

Article

Social protection: European comparisons of expenditure, 2007 to 2014

How UK social protection compares to other European countries, and how it has changed over time.

Contact:
Gerard Carolan
gerard.carolan@ons.gov.uk

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1 . Introduction

Social protection is comprised of the various benefits provided to households, usually by public bodies, to help with their needs¹. Social protection benefits can either be in cash or in kind. Benefits in kind include such things as hospital stays, free school meals and home care.

The European System of Integrated Social Protection Statistics (ESSPROS) provides internationally comparable data on social protection in 32 countries – the 28 European Union states together with Switzerland, Iceland, Norway and Serbia. Throughout this publication, these will be referred to as “selected countries”.

To ensure meaningful comparisons over time, 2014 prices have been used throughout this publication to describe UK expenditure². Eurostat constant price data has been used where expenditure growth in other countries is described.

Notes for: Introduction

1. Eurostat give a more complete definition: Social protection encompasses interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved.
2. Unless otherwise stated, the Consumer Price Index (CPI) has been used as a deflator for UK data.

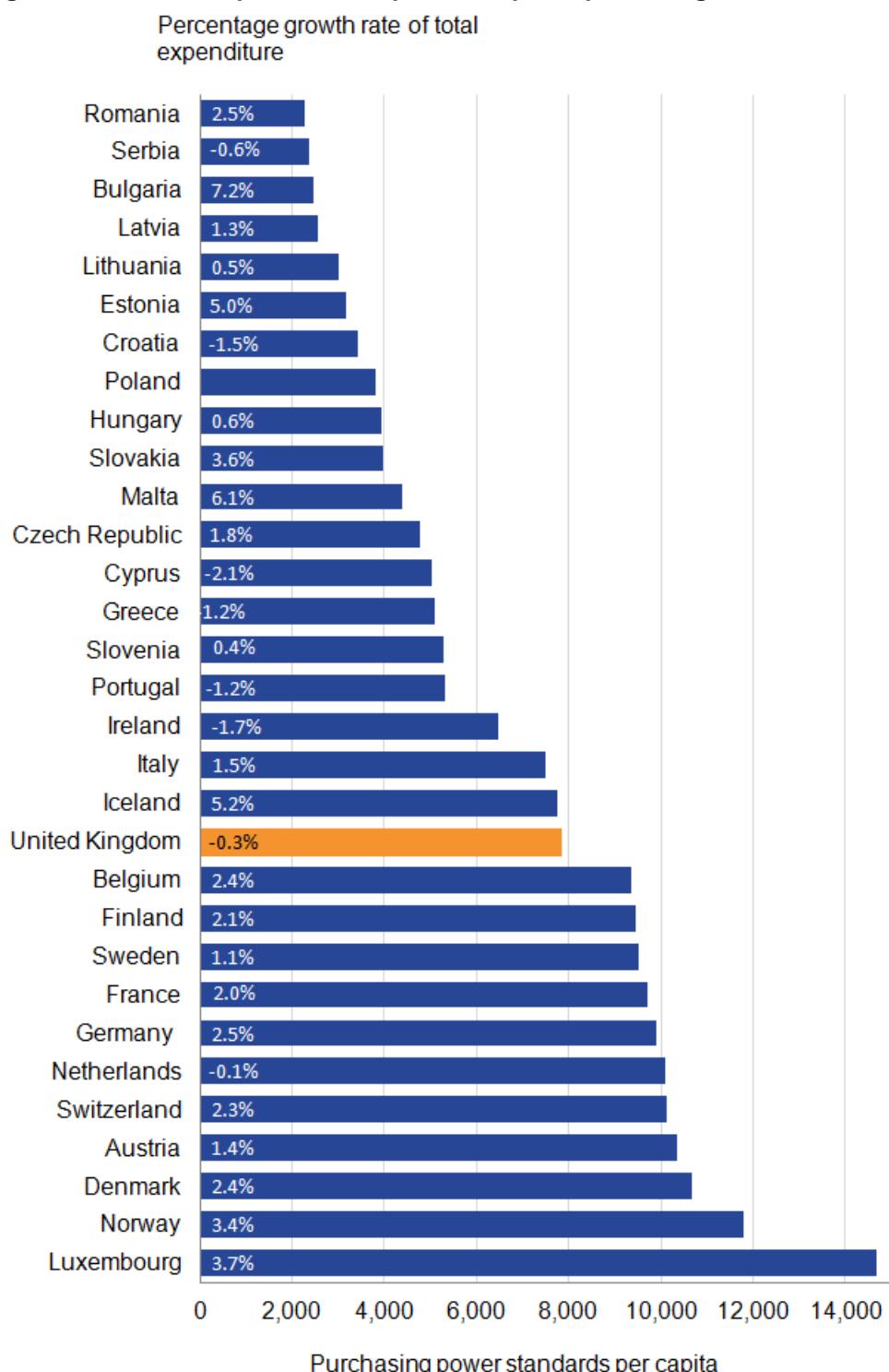
2 . Main points

- The UK spent 17.5% per capita more than the European average on social protection in 2014.
- UK Social protection expenditure in the children and families categories fell every year between 2010 and 2014.
- Social protection expenditure in the old age category fell by 0.2% per recipient in the year to 2014.

3 . International comparisons

Figure 1 compares social protection expenditure among the selected countries in 2014. Purchasing Power Standards (PPS) are used to compare per capita expenditure. These are an artificial currency unit used for international comparisons. One PPS will, in theory, buy exactly the same amount in each country at a common point in time.

Figure 1: 2014 Social protection expenditure per capita, and growth since 2013



