# European system of integrated social protection statistics — ESSPROS

**MANUAL AND USER GUIDELINES**

2019 edition

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# European system of integrated social protection statistics — ESSPROS

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# Content

# PART 1:

# ESSPROS: GENERAL PRINCIPLES AND CORE SYSTEM

# 1 Introduction to the ESSPROS System

1 EU Treaties identify the promotion of social protection and the development of the economic and social cohesion of the Member States as tasks of the Union. In order to monitor the progress of these tasks, the European Commission needs access to detailed and up-to-date information on the organisation, current standing and developments of social protection in the Member States and beyond.

2 The European System of integrated Social PROtection Statistics (ESSPROS) was developed in the late '70s by Eurostat jointly with representative of the Member States of the European Union in response to the need for a specific instrument of statistical observation of social protection in the EC Member States.

3 The first ESSPROS methodology was published in 1981. In 1993, Eurostat undertook a general revision of the ESSPROS, in close co-operation with the Members States. The ESSPROS Manual 1996 was the outcome of this revision process.

4 In April 2005, Eurostat proposed to introduce a legal basis for the ESSPROS project. The legal basis was proposed as a Regulation of the European Parliament and the Council ([1]) (frame Regulation) supplemented by Commission Regulations ([2]) implementing in particular: ESSPROS core system (including qualitative information by schemes and detailed benefits), the module on pension beneficiaries and the pilot data collection on Net social protection benefits.

5 Simultaneously, an update of the ESSPROS Manual 1996 was undertaken because it was necessary to adjust its structure in order to incorporate some methodological clarifications. The ESSPROS Manual published in 2008 did not contain significant changes in respect to 1996 version, but mainly adjustments in the definitions and classifications. The first two parts of the Manual deal with the Core System. It consists of a stable, annually collected set of data

([1]) Regulation (EC) No 458/2007 of the European Parliament and of the Council of 25 April 2007 on the European system of integrated social protection statistics (ESSPROS) published in OJ L113, 30.04.2007, p.3.

([2]) Commission Regulation (EC) No 1322/2007 of 12 November 2007 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the appropriate formats for transmission, results to be transmitted and criteria for measuring quality for the ESSPROS core system and the module on pension beneficiaries published in OJ L294, 13.11.2007, p.5.

Commission Regulation (EC) No 10/2008 of 8 January 2008 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the definitions, detailed classifications and updating of the rules for dissemination for the ESSPROS core system and the module on pension beneficiaries published in OJ L5, 09.01.2008, p.3.

on the receipts and expenditures of social protection schemes in the European Union. Supplementary sets of statistical information (modules), whose subjects were determined on the basis of the needs expressed, were introduced by the EP and Council ESSPROS Regulation: the module on Pension beneficiaries and the module on net social benefits. At the time of updating the manual, as the module on pension beneficiaries had already been planned, the methodology was added to the text. The second module, on net social benefits, was to be developed

6 A pilot data collection on net social protection benefits was launched in year 2008, and an EU synthesis report revealed positive results for a large majority of pilot studies. The report was presented to the Task Force (TF) on net social benefits in November 2009. All TF members agreed that the report provided the requisite backing for moving towards a full data collection. In the 2010 Working Group (WG) on Social Protection Statistics a Gentlemen's agreement was set up in order to collect data on the module for years 2007, 2008 and 2009 on a voluntary basis according to the so-called restricted approach.

Two Commission Regulations implementing the full net data collection were approved in year 2011 ([3]). As the methodology on the module on the net social protection benefits (restricted approach) was finalised at the same time, an update of the ESSPROS Manual was undertaken in order to include this new methodology. On the other hand, a pilot study on the net social benefits according to the so-called enlarged approach was launched at end of 2010.

The 2011 edition of the Manual is equivalent to the previous version but complemented by the methodology on the module on net social protection benefits (restricted approach) finalised during the work on the pilot data collection.

The ESSPROS Manual is the reference document in the four Commission Regulations implementing the EP and Council ESSPROS Regulation. It contains all detailed definitions and classifications.

Concurrently, an extended Manual (or the "ESSPROS Manual and user guidelines") was produced in 2012. Its nature is serving as a User's Guide for compiling and using ESSPROS. The "ESSPROS Manual and user guidelines" contains in addition examples and further explanations. These specific items will be updated if necessary.

The 2019 edition of the ESSPROS Manual and user guidelines was produced after methodological amendments and clarifications to the Manual were agreed by the 2017 Working Group on Social Protection Statistics in regards to the following topics:

- Capital transfers

([3]) Commission Regulation (EU) No 263/2011 of 17 March 2011 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the launch of full data collection for the ESSPROS module on net social protection benefits published in OJ L71, p. 4

Commission Regulation (EU) No 110/2011 of 8 February 2011 implementing Regulation (EC) No 458/2007 of the European Parliament and of the Council on the European system of integrated social protection statistics (ESSPROS) as regards the appropriate formats for transmission, the results to be transmitted and the criteria for measuring quality for the ESSPROS module on net social protection benefits published in OJ L34, p.29..

- Standard retirement age
- Re-routed social contributions.

7 The objectives of ESSPROS are to provide a comprehensive and coherent description of social protection in the Member States:

- covering social benefits and their financing;
- geared to international comparability;
- harmonising with other statistics, particularly the national accounts, in its main concepts.

8 ESSPROS, the integrated system of social protection statistics, provides a coherent comparison between European countries of social benefits to households and their financing. Social benefits are transfers to households, in cash or in kind intended to relieve them from the financial burden of a number of risks or needs.

9 The risks or needs of social protection refer to the ESSPROSS functions that are comprehensive, but do not include education unless it is a support to indigent families with children. The functions are disability, sickness/health care, old age, survivors, family/children, unemployment, housing and social exclusion.

10 Social benefits are made through collectively organised schemes by government and/or collective agreements. The schemes do not necessarily refer to institutions, although they are in many cases. These schemes can be defined solely for ESSPROS as a classification of schemes exists, where schemes are grouped by criteria. All schemes that are solely based on individual arrangements or where simultaneous reciprocal agreements exist are not regarded as social protection.

11 The scheme concept of social protection is straightforward as it starts from the point of view of the beneficiaries and therefore differs from other concepts that concentrate on institutional units spending or budgetary costs. The schemes are defined nationally according to the ESSPROS framework.

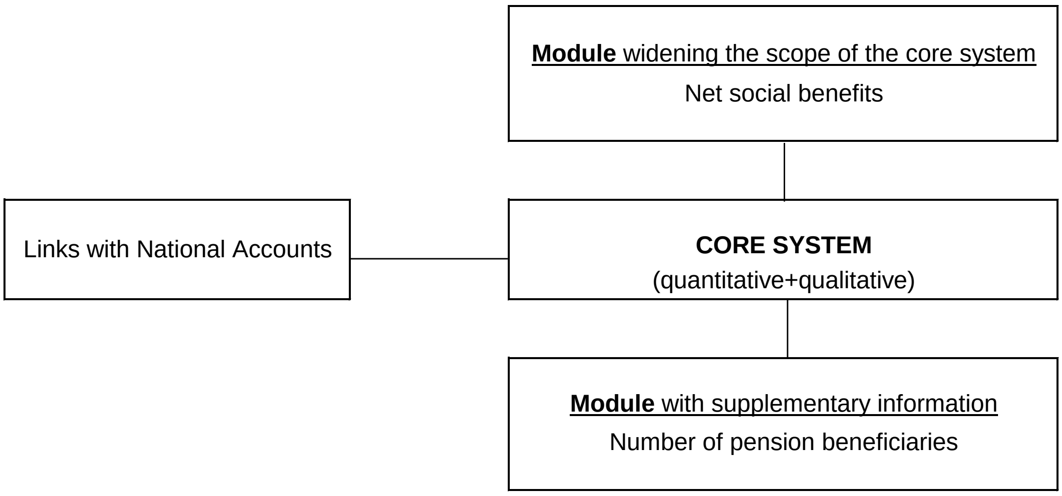
12 There are links with National Accounts, although there is not a complete conceptual match between the ESSPROS system and National Accounts. Particularly, the achievement of ESSPROS is its accounting structure similar to the National Accounts (benefits and their financing) at the level of the statistical unit of ESSPROS system (the scheme). There is also a link to the risks or needs to social benefits in the National Accounts.

13 Whereas the Core system corresponds to the standard information on social protection receipts and expenditures, the modules contain supplementary statistical information on particular aspects of social protection. Each module has its own methodology and is based on a particular Commission regulation. The introduction of any additional modules shall require extensive preliminary consultations with the Eurostat Working Group on Social Protection Statistics and shall require a specific EP and Council Regulation.

14 The subjects covered by the modules were determined on the basis of the needs expressed by the Commission and the Member States. Currently included in ESSPROS are modules that cover:

- the number of pension beneficiaries;
- net social protection benefits, i.e. the influence of fiscal systems on social protection by the taxes and social contributions paid on benefits by beneficiaries and the extent to which social benefits are provided in the form of tax rebates or tax reductions. At the moment this module is implemented via the restricted approach in order to maintain the scope of the Core System.

## SCHEMATIC REPRESENTATION OF THE FULL ESSPROS



# 2 The conventional definition of social protection

## 2.1 Introduction

15 There is no universally accepted definition of the scope of social protection, nor does there exist one that suits all purposes (including the compilation of statistics). It is therefore necessary to formulate a conventional definition of the scope of social protection which meets as well as possible the needs of social policy analysis and data collection on an international level. This chapter begins with a general definition, relevant to both the Core system of the ESSPROS and its modules, that is further explained and specified for use in the Core system in the following paragraphs.

## 2.2 General definition

16 Social protection encompasses all 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.

The list of risks or needs that may give rise to social protection is, by convention, as follows ([4]):

1. Sickness/Health care
2. Disability
3. Old age
4. Survivors
5. Family/children
6. Unemployment
7. Housing
8. Social exclusion not elsewhere classified.

([4]) There are a number of differences between the ESSPROS and the national accounts in the list of risks or needs giving rise to social benefits. The most important one is that the national accounts include the need "Education". See Appendix I.

## 2.3 Further explanation

### 2.3.1 TYPES OF INTERVENTION

17 The word intervention in the definition should be understood in its broadest sense to cover the financing of benefits and related administration costs, as well as the actual provision of benefits.

18 Benefits granted within the framework of social protection can take many forms; however, in the Core system, they are limited to:

(i) cash payments to protected people

(ii) reimbursements of expenditure made by protected people

(iii) goods and services directly provided to protected people.

### 2.3.2 PROVISION BY PUBLIC AND PRIVATE BODIES

19 The condition that the intervention must come from public or private bodies excludes from the definition of social protection all direct transfers of resources between private households or individuals in the form of gifts, help to relatives and so on, even if their purpose is to protect the recipient from the risks or needs listed in paragraph 16.

For practical reasons, small-scale, informal and incidental types of support such as whip-rounds, Christmas collections, ad-hoc humanitarian aid and emergency relief in the event of natural disasters, which do not require regular management and accounting, are also excluded from the definition.

19A Generally, the bodies most frequently intervening are:

- social security funds;
- central, state and local government agencies;
- autonomous and self-administered pension funds;
- insurance companies: in Denmark the pension funds running labour market pensions can delegate the administration of these pensions to insurance companies;
- mutual benefit societies;
- public or private employers providing benefits to their current and former employees directly;
- private welfare and assistance institutions: for instance, the Red Cross, the Portuguese religious foundation Casa Misericordia and the (Roman Catholic) charitable organization Caritas.

### 2.3.3 THE RISKS OR NEEDS

20 The list of risks or needs given in paragraph 16 has two purposes. On the one hand it restricts the scope of social protection to the areas which are felt to be most relevant in the European context. On the other hand, it is a tool for producing comparable statistics where the institutions, regulations and social traditions of the Member States diverge widely. The various risks and needs define the primary purposes for which resources and benefits are provided, irrespective of legislative or institutional structures behind them. In this context, it is customary to use the term functions of social protection.

21 Functions are defined in terms of their end-purpose, not in terms of given branches of social protection or pieces of legislation. For instance, the benefits granted by a pension fund cannot simply be classified in their entirety under the Old age function, as some benefits may have the purpose to relieve the beneficiary from needs related to the death of a breadwinner (which belong to the Survivors function) or to the loss of the physical ability to engage in economic and social activities (which are to be classified under the Disability function).

The ESSPROS applies the functional breakdown exclusively to social protection benefits, and not to receipts. It is recognised, in fact, that a single type of receipts can be used to finance benefits under several different functions.

22 Paragraph 110 briefly describes the functions distinguished in the ESSPROS. Part 2 of the Manual contains a detailed specification of the types of benefits covered by each function and gives further guidance to their interpretation.

### 2.3.4 ABSENCE OF A SIMULTANEOUS RECIPROCAL ARRANGEMENT

23 The conventional definition of social protection stipulates that the intervention does not involve a simultaneous reciprocal arrangement. This should be conceived as excluding from the scope of social protection any intervention where the recipient is obliged to provide simultaneously something of equivalent value in exchange. For instance, interest-bearing loans granted to households are not social protection because the borrower commits himself to paying interest and to refund the capital sum ([5]). Likewise, the portion of the full cost of health care and other provisions that beneficiaries are required to meet personally falls outside the field of social protection.

This does not preclude that social protection benefits may be conditional on some action to be undertaken by the beneficiary (such as taking part in a vocational training programme), provided that this action does not have the character of salaried work or sale of services.

24 The principle that the intervention should not involve a simultaneous reciprocal arrangement is particularly important for distinguishing social protection provided directly by employers to employees from the flows which make up gross wages and salaries.

24A Any expenditure by employers for the employees' benefit that can reasonably be regarded as compensation for work is not considered a social benefit. Examples are:

- cost of living allowances, local allowances and expatriation allowances;
- allowances for transport to and from work;
- payments made by employers to their employees under saving schemes;
- free housing or housing allowances to active employees;
- crèches for the children of employees;
- holiday pay for official and annual holidays;
- sports, recreation and holiday facilities for employees and their families.

25 However, where the reciprocal arrangement from the employee is not simultaneous, the expenditure is classified as social protection. For example, retirement and survivors' pensions paid by an employer, free housing to retired employees and so on are social benefits (even if the right to the benefit arises from the previous period of service with the employer, that is, work during active life being the reciprocal arrangement). Following the same reasoning, the continued payment of wages and salaries while an employee is unable to work during

([5]) Still, if the loan is interest-free or granted at an interest rate well below the current market rate for social protection reasons, the amount of interest waived qualifies as a social benefit.

sickness, maternity, disability, redundancy and so on is classified as social protection provided by the employer.

26 Furthermore, in line with national accounts' definitions, social protection does not include expenditure by employers which is to their own benefit as well as to that of their employees because it is necessary for the employers' production process.

26A Examples are allowances for or reimbursement of travelling expenses incurred by the employees in the course of their duties, medical examinations required by the nature of the work and accommodation provided at the workplace that cannot be used by the employees' households, such as cabins and dormitories.

27 In practice, therefore, social protection provided directly by employers to their employees is limited to:

(i) the continued payment of normal, or reduced, wages and salaries during periods of absence from work as a result of sickness, accident, maternity etc.;

(ii) the payment of statutory special allowances for dependent children and other family members;

(iii) health care which is not related to the nature of the work.

### 2.3.5 THE EXCLUSION OF INDIVIDUAL ARRANGEMENTS

28 Social protection excludes all insurance policies taken out on the private initiative of individuals or households solely in their own interest. For instance, the payment of a capital sum or an annuity to the holder of a private life insurance policy is not considered to be social protection.

29 This rule should not be interpreted as meaning that all individual policies are excluded from social protection. When social protection is provided by the employer in the form of insurance, it is sometimes allowed, or even required, that the policies be taken out in the names of the individual participants.

30 Nor does this rule imply that all collective contracts must be classified as social protection. Insurance policies that are taken out collectively with the sole purpose of obtaining a discount, as for example, a joint sickness policy covering a group of people travelling together, are not classified as social protection.

31 An insurance policy is included in the scope of the ESSPROS if it is based on social solidarity, whether or not it is taken out on the initiative of the person insured. An insurance policy is based on the principle of social solidarity if, as a matter of policy, the contributions charged are not proportional to the individual exposure to risk of the people protected ([6]).

31A Types of insurance that are often based on the principle of social solidarity are:

- schemes which are established specifically for persons belonging to the same profession or trade;
- insurance offered by mutual benefit societies;
- government-based voluntary schemes open to certain categories of households, such as small businessmen or other low income groups. This is sometimes referred to as opting in.

([6]) This definition pertains exclusively to insurance schemes. The principle of social solidarity is also applied elsewhere and is, for instance, a feature of all non-contributory schemes.

32 It is noted that social solidarity is a sufficient, but not necessary, condition for an insurance scheme to be classified as a scheme of social protection. Specifically,

(i) where by law or by regulation certain groups of the population are obliged to participate in a designated insurance scheme, or;

(ii) where employees and their dependants are insured as a consequence of collective wage agreements, the insurance is included in the scope of the ESSPROS even if it is not based on the principle of social solidarity.

32A Difficult borderline cases arise from the so-called contracting out, where the law allows people to leave the general scheme managed by the social security fund and acquire protection through other channels. The simple fact that coverage is compulsory by law (although no particular scheme is specified) or that an insurance policy replaces a government scheme, is not sufficient reason to classify it as social protection. In these instances, the criterion of social solidarity can be a useful guide.

If the alternative chosen is a company scheme, a professional scheme, a scheme established by a trade union or another kind of mutual benefit scheme, cover is presumed to be based on the principle of social solidarity. These cases, therefore, fall within the scope of the ESSPROS.

When a person contracting out of a social security fund or a company scheme takes out an individual policy with a commercial insurance company the case should be examined individually, as the principle of social solidarity may still apply. The Appropriate Personal Pension Schemes in the United Kingdom are an example.

## OVERVIEW OF THE CORE SYSTEM

### SCHEMES

**Grouped by characteristics:**

- government-controlled versus not government-controlled
- compulsory versus non-compulsory
- contributory versus general versus special
- basic versus supplementary

### RECEIPTS

**By economic type:**

- social contributions
- general government contributions
- transfers from other schemes
- other receipts

**By sector of origin:**

- Corporations
- General government
- Households
- Non-profit institutions
- Rest of the world

### EXPENDITURE

**By economic type:**

- social benefits
- administration costs
- transfers to other schemes
- other expenditure

**By function:**

- Sickness/Health care
- Disability
- Old age
- Survivors
- Family / Children
- Unemployment
- Housing
- Social exclusion n.e.c.

**By type:**

- Cash benefits:
  - Periodic
  - Lump sum
- Benefits in kind

**By characteristic:**

- Means-tested
- Non means-tested

# 3 Accounting structure and classifications in the core system

## 3.1 Introduction

33 This chapter provides an overview of the Core system of the ESSPROS. It introduces a number of concepts and classifications which will be discussed further in the following chapters, and in Part 2 of the Manual.

## 3.2 Delimitations of the Core System

34 There are three essential differences between the Core system and the full ESSPROS. Firstly, as stated in paragraph 18, the Core system deals only with social protection given in the form of cash payments, reimbursements and directly provided goods and services to households and individuals. Secondly, the statistical description is confined to receipts and expenditures of social protection schemes. Finally, the Core takes only distributive transactions into account.

35 The social protection scheme is a unit specially defined for the ESSPROS, and must be clearly distinguished from legal entities or other types of statistical units in common use. Chapter 4 will define a scheme as a distinct body of rules, supported by one or more institutional units, governing the provision of social benefits and their financing. The scheme should be as specific as possible as to the risk or need for which protection is provided and the categories of people protected, without being so small that it becomes impossible to draw up an account of receipts and expenditures.

The schemes are characterised according to the following five criteria:

(i) Which unit takes the main decisions?

(ii) Is membership of the scheme enforced by government?

(iii) Are entitlements to benefits conditional on the payment of contributions?

(iv) Is the scheme protecting the full population or only particular sections of it?

(v) What is the level of protection provided by the scheme?

All relevant definitions are contained in chapter 4.

36 The Core system records receipts and expenditures of social protection schemes, but only in the form of:

(i) distributive transactions, whether current or capital;

(ii) administration costs charged to the scheme.

Any receipts or expenditures relating to production activities (for instance, the production of administration services or of goods and services for direct provision to beneficiaries) are excluded. Likewise, no financial transactions by the scheme (such as the issue of a loan or bonds) are recorded.

36A Capital transfers require the acquisition or disposal of an asset, or assets, by at least one of the parties to the transaction. Whether made in cash or in kind, they result in a commensurate change in the financial, or non-financial, assets shown in the balance sheets of one or both parties to the transaction.

Capital transfers is a concept used in national accounts, which can be sub-divided into three sub-categories:

- Capital taxes refer to exceptional taxes on assets owned or transferred. An example that is potentially relevant to ESSPROS could be a one-off tax on property assets owned and put at the disposal of a scheme by the institutional unit supporting it — e.g. a tax on the increase in value of land or property affected by changes in land use or planning regulations.
- Investment grants refer to transfers to finance the acquisition of fixed assets (buildings, transport equipment, machinery, etc.). For example, money transferred to a social housing organisation to facilitate purchase of additional accommodation is a capital transfer in cash.
- Other capital transfers refer to redistribution of savings or wealth. Examples include transfers to cover accumulated or exceptional losses and transfers made to compensate for the impact of a natural disaster.

ESSPROS includes transactions that fulfil the definition of a capital transfer (and fall within any of the sub-categories identified above) where these also meet the definitions of the types of expenditure and receipts of social protection schemes laid out in this manual.

It is important to note that, in general, ownership of assets is associated with the institutional units running a social protection scheme rather than the scheme in its own right. ESSPROS only covers capital transfers that relates to assets put at the disposal of the scheme by the institutional units running them — i.e. those granted specifically for the purpose to finance or provide social protection.

## 3.3 The accounting structure

37 There are various ways of presenting the main categories of receipts and expenditures of social protection schemes. The most straightforward method is by listing them one under the other, beginning with receipts, as in Table A below.

| Table A: Transaction categories of social protection schemes in the Core system | |
|---|---|
| **Receipts** | |
| 1 | Social contributions |
| 2 | General government contributions |
| 3 | Transfers from other schemes |
| 4 | Other receipts |
| **Expenditure** | |
| 1 | Social benefits |
| 2 | Administration costs |
| 3 | Transfers to other schemes |
| 4 | Other expenditure |

38 The description of receipts and expenditures of social protection schemes is the subject of chapters 5 and 6 respectively.

39 Social benefits are a main focus of the ESSPROS. They are broken down by function (see paragraphs 20 to 22) and by type (the form in which the protection is given). The classification of social benefits by type contains two levels: an aggregate level which allows cross-functional analysis (e.g., benefits in cash and in kind, see section 7.2) and a detailed level which defines categories usually only relevant to one function (i.e., old age pensions, unemployment benefits). Part 2 of the Manual contains a detailed description of the various benefit categories.

40 The ESSPROS contains extensive classifications of both schemes and transactions of schemes, covering the many ways in which social protection is organised within the European Union.

40A It is noted that certain categories may not be relevant to some Member States. For example, while some government-controlled schemes are controlled by both central and local government units in Spain or Italy, they are all dominated by central government in Denmark. Similarly, taxes earmarked for social protection are found in Belgium, Greece, France, Luxembourg, Portugal and United Kingdom but, for time being, are non-existent in many other countries.

# 4 Definition and grouping of social protection schemes

## 4.1 The statistical unit

41 The Core system presents data on benefits provided, and their financing, as expenditures and receipts of the units that are responsible for providing social protection.

This method has a number of advantages. Firstly, the statistical information can be structured in a single accounting framework covering both the provision of social protection and its financing. Secondly, the data can easily be grouped according to the main characteristics of the providing units, making it easier to compare and analyse the ways in which the Member States organise their systems of social protection. Thirdly, the method allows to exploit in a coherent way the administrative files of the Member States, which are reliable and low-cost sources of statistical data ([7]).

42 The statistical unit in the ESSPROS is called social protection scheme. It is defined as follows:

A social protection scheme is a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing.

This definition calls for further clarification:

(i) Social protection schemes should at all times meet the condition that it must be possible to draw up a separate account of receipts and expenditures.

(ii) Preferably, social protection schemes are chosen in such a way that they provide protection against a single risk or need and cover a single specific group of beneficiaries.

43 Social protection schemes are concerned exclusively with redistribution and not with production. They are supported by institutional units and are not themselves institutional units.

Some institutional units support social protection schemes as their main activity; for example, social security funds, pension funds, welfare funds or mutual benefit societies. Others run social protection schemes only as a subsidiary activity; for example, employers, insurance companies or trade unions.

([7]) A full understanding of social protection, however, requires information that cannot be exclusively obtained from the administrative files of the providing units. For example, when no administrative data are available on benefits provided by employers in the form of continued payment of wages in case of sickness, information can be gathered from labour cost surveys.

Goods and services provided in kind to beneficiaries are considered to be produced by the institutional unit (or units) which support the scheme in question, or else to be purchased from other institutional units.

Institutional units can support more than one social protection scheme, when they administer and provide very diverse types of social benefits. On the other hand, a single social protection scheme can be supported by several institutional units, where each is responsible for, say, a specific geographic region, group of enterprises or category of workers.

44 The body of rules referred to in this definition may be established de jure, by virtue of laws, regulations or contracts, or de facto, by virtue of administrative practice. De facto schemes are, for example, set up by employers to provide their employees with extra-legal benefits, often topping up benefits provided by existing basic schemes.

45 *A separate account of receipts and expenditures* means the availability of a full and itemised set of records on resources and uses during the accounting period. Such account of receipts and expenditures may be derived directly from administrative sources or else be constructed by means of estimation.

It should be noted that the resources of some schemes include imputed receipts. This is particularly the case with government social assistance schemes (which are financed implicitly through imputed government contributions) and non-autonomous schemes run by employers (which draw on imputed employers' contributions).

46 The conventionally agreed list of risks or needs - the social protection functions - is given in paragraph 16 above.

The wish to define schemes in such a way that they provide protection against a single risk or need for a single specific group of beneficiaries could produce a multitude of units. The tendency to fragmentation, however, is kept within boundaries by the need to be able to compile information on both receipts and expenditures for each scheme. In practice, therefore, many schemes provide benefits which come under several functions.

47 In several Member States, a specialised agency is set up for the financing of public social protection and the distribution of resources among the institutional units which are responsible for the granting of benefits. In such cases, a fundamental choice has to be made whether to:

(i) combine the financing and provision of benefits in a single social protection scheme, or:

(ii) distinguish several schemes of social protection, among which one that finances the others through transfers between schemes.

It is recommended to choose the second option, as this provides more opportunities for analysing the structure of social protection.

# 4.2 Grouping of Social protection schemes

## 4.2.1 NO SINGLE CLASSIFICATION

48 The ESSPROS does not contain a single classification of schemes, but instead defines a number of characteristics which can be freely combined to produce different groupings of schemes as required by analysis.

For instance, schemes managed by social security funds are usually both government -controlled (ref. 11) and contributory (ref. 31). The categories are defined on the basis of (i) the type of unit which takes the essential decisions, (ii) the existence or absence of a legal obligation, (iii) the way entitlements are established, (iv) the scope of the scheme, (v) the level of protection provided. For each of these criteria, the schemes are allocated to the group which agrees with their predominant character. This implies that each scheme is classified into one single category per criterion.

**Table B: Overview of categories of social protection schemes**

| Criterion | Categories of schemes | | | |
|---|---|---|---|---|
| 1. Decision-making | 11 | Government-controlled schemes | | |
| | | 111 | Central government schemes and social security funds | |
| | | 112 | State and local government schemes | |
| | 12 | Not Government-controlled schemes | | |
| | | 121 | Schemes for employees | |
| | | | 1211 | Contractual |
| | | | 1212 | Non-contractual |
| | | 122 | Other not Government-controlled schemes | |
| 2. Legal enforcement | 21 | Compulsory schemes | | |
| | 22 | Non-compulsory schemes | | |
| | | 221 | Schemes available by law | |
| | | 222 | Other non-compulsory schemes | |
| 3. Establishment of entitlements | 31 | Contributory schemes | | |
| | 32 | Non-contributory schemes | | |
| 4. Scope | 41 | Universal schemes | | |
| | 42 | General schemes | | |
| | 43 | Special schemes | | |
| | | 431 | Schemes for public servants | |
| | | 432 | Schemes for the self-employed | |
| | | 433 | Other occupational schemes | |
| | | 434 | Other schemes | |
| 5. Level of protection | 51 | Basic schemes | | |
| | 52 | Supplementary schemes | | |

## 4.2.2 DECISION-MAKING

49 Decision making refers to the unit that takes the most important decisions: the level of benefits, the terms on which they are paid and the ways in which the scheme is financed. Schemes may be government-controlled or not government-controlled.

50 Government-controlled schemes (ref. 11) consist of social protection schemes which are controlled by government.

The definition of general government is given in paragraph 92. *Controlled* implies that the government takes all the principal decisions about the level of benefits, the terms on which they are paid and the ways in which the scheme is financed. It is not sufficient to classify a scheme as government-controlled simply because the government has a formal (but unexercised) right to determine the policy of a given scheme or the scheme's managers have an obligation to submit certain decisions for broad approval to the public authorities.

Government-controlled social protection is usually established by law or regulation. It includes all schemes that provide protection to public servants on the same lines as that provided to the general population by government-controlled schemes, but excludes schemes that government may set up in its role of employer and which have no government-controlled counterparts in the private sector. These schemes are classified as not government-controlled schemes for employees.

50A Examples of government-controlled schemes are:

- non-contributory schemes set up by government to meet its general social responsibility, such as an income support scheme for destitute people or a rent benefit scheme;
- schemes run by social security funds;
- schemes originally established in the private sector and for which the government has later assumed responsibility.

51 Government-controlled social protection may be further subdivided by level of government into~~:~~

(i) Central government schemes and social security funds (ref. 111),

(ii) State or local government schemes (ref. 112).

52 Not government-controlled schemes (ref. 12) are all social protection schemes which are not controlled by government in its role of public authority.

52A The following types of schemes are usually not government-controlled:

- schemes run by non-profit institutions (mutual benefit societies, friendly societies, institutions co-administered by the social partners and so on);
- schemes administered by commercial insurance companies;
- non-autonomous schemes run by employers maintaining separate reserves in their balance sheets to cover their liability to pay benefits in the future (book reserves). Included here are funded schemes which government may have set up in its role of employer (see paragraph 50 above, 3rd sentence);
- non-autonomous schemes run by employers without maintaining segregated funds, including unfunded schemes which government may have set up in its role of employer.

In the national accounts, the first three types of schemes are referred to as private funded schemes; the latter is called unfunded employers' schemes. The last two types taken together make up the category non-autonomous employers' schemes.

53 The ESSPROS sub-classifies not government-controlled_schemes into not government-controlled schemes for employees and other not government-controlled_schemes.

Not government-controlled schemes for employees (ref. 121) are social protection schemes organised (but not necessarily run) by employers for their employees, former employees and their dependants. Two groups are distinguished:

(i) Contractual not government-controlled schemes for employees (ref. 1211) provide social protection decided via bargaining between the social partners (employers and employees). The terms of such schemes are fixed by collective agreement and cannot be unilaterally changed by employers;

(ii) Non-contractual not government-controlled schemes for employees (ref. 1212) provide social protection to employees at the discretion of the employer.

Other not government-controlled schemes (ref. 122) are all not government-controlled schemes other than those organised by employers for their employees, former employees and their dependants. They may be organised, for instance, for the general public or specific groups such as the self-employed.

### 4.2.3 LEGAL ENFORCEMENT

54 Legal enforcement refers to the rules laid down by legislation concerning the membership of the protected people. Membership of a social protection scheme may be compulsory or non-compulsory.

In the framework of the ESSPROS the concepts compulsory and voluntary are interpreted from the point of view of the people protected.

55 Compulsory schemes (ref. 21) are social protection schemes where membership is made compulsory by the government.

55A Compulsory schemes may include both schemes established by law or regulation and those established by convention or collective agreement between employers and employees or members of the same profession and subsequently made obligatory by the government.

56 non-compulsory schemes (ref. 22) are all social protection schemes where membership is not made compulsory by government.

Two subgroups of non-compulsory schemes are distinguished separately:

(i) Schemes available by law (ref. 221) consists of schemes established by law or regulation and available for voluntary membership to specific groups such as low-income self-employed workers, or people who choose to remain protected after a period of compulsory cover comes to an end);

(ii) The other subgroup consists in the other non–compulsory schemes (ref. 222).

### 4.2.4 ESTABLISHMENT OF ENTITLEMENTS

57 Establishment of entitlements refers to the basis on which the protected person is eligible for benefits: conditional or not conditional on payment of contributions.

58 Contributory schemes (ref. 31) are social protection schemes that require the payment of contributions, by the protected persons or by other parties on their behalf, in order to secure individual entitlement to benefits.

58A Contributory schemes are sometimes referred to as social insurance schemes.
By convention, all non-autonomous schemes that employers run in favour of their employees, former employees and their dependants are classified as contributory schemes.

59 Non-contributory schemes (ref. 32) are social protection schemes in which eligibility to benefits is not conditional on the payment of contributions by the protected persons or by other parties on their behalf.

59A Many non-contributory schemes give benefits only after a means-test. Non-contributory schemes which do not require a means-test include national health services and family allowance schemes instituted in several Member States.

### 4.2.5 SCOPE OF THE SCHEME

60 Scope of the scheme refers to the part of the population which is protected (the whole population, all or the majority of workers or specific sections of the population).

61 Universal schemes (ref. 41) are schemes which apply to the whole population, implying that all residents or nationals, irrespective of their socio-professional status, are eligible to receive social benefits upon materialisation of specific risks or needs.

61A Examples of universal schemes are: the national health services of Denmark, Italy, Spain, Cyprus, the United Kingdom and health insurance in Slovakia and Poland; the universal pension schemes in Denmark (Folkepension) and the Netherlands (Algemene Ouderdoms Wet), the state pension scheme in Latvia and the tax financed pension scheme in Sweden (guarantee pension - a part of the general pension system); the child allowance schemes supported by the government: "CNAF" in France, some child and family allowance schemes in Latvia, family support in Hungary, housing subsidies in Malta, "Kinderbetreuungsgeld" in Austria (since 2002), the Parental insurance scheme in Sweden and social welfare in Slovenia.

62 General schemes (ref. 42) are those which apply to the totality or the preponderance of the economically active population.

62A Typical examples are the Irish general old age pension scheme, the general invalidity scheme for private sector employees in Italy, the National Health Insurance scheme and the schemes Income pension fund and Premium pension fund (parts of the general pension system) in Sweden, the Employment fund in Lithuania, Old-age pension scheme in Slovakia, the health insurance in the Czech Republic and the insurance scheme against occupational diseases and accidents at work in Latvia.

63 Special schemes (ref. 43) are schemes designed to protect a specific, restricted section of the population.

63A Some special schemes are directed, for instance, at certain categories of workers, such as railway employees, farmers or clergymen. Schemes which cater for specific groups defined by other criteria include, for example, schemes for war victims or immigrants.

Schemes which protect particular sections of the population occur in all Member States, where they vary widely in institutional and financial structure.

