

SOCIAL PROTECTION IN THE EUROPEAN UNION. EMPIRICAL STUDY

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General considerations

In the European Union, the restructuring of the states of social welfare and social policy harmonization between member states is an issue increasingly acute, along with the increasing pressures induced by globalization, growing economic integration and expansion to the states of Central and Eastern Europe.

European integration is still a project that aims, primarily, the increase in economic performance and market efficiency, the social policy being designated a complementary role of these objectives. In the last decade, however, the **social dimension** has grown in importance in the political agenda of the Union. As some analysts¹ argue, given the long tradition of supply in Europe of a high level of social protection, the liberal process of creating a single market in the EU is not totally free of constraints, many applications being built to regulate the market, in order to achieve social objectives. Therefore, an economic integration implies the **convergence** of out-puts in terms of the benefits provided by the social protection systems to a common European standard. However, the nature of this standard rule and in what terms it can be achieved is a much disputed issue. The new guidance expresses a significant change of perspective

regarding the role of the European bodies in the social field. Instead of an interventionist type of approaches that impose standards of social protection a strategy of "cooperation" based on the principle of subsidiarity was preferred.

It is estimated that the major challenges regarding the social protection systems in the European Union member states are:

- Declining birth rates and increasing life expectancy;
- High unemployment rate combined with the low rate of economic growth;
- High costs of health care;
- Increased participation of women in the labor market;
- The increase in opening more regulated economies, which led both to the increase in competition and the need to maintain competitiveness on the world market;
- A significant increase in the number of people dependent on social protection as a result of the developments mentioned, particularly the long-term unemployment.

All these factors are the origin of common developments in the social policy of the Member States. Although national variations are not negligible, the reforms commenced in the 90s reflect similar options, rated as **clear signs of convergence**.

In conclusion, we can say that there are two positions in the debate around the European transformation of the social status. On the one hand, it is the one which supports the convergence of the different national systems to a minimal model, due to competitive pressures induced by globalization, in

¹ Lia Potec, Emilia Mohan, A solution for Romania: proactive adaptation and integration ex-ante. And still, only in Europe stands our rescue? In the vol. National sovereignty and European integration, Polirom Publishing House, Iași, 2001, page 430

order to reduce social costs. On the other hand, it is the one which, by contrast, supports the resistance of generous systems of social protection in Europe and the maintenance of the differences between them.

Social Security in the European Union designates the assembly of measures, benefits in cash and in kind, granted in order to protect the incomes in case of social risks.

The organization and financing of social protection schemes is the responsibility of Member States, but, the European Union plays an important role in ensuring the coordination of national social security, by the common legislation, thus giving opportunity to all

citizens to enjoy an adequate social protection within the Union.

A comparative analysis of the social benefits provided but also of the sources of supply of social protection systems of member countries emphasizes both the elements that bring them closer but also those which individualize them.

The costs of social protection

The extent of social protection can be analyzed from the perspective of the budgetary costs affected to this area at the EU level and the Member States (see Table 1).

