) Including " "

TRENDS IN EXPENDITURE AS % OF G.N.P.

Table 19

	Years	B	DK	D	F	IR	I	L	N	UK
BENEFITS (1) - in kind	1970	3,3	5,4	4,1	4,1	3,6	4,5	2,8	3,9	4,6
	1972	3,7	5,9	4,9	4,4	4,3	5,5	3,2	4,8	4,8
	1975	4,3	6,7	6,2	5,1	4,9	5,6	4,5	6,0	5,4
- in cash	1970	12,9	13,5	15,5	11,5	8,6	11,4	13,9	16,0	10,4
	1972	13,8	15,0	15,7	11,5	8,1	12,7	15,6	17,3	10,9
	1975	16,8	18,7	18,2	13,3	11,1	14,9	19,8	21,0	12,0
TOTAL BENEFITS (2)	1970	17,0	19,2	20,1	17,2	12,3	17,2	16,7	20,0	15,4
	1972	18,1	21,1	21,4	17,5	12,7	19,7	18,8	22,2	16,1
	1975	21,6	25,8	25,3	19,9	16,3	21,8	24,4	27,1	17,9
ADMINISTRATIVE AND OTHER COSTS	1970	1,0	0,5	0,8	1,1	0,5	1,3	0,6	0,7	0,6
	1972	1,4	0,6	0,9	1,1	0,6	1,9	0,7	0,8	0,6
	1975	1,4	0,5	1,0	1,3	0,6	2,4	0,9	0,9	0,6
TOTAL EXPENDITURE (excluding transfers)	1970	18,1	19,7	20,9	18,3	12,8	18,5	17,3	20,7	16,0
	1972	19,5	21,7	22,3	18,6	13,3	21,6	19,5	23,0	16,7
	1975	23,0	26,3	26,3	21,2	16,9	24,2	25,3	28,0	18,5

1) Excluding miscellaneous benefits

2) Including " "

a. Benefits by type (in cash or in kind)

61. An examination of the share in national income taken by benefits in cash compared to benefits in kind indicates that the former were predominant during the period studied.

In certain countries, however, a greater rate of increase in the importance of benefits in kind occurred than for benefits in cash, especially in Germany. (An increase in the share of the German national income equivalent to benefits in kind from 5.3% in 1970 to 8.1% in 1975, while cash benefits increased their share from 20.1% in 1970 to 23.7% in 1975). Tables 18 and 19 show the picture in more detail, with reference to national income and gross national product respectively.

b. Benefits by function (Tables 20 - 21)

62. For old age benefits (including death and survivors), the period 1970-1975 was one in which their development was such that they were estimated to be equivalent to at least 10% of the national income at the end of the period, for all countries except Ireland and Italy. The highest proportion in relation to national income in 1975 was almost 18%, for Luxembourg.

The second most important benefit in terms of its size as a proportion of national income was sickness benefit. It too amounted to around 10% of this economic aggregate in certain countries: Denmark, Germany and the Netherlands. An attempt can be made to look at total spending on health as a proportion of national income by adding together benefits for sickness, invalidity and employment injuries or diseases. According to this measure, three countries were estimated to spend the equivalent of around 14 % of their national incomes in this way in 1975 (Denmark, Germany and the Netherlands) while at the other end of the scale three countries spent around 8% in this way (France, Ireland and the United Kingdom).

TRENDS IN BENEFITS AS % OF NATIONAL INCOME

Table 20

	Years	B	DK	D	F	IR	I	L	M	UK
Sickness	1970	4.7	7.0	7.1	5.7	4.6	5.6	3.9	7.4	5.4
	1972	5.2	7.7	8.2	6.1	4.8	6.3	4.4	8.7	5.4
	1975	6.2	9.7	9.9	7.0	5.6	6.5	7.1	10.2	5.6
Old age	1970	8.0	8.7	11.6	8.5	5.9	7.3	12.4	10.0	9.4
	1972	8.8	9.4	12.0	8.7	6.0	8.4	14.2	10.5	9.8
	1975	10.5	11.5	13.3	10.3	7.3	9.5	17.8	12.0	11.0
Invalidity	1970	1.9	3.0	2.3	0.3	1.6	3.0	1.6	2.9	1.6
	1972	1.7	3.5	2.4	0.3	1.7	3.8	1.8	3.6	1.6
	1975	2.2	3.9	2.5	0.4	1.7	4.1	2.0	5.2	2.1
Employment injury - occupational disease	1970	1.0	0.4	1.4	1.0	0.1	0.8	1.5	-	0.3
	1972	1.1	0.4	1.5	1.0	0.1	0.8	1.6	-	0.3
	1975	1.2	0.3	1.6	1.1	0.1	0.7	2.1	-	0.3
Unemployment	1970	1.0	0.7	0.4	0.2	0.9	0.2	0.0	0.8	0.9
	1972	1.2	0.9	0.2	0.3	0.9	0.4	0.0	1.1	1.1
	1975	2.1	1.7	1.1	0.7	1.6	0.7	0.1	1.9	1.3
Maternity	1970	0.2	0.3	0.3	0.3	0.0	0.4	0.1	0.1	0.4
	1972	0.2	0.4	0.3	0.3	0.4	0.4	0.1	0.1	0.4
	1975	0.2	0.4	0.3	0.4	0.4	0.4	0.2	0.1	0.5
Family benefits	1970	3.9	3.7	2.3	4.3	2.7	2.3	2.6	3.3	1.7
	1972	3.6	4.2	2.3	3.9	2.1	2.0	2.7	3.4	1.5
	1975	3.9	4.5	3.2	4.2	3.1	2.6	2.9	3.6	1.8
Miscellaneous	1970	0.9	0.4	0.6	2.2	0.2	1.5	0.1	0.0	0.4
	1972	0.8	0.4	1.0	2.1	0.4	1.7	0.1	0.0	0.5
	1975	0.5	0.6	1.1	1.8	0.4	1.5	0.1	0.2	0.6
Total benefits	1970	21.6	24.2	26.0	22.5	16.0	21.1	22.1	24.5	20.1
	1972	22.6	26.9	27.9	22.7	16.4	23.8	24.9	27.4	20.6
	1975	26.8	32.6	33.0	25.9	20.2	26.0	32.3	33.2	23.2

