

# **SOCIAL PROTECTION ACCOUNT IN THE BASQUE COUNTRY**

**Methodological Note 2008**

## 1 INTRODUCTION

This edition of the Social Protection Accounts contains information on expenditure and revenue of the social protection schemes in the Basque Country in terms of the European System of Integration Social Protection Statistics (ESSPROS), produced by EUROSTAT for the period between 2005 and 2008

The data for the previous series 1995-2003 were produced in accordance to the methodology contained in the ESSPROS Manual 1996. The current series (2005-2008) has been produced using the criteria of the reviewed version of the ESSPROS Manual, 2008 edition: [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-RA-07-027/EN/KS-RA-07-027-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-RA-07-027/EN/KS-RA-07-027-EN.PDF)

The change affects the contents of the "Old Age" and "Survivors" function, as the adopted criteria is to classify the benefits according to the reason for the right to the benefit in the relevant function, irrespective of the age of the beneficiary

EUROSTAT publishes data prepared using the new methodology by the countries for 2007, while Spain has applied the change since 2006

**SOCIAL PROTECTION:** { In the ESSPROS Manual, social protection is defined as "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". At the actions stemming from individual "agreements" are not included in the coverage of the risks, the methodology discards all those actions that may result from individual, private or household initiatives that are adopted solely and exclusively for their own benefit.

The ESSPROS social protection definition is relatively broad. Compared to other social protection statistics, such as those published by the International Labour Organisation, which only include the activities of the institutions belonging to the Social Security Systems of each country, the sphere of observation in the ESSPROS methodology includes any body, whether public or private, that carry out social protection actions according to the requirements of the general definition.

The concept also includes the list of the risks and needs referred to in the definition and which are known as Functions. They are as follows:

- 1.Sickness/Healthcare
- 2.Disability
- 3.Old age
- 4.Survivors
- 5.Family / Children
- 6.Unemployment
- 7.Housing
- 8.Social exclusion not classified elsewhere

**THE STATISTICAL UNITS:** The social protection scheme is defined as “a distinct body of rules, supported by one or more institutional units, governing the provision of social protection benefits and their financing”. Two criteria limit the designation of such statistical units, the possibility of having a separate accounting system, and the preference for the schemes that provide protection against a single risk and cover a single specific group of beneficiaries.

It is interesting to group the social protection schemes into a series of groupings with their own characteristics. The ESSPROS manual envisages some of the most important classifications from the point of view of the analysis. Each classification is independent from the others and is based on a single criterion.

The Manual proposes the following from among the many possible criteria:

- The type of unit which takes the essential decisions in the scheme
- Legal enforcement
- The way entitlements are established
- The scope of the scheme
- The level of protection provided.

The social protection schemes analyses are grouped into four major categories, which are described below.

**Schemes and scheme groups in the Social Protection Account of the Basque Country.**

**Social Security System**

- Scheme of the self-employed
- Scheme for agricultural workers
- Scheme for people working at sea
- Scheme for coal miners
- Scheme for household workers
- Occupational Accidents and Diseases scheme
- Social Security General Scheme
- Social Security Family Protection
- Social Security Clearing Fund\*

**National Employment Institute (Instituto Nacional de Empleo - INEM)**

- National Employment Institute

**Special Schemes for Public Sector Workers**

- Non-working populations
- Mutualismo Administrativo (special scheme for civil servants, armed forces and the judicial sector.
- Public Administration revenue support

**Other social protection schemes**

- Top-up grants
- Wages Guarantee Fund (Fondo de Garantía Salarial - FOGASA )
- War pensions
- Housing Policy of the Basque Country
- Mandatory benefits of the companies
- Voluntary benefits of the companies
- Private social insurance
- Social services private scheme
- Social services public scheme

Public health care system

### **The Social Security System**

This group consists of the different social security schemes, managed by the National Social Security Institute (Instituto Nacional de la Seguridad Social), the Social Institute of the Merchant Navy (Instituto Social de la Marina) and the Social Security General Treasury (Tesorería General de la Seguridad Social), together with the occupational accidents and disease mutual benefit societies.

\* Social security family protection is included in a specific scheme. The Social Security Clearing Fund is a fictitious system that acts as a clearing house for the transfers between the Social Security surplus and deficit schemes and to which the expenditure and costs that cannot be distributed between those schemes are allocated.

### **State Employment Public Service (formerly the INEM).**

It is an independent grouping in itself that stands for its important role in the social protection of unemployment situations.