64 The ESSPROS defines four separate sub-groups of special schemes.

Schemes for public servants (ref. 431) are those reserved for established and acting public servants, other members of general government staff and officials of public corporations insofar as they have official status under public law.

Schemes for the self-employed (ref. 432) are schemes set up to provide protection for the self-employed and their dependants.

Other occupational schemes (ref. 433) are schemes created for certain categories of workers on the basis of occupation or profession, other than special schemes for public servants and the self-employed.

Other schemes (ref. 434) groups all remaining special schemes.

### 4.2.6 LEVEL OF PROTECTION

65 Level of protection refers to whether social protection schemes offer a basic or a supplementary level of protection.

Various criteria are used for classifying, including some of the distinctions defined earlier in this chapter, so that interpretations may vary slightly from country to country. The following paragraphs explain the concepts in current use rather than try to provide standard definitions for international comparison.

66 Basic schemes (ref. 51) are social protection schemes that guarantee a basic level of protection.

A *basic level of protection* means the lower level of protection (based on the number of years of contributions/work and/or residency), without it being strictly understood as the level of resources allowing only the minimum socially acceptable standard of living. Basic old age schemes, for instance, typically guarantee either a flat-rate pension and/or a limited percentage of former earnings which may or may not be, supplemented by other provisions. In respect of medical care, basic schemes can either take charge of the lowest class of health care or compensate for only a specific fraction of its cost.

66A Basic schemes are often those on which the greatest number of people rely on for protection. As a rule, universal schemes and schemes protecting all workers or employees are basic. In some cases, a person may be entitled to benefits from more than one single basic scheme. For instance, if an employee has worked in the private sector for a number of years before becoming a public servant, he or she may eventually be entitled to old age pensions from two different basic schemes.

66B Many basic schemes are characterised by a high degree of social solidarity (see paragraph 31 above). In certain countries this has resulted in a system of transfers in which schemes with a favourable ratio of contributors to beneficiaries support schemes in which this ratio is less favourable.

66C Finally, the government has a major influence on basic schemes, as these are usually either government-controlled schemes or compulsory not government-controlled schemes.

67 Supplementary schemes (ref. 52) are social protection schemes that:

- top up cash benefits granted by the basic scheme, or;
- extend the coverage of the basic scheme, or;
- replace the basic scheme where conditions for entitlement to the basic scheme are not fulfilled.

67A Examples are schemes that provide a percentage of former income on top of the basic pension and sickness insurance schemes that take charge of the cost of medical care not covered by the basic scheme.

67B Schemes for specific groups of the working population, such as occupational or professional schemes, are normally supplementary. However, where the law allows an occupational or professional scheme to replace the universal scheme (for instance, in some public service schemes, or generally in the case of contracting out), it is treated a basic scheme.

67C Although many supplementary schemes are non-compulsory, the fact that membership to some schemes (for example contractual schemes for employees) is made obligatory by a public authority does not prevent their classification as supplementary. Examples are the old age schemes AGIRC and ARRCO in France.

67D For studying pension schemes, the pillars' classification is often used, but not universally. This classification distinguishes tree pillars: first pillar schemes are collective compulsory schemes, second pillar schemes are collective voluntary schemes, and third pillar schemes are individual voluntary schemes. Basic and supplementary schemes are sometimes referred to as first pillar and second pillar schemes, but this classification is not always accurate and depends on a national approach. Third pillar consists of individual arrangements that are not part of social protection in the definition of the ESSPROS.

# 5 Receipts of social protection schemes

## 5.1 Introduction

68 The ESSPROS Core system classifies receipts of social protection schemes by type and origin. The *type* indicates the nature of, or reason for, a payment; the *origin* specifies the institutional sector from which the payment is received.

69 When a single type of receipts finances benefits in different functions, it is difficult to tell what fraction of the receipts pays for which benefit and, therefore, for which function. This is the main reason why social protection schemes cannot always meet the requirement to provide protection against a single risk or need (see paragraph 46 above).

## 5.2 Types of receipts

**Table C: Classification of receipts of social protection schemes by type**

| | | | |
|---|---|---|---|
| 1 | Social contributions | | |
| | 11 | Employers' social contributions | |
| | | 111 | Actual employers' social contributions |
| | | 112 | Imputed employers' social contributions |
| | 12 | Social contributions by the protected persons | |
| | | 121 | Employees |
| | | 122 | Self-employed persons |
| | | 123 | Pensioners and other |
| 2 | General government contributions | | |
| | 21 | Earmarked taxes | |
| | 22 | General revenue | |
| 3 | Transfers from other schemes | | |
| | 31 | Social contributions re-routed from other schemes | |
| | 32 | Other transfers from other schemes | |
| 4 | Other receipts | | |
| | 41 | Property income | |
| | 42 | Other | |

70 Social contributions (ref. 1) means the costs incurred by employers on behalf of their employees or by protected persons to secure entitlement to social benefits.

70A See also the convention included in paragraph 79 B regarding social contributions received by compulsory universal social protection schemes.

70B It is noted that the fact that social contributions have been paid by or for a particular person may not be the sole condition to make that person eligible to social benefits when the social risk or need materialises. Other conditions may include a minimum period of affiliation, a minimum loss of earning capacity, availability to actively search for work or follow vocational training, etc.

71 Employers' social contributions (ref. 11) are the costs incurred by employers to secure entitlement to social benefits for their employees, former employees and their dependants.

71A Employers' social contributions are an indirect component of compensation of employees (the direct component being wages and salaries). Generally they are related to employees' earnings, but are sometimes assessed by reference to other criteria. Employers' social contributions may be actual or imputed; they can be paid by resident or non-resident employers.

72 Employers' actual social contributions (ref. 111) are payments made by employers to insurers to secure entitlement to social benefits for their employees, former employees and their dependants.
The term insurers includes:
- (i) social security funds;
- (ii) non-profit institutions running contributory schemes (such as autonomous pension funds);
- (iii) commercial insurance companies;
- (iv) employers running non-autonomous schemes and maintaining segregated reserves in their balance sheets for that purpose.

73 Employers' imputed social contributions (ref. 112) are the costs incurred by employers by granting social benefits or by promising social benefits payable in future, to their employees, former employees and their dependants, (i) without involving an autonomous insurer, and; (ii) without maintaining segregated reserves for that purpose in their balance sheets.

73A Employer's schemes without segregated reserves are frequently (but not exclusively) run by government institutions. The payment of certain benefits directly by employers does not detract from their social character, and consistency requires that the financing of these benefits be recorded as imputed receipts.

74 The valuation of employers' imputed social contributions may pose problems if the associated benefits are due in future (old age pensions, for example). In principle, the net current value of such promised future benefits must be determined.

74A In the case of mature schemes, for the sake of simplicity, the value of employers' imputed social contributions may be estimated as the value of benefits provided in the current period less any employees' contributions to the scheme. For instance, if, during a particular accounting period, an employer is promising his or her employees future pensions, the value of the imputed employers' contributions may be estimated as the value of pensions actually paid by the employer to retired employees in the current accounting period, less any payments that existing employees make to the employer in order to maintain their pension rights.

75 Social contributions paid by protected persons (ref. 12) are payments made by individuals and households to social protection schemes in order to obtain or keep the right to receive social benefits.

75A Social contributions paid by protected persons may be deducted at source from pay-rolls or collected separately. They may be collected jointly with personal income tax, as in the Netherlands.

75B There are important differences between the ESSPROS' and National accounts' definitions of contributions of protected persons. These are further explained in Appendix V.

75bis Social contributions which are the liability of the protected persons but withheld at source by the social protection scheme and transferred to other social protection schemes on behalf of protected persons are recorded as social contributions paid by protected persons in the ESSPROS data on receipts of the recipient scheme.

76 Social contributions paid by protected persons are broken down by category into:

- (i) Social contributions paid by Employees (ref. 121);
- (ii) Social contributions paid by Self-employed persons (ref. 122);
- (iii) Social contributions paid by Pensioners and other persons (ref. 123).

76A These categories refer to the circumstances in which a person contributes to the social protection scheme and not to the person's wider circumstances. For instance, someone receiving an old age pension may still pay employees' social contributions (ref. 121) through a full-time or part-time job.

77 General government contributions (ref. 2) consists of:

- (i) the cost to general government of running government-controlled non-contributory schemes, and;
- (ii) financial support provided by general government to other resident social protection schemes.

77A Class (i) includes, for instance, government expenditure on government-controlled schemes that guarantees a certain minimum income to all residents of the country in question and the cost of providing goods and services to indigent households as a matter of public assistance. Class (ii) includes, among others, unrequited payments made by government to government and not government-controlled social protection schemes to contribute to the cost of benefits provided by these schemes, supporting their administration costs or covering deficits incurred over current or previous accounting periods. Also included here are capital transfers in the form of extraordinary payments by government designed to increase the actuarial reserves of social protection schemes and the proceeds of lotteries which government puts to their use.

77B Both current and capital transfers are included (see §36A). A clear distinction should be made between transfers that institutional units running a scheme receive in their capacity of administrators of social protection schemes and transfers which they receive in other capacities. The former result in assets owned and made available to the scheme by the institutional units, meaning that they are granted specifically to finance social protection and are thus recorded as general government contributions. The latter result in assets owned but not made available to the scheme by the institutional units and are thus not recorded in ESSPROS. For example, investment grants provided to an institutional unit specifically for the purpose of delivering social housing through a social protection scheme are included, but investment grants provided to an institutional unit for the purpose of construction in general are excluded.

77C General government contributions do not cover actual or imputed contributions which general government makes to secure benefits to its own employees, former employees and their dependants (these are classified as Employers' social contributions). Also excluded are donations that general government social protection schemes make to other social protection schemes (these are classified as Transfers from/to other schemes) ([8]).

77D If, for budgetary reasons, the government takes money out of the reserves of government-controlled social protection schemes, the relative amount of this capital transfer is accounted as negative General government contributions for those schemes.

78 The category of General government contributions is broken down into Earmarked taxes and General revenue.

79 Earmarked taxes (ref. 21) are the proceeds from taxes and levies which, by law, can be used only to finance social protection.

79A The essential difference between earmarked taxes and compulsory social contributions is that social contributions are paid to secure personal entitlement to the benefits, whereas earmarked taxes secure no such rights.

79B By convention all periodic payments by protected persons, or for protected persons by their employers, into compulsory universal schemes are classified as social contributions (ref. 1) if levied as a function of income, payroll, or the number of employees.

79C All kinds of taxes may be earmarked for social protection financing.

80 General revenue (ref. 22) are general government contributions from sources other than earmarked taxes.

81 Transfers from other schemes (ref. 3) means unrequited payments received from other social protection schemes. These are broken down in two categories.

82 Re-routed social contributions are payments that a social protection scheme makes on its own behalf to another scheme in order to maintain or accrue the rights of its protected people to social protection from the recipient scheme. Even if such payments only involve one transaction from one scheme to another, the ESSPROS records the following two flows of equal value:

(i) in the expenditure of the paying scheme, the amount of transfers to other schemes made on its own behalf for the benefit of protected people (Social contributions re-routed to other schemes; see paragraph 104);

(ii) in the receipts of the recipient scheme, social contributions paid by the paying schemes on their own behalf for the benefit of protected people (Social contributions re-routed from other schemes ref. 31).

82A On a national level, re-routed social contributions recorded in the receipts of social protection schemes are held to balance out with re-routed social contributions recorded as expenditure of schemes, except for possible transactions with the Rest of the World.

82B An example of re-routed social contributions occurs when an unemployment benefit scheme pays social contributions to the sickness scheme for the benefit of its beneficiaries.

Note that the transfer of funds relating to an insured person moving from one scheme to another is outside the scope of the ESSPROS Core system. Such transactions result in no net change in either the funds available or the liability to deliver social protection and are therefore financial and not distributive transactions (see §36).

([8]) See also Appendix VI, which contains an overview of the classification of various government disbursements.

82bis Social contributions which are the liability of the protected persons but are withheld at source by the social protection scheme and transferred to other social protection schemes on behalf of protected persons are recorded in the ESSPROS data on receipts as social contributions paid by protected persons (see paragraph 75bis) and not as re-routed social contributions.

83 Other transfers from other schemes (ref. 32)

An example of other transfers from other schemes is contributions in the form of a capital transfer made by one scheme to reduce the deficit of another.

83A Transfers from/to other schemes exclude:

(i) payments for delivery of goods or services (there is a quid pro quo);

(ii) the transfer associated with the movement of funds linked to an insured person switching from one scheme to another. This transaction is not recorded in the ESSPROS core system (see §82B);

(iii) social contributions that social protection schemes pay on their own behalf for the benefit of their beneficiaries to other social protection schemes. These are recorded as re-routed social contributions from/to other schemes (see §82);

(iv) payments made by the government acting in its capacity of public authority rather than as an administrator of social protection schemes. Such payments are classified as General government contributions;

(v) payments between schemes as a consequence of transactions carried out by one scheme on behalf of the other, for example, when a lower government scheme acts as an intermediary for a central government scheme. These payments are not shown, because the ESSPROS only records transactions in the accounts of the principal transactors. See paragraphs 137 to 139;

(vi) unrequited payments that resident social protection schemes receive from/pay to non resident schemes. As the latter belong to the sector Rest of the World (see chapter 9), which is defined as a grouping of units without any characteristic functions and resources, they are not identified separately. The payments in question will therefore be classified as Other receipts.

83B On a national level, transfers to and from other schemes are held to balance out, as for each item of expenditure classified as a transfer between schemes there should be a corresponding receipt in the same category and of the same amount.

84 Other receipts (ref. 4) means miscellaneous receipts of social protection schemes. They are broken down into receipts of property income and other.

85 Property income (ref. 41) is the income receivable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the tangible non-produced asset at the disposal of, another institutional unit.

In practice, it refers mainly to actual interest and dividends. Receipts from property income also include any entrepreneurial income, such as the proceeds from the exploitation of dwellings, credited to the scheme by the institutional unit that runs it. Note that, as social protection schemes by definition do not undertake production activities, they cannot themselves generate entrepreneurial income.

86 The category Other (ref. 42) groups miscellaneous receipts not otherwise attributable, such as proceeds of collections (mainly gifts from households), net proceeds from private lotteries,

claims on insurance companies and large gifts such as legacies in the form of capital transfers from the private sector.

This category does not include any direct payments made by beneficiaries towards the cost of social benefits in kind by way of cost-sharing. Such payments are receipts of the institutional units that sell these goods and services and not of social protection schemes.

## 5.3 Classification of institutional sectors from which receipts originate

**Table D: Classification of institutional sectors from which receipts of social protection schemes originate**

| | | | |
|---|---|---|---|
| 1 | All resident institutional units | | |
| | 11 | Corporations (non-financial and financial) | |
| | 12 | General government | |
| | | 121 | Central government |
| | | 122 | State and local government |
| | | 123 | Social security funds |
| | 13 | Households | |
| | 14 | Non-profit institutions serving households | |
| 2 | Rest of the world | | |

87 The definitions of the institutional sectors from which the receipts of social protection schemes originate are the same as those for the national accounts.

88 The institutional unit is defined as an elementary economic decision-making centre characterised by uniformity of behaviour and decision-making autonomy in the exercise of its principal function. A resident unit is regarded to constitute an institutional unit if it has decision-making autonomy in the exercise of its principal function and either keeps a complete set of accounts or is such that it would be possible and meaningful, from both an economic and legal viewpoint, to compile a complete set of accounts if required.

In order to be said to have autonomy of decision in the exercise of its principal function, a unit must:

- be entitled to own goods or assets in its own right, and therefore be able to exchange the ownership of goods or assets in transactions with other institutional units;
- be able to take economic decisions and engage in economic activities for which it is held to be directly responsible and accountable at law;
- be able to incur liabilities on its own behalf, to take on further obligations or commitments and to enter into contracts.

A *complete set of accounts* means accounting records covering all economic and financial transactions carried out during the accounting period, as well as a balance sheet of assets and liabilities.

Households are held to always enjoy autonomy of decision in respect of their principal function and must therefore be regarded as institutional units, even though they do not keep a complete set of accounts.

89 Institutional sectors are aggregations of institutional units on the basis of similar economic behaviour.

90 The category All resident institutional units (ref. 1) groups all institutional units that are resident in the country. The principles of residence are set out in Chapter 9.

91 The sector Corporations (ref. 11) consists of institutional units whose distributive and financial transactions are distinct from those of their owners, whose principal activity is the production of goods and services and which are market producers.

Included in this sector are co-operatives, limited liability partnerships and quasi-corporations (that is, market producers without independent legal status that have an economic and financial behaviour different from that of their owners, implying that the *de facto* relationship with their owners is one of a corporation to its shareholder).

Corporations may run social protection schemes in their role as insurance companies or by operating non-autonomous schemes for the benefit of their employees. They secure benefits for their employees by paying actual or imputed employers' social contributions.

92 The sector General government (ref. 12) consists of:

(i) all the resident distinct types of legal entities established by political processes which have legislative, judicial or executive authority over other institutional units within a given area, to the extent that their main output consists of collective services or individual goods and services which are provided free or at prices which cover less than 50% of production costs;

(ii) resident non-profit institutions that provide most of their output to other institutional units free or at prices which cover less than 50% of their production costs and that are controlled and financed by the type of units mentioned in (i);

(iii) all resident social security funds, that is, institutional units whose principal activity is to provide social benefits and which fulfil each of the following criteria:
- by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions;
- government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer.

93 The sub-sector Central government (ref. 121) covers all general government institutional units of type (i) above whose authority extends over a whole national territory and all units of type (ii) they control and finance.

The sub-sector State and local government (ref. 122) covers all general government institutional units of type (i) mentioned above whose authority is restricted to a part of the national territory and all units of type (ii) they control and finance. State (regional) governments occur in countries with federal constitutions such as Belgium, Germany, and Austria.

The sub-sector Social security funds (ref. 123) combines all general government units of type (iii) irrespective of the geographical area in which they are active ([9]).

([9]) The ESSPROS does not define the concept of "social security scheme". Social securit*y funds* are institutional units that may run schemes with widely diverging characteristics.

Within the framework of social policy, general government usually runs a variety of contributory and non-contributory schemes. It may also grant current and capital transfers to other institutional units, in particular non-profit institutions, to finance and support the social protection schemes they administer. Government secures benefits for public servants and its other employees by paying actual employers' social contributions.

Normally, it will also provide certain social benefits directly to its employees.

Finally, government may provide social protection through other channels (such as by granting fiscal benefits and paying subsidies to market producers), but with the exception of payable tax credits (see paragraph 112bis) these are not recorded in the Core system of the ESSPROS.

94 The sector Households (ref. 13) covers individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and non-financial and financial services provided that, in the latter case, the corresponding activities are not those of separate entities treated as quasi-corporations ([10]). It also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use.

Households as consumers are defined as all resident small groups of persons, not necessarily related, who share the same living accommodation, who pool some, or all, of their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.

Domestic employees living on the employer's premises do not belong to the employer's institutional household. Persons living permanently or for a very long time in an institution and having no or little autonomy of action or decision in economic matters are treated as belonging, together, to a single institutional household, that is, a single household. Examples are members of religious orders living in monasteries, long-term patients in mental hospitals, prisoners serving long sentences and old people living permanently in retirement homes.

In modules based on micro data, the sector Households may be sub-sectored according to criteria such as the composition of the household, the level and largest source of its income and the type of area in which the household has its accommodation.

Households appear in the system as recipients of social benefits and contributors to social protection schemes by paying employers' contributions (if they are market producers or employers of paid domestic staff) and social contributions paid by the protected person.

95 The sector Non-profit institutions serving households (ref. 14) consists of all resident non-profit institutions that provide most of their output to households free or at prices which cover less than 50% of their production costs, except those which are controlled and mainly financed by government authorities. Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by General government and from property income. (Compare the definition of *General government* in paragraph 92 (ii)).

Many social protection schemes are run by *Non-profit institutions* serving households. In their role as employers, they may pay actual employers' social contributions or provide social benefits directly to the employees working in these institutions.

96 The category Rest of the World (ref. 2) consists of all non-resident institutional units.

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([10]) The transactions of quasi-corporations are recorded in the sector Corporations.

The ESSPROS covers the transactions of the *Rest of the World* only insofar as they relate to resident social protection schemes. Examples are social contributions paid by non-resident households into resident social protection schemes. The definition of *residence* is given in Chapter 9.

# 6 Expenditure of social protection schemes

## 6.1 Introduction

97 The expenditure of social protection schemes is classified by type, which indicates the nature of, or reason for, the expenditure.

98 The ESSPROS distinguishes four main categories of expenditure. The first is expenditure on social benefits, that is, resources which are transferred to beneficiaries in the form of cash or goods and services. The description of this type of expenditure is one of the main aims of the ESSPROS; Part 2 of the Manual is entirely devoted to the description of the various types of social benefits. The second category of expenditure relates to administration costs charged to the scheme. The third and fourth categories deal with transfers to other schemes and miscellaneous expenditure.

## 6.2 Types of expenditure

**Table E: Classification of expenditure of social protection schemes by type**

| | | |
|---|---|---|
| 1 | Social benefits | |
| 2 | Administration costs | |
| 3 | Transfers to other schemes | |
| | 31 | Social contributions re-routed to other schemes |
| | 32 | Other transfers to other schemes |
| 4 | Other expenditure | |
| | 41 | Property income |
| | 42 | Other |

99 Social benefits (ref. 1) consists of transfers, in cash or in kind, by social protection schemes to households and individuals to relieve them of the burden of a defined set of risks or needs.

The conventionally agreed list of risks or needs - functions - is given in paragraph 16 above.

100 In the Core system, social benefits refer exclusively to cash payments, reimbursements and directly provided goods and services. These are all direct benefits in the sense that they are advantages that imply an equivalent rise in the (adjusted) disposable income of the beneficiaries.

100bis Collective services are services for collective consumption that are provided simultaneously to all members of the community or all members of a particular section of the community (e.g. all households living in a particular region). In ESSPROS social benefits refers only to goods and services for individual consumption and therefore excludes collective services.

100A Social benefits may be passive, that is, trying to make up for a loss suffered through the materialisation of a social risk or need; or active, that is trying to avoid or find a remedy for a particular social risk or need.

100B Cash benefits may be granted as flat-rate amounts or be determined as a function of the beneficiary's needs, (previous) earnings, social contributions paid and so forth. In the latter case, various thresholds and ceilings may be applied. Benefits in the form of reimbursements and directly provided goods and services normally depend on the beneficiary's needs. Sometimes the beneficiary is required to make a contribution towards the cost of provisions in kind (such payments are not classified as social protection expenditure).

100C Chapter 7 of this Part contains the main features of the classifications of social benefits and paragraphs 122 through 131 describe the principles for their valuation. Part 2 of this Manual describes the various types of social benefits in detail.

101 Resident social protection schemes may provide social benefits to both resident and non-resident protected people. Conversely, resident households and individuals may receive social benefits from non-resident schemes.
These latter benefits are not recorded in the accounts, as they do not relate to resident social protection schemes (see chapter 9).

102 Administration costs (ref. 2) means the costs charged to the scheme for management and administration thereof.

102A Administration costs include outgoings on registration of beneficiaries, collection of contributions,administration of benefits, inspection, reinsurance, financial management and general overheads (see paragraph 130 on the valuation of administration costs).

102B The Core system does not require a breakdown of administration costs.

102C Administration costs exclude:

(i) the costs of health care and other individual goods and services produced by the institutional unit supporting the scheme for provision to beneficiaries. These costs, including those of administrative services necessary to produce the goods and services, are classified as Social benefits in kind (see paragraph 124 on the valuation of benefits in kind produced by the institutional unit supporting the scheme);

(ii) outlays on goods and services bought from market producers for provision to beneficiaries, also classified as Social benefits in kind (see paragraph 123);

(iii) payment of interest on loans taken up by the scheme; these are all classified as Other expenditure, under property income;

(iv) compensation of public administration employees responsible for general supervision and social policy in a broad sense. As these employees are not directly and expressly involved in running social protection schemes, their salaries are not recorded in the ESSPROS.

102D For simplicity, administration costs are not recorded when they form an inseparable part of internal running costs (intermediate consumption) of the institutional unit which runs the scheme. This will apply to all unfunded employer's schemes, and possibly to certain public assistance and funded employers' schemes. However, estimates of the administration costs involved may be provided in additional tables.

103 Transfers to other schemes (ref. 3) means unrequited payments made to other social protection schemes. These are broken down in two categories.

104 Re-routed social contributions are payments that a social protection scheme makes on its own behalf to another scheme in order to maintain or accrue the rights of its protected people to social protection from the recipient scheme. For a more detailed explanation, see paragraph 82.

104bis Re-routed social contributions to other schemes are broken down by function of social protection which should be completed on the basis of the function of the qualifying benefit and not the final purpose of the contribution. For example, contributions for health care paid by an unemployment scheme for the benefit of persons receiving an unemployment benefit are reported in the unemployment function and not sickness/health care.

105 Other transfers to other schemes

An example of other transfers payable to other schemes is the transfer of funds (capital transfer) made by one scheme to reduce the deficit of another.

105A For a more detailed explanation, see paragraph 83A.

105B On a national level, other transfers to and from other schemes are held to balance out, as for each item of expenditure classified as a transfer between schemes there should be a corresponding receipt in the same category and of the same amount.

106 Other expenditure (ref. 4) means miscellaneous expenditure by social protection schemes. These are broken down into payment of property income and other expenditure.

107 Property income (ref. 41) is the income payable by the owner of a financial asset or a tangible non-produced asset in turn for providing funds to, or putting the tangible non-produced asset at the disposal of the scheme via the institutional unit supporting it.

107A In practice, this item usually refers to actual interest payable by the scheme to banks and other creditors in respect of loans taken up.

108 The category Other (ref. 42) includes all miscellaneous payments not attributable elsewhere such as the payment of taxes on income or wealth. Capital repayments on loans are not included here; these are financial transactions which fall outside the scope of the Core system.

# 7 Social benefits, main classifications

109 In the Core system, social benefits are classified by function and by type. The function of a social benefit refers to the primary purpose for which social protection is provided, irrespective of legislative or institutional provisions (see paragraphs 16 and 17). The type of benefit refers to the form in which the protection is provided.

## 7.1 Classification by function

110 Eight functions of social protection are distinguished in the ESSPROS (see Table F).

**Table F: Definitions of the functions of social protection**

| **Function** | **Brief description** |
|---|---|
| 1. Sickness/Health care<br>or<br><br>the | Income maintenance and support in cash in connection with physical mental illness, excluding disability. Health care intended to maintain, restore or improve the health of the people protected irrespective of origin of the disorder. |
| 2. Disability<br>in<br>to | Income maintenance and support in cash or kind (except health care) connection with the inability of physically or mentally disabled people engage in economic and social activities. |
| 3. Old age<br>in | Income maintenance and support in cash or kind (except health care) connection with old age. |
| 4. Survivors | Income maintenance and support in cash or kind in connection with the death of a family member. |
| 5. Family/children<br>costs of<br>for | Support in cash or kind (except health care) in connection with the pregnancy, childbirth and adoption, bringing up children and caring other family members. |
| 6. Unemployment | Income maintenance and support in cash or kind in connection with unemployment. |
| 7. Housing | Help towards the cost of housing. |
| 8. Social exclusion not else-where classified | Benefits in cash or kind (except health care) specifically intended to combat social exclusion where they are not covered by one of the other functions. |

110A Compilers of the statistics are encouraged to identify the exact reasons for which the benefit is granted and, if necessary, to split the total value of the benefit in a number of components that can be allocated to their correct functions. This is the only way of ensuring comparable statistics between countries, bearing in mind that countries differ considerably in the institutional organisation of their social protection systems.

110B The functional classification of a scheme's benefits is determined by their purpose and not by the main field in which the scheme operates. For instance, an Old age pension scheme can grant benefits that should be classified under the Survivors or Family/children functions. The function of a benefit should not be confused with the personal situation of its recipient: a widow may receive an unemployment benefit or a retired person may be given a housing benefit. Likewise, particular types of goods and services may be granted in connection with several functions, depending on their purpose. Home care is an example.

Placing a given social benefit under its correct function is not always easy. Problems arise in particular from bundled objectives, overlapping objectives and blurred objectives.

110C Bundling of objectives occurs when a single type of benefit serves various distinct social risks or needs. In such cases, the benefit should be examined to see if it should be un-bundled and its components assigned to separate functions. This will need an investigation into the exact conditions that make the individuals or households eligible to the benefit.

Sometimes, it will be advisable to use a rule of thumb. For example, if a single benefit is intended to protect both disabled and old people, it may be very difficult to establish the precise reason why a disabled elderly person is receiving the benefit. For practical purposes it is decided, by convention, that all disabled people above pensionable age are receiving the benefit under the Old age function.

Bundling can also occur between social and other objectives. An example is a government transfer of resources to special schools for blind or deaf children. In such cases the part of the transfer financing the normal education function of the school (which is not reported as social protection under the ESSPROS) should be separate from the part that finances the adaptation of the tuition to the special circumstances of the disabled children (which is social protection expenditure).

110D Overlapping of objectives occurs when the benefit is granted for two or more coinciding social risks or needs rather than a single one. An example is a housing benefit granted only to large families. If none of the combined functions is clearly dominant and in the absence of further guidance from Part 2 of this Manual, the basic rule is that a more specific function takes precedence over a more general one. The list of social protection functions in order of decreasing specialisation is: Sickness/Health care (health care), Housing, Old age, Disability, Survivors, Unemployment, Sickness/Health care (cash benefits), Family/children and Social exclusion not elsewhere classified. Following this principle, the benefit in question should be allocated to the Housing function.

110E Blurring of objectives occurs when a benefit serves other purposes than the one for which it is formally intended. For practical reasons, the ESSPROS normally does not try to correct for implicit substitution. Examples are disability benefits that tend to be granted, in times of high unemployment, as an alternative to unemployment benefits as a way to clear the labour market. However, if substitution is clear and apparent from the conditions of eligibility, the benefit is allocated to the function it actually serves and not to its official function. For example, the ESSPROS classifies early retirement benefits that are unambiguously granted for labour market reasons under the Unemployment function.

110F Even with these general principles in mind, demarcation problems will inevitably remain and they can only be solved by the adoption of certain conventions. For further guidance see Part 2 of the Manual.

# 7.2 Classification by type

111 The classification of social benefits by type is on two levels: firstly a concise general classification which in principle applies to all functions, and secondly a more detailed classification where the items are only relevant to one or a limited number of functions. This chapter presents the general classification; the definitions of the categories on the detailed level are contained in Part 2 of this Manual.

**Table G: General classification of social benefits by type**

| | | | |
|---|---|---|---|
| 1 | Social benefits | | |
| | 11 | Cash benefits | |
| | | 111 | Periodic |
| | | 112 | Lump sum |
| | 12 | Benefits in kind | |

The general definition of Social benefits is given in paragraph 99 above.

112 A cash benefit (ref. 11) is a benefit:

(i) paid in cash, and;

(ii) that does not require evidence of actual expenditure by the recipients.

Benefits that require evidence of actual expenditure by the beneficiaries are reimbursements that the System classifies as Benefits in kind (ref. 12).

112bis Cash benefits include payable tax credits, which may also be known as non-wastable or refundable tax credits. Payable tax credits are benefits delivered through the fiscal system that are paid irrespective of any tax liability and may therefore be granted to non-taxpayers. The part of any payable tax credit in excess of any tax liability is always paid directly to the beneficiary in cash. The part that offsets any tax liability may also be paid directly in cash or received as a fiscal benefit – i.e. reduced liability to pay tax.

112ter Irrespective of the delivery method, the full value of a payable tax credit (cash and fiscal parts) is treated as a cash benefit in ESSPROS. The only exception is in the case that the tax credit is provided to reimburse the recipient in whole or in part for certified expenditure, when the full value of the credit is treated together with other forms of reimbursement as a benefit in kind (see paragraph 115A). The treatment of payable tax credits in ESSPROS is consistent with the approach applied in national accounts where payable tax credits are treated as government expenditure (and not as reduced tax revenues).

113 Periodic cash benefits (ref. 111) are cash benefits paid at regular intervals, such as each week, month or quarter.

114 Lump sum benefits (ref. 112) are cash benefits paid on a single occasion or in the form of a lump-sum.

114A Examples are maternity benefits, redundancy lump-sums and very small pensions that, for convenience, are paid as a single amount. Exceptionally such benefits may give rise to more than one payment; for example maternity benefits in Luxembourg are paid in three instalments.

115 Benefits in kind (ref. 12) are benefits granted in the form of goods and services.

115A They may be provided by way of reimbursement or directly. Reimbursements are benefits in the form of payments that reimburse the recipient in whole or in part for certified expenditure on specified goods and services. Directly provided benefits are goods and services granted without any pre-financing by the beneficiary. They may be produced by the institutional unit or units which administer the social protection scheme, or be purchased from other producers. This distinction is important for the valuation of the benefit (see paragraphs 123 and 124).

115B Contributions made by a recipient towards the cost of directly provided goods and services (cost-sharing) are not part of the value of social benefits. These contributions are not recorded in the ESSPROS as they are considered to be consumption expenditure by households (see also paragraph 125).

115C Sometimes it is difficult to establish whether certain payments that government units make to, or for the benefit of, producer units should be classified as Social benefits in kind. The following rules may help in such situations:

(i) Current unrequited payments made by general government to resident social protection schemes are classified as Transfers to other schemes or General government contributions depending on whether the payment is made on behalf of a general government scheme or not.
(For example: government transfers to a non-profit organisation that provides free, or nearly free, home help services to sick and disabled people.)

(ii) Current unrequited payments by general government made to producers to:

- influence their levels of production;
- influence their prices irrespective of the units that acquire the output;
- enable the factors of production to receive adequate remuneration, are classified as Subsidies, which are not recorded in ESSPROS.

(iii) Payments by general government to market producers to cover in whole or in part the cost of goods and services provided directly and individually to households which have a legal right to them are classified as directly provided Social benefits in kind if the payments fall under one of the social protection functions.
Examples follow: the Danish government payments to independent medical practitioners for medical care provided under the national health system and government payments to retirement homes to the benefit of people that have a legal right to care in such homes; the Swedish local government payments to private health care institutions providing, by contract with County Councils, health care or dental care, and the local government payments to private entrepreneurs providing, by contract with municipalities, social care for elderly, disabled, children, measures for children and young people living outside their household or institutional measures for adult alcohol and drug abusers; the Austrian state and local government payments to retirement and nursing homes.

(iv) Current payments by general government to market producers to enable them to reduce the price of products for specific groups of individuals or households previously defined. These payments are classified as directly provided Social benefits in kind if they fall under one of the social protection functions.
Examples are government payments to social housing corporations and government payments to transport companies to provide reduced fares for the elderly. The ESSPROS also places government payments to hospitals to reduce the price of health care in this category, even though it may be argued that they have strong characteristics of case (ii) above.

(v) Payments made by government to social protection schemes to secure benefit rights for employees of an enterprise that has applied for a moratorium) are considered to be:

- loans where the enterprise may be expected to refund the payments, or;
- transfers to enterprises where government renounces the right to refunds, or;
- so-called other volume changes in financial assets, in case of bankruptcies.

The ESSPROS does not record these flows as social expenditure of government, and the values of these payments only appear as Actual employers' contributions paid by enterprises.