TRENDS IN BENEFITS AS % OF G.N.P.

Table 21

	Years	B	DK	D	F	IR	I	L	N	UK
Sickness	1970	3.7	5.5	5.5	4.4	3.5	4.5	2.9	6.0	4.1
	1972	4.2	6.1	6.3	4.7	3.7	5.2	3.4	7.0	4.2
	1975	5.0	7.7	7.6	5.4	4.5	5.5	5.4	8.4	4.3
Old age	1970	6.3	7.0	9.0	6.5	4.5	6.0	9.4	8.2	7.2
	1972	7.0	7.3	9.2	6.7	4.7	7.0	10.7	8.5	7.6
	1975	8.5	9.1	10.2	7.9	5.9	7.9	13.4	9.8	8.5
Invalidity	1970	1.5	2.4	1.8	0.2	1.2	2.4	1.2	2.4	1.2
	1972	1.4	2.8	1.8	0.2	1.3	3.1	1.3	2.9	1.3
	1975	1.7	3.1	1.9	0.3	1.4	3.4	1.5	4.2	1.6
Employment injury - occupational disease	1970	0.7	0.3	1.1	0.8	0.1	0.6	1.1	-	0.2
	1972	0.8	0.3	1.2	0.8	0.1	0.7	1.2	-	0.2
	1975	0.9	0.2	1.2	0.8	0.1	0.6	1.6	-	0.3
Unemployment	1970	0.8	0.6	0.3	0.2	0.7	0.2	0.0	0.6	0.7
	1972	1.0	0.7	0.2	0.2	0.7	0.3	0.0	0.9	0.8
	1975	1.7	1.3	0.9	0.6	1.3	0.6	0.1	1.6	1.0
Maternity	1970	0.1	0.2	0.2	0.2	0.0	0.4	0.1	0.1	0.3
	1972	0.2	0.3	0.2	0.3	0.3	0.3	0.1	0.1	0.3
	1975	0.1	0.3	0.2	0.3	0.3	0.3	0.1	0.1	0.4
Family benefits	1970	3.1	2.9	1.7	3.3	2.1	1.9	1.9	2.7	1.3
	1972	2.9	3.3	1.7	3.0	1.6	1.7	2.0	2.8	1.2
	1975	3.2	3.6	2.4	3.2	2.5	2.2	2.2	2.9	1.4
Miscellaneous	1970	0.8	0.3	0.5	1.6	0.2	1.2	0.1	0.0	0.3
	1972	0.6	0.3	0.8	1.6	0.3	1.4	0.1	0.0	0.4
	1975	0.5	0.5	0.9	1.4	0.3	1.3	0.1	0.1	0.4
Total benefits	1970	17.0	19.2	20.1	17.2	12.3	17.2	16.7	20.0	15.4
	1972	18.1	21.1	21.4	17.5	12.7	19.7	18.8	22.2	16.1
	1975	21.6	25.8	25.3	19.9	16.3	21.8	24.4	27.1	17.9

63. Unemployment benefits account for a relatively small proportion of national income. They did, however, show the most change between the years 1970 and 1975, at least doubling their share in most cases.

A note of caution should be sounded here, since there may not be in effect an exact delimitation between benefits given under the headings of old age pensions, invalidity and unemployment. For example, a proportion of old people who are invalids or unemployed may in reality be regarded as having finished their working lives before the official retiring age. The influence of such factors may well vary from country to country, further complicating the task of making international comparisons.

Family benefits showed a slight increase over the period, as a proportion of national income, for most countries.

B) Receipts

64. As a percentage of national income, total receipts in most countries show a very similar pattern to total expenditure, with receipts having a slightly higher figure (comparison of tables 20 and 22). The Netherlands is noteworthy for having a much higher percentage for receipts than for expenditure, in this comparison with the level of national income.