### **Schemes for Public Sector Workers**

This heading includes the expenditure and revenue relating to providing social protection of the individuals coming under the Special Scheme for Public Sector Workers. This includes the so-called core benefits or non-working population scheme, and those provided by the Mutualismo Administrativo that are paid by the three public sector mutual benefit societies, namely, the State Civil Servants Mutual Benefit Society (Mutualidad Funcionarios Civiles del Estado – MUFACE), the Social Institute of the Armed Forces (Instituto Social de las Fuerzas Armadas (ISFAS) and the Judiciary General Mutual Benefit Society (Mutualidad General Judicial – MUGEJU). In addition, this group includes an estimate of the amounts paid by the different public authorities as revenue support in the cases of temporary disability and maternity leave that affect their employees.

### **Other social protection schemes**

This category includes all the social protection provided by a wide range of systems and institutions, which makes it the most assorted of the groupings. Their most important systems include:

- The public health system that includes the interventions of the Basque authorities by virtue of their health competencies.
- The public social service system that includes the responsibilities of the different levels of the authorities in the Basque Country in the field of social services.

- The benefits that the workers directly receive from their employees and which are distributed into two schemes according to the mandatory nature of those benefits.
- The insuring phenomenon that tallies with the definition of private social insurance according to the European System of Accounts (ESA-95), in particular part of the intervention of the Voluntary Benefit Fund Institutions (Entidades de Previsión Social Voluntaria - EPSV) that can be thus classified.
- The action of public institutions with a specific purpose in the field of social protection field, such as the Wages Guarantee Fund (Fondo de Garantía Salarial – FOGASA).
- The interventions of the Non-profit Private Institutions that operate in the field of social services.

**THE INSTITUTIONAL UNITS:** As has been previously indicated, SEEPROS defines social protection schemes as a distinct body of rules that, logically, cannot be holders of rights or obligations. Social protection schemes are supported by institutional units, some of which support social protection schemes as their main activity. On the other hand, others run social protection schemes only as a subsidiary activity. The most obvious example of this case is when companies are directly or indirectly responsible for the social protection of their employees.

This edition of the Social Protection Account of the Basque Country has obtained full information on social protection expenditure and revenue for the following institutional units or sets of units that have been divided into four categories.

**Institutional Units and their groupings in the Social Protection Account of the Basque Country.****State Central Administration**

- State Central Administration (in its role as employer)
- Wages Guarantee Fund (Fondo de Garantía Salarial - FOGASA )
- State Employment Public Service (Servicio Público de Empleo Estatal - INEM).
- Social Security National Institute (Instituto Nacional de la Seguridad Social)
- Social Institute of the Merchant Navy (Instituto Social de la Marina)
- Social Institute of the Armed Forces (Instituto Social de las Fuerzas Armadas)
- Ministry of Public Administration (Directorate General of Public Sector Workers and Pensions)
- State Civil Servants Mutual Benefit Society (Mutualidad Funcionarios Civiles del Estado)
- Judiciary General Mutual Benefit Society (Mutualidad General Judicial – MUGEJU)
- General Treasury of the Social Security Institute (Tesorería General de la Seguridad Social)

**Autonomous Administration**

Autonomous Administration (in its role as employer)

Basque Government's Department of Education.

Basque Government's Department of Health.

Departments of the Basque Government with responsibilities in the field of social services

Basque Government's Department of Housing, Public Works and Transport.

OSAKIDETZA – Basque Health Service

**Local Authorities**

Local authorities (in their role as employer and as social service manager)

**Private Institutions**

Companies

Free Insurance entities (Entidades de Seguro Libre)

Voluntary Benefit Fund Institutions (Entidades de Previsión Social Voluntaria – ESPV)

Non-profit Private Institutions that operate in the field of social services.

Occupational Accidents and Diseases Mutual Benefit Societies (Mutuas de Accidentes de Trabajo y Enfermedades Profesionales)

Organización Nacional de Ciegos Españoles (Spanish Organisation for the Blind)

**REVENUE:** The revenue of the social protection systems which are used to fund the expenditure are classified as follows:

1. Social contributions

1.1. Employers' social contributions

1.1.1. Employers' actual social contributions

1.1.2. Employers' imputed social contributions

1.2. Social contributions paid by the protected persons

1.2.1. Employees

1.2.2. Self-employed persons

1.2.3. Pensioners and others

2. Government contributions

- 2.1. Specific taxes
- 2.2. General taxes
- 3. Rerouted from other schemes
- 4. Other revenue
  - 4.1. Revenue from property
  - 4.2. Others

**Social contributions** are the costs incurred by the employers, protected persons or the protection schemes themselves, and which secure entitlement for the beneficiaries to receive social benefits.