Appendix VI contains a more complete overview of the classification of various government disbursements.

# 7.3. Means-testing

116 Social benefits are broken down between means-tested and non means-tested benefits.

117 Means-tested social benefits are social benefits which are explicitly or implicitly conditional on the beneficiary's income and/or wealth falling below a specified level.

117A This specified level is not necessarily uniquely defined at the national level; it may change from scheme to scheme and may even differ between various types of benefit provided by a single scheme. Usually, the specified level takes account of the beneficiary's family composition.

117B Although most means-tested benefits are targeted at low income households, some may be directed at wider sections of the population. For example, certain schemes in the Netherlands, Italy, Latvia, Portugal, Romania, Slovakia and Spain provide means-tested housing and/or old age or social support benefits to households that cannot be regarded as being indigent.

117C In principle, means-tested benefits may be granted under all functions. They are particularly common, however, in the functions Housing and Social exclusion not elsewhere classified.

117bis Means-tested social benefits refer to benefits where entitlement is explicitly or implicitly conditional on the beneficiary's income/wealth. This covers cases where income/wealth is used to determine (1) only entitlement or (2) both entitlement and amount. The latter case refers to a benefit that is degressively linked to income/wealth and reduced to zero as income rises, the point at which the amount tapers to zero being the level of income/wealth at which there is no entitlement. Benefits where income/wealth is used to determine only the amount of benefit received (i.e. degressively linked to income/wealth but only to a certain minimum level so that there is always some entitlement) are not considered to be means-tested.

117ter Implicit conditionality in the case of means-tested benefits refers to rules that do not directly reference a beneficiary’s income/wealth but either reference situations that imply previous testing of income/wealth (e.g. the benefit is only available to persons already in receipt of another means-tested benefit such as income support) or reference characteristics of the individual that may be considered a proxy for income/wealth (e.g. homelessness or refugee status).

# 8 Accounting conventions

## 8.1 Introduction

118 This chapter discusses a number of general accounting conventions. It deals with the principles of exhaustiveness and consistency, valuation, time of recording and the accounting period, netting and consolidation and the recognition of the principal party to transactions.

## 8.2 The principles of exhaustiveness and consistency

119 All transactions that fall within the scope of the ESSPROS must be recorded in the accounts. The *principle of exhaustiveness* is of primary importance for the international comparability of social protection data.

120 Special attention should be given to schemes that provide considerable benefits in terms of aggregate value, but for which there are little administrative data (such as unfunded company early retirement schemes and continued payment of wages and salaries by employers during sickness).
If available sources do not provide clear data, appropriate estimates must be made. This could be done by comparison with similar schemes for which sufficient information is available.

121 At all times, *consistency* must be ensured in the accounts. For example, if a certain type of benefit is entered in the accounts, the relevant financing transactions must be included under the receipts of social protection schemes. Another example is expenditure on Transfers to other schemes which must have, somewhere in the system, the same value as the receipts from Transfers from other schemes.
Finally, the recorded transactions of all the individual social protection schemes should add up exactly to the national totals.

## 8.3 Valuation

122 The ESSPROS values transactions at *current exchange value*, that is, the value at which flows and stocks are, or could be, exchanged for cash. In certain cases, when it is not possible to establish current exchange valued, goods and services are valued at their *production cost*.

Normally, most social protection transactions are cash flows whose valuation does not pose any difficulties. The valuation of social benefits in kind directly provides to households is more difficult.

123 If a scheme buys goods and services for provision to its beneficiaries from producer units, the social benefit is valued at the actual price agreed by the two parties. There should be no, or only a relatively small, time lag between the time of purchase by the scheme and the time of supply to the beneficiaries.
When this is not the case, the prices originally paid may no longer represent the real value of the benefits in kind provided. Under these circumstances, the benefits should, in principle, be valued at the price that the same or similar goods and services would fetch on the market at the time they are supplied to the beneficiaries.

124 If the institutional unit that manages the scheme produces the goods and services itself, there are two possibilities. If the institutional unit is a market producer ([11]), the benefits in kind are valued at the current market price for the same type of goods or services.

If the providing unit is a non-market producer ([12]), the benefits in kind are valued as the sum of the costs incurred in their production and supply to the beneficiaries, that is, the sum of:

(i) Intermediate consumption ([13])
(ii) Compensation of employees ([14])
(iii) Consumption of fixed capital ([15])
(iv) Taxes on production and imports less subsidies ([16]).

Other categories of costs, such as interest costs, are not taken into account. The element Compensation of employees refers exclusively to personnel involved in the provision of social benefits. So, for example, the salaries of doctors and nurses of State hospitals are included, but the salaries of personnel in the Ministry of Health are excluded because they produce collective rather than individual services.

125 Any portion of the full cost of goods and services which is met personally by the beneficiary is excluded from the value of social benefits in kind. The share paid by the beneficiary is household consumption expenditure - not social expenditure. It is a receipt for the producer of the goods and services in question, not a receipt for the scheme.

126 To summarise:

- social benefits produced by market producers are valued at the price that the same goods and services fetch on the market minus the share paid by the beneficiaries themselves to the scheme;

([11]) A "market producer" is a unit that produces goods and services and whose production costs are for 50% or more covered by income from sales. Private non-profit institutions and government units may be market producers. All private producers other than non-profit institutions are classified as market producers by convention.

([12]) I.e., a private non-profit institution or a public unit whose production costs are for 50% or less covered by income from sales.

([13]) Intermediate consumption is the value of goods and services consumed as inputs in the production process, excluding fixed assets whose consumption is recorded as consumption of fixed capital.

([14]) Compensation of employees is the total remuneration, in cash or in kind, payable by an employer to his or her employees in return for work done. Compensation of employees can be broken down into Wages and salaries and Employers' social contributions.

([15]) Consumption of fixed capital represents the amount of fixed assets used up during the period under consideration as a result of foreseeable economic obsolescence and normal wear and tear, including a provision for losses of fixed assets as a result of normal accidental damage. Its value may deviate considerably from the values calculated via normal business depreciation methods or as allowed for taxation purposes, especially when there is inflation.

([16]) Taxes on production and imports consist of compulsory, unrequited payments, in cash or in kind, which are levied by general government or by the Institutions of the European Union in respect of the production and import of goods and services, the employment of labour, the ownership or use of land, buildings or other assets used in production. Subsidies are defined as current unrequited payments which general government or the Institutions of the European Union make to producers with the objective of influencing their levels of production, their prices or the remuneration of the factors of production.

- social benefits produced by non-market producers are valued at the cost of production and supply minus the share paid by the beneficiaries themselves to the scheme.

127 If retirement homes, social housing corporations and similar are financed solely by the government, it would be more convenient to estimate the value of these services on the basis of the actual government transfers to the scheme providing them, rather than according to the principles above. In the case this approach is applied, the following two conditions must be observed:

(i) only that part of the government transfer that is used as actual social benefits should be taken into account, excluding any contributions towards other expenditure of the scheme in the form of administration costs, transfers to other schemes or other expenditure.
For example, if the government contributes a lump sum to allow a scheme to provide vocational training to unemployed for a single year and this amount includes amounts to be used for the administration of the training as well as the actual costs of the training programmes, then the amount intended for the administration costs should be deducted when estimating the value of the vocational training to be reported as benefits in kind.

(ii) where transfers are intended to cover expenditure on benefits spanning several accounting periods, amortisation should be applied to distribute it across the periods during which the benefits are provided.
For example, if the government contributes a substantial lump-sum to allow a scheme to invest in its real estate and enable it to provide social housing during multiple reference periods (capital transfer in the form of an investment grant to be treated as government contribution), this amount should be distributed between each of the accounting periods during which the social housing funded by the transfer is provided using amortisation. This will provide a more accurate reflection of the market price of the housing services provided during the applicable accounting periods.

128 Social benefits in the form of interest-free or low-interest loans are valued at the amount of interest waived by the scheme in comparison with the current market value.

129 The Core system records social benefits without any deduction of taxes and other obligatory levies payable on benefits by beneficiaries.

129bis Taxes and social contributions which are the liability of the protected persons but withheld at source by the social protection scheme and transferred to the collection authority (either tax authorities or another social protection scheme) on behalf of protected persons are recorded as part of expenditure on social benefits of the scheme that withholds the taxes and contributions.

130 With regard to the valuation of administration costs (see paragraphs 102 through 104), it is important to distinguish between the types of units which administer the schemes. If the scheme is run by a commercial insurer, for instance a life insurance company, administration costs are valued by the actual fees that the commercial insurer charges (plus any other management costs incurred by the scheme, such as attendance fees for the board of governors). If the scheme is managed by government units or non-profit institutions, administration costs are valued at the sum of the costs incurred in administering the scheme (that is, intermediate consumption, compensation of employees, consumption of fixed capital and taxes on production and imports less subsidies; see paragraph 124).

For reasons of simplicity, the value of administration costs is not imputed when such costs form an inseparable part of intermediate consumption of the institutional unit that runs the scheme. This is the case for all unfunded employer's schemes and possibly for certain government-controlled non-contributory schemes and funded employers' schemes.

131 Transactions denoted in *foreign currency* are converted into their value in local currency at the rate prevailing when they are entered in the accounts. The midpoint between the buying and selling rate should be used, and any service charge must be excluded.

# 8.4 Time of recording and the accounting period

132 In principle, all transactions are recorded on an accrual basis, that is, at the time the events which create the related claims and liabilities occur.

For instance, employer's contributions are recorded at the time the work that gives rise to the liability to pay the contributions is done. Social benefits in cash are recorded at the time the beneficiaries obtain the right to receive them. Reimbursements are recorded at the time the household makes the relevant purchase. Other types of benefits in kind should normally be recorded at the times the goods are transferred or the services provided.

133 In theory the *accounting period* can refer to any period of time. For their own purposes, the countries may prefer periods that coincide with administrative years or intervals during which the scales for social benefits and contributions remain unchanged. However, for the purpose of international comparisons, the calendar year seems the most appropriate accounting period. The transactions recorded in the ESSPROS must therefore refer to the calendar year ([17]).

# 8.5 Netting and consolidation

134 *Netting* occurs when the values of certain transactions arising in both receipts and expenditure are cancelled out against each other, leaving only a net balance shown either under receipts or expenditure. Otherwise, the recording is said to be gross.

135 The ESSPROS recommends gross recording; for instance, interest received and interest paid by a scheme must not be offset against each other.

However, the ESSPROS does not record separately any transaction which corrects an earlier erroneous or unauthorised one. In that case, the value of the rectifying transaction is netted against the value of the previous transaction, as if neither had taken place. Examples of rectifying transactions are the refund of overpaid social contributions and the repayment of benefits granted in error.
If the government claims excess reserves of government-controlled social protection schemes, this is recorded under (negative) General government contributions for those schemes.

136 *Consolidation* refers to the mutual cancellation of transactions among schemes in the same group, for example, among resident government-controlled schemes or among the whole of schemes operating in the country. The ESSPROS recommends not to use consolidation in its accounts.

([17]) If it proves impossible to make the required adjustments, the data for a financial year should be presented for the calendar year in which the greater part of the financial year falls.

# 8.6 Recognising the principal party

137 When a unit carries out a transaction on behalf of another unit, the transaction is recorded only in the accounts of the unit on whose behalf the transaction is made. Some service charge may appear in the accounts of the unit serving as intermediary.

138 In some cases it is not clear on whose behalf a transaction is carried out. For instance, in case the central government makes payments to a lower government in order to enable the provision of social benefits at a local level, who is running the social protection scheme, the central government or the local one? The answer is important, both in order to avoid double counting in the System and for classifying all transactions correctly.

The general rule in such circumstances is that the unit which is dealing directly with the households must be held to be running the scheme. In the example given above, this implies that local government is running the scheme, which is (partially) financed by contributions from central government.

The only exception to this rule is when the unit dealing directly with the households has no authority whatsoever over the terms of the benefits (for example, level of benefit or eligibility). In this case, that unit is held to be acting on behalf of another unit. In the example above, the central government payment would then be recorded as a social benefit, and no transactions would be recorded for the local government unit.

139 If the local government receives social contributions that it passes on to central government, the general rule is again that the unit directly dealing with the contributors is held to receive the social contributions on its own behalf, except when it has no authority whatsoever over the terms under which the contributions must be made.

# 9 The rest of the world

## 9.1 Transactions with the rest of the world

140 The completion of the European Union internal market means that in many areas, including social protection, transactions with the Rest of the World are gaining in importance.

The Rest of the World is a grouping of units without any characteristic functions and resources; it consists of non-resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units.

141 The ESSPROS records transactions with the Rest of the World only insofar as they are carried out between resident social protection schemes and non-resident units.

In the receipts of a social protection scheme, transactions with the Rest of the World can concern the categories Social contributions and Other receipts. Examples of the former are social contributions paid by non-resident households or by non-profit institutions serving households. However, no breakdown by sector of origin is required in respect of receipts of social protection schemes from the Rest of the World. In the expenditure, transactions with the Rest of the World can concern the categories "Social benefits" and "Other expenditure".

## 9.2 The definition of residence

142 The concept of residence in the ESSPROS is the same as used in the fifth edition of the Balance of Payments Manual of the International Monetary Fund (IMF) and the national accounts. The main definitions are summarised here.

143 An institutional unit is considered to be resident in a country when there exists some location - dwelling, place of production or other premises - within the territory of that country on, or from, which the institutional unit engages and intends to continue to engage for at least one year in activities and transactions on a significant scale. The territory of a country consists of the geographic space administered by a national government within which persons, goods and capital circulate freely. It includes the airspace, territorial waters and so on under the jurisdiction of the country and also clearly demarcated areas of land located in other countries which are used by government with the formal political agreement of the host country. Examples are embassies, consulates, military bases and scientific stations. Similar areas within its own borders used by foreign governments and international organisations whose members are national states are excluded.

## Social protection schemes

144 Social protection schemes have the same residence as the institutional units that manage them.

This rule implies that Member States should report on social protection schemes which are run by local offices of foreign insurance companies. By the same token, the Member State's reports should exclude any social insurance schemes run by foreign branches or subsidiaries of that Member State's insurance companies.

Social protection schemes which are financed by means of development aid are considered to be resident of the developing countries in which they operate.

## Corporations

145 Corporations are resident in the country where they are engaged in the production of goods and services on a significant scale, or where they own land or buildings located there.

When a corporation maintains a branch, office or production site in another country in order to engage in a significant level of production over a long period of time but without creating a subsidiary corporation for that purpose, the branch, office or site is considered to be a resident institutional unit of the country in which it is located.

## General government

146 The legal entities established by political processes as having legislative, judicial or executive authority over other institutional units are resident in the country in which they have jurisdiction. Social security funds and government non-profit institutions are resident in the country where they are located.

International organisations whose members are national states, such as the European Union or the North Atlantic Treaty Organisation, are not considered resident in any country, including those in which they are located or conduct their affairs.

## Households and individuals

147 Households are resident in the country where their principal common accommodation is located. All individual members of a household have the same residence. If the members of a household live in different countries for more than one year, that particular institutional household is split into two or more households resident in different countries. The residence of households and individuals is therefore not determined by nationality or legal status, but by normal location.

Some specific rules are:

- cross-border workers are resident in the country in which their households have their principal accommodation;
- travellers, visitors and seasonal workers remain residents of their home country, provided they return to that country within one year;
- students remain residents of their country of origin however long they study abroad, provided they do not start a family in the host country;
- employees of international organisations are residents of the country in which they are expected to have their abode for one year or more;

- on the other hand, military personnel, diplomats and other public servants whom a government posts abroad have the same residence as the employing government however long they stay abroad in this capacity;
- locally recruited staff of overseas military bases, embassies, consulates and so on are residents of the country in which they live.

## Non-profit institutions serving households

148 Non-profit institutions serving households are resident in the country under whose laws and regulations they were created and where their existence as a legal or social entity is officially recognised and recorded. If a non-profit institution is engaged in charity or relief work on an international scale and maintains a branch for one year or more in a foreign country, that branch should be considered as a resident of the foreign country.

# PART 2:

# CLASSIFICATION OF BENEFITS IN THE CORE SYSTEM

# 1 Introduction

Part 2 of the ESSPROS Manual ([18]) defines the various types of benefits classified by function of social protection.

1A This Part is intended as a guide for both collectors and users of the statistics. Collectors will be guided, with the help of examples and detailed explanations, through the task of classifying national benefits within a common European framework. Users will find information to assist with comparative analysis of the data.

2 The great detail of types of benefits introduced with the present Part allows a better understanding of the social protection systems in the Member States and permits the users of the statistics to form groupings of benefits according to their analysis needs. Data can be analysed by function of social protection, but also according to other criteria, for example by grouping all the benefits paid in the transition from work to retirement. It can be said therefore that, although this Manual groups benefits by function (that is, by their finality), the types of benefits have been defined in such a way that they can be easily regrouped according to other criteria.

This introduces a great level of flexibility in the system. The user of the statistics, however, must be warned against carrying out cross-country comparisons at the level of single types of benefits. Such comparisons in fact can be very misleading, as the Member States may use different types of benefits to fulfil the same objectives.

For this reason, it appears advisable to carry out cross-country comparisons at more aggregated levels. The general classification of benefits presented in Part 1, chapter 7, which distinguishes benefits in cash and benefits in kind, periodic benefits and benefits paid once only (lump sums), as well as means-tested and non means-tested benefits, can be very valuable. The tables presented in this part do not repeat these general classification categories (except the distinction cash benefits - benefits in kind). The cross-classification of all the benefit types presented in the Core of the ESSPROS is presented in the attached ESSPROS questionnaire (Appendix I).

3 Another aspect of flexibility introduced with the revised ESSPROS is the fact that the content of this Part can be modified without affecting the general principles of the ESSPROS Core system set down in Part 1 if new types of benefits or new modes of social protection provision emerge in the national systems.

([18]) For a general description of the ESSPROS, see the introduction to Part 1 of the present Manual.

4 Social benefits either emerge from a purpose (wherefore?) or a reason (why?). Each function has a definition of contents and there surely is an overlap between different functions for certain benefits, e.g. a family or child component often exists, while benefits are granted for a specific purpose either as a risk (unemployment) or need (old age). In these cases the more specific function is generally preferred, e.g. unemployment instead of family/children.

5 In terms of the functional classification of benefits, the following general principles apply:

- all medical care is included in the Sickness/health care function, benefits in kind, irrespective of the reason why medical care is provided;
- no minimum or maximum age are used to define the concepts of old age in the Old age function and of children in the Family/children functions. Therefore, data will reflect, to a certain extent, national practices.

6 An important concept to distinguish clearly between the old-age function and others is the concept of a reference retirement age. Old age benefits are generally granted to beneficiaries above the reference retirement age. Disability is then limited to the integration into the workforce and early retirement benefits are only benefits paid to recipients below the reference retirement age. The reference age is usually defined for each scheme separately according to the standard retirement age set by the scheme, the legal retirement age of the country or, in some cases, the standard retirement age set by a scheme or schemes of reference. See §43 for further details.

7 The present Manual does not define a function for the event of occupational accidents and diseases. Statistical data on this type of expenditure are not comparable, as they reflect the definition of occupational hazard adopted by each Member State in its own legislation and practice. Furthermore, benefits provided in the event of occupational accidents or diseases may range from sickness cash benefits to health care provision, from rehabilitation benefits to disability pensions. These benefits are covered by the functions in the Core system, where no distinction is made as for the causes of sickness or disability.

However, where the risk of occupational accidents and diseases is covered by specific regulations, it is recommended to identify one or more separate schemes providing the relevant benefits. This ensures that information on the value of benefits as well as on their financing will be available for those countries where specific regulations on protection against occupational accidents and diseases exist.

# 2 Social benefits in the Sickness/health care function

## 2.1 Introduction

8 The Sickness/health care function covers:

- cash benefits that replace in whole or in part loss of earnings during temporary inability to work due to sickness or injury;
- medical care provided in the framework of social protection to maintain, restore or improve the health of the people protected.

9 The scope of cash benefits in this function is rather limited. Cash benefits that replace loss of earnings during temporary inability to work in case of pregnancy or disability are recorded under the Family/children or Disability functions respectively.

Benefits provided by employers in the form of continued payment of wages and salaries during sickness are taken into account.

9A When there are no administrative data on the value of these payments, estimates must be based on other sources, such as labour cost surveys.

10 All medical care falls under this function irrespective of the need or risk against which it is provided. For example, specific medical care provided to expectant mothers and disabled persons is included here and not under the Family/children and Disability functions.

In particular, medical care covers the following goods and services used in prevention, cure or rehabilitation:

- Services: medical and paramedical services provided by general practitioners, specialists and other health care personnel; laboratory tests and other examinations; dental care; physiotherapy; thermal cures; transport of sick people; preventive treatment such as vaccinations; accommodation in the case of a stay in hospital or other medical institution. Medical services as defined here cover those provided outside medical institutions as well as within.
- Goods: pharmaceutical products; medical prosthesis (optical and acoustical aids; orthopaedic; dental and other prosthesis); dressings and medical supplies.

11 Only preventive measures through which an individual benefit (for example, a medical check-up) is provided to a protected person or household fall under the Sickness function and in general within the scope of ESSPROS. Preventive campaigns to alert the general public to

health hazards (for example, smoking, alcohol or drug abuse) are not recorded by the ESSPROS.

12 Health care provided within the frame of the work environment by the employer aimed at guaranteeing safety at work or necessary for the production process of the enterprise is not included in the ESSPROS (see paragraph 26 of Part 1 of the Manual).

13 The way in which health care systems are organised varies considerably from one Member State to another. Data relating to in-patient and out-patient health care are broken down into directly provided benefits and reimbursements. A definition of the concepts of reimbursement and directly provided appears in paragraph 115, Part 1 of the Manual. Here below are described more in detail the circumstances under which health care benefits should be considered as directly provided or as reimbursements.

There are three main patterns of health care provision:

- under the indirect system, the social protection scheme provides medical care benefits for protected people by paying all or part of the cost of the medical care supplied by the providers. The patient pays the medical bill, all or part of which is then reimbursed by the social protection scheme. The benefits therefore take the form of reimbursements.
- under the direct system, the institutional unit running the social protection scheme owns, operates and controls the necessary medical facilities and employs the medical, para-medical and administrative staff. In this system benefits are directly provided to the protected people.
- in an alternative pattern of provision, intermediate between the two above - known as direct settlement system, the social protection scheme enters into a variety of contracts or agreements with health care providers. The medical care is provided to the beneficiary free or at the contractual rate (below its cost) by the providing unit (which is not a social protection scheme). The providing unit is then reimbursed by the social protection scheme. This type of benefit is also recorded as directly provided.

14 Cost sharing is an important aspect of health care provision. In these cases, the patient is required to meet part of the cost of medical treatment received. Various methods of cost-sharing exist in the Member States, for example:

- the beneficiary pays either a fixed percentage of the cost of services and goods received, or a flat rate contribution towards those goods and services;
- there is a cost threshold below which medical costs must be borne by the protected people (franchise levels);
- there is a cost threshold above which medical costs must be borne by the protected people;
- the patient must pay a fixed fee if he or she goes directly to a provider on a higher level of care than the designated entry level, for example by consulting a specialist without seeing a general practitioner first;
- a defined range of goods or services is excluded from the social protection scheme. The cost of these goods and services must be borne in full by the patient.

As the ESSPROS is intended to record the cost of social protection, and not the cost of total medical care, any part of the full cost of medical care which is met by the beneficiary himself under cost-sharing arrangements must be deducted from the value of the social benefit.

| Table A: Classification of benefits in the Sickness/health care Function |
| --- |
| **Cash benefits** |
| Paid sick leave |
| Other cash benefits |
| |
| **Benefits in kind** |
| In-patient health care |
| - Direct provision |
| - Reimbursement |
| Out-patient health care |
| *of which*: pharmaceutical products |
| - Direct provision |
| - Reimbursement |
| Other benefits in kind |

# 2.2 Description of the types of benefit

## 2.2.1 CASH BENEFITS

15 Paid sick leave: flat-rate or earnings-related payments intended to compensate the protected person in full or in part for the loss of earnings caused by temporary inability to work due to sickness or injury. These benefits may be paid by autonomous social protection schemes, but they may also be provided by the employer in the form of continued payment of wages and salaries during the period of sickness. For reasons of convenience, paid leave in case of sickness or injury of a dependent family member (in most case a child) is also reported under this heading.

16 Other cash benefits: miscellaneous payments made to the protected people in connection with sickness or injury. Examples are allowances for intensive care, special bonuses or allowances for tuberculosis patients.

## 2.2.2 BENEFITS IN KIND

17 In-patient health care: medical care provided to protected people during a stay in hospital, clinic, sanatorium, approved thermal therapy establishment or similar medical establishment, including the cost of board and lodging. Normally, the patient must spend at least one night in the establishment.

18 Out-patient health care: medical care provided to protected people in their homes (including old peoples' homes), at the doctor's premises, or at the out-patient department of a hospital or a clinic.

19 Pharmaceutical products: a sub-category of out-patient care, consisting of all pharmaceutical products prescribed, purchased or directly supplied for medical care; blood and plasma are also reported under this heading.

20 Other benefits in kind: help provided to sick or injured people, other than medical care, to assist them with daily tasks, such as home help or transport facilities.

## 2.3 Further guidance

20A Help for alcoholics and drug-addicts (other than medical care) is reported under the Social exclusion n.e.c. function, not under the Sickness/health care function.

20B No distinction is made on the cause of the need for sickness/health care benefits. However, expenditure related to an occupational accident or disease should be identified in a separate scheme where possible (see paragraph 7 in the Introduction).

20C Ministry of Health and local government authority budgets often include the category Public Health. This may cover expenditure on a broad range of activities and commitments, many of them within the scope of social protection. For instance, medical care financed from public health budgets provided in public health centres must be reported under the Sickness/health care function.

However, some public health expenditure does not fall within the conventional definition of social protection. For instance, preventive campaigns to alert the general public to health hazards, and other health education and training activities, may come within a public health budget, but are not part of social protection.

20D When health care benefits are directly provided, it may be difficult to determine their value. For further explanation, see paragraphs 123 through 127 of Part 1 on valuation.

20E As a result of technical progress, day care hospitalisation and hospitalisation at home are becoming more widespread in the Member States.

Day care hospitalisation allows the provision of individual, intensive medical care during a single day. Patients receive treatment for part of the day and for the rest of the day can remain in their usual environment. Day care covers, for instance, haemodialysis, small surgical operations and rehabilitation, and should not be confused with out-patient care normally provided by out-patient departments.
Hospitalisation at home is an alternative to conventional hospitalisation. It allows patients whose condition does not justify removal to a hospital comparable in extent and intensity to the care they would normally receive in hospital.

These forms of hospitalisation are intermediate between In-patient health care and Out-patient health care, and it is recommended that they are recorded in the category In-patient health care, even if no night is spent in a medical establishment.

# 3 Social benefits in the Disability function

## 3.1 Introduction

21 The Disability function covers benefits that:

- provide an income to persons below reference retirement age as established in the reference scheme whose ability to work and earn is impaired beyond a minimum level laid down by legislation by a physical or mental disability;
- provide rehabilitation services specifically required by disabilities;
- provide goods and services other than medical care to disabled people.

22 Disability is the full or partial inability to engage in economic activity or to lead a normal life due to a physical or mental impairment that is likely to be either permanent or to persist beyond a minimum prescribed period.

23 Benefits excluded from the Disability Function are:

- all medical care specific to disability, reported under the Sickness/health care function;.
- benefits provided to replace in whole or in part earnings during temporary incapacity to work due to sickness or injury, which is reported under the Sickness/health care function;
- family allowances paid to recipients of disability benefits, which are reported under the Family/children function;
- benefits paid to the surviving dependants of disabled people, such as pensions and funeral expenses, which are reported under the Survivors' function.

**Table B: Classification of benefits in the Disability Function**

**Cash benefits**

Disability pension
Early retirement benefit due to reduced capacity to work
Care allowance
Economic integration of the handicapped
Other cash benefits

**Benefits in kind**

Accommodation
Assistance in carrying out daily tasks
Rehabilitation
Other benefits in kind

# 3.2 Description of the types of benefit

## 3.2.1 CASH BENEFITS

24 Disability Pension: periodic payments intended to maintain or support the income of someone below the reference retirement age as established in the reference scheme who suffers from a disability which impairs his or her ability to work or earn beyond a minimum level laid down by legislation.

25 Early retirement in case of reduced ability to work: periodic payments to older workers who retire before reaching the reference retirement age as established in the reference scheme as a result of reduced ability to work. These payments normally cease when the beneficiary becomes entitled to an old age pension.

26 Care allowance: benefit paid to disabled people who need frequent or constant assistance to help them meet the extra costs of attendance (other than medical care). The benefit must not be a reimbursement of certified expenditure, which would be classified as benefit in kind.

27 Economic integration of the handicapped: allowances paid to disabled people when they undertake work adapted to their condition, normally in a sheltered workshop, or when they undergo vocational training.

28 Other cash benefits: periodic and lump-sum payments not falling under the above headings, such as occasional income support and so on. If it concerns a lump-sum, the benefit is normally granted instead of a periodical disability pension, the beneficiaries usually only having a low level of disability.

## 3.2.2 BENEFITS IN KIND

29 Accommodation: provision of lodging and possibly board to disabled people in appropriate establishments.

30 Assistance in carrying out daily tasks: practical help provided to disabled people to assist them with daily tasks. Home help is included in this category, as well as the payment of an allowance to the person who looks after the disabled person.

31 Rehabilitation: provision of specific goods and services (other than medical care) and vocational training to further the occupational and social rehabilitation of disabled people. These services may be provided in specialised institutions. Goods and services may be provided by an employer, but if they are mainly to service the production process of the enterprise, they should not be included (see also paragraph 26, Part 1). Medical rehabilitation - such as physiotherapy - is included in the Sickness/health care function.

32 Other benefits in kind: miscellaneous services and goods provided to disabled people to enable them to participate in leisure and cultural activities, or to travel and/or to participate in community life, including reduced prices, tariffs, fares, and so on granted to disabled people expressly for social protection reasons.

## 3.3 Further guidance

32A Disability pensions, in contrast to early retirement benefits due to reduced capacity to work, are not necessarily linked to a full retirement of the disabled person The expression "beyond a minimum level laid down by legislation" used in this chapter implies significant differences among disability arrangements in the Member States. For example, disability is often measured in terms of inability to earn, assessed by comparison with standards, normally an average worker with the same employment status, age, skill, or training as the disabled person. In some countries there are additional criteria such the possibility or not to get a paid job (The Netherlands) or social conditions and the likelihood of deterioration or improvement (Denmark).

32B In some countries (Sweden for example) it is difficult to make a distinction between "disability pensions" and "early retirement benefits due to reduced capacity to work". Generally, it could be better to analyse these two categories together.

32C No distinction is made on the cause of the disability, which may be congenital or the result of an illness or accident during the victim's lifetime, including an occupational accident or disease. However, expenditure related to disability caused by an occupational accident or disease should be identified in a separate scheme where possible (see paragraph 7 in the Introduction).

32D Legislation may provide higher rates of family allowance where a parent, or a dependent person who gives entitlement to family allowance, is disabled. These benefits should be reported under the Family/children function. On the other hand, where a disabled child is entitled to a cash disability benefit in his or her own right, irrespective of dependency, the corresponding benefit is reported under the Disability function.

32E In most Member States of the European Union the social protection functions Old age, Disability, and Survivors are part of a coherent set of benefits which is sometimes instituted as one system. This set of benefits is usually called the national pension system, even if the benefits provided are not exclusively periodic payments. For reasons of comparability, and in order to respect the principle of the functional classification of the ESSPROS, concerning the concept of the reference retirement age, see paragraphs 43A to 43E in the Old age function.

32F In some countries (Germany, Luxembourg) a new branch of insurance has been established to protect people who were never, or are no longer, fully independent and therefore require special care, regardless of the reasons for this need. In Austria, a long term care system has been established (in 1993) that covers care-related additional expenditure in order to ensure the necessary support and care for the people in need of care. The goal of these systems is to give people who need special and long-term care the ability to run their own lives according to their needs as independently as possible. Cash benefits are paid under these schemes. Different scales of benefits are provided to reflect the level of care required. This benefit should be included in the Care allowance category of the Disability or Old age functions, according to the age of the beneficiary (see paragraph above). However, if the scheme provides for accommodation and care in a nursing home or for special assistance, the benefits should be classified as benefits in kind in the relevant categories.

# 4 Social benefits in the Old age function

## 4.1 Introduction

33 The Old age function 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 on. Medical care of the elderly is not taken into account, as all health care expenditure is reported under the Sickness/health care function.

The Old age function covers benefits that:

- provide a replacement income when the aged person retires from the labour market;
- guarantee a certain income when a person has reached a prescribed age;
- provide goods or services specifically required by the personal or social circumstances of the elderly.

34 Benefits excluded from the Old age function are:

- medical care specific to old age, which is reported under the Sickness/health care function;
- family allowances for dependent children where the beneficiary is also in receipt of an old age benefit; this is reported under the Family/children function.
- early retirement benefits paid for labour market reasons or in case of reduced capacity to work, which are reported under the functions Unemployment and Disability respectively.

| Table C: Classification of benefits in the Old Age Function |
| --- |
| **Cash benefits** |
| Old age pension |
| Anticipated old age pension |
| Partial pension |
| Care allowance |
| Other cash benefits |
| **Benefits in kind** |
| Accommodation |
| Assistance in carrying out daily tasks |
| Other benefits in kind |

# 4.2 Description of the types of benefit

## 4.2.1 CASH BENEFITS

35 Old age pension: periodic payments intended to i) maintain the income of the beneficiary after retirement from gainful employment at the reference age or ii) support the income of elderly persons (excluding support of limited duration).

35A Concerning the concepts of old age and of reference retirement age, see paragraph 43 A to 43 E below.

36 Anticipated old age pension: periodic payments intended to maintain the income of beneficiaries who retire before the reference age as established in the relevant scheme. This may occur with or without a reduction of the normal pension.

36A The payment ceases when the beneficiary reaches the reference retirement age. Concerning the concept of reference retirement age, see paragraphs 43 A to 43 E below.

37 Partial retirement pension: periodic payment of a portion of the full retirement pension to older workers who continue to work but reduce their working hours or whose income from a professional activity is below a set ceiling. The partial pension is converted into a full pension and recorded under the item *old age pension* when the beneficiary retires completely or when he or she ceases to earn professional income above the defined level.

38 Care allowance: benefit paid to old people who need frequent or constant assistance to help them meet the extra costs of attendance (other than medical care). The benefit must not be a reimbursement of certified expenditure, which would be classified as benefit in kind.

39 Other cash benefits: periodic or lump-sum benefits paid upon retirement or on account of old age that do not fall under the above headings, such as capital sums paid to people who do not fully meet the requirements for a periodic retirement pension, or who were members of a scheme designed to provide only capital sums at retirement.

### 4.2.2 BENEFITS IN KIND

40 Accommodation: provision of lodging and sometimes board to retired people either in specialised institutions (old people's homes, nursing homes) or staying with families. The provision can be of temporary or indefinite duration.

41 Assistance in carrying out daily tasks: practical help provided to old people to assist them with daily tasks. Home help is included in this category, as well as the payment of an allowance to the person who looks after an elderly person.