Luxembourg had the highest social protection expenditure per capita in 2014. However, Luxembourg can be seen as a special case given the high percentage of its workforce that are not residents. Next highest was Norway which had expenditure of 11,797 PPS per capita. This was nearly 1.8 times the average expenditure – 6,647 PPS per capita. The next 2 highest spending countries spent 1.6 times the average. These were Denmark and Austria which spent 10,654 PPS per recipient and 10,344 PPS per recipient respectively. Romania had the lowest expenditure of the selected countries, 2,273 PPS per recipient, slightly more than one-third of the average.

The UK had expenditure of 7,809 PPS per capita, the 12th highest of the selected countries and 17.5% higher than the average.

The percentages of growth in total social protection expenditure for the selected countries between 2013 and 2014 are also included in figure 1.

Of the 30 countries for which growth rates are available¹, Bulgaria and Malta had the highest, 7.2% and 6.1% respectively.

Eight countries reduced spending in 2014 compared with 2013. The largest drop in social protection expenditure was in Cyprus where expenditure fell by 2.1%. The 2 countries with the smallest reduction in expenditure were the Netherlands and UK with falls of 0.1% and 0.3% respectively.

Notes for: International comparisons

1. Growth data were not available for Spain and Poland.

4 . Social protection in the UK

The European System of Integrated Social Protection Statistics (ESSPROS) system distinguishes between means tested and non-means tested benefits.

Table 1 shows that in 2014, the latest year for which data are available, nearly £495 billion was spent on social protection in the UK , a real terms decrease of 0.3% compared with 2013.

Table 1: Social protection expenditure in the UK in 2013 and 2014

| | 2013 | 2014 | Change |
|------------------|---------|---------|--------|
| Means-tested | 67,667 | 62,096 | -8.20% |
| Non Means-tested | 428,547 | 432,815 | 1.00% |
| Total | 496,214 | 494,911 | -0.30% |

Source: Office for National Statistics

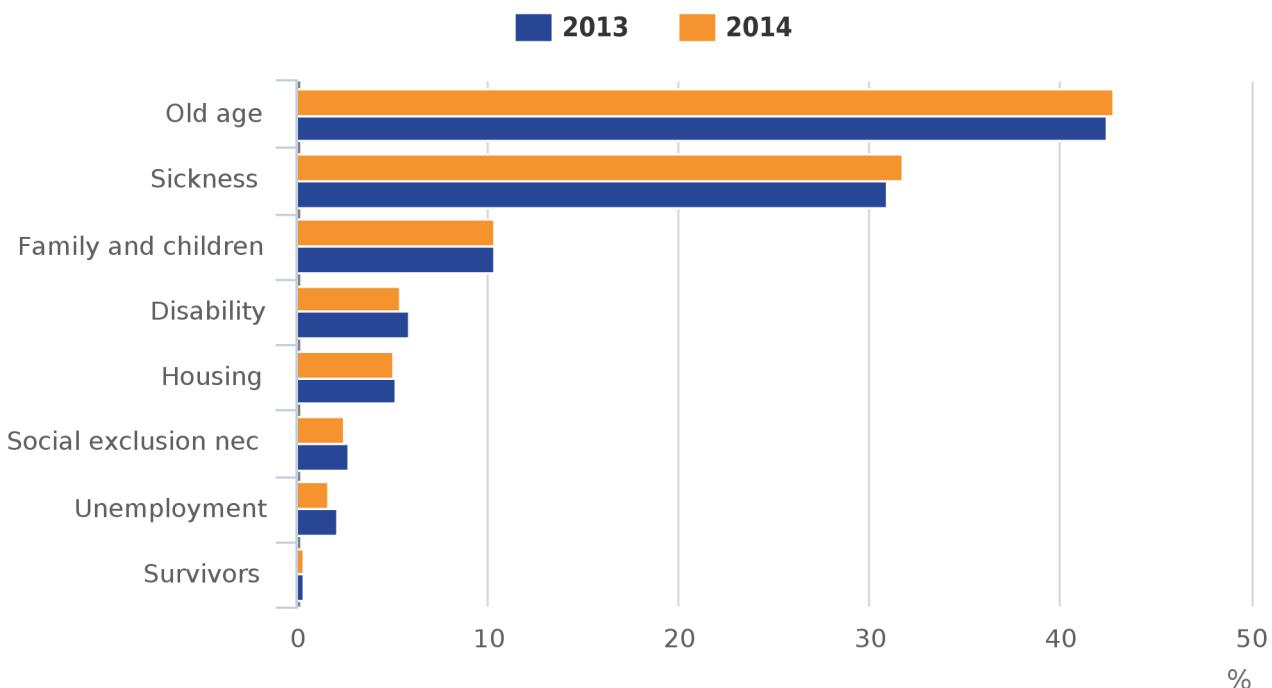
Notes:

