

Article

# Social Protection, European Comparisons of Expenditure: 2015

Social protection comprises the various benefits provided to households, usually by public bodies, to help with their needs. The European System of Integrated Social Protection Statistics (ESSPROS) provides internationally comparable data on social protection in 33 selected countries.

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# 1 . Main points

- In 2015, the UK was ninth out of 28 countries, when ranked in terms of the size of its social protection expenditure as a proportion of its gross domestic product (GDP).
- The UK's social protection expenditure was worth 28.4% of GDP in 2015; for the same year, France spent the most on social protection, worth a sum equivalent to 32.0% of its GDP.
- Compared with France, Germany, Spain, Italy and Norway, in 2015 the UK spent the highest proportion of its social protection expenditure on housing, representing 4.7% of social protection expenditure; this compares with the next highest proportion of 2.6% spent by France.
- Compared with France, Germany, Spain, Italy and Norway, in 2015, the UK spent the lowest proportion on unemployment, representing just 1.4% of the total social protection expenditure; at the same time, the UK rate of unemployment was higher than that of both Germany and Norway.

## 2 . Introduction

Social protection comprises the various benefits provided to households, usually by public bodies, to help with their needs. Social protection can be in the form of cash payments, for example, unemployment benefit, old age pension or children's allowance; or in the form of benefits in kind, such as hospital stays or free school meals.

The European System of integrated Social Protection Statistics (ESSPROS) provides internationally comparable data on social protection. This article examines social protection in the UK and how it compares with selected countries, which include Germany, France, Italy, Spain and Norway and represent countries that spend comparable amounts on social protection as measured in terms of a percentage of gross domestic product. Norway also provides an interesting comparison because, except for Luxembourg, it spends more per head on social protection than any other European country. Luxembourg is an unusual case given the high percentage of its workforce that are not resident.

The latest available data are for 2015. For further [social protection data](#) ESSPROS is published on the Eurostat website.

## 3 . European expenditure on social protection

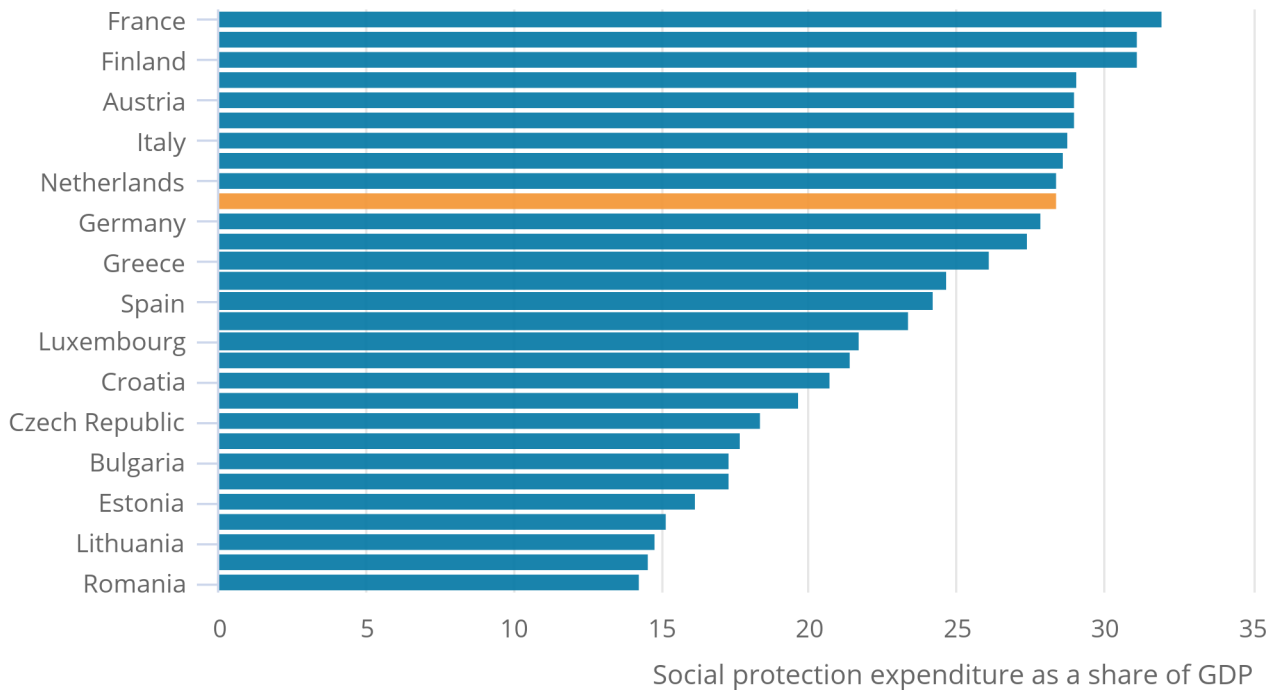
Gross domestic product (GDP) measures market, government and a small element of household production within a region on a quarterly or annual basis and can be used as a proxy for ability to spend on social protection, as a higher production is normally indicative of higher tax receipts for the government.