Table no.1 - Total costs for social protection (in current prices as % of GDP)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
U.E- 25	-	-	-	-	-	26,6	26,8	27,0	27,4	27,3	27,4
U.E - 15	27,7	27,9	27,6	27,2	27,1	26,9	27,1	27,4	27,7	27,6	27,8
Belgium	27,4	28,0	27,4	27,1	27,0	26,5	27,3	28,0	29,1	29,3	29,7
Czech Republic	17,4	17,6	18,6	18,5	19,2	19,5	19,4	20,2	20,2	19,6	19,1
Denmark	31,9	31,2	30,1	30,0	29,8	28,9	29,2	29,7	30,7	30,7	30,1
Germany	28,2	29,3	28,9	28,8	29,2	29,2	29,3	29,9	30,2	29,5	29,4
Estonia	-	-	-	-	-	14,0	13,1	12,7	12,9	13,4	12,5
Ireland	18,8	17,6	16,4	15,2	14,6	14,1	15,0	16,0	16,5	17,0	18,2
Greece	22,3	22,9	23,3	24,2	25,5	25,7	26,7	26,2	26,0	26,0	24,2
Spain	21,6	21,5	20,8	20,2	19,8	19,7	19,5	19,8	19,9	20,0	20,8
France	30,3	30,6	30,4	30,0	29,9	29,5	29,6	30,4	30,9	31,2	31,5
Italy	24,2	24,3	24,9	24,6	24,8	24,7	24,9	25,3	25,8	26,1	26,4
Cyprus	-	-	-	-	-	14,8	14,9	16,3	18,5	17,8	18,2
Latvia	-	-	15,3	16,1	17,2	15,3	14,3	13,9	13,4	12,6	12,4
Lithuania	-	13,4	13,8	15,2	16,4	15,8	14,7	14,1	13,6	13,3	13,2
Luxembourg	20,7	21,2	21,5	21,2	20,5	19,6	20,8	21,4	22,2	22,6	21,9
Hungary	-	-	-	-	20,7	19,3	19,3	20,3	21,1	20,7	21,9
Malta	-	16,5	17,2	17,1	17,0	16,3	17,1	17,1	17,9	18,8	18,3
The Netherlands	30,6	29,6	28,7	27,8	27,1	26,4	26,5	27,6	28,3	28,5	28,2
Austria	28,7	28,6	28,6	28,3	28,7	28,2	28,6	29,1	29,5	29,1	28,8
Poland	-	-	-	-	-	19,5	20,8	21,2	20,9	20,0	19,6
Portugal	21,0	20,2	20,3	20,9	21,4	21,7	22,7	23,7	24,2	24,9	24,5
Slovenia	-	24,0	24,5	24,8	24,7	24,9	25,3	25,3	24,6	24,3	23,4
Slovakia	18,4	19,3	19,6	20,0	20,0	19,3	18,9	19,0	18,2	17,2	16,9
Finland	31,5	31,4	29,1	27,0	26,2	25,1	24,9	25,6	26,5	26,7	26,7
Sweden	34,3	33,6	32,7	32,0	31,7	30,7	31,3	32,3	33,3	32,9	32,0
Great Britain	28,2	28,0	27,5	26,9	26,4	27,1	27,5	26,4	26,4	26,3	26,8

Source:: European Commission, Eurostat, *Population and social conditions. Social protection, 2008*

Considering the 15 EU countries as a whole may find that after the costs of social protection were 27.7% of the

GDP in 1995, it decreased to 26.9% in 2000, to then increase almost continuously and return to approximately

the same level in 2005. Moreover, it may be noted that at the EU level - 25 (the period for which data are available) the level of expenses of social protection is close to the EU - 15.

This stability appears to be undermined by evolutionary differences registered between countries such as Germany, Austria, Poland and the Czech Republic, on the one hand, where social protection costs fell as a share of GDP between 2003 and 2005 and countries such as Belgium, Ireland, France, Italy and Spain, on the other hand, where this percentage has increased continuously since 2000.

The situation in the new EU member states (Poland, Slovenia, Slovakia, Estonia, Latvia and Lithuania) is slightly different from that of other EU Member States, as the GDP in these countries registered a strong growth during 2001-2005, and the social protection costs as a percentage of GDP have decreased accordingly.

In 2005 the EU countries with average or high percentages (27.4% or more) represented approximately 39.6% of the EU population. The group of percentages between 22.3% and 27.2% accounted for almost 30% of EU citizens, the one with the percentages between 17.4% and 22.3% was more than 21.9%, while the countries that spent less than 17.4% of the GDP was less than 8.5% of the EU population².