1. 2014 prices.

Expenditure on means-tested benefits fell by 8.2% between 2013 and 2014. This was partially offset by a 1.0% increase in non-means tested expenditure. However, means-tested benefits as a proportion of total expenditure fell by 1.1 percentage points between 2013 and 2014 to 12.5%.

The ESSPROS system divides social protection into 8 broad categories. Figure 2 illustrates the 2013 and 2014 percentage of total social protection expenditure in each category.

Figure 2: UK social expenditure by category, 2007 to 2014



Source: Office for National Statistics

The old age and sickness categories, which between them account for around three-quarters of social protection expenditure, increased their share between 2013 and 2014 by 0.2 percentage points and 0.8 percentage points respectively.

Expenditure on disability and unemployment fell between 2013 and 2014 by 0.5 percentage points and 0.4 percentage points respectively¹. The other categories were broadly unchanged.

Notes for Social protection in the UK

1. The disability figures for 2014 were compiled using a new methodology. This may have impacted on the growth rate described.

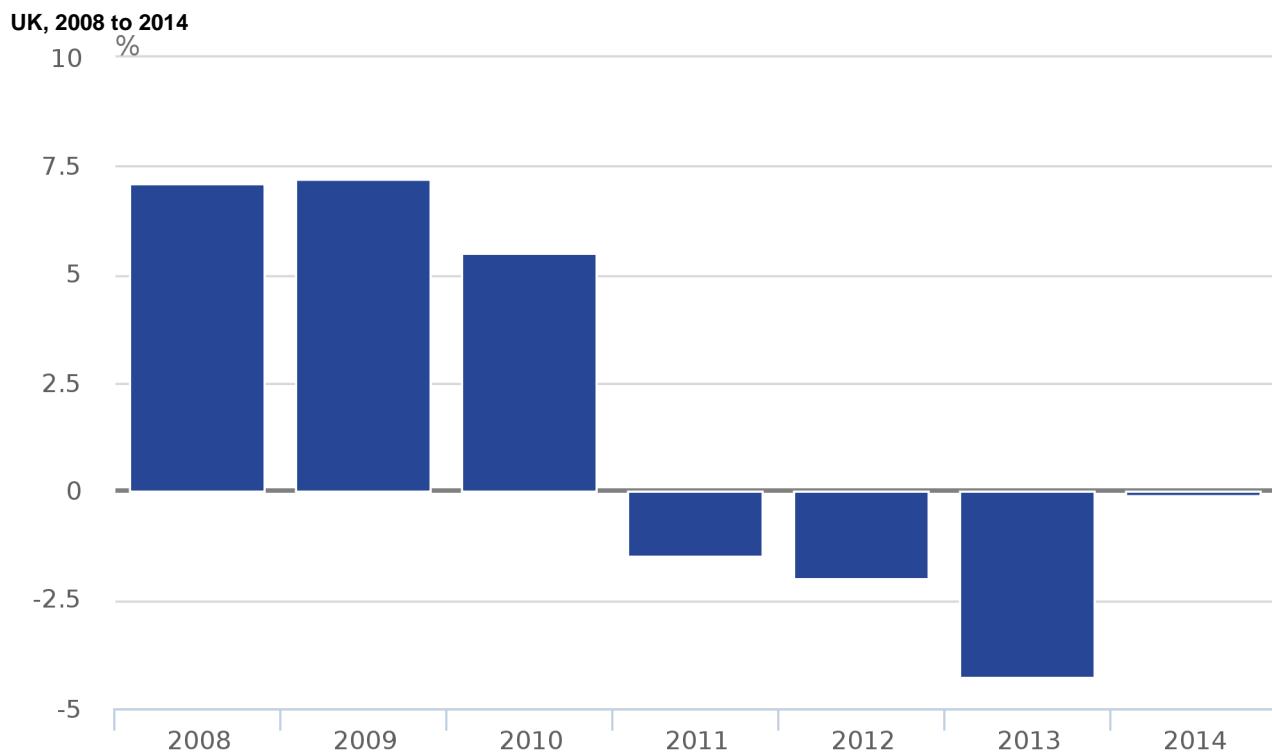
5 . Children and families

The family and children category of social protection includes benefits that provide:

- financial support to households for bringing up children
- financial assistance to people who support relatives other than children
- social services specifically designed to assist and protect the family, particularly children¹

In 2014, £51.3 billion was spent in the UK on social protection in this category, equivalent to 10.4% of total social protection expenditure. Figure 3 illustrates how real terms expenditure changed year-on-year between 2008 and 2014. In 2008 and 2009 growth was fairly constant, 7.1% and 7.2% respectively. However, from 2009 onwards growth began to decline. Growth slowed to 5.5% in 2010, followed by annual decreases in real terms expenditure for each of the remaining 4 years. In 2011 there was a decrease of 1.5%, followed by 2.0% in 2012 and 4.3% in 2013. There was a relatively small decrease of 0.1% in 2014.

Figure 3: Year-on-year growth in UK total expenditure in the family and children sector



Source: Office for National Statistics

Notes:

1. 2014 prices.

Notes for: Children and families