In 2015, the European Union spent the equivalent of 29.0% of its GDP on social protection<sup>1,2</sup>. However, behind this overall EU figure are a wide range of spending proportions among member states, ranging from a low of 14.0% in Romania and rising to a high of 32.0% in France.

Figure 1 compares the member countries in terms of their spending on social protection as a proportion of GDP. In the text that follows, attention is paid to the UK and how it compares with other European G7 countries including, France, Germany and Italy.<sup>3</sup>

**Figure 1: International comparisons of social protection expenditure in 2015 as a percentage of gross domestic product (GDP)**

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**Source: Eurostat, Office for National Statistics**

France at 32.0% had the highest ratio of social protection expenditure to GDP in the EU. Only two other countries spent more than 30%, Denmark and Finland - both at 31.1%. After France, Italy had the highest proportionate spend of the G7 countries. It spent 28.8% of its GDP on social protection, the sixth-highest ratio of the 28 EU countries. The UK and Germany both spent approximately 28% of their GDP on social protection, ranking ninth and tenth respectively.

Only three EU countries spent less than 15% of their GDP. These countries were Lithuania, Latvia and Romania.

### **Notes for: European expenditure on social protection**

1. Some of the income to beneficiaries that makes up these figures is subject to tax and national insurance contributions.
2. [Eurostat news release 8 December 2017: Social protection in 2015.](#)
3. The Group of Seven or G7 comprise the seven countries with the largest advanced economies in the world: France, Germany, Italy, Japan, the UK, Canada and the United States of America.

## 4 . Changing profile of total social protection expenditure

Figure 2 illustrates how the social protection expenditure of selected European countries has been distributed among a range of categories in 2015. Under the European System of integrated Social Protection Statistics (ESSPROS) scheme, expenditure is divided into eight broad categories:

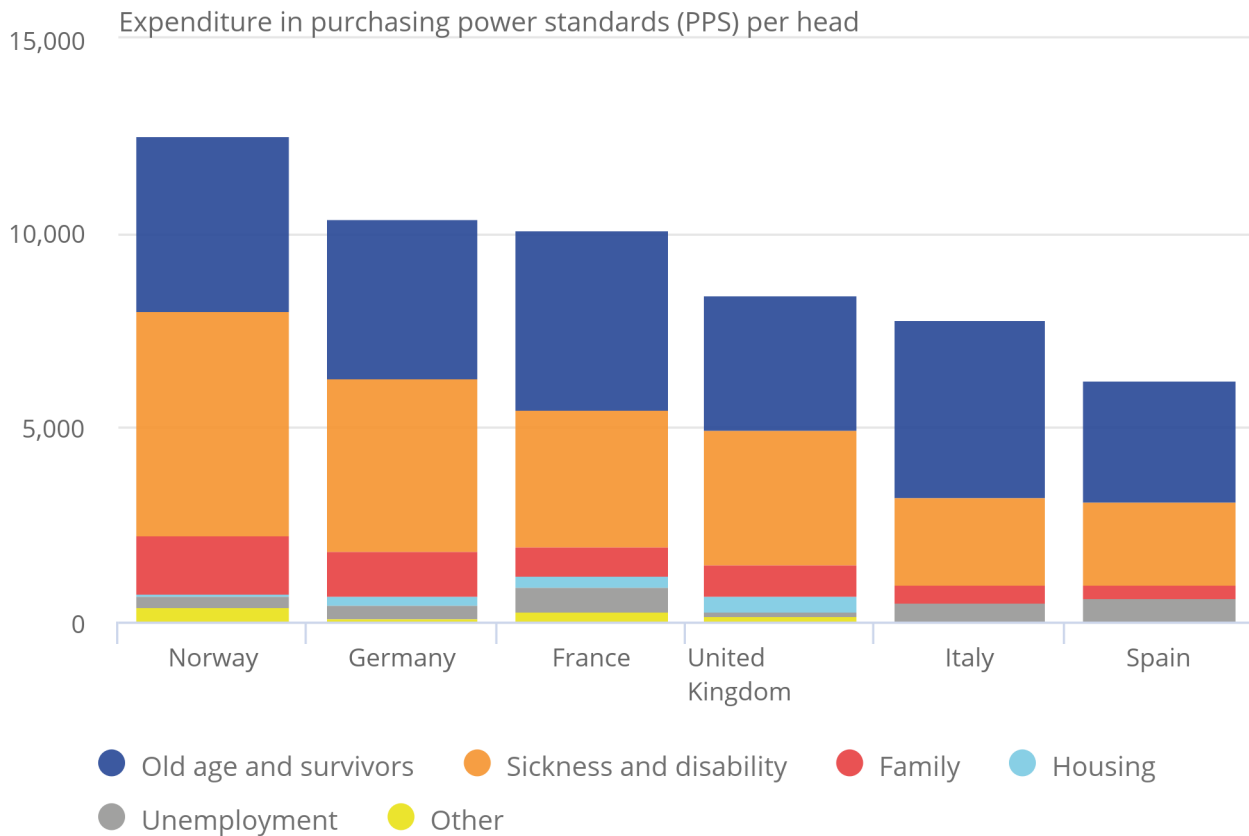
- old age
- sickness and health
- disability
- survivors
- unemployment
- children and family
- housing
- social exclusion not elsewhere classified