The countries with the largest percentage - Sweden (32%), France (31.5%), Denmark (30.1%), Belgium (29.7%), Germany (29.4%) and Austria (28.8 %) - spent two times more than the three Baltic countries with the lowest percentage - Estonia (12 ,%%), Latvia (12.4%) and Lithuania (13.2%).

The benefits of the social protection system consisted of transfers in cash or in kind of the social security schemes to households and individuals in order to protect them against various risks. According to the European

Commission³, the diversity of social benefits can be grouped by several **functions**, namely:

- **the disease/health care function** - maintaining the income and the support in cash for physical and mental diseases, except for disability;
- **the disability function** - maintaining the income and the support in cash or in kind for persons suffering from physical or mental disability, for their engagement in social and economic activities;
- **the old age function** - maintaining the income and the support in cash or in kind for third age persons;
- **the survivors function** - maintaining the income and the support in cash or in kind in the case of death of a family member;
- **the family/children function** - support in cash or in kind regarding the costs of pregnancy, birth, adoption, raising children and care for other family members;
- **the unemployment function** - maintaining the income and aid in cash or in kind in case of unemployment;
- **the housing function** - in most EU countries this assistance relates to the aid in cash granted to households or individuals, after testing the means for paying the rent and the maintenance;
- **the social exclusion function** - providing benefits in cash or in kind to combat social exclusion, when individuals are not covered by any forms of social protection listed above.

The structure of social benefits in the 25 EU countries in the year 2005 from the perspective of functions aimed is presented in Table. 2.

² Eurostat, *Statistic in focus. Population and social conditions*, nr. 46/2008, page 2

³ European Commission, Eurostat, *ESSPROS Manual 1996*, page 37

Table no. 2 - The benefits of social protection on ESSPROS functions in 2005 (% of total benefits)

	The disease / health care	Disability	Old age	Survivor	Family/ children	Unemployment	Housing	Social exclusion
U.E- 25	28,6	7,9	41,4	4,5	8,0	6,1	2,3	1,2
U.E - 15	28,6	7,9	41,2	4,5	8,0	6,2	2,3	1,2
Belgium	27,1	7,0	34,7	10	7,2	12,2	0,2	1,6
Czech Republic	35,3	7,8	41,7	1,0	7,5	3,6	0,5	2,6
Denmark	20,7	14,4	37,5	0,0	12,9	8,6	2,4	3,4
Germany	37,3	7,7	42,2	1,3	11,2	7,3	2,2	0,7
Estonia	31,9	9,4	43,1	0,9	12,2	1,3	0,2	1,0
Ireland	40,9	5,3	21,7	5,0	14,6	7,5	3,0	2,0
Greece	27,8	4,9	47,8	3,4	6,4	5,1	2,2	2,3
Spain	31,6	7,3	38,7	2,7	5,6	12,4	0,8	0,9
France	29,8	5,9	37,4	6,6	8,5	7,5	2,7	1,6
Italy	26,7	5,9	50,8	9,9	4,4	2,0	0,1	0,2
Cyprus	25,3	3,7	44,8	1,8	11,8	5,8	2,3	4,5
Latvia	26,0	9,1	46,1	2,3	11,0	3,9	0,6	1,0
Lithuania	30,3	10,4	44,6	1,8	9,3	1,8	0,0	1,8
Luxembourg	25,7	13,1	26,3	10,3	16,9	5,0	0,7	2,0
Hungary	29,9	9,9	41,2	1,3	11,8	2,9	2,4	0,7
Malta	26,3	6,7	50,6	1,7	4,7	7,4	0,9	1,6
The Netherlands	30,9	9,9	36,8	5,4	4,9	5,9	1,3	4,9
Austria	25,5	8,0	47,3	1,3	10,7	5,8	0,4	1,1
Poland	19,9	10,5	54,5	5,3	4,4	2,9	0,7	1,9
Portugal	28,8	11,5	39,3	6,9	6,5	5,5	0,0	1,5
Slovenia	32,3	8,5	42,4	2,0	8,6	3,3	0,1	2,8
Slovakia	29,5	9,2	41,1	1,4	11,3	4,3	0,4	3,2
Finland	25,9	12,9	33,7	3,6	11,6	9,3	1,1	2,0
Sweden	24,3	15,4	38,3	2,2	9,8	6,2	1,8	2,0
Great Britain	30,9	9,0	41,7	3,3	6,3	2,6	5,6	0,7