1. This definition is taken from [The ESSPROS Manual and User Guidelines](#).

6 . Old age

In this section the UK's expenditure on old age social protection will be compared to other countries. This international comparison should be interpreted with caution as the recipients of one type of social protection are likely to benefit from other types of social protection as well. For example, older people will potentially also benefit from social protection expenditure outside the old age category, such as sickness or housing, which have different patterns of expenditure by country.

The old age category of ESSPROS covers the provision of social protection against the risks linked to old age: loss of income, inadequate income, lack of independence in carrying out daily tasks, reduced participation in social life, and so on¹.

In terms of expenditure, the old age category of social protection is the largest. It accounted for 42.8% of total social protection expenditure in 2014. Pensions, both private and public, accounted for 88.3% of old age expenditure in 2014.

Table 2 gives the number of UK residents receiving benefits in the old age category of ESSPROS in 2014. It also gives the percentage changes in these numbers from 2013 and 2014; and the change from 2007 to 2014.

Table 2: Number of old age beneficiaries in the UK

| | Total | Female | Male |
|-------------------|------------|-----------|-----------|
| Number in 2014 | 13,287,420 | 7,721,820 | 5,565,600 |
| Change since 2013 | 0.5% | -0.8% | 2.5% |
| Change since 2007 | 8.5% | 0.7% | 21.4% |

Source: Office for National Statistics

The total number of recipients grew by 8.5% between 2007 and 2014, and by 0.5% between 2013 and 2014. There was a large difference between the growth rate of the number of female recipients and that of male recipients between 2007 and 2014 where the number of female recipients grew at 0.7%, compared with a growth rate of 21.4% in the number of males. In the year to 2014, the number of female recipients fell by 0.8%, while the number of male recipients grew at 2.5%. This difference was likely to have been driven by changes to the state pension rules introduced in 2010. In that year, incremental increases in state pension age for women designed to bring the state pension of females into line with that of males by 2018 were introduced.