Receipts have increased at a faster rate than national income over the period, and thus the figures in Tables 22 and 23 are higher in 1975 than in 1970. This was not so for every type of receipts : taxes in France and

TRENDS IN RECEIPTS AS % OF NATIONAL INCOME

Table 22

	Years	B	DK	D	F	IR	I	L	N	UK
EMPLOYERS CONTRIBUTIONS AND DIRECT BENEFITS including :	1970	11.2	2.7	12.8	16.4	3.2	13.0	9.3	14.0	8.2
	1972	11.8	2.9	14.0	16.5	3.3	14.5	10.0	14.8	8.4
	1975	13.4	3.6	15.7	18.3	4.6	15.4	14.2	17.4	9.4
- ENTERPRISES	1970	9.3	1.6	9.1	12.3	1.9	10.6	7.0	10.2	5.9
	1972	10.0	1.9	10.2	12.4	2.0	11.7	7.4	10.6	5.9
	1975	11.3	2.2	11.5	13.9	3.3	12.6	10.7	12.9	6.8
- GOVERNMENT	1970	1.9	1.0	3.7	4.1	1.3	2.4	2.3	3.8	2.3
	1972	1.8	1.0	3.8	4.1	1.3	2.8	2.6	4.2	2.5
	1975	2.1	1.4	4.2	4.4	1.3	2.8	3.5	4.5	2.6
HOUSEHOLDS including :	1970	5.1	1.8	7.0	5.0	2.1	3.7	6.4	11.5	4.4
	1972	5.6	2.1	7.4	5.1	2.4	3.4	6.8	12.5	4.6
	1975	6.2	1.0	8.5	5.7	2.9	3.9	8.9	14.0	4.4
- EMPLOYEES	1970	4.3	-	6.8	3.8	2.1	3.1	5.3	9.8	4.2
	1972	4.6	-	7.2	3.9	2.4	2.8	5.9	10.6	4.3
	1975	5.1	-	8.4	4.5	2.8	3.1	7.7	12.1	4.1
-- SELF-EMPLOYED	1970	0.8	-	0.1	1.1	-	0.5	1.0	1.2	0.2
	1972	0.9	-	0.1	1.1	-	0.6	0.8	1.4	0.3
	1975	1.1	-	0.1	1.1	-	0.8	1.1	1.3	0.3
- NON-EMPLOYED	1970	0.0	-	0.1	0.1	-	0.1	0.1	0.5	0.0
	1972	0.0	-	0.1	0.1	-	0.0	0.1	0.5	0.0
	1975	0.0	-	0.0	0.1	0.1	0.0	0.1	0.6	0.0
TAXES AND GOVERNMENT SUBSIDIES	1970	6.6	21.0	7.2	3.2	11.4	5.6	7.7	3.8	9.3
	1972	7.2	23.4	7.4	3.0	11.3	5.7	8.6	4.2	9.9
	1975	8.9	29.3	9.4	3.2	13.3	5.1	10.9	6.7	11.2
INCOME FROM CAPITAL AND OTHER RECEIPTS	1970	1.2	0.8	1.2	0.5	0.1	1.3	2.3	2.7	2.1
	1972	1.1	0.8	1.5	0.4	0.1	1.7	2.4	3.0	2.0
	1975	0.9	1.0	1.4	0.7	0.1	1.4	2.6	3.8	1.7
TOTAL RECEIPTS	1970	24.1	26.2	28.2	25.1	16.8	23.6	25.7	32.0	24.1
	1972	25.7	29.2	30.3	25.0	17.1	25.3	27.8	34.5	24.9
	1975	29.4	34.9	35.0	27.9	20.9	25.8	36.6	41.9	26.8

TRENDS IN RECEIPTS AS % OF G.N.P.

Table 23

	Years	B	DK	D	F	IR	I	L	N	UK
EMPLOYERS CONTRIBUTIONS AND DIRECT BENEFITS including :	1970	8,8	2,1	9,9	12,6	2,5	10,6	7,0	11,3	6,3
	1972	9,5	2,3	10,7	12,7	2,5	12,0	7,5	12,0	6,6
	1975	10,8	2,9	12,0	14,0	2,7	13,0	10,7	14,3	7,2
- ENTERPRISES	1970	7,3	1,3	7,0	9,4	1,5	8,6	5,3	8,2	4,5
	1972	8,1	1,5	7,8	9,5	1,5	9,7	5,6	8,6	4,6
	1975	9,1	1,8	8,8	10,7	2,7	10,6	8,1	10,5	5,2
- GOVERNMENT	1970	1,5	0,8	2,9	3,2	1,0	2,0	1,7	3,1	1,8
	1972	1,4	0,8	2,9	3,2	1,0	2,3	1,9	3,4	2,0
	1975	1,7	1,1	3,2	3,3	1,0	2,4	2,6	3,8	2,0
HOUSEHOLDS including :	1970	4,0	1,4	5,4	3,8	1,6	3,0	4,8	9,4	3,4
	1972	4,5	1,6	5,8	3,9	1,9	2,8	5,1	10,1	3,6
	1975	5,0	0,8	6,5	4,3	2,3	3,3	6,7	11,5	3,4
- EMPLOYEES	1970	3,4	-	5,3	2,9	1,6	2,6	4,0	8,0	3,2
	1972	3,8	-	5,6	3,0	1,9	2,3	4,4	8,6	3,4
	1975	4,1	-	6,4	3,4	2,2	2,6	5,8	9,9	3,2
- SELF-EMPLOYED	1970	0,6	-	0,1	0,8	-	0,4	0,8	1,0	0,2
	1972	0,7	-	0,1	0,8	-	0,5	0,6	1,0	0,2
	1975	0,9	-	0,1	0,8	-	0,7	0,8	1,1	0,2
- NON-EMPLOYED	1970	0,0	-	0,0	0,1	-	0,0	0,0	0,4	0,0
	1972	0,0	-	0,1	0,1	-	0,0	0,1	0,4	0,0
	1975	0,0	-	0,0	0,1	0,1	0,0	0,1	0,5	0,0
TAXES AND GOVERNMENT SUBSIDIES	1970	5,3	16,6	5,6	2,5	8,8	4,6	5,8	3,1	7,2
	1972	5,8	18,3	5,7	2,3	8,8	4,8	6,5	3,4	7,7
	1975	7,1	23,2	7,2	2,5	10,7	4,3	8,3	5,4	8,7
INCOME FROM CAPITAL AND OTHER RECEIPTS	1970	0,9	0,6	0,9	0,3	0,1	1,1	1,7	2,2	1,6
	1972	0,8	0,7	1,1	0,3	0,1	1,4	1,8	2,4	1,6
	1975	0,8	0,7	1,1	0,6	0,1	1,2	1,9	3,1	1,3
TOTAL RECEIPTS	1970	19,0	20,7	21,8	19,2	13,0	19,3	19,3	26,0	18,5
	1972	20,6	22,9	23,3	19,3	13,3	21,0	20,9	28,0	19,4
	1975	23,7	27,6	26,8	21,4	16,8	21,8	27,6	34,3	20,5