42 Other benefits in kind: miscellaneous goods and services for retired people to enable them to take part in leisure and cultural activities, to travel and/or participate in community life. These include reductions in prices, tariffs and fares for old age pensioners where they are expressly granted for social protection.

### 4.2.3 REFERENCE RETIREMENT AGE FOR OLD AGE BENEFITS

43 The reference retirement age refers to the age at which the right to receive an old age pension (see § 35 of part 2) is granted ([19]). This is a fundamental concept for the definition of the Old age function (see §33 of part 2).

Determining the reference retirement age for a scheme is not always straightforward and the method used is liable to vary depending on how retirement ages are set in the national pension system. In order to understand how this should be determined, first the following definitions need to be laid out.

Legal retirement age: age at which old age pensions become payable according to the national legislation.

Standard retirement age: age at which the pension provided by the scheme becomes payable according to the rules of the scheme (see § 44 of part 1).

Scheme(s) of reference: Important scheme(s) in the national pension system which can be considered representative of the system as a whole and for which there is either a single standard retirement age or multiple standard retirement ages that can be used to define representative retirement age(s) for the country as a whole.

The reference retirement age should be set according to the best available option from the following list (in descending order of accuracy):

Standard retirement age(s) set by the scheme

Generally applicable legal retirement age(s) in the country

Standard retirement age(s) set by the scheme of reference or combination of the standard retirement ages set by the schemes of reference

Retirement age applied in national statistics. For example, this could be the age used in demographic statistics for identifying the start of the old aged cohort of the population (or the age at which people are no longer considered part of the working-age population).

Retirement age applied in international/European statistics. For example, European demographic statistics currently use 65 to define the old aged cohort of the population (the age at which people are no longer considered part of the working-age population which is defined as 20-64 in EU2020 indicators).

([19]) The use of the term '*retirement*' doesn't imply that the beneficiary must be retired from work to become entitled to an old age pension.

The reference retirement age should never be set to the average observed retirement age as this will be influenced by individuals who retire early or continue to work after becoming eligible for retirement.

## 4.3 Further guidance

43A It is not always possible to establish a single legal/standard retirement age for each country. There may be multiple legal/standard retirement ages when the law/scheme sets different ages for different groups of individuals (i.e. according to sector of activity, occupation, gender and so on). In such cases a split using the reference age applicable to each group of recipients should be applied where possible. However, where this is not possible/practical, a pragmatic solution may be applied, for example taking into account the various legal/standard retirement ages and the distribution of recipients amongst the groups to which different ages apply.

There may also be cases where a retirement age interval is defined instead of a single age, or the retirement age is variable over the reference period. In such situations, a split according to the specifically applicable retirement ages should be applied where possible. However, where this is not possible/practical the retirement age to be applied can be set to a specific age (between the limits of the age interval or an appropriate average between the applicable retirement ages during the reference period) which is most representative of the national situation.

Consequently, the breakdown between "old age pension" and "anticipated old age pension" is based on accurately establishing a reference retirement age. As a result, the comparability of data between countries may be limited in some cases.

43B Anticipated old age pensions can be identified separately for each scheme:

- pensions paid to people who work in conditions which are regarded as particularly arduous or unhealthy only fall under the item anticipated old age pension, if they retire before the reference retirement age of their scheme. It has to be noted that the reference retirement age of these schemes are generally lower compared the other statutory pension schemes;
- seniority pensions, paid on condition that a prescribed number of contribution units has been paid or that a defined period of insurance has been completed, fall under the item Old age pension.

43C It is also possible to postpone retirement beyond reference retirement age, normally with an increase in the value of the benefit. The additional amounts paid in case of late retirement must be included under the item old age pension.

43D The old age function does not record all benefits granted in the transition from work to retirement. Some of these may result from social protection provisions other than those linked to old age. Early retirement benefits, in particular, may be paid to older unemployed or disabled workers. These benefits are reported in the Unemployment or Disability functions. These rules underline again that the allocation of benefits to functions needs very careful examination of the exact situations which give rise to payments.

43E In most Member States of the European Union the functions Old age, Disability, and Survivors are part of a coherent set of benefits which is sometimes instituted as one system. This set of benefits is usually called the national pension system, even where the benefits provided are not exclusively periodic payments. Depending on national legislation and practice, for example, an old person may receive an old age pension, a disability pension or a widow/widower's pension. In some Member States (Germany for example) disability and survivors' pensions are converted into old age pensions at the reference retirement age. In some other countries (e.g. Belgium), the disability/survivors benefit is stopped at the legal pension age and the beneficiary enters the old age pension scheme. In other countries (Ireland, Bulgaria, Hungary and Slovakia for example), however, this is not the case. For reasons of comparability, and in order to respect the principle of the functional classification of the ESSPROS, disability pensions paid to beneficiaries over the reference retirement age as established in the reference scheme must be recorded under the item old age pension. The reason for receiving a disability pension after the reference retirement age is connected to old age rather than to the impairment of his or her ability to work. In contrast and with regard to the importance of the functional classification, survivors' pensions remain under the survivors function. In order to contribute to the aim of comparability, survivors' pensions to pensioners above the defined reference retirement age are recorded as optional data. In any case, when analysing the data, it is recommended to take into account that a strong interdependence exists among the three functions: old age, disability and survivors.

43F In some cases, higher rates of benefits are paid to the beneficiary if she/he has dependants (a child or a non-working spouse for example). The supplements thus paid integrate or replace the family allowance, and therefore in principle they should be separated from the main benefit and included in the Family/children function. This can prove difficult, also because in establishing the rate of benefit, the policy maker will have taken account of economies of scale in consumption of the household. For reasons of convenience, therefore, the supplements will be retained in the functions to which the main benefit belongs.

# 5 Social benefits in the Survivors' function

## 5.1 Introduction

44 The Survivors' function includes benefits that:

- provide a temporary or permanent income to people who have suffered from the loss of the spouse or a next-of-kin, usually when the latter represented the main breadwinner for the beneficiary;
- compensate survivors for funeral costs for any hardship caused by the death of a family member;
- provide goods and services to eligible survivors.

Survivors eligible for benefit may be the spouse or ex-spouse of the deceased person, his or her children, grandchildren, parents or other relatives. In some cases, the benefit may also be paid to someone outside the family.

45 Benefits excluded from the Survivors' function are:

- family allowances for dependent children where the beneficiary is receiving a survivor's benefit; these are reported under the Family/children function.

46 A survivor's benefit is normally granted on the basis of a derived right, that is, a right originally belonging to another person whose death is a condition for granting the benefit. However, some social protection schemes treat this right as a direct one, that is, there is no connection between the survivor's benefit received and any benefit that the deceased would have been able to claim.

| **Table D: Classification of benefits in the Survivors Function** |
|---|
| **Cash benefits** |
| Survivors' pension |
| Death grant |
| Other cash benefits |
| **Benefits in kind** |
| Funeral expenses |
| Other benefits in kind |

# 5.2 Description of the types of benefit

## 5.2.1 CASH BENEFITS

47 Survivors' pension: periodic payments to people whose entitlement derives from their relationship with a deceased person protected by the scheme (widows, widowers, orphans and similar).

48 Death grant: single payment to someone whose entitlement derives from their relationship with a deceased person (widows, widowers, orphans and similar).

49 Other cash benefits: other periodic or lump-sum payments made by virtue of a derived right of a survivor.

## 5.2.2 BENEFITS IN KIND

50 Funeral expenses: sums paid towards the cost of the funeral, burial (or other arrangement) of a deceased person protected by the scheme. This benefit is granted, as a rule, to the persons who bear those costs.

51 Other benefits in kind: miscellaneous goods and services provided to survivors to enable them to take part in community life; these include reductions in prices, tariffs, fares and so on for widows, widowers, and orphans if expressly granted for social protection.

# 5.3 Further guidance

51A In most Member States of the European Union the functions Old age, Disability, and Survivors are part of a coherent set of benefits which is sometimes instituted as one system. This set of benefits is usually called the national pension system, even where the benefits are not periodic payments. For reasons of comparability, and in order to respect the principle of the functional classification of the ESSPROS, disability pensions paid after the reference retirement age as established in the reference scheme must be recorded in the Old age function. In any case, when analysing the data it is recommended to take into account that a considerable interdependence exists among these three functions (see also paragraphs 43A to 43E in the Old age function).
In order to contribute to the aim of comparability, survivors' pensions to pensioners above the defined reference retirement age are recorded as optional data.

# 6 Social benefits in the Family/Children function

## 6.1 Introduction

52 The Family/children Function includes benefits that:

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

| Table E: Classification of benefits in the Family/children Function |
| --- |
| **Cash benefits** |
| Income maintenance benefit in the event of childbirth |
| Birth grant |
| Parental leave benefit |
| Family or child allowance |
| Other cash benefits |
| **Benefits in kind** |
| Child day care |
| Accommodation |
| Home help |
| Other benefits in kind |

## 6.2 Description of the types of benefit

### 6.2.1 CASH BENEFITS

53 Income maintenance benefit in the event of childbirth: flat-rate or earnings-related payments intended to compensate the protected person for the loss of earnings due to absence from

work in connection with childbirth for the period before and/or after confinement or in connection with adoption. The benefit may also be paid to the father.

These benefits may be paid by autonomous social protection schemes, but they are also provided by employers in the form of continued payment of wages and salaries during absence from work. When there are no administrative data on the value of these payments, estimates must be based on other sources, such as labour cost surveys.

54 Birth grant: benefits normally paid as a lump sum or by instalments in case of childbirth or adoption.

55 Parental leave benefit: benefit paid to either mother or father in case of interruption of work or reduction of working time in order to bring up a child, normally of young age.

56 Family or child allowance: periodical payments to a member of a household with dependent children to help with the costs of raising children.

57 Other cash benefits: benefits paid independently of family allowances to support households and help them meet specific costs, such as costs arising from the specific needs of lone parent families or families with handicapped children. These benefits may be paid periodically or as a lump-sum.

### 6.2.2 BENEFITS IN KIND

58 Child day care: shelter and board provided to pre-school children during the day or part of the day. The age limit for pre-school is defined by national legislation. Financial assistance towards the payment of a nurse to look after children during the day is also included here. Child day care services provided by the employer should not be taken into account, according to paragraphs 24 to 27 of Part 1.

59 Accommodation: shelter and board provided to children and families on a permanent basis (such as in nursing homes and foster families).

60 Home help: goods and services provided at home to children and/or to those who care for them.

61 Other benefits in kind: miscellaneous goods and services provided to families, young people or children (holiday and leisure centres), including reductions in prices, tariffs, fares and so on for children or large families, where expressly granted for social protection. This category also includes family planning services.

## 6.3 Further guidance

61A The upper age limit for granting a benefit for dependent child (notably, family allowance) may be related to the national compulsory school leaving age or the labour laws. The standard age may be extended if the child continues in further education or vocational training or alternatively is he or she is handicapped or unemployed. These benefits are designed to provide financial support to families for bringing up children, and not to help towards the cost of education. Education benefits are in fact not included within the scope of the ESSPROS.

61B Social policies in favour of families are organised through many programmes, some of which go beyond the scope of the Family/children function or even beyond the scope of social protection as it is defined in the Core of ESSPROS. Some examples follow:

- some Member States grant tax allowances against gross income for children. The aim is to redistribute income in favour of taxpayers with family commitments, but these methods are not within the scope of the Core of ESSPROS;
- free or subsidised school meals, and assisted holidays may be part of a national education programme, and are therefore outside the scope of social protection as defined in the Core of ESSPROS (the Core does not cover the function Education). However, where benefits are provided solely to indigent families, after a means-test, it can be argued that the object of the measure is to redistribute income in favour of those who have insufficient resources rather than to provide free access to education. These benefits are therefore recorded under the Family/children function,
- employers may provide special advantages to employees with children, such as holiday homes, special bonuses and so on. According to paragraphs 24 to 27 of Part 1, these advantages are not considered social protection;
- housing policies may make concessions for large families or lone parent families. These benefits, however, are recorded under the Housing function.

61C The pre-school system is sometimes the responsibility of the Ministry of Education and sometimes not, and in several cases the youngest children may attend other pre-primary school facilities, such as day care centres or kindergarten. Concerning the pre-primary education system, only the part of social protection benefits has to be recorded under the item "child day care".

The computation of the social protection's share is not straightforward in all the countries; when this is not directly derived from the financing sources (central and/or local government accounts), an estimate should be provided.
In some countries, the total expenditure of the pre-primary system generated for children below the age of attendance at pre-primary school is recorded: this is the case in countries such as Latvia and Lithuania where also the youngest children aged 0-3 may be admitted to the education system; for example, in Latvia (the pre-school system is the responsibility of the Ministry of Education and the last two years of pre-primary education are compulsory) the estimation of the government expenditure on child day care is done by calculating the per-child cost at kindergarten (dividing the total cost for kindergartens by the number of children at kindergartens) and multiplying this number with the number of children aged 0-3.
In other countries, other relevant age limits are used, for example, when the age for compulsory attendance does not coincide with the primary school age: Cyprus, for example, considers the cost of the day care (provided by Municipalities) for children below the age of 4 years and 8 months (while the access age to pre-primary school is 3 years).
More complex is the estimation procedure in Sweden. The total cost of child day care is obtained from the total cost for children in the pre-school system by subtracting the estimated cost for time spent in pedagogic activities; this last one is obtained by evaluating the percentage of children within the age limits that have a right to pedagogic programs (i.e. children aged 3-6; note that also the youngest children aged 0-3 may be admitted to the education system under the responsibility of the Ministry of Education), and evaluating the hours with pedagogic activities as a percentage of the average yearly stay per child.
For the time being a few countries haven't been able to provide any estimation of the social protection expenditure for children in the preschool system; an estimation should be provided for all the cases (Czech Republic, Italy, Slovakia for example) in which the value is, in fact, different from zero.

# 7 Social benefits in the Unemployment function

## 7.1 Introduction

62 The Unemployment Function includes benefits that:

- replace in whole or in part income lost by a worker due to the loss of gainful employment;
- provide a subsistence (or better) income to persons entering or re-entering the labour market;
- compensate for the loss of earnings due to partial unemployment;
- replace in whole or in part income lost by an older worker who retires from gainful employment before the reference retirement age because of job reductions for economic reasons;
- contribute to the cost of training or re-training people looking for employment;
- help unemployed persons meet the cost of travelling or relocating to obtain employment;
- provide help and relief by providing appropriate goods and services.

63 Family allowances paid for dependent children to recipients of unemployment benefits are reported under the Family/children function, not under Unemployment.

64 A distinction currently applied to employment policies is between *passive* and *active measures*. The former simply try to mitigate the disadvantages of unemployment, while the latter aim to prevent unemployment or achieve shorter periods of unemployment.

The Unemployment function contains mainly passive measures (especially unemployment pay and early retirement benefits), but also some active measures, such as benefits related to training programmes.

In practice, the distinction between passive and active spending is not very practical from a statistical point of view. There are a number of measures which are hard to classify under one category or the other. For example, vocational training may be provided to recipients of unemployment benefits. Some partial early retirement benefits are conditional on the recruitment of young unemployed people, combining the effects of active and passive expenditure or making passive expenditure active.

Some active employment measures in Member States are not within the scope of social protection in the Core system of ESSPROS, particularly expenditure that is not a direct advantage to households, in the sense that it does not raise their disposable income by cash transfers or the provision of goods and services (see paragraph 100, Part 1 of the Manual). The main examples are wage subsidies, exemptions from paying employers' social contributions and similar measures aimed at business with the purpose of combating unemployment. A common characteristic of these measures is that they help both business and the unemployed.

| **Table F: Classification of benefits in the Unemployment Function** |
|---|
| **Cash benefits** |
| Full unemployment benefit |
| Partial unemployment benefit |
| Early retirement benefit for labour market reasons |
| Vocational training allowance |
| Redundancy compensation |
| Other cash benefits |
| **Benefits in kind** |
| Mobility and resettlement |
| Vocational training |
| Placement services and job-search assistance |
| Other benefits in kind |

# 7.2 Description of the types of benefit

## 7.2.1 CASH BENEFITS

65 Full unemployment benefits: benefits compensating for loss of earnings where a person is capable of working and available for work but is unable to find suitable employment, including persons who had not previously been employed.

66 Partial unemployment benefits: benefits compensating for the loss of wage or salary due to formal short-time working arrangements, and/or intermittent work schedules, irrespective of their cause (business recession or slow-down, breakdown of equipment, climatic conditions, accidents and so on), and where the employer/employee relationship continues.

67 Early retirement for labour market reasons: periodic payments to older workers who retire before reaching the reference retirement age due to unemployment or to job reduction caused by economic measures such as the restructuring of an industrial sector or of a business. These payments normally cease when the beneficiary becomes entitled to an old age pension.

67A Concerning the concept of the reference retirement age, see paragraphs 43 and 43A to 43E of this Part.

68 Vocational training allowance: payments by social security funds or public agencies to targeted groups of persons in the labour force who take part in training schemes intended to develop their potential for employment.

69 Redundancy compensation: capital sums paid to employees who have been dismissed through no fault of their own by an enterprise that is ceasing or cutting down its activities. This benefit may be paid either directly by the employer or by a fund set up for the purpose.

70 Other cash benefits: other financial assistance, particularly payments to the long-term unemployed, such as start-up incentives in the form of payment of unemployment benefit.

### 7.2.2 BENEFITS IN KIND

71 Mobility and resettlement: payments by social security funds or public agencies to unemployed persons to encouraging them change to another locality or their occupation in order to seek or to obtain work.

72 Vocational training: payments made by social security funds or public agencies to institutions which provide professional training to people without a job or at risk of losing their job shortly to develop their potential for further employment.

73 Placement services and job-search assistance covers intermediation, information and career guidance services provided by job-placement/employment agencies.

74 Other benefits in kind: benefits in kind not classified elsewhere, such as the provision of accommodation, food or clothes or similar assistance to unemployed persons and their families, including reduced prices, tariffs, fares and so on for unemployed persons where they are expressly granted for social protection.

## 7.3 Further guidance

74A Schemes which provide minimum means of subsistence to people who are indigent, irrespective of cause are classified under the function Social exclusion not elsewhere classified. However, when specific provisions are made for needy people who are out of work (for example, the "Grundsicherung für Arbeitssuchende" benefit in Germany) the expenditure should be reported under the Unemployment function.

74B Vocational training is strictly defined and includes only those programmes aimed at the unemployed or at workers at risk of losing their jobs, and financed by social security funds or public agencies. It excludes expenditure by employers on staff training and re-training. This type of training, which is in the interests of both employers and employees, is not within the scope of ESSPROS. Similarly, vocational training provided within the country's education system, such as apprenticeships, is excluded, as ESSPROS does not include an education function.

74C Concerning direct job creation (under the item "other cash benefits"), the situations where these payments were made for work done are to be excluded (since, in such cases, the payments were remuneration and not social benefits).

74D In some cases, higher rates of benefits are paid to the beneficiary if she/he has dependants (a child or a non-working spouse, for example). The supplements thus paid integrate or replace the family allowance, and therefore in principle they should be separated from the main benefit and included in the Family/children function. This can prove difficult, because, in establishing the rate of benefit, the policy-maker will have taken account of economies of scale in consumption of the household. For reasons of convenience, therefore, the supplements will be retained in the functions to which the main benefit belongs.

# 8 Social benefits in the Housing function

## 8.1 Introduction

75 The Housing Function is made up of interventions by public authorities to help households meet the cost of housing. Housing policies are widespread in the Member States and their purpose often goes beyond that of social protection: they may be aimed at encouraging the building industry, ownership of dwellings, saving and so on. These wider measures are not within the scope of ESSPROS.

An essential criterion for defining the scope of the Housing function is the existence of a qualifying means-test for the benefit.

76 Even when housing benefits are paid in cash as a supplement to old age pensions or minimum guaranteed income benefits, they are classified in the Housing function as benefits in kind. The object of the benefits in this function is to help households meet the cost of housing: by definition, housing is considered certified expenditure (see paragraph 115 of Part 1 of the Manual).

| Table G: Classification of benefits in the Housing Function |
|---|
| **Benefits in kind** |
| Rent benefit |
| *of which*: Social Housing |
| Benefit to owner-occupiers |

## 8.2 Description of the types of benefit

### 8.2.1 BENEFITS IN KIND

77 Rent benefit: a current means-tested transfer granted by a public authority to tenants, temporarily or on a long-term basis, to help with rent costs.

78 Social housing: sub-category of rent benefit. Loss of rental income due to the current imposition of non-commercial rents (that is, rents below the normal market price) by public bodies or private non-profit institutions that own low-cost or social housing. The assignment of

housing at non-commercial rents must be determined by a test on the households' income and/or wealth.

79 Benefit to owner-occupiers: a means-tested transfer by a public authority to owner-occupiers to alleviate their current housing costs. In practice this often relates to help with paying mortgages and/or interest. All capital transfers (in particular investment grants) are excluded.

## 8.3 Further guidance

79A In certain countries, housing allowances may be administratively incorporated in family benefits or benefits providing for a minimum subsistence income. They should still be reported separately under the Housing function.

79B In principle, social housing benefit should be calculated as the difference between the theoretical commercial rent and the actual rent paid by the tenant. However, this is difficult to estimate, because commercial rent depends on many factors, such as location of the social housing unit, year of construction, type of contract and so on. As a practical alternative, the value of the benefit can be estimated on the basis of the government's contributions to the scheme concerned. Further instructions can be found in paragraph 127, Part 1 of the Manual.

79C Housing benefits may be provided through the fiscal system using tax breaks. These measures are not included in the ESSPROS Core system unless they take the form of payable tax credits. As housing is considered a reimbursement for a certified expenditure (see paragraph 76) any payable tax credits that meet the risk/need of housing are to be classified as benefits in kind (see paragraph 112ter of Part 1).

# 9 Social benefits in the function Social exclusion not elsewhere classified

## 9.1 Introduction

80 The need or risk against which social protection benefits are provided in this area is not easily defined. The concept of social exclusion is multidimensional: it refers firstly to an insufficient level of income (poverty), but also to precarious situations in the field of health, education and employment.

It follows that the content of this function, or rather group of benefits, is fairly heterogeneous. However, the borderlines of this function are traced by the definition of social protection itself in chapter 2 of Part 1, and by the following principles:

- small-scale, informal and incidental types of support that do not require regular management and accounting are conventionally excluded from the scope of ESSPROS. This is the case, for example, of whip-rounds, Christmas collections, ad-hoc humanitarian aid and emergency relief in the event of natural disasters;
- all social benefits related to a risk or need for which ESSPROS defines a specific function are reported under that function. For example, all non-contributory and means-tested public schemes providing a minimum entitlement in the case of old age, disability or unemployment must be incorporated in the corresponding functions and not under the present function. The residual character of this function may lead to differences in cover among Member States depending on the main system of social protection they apply;
- while the other functions refer to people subject to clearly identifiable risks or needs (the elderly, the disabled, the unemployed and so on), this function refers to the "socially excluded" or to "those at risk of social exclusion". General as this is, target groups may be identified (among others) as destitute people, migrants, refugees, drug or alcohol addicts, victims of criminal violence

| Table H: Classification of benefits in the function Social exclusion n.e.c. |
|---|
| **Cash benefits** |
| Income support |
| Other cash benefits |
| **Benefits in kind** |
| Accommodation |
| Rehabilitation of alcohol and drug abusers |
| Other benefits in kind |

# 9.2 Description of the types of benefit

## 9.2.1 CASH BENEFITS

81 Income support: periodic payments to people with insufficient resources. Conditions for entitlement may be related not only to the personal resources but also to nationality, residence, age, availability for work and family status. The benefit may have a limited or an unlimited duration; it may be paid to the individual or to the family, and provided by central or local government.

82 Other cash benefit: support for destitute and vulnerable persons to help alleviate poverty or assist in difficult situations. These benefits may be paid by private non-profit organisations.

## 9.2.2 BENEFITS IN KIND

83 Accommodation: shelter and board provided to destitute or vulnerable people, where these services cannot be classified under another function. This may be short term in reception centres, shelters and so on or on a more regular basis in special institutions, boarding houses, reception families and so on.

84 Rehabilitation of alcohol and drug abusers: treatment of alcohol and drug dependency aimed at reconstructing the social life of the abusers, making them able to live an independent life. The treatment is usually provided in reception centres or special institutions.

85 Other benefits in kind: basic services and goods to help vulnerable people, such as counselling, day shelter, help with carrying out daily tasks, food, clothing, fuel, etc... Legal aid provided with a means-test is also included.

# 9.3 Further guidance

85A Benefits for the poor are normally means-tested and the concept of insufficient resources is determined according to standards laid down by the resident public authorities. However, not all the benefits included in this function require a means-test. Sometimes, the absence of adequate resources is implicit, in the case of refugees for example. Other times, the benefits are provided regardless of the financial situation of the beneficiary, such as in the case of drug addicts. Therefore, there is only partial overlapping with the category means-tested benefits defined in paragraphs 116, 117, 117A to 117C 117bis, 117ter of Part 1 of the Manual. If, on the one hand, some benefits targeted at indigent households are included in other functions (when they are aimed at specific categories of the population such as the elderly or the unemployed), on the other hand not all the benefits belonging to this function will be targeted at indigent households.

85B Income support benefits are typically means-tested, that is, paid to households or individuals whose resources fall below a prescribed level. In-work benefits paid to those in low-paid jobs in order to raise disposable income without creating disincentives to work are included under this heading.
Examples of Income support benefits are the Revenu d'intégration or Leefloon in Belgium, the Revenu Minimum d'Insertion (RMI) in France, and parts of Income Support in the United Kingdom.

85C The United Kingdom Income Support program includes the possibility of a loan from the Social Fund. Loans are not social benefits (they are financial transactions), so neither the capital sums nor repayments are recorded in the Core system.

However, if the loan is interest-free or at an interest rate well below the current market rate, the benefit to the debtor, which should be valued at the amount of interest waived by the social protection scheme, qualifies as a social benefit.

Cancellation of debt with the scheme's consent is also classified as a social benefit in ESSPROS, however simple recognition by the scheme that a financial claim on a debtor household can no longer be collected due to bankruptcy or similar circumstance does not qualify as a social benefit.

85D In some cases, higher rates of benefits are paid to the beneficiary if she/he has dependants (a child or a non-working spouse, for example). The supplements thus paid integrate or replace the family allowance, and therefore in principle they should be separated from the main benefit and included in the Family/children function. This can prove difficult, because, in establishing the rate of benefit, the policy-maker will have taken account of economies of scale in consumption of the household. For reasons of convenience, therefore, the supplements will be retained in the functions to which the main benefit belongs.

85E Schemes which provide minimum means of subsistence to people who are indigent, irrespective of cause are classified under the function Social exclusion not elsewhere classified. However, when specific provisions are made, for instance, to needy people who are beyond pensionable age, the expenditures should be reported under the function Old age in the item "Other cash benefits" (for example the "Äldreförsörjningsstöd" benefit in Sweden).

# Appendices

# APPENDIX I: The ESSPROS questionnaire detailed classification

## 1 Receipts (compulsory data)

### 1.1 SOCIAL CONTRIBUTION

| Code | Description |
|---|---|
| 2000000 | Total receipts |
| 2100000 | Social contributions |
| 2110000 | Employers' social contributions |
| 2110100 | Actual employers' social contributions |
| 2110101 | Sector of origin: Corporations |
| 2110102 | Sector of origin: Central government |
| 2110103 | Sector of origin: State and local government |
| 2110104 | Sector of origin: Social security funds |
| 2110105 | Sector of origin: Households |
| 2110106 | Sector of origin: Non-profit institutions serving households |
| 2110107 | Sector of origin: Rest of the World |
| 2110200 | Imputed social contributions |
| 2110201 | Sector of origin: Corporations |
| 2110202 | Sector of origin: Central government |
| 2110203 | Sector of origin: State and local government |
| 2110204 | Sector of origin: Social security funds |
| 2110205 | Sector of origin: Households |
| 2110206 | Sector of origin: Non-profit institutions serving households |
| 2110207 | Sector of origin: Rest of the World |
| 2120000 | Social contributions by the protected persons |
| 2121000 | Employees |
| 2121005 | Sector of origin: Households |
| 2121007 | Sector of origin: Rest of the World |
| 2122000 | Self-employed |
| 2122005 | Sector of origin: Households |
| 2122007 | Sector of origin: Rest of the World |
| 2123000 | Pensioners and other |
| 2123005 | Sector of origin: Households |
| 2123007 | Sector of origin: Rest of the World |

## 1.2 GENERAL GOVERNMENT CONTRIBUTIONS AND OTHER RECEIPTS

| Code | Description |
|---|---|
| 2200000 | General government contributions |
| 2210000 | Earmarked taxes |
| 2210002 | Sector of origin: Central government |
| 2210003 | Sector of origin: State and local government |
| 2210004 | Sector of origin: Social security funds |
| 2220000 | General revenue |
| 2220002 | Sector of origin: Central government |
| 2220003 | Sector of origin: State and local government |
| 2220004 | Sector of origin: Social security funds |
| 2300000 | Transfers from other schemes |
| 2310000 | Social contributions rerouted from other schemes |
| 2310005 | Sector of origin: Households |
| 2310007 | Sector of origin: Rest of the World |
| 2320000 | Other transfers from other resident schemes |
| 2400000 | Other receipts |
| 2410000 | Property income |
| 2410001 | Sector of origin: Corporations |
| 2410002 | Sector of origin: Central government |
| 2410003 | Sector of origin: State and local government |
| 2410004 | Sector of origin: Social security funds |
| 2410005 | Sector of origin: Households |
| 2410006 | Sector of origin: Non-profit institutions serving households |
| 2410007 | Sector of origin: Rest of the World |
| 2420000 | Other |
| 2420001 | Sector of origin: Corporations |
| 2420002 | Sector of origin: Central government |
| 2420003 | Sector of origin: State and local government |
| 2420004 | Sector of origin: Social security funds |
| 2420005 | Sector of origin: Households |
| 2420006 | Sector of origin: Non-profit institutions serving households |
| 2420007 | Sector of origin: Rest of the World |

# 2 Expenditure

## 2.1 COMPULSORY DATA

| Code | Description |
|---|---|
| 1000000 | Total expenditures |
| 1100000 | Social protection benefits |
| 1101000 | Social protection benefits non means-tested |
| 1101100 | Cash benefits non means-tested |
| 1101110 | Periodic cash benefits non means-tested |
| 1101120 | Lump sum cash benefits non means-tested |
| 1101200 | Benefits in kind non means-tested |
| 1102000 | Social protection benefits means-tested |
| 1102100 | Cash benefits means-tested |
| 1102110 | Periodic cash benefits means-tested |
| 1102120 | Lump sum cash benefits means-tested |
| 1102200 | Benefits in kind means-tested |
| 1200000 | Administration costs |
| 1300000 | Transfers to other schemes |
| 1310000 | Social contributions rerouted to other schemes |
| 1310001 | Social contributions rerouted paid on sickness/health care benefits |
| 1310002 | Social contributions rerouted paid on disability benefits |
| 1310003 | Social contributions rerouted paid on old age benefits |
| 1310004 | Social contributions rerouted paid on survivors benefits |
| 1310005 | Social contributions rerouted paid on family/children benefits |
| 1310006 | Social contributions rerouted paid on unemployment benefits |
| 1310007 | Social contributions rerouted paid on housing benefits |
| 1310008 | Social contributions rerouted paid on social exclusion n.e.c. benefits |
| 1320000 | Other transfers to other resident schemes |
| 1400000 | Other expenditure |
| 1410000 | Property income |
| 1420000 | Other |

## 2.2 OPTIONAL DATA: BREAKDOWN BETWEEN RESIDENTS AND NON-RESIDENTS

| Code | Description |
|---|---|
| 11000009 | Social protection benefits split by residence |
| 1100010 | Social protection benefits granted to resident households |
| 1100020 | Social protection benefits granted to non-resident households |
| 1100021 | Social protection benefits granted to residents of the EU |
| 1100022 | Social protection benefits granted to residents of other countries |
| 14000009 | Other expenditure split by residence |
| 1400001 | Other expenditure to resident units |
| 1400002 | Other expenditure to non-resident units |

# 3 Detailed benefits by function

## 3.1 COMPULSORY DATA

### 3.1.1 SICKNESS/HEALTH CARE FUNCTION

| Code | Description |
|---|---|
| **1110000** | Social protection benefits |
| **1111000** | Social protection benefits non means-tested |
| **1111100** | Cash benefits non means-tested |
| **1111110** | Periodic cash benefits non means-tested |
| **1111111** | Paid sick leave non means-tested |
| **1111112** | Other cash periodic benefits non means-tested |
| **1111120** | Lump sum cash benefits non means-tested |
| **1111121** | Other cash lump sum benefits non means-tested |
| **1111200** | Benefits in kind non means-tested |
| **1111210** | In-patient care non means-tested |
| **1111211** | Direct provision non means-tested |
| **1111212** | Reimbursement non means-tested |
| **1111220** | Out-patient care non means-tested |
| **1111221** | Direct provision of pharmaceutical products non means-tested |
| **1111222** | Other direct provision non means-tested |
| **1111223** | Reimbursement of pharmaceutical products non means-tested |
| **1111224** | Other reimbursement non means-tested |
| **1111230** | Other benefits in kind non means-tested |
| **1112000** | Social protection benefits means-tested |
| **1112100** | Cash benefits means-tested |
| **1112110** | Periodic cash benefits means-tested |
| **1112111** | Paid sick leave means-tested |
| **1112112** | Other cash periodic benefits means-tested |
| **1112120** | Lump sum cash benefits means-tested |
| **1112121** | Other cash lump sum benefits means-tested |
| **1112200** | Benefits in kind means-tested |
| **1112210** | In-patient care means-tested |
| **1112211** | Direct provision means-tested |
| **1112212** | Reimbursement means-tested |
| **1112220** | Out-patient care means-tested |
| **1112221** | Direct provision of pharmaceutical products means-tested |
| **1112222** | Other direct provision means-tested |
| **1112223** | Reimbursement of pharmaceutical products means-tested |
| **1112224** | Other reimbursement means-tested |
| **1112230** | Other benefits in kind means-tested |

### 3.1.2 DISABILITY FUNCTION

| Code | Description |
|---|---|
| **1120000** | Social protection benefits |
| **1121000** | Social protection benefits non means-tested |
| **1121100** | Cash benefits non means-tested |
| **1121110** | Periodic cash benefits non means-tested |
| **1121111** | Disability pension non means-tested |
| **1121112** | Early retirement benefit due to reduced capacity to work non means-tested |
| **1121113** | Care allowance non means-tested |
| **1121114** | Economic integration of the handicapped non means-tested |
| **1121115** | Other cash periodic benefits non means-tested |
| **1121120** | Lump sum cash benefits non means-tested |
| **1121121** | Care allowance non means-tested |
| **1121122** | Economic integration of the handicapped non means-tested |
| **1121123** | Other cash periodic benefits non means-tested |
| **1121200** | Benefits in kind non means-tested |
| **1121201** | Accommodation non means-tested |
| **1121202** | Assistance in carrying out daily tasks non means-tested |
| **1121203** | Rehabilitation non means-tested |
| **1121204** | Other benefits in kind non means-tested |
| **1122000** | Social protection benefits means-tested |
| **1122100** | Cash benefits means-tested |
| **1122110** | Periodic cash benefits means-tested |
| **1122111** | Disability pension means-tested |
| **1122112** | Early retirement benefit due to reduced capacity to work means-tested |
| **1122113** | Care allowance means-tested |
| **1122114** | Economic integration of the handicapped means-tested |
| **1122115** | Other cash periodic benefits means-tested |
| **1122120** | Lump sum cash benefits means-tested |
| **1122121** | Care allowance means-tested |
| **1122122** | Economic integration of the handicapped means-tested |
| **1122123** | Other cash periodic benefits means-tested |
| **1122200** | Benefits in kind means-tested |
| **1122201** | Accommodation means-tested |
| **1122202** | Assistance in carrying out daily tasks means-tested |
| **1122203** | Rehabilitation means-tested |
| **1122204** | Other benefits in kind means-tested |