Source: European Commission, Eurostat, *Population and social conditions, Social protection*, 2008

From analyzing the data presented it shows that in 2005 at the EU-25 level, the benefits for the old age and survivors functions hold the percentage with all social protection costs representing 45.9% of the total benefits awarded.

These benefits are particularly important in Italy where they represent 60.7% of the total, one of the determining factors of influence being the high percentage of the population over 60 years (25% in January 2005 compared with an average of 21.6% at the EU-25 level). Poland (59.8%), Malta (52.3%), Greece (51.2%) are also above the European average in what regards the percentage of these benefits in the total social benefits.

As a contrast, in Ireland, the benefits granted to the third age and survivors are approximately 26.6% of the total benefits. This is due, in part, to the Irish population which is the youngest in Europe: in January 2005, 27.7% of the population was under 20 years (the EU-25 average was 22.3%) and only 15.3% over 60 years.

The costs related to the function disease/health care represent over 28% of the total benefits (7.5% of the GDP) in the Union. In Ireland, they represent 40.9% of total the total going beyond the costs of old age and survivor functions, while at the opposite side there is Denmark, where the costs of health

accounted for 20.7% and Poland with 19.9% of the total social benefits.

The benefits for the disability function represent more than 13% of the total benefits in Sweden, Denmark, Luxembourg and Finland, compared with an average of 7.9% (2.1% of the GDP) in the EU-25 countries. The level of these benefits was also high (over 10%) in Poland, Portugal and Lithuania. In contrast, in France, Cyprus, Greece and Ireland the level of these benefits is low being below 6% of the total.

The benefits for the family/children function were in the same year 8% of the total benefits from the Union. There are countries in which the level of these benefits is high (over 12%) as is the case in Luxembourg (16.9%), Ireland (14.6%), Denmark (12.9%) and Estonia (12.2%). On the opposite side there are countries like Malta, Italy, Poland and the Netherlands where the level of such benefits is less than 5% of the total social benefits.

Major differences between Member States meet at the social protection benefits for the unemployed function: while the EU-25 average is 6.1% of the total benefits (1.6% of the GDP) in countries such as Spain and Belgium the level of these benefits is double exceeding 12%. In contrast, in Estonia, Italy, Lithuania, Hungary, Poland and the UK the unemployment benefits are less than 3% of the total social costs.

Viewed in terms of the form to be granted, social benefits paid in cash is

the most frequently used form, in 2005 they represented 66.2% of the total benefits. The highest level is seen in Poland (82.1%) and Cyprus (79.5%). They are paid at regular intervals or as a premium.

Benefits in kind represent 33.8% in the Union, the highest rates being found in Sweden (41.2%) and Ireland (36.6%) which shows a preference for wider use of social services and goods provided by these countries.

Incomes of the social protection system

The incomes of the social protection system come from social contributions, contributions from general government and other receipts. Under the ESSPROS Manual 1996, social contributions consist of contributions paid by employers and contributions paid by insured persons.

Contributions paid by the employer represent the costs incurred by him in order to guarantee access to social benefits for its employees, former employees and subordinates. These contributions may be current or may be charged and paid both by resident employers and those non-residents. In Table 3 it is shown the participation of various sources for the alimentation of social protection systems in the EU-25 member states in 2005.