**Employers' social contributions** may be actual or imputed. When the payments are made to an autonomous insurer which manages the provision of the benefits (this insurer may be a Social Security institute, a non-profit institutions or a private insurance company) or segregated reserves are established for that purpose on the balance sheets of the company, they are **actual contributions**. When the employers undertake to supply the benefit directly to their workers, without involving an autonomous insurer and without establishing segregated reserves for that purpose, they are considered to be **imputed social contributions**.

**Social contributions** may be also **paid by the protected persons**, who may be employees, self-employed persons or pensioners. Rerouted social contributions are also included and are the payments that a social protection scheme makes to another scheme in order to maintain or accrue the rights of its protected persons.

**Government contributions** are used to offset the costs of government-controlled non-contributory schemes or to complement the revenue from the other systems. They can be revenue from taxes and levies which, by law, can be used only to finance a benefit or a specific protection scheme; even though, in general, they are general government contribution from sources other than earmarked taxes (general revenue)

**Transfers from other schemes** These are unrequited payments between the different social protection schemes. They are revenue for the system that receives them.

**EXPENDITURE:** According to the ESSPROS Manual, the expenditure of social protection schemes is classified into the following concepts:

1. Social benefits
2. Administration costs
3. Transfers to other schemes
4. Other expenditure
  - 4.1. Property income
  - 4.2. Others

**Social benefits** are the core of the statistics. They are the payments, in cash or in kind, that households receive directly from the social protection schemes and which are supplied directly, that is, they imply an equivalent rise in the disposable income of the beneficiary.

The ESSPROS methodology classifies the social benefits according to different criteria. The first of these criteria classifies the benefits into the eight functions that have already been considered in this chapter. Different types of benefits, which are general specific to the function, can be distinguished in each of these eight functions.

Apart from this classification by functions and types, ESSPROS proposes two additional transversal criteria.

–The first of these criteria divides the benefits into **cash benefits** and **benefits in kind**. The cash benefits are paid in cash and do not require evidence of actual expenditure by the recipients. The benefits in kind take the form of goods or services supplied directly, or they are reimbursements for the payments that the beneficiaries have previously made to acquire those goods and services. Rerouted social contributions are defined as payments that a social protection scheme makes to another scheme in order to maintain or accrue the rights of its protected persons.

–The second criteria differentiates between the benefits that are conditional on the income and/or wealth of the beneficiary (**means-tested**) or those that are not (**not means-tested**).

**Administrative costs** are those arising from managing and administering the protection schemes.

**Transfers** are unrequited payments between the different social protection schemes.

The Other costs include property income that are mainly payments for interests and other costs that cannot be classified under the above concepts.

**FUNCTIONS:** The contingencies whose coverage is included under the Social Protection concept are as follows:

**Sickness/Healthcare Function:** Two types of benefits must be included in this function:

Cash benefits that make up for the loss of income due to sickness.

Health care irrespective of the nature of the disorder. This criterion implies that the care provided due to disability or maternity is included in this function instead of in Disability or Family/children, respectively. However, health care provided to the worker in the company is not included as it is considered to be a necessary input in the production process, from which the employer obtains a return.

**Disability Function:** This function includes different benefits that can be classified into two main types:

On the one hand, the financial benefits to compensate the beneficiary for the drop in income due to the total or partial loss of his capacity to work, in the terms established by legislation.

On the other hand, rehabilitation and other services are provided, except for health care that is reported under the Sickness/Healthcare function.

It should be noted that only the disability pension for beneficiaries who have not reached retirement age are reported in this function. The benefit is reported under the Old Age function once the beneficiary becomes entitled to an old age pension. The financial and care allowances during periods of occupational disability (pursuant to the legally established criteria) likewise are not included here, but under the sickness/healthcare function.

**Old age function:** This function covers the set of benefits designed to alleviate the consequences of old age, including loss of income, lack of independence in carrying out daily tasks or reduced participation in social life. Therefore, pensions and other care benefits are included under this function.

According to the ESSPROS Manual 2008, this function includes retirement and old-age pensions and disability pensions whose beneficiaries are aged 65 or older.

**Survivors Function:** This function includes all the economic benefits granted to individuals who have lost the relative or person who is the main breadwinner for the beneficiary. Pursuant to the ESSPROS Manual 2008, all the survivors pensions are included.

It also compensates survivors for any hardship caused by the death, such as funeral costs.

**Family / Children function:** This function includes the financial aid granted to households to offset the hardship caused by the birth and raising children, along with looking after the other members of the family. These benefits include income maintenance for working women in the period before and/or after confinement. The benefit may also be paid to the father.

This function also includes all those social services aimed at protecting the institution of families and children in particular, such as accommodation at specialist centres or private home, or child day care.