### 3.1.3 OLD AGE FUNCTION

| Code | Description |
|---|---|
| **1130000** | Social protection benefits |
| **1131000** | Social protection benefits non means-tested |
| **1131100** | Cash benefits non means-tested |
| **1131110** | Periodic cash benefits non means-tested |
| **1131111** | Old-age pension non means-tested |
| **1131112** | Anticipated old age pension non means-tested |
| **1131113** | Partial pension non means-tested |
| **1131114** | Care allowance non means-tested |
| **1131115** | Other cash periodic benefits non means-tested |
| **1131120** | Lump sum cash benefits non means-tested |
| **1131121** | Other cash lump sum benefits non means-tested |
| **1131200** | Benefits in kind non means-tested |
| **1131201** | Accommodation non means -tested |
| **1131202** | Assistance in carrying out daily tasks non means-tested |
| **1131203** | Other benefits in kind non means-tested |
| **1132000** | Social protection benefits means-tested |
| **1132100** | Cash benefits means-tested |
| **1132110** | Periodic cash benefits means-tested |
| **1132111** | Old-age pension means-tested |
| **1132112** | Anticipated old age pension means-tested |
| **1132113** | Partial pension means-tested |
| **1132114** | Care allowance means-tested |
| **1132115** | Other cash periodic benefits means-tested |
| **1132120** | Lump sum cash benefits means-tested |
| **1132121** | Other cash lump sum benefits means-tested |
| **1132200** | Benefits in kind means-tested |
| **1132201** | Accommodation means-tested |
| **1132202** | Assistance in carrying out daily tasks means-tested |
| **1132203** | Other benefits in kind means-tested |

### 3.1.4 SURVIVORS' FUNCTION

| Code | Description |
|---|---|
| **1140000** | Social protection benefits |
| **1141000** | Social protection benefits non means-tested |
| **1141100** | Cash benefits non means-tested |
| **1141110** | Periodic cash benefits non means-tested |
| **1141111** | Survivors' pension non means-tested |
| **1141112** | Other cash periodic benefits non means-tested |
| **1141120** | Lump sum cash benefits non means-tested |
| **1141121** | Death grant non means-tested |
| **1141122** | Other cash lump sum benefits non means-tested |
| **1141200** | Benefits in kind non means-tested |
| **1141201** | Funeral expenses non means-tested |
| **1141202** | Other benefits in kind non means-tested |
| **1142000** | Social protection benefits means-tested |
| **1142100** | Cash benefits means-tested |
| **1142110** | Periodic cash benefits means-tested |
| **1142111** | Survivors' pension means-tested |
| **1142112** | Other cash periodic benefits means-tested |
| **1142120** | Lump sum cash benefits means-tested |
| **1142121** | Death grant means-tested |
| **1142122** | Other cash lump sum benefits means-tested |
| **1142200** | Benefits in kind means-tested |
| **1142201** | Funeral expenses means-tested |
| **1142202** | Other benefits in kind means-tested |

### 3.1.5 FAMILY/CHILDREN FUNCTION

| Code | Description |
|---|---|
| **1150000** | Social protection benefits |
| **1151000** | Social protection benefits non means-tested |
| **1151100** | Cash benefits non means-tested |
| **1151110** | Periodic cash benefits non means-tested |
| **1151111** | Income maintenance in the event of childbirth non means-tested |
| **1151112** | Parental leave benefit non means-tested |
| **1151113** | Family or child allowance non means-tested |
| **1151114** | Other cash periodic benefits non means-tested |
| **1151120** | Lump sum cash benefits non means-tested |
| **1151121** | Birth grant non means-tested |
| **1151122** | Parental leave benefit non means-tested |
| **1151123** | Other cash lump sum benefits non means-tested |
| **1151200** | Benefits in kind non means-tested |
| **1151201** | Child day care non means-tested |
| **1151202** | Accommodation non means-tested |
| **1151203** | Home help non means-tested |
| **1151204** | Other benefits in kind non means-tested |
| **1152000** | Social protection benefits means-tested |
| **1152100** | Cash benefits means-tested |
| **1152110** | Periodic cash benefits means-tested |
| **1152111** | Income maintenance in the event of childbirth means-tested |
| **1152112** | Parental leave benefit means-tested |
| **1152113** | Family or child allowance means-tested |
| **1152114** | Other cash periodic benefits means-tested |
| **1152120** | Lump sum cash benefits means-tested |
| **1152121** | Birth grant means-tested |
| **1152122** | Parental leave benefit means-tested |
| **1152123** | Other cash lump sum benefits means-tested |
| **1152200** | Benefits in kind means-tested |
| **1152201** | Child day care means-tested |
| **1152202** | Accommodation means-tested |
| **1152203** | Home help means-tested |
| **1152204** | Other benefits in kind means-tested |

### 3.1.6 UNEMPLOYMENT FUNCTION

| Code | Description |
|---|---|
| 1160000 | Social protection benefits |
| 1161000 | Social protection benefits non means-tested |
| 1161100 | Cash benefits non means-tested |
| 1161110 | Periodic cash benefits non means-tested |
| 1161111 | Full unemployment benefit non means-tested |
| 1161112 | Partial unemployment benefit non means-tested |
| 1161113 | Early retirement benefit for labour market reasons non means-tested |
| 1161114 | Vocational training allowance non means-tested |
| 1161115 | Other cash periodic benefits non means-tested |
| 1161120 | Lump sum cash benefits non means-tested |
| 1161121 | Vocational training allowance non means-tested |
| 1161122 | Redundancy compensation non means-tested |
| 1161123 | Other cash lump sum benefits non means-tested |
| 1161200 | Benefits in kind non means-tested |
| 1161201 | Mobility and resettlement non means-tested |
| 1161202 | Vocational training non means-tested |
| 1161203 | Placement services and job-search assistance non means-tested |
| 1161204 | Other benefits in kind non means-tested |
| 1162000 | Social protection benefits means-tested |
| 1162100 | Cash benefits means-tested |
| 1162110 | Periodic cash benefits means-tested |
| 1162111 | Full unemployment benefit means-tested |
| 1162112 | Partial unemployment benefit means-tested |
| 1162113 | Early retirement benefit for labour market reasons means-tested |
| 1162114 | Vocational training allowance means-tested |
| 1162115 | Other cash periodic benefits means-tested |
| 1162120 | Lump sum cash benefits means-tested |
| 1162121 | Vocational training allowance means-tested |
| 1162122 | Redundancy compensation means-tested |
| 1162123 | Other cash lump sum benefits means-tested |
| 1162200 | Benefits in kind means-tested |
| 1162201 | Mobility and resettlement means-tested |
| 1162202 | Vocational training means-tested |
| 1162203 | Placement services and job-search assistance means-tested |
| 1162204 | Other benefits in kind means-tested |

### 3.1.7 HOUSING FUNCTION

| Code | Description |
|---|---|
| 1170000 | Social protection benefits |
| 1172000 | Social protection benefits means-tested |
| 1172200 | Benefits in kind means-tested |
| 1172210 | Rent benefits means-tested |
| 1172211 | Social housing means-tested |
| 1172212 | Other rent benefits means-tested |
| 1172220 | Benefit to owner-occupiers means-tested |

### 3.1.8 SOCIAL EXCLUSION (N.E.C.) FUNCTION

| Code | Description |
|---|---|
| 1180000 | Social protection benefits |
| 1181000 | Social protection benefits non means-tested |
| 1181100 | Cash benefits non means-tested |
| 1181110 | Periodic cash benefits non means-tested |
| 1181111 | Income support non means-tested |
| 1181112 | Other cash periodic benefits non means-tested |
| 1181120 | Lump sum cash benefits non means-tested |
| 1181121 | Other cash lump sum benefits non means-tested |
| 1181200 | Benefits in kind non means-tested |
| 1181201 | Accommodation non means-tested |
| 1181202 | Rehabilitation of alcohol and drugs abusers non means-tested |
| 1181203 | Other benefits in kind non means-tested |
| 1182000 | Social protection benefits means-tested |
| 1182100 | Cash benefits means-tested |
| 1182110 | Periodic cash benefits means-tested |
| 1182111 | Income support means-tested |
| 1182112 | Other cash periodic benefits means-tested |
| 1182120 | Lump sum cash benefits means-tested |
| 1182121 | Other cash lump sum benefits means-tested |
| 1182200 | Benefits in kind means-tested |
| 1182201 | Accommodation means-tested |
| 1182202 | Rehabilitation of alcohol and drugs abusers means-tested |
| 1182203 | Other benefits in kind means-tested |

## 3.2 OPTIONAL DATA

### SICKNESS/HEALTH CARE FUNCTION

3.2.1 Pay leave in the event of sickness or injury of a dependent family member (included in the items "Paid sick leave" -1111111 and 1112111-)

| Sickness / Health function | |
|---|---|
| ***1111111*** | *Paid sick leave non means-tested* |
| **11111119** | Pay leave in the event of sickness or injury of a dependent family member non means-tested |
| ***1112111*** | *Paid sick leave means-tested* |
| **11121119** | Pay leave in the event of sickness or injury of a dependent family member means-tested |

### DISABILITY, OLD AGE AND UNEMPLOYMENT FUNCTIONS

3.2.2 Supplement for dependent children

| Disability function | |
|---|---|
| ***1121111*** | *Disability pension non means-tested* |
| **11211119** | Supplement for dependent children |
| ***1122111*** | *Disability pension means-tested* |
| **11221119** | Supplement for dependent children |
| **Old age function** | |
| ***1131111*** | *Old-age pension non means-tested* |
| **11311119** | Supplement for dependent children |
| ***1131112*** | *Anticipated old age pension non means-tested* |
| **11311129** | Supplement for dependent children |
| ***1131113*** | *Partial pension non means-tested* |
| **11311139** | Supplement for dependent children |
| ***1132111*** | *Old-age pension means-tested* |
| **11321119** | Supplement for dependent children |
| ***1132112*** | *Anticipated old age pension means-tested* |
| **11321129** | Supplement for dependent children |
| ***1132113*** | *Partial pension means-tested* |
| **11321139** | Supplement for dependent children |
| **Unemployment function** | |
| ***1161111*** | *Full unemployment benefit non means-tested* |
| **11611119** | Supplement for dependent children |
| ***1161112*** | *Partial unemployment benefit non means-tested* |
| **11611129** | Supplement for dependent children |
| ***1162111*** | *Full unemployment benefit means-tested* |
| **11621119** | Supplement for dependent children |
| ***1162112*** | *Partial unemployment benefit means-tested* |
| **11621129** | Supplement for dependent children |

## SURVIVORS' FUNCTION

3.2.3 For the items 1141111 and 1142111 “Survivors’ pensions over the reference retirement age”

| **Survivors' function** | |
|---|---|
| ***1141111*** | *Survivors’ pension non means-tested* |
| **11411119** | Survivors’ pensions over the reference retirement age |
| ***1142111*** | *Survivors’ pension means-tested* |
| **11421119** | Survivors’ pensions over the reference retirement age |

## PAYABLE TAX CREDITS: CASH COMPONENT

3.2.4 For the items under which payable tax credits (PTCs) are reported (in full value) in the main section of the questionnaire, the cash component can be reported on a voluntary basis. The following social benefits are currently used by countries to report data on PTCs (questionnaire used in 2016, to collect 2014 data).
If necessary, other codes can be introduced to the following list in the future, according to the nature of newly introduced PTCs.

| **PTC: cash component** | |
|---|---|
| 11511131 | *Family or child allowance non means-tested:*<br>PTC Cash component |
| 11511211 | *Birth grant non means-tested:*<br>PTC Cash component |
| 11511231 | *Family/children*<br>*Other cash lump sum benefits non means-tested:*<br>PTC Cash component |
| 11521131 | *Family or child allowance means-tested:*<br>PTC Cash component |
| 11521231 | *Family/children*<br>*Other cash lump sum benefits means-tested:*<br>PTC Cash component |
| 11621111 | *Full unemployment benefit means-tested:*<br>PTC Cash component |
| 11722121 | *Other rent benefit means-tested:*<br>PTC Cash component |
| 11811111 | *Income support non means-tested:*<br>PTC Cash component |
| 11821211 | *Social Exclusion n.e.c.*<br>*Other cash periodic benefits means-tested:*<br>PTC Cash component |

# 4A The ESSPROS questionnaire – 'Social Protection Expenditure and Receipts'

**Country name:** **Year:** **Currency: Millions national currency**

| | | | All schemes | Scheme 01 | Scheme … | Scheme n |
|---|---|---|---|---|---|---|
| E | 1000000 | Total expenditures | 0.00 | 0.00 | 0.00 | 0.00 |
| X | 1100000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| P | 1101000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1101100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| N | 1101110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| D | 1101120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1101200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| T | 1102000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| U | 1102100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1102110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1102120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 1102200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1200000 | Administration costs | 0.00 | | | |
| | 1300000 | Transfers to other schemes | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1310000 | Social contributions rerouted to other schemes | 0.00 | 0.00 | 0.00 | 0.00 |
| X | 1310001 | Sickness/Health care benefits | 0.00 | | | |
| P | 1310002 | Disability benefits | 0.00 | | | |
| E | 1310003 | Old age benefits | 0.00 | | | |
| N | 1310004 | Survivors benefits | 0.00 | | | |
| D | 1310005 | Family/Children benefits | 0.00 | | | |
| I | 1310006 | Unemployment benefits | 0.00 | | | |
| T | 1310007 | Housing benefits | 0.00 | | | |
| U | 1310008 | Social exclusion n.e.c. benefits | 0.00 | | | |
| R | 1320000 | Other transfers to other resident schemes | 0.00 | | | |
| E | 1400000 | Other expenditure | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 1410000 | Property income | 0.00 | | | |
| | 1420000 | Other | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme … | Scheme n |
|---|---|---|---|---|---|---|
| R | 11000009 | Social benefits split by residence | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1100010 | Granted to resident households | 0.00 | | | |
| S | 1100020 | Granted to non-resident households | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1100021 | Residents of the EU | 0.00 | | | |
| D | 1100022 | Residents of other countries | 0.00 | | | |
| . | 14000009 | Other expenditure split by residence | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1400001 | To resident units | 0.00 | | | |
| | 1400002 | To non-resident units | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| R | 2000000 | Total receipts | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 2100000 | Social contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 2110000 | Employers' social contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 2110100 | Actual | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 2110101 | Corporations | 0.00 | | | |
| P | 2110102 | Central government | 0.00 | | | |
| T | 2110103 | State and local government | 0.00 | | | |
| S | 2110104 | Social security funds | 0.00 | | | |
| | 2110105 | Households | 0.00 | | | |
| | 2110106 | Non-profit institutions serving households | 0.00 | | | |
| R | 2110107 | Rest of the World | 0.00 | | | |
| E | 2110200 | Imputed | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 2110201 | Corporations | 0.00 | | | |
| E | 2110202 | Central government | 0.00 | | | |
| I | 2110203 | State and local government | 0.00 | | | |
| P | 2110204 | Social security funds | 0.00 | | | |
| T | 2110205 | Households | 0.00 | | | |
| S | 2110206 | Non-profit institutions serving households | 0.00 | | | |
| | 2110207 | Rest of the World | 0.00 | | | |
| | 2120000 | Social contributions by the protected persons | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 2121000 | Employees | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 2121005 | Households | 0.00 | | | |
| C | 2121007 | Rest of the World | 0.00 | | | |
| E | 2122000 | Self-employed | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 2122005 | Households | 0.00 | | | |
| P | 2122007 | Rest of the World | 0.00 | | | |
| T | 2123000 | Pensioners and other | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 2123005 | Households | 0.00 | | | |
| | 2123007 | Rest of the World | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| R | 2200000 | General government contributions | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 2210000 | Earmarked taxes | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 2210002 | Central government | 0.00 | | | |
| E | 2210003 | State and local government | 0.00 | | | |
| I | 2210004 | Social security funds | 0.00 | | | |
| P | 2220000 | General revenue | 0.00 | 0.00 | 0.00 | 0.00 |
| T | 2220002 | Central government | 0.00 | | | |
| S | 2220003 | State and local government | 0.00 | | | |
| | 2220004 | Social security funds | 0.00 | | | |
| | 2300000 | Transfers from other schemes | 0.00 | 0.00 | 0.00 | 0.00 |
| | 2310000 | Social contributions rerouted from other schemes | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 2310005 | Households | 0.00 | | | |
| E | 2310007 | Rest of the World | 0.00 | | | |
| C | 2320000 | Other transfers from other resident schemes | 0.00 | | | |
| E | 2400000 | Other receipts | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 2410000 | Property income | 0.00 | 0.00 | 0.00 | 0.00 |
| P | 2410001 | Corporations | 0.00 | | | |
| T | 2410002 | Central government | 0.00 | | | |
| S | 2410003 | State and local government | 0.00 | | | |
| | 2410004 | Social security funds | 0.00 | | | |
| | 2410005 | Households | 0.00 | | | |
| | 2410006 | Non-profit institutions serving households | 0.00 | | | |
| R | 2410007 | Rest of the World | 0.00 | | | |
| E | 2420000 | Other | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 2420001 | Corporations | 0.00 | | | |
| E | 2420002 | Central government | 0.00 | | | |
| I | 2420003 | State and local government | 0.00 | | | |
| P | 2420004 | Social security funds | 0.00 | | | |
| T | 2420005 | Households | 0.00 | | | |
| S | 2420006 | Non-profit institutions serving households | 0.00 | | | |
| | 2420007 | Rest of the World | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| S | 1110000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1111000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 1111100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| K | 1111110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| N | 1111111 | Paid sick leave | 0.00 | | | |
| E | 1111112 | Other cash periodic benefits | 0.00 | | | |
| S | 1111120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 1111121 | Other cash lump sum benefits | 0.00 | | | |
| | 1111200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1111210 | In-patient care | 0.00 | 0.00 | 0.00 | 0.00 |
| H | 1111211 | Direct provision | 0.00 | | | |
| E | 1111212 | Reimbursement | 0.00 | | | |
| A | 1111220 | Out-patient care | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1111221 | Direct provision of pharmaceutical products | 0.00 | | | |
| T | 1111222 | Other direct provision | 0.00 | | | |
| H | 1111223 | reimbursement of pharmaceutical products | 0.00 | | | |
| / | 1111224 | Other reimbursement | 0.00 | | | |
| C | 1111230 | Other benefits in kind | 0.00 | | | |
| A | 1112000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1112100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1112110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1112111 | Paid sick leave | 0.00 | | | |
| | 1112112 | Other cash periodic benefits | 0.00 | | | |
| | 1112120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1112121 | Other cash lump sum benefits | 0.00 | | | |
| S | 1112200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1112210 | In-patient care | 0.00 | 0.00 | 0.00 | 0.00 |
| C | 1112211 | Direct provision | 0.00 | | | |
| K | 1112212 | Reimbursement | 0.00 | | | |
| N | 1112220 | Out-patient care | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1112221 | Direct provision of pharmaceutical products | 0.00 | | | |
| S | 1112222 | Other direct provision | 0.00 | | | |
| S | 1112223 | reimbursement of pharmaceutical products | 0.00 | | | |
| | 1112224 | Other reimbursement | 0.00 | | | |
| | 1112230 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| **D** | 1120000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| **I** | 1121000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| **S** | 1121100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| **A** | 1121110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| **B** | 1121111 | Disability pension | 0.00 | | | |
| **I** | 1121112 | Early retirement benefit due to reduced capacity to work | 0.00 | | | |
| **L** | 1121113 | Care allowance | 0.00 | | | |
| **I** | 1121114 | Economic integration of the handicapped | 0.00 | | | |
| **T** | 1121115 | Other cash periodic benefits | 0.00 | | | |
| **Y** | 1121120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1121121 | Care allowance | 0.00 | | | |
| | 1121122 | Economic integration of the handicapped | 0.00 | | | |
| **D** | 1121123 | Other cash lump sum benefits | 0.00 | | | |
| **I** | 1121200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| **S** | 1121201 | Accommodation | 0.00 | | | |
| **A** | 1121202 | Assistance in carrying out daily tasks | 0.00 | | | |
| **B** | 1121203 | Rehabilitation | 0.00 | | | |
| **I** | 1121204 | Other benefits in kind | 0.00 | | | |
| **L** | 1122000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| **I** | 1122100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| **T** | 1122110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| **Y** | 1122111 | Disability pension | 0.00 | | | |
| | 1122112 | Early retirement benefit due to reduced capacity to work | 0.00 | | | |
| | 1122113 | Care allowance | 0.00 | | | |
| **D** | 1122114 | Economic integration of the handicapped | 0.00 | | | |
| **I** | 1122115 | Other cash periodic benefits | 0.00 | | | |
| **S** | 1122120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| **A** | 1122121 | Care allowance | 0.00 | | | |
| **B** | 1122122 | Economic integration of the handicapped | 0.00 | | | |
| **I** | 1122123 | Other cash lump sum benefits | 0.00 | | | |
| **L** | 1122200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| **I** | 1122201 | Accommodation | 0.00 | | | |
| **T** | 1122202 | Assistance in carrying out daily tasks | 0.00 | | | |
| **Y** | 1122203 | Rehabilitation | 0.00 | | | |
| | 1122204 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| O | 1130000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1131000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| D | 1131100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1131110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| A | 1131111 | Old-age pension | 0.00 | | | |
| G | 1131112 | anticiped old age pension | 0.00 | | | |
| E | 1131113 | Partial pension | 0.00 | | | |
| | 1131114 | Care allowance | 0.00 | | | |
| | 1131115 | Other cash periodic benefits | 0.00 | | | |
| | 1131120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1131121 | Other cash lump sum benefits | 0.00 | | | |
| O | 1131200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1131201 | Accommodation | 0.00 | | | |
| D | 1131202 | Assistance in carrying out daily tasks | 0.00 | | | |
| | 1131203 | Other benefits in kind | 0.00 | | | |
| A | 1132000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| G | 1132100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1132110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1132111 | Old-age pension | 0.00 | | | |
| | 1132112 | anticiped old age pension | 0.00 | | | |
| | 1132113 | Partial pension | 0.00 | | | |
| | 1132114 | Care allowance | 0.00 | | | |
| O | 1132115 | Other cash periodic benefits | 0.00 | | | |
| L | 1132120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| D | 1132121 | Other cash lump sum benefits | 0.00 | | | |
| | 1132200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| A | 1132201 | Accommodation | 0.00 | | | |
| G | 1132202 | Assistance in carrying out daily tasks | 0.00 | | | |
| E | 1132203 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| S | 1140000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| U | 1141000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1141100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| V | 1141110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1141111 | Survivors' pension | 0.00 | | | |
| V | 1141112 | Other cash periodic benefits | 0.00 | | | |
| O | 1141120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1141121 | Death grant | 0.00 | | | |
| S | 1141122 | Other cash lump sum benefits | 0.00 | | | |
| | 1141200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1141201 | Funeral expenses | 0.00 | | | |
| | 1141202 | Other benefits in kind | 0.00 | | | |
| S | 1142000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| U | 1142100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1142110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| V | 1142111 | Survivors' pension | 0.00 | | | |
| I | 1142112 | Other cash periodic benefits | 0.00 | | | |
| V | 1142120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| O | 1142121 | Death grant | 0.00 | | | |
| R | 1142122 | Other cash lump sum benefits | 0.00 | | | |
| S | 1142200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1142201 | Funeral expenses | 0.00 | | | |
| | 1142202 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| F | 1150000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| A | 1151000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| M | 1151100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1151110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1151111 | Income maintenance in the event of childbirth | 0.00 | | | |
| Y | 1151112 | Parental leave benefit | 0.00 | | | |
| / | 1151113 | Family or child allowance | 0.00 | | | |
| C | 1151114 | Other cash periodic benefits | 0.00 | | | |
| H | 1151120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1151121 | Birth grant | 0.00 | | | |
| L | 1151122 | Parental leave benefit | 0.00 | | | |
| D | 1151123 | Other cash lump sum benefits | 0.00 | | | |
| R | 1151200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1151201 | Child day care | 0.00 | | | |
| N | 1151202 | Accommodation | 0.00 | | | |
| | 1151203 | Home help | 0.00 | | | |
| | 1151204 | Other benefits in kind | 0.00 | | | |
| F | 1152000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| A | 1152100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| M | 1152110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1152111 | Income maintenance in the event of childbirth | 0.00 | | | |
| L | 1152112 | Parental leave benefit | 0.00 | | | |
| Y | 1152113 | Family or child allowance | 0.00 | | | |
| / | 1152114 | Other cash periodic benefits | 0.00 | | | |
| C | 1152120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| H | 1152121 | Birth grant | 0.00 | | | |
| I | 1152122 | Parental leave benefit | 0.00 | | | |
| L | 1152123 | Other cash lump sum benefits | 0.00 | | | |
| D | 1152200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| R | 1152201 | Child day care | 0.00 | | | |
| E | 1152202 | Accommodation | 0.00 | | | |
| N | 1152203 | Home help | 0.00 | | | |
| | 1152204 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| U | 1160000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| N | 1161000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1161100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| M | 1161110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| P | 1161111 | Full unemployment benefit | 0.00 | | | |
| L | 1161112 | Partial unemployment benefit | 0.00 | | | |
| O | 1161113 | Early retirement benefit for labour market reasons | 0.00 | | | |
| Y | 1161114 | Vocational training allowance | 0.00 | | | |
| E | 1161115 | Other cash periodic benefits | 0.00 | | | |
| N | 1161120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| T | 1161121 | Vocational training allowance | 0.00 | | | |
| | 1161122 | Redunandcy compensation | 0.00 | | | |
| | 1161123 | Other cash lump sum benefits | 0.00 | | | |
| | 1161200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1161201 | Mobility and resettlement | 0.00 | | | |
| | 1161202 | Vocational training | 0.00 | | | |
| | 1161203 | Placement services and job-search assistance | 0.00 | | | |
| | 1161204 | Other benefits in kind | 0.00 | | | |
| | 1162000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1162100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1162110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1162111 | Full unemployment benefit | 0.00 | | | |
| | 1162112 | Partial unemployment benefit | 0.00 | | | |
| U | 1162113 | Early retirement benefit for labour market reasons | 0.00 | | | |
| N | 1162114 | Vocational training allowance | 0.00 | | | |
| E | 1162115 | Other cash periodic benefits | 0.00 | | | |
| M | 1162120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| P | 1162121 | Vocational training allowance | 0.00 | | | |
| L | 1162122 | Redunandcy compensation | 0.00 | | | |
| O | 1162123 | Other cash lump sum benefits | 0.00 | | | |
| M | 1162200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1162201 | Mobility and resettlement | 0.00 | | | |
| N | 1162202 | Vocational training | 0.00 | | | |
| T | 1162203 | Placement services and job-search assistance | 0.00 | | | |
| | 1162204 | Other benefits in kind | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| H | 1170000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| O | 1172000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| U | 1172200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 1172210 | Rent benefit | 0.00 | 0.00 | 0.00 | 0.00 |
| E | 1172211 | Social Housing | 0.00 | | | |
| | 1172212 | Other rent benefit | 0.00 | | | |
| | 1172220 | Benefit to owner-occupiers | 0.00 | | | |

| | | | All schemes | Scheme 01 | Scheme ... | Scheme n |
|---|---|---|---|---|---|---|
| | 1180000 | Social protection benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1181000 | Non Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1181100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| | 1181110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| S | 1181111 | Income support | 0.00 | | | |
| O | 1181112 | Other cash periodic benefits | 0.00 | | | |
| C | 1181120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1181121 | Other cash lump sum benefits | 0.00 | | | |
| A | 1181200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1181201 | Accommodation | 0.00 | | | |
| E | 1181202 | Rehabilitation of alcohol and drugs abusers | 0.00 | | | |
| X | 1181203 | Other benefits in kind | 0.00 | | | |
| C | 1182000 | Means-tested | 0.00 | 0.00 | 0.00 | 0.00 |
| L | 1182100 | Cash benefits | 0.00 | 0.00 | 0.00 | 0.00 |
| U S | 1182110 | Periodic | 0.00 | 0.00 | 0.00 | 0.00 |
| I | 1182111 | Income support | 0.00 | | | |
| O N | 1182112 | Other cash periodic benefits | 0.00 | | | |
| | 1182120 | Lump sum | 0.00 | 0.00 | 0.00 | 0.00 |
| N | 1182121 | Other cash lump sum benefits | 0.00 | | | |
| . E | 1182200 | Benefits in kind | 0.00 | 0.00 | 0.00 | 0.00 |
| . | 1182201 | Accommodation | 0.00 | | | |
| C | 1182202 | Rehabilitation of alcohol and drugs abusers | 0.00 | | | |
| . | 1182203 | Other benefits in kind | 0.00 | | | |

OPTIONAL DATA

**Optional data by functions:**

| **SICKNESS/HEALTH CARE FUNCTION** | | **All schemes** | **Scheme 01** | **Scheme …** | **Scheme N** |
|---|---|---|---|---|---|
| Code | Description | 0 | | | |
| 11111119 | *Paid sick leave non means-tested (item 1111111):* Sickness or injury of a dependent family member | 0 | | | |
| 11121119 | *Paid sick leave means-tested (item 1112111):* Sickness or injury of a dependent family member | 0 | | | |

| **DISABILITY FUNCTION** | | **All schemes** | **Scheme 01** | **Scheme …** | **Scheme N** |
|---|---|---|---|---|---|
| Code | Description | 0 | | | |
| 11211119 | *Disability pension non means-tested* Supplement for dependent children | 0 | | | |
| 11221119 | *Disability pension means-tested* Supplement for dependent children | 0 | | | |

OPTIONAL DATA

| **OLD AGE FUNCTION** | | **All schemes** | **Scheme 01** | **Scheme …** | **Scheme N** |
|---|---|---|---|---|---|
| Code | Description | 0 | | | |
| 11311119 | *Old age pension non means-tested* Supplement for dependent children | 0 | | | |
| 11311129 | *Anticipated old age pension non means-tested* Supplement for dependent children | 0 | | | |
| 11311139 | *Partial old age pension non means-tested* Supplement for dependent children | 0 | | | |
| 11321119 | *Old age pension means-tested* Supplement for dependent children | 0 | | | |
| 11321129 | *Anticipated old age pension means-tested* Supplement for dependent children | 0 | | | |
| 11321139 | *Partial old age pension means-tested* Supplement for dependent children | 0 | | | |

OPTIONAL DATA

| **UNEMPLOYMENT FUNCTION** | | **All schemes** | **Scheme 01** | **Scheme …** | **Scheme N** |
|---|---|---|---|---|---|
| Code | Description | 0 | | | |
| 11611119 | *Full unemployment benefit non means-tested* Supplement for dependent children | 0 | | | |
| 11611129 | *Partial unemployment benefit non means-tested* Supplement for dependent children | 0 | | | |
| 11621119 | *Full unemployment benefit means-tested* Supplement for dependent children | 0 | | | |
| 11621129 | *Partial unemployment benefit means-tested* Supplement for dependent children | 0 | | | |

| **SURVIVORS FUNCTION** | | **All schemes** | **Scheme 01** | **Scheme …** | **Scheme N** |
|---|---|---|---|---|---|
| Code | Description | 0 | | | |
| 11411119 | *Survivors' pensions non means-tested (item 1141111)* Over the reference retirement age | 0 | | | |
| 11421119 | *Survivors' pensions non means-tested (item 1142111)* Over the reference retirement age | 0 | | | |

| OPTIONAL DATA | PTC – CASH COMPONENT | | | | | |
|---|---|---|---|---|---|---|
| | | | All schemes | Scheme 01 | Scheme … | Scheme N |
| | Code | Description | 0 | | | |
| | 11511131 | *Family or child allowance non means-tested:* PTC Cash component | 0 | | | |
| | 11511211 | *Birth grant non means-tested:* PTC Cash component | 0 | | | |
| | 11511231 | *Family/children Other cash lump sum benefits non means-tested:* PTC Cash component | 0 | | | |
| | 11521131 | *Family or child allowance means-tested:* PTC Cash component | 0 | | | |
| | 11521231 | *Family/children Other cash lump sum benefits means-tested:* PTC Cash component | 0 | | | |
| | 11621111 | *Full unemployment benefit means-tested:* PTC Cash component | 0 | | | |
| | 11722121 | *Other rent benefit means-tested:* PTC Cash component | 0 | | | |
| | 11811111 | *Income support non means-tested:* PTC Cash component | 0 | | | |
| | 11821211 | *Social Exclusion n.e.c. Other cash periodic benefits means-tested:* PTC Cash component | 0 | | | |

# APPENDIX II: Qualitative information by scheme and detailed benefit

1 Qualitative information by scheme and detailed benefit provides:

- a more in-depth knowledge of social protection schemes;
- better information to evaluate scheme and benefit classifications;
- a clearer basis for footnotes in publications and for ESSPROS database in New Cronos;
- an improved response to questions from users of data by scheme;
- a support during the validation process of quantitative data and data on pension beneficiaries.

2 The following information sets (Table A) in English should be available and annually updated (Table B):

**Table A: ESSPROS qualitative information sets Table**

***1.1 General information includes:***

1. Period covered
2. Date of updating qualitative information
3. Responsible organisation, person and E-mail contact

***1.2 General description of the scheme includes:***

1. English and original (in national language) name of the scheme
2. Scheme movement (year of introducing/abolishing/merging/splitting of the scheme)
3. classifications of the scheme
4. reference legislation and/or regulation
5. organisation(s) responsible for running the scheme
6. financing of the scheme
7. scope (protected people under scheme)
8. bibliography and web bibliography (optional)
9. history of the scheme
10. notes (other important information)

***1.3 Description of the benefit includes:***

1. English and original name of benefit
2. Year of introducing or abolishing the benefit
3. General conditions for granting the benefit
4. The categories of beneficiaries
5. Taxation of benefit

3 Period covered (year T1 to year T2)
Current qualitative information should refer to the calendar year T2, where year T2 is the year to which last collected quantitative data refers to.

Information on period covered (starting from year 2006 compulsorily or from the first year of the availability of data when it is possible) should supply general information on the social protection system main evolutions (at least in items: scheme movement, history of scheme, notes, etc.) affecting the scheme.