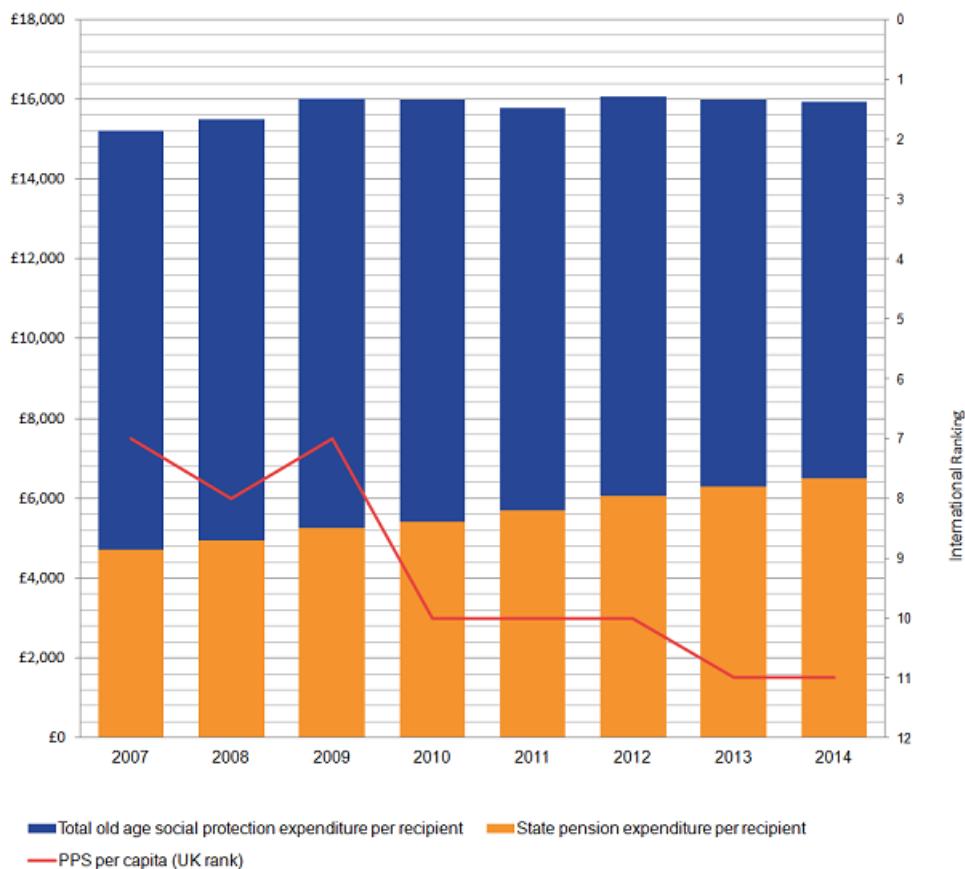
From April 2012 onwards, the basic state pension in the UK, the largest single component of old age social protection expenditure, was subject to a new rule known as the “triple lock”. In that and following years, it was increased by whichever was the highest of 3 percentages:

1. The growth in average earnings, as measured by the Average Weekly Earnings Index.
2. Price inflation (as measured by the Consumer Price Index).
3. 2.5%

Figure 4 illustrates 3 aspects of old age social protection expenditure. State pension expenditure and total old age social protection expenditure are considered on a per recipient basis. The UK’s rank among the selected countries in terms of its expenditure on old age per capita is also considered.

Figure 4: UK expenditure on social protection and international rank

2007 to 2014



State pension expenditure per recipient has increased throughout 2007 to 2014. The strongest growth was recorded in 2009 and 2012 – an increase of 6.4% in both years. In the years between these peaks, 2010 and 2011, there was growth of 3.3% and 5.2% respectively. Growth was steady in 2013 and 2014, which saw increases of 3.6% and 3.5% respectively.

Growth in total expenditure per recipient on old age social protection was at its strongest in 2009 when it was 3.4%. After a relatively flat year in 2010, this expenditure fell by 1.3% in 2011. There was growth of 1.8% in 2012. This was followed by 2 years of declining expenditure. It decreased by 0.5% in 2013 and 0.2% in 2014.

These changes were partly driven by an increase in the number of beneficiaries. Total expenditure on old age social protection grew in real terms by 0.3% between 2013 and 2014, driven mainly by 1.1% growth in total expenditure on state and private pensions. This was partially offset by benefits in kind, mainly in the categories of accommodation and assistance in carrying out daily tasks. These decreased overall growth by 0.3 percentage points and 0.5 percentage points respectively.

The third time series illustrated in Figure 4 gives some international context to the old age expenditure described above. Purchasing Power Standards (PPS) have been used to rank the UK's expenditure per capita on old age social protection. Given that one PPS will, in theory, buy exactly the same amount in each country at a common point in time, this time series gives some insight into how well UK old age social protection is funded compared with other European countries.

The UK's rank as measured in PPS per capita fell 3 places to tenth in 2010. It remained in that position until 2013 when it fell to eleventh, where it remained the following year.

Notes for: Old age

1. This definition is taken from [The ESSPROS Manual and User Guidelines](#).