Italy, employee contributions in Denmark and the United Kingdom, income from capital or other sources in Belgium and the United Kingdom. (Table 23 contains percentages related to the gross national product).

65. A different slant on the data can be provided by comparing the part played by State finance (including contributions as an employer) and that played by contributions from employers and employees, expressed as a percentage of the national income.

Table 24

	Years	B	DK	D	F	IR	I	L	N	UK
1. State and local authorities (taxes and subsidies, contributions as employer)	1970	8.5	22.0	10.9	7.3	12.7	8.0	10.0	7.6	11.6
	1972	9.0	24.4	11.2	7.1	12.6	8.5	11.2	8.4	12.4
	1975	11.0	30.7	13.6	7.6	14.6	7.9	14.4	11.2	13.8
2. Contributions of private and other employers, employees and the self-employed	1970	14.4	3.4	16.1	17.3	4.0	14.3	13.4	21.7	10.3
	1972	15.6	4.0	17.6	17.5	4.4	15.1	14.2	23.1	10.5
	1975	17.5	3.2	20.0	19.6	6.2	16.5	19.6	26.9	11.2

The above table indicates the importance and often the growth of State financing compared to contributions. It illustrates, too, that even in those countries where benefits are equivalent to a high percentage of national income, such as Denmark and the Netherland, the structure of finance can be very different.

CHAPTER VI

CONCLUDING REMARKS

I. 66. The social policies of the Member States particularly in the field of Social protection may often develop differently as a consequence of national situations, in which social problems are not the same everywhere nor felt to the same intensity, nor are they necessarily tackled in the same fashion.

The primary objective of the European Social Budget is therefore to provide a more complete acquaintance with these policies and with their development, so that the national and community authorities will be able to promote social progress in line with economic co-operation among the Member States.

67. Since it gives only a partial view of these policies, the first Social Budget cannot claim to be more than a step towards the realisation of the above objective.

a. It only covers, in fact, the follow sectors : social security, aid to victims of political events or natural catastrophies, and other social action. A more widely-based policy of social protection would cover, for example, subsidised housing, vocational training, and even, in certain countries, the whole of education.

As well, the Social Budget takes into account only the current expenditure. Policies affecting the above sectors can equally be carried out via capital expenditure, particularly in the provision of community facilities (hospitals, retirement houses, crèches, workshops for the handicapped, etc.)

68. The family policies of the Member States cannot be compared only by looking at family allowances without at the same time taking into account tax allowances for dependants as well as services, as is the case in several countries.

Health policy, too, cannot be judged without considering the cost of facilities and equipment for the exercise of medicine and prevention (Denmark and the United Kingdom).

69. It would also seem opportune to mention the question of the economic incidence of policies of social protection and their administration, which affect production, consumption, public finance, the demand for and supply of labour and its state of health, demographic development, community savings, and competition.

70. b. The projections in the Social Budget were established on the assumption of constant legislation, giving an indication of the situation which could occur if no changes occurred in the existing decisions or orientations determining social protection, the development being solely the result of natural or economic factors. In view of the fact that the trend of social legislation has been one of improvement and extension, any evaluation on the basis of constant legislation constitutes a minimal estimate for the sectors covered. One illustration of this is the great difference in the data for 1975 given by each of the versions of the European Social Budget. This difference is due in particular to the legislative changes occurring in 1974 and the beginning of 1975. This difference can also be explained by the fact that the economic assumptions were more in line with the actual development of the economy.

II.

71. The first European Social Budget thus provides a partial picture taken at one point in time of social protection and its development in the Member States. It does, however, bring out the characteristics of national policies of social protection, and a short resumé of the most important points mentioned in preceding chapters will now be given.