**Unemployment Function:** Pursuant to a distinction currently applied to employment policies, this function includes, on the one hand, passive measures, i.e., those that aim to mitigate the hardships of the loss of gainful employment – particularly those that are linked to not having sufficient income -, and

on the other hand, the active measures, aimed at preventing unemployment or achieving shorter periods of unemployment.

This function therefore consists of unemployment benefits (partial or full), income support or early retirement benefit provided that the reason for retirement is for labour market reasons, but also vocational training allowances and any type of assistance and benefits aimed at improving present and future employment opportunities of the beneficiary. In addition, Social Security contributions that the INEM makes to ensure the right of the unemployed covered by its services to receive certain benefits also come under this function.

**Housing function:** This function includes the assistance provided to help households meet the cost of housing. The benefit must be for the occupiers, whether they are owner-occupiers or the tenants, and not to the builders or the owners if they are living in the property. The benefits are basically provided by current transfers to help with rent costs or payment of mortgage interest.

Compared to previous editions, the costs arising from the Basque Government's exercising its housing competencies are included in this function. Therefore, the complete series has been amended to maintain the time uniformity of the results. For methodological reasons, only the amounts arising from the direct subsidies and the interest subsidies that benefit house buyers are used, along with subsidies to developers and buyers of houses for letting.

**Social Exclusion Function not classified elsewhere** This function is residual within the configuration of the functional layout established in the ESSPROS Manual. It includes those benefits related to risks and needs that are included under any other function. Logically, the function includes a multidimensional series of benefits whose common characteristic is that they aim to avoid or relieve social exclusion situations linked to an insufficient level of income or the presence of problems relating to health, education or employment.

**CONSOLIDATED TOTAL EXPENDITURE/INCOME** The Consolidated Total Expenditure/Income referred to the tables included in this volume is obtained as the sum of the expenditure/income of the social protection system groups (or of the institutional groupings), once the transfers of resources that occur between them have been consolidated. However, the value of these transfers is included in the total of the expenditure/income in each system group (or each institutional grouping).

**INTERNATIONAL AND NATIONAL PANORAMA;** One of the most interesting possibilities offered by the ESSPROS methodology is to compare the results obtained by the Basque Country with the other European Union countries

The following aspects need to be raised regarding the terms under which the comparison has been conducted:

- All of the information used in the international comparison, including that relating to Spain, has been taken from the EUROSTAT website [http://epp.eurostat.ec.europa.eu/portal/page/portal/social\\_protection/data](http://epp.eurostat.ec.europa.eu/portal/page/portal/social_protection/data)
- The data was extracted in November 2010.

**PPPs:** Some of the international comparisons are stated in Purchasing Power Parity units or PPPs. The aim is none other than to represent the acquisition power of the social benefits granted in the different countries in a reliable way, taking into account that there are different price differences between them.

**SOURCES:** The main information sources used in the analysis were as follows:

**Social Security System**

Social Security Economic Structure Directorate.

**Spanish Public Employment Service**

Spanish Public Employment Service. Institutional Relations General Sub-directorate.

**Schemes for Public Sector Workers**

State Civil Servants Mutual Benefit Society Report.

Judiciary General Mutual Benefit Society Report.

Social Institute of the Armed Forces Report.

Spanish Ministry for the Economy and Treasury. Directorate General of Public Sector Workers and Pensions.

**Other social protection schemes**

Ministry for the Economy and Treasury. Basque Government: Liquidation of the General Budgets of the Basque Country (different financial years).

Department of Employment and Social Affairs Basque Government: "Public Spending on Social Services in the Basque Country" (different financial years).

Department of Employment and Social Affairs Labour Directorate. Basque Government. EPSV Economic Report.

EUSTAT (Basque Statistics Office): "Public Outpatient Statistics" (different financial years).

EUSTAT (Basque Statistics Office): "Social Services Statistics" (different financial years).

EUSTAT (Basque Statistics Office): "Hospital Statistics" (different financial years).

INE: "Labour Cost Survey" (different financial years).

Over Sources:

EUROSTAT: <http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/themes>

EUSTAT: "Economic Accounts" (different financial years).

[http://www.eustat.es/estadisticas/tema\\_43/opt\\_0/ti\\_PIB\\_y\\_su\\_distribucion/temas.html](http://www.eustat.es/estadisticas/tema_43/opt_0/ti_PIB_y_su_distribucion/temas.html)

Ministry of Labour and Immigration: "Labour Statistics Yearbook" (different financial years).

<http://www.mtin.es/es/estadisticas/contenidos/anuario.htm>