In this analysis, some categories have been merged. The category that will be referred to as “old age” will also contain benefits in the survivors’ category. The survivors’ category encompasses benefits “to people who have suffered from the loss of a spouse or a next-of-kin, usually when the latter represented the main breadwinner” <sup>1</sup>. The expenditure in this category is largely pensions to surviving partners, thus benefitting mainly those in the old age category. Similarly, the sickness and health category has been combined with the disability category.

Whereas GDP can give an indication of a country’s ability to spend on social protection, expenditure per head is a better indication of the experience of recipients. This international comparison is best made using purchasing power standards (PPS). This is an artificial currency unit used to remove the effects of price differences in international comparisons. One PPS will, in theory, buy the same amount in each country at a common point in time.

**Figure 2: Selected countries' social protection expenditure in purchasing power standards per head by function of spend, 2015**

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Source: Eurostat, Office for National Statistics

Notes:

- "Other" represents expenditure on social exclusion not elsewhere classified under ESSPROS definitions.
- The whole of the population including children, is used in these calculations.

Norway spent the most on social protection per head at 12,495 PPS. A high proportion of this expenditure was on sickness, health and disability at 46.4% representing 5,800 PPS. This compares with 42.8% spent in Germany and 40.8% spent in the UK in 2015, representing 4,438 PPS and 3,437 PPS per head respectively.

Both the UK and Germany spent proportionately more than Norway on the sickness and health aspect of this figure (UK, 34.9%; Germany, 34.7%; Norway, 30%). However, Norway's expenditure on disability social protection, at 16.4%, was the highest of the selected countries. Germany's expenditure, at 8%, was the second-largest, followed by Spain who spent 7.2% of their total social protection expenditure on disability. The three remaining countries – France, the UK and Italy – spent 6.4%, 6.0% and 5.8% on disability respectively.

Compared to other countries, the UK spent the highest proportion of its social protection expenditure on housing, representing 4.7% of social protection expenditure or 400 PPS per head. This compares with the next highest proportion of 2.6% spent by France representing 262 PPS per head.

When comparing housing benefit across countries it is also important to recognise that some countries may offer higher levels of other benefits such as unemployment benefit, allowing beneficiaries to then spend the money on housing. Where this is the case, the amount of housing benefit is likely to be lower as a share of the total social protection budget in that country.

The higher amount of social protection benefit spent on housing in the UK could also be due to higher housing costs relative to other countries. In 2015, the National Housing Federation<sup>2</sup> analysed the Eurostat database and found that, on average, private rented households in the UK spend almost 40% of their income on paying their rent, compared with a European average of 28%.

The UK spent the lowest proportion on unemployment representing just 1.4% of the total social protection expenditure or 116 PPS per head. At 5.3% its unemployment rate was the third lowest of the six countries. Norway had the lowest unemployment rate, 4.5% and spent 2.4% of its social protection in this category but Germany's unemployment rate was 4.6% against a social protection spend that was 3.7% of its total.

The other three countries all had unemployment rates that exceeded 10%, with France's rate at 10.4%, Italy's rate at 11.9% and Spain's rate at 22.1%. Unemployment accounted for 6.2% and 5.9% of social protection expenditure in France and Italy respectively. The equivalent figure for Spain was 9.0%.

**Table 1: Annual rate of unemployment across the selected countries in 2015**

Selected countries	Unemployment rate (%)	Expenditure on unemployment in PPS per head	Share of total social protection expenditure per head allocated to unemployment (%)
Norway	4.5	303.7	2.4
Germany	4.6	379.3	3.7
United Kingdom	5.4	115.7	1.4
France	10.4	628.2	6.2
Italy	11.9	461.1	5.9
Spain	22.1	559.8	9.0

Source: Eurostat database, Office for National Statistics

## Notes for: Changing profile of total social protection expenditure

1. ESSPROS Manual and User guidelines 2016 Edition.
2. Koessler, G. (2015). Private renters in UK pay double the European average. National Housing Federation. London. Available at: <https://www.housing.org.uk/blog/private-renters-in-uk-pay-double-the-european-average/>

## 5 . Authors

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