4 Date of updating qualitative information should be refer to month and year of the last updating by country.

5 English and original (in national language) name of scheme

5A Example:
General disablement benefits [Algemene arbeidsongeschiktheidswet (AAW)]

6 Scheme movement: information on year of introducing or abolishing or merging or splitting of the scheme

6A Examples:
The scheme was introduced in 1995 and stopped in 2001.
In 1995 the scheme merged from scheme No name x and scheme No name y.
In 2002 scheme split into scheme x (No. name) and scheme y (No. name).

7 Classifications of the scheme: the classification of the schemes under the five criteria set in the Commission Regulation (EC) No 10/2008, (Section 1 of Annexes I and II) and following the detailed classification in the ESSPROS Manual.

8 Reference legislation and/or regulation: List of valid legislation (name, number and years)

8A Example:
Law for Recruiting Disabled Persons (Behinderteneinstellungsgesetz, BEinstG), Federal Law Gazette (BGBl.) No 22/1970, as last amended by Federal Law Gazette (BGBl.) No 150/2002

9 Organisation(s) responsible for running the scheme: Name of organisation(s) [abbreviation optional]

9A Example:
The municipalities run and coordinate this scheme in collaboration with the labour market, i.e. the Placement Centres, which are public employment offices ("Arbjdsformidliongen"), and the labour market Council ("Arbejdsmarkedsstyrelsen"). The decision-maker is the central government.

10 Financing of the scheme: Short description and list of payers.

10A Example:
The scheme is mainly financed by compulsory social contributions of employees; self-employed and voluntary payers, by state contributions for students of tertiary schools, persons who take care of children, persons with disability pensions, persons in military or civil service, and by re-routed social contributions between schemes (transfer from the National Labour Office for job applicants receiving unemployment benefits).
Social contributions are not subject to taxation.

11 Scope (protected people under scheme): Short description of list of risks and covered people.

11A Example:
Provision of medical care and pharmaceutical products in state hospitals and abroad. The services are provided free-of-charge for certain groups of patients, such as the elderly, civil servants, students of state educational institutions, large families, war pensioners, persons with low annual income, state officials, certain categories of chronically ill, etc. The services

can also be provided at a reduced fee based on the patient´s income and the level of medical care.

12 Bibliography and web bibliography: (optional information):

12A Example:
Ministry of Social Security and Labour (2002, 2003). Social Report (annual publication, statistical data) published by the State Social Insurance, City.
MISSOC tables;

13 History of the scheme ([20]) a brief description of the main reforms of the scheme for the whole period covered.

13A Examples

Example 1:
Major reforms:
................
2000:
Act to Reform Pensions on Account of Reduced Earning Capacity (Gesetz zur Reform der Renten wegen verminderter Erwerbsfähigkeit)
- actuarial reductions are introduced and the added period is prolonged for pensions on account of reduced earning capacity commencing after 31 December 2000 (in steps).
2001:
Retirement Assets (Extension) Act (Altersvermögensergänzungsgesetz - AVmEG)
- the income replacement ratio is lowered through modified pension adjustments (as from 1 July 2001);

Example 2:
Till 31 December 1990, pension security had been ensured by the Pension Security Office, since 1 January 1991 by the Slovak Administration of Social Security (in conjuction with the Sickness Insurance Office and social affairs departments). The Pension Security Fund of the National Insurance Agency was established as of 1 January 1993. The Pension Insurance Fund (part of the Social Insurance Agency) has executed the collection of pension insurance contributions and payments of pension benefits by the Act No. 274/1994 (Coll.) since 1 January 1995.
Until 1 January 2001 (based on the Government Regulation No. 118/1988) early retirement pension (code: 1131112) could be claimed by employees who were dismissed because of reduction of working places, were registered at an Employment office, were not able to find a job and were no more than two years before reaching the retirement age.
Repealed laws:
Act No. 100/1988 (Coll.) on social security, as amended by later legislation Act No. 274/1994 (Coll.) on Social Insurance Agency, as amended by later legislation Government Regulation No. 118/1988 on early retirement pensions Act No. 46/1991(Digest) on pension increases, as amended by later legislation Act No. 750/2002 (Coll.) on the state budget

14 Notes: links between schemes and other important information not elsewhere included.

14A Example:
Data source: centralised social security bookkeeping and accounting system (Proget), Social Security Center (Centre Commun de la Sécurité sociale, CCSS); centralised health care benefit system (Pen2), UCM; Datawarehouse of the General Inspectorate for Social security (Inspection générale de la sécurité sociale, IGSS);

([20]) If relevant

CCSS web site: http://www.ccss.lu/site.htm;
UCM web site: http://www.ucm.lu;
Data quality: high, reporting based on accounting system.

15 Description of benefit(s) recorded under the reference heading comprising information for every benefit as follows:

a) English and original name of benefit [in bracket]
b) Year of introducing or abolishing of benefit (during covered period)
c) General conditions for granting the benefit
d) The categories of beneficiaries
e) Taxation of benefit (liability to taxes and social contributions)

15A Examples

Example 1 (in category 1131111 NMT Old age pension:
Old-age pension (pension de vieillesse), subject to taxation, subject to social security contributions: every beneficiary is entitled to an old age pension at the age of 65, provided he/she can prove at least 120 months of insurance periods (voluntary and additional periods included). An old-age pension consists of the following parts: a flat rate increase, a proportional increase related to periods during which contributions have been paid, staggered proportional increase granted to beneficiaries retiring after March 1st, 2002, aged 55 years or more and with proof of at least 38 years of insurance periods and an end of year allowance.

Example 2: F1151121 NMT Birth grant:
"Child birth allowance (allocation de naissance), not subject to taxation, not subject to social security contributions: a series of three lump sum allowances in the event of birth (in order to be eligible for each allowance, medical examination requirements have to be fulfilled by the mother).
Maternity allowance (allocation de maternité), not subject to taxation, not subject to social security contributions: lump sum payment in the event of child birth or adoption for the mother or the adoptive parents who do not have rights to a periodic cash benefit for maternity leave or, by way of a complement, to those receiving an allowance whose amount is lower than that of the maternity allowance (e.g. in the event of part-time activity)."

16 Annual updating of a complete set of previous qualitative information should be refer to current transmission quantitative data and will be limited to changes in the social protection system and will apply for following items (Table B).

| Table B: Annual updating qualitative information |
|---|
| on the qualitative database level[1] for all items: |
| on the scheme level [1] |
| a) complete description of introduced schemes |
| b) information about abolished schemes |
| c) name of new legal act or regulation |
| d) brief description of the main reform [2] |
| e) new reference publications or web sites (optional) |
| on the benefit level [3] |
| a) complete description of introduced benefit |
| b) information about abolished benefit |
| c) updating description of benefit |

([1]) In accordance with the previous paragraph 3-4

( [2]) In accordance with the previous paragraphs 5-14

( [3]) In accordance with the previous paragraph 15

# APPENDIX III: Methodology of the module on pension beneficiaries

## 1 Scope of the pension beneficiaries module

1 According to the EP and Council Regulation 458/2007 (Annex II), pension beneficiaries are defined as recipients of one or more of the periodic cash benefits of a social protection scheme falling within seven pension categories (disability pension; early retirement benefit due to reduced capacity to work; old-age pension; anticipated old-age pension; partial pension; survivors' pension; early retirement benefit due to labour market reasons).

A social protection scheme is defined in the same Regulation as: "a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing".

2 The aim of the module on pension beneficiaries is to calculate the total number of beneficiaries within:

- Each of the previously mentioned seven categories of pensions;
- Each of the four functions grouping these categories (disability, old-age, survivors' and unemployment);
- and, at total level, for the aggregation of the four functions.

## 2 Statistical units and data collection requirements

3 Data, i.e. the number of beneficiaries, expressed exclusively in units (not thousands, millions…of pensioners), must be provided by social protection scheme ("scheme" level) and for the total of schemes ("all schemes" level).

Each of the 7 pension categories in the definition is further split into two subcategories, non means-tested and means-tested pensions, so that the total number of elementary (they are not obtained by aggregation of other items in the questionnaire but rather directly from data sources) items for which figures are to be provided is 14.

4 At “all schemes” level (see paragraph 3.1), the information must be broken down by gender while this breakdown is optional at “scheme" level (see paragraph 3.2.). At both levels, figures on pension beneficiaries (standard table Benefits/Schemes of the questionnaire), are integrated by information concerning legal aspects with direct impact on data (qualitative information) and complementing statistics (quantitative data), from here on defined "Supplementary information". For both the kinds of information (standard table and supplementary information) compulsory and optional elements are distinguished.

5 In general, the number of pensions received by pensioners differs from the number of pensioners as many pensioners might receive more than one pension. The total number of beneficiaries is, so, defined as the number of persons receiving at least one pension (i.e. a person who receives more than one pension is counted only once). Double counting is to be avoided. Calculating the number of beneficiaries entails gradual aggregation in shifting from a unit (scheme) level to an overall (all schemes) one. Double counting must be spotted and treated at all stages of this gradual process of aggregation. Some guidance for detecting, estimating and eliminating double counting is given in paragraph 4.2.

# 3 Definitions and classifications

6 General definitions of categories and classification of the beneficiaries included as mandatory in the module are laid down in the Commission Regulation (EC) No 10/2008, Section 2 of Annexes I and II, respectively. For optional information this appendix has to be referred.

7 Detailed definitions of the benefits included under the seven categories of pension (disability, early retirement benefit due to reduced capacity to work, old-age, anticipated old-age, partial, survivors' and early retirement due to labour market reason) and subcategories (breakdown according to mean-testing), and here mentioned by item-codes, are defined in the ESSPROS Manual, Part 2 (where categories are grouped by function).

## 3.1 ALL SCHEMES (TOTAL) LEVEL

### 3.1.1 Compulsory data

8 Special items and codes have been created for the pension beneficiaries' module in order to report, compulsorily at all schemes level, on the total number of beneficiaries without double counting for the seven categories and the four functions involved (see their nested classification in Table A).

**Table A: Classification of pension beneficiaries <u>without double counting</u> at all schemes (total) level**

**<u>Total pension beneficiaries</u>**

**Total pension beneficiaries in disability function**

Disability pension beneficiaries
Beneficiaries receiving early retirement benefits due to reduced capacity to work

**Total pension beneficiaries in old-age function**

Old-age pension beneficiaries
Anticipated old-age pension beneficiaries
Partial pension beneficiaries

**Total pension beneficiaries in survivors' function**

Survivors' pension beneficiaries

**Total pension beneficiaries in unemployment function**

Beneficiaries receiving early retirement benefits for labour market reasons

***Total pension beneficiaries in old-age and survivors' functions***

Ranging from a pension category level, through the function level up to the total number of beneficiaries, these special items and corresponding codes, as listed in the questionnaire are so defined:

9 Total pension beneficiaries (1000000). It is the number of persons in the country receiving at least one pension. It is obtained as aggregation of the totals for the four functions (1120110, 1130110, 1140111, 1160113), treating for type 6 double counting.

10 Total pension beneficiaries in disability function (1120110). It is the number of beneficiaries obtained as aggregation of the 2 following categories classified under the Disability function, treating for ***type 4.1*** double counting:

Disability pension beneficiaries (1120111). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1121111 and 1122111, treating for *type 3* double counting;

Beneficiaries receiving early retirement benefits due to reduced capacity to work (1120112). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1121112 and 1122112, treating for ***type 3*** double counting.

11 Total pension beneficiaries in old-age function (1130110). It is the number of pension beneficiaries obtained as aggregation of the 3 following categories classified under the Old age function treating for ***type 4.2*** double counting:

Old-age pension beneficiaries (1130111). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131111 and 1132111, treating for ***type 3*** double counting;

Anticipated old-age pension beneficiaries (1130112). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131112 and 1132112, treating for ***type 3*** double counting;

Partial pension beneficiaries (1130113). It is the number of pension beneficiaries obtained as aggregation of the elementary items 1131113 and 1132113, treating for ***type 3*** double counting.

12 Total pension beneficiaries in survivors' function (1140111). It is the number of pension beneficiaries classified under the Survivors' function obtained as aggregation of the elementary items 1141111 and 1142111, treating for ***type 3*** double counting.

13 Total pension beneficiaries in unemployment function (1160113). It is the number of pension beneficiaries classified under the Unemployment function obtained as aggregation of the elementary items 1161113 and 1162113, treating for ***type 3*** double counting.

14 Total pension beneficiaries in old-age and survivors' function (1190110). It is the number of pension beneficiaries obtained as aggregation of the total old-age and total survivors' beneficiaries (1130110 and 1140111) treating for ***type 5*** double counting.
Such information on the relation between the two largest pension categories should help to explain differences between the total number of pensioners in a country and the figure obtained through aggregation of functions' totals.

### 3.1.2 Optional data

15 Supplementary information is included at "all schemes" level as optional:

(e) Rest of the world: number of beneficiaries living outside the country. Information about the pensions paid to non-residents.

## 3.2 SCHEME LEVEL

### 3.2.1 Compulsory data

16 At "scheme" level, figures for the "Total" (Men and Women) column are compulsory just for those items, out of the 14 (categories and subcategories), treated by that particular scheme.

For any scheme qualitative information has to be provided with respect to:

(a) Reference retirement age by gender.
A reference retirement age by gender must be indicated for each scheme providing old-age benefits. Further on this in paragraph 4.1;

(b) Reference date / mode of calculation.
Data provision is established with reference to the end of the calendar year. This figure refers to the number of beneficiaries on 31 December/1 January. Further on this in paragraph 4.

### 3.2.2 Optional data

17 The information by scheme could be further integrated by the gender breakdown of data (the questionnaire is structured so to include these figures) and by the following supplementary information:

(c) Total number of pension beneficiaries by scheme (and by gender).
It may be defined as the number of persons receiving at least one pension provided by the scheme, i.e. a person who receives more than one pension is counted only once.

(d) Total number of pension benefits by scheme (and by gender).
Linked to the value under c), this information, basic for a better assessment of the importance of double counting, may be defined as the total number of benefits provided by the scheme, (i.e. a person who receives more than one pension is counted several times).

# 4 Guidelines and issues

18 The layout of the questionnaire to be used for the pension beneficiaries' module is as the one in appendix III in ESSPROS Manual and user guidelines. Its format is developed in compliance with the rules on transmission set by the Commission Regulation (EC) No 1322/2007, implementing ESSPROS (Annex I, Section 2).

19 The ESSPROS Manual to the Core system has to be referred for general principles in filling in the questionnaire. Though, the two main aspects defining recording in the pension beneficiaries' module are:

1) Recording of benefits paid to beneficiaries over the reference retirement age, as established in the reference scheme, has to be dealt differently on the basis of the category of benefit formerly participated. More details are given in paragraph 4.1;

2) Calculating the number of pension beneficiaries necessitates the identification of double counting and if double counting exists, its elimination at all stages of aggregation. Guidelines are given in detail in paragraph 4.2.

20 Alternative practices follow for issues that are likely to be met by countries when filling in the questionnaire:

21 The data required concern the number of beneficiaries. In the impossibility to supply this information at scheme level, the number of benefits should be supplied, by explicitly indicating the value concerns the benefits and not the beneficiaries. In this case, calculating the number of beneficiaries, at "all schemes" level, would require estimates for the sum of double counting *(Number of beneficiaries = Number of benefits – Sum of double counting).*

22 The values at "all scheme" level have to be supplied broken down by gender. If this breakdown is not known, or supplying it would represent a very hard work or would involve a worsening on the data, an estimation of the figures concerning the two genders has to be provided.

23 The questionnaire sent to any Member State would contain white cells for those benefits for which expenditures (quantitative data in ESSPROS Core system) were recorded the year before the one pension beneficiaries' collection refers to. The values should be inserted only in these "white cells". In case some schemes are missing (for instance, a new scheme has started up), it is possible to add them, maintaining the same format in the questionnaire.

24 In case of discovering inconsistencies between expenditure figures and data on pension beneficiaries due to an imperfect classification of expenditure data (e.g. expenditures on disability pensions above the reference retirement age not recorded under old age), it is recommended to revise and improve the classification of expenditure data rather than classifying data on the number of beneficiaries in the wrong way. So again, there might be the need to revise the questionnaire (including a short comment indicating these revisions would be very helpful).

## 4.1 REFERENCE RETIREMENT AGE

25 The concept of reference retirement age is necessary, as stated in the Part 2 of Manual, to distinguish clearly between the old-age functions and other functions.

26 Regardless the country-specific practice, in order to respect the principle of the functional classification of the ESSPROS, pensions paid to beneficiaries over the reference retirement age, as established in the reference scheme, must be recorded under the item old-age pension in case the benefit provided was formerly classified as disability pension; not the same applies to survivors' pensions keeping their classification regardless the age of the pensioner.

27 The concepts are better explained in the user guidelines integrating the ESSPROS Manual where further guidance to practical issues is given.

Countries specifying a reference retirement age should indicate the methods or the reasons for selecting a specific age.

## 4.2 TREATMENT OF DOUBLE COUNTING

28 Stages of the gradual aggregation process where double counting could arise have been individuated (Table B).

| **Table B: Ordered steps in elimination of double counting in number of pension beneficiaries** |
|---|
| 1. At cell level inside a scheme<br>2. At one pension category level between schemes<br>3. At item level between Non Means and Means-tested subcategories<br>4. At intra-function level<br>5. At inter-function level (Old-age plus Survivors)<br>6. At total pension beneficiaries level |

Different double counting types are numbered according to the implicit ordered steps followed in the data aggregation process leading to the total number of pension beneficiaries. Double counting when aggregating at scheme level is not included in the methodology as its treatment is not finalized to obtain data as in the aim of the module.

28A Examples are given at the bottom of any subsection to be used as guidelines and suggestion on how eliminating double counting in case similar situations appears. They have been based on the real cases, specific for a country at some point in time, but here made as general as possible; if another method is used, the country must indicate it.

### A. Double counting for a pension category inside a scheme (cell level): type 1

29 The first step in filling in the questionnaire is the aggregation of all benefits included under the same heading; a cell can include either different types of benefits (case 1.1) or beneficiaries from two or more schemes (case 1.2).

29A For each scheme and for each type of pension provided by it (relevant cells at scheme level), the number of beneficiaries receiving at least one of the benefits classified under that type of pension should be calculated.
Type 1 of double counting has to be treated at this step with respect to the content of the cells for the 14 elementary items (1121111, 1121112, 1122111, 1122112, 1131111, 1131112, 1131113, 1132111, 1132112, 1132113, 1141111, 1142111, 1161113 and 1162113) at scheme level.

30 case 1.1) If the cell refers to a category including different types of benefits, in most cases the number of beneficiaries cannot be obtained by a simple aggregation of the beneficiaries of the benefits included in the cell because a person can be beneficiary of different benefits at the same time.

30A In this case, in order to calculate the number of beneficiaries without double counting to be reported in the cell corresponding to the elementary item pensioners receiving more than one of the benefits classified under the item have to be counted only once (see step 1 in appendix III.6).

*Example 1*: if in a scheme N2 there are two benefits (let's indicate them by benefit a, benefit b) classified under the item X2, any beneficiary receiving both the benefit a and the benefit b has to be counted once. In the example in figure 1 the number to be indicated for the item X2 in scheme N2: 1,000+400-300=1,100

**Figure 1. Double counting to be treated at step 1 is double counting between two (or more) benefits classified as a pension X and belonging to the same scheme**

| | Item X | Scheme 1 | … | Scheme $N_1$ | Scheme $N_2$ |
|---|---|---|---|---|---|
| 1 | 1121111 | | | | |
| 2 | 1121112 | | | | |
| … | … | | | | |
| … | Item $X_1$ | | | | benefit d |
| … | … | | | | |
| … | Item $X_2$ | | | benefit c | benefit a<br>benefit b |
| … | …. | | | | |
| 14 | 1162113 | | | | |

**At step 1 this type of double counting is treated because the two benefits, a and b, are in the same cell.**

_Example 2_: If the three following types of allowances are included under means tested old age pension of the same scheme:
- *Supplementary allowance (Old age Solidarity Fund):* 24,000 benefits/beneficiaries;
- *Additional benefit:* 5,200 benefits/beneficiaries;
- *Allowance for the retired people:* 2,700 benefits/beneficiaries.

Since the beneficiaries of the additional benefit and of the of the allowance for the retired people are already included in the number of beneficiaries of the Old age Solidarity Fund, the total number of beneficiaries without double counting for this item is only the number of the beneficiaries of the supplementary allowance: 24,000 beneficiaries.

_Example 3_: If the two following types of allowance are included under non-means tested survivors' pensions of the same scheme:
- *Adjustment pension and widows pension, basic pension:* 55,000 beneficiaries;
- *Child pension, basic pension:* 30,000 beneficiaries.

the total number of beneficiaries can be obtained by a simple aggregation as the nature of the allowances in object doesn't allow the same individual to be entitled to both of them.
So the total number of beneficiaries without double counting is 85,000

30B Filling-in the questionnaire scheme by scheme, only type 1 of double counting has to be treated. This implies that:

- **Case A.1**: in case a part of beneficiaries in a scheme for a given benefit are also beneficiaries for a similarly classified benefit but in a different scheme (this is often the case of a scheme providing a basic benefit and a scheme providing a supplementary benefit of the same type), these double counted beneficiaries have to be separately recorded under each of the schemes they are recipients of.

  Not to do so (refer to the example 4 below), the treatment for type 2 of double counted would be applied: Type 2 of double counting has not to be treated when filling in each scheme' cells (but in the next step of horizontal aggregation).

  _Example 4_: Let's suppose there are 500 beneficiaries receiving a pension X2 from both schemes N1 and N2 (see figure 2). Even if they are double counted between the benefit a and the benefit c, they have all to be added up when calculating both the number of beneficiaries to be reported for the pension category X2 in scheme N1 and scheme N2. Therefore the correct treatment is:

  item X2 in scheme N1 is: 1,200

  item X2 in scheme N2 is: 1,000+400-300=1,100

**Figure 2:** **Double counting not to be treated at step 1 is double counting between two (or more) benefits classified as a pension X but belonging to different schemes**

| | Item X | Scheme 1 | … | Scheme $N_1$ | Scheme $N_2$ |
|---|---|---|---|---|---|
| 1 | 1121111 | | | | |
| 2 | 1121112 | | | | |
| … | … | | | | |
| … | Item $X_1$ | | | | benefit d |
| … | … | | | | |
| … | Item $X_2$ | | | benefit c | benefit a<br>benefit b |
| … | …. | | | | |
| 14 | 1162113 | | | | |

**At step 1 this type of double counting is <u>not treated</u> because the two benefits, a and c, are not in the same cell.**

- **Case A.2**: in case a part of beneficiaries in a scheme for a given benefit are also beneficiaries within the same scheme of any other benefit classified as a different type of pension (different item), these double counted beneficiaries have to be separately added up when calculating the number of beneficiaries to be reported for these pensions.

  No to do so (refer to the example 5 below), the treatment of double counting for vertical aggregation would be applied: treatment for type 3-6 of double counting has not to be applied when filling-in the elementary items' cells. Therefore also the treatment of double counting between non mean-tested and mean-tested benefits for a category of pension has to be avoided at this stage.

  *<u>Example 5</u>*: Let' s suppose that within schemes N2 there are 150 beneficiaries receiving both the benefit d, classified under the pension category X1, and the benefit a, classified under the pension category X2 (see figure 3). Even if they are double counted between the benefit a and the benefit d, they have to be taken into account when calculating/reporting the number of beneficiaries of the pension X1 as well as the number of beneficiaries of the pension X2. Therefore the correct treatment is:

  item X2 in scheme N1 is: 1,200
  item X1 in scheme N2 is: 800
  item X2 in scheme N2 is: 1,000+400-300=1,100

**Figure 3:** **Double counting not to be treated at step 1 is double counting between two (or more) benefits classified as different types of pension but within the same scheme**

| | Item X | Scheme 1 | … | Scheme $N_1$ | Scheme $N_2$ |
|---|---|---|---|---|---|
| 1 | 1121111 | | | | |
| 2 | 1121112 | | | | |
| … | … | | | | |
| … | Item $X_1$ | | | | benefit d |
| … | … | | | | |
| … | Item $X_2$ | | | benefit c | benefit a<br>benefit b |
| … | …. | | | | |
| 14 | 1162113 | | | | |

**At step 1 this type of double counting is <u>not treated</u> because the two benefits, a and d, are not in the same cell.**

31 case 1.2) Sometimes, because of the lack of information, it is impossible to know how many beneficiaries receive one specific type of benefits from a scheme, and how many from another one. In this case an estimate/imputation of the breakdown between the schemes should be made.

31A Because of a lack in statistics it's impossible to know how many beneficiaries receive the benefits included under the heading X from the scheme "a" and how many from the scheme "b". In this case all the beneficiaries could be included in one scheme, e.g. scheme "a".

## B. Double counting between schemes (pension category level): type 2

32 The second step is horizontal aggregation: the same pension category is aggregated through schemes.
Double counting between schemes has to be eliminated since, in general, the number of beneficiaries given under a social benefit (pension), cannot be obtained by a simple aggregation of the beneficiaries for all the schemes.

32A The second step in filling-in the questionnaire is, for each of the 14 types of pension (elementary items), the calculation of the total number of beneficiaries receiving at least one pension classified as such.
Type 2 of double counting has to be treated at this step with respect to the content of the cells for the 14 elementary items (1121111, 1121112, 1122111, 1122112, 1131111, 1131112, 1131113, 1132111, 1132112, 1132113, 1141111, 1142111, 1161113 and 1162113) at "all schemes" level.

For a given benefit, pensioners might be beneficiaries of:

33 case 2.1) several basic schemes (e.g., public and private).
If this the case and each person has an own personal identification number (that is, for instance, given to everyone soon after birth), the double counting can be easily avoided. Otherwise, a correction coefficient, showing the relationship between pensions and pensioners, could be used.

33A In general, the number of beneficiaries without double counting at 'all schemes' level for each type of pension has to be obtained by adding up the beneficiaries recorded under the same item through all schemes, but counting only once the pensioners that get this type of pension from two or more schemes. This value can be obtained by subtracting from the simple sum of the beneficiaries by scheme for a given item, the number of beneficiaries receiving it from more than one scheme (see step 2 in appendix III.6).

This implies that:

- **Check 1**: at 'all schemes' level, the beneficiaries for the item X (i. e. the sum, treated for double counting of type 2, of the beneficiaries of a pension X from all the schemes concerned) has to be smaller or at least equal than the simple sum, obtained without any treatment for double counting, of the beneficiaries for the schemes providing that type of pension. In general it should be verified:

$$\boxed{\text{Item X}_{\text{all schemes level}} \leq \Sigma_N \text{ Item X}_{\text{scheme N}}}$$

- **Check 2**: at 'all schemes' level, the number of beneficiaries for the item X has to be greater or, at least, equal to the number of beneficiaries (in case all the remaining schemes are double counted with this scheme) for the scheme with the largest number of beneficiaries for that category of pension (see example 6).

- **Case B.1**: if the number of beneficiaries recorded at all schemes level for an item can be obtained by just adding up the corresponding items over all the providing schemes, this implies there is <u>no double counting</u> between schemes for that type of pension and that there is <u>no beneficiary</u> receiving that type of pension from more than one scheme.

- **Case B.2**: if an item at all schemes level is reproducing the values for one single scheme N, this implies that all the remaining schemes are double counted with this scheme and all their beneficiaries are <u>also</u> receiving the same kind of pension from that scheme.

*<u>Example 6.</u>*

Let's suppose that for NMT disability pension there are:

- 5,000 beneficiaries in scheme 1

- 3,000 beneficiaries in scheme 2

- and 2,000 pensioners that are beneficiaries of both scheme 1 and scheme 2

Given the way any item X at “all schemes” level should be built, it is not mathematically possible to observe the case, as in figure 4, where for an item the value at all schemes level is smaller than the value recorded for one of the schemes. A situation like the one in figure 4 should alert the compiler that probably an error is caused by a wrong treatment of double counting (double counted beneficiaries subtracted twice: type 2 double counting is treated both at scheme level and at all schemes level).

**Figure 4:** Not correct treatment of type 2 double counting

**Table Benefits/Schemes**

| | | All schemes | Scheme 1 | Scheme 2 | Scheme … |
|---|---|---|---|---|---|
| | | Total | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | | | | |
| **1120111** | **Disability pension beneficiaries** | | | | |
| **1120112** | **Beneficiaries receiving early retirement benefits** | | | | |
| | *Non Means-tested* | 6000 | | 3000 | |
| 1121111 | Disability pension beneficiaries | ~~4,000~~ | 5000 | ~~1000~~ | |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | | |
| | *Means-tested* | | | | |
| 1122111 | Disability pension beneficiaries | | | | |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | | |

The correct treatment should be:

Item 1121111 in scheme 1 is: 5,000
Item 1121111 in scheme 2 is: 3,000
Item 1121111 at all scheme level is: 5,000+3,000-2,000=6,000

33B *Example 7*: If the aggregation of the number of benefits under the heading X in the basic schemes gives the result of 3,500,000 benefits and the correction coefficient is estimated to be 1,1 (i. e. each pensioner receives on average 1,1 pensions), the number of beneficiaries without double counting for that heading is: 3,500,000 / 1.1 = 3,181,000.

34 case 2.2) several supplementary schemes.
The same methods mentioned for case 2.1 could be used.

35 case 2.3) one basic and one supplementary scheme.
Each pensioner gets benefits from a basic scheme and from a supplementary scheme: the beneficiaries of the supplementary scheme should not be aggregated.

35A If the aggregation of the number of benefits under the heading X in all schemes (basic + supplementary) gives the result of 5,500,000 benefits, while the recipients of the supplementary schemes under the same heading are 2,000,000, the total number of beneficiaries of X pensions without double counting is: 5,500,000 – 2,000,000 = 3,500,000 beneficiaries.

36 case 2.4) several basic schemes and one supplementary scheme.
One should first deal with double counting between supplementary and basic (see case 2.3) and then with double counting between the basic schemes (case 2.1).

36A First, the beneficiaries of the supplementary scheme should be ignored for the calculation of the total number of beneficiaries for a given item. Let's say the aggregation of the number of recipients/benefits under the heading X for all schemes gives the result 25,000,000 benefits. From this figure the number of the recipients of the supplementary scheme has to be deducted: if they are 8,000,000, this would imply the number of benefits without double counting within all schemes to be 17,000,000. Then, if the average number of direct rights pensions drawn by an entitled person is known, 1.42 for example, the number of benefits would be linked to the number of beneficiaries in the following way 17,000,000 / 1.42 = 11,971,831.

37 case 2.5) one basic scheme and several supplementary schemes.
It is necessary first to treat double counting between supplementary schemes (see case 2.2) and then proceed as indicated in case 2.3.

38 case 2.6) several basic schemes and several supplementary schemes.
It is necessary first to treat double counting between supplementary schemes (see case 2.2) and then proceed as indicated in case 2.4.

38A The result of type 2 double counting treatment must be shown only at "all schemes level": if there are beneficiaries receiving the same type of pension from two or more schemes (as it is often the case for supplementary schemes), each scheme must show the effective number of beneficiaries for that item.

38B Double counting between items has not to be treated at this level of aggregation (horizontal). Each item must show the effective number of beneficiaries (see example 8). So the treatment for types 3-6 of double counting has not to be applied when filling-in the elementary items' cells at "all schemes" level. At the level of elementary items, therefore, double counting between means and non-means tested should not be treated; this type of double counting should be only treated at the next step of the gradual aggregation process, i.e. when calculating the total for the seven categories.

*Example 8*. Let's suppose that at "all schemes" level there are:

- 330,000 beneficiaries of NMT old-age pension
- 60,000 beneficiaries of NMT anticipated old-age pension
- 252,000 beneficiaries of NMT survivors' pension
- 150,000 beneficiaries receiving both a NMT old-age and a NMT survivors' pensions.

The information on the double counting between NMT old-age and survivors' pension should not affect the values recorded for the items 1131111 and 1141111, as it is the case in the column with wrong totals (see figure 5), where the double counted beneficiaries have been subtracted from the number of NMT survivors' pension beneficiaries.

To compile correctly the questionnaire each elementary item at all schemes level must show the effective number of beneficiaries involved.

**Figure 5:** **Treatment of type 2 double counting**

**Table Benefits/Schemes**

| | | WRONG | CORRECT |
|---|---|---|---|
| | | **All Schemes** | **All Schemes** |
| | | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function** | | |
| **1130111** | **Old-age pension beneficiaries** | | |
| **1130112** | **Anticipated old age pension beneficiaries** | | |
| **1130113** | **Partial pension beneficiaries** | | |
| | *Non Means-tested* | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 |
| 1131113 | Partial pension beneficiaries | | |
| | *Means-tested* | | |
| 1132111 | Old-age pension beneficiaries | | |
| 1132112 | Anticiped old age pension beneficiaries | | |
| 1132113 | Partial pension beneficiaries | | |
| | | **All Schemes** | **All Schemes** |
| | | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | ~~102,000~~ | 252,000 |
| | *Non Means-tested* | | |
| 1141111 | Survivors' pension beneficiaries | 102,000 | 252,000 |

**At step 2 cases of double counting between elementary items has not to be treated.**

Therefore the correct treatment is:

Item 1131111 at all schemes level: 330,000

Item 1141111 at all schemes level: 252,000

## C. Double counting between non-means-tested and means-tested pension categories (item level): type 3

39 Third step, set at all-schemes level, is the aggregation of non means-tested and means-tested subcategories of any benefit.
At this step, generally it is the case where no double counting arises, but in some countries different situations may deserve attention:

39A The aim of the third step (first step in vertical aggregation) is, the calculation of the total number of beneficiaries receiving at "all schemes" level a certain category of pension, either non means-tested or means-tested.
Type 3 of double counting has to be treated at this step with respect to the content of the cells for the items corresponding at all schemes level to the totals for each of the 7 pension category (1120111, 1120112, 1130111, 1130112, 1130113, 1140111, 1160113).

40 case 3.1), all the beneficiaries of means-tested benefit also get a non means-tested benefit. In this case, the number of beneficiaries without double counting is the number of beneficiaries of the non means-tested benefit.

40A If the total number of non means-tested X pension beneficiaries is 700,000 and the total number of means-tested X pension beneficiaries are 400,000, then the total number of X pension beneficiaries without double counting, is: 700,000

41 case 3.2) if a beneficiary of a means-tested benefit does not get necessarily a non means-tested benefit as well, the methods to estimate the total number of beneficiaries (non means-tested + means-tested) for that benefit should be indicated.

41A In general, at 'all schemes' level, the number of beneficiaries without double counting for each category of pension has to be obtained by adding up the beneficiaries receiving that type of pension with or without a means-testing but counting only once the pensioners that get it in both cases.
For a given type of pension this value can be obtained by subtracting from the simple sum of the beneficiaries for the two subcategories, the number of beneficiaries in common between the non means and the means-tested subcategories (see step 3 in appendix III.6).

This implies:

- **Check 3:**

$$\boxed{\text{category X} \leq \text{subcategory X}_{\text{ non means-tested}} + \text{subcategory X}_{\text{ means-tested}}}$$

- **Case C.1**: in case the total value (non means-tested and means-tested) at all schemes level for a category X corresponds to the sum of the values recorded under the two subcategories this implies that there is no double counting between NMT and MT pensions and that beneficiaries can receive either a non means-tested pension X or a means-tested pension X, never the two at the same time.