Table no. 3 - The incomes of the social protection system on categories in 2005 (% of the total incomes)

	Contribuțiile sociale ale angajatorilor	Contribuțiile plătite de persoanele asigurate	Contribuțiile guvernamentale generale	Alte încasări
UE-25	38,2	20,8	37,7	3,3
UE-15	38,2	20,7	37,9	3,2
Belgia	51,4	22,0	24,7	1,9
Cehia	54,3	26,4	18,1	1,2
Danemarca	10,3	18,5	63,2	8,0
Germania	35,0	27,7	35,6	1,6
Estonia	79,0	0,4	20,4	0,1
Irlanda	24,7	15,3	53,9	6,1
Grecia	35,5	22,9	30,7	11,0

Spania	48,9	15,6	33,3	2,1
Franta	44,7	20,9	30,6	3,8
Italia	41,7	15,3	41,4	1,6
Cipru	19,7	15,0	53,7	11,6
Letonia	47,1	16,9	35,3	0,7
Lituania	53,8	6,0	39,6	0,5
Luxemburg	26,9	24,4	45,3	3,4
Ungaria	42,0	15,9	34,8	7,3
Malta	43,5	19,2	34,5	2,8
Olanda	33,4	34,4	19,9	12,3
Austria	37,9	27,4	33,1	1,6
Polonia	28,0	22,3	39,2	10,4
Portugalia	31,7	15,7	42,2	10,4
Slovenia	27,4	40,0	31,7	0,8
Slovacia	62,0	22,4	14,0	1,5
Finlanda	38,3	11,4	43,7	6,1
Suedia	41,0	8,8	48,0	2,3
Marea Britanie	32,4	15,5	50,5	1,6

Source: European Commission, Eurostat, *Population and social conditions, Social protection*, 2008;

From the data presented, it shows that in 2005 the major sources of financing for social protection in the EU-25 were social contributions which represented 59% of the total, as well as general governmental contributions from taxes and fees (37.7%).

The European average masks major national differences in the structure of funds for social protection. The part funded by social contributions exceeds 70% of the total funds in several countries such as Slovakia (84.4%), Estonia (79.4%), Czech Republic (80.7%) and Belgium (73.4%).

Denmark (63.2%), Ireland (53.9%), Cyprus (53.7%) and Britain (50.5%) finance the social protection systems mostly from taxes, representing over 50% of the total incomes. Also Sweden and Luxembourg are also based in large part on governmental funding which exceeds 45% of the total.

The differences are due to historical reasons and the institutional system behind these schemes of social protection. North European countries, where government funding predominates, are characterized by the "Beveridgian" tradition where it is enough to be a resident who needs protection in order to be entitled to claim social benefits. Other countries are attached to

the "Bismarckian" tradition where the system is based on the concept of insurance (in the form of contributions). However the trend is that the differences between European countries to reduce gradually with the increase in the financing from taxes in countries where the contributions were dominant (e.g., France, Germany, Italy, Portugal) and the increase in funding from contributions in countries where there are high levels of government funding.

Conclusions

- European integration is carried out in an uneven way from one sector to another, existing thus, areas where the EU has expanded powers (common agricultural policy, common commercial policy, monetary policy) but also areas where the community competence is limited, even after 50 years of existence of the community, as is the case of social policy.

- The process of European integration was based on goals of political and economic nature, but in the extent of its deepening and expansion eastwards of the European Union, the need to take into account the social aspects associated to this process has been increasingly felt.

• The implementation of European social policy is achieved through the cooperation between each Member State and the competent bodies of the European Union (the main body being the Economic and Social Committee). This implies the application of the principle of subsidiary in the relations between the EU and its Member States, which means that the European Union sets minimum standards and levels, and the Member States may adopt rules and regulations over these minimum provisions.

• Although in the European discourse there were voices who wanted convergence of social security systems of Member States towards a European Social Model, they encountered the resistance of the generous systems of social protection of some countries within the European Union. So, at present, each Member State is directly responsible for the social protection given to the population, from which it derives directly, the level of social welfare that they manage to achieve.

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