A) Expenditure

72. It can be seen, firstly, that for all countries social expenditure (in current prices) increases faster than national income. Table 25 below illustrates this trend, already present in years previous to those covered by the present Social Budget. It should be remembered that during 1973-1975, two other factors played a part : the decrease, stagnation or slower increase in the national income for the Member States on the one hand, and the steep increase in expenditure due to unemployment on the other hand.

Social expenditure and national income (in annual average rates)

Table 25

Social expenditure	B	DK	D	F	IR	I	L	N	UK
1970-1972	14.6	16.7	13.5	12.4	17.8	18.0	13.2	19.5	13.8
1973-1975	19.8	19.0	15.0	18.1	28.7	21.6	19.4	19.9	21.2
1970-1975	17.7	18.1	14.5	15.8	24.2	20.2	16.8	19.7	18.3
National income									
1970-1972	11.2	10.6	9.6	11.8	16.2	10.3	6.9	13.0	12.4
1973-1975	13.6	12.0	8.9	12.8	20.2	15.1	9.5	12.5	16.6
1970-1975	12.7	11.4	9.2	12.4	18.6	14.6	8.4	12.7	14.9

Although each country's trends have been in line with the general characteristics and fundamental choices embodied in their own legislation, it is nevertheless possible to observe tendencies common to all countries, as concerns the size of the proportion of national income (or of the gross national product) devoted to types of benefit. In particular, there is a continued growth of benefits in kind and sickness benefits. The same trend can be discerned for old age benefits, whereas family benefits seem either to remain stable or increase (Table 26).

Benefits as a percentage of the National Income

Table 26

		B	DK	D	F	IR	I	L	N	UK
Benefits (1)										
in kind	1970	4.2	6.8	5.3	5.3	4.7	5.6	3.2	4.8	6.0
	1972	4.6	7.5	6.4	5.7	5.6	6.7	4.2	6.0	6.1
	1975	5.4	8.5	8.1	6.7	6.0	6.7	5.9	7.3	7.1
Old age	1970	8.0	8.7	11.6	8.5	5.9	7.3	12.4	10.0	9.4
	1972	8.8	9.4	12.0	8.7	6.0	8.4	14.2	10.5	9.8
	1975	10.5	11.5	13.3	10.3	7.3	9.5	17.8	12.0	11.0
Family Benefits	1970	3.9	3.7	2.3	4.3	2.7	2.3	2.6	3.3	1.7
	1972	3.6	4.2	2.3	3.9	2.1	2.0	2.7	3.4	1.5
	1975	3.9	4.5	3.2	4.2	3.1	2.6	2.9	3.6	1.8

(1) Excluding 'miscellaneous' benefits.

73. A greater effort is put into old age provisions in Germany, Italy (if it is borne in mind that a large part of the expenditure on invalidity is destined for the elderly), Luxembourg and the Netherlands. As regards family benefits, Belgium, Denmark, France and the Netherlands devote a higher percentage of national income than in other countries.

Finally, 1975 has seen a great increase in expenditure for unemployment, a consequence of the economic recession, as illustrated in the Table below.

Unemployment expenditure in 1975

Table 27

Country	In units of account	As % of the National Income
B	797 742 503	2.1
DK	357 218 263	1.7
D	2 926 086 956	1.1
F	1 438 254 570	0.7
IR	82 776 831	1.6
I	763 213 542	0.7
L	1 438 641	0.1
N	969 299 552	1.9
UK	1 816 013 628	1.3

74. The demographic development over the period 1970 to 1975 is characterized by a more rapid increase in the population aged over 65 than in the working or the total population. Certain countries seem even to experience a reduction in their working population (Table 28).

Demographic development 1970 to 1975 (in indices)Table 28

	B	DK	D	F	IR	I	L	N	UK
TOTAL POPULATION	101.6	103.0	101.7	105.2	104.6	102.9	105.1	102.0	100.5
WORKING POPULATION	103.5	102.1	99.6	106.0	101.1	99.8	108.4	99.9	100.2
POPULATION AGED 65 OR OVER	104.4	112.2	115.1	108.5	104.3	113.6	109.5	110.2	109.4

Although the influence of demographic factors is often masked by other influences on expenditure, it is likely that the above developments tend to increase expenditure, particularly for old age, with the resulting costs being spread over a relatively smaller number of contributors.

B) Receipts

75. In examining receipts, it can be seen that national decisions on the nature of sources of finance are not subject to significant modification during the period 1970 to 1975 (see Table 29).

The countries can be classified into three groups according to the importance of State subsidies in total receipts. Their role is small in France and the Netherlands, larger in Belgium, Germany, Italy, Luxembourg and the United Kingdom, with the largest part occurring in Ireland and Denmark. (The United Kingdom is somewhat between the two latter positions).

Taxes and public subsidies (as a % of total receipts)

Table 29

		B	DK	D	F	IR	I	L	N	UK
TAXES AND PUBLIC										
SUBSIDIES	1970	27.3	80.1	25.8	12.8	67.5	23.7	29.9	11.9	38.7
	1972	28.0	80.0	24.6	12.1	65.8	22.6	31.0	12.3	39.7
	1975	30.0	84.1	26.8	11.6	63.6	19.8	30.0	15.9	42.1

Income from capital plays a negligible part except in Luxembourg, the Netherlands and the United Kingdom.