  *Example 9*. Let's suppose that at all schemes level there are:

  - 6,000 beneficiaries of NMT disability pension
  - 2,000 beneficiaries of MT disability pension
  - 1,000 beneficiaries receiving both an NMT and an MT disability pension

  This last information should not affect the values recorded for the items 1121111 and 1122111, as it is the case in the column with wrong totals in figure 6, where the double counted beneficiaries have been subtracted from the number of MT disability pension beneficiaries.
  To compile correctly the questionnaire each subcategory at all schemes level must show the **effective number of beneficiaries involved: cases of double counting between the subcategories non means/means shall be treated only at level of the corresponding category.**

  The correct treatment is:

  Item 1121111 at all schemews level = 6,000

  Item 1122111 at all schemews level = 2,000

  Item 1120111 at all schemews level = 6,000+2,000-1,000=7,000

**Figure 6:** Treatment of type 3 double counting

**Table Benefits/Schemes**

| | | WRONG<br>All Schemes<br>Total | CORRECT<br>All Schemes<br>Total |
|---|---|---|---|
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | | |
| **1120111** | **Disability pension beneficiaries** | 7,000 | 7,000 |
| **1120112** | **Beneficiaries receiving early retirement benefits due to** | | |
| | *Non Means-tested* | | |
| 1121111 | Disability pension beneficiaries | 6,000 | 6,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | |
| | *Means-tested* | | |
| 1122111 | Disability pension beneficiaries | ~~1,000~~ | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | |

- **Case C. 2**: in case the total value (non means-tested and means-tested) at all schemes level for a category X corresponds to the value for the subcategory non means-tested, this implies that there is double counting between NMT and MT pensions and that anybody receiving a means-tested pension X also receive a non means-tested pension X.

## D. Double counting between categories in aggregation

42 In the last step, namely vertical aggregation at all-schemes level, double counting treatment has to be dealt with differently according to degrees of aggregation (intra-function aggregation, inter-function aggregation, total aggregation).

### D.1 Double counting in intra-function aggregation:

With respect to the two functions involved:

**Double counting in Disability function: type 4.1**

43 There should be no double counting between the pensions categories falling under the disability function, because the conditions for granting these pensions are different (see § 24 and 25 in ESSPROS Manual – Part 2). Hence, if it is the case, the number of beneficiaries can be easily calculated by adding the beneficiaries of these two pension categories. For countries meeting problems in distinguishing between "disability pensions" and "early retirement benefits due to reduced capacity to work" references and clarifying examples could be found in the ESSPROS Manual and user guidelines.

43A The fourth step with respect to the disability function, concerns the calculation of the total number of beneficiaries receiving at least one pension classified within the function.
Type 4.1 of double counting has to be treated at this step with respect to the content of the cell corresponding at all schemes level to the total for the function disability (item 1120110).

In general, the number of beneficiaries without double counting for the disability function at 'all schemes' level, has to be obtained by adding up the beneficiaries recorded under the two categories disability (1120111) and early retirement benefits due to reduced capacity to work (1120112), but counting only once the pensioners that get at the same time one pension from each of the two categories.
This value can be obtained by subtracting from the simple sum of the values under the items 1120111 and 1120112, the number of common beneficiaries (see step 4 in appendix III.6).

item 1120110= item 1120111+ item 1120112-
**- (double counting between 1120111 and 1120112)**

In terms of set theory:

item 1120110= item 1120111 U item 1120112

**Double counting in Old-age function: type 4.2**

44 In theory, the number of beneficiaries for old-age can easily be calculated by adding up the beneficiaries of the three pension categories. Following the ESSPROS methodology, there should be no double counting between the three pension categories falling under the old-age function, because, as specified in the ESSPROS Manual, the anticipated and partial pensions are converted into old age-pensions when the beneficiary reaches the retirement age or when he/she retires completely. Still exceptions to this general principle could be met by countries: in this case references and clarifying examples could be found in the ESSPROS Manual and user guidelines.

44A The fourth step with respect to the old-age function, concerns the calculation of the total number of beneficiaries receiving at least one pension classified within the function.
Type 4.2 of double counting has to be treated at this step with respect to the the content of the cell corresponding at all schemes level to the total for the function old-age (item 1130110).

In general, the number of beneficiaries without double counting for the old-age function at 'all schemes' level has to be obtained by adding up the beneficiaries recorded under the three categories old-age (1130111), anticipated old-age (1130112) and partial (1130113), but counting only once the pensioners that get at the same time one pension from at least two of these categories.
This value can be obtained by subtracting from the simple sum of the values under the items 1130111, 1130112 and 1130113, the number of common beneficiaries (see step 4 in appendix III.6).

item 1130110= item 1130111+ item 1130112+ item 1130113-
**-(double counting between 1130111, 1130112 and 1130113)**

In terms of set theory:

item 1130110= item 1130111 U item 1130112 U item 1130113

### D.2 Double counting in inter-function aggregation

**Double counting between total old age and survivors' pension beneficiaries: type 5**

45 Whether the case of a country without a national pension system integrating old age, disability and survivors' functions and without a conversion system transforming disability and survivors' pensions into old age pensions at the reference retirement age, double counting might be present when aggregating pensioners under "old-age pension" and those under "survivors' pension".

45A The compulsory nature of the item coded as 1190110 (§ 9 of this appendix) makes, for the pension beneficiaries' module, the recording of survivors' pensions to pensioners above the defined reference retirement age compulsory; in fact, this information could be obtained as the difference between the sum of the two totals and the figure indicated in correspondence to the code 1190110 (double-counting corrected value).

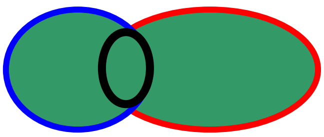
45B The fifth step in filling-in the questionnaire is the calculation of the total number of beneficiaries receiving at least one pension classified either within the old age function or within the survivors' function.
Type 5 of double counting has to be treated at this step with respect to the content of the cell defined "Total beneficiaries in old-age and survivors' functions" (item 1190110).

In general, the code 1190110 at "all schemes" level should be obtained as the aggregation of the number of all beneficiaries under the old-age function (item 1130110) and all beneficiaries under the survivors' function (item 1140111) minus (once) the people receiving both old-age and survivors' pensions (see step 5 in appendix III.6):

item 1190110= item 1130110+ item 1140111**-(double counting between old-age and survivors' functions)**

Using set theory, if the red set contains the beneficiaries under the old-age function, the blue set contains the beneficiaries under the survivors' function, the black set contains the beneficiaries receiving both an old-age and a survivors' pension, than the green area is the value 1190110:

item 1190110= item 1130110 U item 1140111



This implies that:

- **Check 4.** The difference between the sum of the values under the codes 1130110 and 1140110, and the code 1190110 quantifies the double counting between the two functions:

  item 1130110+ item 1140110- item 1190110 = item 1130110+ item 1140110-[item 130110+ item 1140111-**(double counting between old-age and survivors' functions)**];

  item 1130110+ item 1140110- item 1190110 = **(double counting between old-age and survivors' functions)**

Therefore it has to be made sure that this difference is smaller than the smallest between the two values 1130110 and 1140111.

item 1130110+ item 1140110- item 1190110< item 1130110

item 1130110+ item 1140110- item 1190110< item 1140110

*Example 10.* Let's consider a situation similar to the one in the example 8. In addition let's suppose there is only one scheme, scheme 1, providing old age and survivors' benefits:

-330,000 beneficiaries of NMT old-age pension

-60,000 beneficiaries of NMT anticipated old-age pension

-252,000 beneficiaries of NMT survivors' pension

-150,000 beneficiaries receiving both a NMT old-age and a NMT survivors' pensions.

If it is tried to treat the double counting between NMT old-age and NMT survivors' at the wrong step, i.e. at level of scheme 1, and, in addition, acting in a wrong way, double counted beneficiaries are imputed exclusively to the item for NMT old-age pension, this twofold incorrect treatment of double counting can be detected by the type of check described above (check 4).

Considering the values at all schemes level in the first column in figure 7:

item 1130110+ item 1140110- item 1190110= 390,000+102,000-342,000=150,000

the number of double counted beneficiaries between the functions old-age and survivors' will result greater than the beneficiaries of survivors' pensions and this is not possible.

**Figure 7:** Importance of check 1 in detecting a non-correct treatment of double counting

**Table Benefits/Schemes**

| Code | Item | WRONG: All Schemes (Total) | WRONG: Scheme 1 (Total) | CORRECT: All Schemes (Total) | CORRECT: Scheme 1 (Total) |
|---|---|---|---|---|---|
| **1130110** | **Total pension pension beneficiaries in old age function** | **390,000** | | **390,000** | |
| **1130111** | **Old-age pension beneficiaries** | 330,000 | | 330,000 | |
| **1130112** | **Anticipated old age pension beneficiaries** | 60,000 | | 60,000 | |
| **1130113** | **Partial pension beneficiaries** | | | | |
| | *Non Means-tested* | | | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 | 330,000 | 330,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 | 60,000 | 60,000 |
| 1131113 | Partial pension beneficiaries | | | | |
| | *Means-tested* | | | | |
| 1132111 | Old-age pension beneficiaries | | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | | |
| 1132113 | Partial pension beneficiaries | | | | |
| | | **All Schemes** | **Scheme 1** | **All Schemes** | **Scheme 1** |
| | | Total | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | **102,000** | | **252,000** | |
| | *Non Means-tested* | | | | |
| 1141111 | Survivors' pension beneficiaries | 102,000 | 102,000 | 252,000 | 252,000 |
| | *Means-tested* | | | | |
| 1142111 | Survivors' pension beneficiaries | | | | |
| | | **All Schemes** | **Scheme 1** | **All Schemes** | **Scheme 1** |
| | | Total | Total | Total | Total |
| **1190110** | **Total beneficiaries in old-age and survivors' functions** | **342,000** | | **492,000** | |

To compile correctly the questionnaire each elementary item at all schemes level must show the effective number of beneficiaries involved and the first item for which to use the information on double counting between old-age and survivors' pensions, no matter if it arises at level of one scheme or at level of one category per function, should be the item 1190110.

The correct treatment is showed in the second column for data at all schemes level. In this case the result of the checking is the same:

item 1130110+ item 1140110- item 1190110= 390,000+252,000-492,000=150,000

but it is not incoherent with the values indicated for two functions.

- **Check 5.** Pay attention when the value reported under the code 1190110 is quite small if compared to the values for the items 1130110 and 1140110; a small value might imply that the largest majority of beneficiaries are receiving both types of pensions. In this case it is more likely that the value might represent the number of double counted beneficiaries.

- **Case D.2.1.** When the value under the item 1190110 is equal to the sum of the totals for the functions old-age and survivors', it is possible in infer that there are no cases of people receiving pensions in both the functions. <u>There is no double counting between these two functions</u> when:

item 1190110= item 1130110 + item 1140111

- **Case D.2.2.** If there is double counting between the functions old age and survivors' the difference between the sum of the totals for old-age function and survivors' function and the value 1190110 should be positive:

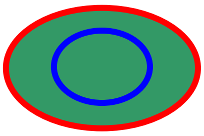
  item 1130110 + item 1140111- item 1190110> 0

- **Case D.2.3.** If the difference between the sum of the totals for old-age function (1130110 at "all schemes" level) and survivors' function (1140111 at "all schemes" level) and the value in correspondence of the code 1190110 coincides with the total of the survivors' function (1140111 at "all schemes" level), this implies all the pensioners receiving a survivors' pension (normally a smaller group than old age beneficiaries) receive also old-age pension.

  item 1130110 + item 1140111-[ item 1130110+ item 1140111**-(double counting between old-age and survivors' functions)**] = item 1140111;

  **(double counting between old-age and survivors' functions)** = item 1140111;

  Using set theory, if the red set contains the beneficiaries under the old-age function and the blue set contains the beneficiaries under the survivors' function.

  If the intersection between the two sets coincides with the survivors' set, this implies the survivors' set is contained in the set of old-age.

45C The only step in progressive vertical aggregation, when taking into account the double counting between old-age and survivors' functions, is when calculating the item 1190110, first, and 100000, after. The number of beneficiaries receiving both an old-age and a survivors' pension should not be subtracted neither from any other total nor singularly from each scheme's data.

**Double counting in total number of pensioners: type 6**

46 The total number of pensioners, previously indicated by the code 1000000, is defined as in § 9 of this Appendix. Generally speaking, the number of the total of pension beneficiaries is not assumed to be equal to the sum of the beneficiaries of each pension category even though it is obtained as aggregation of them.

Further difficulties are expected to appear for some countries, when double counting has to be eliminated at this final stage. In these cases, the value for total pensioners might be obtained from other sources (e.g. administrative data).

47 Double counting between beneficiaries in disability and old-age functions does not need to be eliminated, if disability cash benefits paid after retirement age are recorded in the old-age function under the old-age pensions as required in the methodology.
Still, double counting might arise between survivors' and disability pensions and between the category partial pensions and other pension categories.

47B The last step in filling-in the questionnaire is the calculation of the total number of beneficiaries receiving at least one pension, no matter of which type.

Type 6 of double counting has to be treated at this step with respect to the content of the cell defined "Total number of pension beneficiaries" (item 1000000).

In general, the code 1000000 at 'all schemes' level has to be obtained adding up the totals for the four functions (1120110, 1130110, 1140111 and 1160113) but counting just once the pensioners that get more than one pension belonging to different functions (see step 5 in appendix III.6).

item 1000000= item 1120110 + item 1130110 + item 1140111 + item 1160113 -

**- (double counting between disability, old-age, survivors' and unemployment functions)**

This implies that:

- **Check 5**: As the item 1000000 at "all schemes" level is obtained by construction after the treatment of vertical double counting between items 1120110, 1130110, 1140111 and 1160113 at "all schemes" level, its value has to be smaller or equal than the sum of the number of beneficiaries recorded for the four functions.

  item 1000000 ≤ item 1120110+ item 1130110+ item 1140111+ item 1160113

  or

  diff. 1= item 1120110+ item 1130110+ item 1140111+ item 1160113- item 1000000≥0

- **Check 6**: The difference between the sum of the number of beneficiaries recorded for the four functions and the item 1000000 is always greater or equal to the difference between the sum of the number of beneficiaries recorded for the functions old-age and survivors’ and the item 1190110:

  **diff. 2** = item 1130110 + item 1140111- item 1190110≥0

  **diff. 1≥ diff. 2**

**If** the value under the item 1190110 is smaller than the sum of the values for the two functions old-age and survivors’

**diff. 2** = item 1130110 + item 1140111- item 1190110 > 0

⇒ there is double counting at least between old-age and survivors' functions (see above comments to type 5)

**then** the item 1000000 should be smaller than the sum of the total beneficiaries for the four functions:

**diff. 1**= item 1120110+ item 1130110+ item 1140111+ item 1160113- item 1000000> 0

⇒ there is double counting between disability, old-age, survivors' and unemployment functions

- **Case D.2.4**: If it is verified that the difference diff.2 is greater than zero (it implies there is at least double counting between the two functions old-age and survivors') then a positive difference of the values for diff.1 and diff. 2 will evaluate the double counting between functions other than old-age and survivors:

  **diff. 1-diff. 2> 0**

  ⇒ (double counting between disability, old-age, survivors' and unemployment functions) > (double counting between old-age and survivors' functions)

  ⇒ there is double counting between functions other than old-age and survivors

- **Case D.2.5**: If the value under the item 1190110 corresponds to the total value of the Old-age function and the value under the item 1000000 is obtained as the sum of the values for the functions disability (1120110) and old-age (1130110): the two information together imply that all the people receiving a survivors' pension receive also an old age pension and that there is no double counting between disability and survivors' pensions (if it is confirmed no double counting between old age and disability).

## 5A Theoretical example of the questionnaire (yellow cells indicate compulsory information)

ESSPROS: Number of pensions beneficiaries (in units)

YEAR:

Country:

Table Benefits/Schemes

| Code | Item | Total number of beneficiaries without double counting | | | Scheme 1 | | | Scheme 2 | | | Scheme ... | | | Scheme N | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1000000 | **Total pension beneficiaries** (1120110, 1130110, 1140111, 1160113) | | | | | | | | | | | | | | | |
| | | **Total number of beneficiaries without double counting** | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1120110 | **Total pension beneficiaries in disability function (1120111, 1120112)** | | | | | | | | | | | | | | | |
| 1120111 | **Disability pension beneficiaries** | | | | | | | | | | | | | | | |
| 1120112 | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | | | | | | | | | | | | | |
| | *Non Means-tested* | | | | | | | | | | | | | | | |
| 1121111 | Disability pension beneficiaries | | | | | | | | | | | | | | | |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | | | | | | | | | | | | | |
| | *Means-tested* | | | | | | | | | | | | | | | |
| 1122111 | Disability pension beneficiaries | | | | | | | | | | | | | | | |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | | | | | | | | | | | | | |
| | | **Total number of beneficiaries without double counting** | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1130110 | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | | | | | | | | | | | | | | | |
| 1130111 | **Old-age pension beneficiaries** | | | | | | | | | | | | | | | |
| 1130112 | **Anticipated old age pension beneficiaries** | | | | | | | | | | | | | | | |
| 1130113 | **Partial pension beneficiaries** | | | | | | | | | | | | | | | |
| | *Non Means-tested* | | | | | | | | | | | | | | | |
| 1131111 | Old-age pension beneficiaries | | | | | | | | | | | | | | | |
| 1131112 | Anticiped old age pension beneficiaries | | | | | | | | | | | | | | | |
| 1131113 | Partial pension beneficiaries | | | | | | | | | | | | | | | |
| | *Means-tested* | | | | | | | | | | | | | | | |
| 1132111 | Old-age pension beneficiaries | | | | | | | | | | | | | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | | | | | | | | | | | | | |
| 1132113 | Partial pension beneficiaries | | | | | | | | | | | | | | | |
| | | **Total number of beneficiaries without double counting** | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1140111 | **Total pension beneficiaries in survivors' function** | | | | | | | | | | | | | | | |
| | *Non Means-tested* | | | | | | | | | | | | | | | |
| 1141111 | Survivors' pension beneficiaries | | | | | | | | | | | | | | | |
| | *Means-tested* | | | | | | | | | | | | | | | |
| 1142111 | Survivors' pension beneficiaries | | | | | | | | | | | | | | | |
| | | **Total number of beneficiaries without double counting** | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1160113 | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | | | | | | | | | | | | | | | |
| | *Non Means-tested* | | | | | | | | | | | | | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | | | | | | | | | | | | | |
| | *Means-tested* | | | | | | | | | | | | | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | | | | | | | | | | | | | |
| | | **Total number of beneficiaries without double counting** | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| 1190110 | **Total beneficiaries in old-age and survivors' functions** | | | | | | | | | | | | | | | |
| | **Supplementary information** | | | | **Scheme 1** | | | **Scheme 2** | | | **Scheme ...** | | | **Scheme N** | | |
| | | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men | Total | Women | Men |
| a | **legal or standard age of retirement for old age benefits by gender (by scheme or determined by a reference scheme)** | | | | | | | | | | | | | | | |
| b | **reference date / method of calculation by scheme** | | | | | | | | | | | | | | | |
| c | **total number of pension beneficiaries by scheme and by gender** | | | | | | | | | | | | | | | |
| d | **total number of pension benefits by scheme and by gender** | | | | | | | | | | | | | | | |
| e | **rest of the world: number of beneficiaries living outside the country** | | | | | | | | | | | | | | | |

# 6A Theoretical example of performing gradual aggregation

This is the example for a hypothetical country in which there are only two pension schemes: scheme 1 and scheme 2. The available information can be organized in the following sets:

**A.** Scheme 1:

- 1.000 people receive a first benefit classified as NMT beneficiaries receiving early retirement benefits for labour market reasons (item 1161113)
- 400 people receive a second benefit classified as NMT beneficiaries receiving early retirement benefits for labour market reasons (item 1161113)
- 300 people receive both the benefits classified as NMT beneficiaries receiving early retirement benefits for labour market reasons (item 1161113)

**B.** Scheme 1:

- 5.000 beneficiaries receive a disability pension (item 1121111)
- 330.000 beneficiaries receive an old age pension (item 1131111)
- 60.000 beneficiaries receive an anticipated old age pension (item 1131112)
- 252.000 beneficiaries receive a survivors' pension (item 1141111)[including beneficiaries whose age is both above and below the reference retirement age]

Scheme 2:

- 3.000 beneficiaries receive a NMT disability pension (item 1121111)
- 2.000 beneficiaries receive a MT disability pension (item 1122111)
- 40.000 beneficiaries receive an old age pension (item 1131111)
- 10.000 beneficiaries receive a survivors' pension (item 1141111)[including beneficiaries whose age is both above and below the reference retirement age]
- 1.200 people receive a benefit classified as NMT beneficiaries receiving early retirement benefits for labour market reasons (item 1161113)

**C.** Both in scheme 1 and 2:

- 2.000 beneficiaries receive a NMT disability pension (item 1121111) from both the schemes;
- 40. 000 beneficiaries receive an NMT old age pension (item 1131111) from both the schemes;
- 10.000 beneficiaries receive a NMT survivors' pension (item 1141111) from both the schemes;
- 500 beneficiaries receive an NMT early retirement benefit for labour market reasons (item 1161113) from both the schemes.

**D.** Means testing:

1000 beneficiaries receive both an NMT and MT disability pension (by scheme 2)

**E**. Old age function:

In the pension system is not possible to receive at the same time an old-age and an anticipated old-age pension

**F**. Between functions:

- 150.000 beneficiaries receive both an old-age and a survivors' pension

- No beneficiary receives both a disability and an old-age pension
- 3.000 beneficiaries receives both disability and survivors' pension
- No beneficiary receives at the same time the three pensions: disability, survivors' and old age

**First step: fill in each category cell at single scheme level**

The aim of this first step is to fill in the relevant cells for the two schemes.
At "single scheme" level each item has to show the effective number of beneficiaries involved.
Only type 1 of double counting has to be treated at this stage for all those cases in which under more than one benefit is included one heading (for each scheme, the number of beneficiaries, not of benefits, under the same heading/item has to be calculated).
The information sets A and B are needed.

**Table 1: First step results**

| | | All Schemes | Scheme 1 | Scheme 2 |
|---|---|---|---|---|
| | | Total | Total | Total |
| **1000000** | **Total pension beneficiaries (1120110, 1130110, 1140111, 1160113)** | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | | | |
| **1120111** | **Disability pension beneficiaries** | | | |
| **1120112** | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | |
| | *Non Means-tested* | | | |
| 1121111 | Disability pension beneficiaries | | 5,000 | 3,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | *Means-tested* | | | |
| 1122111 | Disability pension beneficiaries | | | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | | | |
| **1130111** | **Old-age pension beneficiaries** | | | |
| **1130112** | **Anticipated old age pension beneficiaries** | | | |
| **1130113** | **Partial pension beneficiaries** | | | |
| | *Non Means-tested* | | | |
| 1131111 | Old-age pension beneficiaries | | 330,000 | 40,000 |
| 1131112 | Anticiped old age pension beneficiaries | | 60,000 | |
| 1131113 | Partial pension beneficiaries | | | |
| | *Means-tested* | | | |
| 1132111 | Old-age pension beneficiaries | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | |
| 1132113 | Partial pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | | | |
| | *Non Means-tested* | | | |
| 1141111 | Survivors' pension beneficiaries | | 252,000 | 10,000 |
| | *Means-tested* | | | |
| 1142111 | Survivors' pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1160113** | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | | | |
| | *Non Means-tested* | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | | 1,100 | 1,200 |
| | *Means-tested* | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1190110** | **Total beneficiaries in old-age and survivors' functions** | | | |

**Second step: fill in each category cell at 'all schemes' level**

As a second step, data at "all schemes" level for the elementary items have to be provided.
**Double counting to be treated at this step is double counting between beneficiaries of a type of pension across all the providing schemes**
To complete this step, the information set C is needed: i. e. information on pensioners getting pensions in the same category from different schemes.

**Table 2:** Second step results

| | | All Schemes | Scheme 1 | Scheme 2 |
|---|---|---|---|---|
| | | Total | Total | Total |
| **1000000** | **Total pension beneficiaries (1120110, 1130110, 1140111, 1160113)** | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | | | |
| **1120111** | **Disability pension beneficiaries** | | | |
| **1120112** | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | |
| | *Non Means-tested* | | | |
| 1121111 | Disability pension beneficiaries | 6,000 | 5,000 | 3,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | *Means-tested* | | | |
| 1122111 | Disability pension beneficiaries | 2,000 | | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | | | |
| **1130111** | **Old-age pension beneficiaries** | | | |
| **1130112** | **Anticipated old age pension beneficiaries** | | | |
| **1130113** | **Partial pension beneficiaries** | | | |
| | *Non Means-tested* | | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 | 40,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 | |
| 1131113 | Partial pension beneficiaries | | | |
| | *Means-tested* | | | |
| 1132111 | Old-age pension beneficiaries | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | |
| 1132113 | Partial pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | | | |
| | *Non Means-tested* | | | |
| 1141111 | Survivors' pension beneficiaries | 252,000 | 252,000 | 10,000 |
| | *Means-tested* | | | |
| 1142111 | Survivors' pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1160113** | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | | | |
| | *Non Means-tested* | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | 1,800 | 1,100 | 1,200 |
| | *Means-tested* | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | |

At this stage of calculation we have:

Item 1121111=5.000+3.000-2.000=6.000
Item 1131111=330.000
Item 1141111=252.000
Item 1161113=1.100+1.200-500=1.800

Items 1121111 and 1161113 are obtained with a horizontal treatment of double counting (type 2, double counting between schemes). This result is shown in table 2.

**Third step: fill in each category's total cell at all schemes level**

As a third step, data at "all schemes" level for the seven categories' totals (obtained through the aggregation of the subcategories non means-tested and means tested of any pension benefit) have to be provided.To complete this step, the information set D is needed: i. e. information on pensioners getting both non means and means-tested pensions for the same category.
In this hypothetical country there is means-testing is only for disability pensions.
Results of steps three are shown in table 3.

**Fourth step: fill in each function cell at all schemes level**

As a fourth step, data at "all schemes" level for the four functions have to be provided.
To complete this step, the information set E is needed: i. e. information on pensioners getting more than one pension included under disability and old-age function.
In this example there is no need for the treatment of type 4.1 or 4.2 of double counting, because in our system only one category of pension under the disability function is provided and, as most of the times there is, by definition, no double counting between the two categories under the old-age function (old-age and anticipated old-age).
Results of step four are shown in table 4.

**Fifth step: fill in the item 1190110 at all schemes level**

To obtain the total number of pension beneficiaries in old age and survivors' functions at all schemes level, the first line of information set F, on pensioners getting more than one pension in different functions, has to be used.

Item 1190110 = 390.000+252.000-150.000=492.000

**Sixth step: fill in the item 1000000 at all schemes level**

To obtain the total number of pension beneficiaries at all schemes level, the other lines but the first one of the information set F, on pensioners getting more than one pension in different functions, has to be used.

Item 1000000 = 7.000+1.800+492.000-3.000= 497.800

The results of steps 5 and 6 are available in table 5.

**Table 3:** Third step results

| | | All Schemes | Scheme 1 | Scheme 2 |
|---|---|---|---|---|
| | | Total | Total | Total |
| **1000000** | **Total pension beneficiaries (1120110, 1130110, 1140111, 1160113)** | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | | | |
| **1120111** | **Disability pension beneficiaries** | 7,000 | | |
| **1120112** | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | |
| | *Non Means-tested* | | | |
| 1121111 | Disability pension beneficiaries | 6,000 | 5,000 | 3,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | *Means-tested* | | | |
| 1122111 | Disability pension beneficiaries | 2,000 | | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | | | |
| **1130111** | **Old-age pension beneficiaries** | 330,000 | | |
| **1130112** | **Anticipated old age pension beneficiaries** | 60,000 | | |
| **1130113** | **Partial pension beneficiaries** | | | |
| | *Non Means-tested* | | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 | 40,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 | |
| 1131113 | Partial pension beneficiaries | | | |
| | *Means-tested* | | | |
| 1132111 | Old-age pension beneficiaries | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | |
| 1132113 | Partial pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | | | |
| | *Non Means-tested* | | | |
| 1141111 | Survivors' pension beneficiaries | 252,000 | 252,000 | 10,000 |
| | *Means-tested* | | | |
| 1142111 | Survivors' pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1160113** | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | | | |
| | *Non Means-tested* | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | 1,800 | 1,100 | 1,200 |
| | *Means-tested* | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | |

**Table 4:** Fourth step results

| | | All Schemes | Scheme 1 | Scheme 2 |
|---|---|---|---|---|
| | | Total | Total | Total |
| **1000000** | **Total pension beneficiaries (1120110, 1130110, 1140111, 1160113)** | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | 7,000 | | |
| **1120111** | **Disability pension beneficiaries** | 7,000 | | |
| **1120112** | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | |
| | *Non Means-tested* | | | |
| 1121111 | Disability pension beneficiaries | 6,000 | 5,000 | 3,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | *Means-tested* | | | |
| 1122111 | Disability pension beneficiaries | 2,000 | | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | 390,000 | | |
| **1130111** | **Old-age pension beneficiaries** | 330,000 | | |
| **1130112** | **Anticipated old age pension beneficiaries** | 60,000 | | |
| **1130113** | **Partial pension beneficiaries** | | | |
| | *Non Means-tested* | | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 | 40,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 | |
| 1131113 | Partial pension beneficiaries | | | |
| | *Means-tested* | | | |
| 1132111 | Old-age pension beneficiaries | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | |
| 1132113 | Partial pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | 252,000 | | |
| | *Non Means-tested* | | | |
| 1141111 | Survivors' pension beneficiaries | 252,000 | 252,000 | 10,000 |
| | *Means-tested* | | | |
| 1142111 | Survivors' pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1160113** | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | 1,800 | | |
| | *Non Means-tested* | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | 1,800 | 1,100 | 1,200 |
| | *Means-tested* | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | |

**Table 5:** Final results

| | | All Schemes | Scheme 1 | Scheme 2 |
|---|---|---|---|---|
| | | Total | Total | Total |
| **1000000** | **Total pension beneficiaries (1120110, 1130110, 1140111, 1160113)** | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1120110** | **Total pension beneficiaries in disability function (1120111, 1120112)** | 7,000 | | |
| **1120111** | **Disability pension beneficiaries** | 7,000 | | |
| **1120112** | **Beneficiaries receiving early retirement benefits due to reduced capacity to work** | | | |
| | *Non Means-tested* | | | |
| 1121111 | Disability pension beneficiaries | 6,000 | 5,000 | 3,000 |
| 1121112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | *Means-tested* | | | |
| 1122111 | Disability pension beneficiaries | 2,000 | | 2,000 |
| 1122112 | Beneficiaries receiving early retirement benefits due to reduced capacity to work | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1130110** | **Total pension pension beneficiaries in old age function (1130111, 1130112, 1130113)** | 390,000 | | |
| **1130111** | **Old-age pension beneficiaries** | 330,000 | | |
| **1130112** | **Anticipated old age pension beneficiaries** | 60,000 | | |
| **1130113** | **Partial pension beneficiaries** | | | |
| | *Non Means-tested* | | | |
| 1131111 | Old-age pension beneficiaries | 330,000 | 330,000 | 40,000 |
| 1131112 | Anticiped old age pension beneficiaries | 60,000 | 60,000 | |
| 1131113 | Partial pension beneficiaries | | | |
| | *Means-tested* | | | |
| 1132111 | Old-age pension beneficiaries | | | |
| 1132112 | Anticiped old age pension beneficiaries | | | |
| 1132113 | Partial pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1140111** | **Total pension beneficiaries in survivors' function** | 252,000 | | |
| | *Non Means-tested* | | | |
| 1141111 | Survivors' pension beneficiaries | 252,000 | 252,000 | 10,000 |
| | *Means-tested* | | | |
| 1142111 | Survivors' pension beneficiaries | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1160113** | **Total pension beneficiaries in unemployment function (receiving early retirement benefits for labour market reasons)** | 1,800 | | |
| | *Non Means-tested* | | | |
| 1161113 | Beneficiaries receiving early retirement benefits for labour market reasons | 1,800 | 1,100 | 1,200 |
| | *Means-tested* | | | |
| 1162113 | Beneficiaries receiving early retirement benefits for labour market reasons | | | |
| | | **All Schemes** | **Scheme 1** | **Scheme 2** |
| | | Total | Total | Total |
| **1190110** | **Total beneficiaries in old-age and survivors' functions** | 492,000 | | |

# APPENDIX IV: Methodology of the module on net social protection benefits (restricted approach)

## 1 Introduction

1 According with the decision taken at the April 2009 Working Group meeting on net social benefits, Eurostat decided to implement the net benefits module according to the so-called restricted approach, explained in the following. The module on net social protection benefits should be obtained using this approach, in order to have the same population of beneficiaries of the gross social protection benefits collected in the ESSPROS Core System.

### 1.1 BACKGROUND

2 The ESSPROS Core system consists of a stable, annually collected set of data on the receipts and expenditures of social protection schemes in the European Union. ESSPROS data are collected according to the Regulation 458/2007 and two supplementary Commission Regulations. The first Regulation provides the basis for the development of a module on net social protection benefits. Following this provision, other two Commission Regulations were introduced as legal basis for the module on net social protection benefits.

3 The methodology of the Core system is defined in the first two parts of this manual, which is the reference document for the four Commission Regulations implementing the EP and Council ESSPROS Regulation. It contains all detailed definitions and classifications for the ESSPROS Core system. This appendix dedicated to the module on net social protection benefits (restricted approach) should be seen as an extension to the first two parts, following all definitions given therein and providing additional definitions and clarifications where necessary.

4 The ESSPROS Core system collects data on the expenditure on social protection benefits provided by public and private bodies to individuals and households without any deduction of taxes and other obligatory levies payable on social benefits by beneficiaries. This expenditure is therefore considered as gross. It represents the value of social benefits disbursed by resident social protection schemes and the value of benefits received in cash or in kind by beneficiaries.

5 However, the cross-country comparability of data on gross expenditure is limited by the fact that in some cases the benefits paid to recipients are liable to taxes on income and/or social contributions, whilst in others they are not. Taxes and social contributions levied on social benefits have the effect of reducing the gross expenditure of general government on social protection and reducing the extent to which social benefits increase the disposable income of recipients.

6 The aim of the ESSPROS module on net social protection benefits is to collect information that measures the impact of the fiscal system on gross expenditure and thereby provide data on net social protection expenditure that are more comparable between countries.

## 1.2 THE RESTRICTED AND ENLARGED APPROACHES TO MEASURING NET SOCIAL PROTECTION BENEFITS

7 Article 2 of the ESSPROS Regulation (EC) No 458/2007 of the European Parliament and of the Council defines net social protection benefits to be *"the value of social protection benefits excluding taxes and social contributions paid by the benefits' recipients complemented by the value of fiscal benefits"* where fiscal benefits are defined to *be "social protection provided in the form of tax breaks that would be defined as social protection benefits if they were provided in cash, excluding tax breaks promoting the provision of social protection or promoting private insurance plans".* This definition marks out two separate elements to net benefits.

8 The first – social protection benefits less taxes and social contributions paid on those benefits by their recipients – implies no change to the scope of the Core system. It represents a strict conversion from gross expenditure to net expenditure after taking into account the value of taxes and social contributions paid on gross benefits. By definition, the population of recipients of net and gross benefits must be the same. This is known as the "restricted approach" to measuring net benefits.