76. If contributions from the State and local authorities acting as employees are brought into the reckoning, this division by groups can still be seen. It should be noted in this connection that any judgement on the incidence of social contributions on the economy should take account of the high proportion of these contributions which pass through the budgets of the State and local authorities (see Table 30).

Receipts from the State and local authorities (as a % of total receipts)

Table 30

		B	DK	D	F	IR	I	L	N	UK
STATE AND LOCAL										
AUTHORITIES	1970	35.3	83.9	39.0	29.1	75.3	33.9	39.0	23.9	48.3
	1972	35.0	83.5	37.0	28.6	73.3	33.7	40.3	24.5	50.0
	1975	37.3	88.1	38.8	27.2	69.7	30.7	39.5	26.8	51.9

77. Without wishing to take a position, at this stage, on the different views on the economic significance of combining two types of deductions - social and fiscal - it may be useful to provide an indication of the 'burden' placed on enterprises or physical persons by the total of such deductions, in 1970 and 1972. The data relating to tax deductions are for both the State and local authorities (1). Table 35 gives the percentage of the gross national product equivalent to this contribution.

Table 31

	B	DK	D	F	IR	I	L	N	UK
<u>1970</u>									
1. <u>Tax deductions:</u>	24.9	35.8	23.4	22.7	28.9	18.4	22.7	25.9	32.8
2. <u>Contributions of households and enterprises:</u>	10.9	1.9	10.8	13.1	2.6	11.6	9.7	14.6	5.3
(1)									
TOTAL :	35.8	37.7	34.2	35.8	31.5	30.0	32.3	40.5	38.0
<u>1972</u>									
1. <u>Tax deductions:</u>	25.5	40.8	23.9	22.2	29.1	18.7	26.1	27.6	29.2
2. <u>Contributions of households and enterprises:</u>	11.7	2.0	11.7	13.4	2.9	12.2	10.8	15.5	5.4
(1)									
TOTAL	37.2	42.8	35.5	35.6	32.0	30.9	36.9	43.1	34.6
(1) Other than State.									

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(1) Extracted from "Tax Statistics 1974" published by the Statistical Office of the Communities.

The preceding table should be interpreted with caution since the determination of the amount of total deductions in each country requires a more complete study, as does the incidence of this deduction, taking account of its distribution by taxation categories and by the origin of receipts for social protection.

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EXPENDITURE (in millions of national currency units)

APPENDIX I

		B	DK (1)	D	F	IR (1)	I	L	N	UK (1)	
SICKNESS	- in kind	1970	40 331.0	5 255.4	24 058	30 653	45.07	2 216 690	1 280.5	4 100	1 551
		1972	54 317.4	7 036.7	35 382	41 513	70.00	3 286 914	1 669.2	6 535	1 992
		1975	93 737.4	11 360.0	58 299	69 685	134.61	5 478 388	3 091.4	11 249	3 260
	- in cash	1970	7 694.3	1 222.4	13 399	4 615	14.08	402 929	198.0	2 779	577
		1972	11 540.9	1 785.0	16 852	5 615	13.15	326 583	277.5	3 621	718
		1975	20 833.9	4 230.0	22 931	8 386	33.69	563 085	1 008.2	6 209	1 181
OLD AGE	1970	81 652.3	8 195.6	61 553	52 537	76.01	3 459 606	4 776.6	9 388	3 717	
	1972	110 211.8	10 704.1	76 363	67 819	104.56	4 813 405	6 217.4	12 535	4 886	
	1975	195 128.0	18 399.0	108 777	114 340	219.44	8 809 063	10 232.7	20 514	8 709	
INVALIDITY	- in kind	1970	-	979.4	1 703	-	15.26	183 909	94.1	307	335
		1972	1 250.0	1 332.9	2 138	-	21.66	296 658	115.0	528	435
		1975	2 307.2	2 020.0	3 438	-	36.96	374 791	150.7	1 073	860
	- in cash	1970	19 692.0	1 895.1	10 578	1 888	4.91	1 223 593	516.2	2 415	284
		1972	20 758.7	2 687.3	12 814	2 147	8.72	1 859 044	657.3	3 785	384
		1975	27 701.0	4 245.0	17 015	4 050	14.57	3 509 310	983.9	7 775	828
EMPL. INJURY DCCU. DISEA- SE	- in kind	1970	1 294.3	24.9	1 895	977	-	74 426	48.5	-	10
		1972	954.5	35.4	2 771	1 204	0.02	92 216	57.0	-	12
		1975	1 713.0	55.0	3 582	2 024	-	130 443	99.8	-	55
	- in cash	1970	8 357.8	308.2	5 790	5 510	0.88	289 073	534.9	-	107
		1972	12 252.9	428.7	7 056	6 877	1.40	347 188	631.9	-	122
		1975	19 765.0	453.0	9 574	10 515	2.82	520 819	1 102.2	-	207
UNEMPLOYMENT	1970	9 775.5	686.2	2 124	1 359	11.75	113 925	2.0	744	343	
	1972	14 863.0	1 051.4	1 537	1 962	16.00	226 321	2.4	1 365	528	
	1975	38 767.1	2 707.0	9 422	8 339	48.59	668 066	70.0	3 252	1 066	
MATERNITY	- in kind	1970	1 604.1	117.1	553	1 168	4.06	141 769	15.3	77	129
		1972	1 044.9	111.7	670	1 616	5.56	152 240	17.9	100	153
		1975	1 692.1	114.0	1 044	2 352	10.52	229 541	53.2	121	310
	- in cash	1970	-	177.4	797	437	0.56	60 951	5.2	41	42
		1972	1 946.5	309.4	936	1 063	0.86	84 429	7.6	54	44
		1975	1 256.8	472.0	1 064	1 707	2.05	149 128	34.9	109	53
FAMILY BENEFITS	1970	39 984.6	3 403.1	12 019	26 836	30.68	1 077 718	980.8	3 085	667	
	1972	45 846.0	4 811.1	14 452	30 391	37.10	1 133 789	1 187.4	4 058	756	
	1975	72 394.6	7 180.0	25 810	46 477	95.48	2 385 326	1 650.6	6 121	1 415	
MISCELLANEOUS	1970	9 732.5	343.7	3 269	13 368	2.90	700 833	52.5	22	175	
	1972	10 165.9	440.7	6 585	16 038	5.98	983 707	61.4	34	259	
	1975	10 781.3	940.0	9 416	20 601	10.75	1 426 734	63.6	281	445	
ADMINISTRATIVE AND OTHER COSTS	1970	13 832.8	545.5	5 624	8 632	8.04	773 306	332.3	839	307	
	1972	22 086.7	816.4	7 301	10 679	12.78	1 327 590	410.4	1 158	379	
	1975	32 399.4	958	10 912	19 072	23.94	2 611 571	669.4	1 877	664	
TRANSFERS	1970	95.5	-	-	6 209	53.21	960 475	375.6	487	49	
	1972	2 257.6	-	-	8 529	78.63	1 496 149	502.6	721	79	
	1975	752.4	-	-	18 998	191.48	1 271 380	1 182.9	1 907	59	
TOTAL EXPENDITURE	1970	234 041.7	23 157.0	143 363	154 189	267.41	11 679 143	9 212.5	24 284	9 295	
	1972	303 496.8	31 550.8	184 857	196 463	376.12	16 426 323	11 818.0	34 706	11 913	
	1975	529 229.2	53 153.0	281 284	326 545	824.90	28 127 645	20 428.5	60 479	19 745	

(1) The financial year begins on April 1st. For Ireland it began on January 1st. since 1975.

RECEIPTS (in millions of national currency units)

		B	DK (1)	D	F	IR (1)	I	L	N	UK (1)		
ENTERPRISES: EMPLOYERS CONTRIBUTIONS	1970	93 452.2	1 195.4	30 863	70 275	22.74	4 909 638	2 467.9	9 231	1 974		
	1972	123 230.6	1 960.6	43 297	90 736	31.34	6 572 516	3 149.2	12 297	2 501		
	1975	202 004.7	1 866.0	64 900	145 511	94.31	11 583 992	5 639.7	21 356	4 597		
	EMPLOYERS DIRECT BENEFITS	1970	1 571.4	334.0	17 097	6 105	2.20	101 889	222.2	314	363	
		1972	3 308.5	400.0	21 523	5 157	3.34	130 818	101.0	394	428	
		1975	5 831.3	170.0	29 464	9 491	6.32	188 015	489.1	606	741	
GOVERNMENTS :	1970	1 501.9	-	4 268	5 995	-	361 146	309.1	2 029	458		
	- EMPLOYERS CONTRIBUTIONS	1972	3 062.8	-	5 925	8 551	0.18	666 496	383.5	2 848	653	
		1975	6 427.0	-	9 587	13 770	-	1 140 492	634.9	4 347	1 209	
	- EMPLOYERS DIRECT BENEFITS	1970	18 246.3	940.7	15 463	19 288	16.90	775 404	584.6	1 574	453	
		1972	19 725.3	1 157.7	17 952	23 489	22.18	942 135	743.6	2 197	625	
		1975	32 856.0	2 215.0	24 669	34 657	38.56	1 488 110	1 365.0	3 450	880	
	- TAXES AND GOVERNMENT SUBSIDIES	1970	67 219.9	19 571.2	38 470	19 863	146.60	2 646 672	2 944.7	3 554	3 687	
		1972	91 024.5	26 641.7	47 344	23 493	195.95	3 283 083	3 767.6	5 071	4 925	
		1975	163 864.6	46 928.0	76 880	35 952	401.84	4 765 973	6 291.6	11 375	8 949	
	HOUSEHOLDS	- EMPLOYEES CONTRIBUTIONS	1970	43 493.5	-	35 850	23 272	27.01	1 489 864	2 023.1	9 195	1 642
			1972	59 203.9	-	46 132	30 030	42.78	1 618 016	2 581.9	12 720	2 153
			1975	95 091.0	-	69 010	49 355	82.73	2 883 479	4 421.4	20 716	3 248
- CONTRIBUTIONS OF SELF-EMPLOYED		1970	8 345.3	1 670.7	630	6 982	-	259 259	389.6	1 128	97	
		1972	11 701.8	2 371.5	716	8 489	-	316 674	365.0	1 615	125	
		1975	20 206.5	1 554.0	839	12 124	-	755 816	631.1	2 225	206	
- CONTRIBUTIONS OF NON-EMPLOYED		1970	77.0	-	319	699	-	3 411	25.7	404	9	
		1972	256.0	-	436	972	-	15 004	33.6	607	13	
		1975	356.0	-	8	1 255	3.79	16 823	60.4	1 082	15	
INCOME FROM CAPITAL AND OTHER RECEIPTS		1970	12 259.8	732.1	6 261	2 810	1.62	529 102	875.8	2 520	838	
		1972	13 261.6	965.2	9 512	3 249	2.25	996 047	1 033.7	3 579	996	
		1975	17 206.2	1 527.0	11 542	8 144	4.15	1 283 384	1 478.3	6 403	1 376	
TRANSFERS	1970	233.8	-	-	6 225	52.77	916 989	373.8	487	49		
	1972	2 323.6	-	-	8 529	79.26	716 442	504.3	721	78		
	1975	666.9	-	-	18 998	192.10	1 117 530	1 122.5	1 907	51		
TOTAL RECEIPTS	1970	246 401.1	24 444.1	149 221	161 528	269.84	12 093 374	10 215.9	30 426	9 570		
	1972	327 098.6	33 296.7	192 837	202 695	377.28	15 257 731	12 663.4	42 049	12 499		
	1975	544 510.2	55 790.0	286 959	329 757	823.80	25 224 614	22 134.0	73 467	21 272		