9 The second element – fiscal benefits – potentially enlarges the scope of the net benefits module compared to the Core system because it includes the value of social benefits implemented solely through the fiscal system, which are not included in the Core system (with the exception of payable tax credits). Fiscal benefits reduce the amount of taxes and/or social contributions paid on all forms of income (e.g. from employment) and therefore increase the disposable income of beneficiaries in addition to the social benefits recorded in the Core system. Moreover, fiscal benefits may accrue to persons who receive no social benefits paid in cash or in kind who are therefore not members of the population of benefit recipients covered by the Core system. Adding the value of fiscal benefits to the value of net benefits according to the restricted approach is known as the "enlarged" approach to measuring net benefits ([21]). The two approaches can be summarised as follows ([22]):

| |
|---|
| **F.1** *Net social benefits (restricted) = Gross social benefits – Taxes & social contributions paid on benefits by recipients* |

| |
|---|
| **F.2** Net *social benefits (enlarged) = Net social benefits (restricted) + Fiscal benefits* |

## 1.3 DEVELOPMENT OF THE NET BENEFITS MODULE (RESTRICTED APPROACH)

10 In accordance with the timetable laid out in Article 5 of the ESSPROS Regulation (EC) No 458/2007 of the European Parliament and of the Council, Eurostat launched in 2007 a programme of work to implement a pilot collection of data on net social protection benefits referring to 2005.

11 Following consultation with a Task Force meeting in January 2008, Eurostat decided to implement the net benefits module according to the restricted approach.

([21]) Note that part of the value of fiscal benefits is in fact included in the restricted approach since any relief on the levies paid on income from social benefits will be accounted for in the actual value of taxes and social contributions deducted from the gross benefits. See the section on *residual fiscal benefits*.

([22]) Both definitions are given for matter of clarification. According to the decision taken by Member States, the approach to be used for compiling net social protection benefits is the restricted approach. The enlarged approach is at an experimental stage only.

12 A pilot data collection of net social protection benefits according to the restricted approach was launched in April 2008 for all EU-27 countries plus Iceland and Norway, with a deadline for submission of data by the end of October 2008. Preliminary results were presented to a Working Group fully dedicated to net benefits in April 2009. In accordance with the procedure outlined in Article 5.2 of the regulation, the meeting voted in favour of progressing work towards the implementation of the module on net social protection benefits (restricted approach) as a routine data collection.

# 2 The definition of net social protection benefits (restricted approach)

## 2.1 THE CONCEPTS OF GROSS AND NET SOCIAL PROTECTION BENEFITS

13 Expenditure recorded in the Core system ([23]) covers **gross** social protection benefits (paragraph 99, 100 and 129 of the first part of this manual)– it refers to the value of social benefits disbursed by general government <u>before</u> the deduction of any taxes or social contributions paid on social benefits by their recipients.

14 The ESSPROS module on **net** social protection benefits (restricted approach) records social benefits <u>after</u> the deduction of taxes or social contributions paid on cash social benefits by their recipients.

⇒ *Net social benefits (restricted) = Gross social benefits – Taxes & social contributions paid on benefits by recipients*

## 2.2 OBLIGATORY LEVIES: TAXES AND SOCIAL CONTRIBUTIONS

15 The net benefits module (restricted approach) determines the final net value of social benefits by deducting from gross social benefits the part of the combined value of two forms of obligatory levy applied by general government to the income of fiscal units that relates to liable <u>cash</u> social benefits:

(i) Taxes on income

(ii) Social contributions

## 2.3 DEFINITIONS

16 *Taxes on income* refers to taxes on individual or household income from employment, property, entrepreneurship, social benefits, etc., including taxes deducted by employers (pay-as-you-earn taxes) ([24]). (In the remainder of the document *Taxes on income* are often referred to simply as *taxes*.)

17 *Social contributions* refers to compulsory *social contributions paid by protected persons* as defined in this manual, first part, par. 75.

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([23]) The ESSPROS Core system collects data on the expenditure of social protection schemes broken down into four main categories: social benefits, administration costs, transfers to other schemes and, finally, other expenditure.

([24]) See ESA definition of Taxes on income (D.51)

18 Social contributions refer only to compulsory contributions paid by employees, self-employed persons and non-employed persons. Non-compulsory contributions to private schemes are not included.

19 Social contributions in the net benefits module should never include employers' contributions - either actual or imputed - since these are not levies applied to income from social benefits actually received by individuals or households.

19bis Taxes and social contributions in the net benefits module should not take into account the reduction in taxation provided by payable tax credits reported in the ESSPROS Core System, to do so would introduce double counting.

## 2.4 PRINCIPLES OF VALUATION

20 For the assessment of the taxes and social contributions payable by fiscal units, income from liable social benefits is typically cumulated with other sources of income (primarily from employment) to form a *tax base* (or social-contribution base). Since the final liability is determined by the value of the tax base as a whole, the liabilities cannot be attributed directly to particular components of the tax base and are therefore considered to be distributed according to the proportion each income component represents within the tax base.

21 The part of the total liability related to benefits is therefore calculated as:

⇒ *Taxes on benefits = ( Value of benefits liable to taxes / Tax base ) * Total tax payable*

⇒ *Social contributions on benefits = ( Value of benefits liable to social contributions / Social contribution base ) * Total social contributions payable*

22 The value of taxes and social contributions to be taken into account should always take into account any post year-end adjustments and, where relevant, the impact of any fiscal benefits (excluding payable tax credits reported in the ESSPROS Core System) as they apply to liabilities derived from social benefits. In the case that this is not possible, residual fiscal benefits may be reported as complementary amounts (see below).

23 Social benefits that are not liable to taxes or to social contributions do not form part of a tax base or social contribution base. The net value of benefits not liable to levies will always be the same as the gross value.

## 2.5 FURTHER CLARIFICATIONS

24 Withheld taxes and social contributions are taxes and social contributions due on income from social benefits that are calculated in advance of payment, withheld by the payment authority and paid directly to the collection authority (either tax authority or another social protection scheme) on behalf of the recipient. Withheld taxes and social contributions are included in the gross benefits paid to recipients reported in the Core System and should therefore be taken into account when calculating taxes and social contribtions paid on social benefits.

25 Re-routed social contributions, which are not included in gross benefits paid to recipients reported in the Core System but transferred directly to the appropriate social protection scheme, should not be taken into account when calculating taxes and social contributions paid on social benefits.

## 2.6 RESIDUAL FISCAL BENEFITS

26 *Fiscal benefits* are social protection provided in the form of tax breaks that would be defined as social protection benefits if they were provided in cash, excluding tax breaks promoting the provision of social protection or promoting private insurance plans ([25]).

27 A *tax break* is an advantage granted to fiscal units in the form of a total or partial reduction in the compulsory levies applied by general government. Tax breaks can take the form of a tax allowance, exemption, or deduction — which is subtracted from the tax base; of a reduced tax rate – which cuts the tax liability derived from the tax base; or of a tax credit — which is subtracted directly from the tax liability otherwise due by the beneficiary household or corporation.

There are two forms of tax credit:

- *Non-payable tax credits*, also known as wastable or non-refundable tax credits, are limited in value to the value of the tax liability. As such, non-payable tax credits can only ever be granted to taxpayers with a non-zero tax liability.

- *Payable tax credits*, also known as non-wastable or refundable tax credits, are not limited and can exceed the value of any tax liability, including a liability of zero, and may therefore be granted to non-taxpayers. The amount of any payable tax credit that exceeds the tax liability is paid directly to the beneficiary in cash. In some cases, such credits may even be paid fully in cash.

Fiscal benefits in the form of payable tax credits are, as per paragraphs 112bis and 112ter in Part 1, included in full in the ESSPROS Core System while all other forms of fiscal benefit are excluded from the Core System and dealt with in the Net modules (the existing restricted approach module and the planned enlarged approach module).

28 Fiscal benefits increase the net disposable income of fiscal units by reducing taxes and other obligatory levies that they would otherwise have to pay. Fiscal benefits give relief to levies paid on all forms of income (not just benefits) and, in some cases, to indirect taxes on expenditure (e.g. reduction in VAT). They may also be granted to persons that do not receive any social benefits paid in cash or in kind. The main value of fiscal benefits is therefore outside the scope of the restricted approach to net social protection benefits and should not be included.

29 Fiscal benefits typically take the form of adjustments to the regular fiscal system and the value of the relief that applies to levies payable on social benefits should therefore be taken into account in the assessment of the actual taxes and social contributions paid on social benefits. Exceptionally, if the impact of a fiscal benefit is not taken into account in this assessment then the value of net benefits should be complemented by the residual value of the fiscal benefit. In this case the conceptual definition of net benefits (paragraph 9) is modified to make a practical definition as follows:

**F.3** *Net social benefits (restricted) = Gross social benefits – Taxes and social contributions paid on cash benefits by recipients + Residual fiscal benefits*

30 *A residual fiscal benefit* is the fraction of the total value of a fiscal benefit that relates to relief on levies applied to social benefits (as opposed to the part that relates to relief on levies applied to all other forms of income, which is outside the scope of the restricted approach).

([25]) Article 2 of the ESSPROS Regulation (EC) No 458/2007.

30bis Fiscal benefits in the form of payable tax credits are always outside the scope of the restricted approach as these are included in the ESSPROS Core System. This means that their impact should not be taken into account in the taxes and social contributions paid on cash benefits by recipients or in residual fiscal benefits.

31 Fiscal benefits that relate to relief on indirect taxation are always outside the scope of the restricted approach.

32 A tax break that is deducted directly from the tax liability and is given to the beneficiaries of a certain social protection benefit should be treated consistently with its actual role in the fiscal system. In this respect, two main cases can be envisaged:

a. the tax break is alternative to other tax breaks (i.e. the tax unit, in case of other sources of income, can choose among different tax breaks, typical of each source of income, the one that is more convenient for him);

b. the tax break is added to the standard tax breaks normally applied (i.e. the standard ones apply and this tax break is additional and specific for the beneficiaries of that benefit).

In the first case, in the estimation of the net social protection benefits, the tax break should as a rule be considered like a tax break not related to the benefit (except for the fact that the value is different) and covering all the sources of income. Conversely, in the second case, the tax break should decrease only the taxation on the benefit for which it is allowed. Borderline cases can be treated according to countries’ choice.

# 3 Accounting structure and classifications in the net social benefits module

### Overview of the Net social protection benefits module (restricted approach)

**Levies**

- Taxes on income
- Social contributions

**By function:**
Sickness/ health, disability, old age, survivors, family/ children, unemployment, housing(1), social exclusion
**By type:**
- Cash benefits (periodic, lump sum)

**By characteristic:**
- Means-tested & non-means-tested

**Residual fiscal benefits**

**By function:**
Sickness/ health, disability, old age, survivors, family/ children, unemployment, housing(1), social exclusion.

(1) Housing benefits are largely in the form of benefits in kind and are therefore potentially not affected by taxation in the restricted approach.

## 3.1 INTRODUCTION

33 Net social protection benefits (restricted approach) are derived from gross social benefits less levies (taxes and social contributions) paid on cash social benefits by recipients plus (where relevant) residual fiscal benefits (Table A).

34 The simplest way of determining net social protection benefits should be their direct measure. This could be obtained by collecting data on the amount of taxes and social contributions actually paid by recipients on the cash gross social protection benefits received and applying the **F.1** (or eventually the **F.3**, if there is any residual fiscal benefit).

35 In order to summarise the information on net social protection benefits, it would then be possible to determine ex post the average tax and social contribution rates that are applied to ESSPROS benefits by scheme and/or by function. In most of the countries data sources do not allow to obtain such a direct estimation.

36 Where direct measures are not available the application of average itemised tax and social contribution rates to gross expenditure on social protection benefits (like in **F.4**) allows the estimation of the module.

37 This chapter provides an overview of the accounting structure within which data are recorded in order to derive the final value of net benefits.

| **Table A: Derivation of net expenditure on social protection benefits (restricted approach)** |
|---|
| **Gross expenditure on cash social benefits (from the Core system)** |
| LESS |
| **Levies payable on cash social benefits** |
| 1. Taxes on income<br>2. Social contributions |
| PLUS (WHERE RELEVANT) |
| **Complementary amounts** |
| 3. Residual fiscal benefits |

## 3.2 CALCULATION OF TAXES AND SOCIAL CONTRIBUTIONS

38 In the ESSPROS net social protection module, the value of obligatory levies to be deducted from gross expenditure is calculated from tax and social contribution rates applied to the gross value of each benefits such that:

**F.4** *Net social benefits (after deduction of levies) = Gross social benefits * (1 – AITR – AISCR)*

Where AITR = Average itemised tax rate and, AISCR = Average itemised social contribution rate.

### 3.2.1 Average itemised tax rates (AITRs)

39 The AITR for a benefit (or group of benefits) is defined as the sum of taxes paid on that benefit by recipients divided by the total income from that benefit (i.e. gross benefits received). A social benefit that is not liable to taxes will always have an AITR of zero.

$$AITR_i = \sum_{tu=1,n} TI_{i,tu} \Big/ \sum_{tu=1,n} I_{i,tu}$$

$I$ is the amount of income of type $i$, $TI$ is the amount of tax paid on that income, $i$ is the type or category of income, $tu$ is a fiscal unit with income of type $i$, and $n$ is the number of fiscal units in the sample with income of type $i$.

### 3.2.2 Average itemised social contribution rates (AISCRs)

40 The AISCR for a benefit (or group of benefits) is defined as the sum of social contributions paid on that benefit by recipients, divided by the total income from that benefit (i.e. gross benefits received). A social benefit that is not liable to social contributions will always have an AISCR of zero.

$$AISCR_i = \sum_{tu=1,n} SC_{i,tu} \Big/ \sum_{tu=1,n} I_{i,tu}$$

$I$ is the amount of income of type $i$, $SC$ is the amount of social contributions paid on that income, $i$ is the type or category of income, $tu$ is a fiscal unit with income of type $i$, and $n$ is the number of tax units in the sample with income of type $i$.

### 3.2.3 Practical calculation of AITRs and AISCRs

41 The subchapter describes the typical method used by compilers to obtain AITRs and AISCRs. This method is the minimum requirement in order to achieve acceptable figures on net social protection benefits. On the basis of availability of more detailed information, more precise methods can be applied by the countries provided that:

a. they respect the definitions set in this manual for the restricted approach;

b. they improve the accuracy of the final results;

c. and, they preserve the comparability among countries.

42 In practice, taxes and social contributions are levied on groups of income of different types. For example, income from (taxable) social benefits is typically aggregated with income from employment and other sources for the assessment of liability to taxes on income.

43 A *tax base* or *social contribution base* refers to the sum of all income, irrespective of its source, that is subject to the same rules of liability. The income of any fiscal unit may be divided into one or more tax or social contribution bases.

44 In the case that particular social benefits are subject to distinct liability rules then AITRs and/or AISCRs should be calculated on a separate tax or social contribution base. For example, if selected benefits are subject (in the final assessment) to flat-rate levies independent of other income (typically taxed progressively) then income from these benefits should be aggregated

in a separate tax or social contribution base for which the AITR/AISCR will be the flat-rate fixed by regulation. The income from these benefits will then normally be excluded from the tax or social contribution base used to calculate levy rates for the remaining income, though there may be exceptions – for example in the case that the income reduces the tax threshold for the regular assessment.

45 Note that it is also possible for a social benefit to be included in two tax bases – for example if there are taxes on income levied by regional government as well as by national government. In this case the tax rates applicable to each tax base should be summed to generate the overall tax rate for that benefit.

46 In the typical case that obligatory levies are applied to income aggregated from multiple sources it is not feasible or realistic to prioritise the application of levies and then measure, for each recipient, the amounts paid in respect of a particular social benefit. The net benefits module therefore treats all income within the same tax or social contribution base equally. As a result, for a fiscal unit that receives one or more benefits liable to taxes on income, the tax rate applicable to each of those benefits is the same as the overall rate of taxes paid by the fiscal unit (total tax paid / tax base). Benefits received by the same fiscal unit that are not liable to taxes do not form part of a tax base and will always have an AITR of zero. The same applies to social contributions.

47 For a fiscal unit receiving $n$ social benefits liable to taxes on income and $y$ social benefits that are not liable to taxes:

Taxable benefits 1 to n: $$TR_{i=1} = TR_{i=2} = \ldots = TR_{i=n} = TR$$

Non-taxable benefits n+1 to y:

$$TR_{i=n+1} = TR_{i=n+2} = \ldots = TR_{i=n+y} = 0$$

$TR_i$ is the tax rate for social benefit $i$, $TR$ is the overall tax rate for the fiscal unit (total tax paid / tax base)

48 For each benefit or group of benefits, the final AITR or AISCR is then calculated from tax or social contribution rates for each fiscal unit receiving that benefit (including those that pay no taxes or social contributions on the benefit because their total income is below the threshold at which levies become payable), weighted by the amount of benefit received by the fiscal unit and divided by the total amount of benefit received by all fiscal units (i.e. gross benefits):

$$AITR_i = \sum TR_{i,tu} * I_{i,tu} / \sum_{tu=1,n} I_{i,tu}$$

$AITR_i$ is the average itemised tax rate for social benefit $i$, $TR_{i,tu}$ is the tax rate for social benefit $i$ for fiscal unit $tu$ and $I_{i,tu}$ is the income from social benefit $i$ for the fiscal unit $tu$

49 Note that when working with tax rates from individual fiscal units or sample groups of similar fiscal units then the weighting must be by amount of benefit received and not by population size since this will give incorrect results.

## 3.3 APPLICATION OF TAX AND SOCIAL CONTRIBUTION RATES

50 Final values of net social protection benefits are derived by collecting tax and social contribution rates for each individual benefit and applying these to the appropriate gross values from the ESSPROS Core data. Net values at the detailed level are then aggregated by function and by main type of benefit (mean-tested, non-means-tested, periodic, lump-sum, etc.) in exactly the same way as in the Core system.

51 The collection of tax and social contribution rates at the most detailed level allows different tax and social contribution rates to be applied to each benefit disbursed by a scheme or to similar benefits provided by different schemes. This is important because even when similar benefits are subject to the same liabilities, if they are issued to different groups of recipients that have different income characteristics then the effective tax/social contribution rates applicable could vary.

52 In the case that it is not practical (or worthwhile in terms of cost/benefit) to collect information on taxes and social contributions at this level of detail it is acceptable for AITRs and AISCRs to be calculated at a more aggregated level and applied to each of the individual benefits/schemes within that aggregate. For example, rates may be applied to all benefits within a scheme or to all benefits of a particular type (across schemes). However, the reliability of results may be compromised if rates are applied to groups of benefits that are issued to recipients with very different income and household characteristics or which are subject to different liability regimes and rates should always be provided at a level of detail that ensures good quality results.

53 When rates are calculated at an aggregated level and applied to each benefit within the aggregate, it is important to ensure the correct treatment of any benefits within the group that are not liable to taxes by the application of a zero rate to relevant benefits.

54 In the case that it is not practical (or worthwhile in terms of cost/benefit) to collect information on taxes and social contributions for AITRs and AISCRs on an annual basis, the technique of applying AITRs and AISCRs on a biennial basis can be followed.

In such a case net data referred to year N+1 are obtained by applying to gross data of year N+1 the AITRs and AISCRs calculated for year N.

This technique can be followed provided that:

1. in the country the rules of taxation for social protection benefits are stable over the two years involved;
2. AITRs and AISCRs for year N are calculated as provided for in the above paragraph 3.2;
3. the reliability of results is not compromised.

55 In case of regular application of the technique of AITRs and AISCRs on a biennial basis, corrections to the AITRs and to AISCRs calculated for year N are allowed before the application of the rates to the gross data of year N+1.

These corrections can be introduced by the country provided that the quality of the final results for year N+1 is improved.

## 3.4 COMPLEMENTARY AMOUNTS: RESIDUAL FISCAL BENEFITS

56 While fiscal benefits in the form of payable tax credits are reported in full in the ESSPROS Core System, the major part of fiscal benefits belongs only to the enlarged approach to measuring net social protection benefits (paragraph 9). In the restricted approach, the part of the total value of fiscal benefits that pertains to reduced liabilities on social benefits should normally be taken into account in the levies calculated from AITRs and AISCRs. However, when this is not the case, any further amounts accruing to recipients as a result of reduced

liabilities on benefits can be reported as residual fiscal benefits. Amounts reported are then added to the net value after deduction of levies to give a final value of net benefits.

### 3.4.1 Calculation of residual fiscal benefits

57 The subchapter describes the typical method used by compilers to obtain residual fiscal benefits in case they are not accounted for in the levies calculated from AITRs and AISCRs. This method is the minimum requirement in order to obtain acceptable figures on net social protection benefits. On the basis of availability of more detailed information, more precise methods can be applied by the countries provided that:

a. they respect the definitions set in this manual for the restricted approach;

b. they improve the accuracy of the final results;

c. and, they preserve the comparability among countries.

58 The calculation of residual fiscal benefits shall always be limited to the portion of fiscal benefits (excluding payable tax credits) that is lowering the taxes or social contributions paid on social protection benefits.

59 A fiscal benefit has the effect of reducing the tax and/or social contribution liabilities of a fiscal unit and the value should be calculated using the revenue forgone method ([26]). In the typical case, the net benefits module applies the relief provided by fiscal benefits equally to the different components of the liabilities due, similar to the application of levies to different sources of income. A residual fiscal benefit can therefore be calculated as follows:

A fiscal unit $tu$ has income $I$ (tax base) that includes income from social benefits (SB) and other sources (O):

$$I_{tu} = I_{tu,SB} + I_{tu,O}$$

The total tax paid by the fiscal unit $T_{tu}$ is reduced by the total value of a fiscal benefit $F_{tu}$ that has not been included in the tax paid.

The value of the residual fiscal benefit $RF_{tu}$ (i.e. the part that relates to income from social benefits) is:

$$RF_{tu} = F_{tu} * I_{tu,SB} / I_{tu}$$

The final value of the residual fiscal benefit to be reported is then the sum of the value for each fiscal unit that receives the benefit:

$$\sum_{tu=1,n} RF_{tu}$$

60 This will not be an easy value to calculate, which is an additional reason for recommending that the impact of fiscal benefits is taken into account in the calculation of AITRs and AISCRs. If residual fiscal benefits have to be calculated it may be simpler to make an estimation by applying the share of liable social benefits in the total tax or social contribution base of the population to the total value of the fiscal benefit.

([26]) The *revenue foregone* method measures the amount by which the revenues of the tax (or social contribution) collecting authority are reduced as a result of the application of a fiscal benefit and assuming no change in behaviour of the tax-payer. In other words, it measures the value of taxes or social contributions that would have been received by the collecting authority had the fiscal benefit not been applied.

61 If a certain fiscal break is designed to reduce the taxes and/or social contributions paid by the fiscal units on a specific social protection benefit (say j) and if it is not taken into account in the calculation of AITRs and AISCRs; the amount of the corresponding residual fiscal benefit RFj is equal to the value of the allowed fiscal break calculated on the set of fiscal units receiving that social protection benefit (say FUj):

$$RF_j = \sum_{tu \in FU_j} F_{tu} \ .$$

### 3.4.2 Application of residual fiscal benefits

62 Residual fiscal benefits are collected and applied at function level only. The value of residual fiscal benefits at function level and at aggregate (total) level is added to the net value of expenditure after deduction of taxes and social contributions to give the final value of net benefits.

### 3.4.3 Further clarifications

63 Fiscal benefits which are granted to individuals who are not recipients of social benefits recorded in the ESSPROS Core system or which are applied to income from sources other than social benefits are not within the scope of the ESSPROS net benefits module (restricted approach). This includes all fiscal benefits that provide relief to indirect taxes (e.g. VAT).

64 Fiscal benefits in the form of payable tax credits are always outside the scope of the restricted approach as these are included in the ESSPROS Core System. However, it may not always be possible to exclude their impact from the calculation of the AITR/AISCR. Where this is the case negative amounts may be reported as residual fiscal benefits in order to correct for this and avoid double counting of payable tax credits between the restricted approach and the ESSPROS Core System.

# APPENDIX V: Differences between the ESSPROS and the national accounts (ESA 2010)

The definitions, conventions and accounting rules in the ESSPROS Manual are to a large extent harmonised with the national accounts [27]. There are, however, some differences and the main types are listed in this Appendix.

## 1 Scope of social protection

The national accounts do not identify social protection as such, but define social benefits and social contributions. In this respect there are two discrepancies between the two systems:

(i) the national accounts definition of social benefits also includes functions that are not included in the ESSPROS, in particular the function Education. However, the ESSPROS records some expenditure connected with vocational training under the unemployment and disability functions [28];

(ii) the ESSPROS' definition of social benefits covers both current and capital transfers; the national accounts' definition refers to current transfers only;

## 2 Statistical units

The System of National Accounts (SNA) discusses social insurance schemes without turning them into units of classification [29]. Accordingly, social benefits are treated as being granted by institutional units in the national accounts.

In the Core of the ESSPROS, on the other hand, social protection transactions are described as expenditures and receipts of social protection schemes. Such schemes can be run by one institutional unit or a group of institutional units.

The concept of social protection schemes used in the ESSPROS includes non-contributory social protection schemes (schemes providing social assistance) as well as SNA-defined social insurance schemes.

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(27) Compare the System of National Accounts, 2008 (SNA) (Commission of the European Communities, International Monetary Fund, Organisation for Economic Co- operation and Development, United Nations, World Bank) and European System of National and Regional Accounts in the European Community, 2010 (ESA) (Commission of the European Communities).

(28) This is in line with the inclusion in national accounts of government expenditure on vocational training for the unemployed and the disabled under COFOG division 10 *Social protection* (*unemployment* (10.5) and *sickness and disability* (10.1), respectively), rather than under *Education* (COFOG division 9).

(29) See ESA 2010, §§ 4.88 and 17.01..

# 3 The dividing line between social benefits in cash and in kind

There are two important differences between the national accounts and the ESSPROS in the way they distinguish social benefits in cash and kind:

(i) In the ESSPROS, social benefits *in cash* and *in kind* are transaction categories and may be granted by any type of scheme;

In the national accounts, the transaction category *social transfers in kind* (D63) refers exclusively to benefits in kind provided by government units and non-profit institutions serving households. The transaction category *social benefits other than social transfers in kind* (D.62) is made up of three sub-headings: social security benefits in cash (D.621); other social insurance benefits, in cash or in kind (D.622) ([30]); and social assistance benefits in cash (D.623).

(ii) in the national accounts social transfers in kind provided to, or received from, the Rest of the World are registered in D.62 benefits by convention ([31]). In such cases, the ESSPROS records social benefits in kind provided to the Rest of the World, but does not record any benefit provided to residents by the Rest of the World.

# 4 Special ways of recording

The national accounts record certain transactions differently from the way most transactors would see them. This is done in order to clarify the underlying economic structures. In some instances the ESSPROS has not adopted the national accounts' way of recording:

(i) the ESSPROS does not split contributions by protected persons into payments for insurance services and net contributions available to finance benefits. The national accounts do split contributions this way where autonomous private funded schemes are involved;

(ii) the ESSPROS does not impute payments of property income and contribution supplements in respect of private funded schemes. Certain schemes retain property income on invested funds and use them to secure future social benefits. As these funds may be considered as property of the protected persons, the national accounts record in this case (a) an imputed flow from the institutional unit running the scheme to households called "Property income" and attributed to insurance policy holders and (b) a second flow, of equal value, from the protected persons back to the institutional unit running the scheme as additional social contributions;

([30]) ESA 2010 §4.104 introduced the sub-heading *Other social insurance benefits (D.622)* that records benefits payable by employers in the context of *other employment related social insurance schemes*. Other employment-related social insurance benefits are social benefits (in cash or in kind) payable by social insurance schemes other than social security to contributors to the schemes, their dependants or their survivors. other employment related schemes include schemes organised by government units for their own employees as opposed to the working population at large (see ESA 2010 §4.90).

([31]) *See ESA 2010 §4.111.*

(iii) the ESSPROS records *employers' social contributions* as receipts from the sector of the employer. In national accounts, employers' social contributions are payable by the sector households, which receives them from the employer under *compensation of employees*.

(iv) the ESSPROS always records *actual employers' social contributions* for the amount received by the scheme from the employer. In some cases, national accounts include in the value of actual employers' social contributions deductions granted to the employers by the government.

On the other hand, ESSPROS distinguishes between expenditure for social benefits and expenditure for administration of social benefits. In national accounts, the costs of administration of government benefits are included in social transfers in kind.

# APPENDIX VI: The classification of various government disbursements

The table below provides a ready reference for classifying various government disbursements related to social protection.

| Type of disbursement | Classification in the ESSPROS |
|---|---|
| *1. The Government pays a sum of money to households to relieve them from the burden of a social risk or need*: | |
| (i) not linked to the purchase of specified goods or services by the households; | Social benefits in cash. Recorded on account of a government social protection scheme |
| (ii) compensating households fully or partially for certified expenditure on specified goods or services; | Social benefits in kind, reimbursements (to the value of the actual government payment). Recorded on account of a government social protection scheme. |
| *2. The Government provides households with goods and services that it has produced itself:* | |
| (i) at a price which is 50% or more of the production costs, not limited to specific categories of households; | Sale, not recorded in ESSPROS. |
| (ii) at a price which is 50% or more of the production costs, limited to specific households facing a social risk or need; | Social benefit in kind (valued at the difference between the market price of similar goods and services and the actual price paid by the households). Recorded on account of a government social protection scheme. |
| (iii) free or at a price which is less than 50% of the production costs; limited to specific households facing a social risk or need; | Social benefits in kind (valued at the cost of production and supply minus the part paid by the beneficiaries). Recorded on account of a government social protection scheme. |
| (iv) free or at a price which is less than 50% of the production costs; not limited to specific categories of households facing a social risk or need. | Collective services, not recorded in the ESSPROS. |
| *3. The Government makes a loan to households*: | |
| (i) at an interest rate which is lower than the market rate for social protection reasons; | Social benefits in cash (to the value of the interest foregone by government). Recorded on account of a government social protection scheme. |
| (ii) and subsequently it cancels the outstanding | Social benefits in cash. Recorded on account of |

| | |
|---|---|
| debt for social protection reasons. | a government social protection scheme. |
| *4. The Government pays market producers* [32]. | |
| (i) a current unrequited payment to influence their levels of production, their prices and/or make it possible for factors of production to receive an adequate remuneration; | Subsidies, not recorded in the Core of ESSPROS (except implicity, as an element of the value of administration costs). Under certain conditions they may be recorded in the modules. |
| (ii) in order to purchase goods and services. Subsequently, the government distributes these goods and services free or at reduced prices to households facing a social risk or need; | Social benefits in kind recorded at the moment government distributes the goods and services (valued at market prices minus any part paid by the beneficiaries). Recorded on account of a government social protection scheme. |
| (iii) in order to supply goods and services directly and individually to households facing a social risk or need; | Social benefits in kind (to the value of the actual government payment). Recorded on account of a government social protection scheme. |
| (iv) to secure entitlement to social benefits to government employees, former employees and their dependants; | Employers' actual social contributions. |
| (v) to finance (in whatever form) other social protection operations of the receiving market producers (mostly insurers running social protection schemes); | If on account of a government social protection scheme, recorded under Transfers to/from other schemes. In other cases: General government contributions (paid out of the proceeds of earmarked taxes or general revenue). |
| (vi) to finance capital formation and granted to institutional units whether or not they are running social protection schemes. | Not recorded in the ESSPROS. |
| *5. The Government pays a sum of money to other government institutions or non-profit institutions serving households* [33] *supporting social protection schemes*: | |
| (i) to secure entitlement to social benefits to its employees, former employees and their dependants; | Employers' actual social contributions. |
| (ii) to finance (in whatever form) other social protection operations of those institutional units; | If on account of a government social protection scheme: Transfers to/from other schemes. In other cases: General government contributions. |
| (iii) to finance capital formation and granted to institutional units whether or not they are running social protection schemes. | Not recorded in ESSPROS. |

[32] A "market producer" is a unit that produces goods and services and whose production costs are for 50% or more covered by income from sales. Private non-profit institutions and government units can be market producers. All private producers other than non-profit institutions are classified as market producers by convention.

[33] Non-profit institutions serving households (Code 15) comprises all resident non-profit institutions that provide most of their output to households free or at prices which cover less than 50% of production costs, except those which are controlled and mainly financed by government authorities.

| | |
|---|---|
| *6. The Government allows reductions or rebates on taxes or contributions to social security funds*: | Fiscal benefits (i.e. tax breaks granted to households for social protection purposes) in the form of payable tax credits are recorded as social benefits in the Core system.<br><br>Other reductions or relief from taxes or social contributions payable on income from social benefits, whether granted for social protection purposes or not, are taken into account in the ESSPROS module on net social protection benefits (restricted approach).<br>The impact of fiscal benefits on non-benefit income is not currently recorded in ESSPROS. Nor is relief from indirect taxation granted for social protection purposes. In the future, both might be included in an additional module on net social protection benefits (enlarged approach). |

# APPENDIX VII: The treatment of taxes and social contributions payable on benefits

Paragraph 129 of Part 1 of the Manual states that the Core system records social benefits without any deduction of taxes and other obligatory levies payable on benefits by beneficiaries.

Gross recording of social benefits has two main advantages:

(i) it depicts the functional character of benefits (the reasons why they are made) in their purest form;

(ii) it agrees with the basic philosophy of the Core system as gross data usually are straightforward and easy to collect.

However, gross data on social benefits are less adequate if, for instance, one wants to know the overall implications of social protection on the government budget or the ultimate increase in beneficiaries' disposable income due to social benefits. Furthermore, aggregate gross social benefits expressed as a percentage of GDP is not a satisfactory indicator of the relative effort that countries undertake in the field of social protection, since countries differ markedly in the measure to which benefits are subject to taxes and social contributions (34).

A variety of net concepts of social benefits may be distinguished depending on the kind of analysis required. Apart from taxes on income and wealth and compulsory social contributions, also non-compulsory social contributions and even VAT on consumption expenditure may be netted out against social benefits.

Generally, it is difficult to collect data on net benefits; proper statistical sources for the amount of tax and social contributions paid by beneficiaries are not easily found. As a consequence, estimates based on information on assessment scales and the frequency typical beneficiaries occur within the household sector are the only reliable source.

Mainly for practical reasons, the ESSPROS leaves the compilation of net benefit data to a special module. Users of the statistics are warned that for some types of analysis the use of gross benefit data as recorded in the Core system may lead to misleading conclusions.

(34) It is noted that the issue of net benefits should be analysed in connection with other influences of taxation on the social protection system, in particular tax benefits and tax exceptions related to the payment of social contributions.

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# European system of integrated social protection statistics — ESSPROS

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The European System of integrated Social PROtection Statistics (ESSPROS) was developed in the late 70s by Eurostat jointly with representative of the Member States of the European Union in response to the need for a specific instrument of statistical observation of social protection in the EU Member States. The new ESSPROS Manual and user guidelines is the updated guide for compiling and using ESSPROS data. It includes amendments and clarifications on the following topics: capital transfers, standard retirement age, re-routed social contributions.

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