(1) The financial year begins on April 1st. For Ireland it began on January 1st. since 1975.

APPENDIX III

A) NATIONAL INCOME (Net national product at factor costs) (in thousand million national currency units)

Years	B	DK	D	F	IR	I	L	N	UK
1970	1 019.0	93.151	529.2	619.666	1.2897	47 086	38.369	93.7	39.530
1972	1 261.4	113.920	635.7	774.9	1.7405	57 258	43.803	119.7	49.933
1975	1 849.9	160.000	820.5	1 112.0	3.020	93 151	57.401	170.6	79.250

B) GROSS NATIONAL PRODUCT (Gross national product at market prices) (in thousand million national currency units)

Years	B	DK	D	F	IR	I	L	N	UK
1970	1 291.8	117.797	685.6	809.170	1.6696	57 937	51.046	115.0	51.516
1972	1 575.4	145.583	828.8	1 007.122	2.2421	69 026	58.135	147.8	64.058
1975	2 296.8	201.630	1 069.5	1 451.591	3.750	111 042	76.064	208.9	102.850

C) VALUE OF THE UNIT OF ACCOUNT IN NATIONAL CURRENCY (1)

Years	B	DK	D	F (2)	IR (2)	I (2)	L	N	UK (2)
1970	50.000	7.500	3.660	5.554	0.417	625.000	50.000	3.620	0.417
1972	48.657	7.578	3.499	5.554	0.417	631.342	48.657	3.523	0.417
1975(2)	48.657	7.578	3.220	5.798	0.587	875.333	48.657	3.355	0.587

(1) Source : National accounts from the Statistical Office of the European Communities - 1973 (Eurostat).

(2) The exchange rates used for conversion into units of account are an average of the rates during the period January-June 1975.

APPENDIX IV

The Council decision dated 9 November 1972 (1)

" The Council acts on the proposal made by the Commission to the
" Council :

"
"

" - the report on the medium-term forecasts on social expenditure and its
" financing in the member states of the Community
" /doc. 1104/72(SOC 131)/
" and

"

" - on the draft of a working programme to work out the European Social
" Budget, and gives its compliments on the work accomplished in fulfilment
" of the mandate given by the Council in its session of 26 November 1970
" /doc. R/1900/72(SOC 193)/.

"
"

" The Council observes that the objective of establishing a European
" Social Budget such as defined by its decision of 26 November 1970 can only
" be reached by successive stages, in so far as concerns the contents and the
" period covered by each of these budgets.

"
"

" As regards the first stage, the Council agrees, without prejudice
" to the decisions which must be taken for the ensuing stages, to the
" following :

./.

(1) Extracted from decision 214, Council meeting on 9.11.1972,
doc. R/2746/72 (SOC 275) dated 8.12.1972, page 13.

- " a) The first European Social Budget will be based on the present
" contents of the Social Accounts of the Community and will relate,
" for the retrospective part, to the period 1970-1972, and to the
" estimates for the period 1973-1975; the Commission will draw up
" this Budget in liaison with the national experts;
"

- " b) The Commission is invited to undertake in liaison with the national
" experts, studies to examine ways of extending the social budget,
" notably in the fields of adult vocational training and social housing,
" and to present to the Council, should the occasion arise, proposals
" which prove necessary;
"

- " c) The Committee of Permanent Representatives is instructed to examine
" the proposals formulated by the Commission in Chapter II of the draft
" for a working programme studied above in order that the necessary
" decisions can be taken rapidly.