

Monitoring and Measuring Expenditure on Social Protection Benefits of Member States in the European Union

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Abstract

Given the financial crisis that has now affected most of Europe's regions, especially due to the COVID-19 pandemic, there has been a significant increase in unemployment in many EU Member States in recent years. Governments have an obligation to control the progressive pressure on social spending given its subsidiary importance. Individuals who have difficulty in being supported, such as the unemployed and other non-working persons, in particular, are entitled to and receive social benefits in order to ensure an acceptable level of economic income.

The main objective of this Article is to respect the right to social assistance through the supervision and evaluation of social expenditure, as well as the convenient administration of the social assistance benefits system for people who lack sufficient resources, in accordance with European Union law and national laws and practices.

Key words: benefits of social assistance, social benefits, social expenses

J.E.L. classification: H55, I30, O57

1. Introduction

The European Union (EU) recognizes and respects the fundamental right to social security and social assistance by enshrining it in Article 34 of the Charter of Fundamental Rights in order to protect disadvantaged or vulnerable persons with a view to reducing economic and social uncertainty, each State having its own historical contexts, public finances and different policy options.

At European level, social protection expenditure is broken down into: social benefits, administration costs and other expenditure.

Social spending can act as an economic stabilizer. The organization and financing of social protection systems is the responsibility of each Member State according to the models used that differ from one country to another.

"The main EU policy framework for social protection is the open method of coordination (WTO), which aims to promote social cohesion and equality through adequate, accessible and financially sustainable social protection systems and social inclusion policies." (Olteanu, 2021, p.18)

Looking ahead, many focus on combining social protection policies and social investment to achieve flexibility, stability and protection, including collective risk sharing.

Data for the different Member States vary significantly, partly due to different social protection systems, demographic trends, unemployment rates and other social, institutional and economic factors.

Social protection is a distinctive component of each state that must preserve the responsibility of organizing and financing its own social security system. Security systems guarantee a minimum income, ensure social cohesion, especially in times of crisis, and promote equal treatment between men and women.

2. Theoretical background

In Romania, social policy is coordinated by the Ministry of Labor and Social Solidarity and supported by the work of other ministries, such as the Ministry of Health and the Ministry of Education.

"Social policy is the intervention of the state in the configuration of the social processes characteristic of a particular collectivity, in order to modify them in a direction considered by the political actors to be desirable." (Zamfir and others, 1995, p.22)

The areas of activity of social policy are: pensions and other social security rights, social assistance and family policies, the labor market (including unemployment) and wage policies, labor relations, occupational safety and health, health insurance and other social policies for which other ministries are responsible.

Within the framework of the European Union strategy, Romania has committed itself through the Law no. 47/2006 on the national social assistance system, which was repealed by Article 146 of the Law no. 292/2011 on social assistance in the direction of a global approach to social development policies.

Law no. 292/2011 "regulates the general framework for the organization, functioning and financing of the national social assistance system in Romania, the type of benefits, the beneficiaries and their concrete needs".

Social assistance benefits are a structure of the national social protection system constituting means of financial distribution established for persons who meet the eligibility clauses specified by the law in force. Social services are a heterogeneous system of methods and procedures of individuals, families or communities to combat and overcome certain difficult, uncertain or interdependent circumstances in order to develop quality of life and support social solidarity.

"In the public system, the insured cannot simultaneously benefit from two or more social security benefits for the same insured risk, except for those for the prevention of illness and the recovery of work capacity." (Crăciunescu, 2013, p.54).

3. Research methodology

The considerations set out in this Article concern the tracking of expenditure on social protection benefits and their size in the Member States of the European Union. In composing the Article, we resorted to various scientific methods of research, namely: induction, deduction, analysis, synthesis and comparative method.

4. Findings

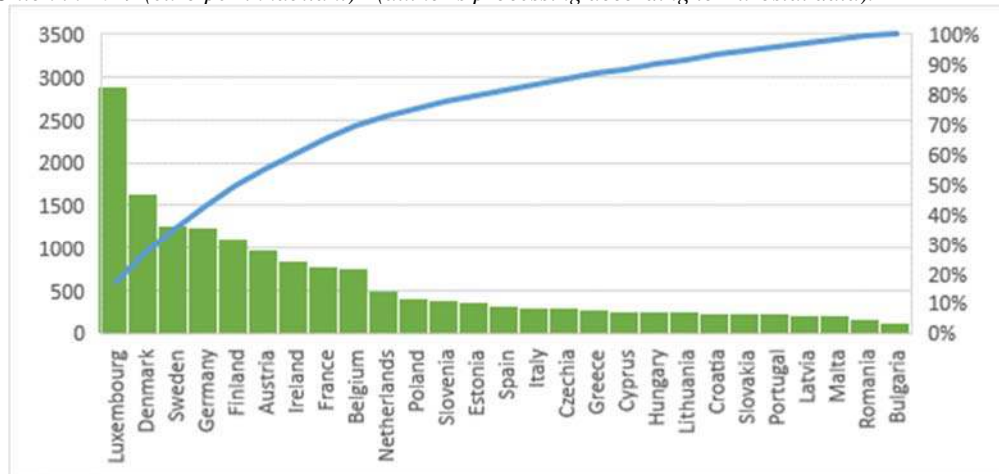
EU action in the field of social security in the EU is strictly linked to the implementation of the "European Pillar of Social Rights" or the "Social Pillar", as well as to the progress of the labor market. In 2018, the European Commission carried out the first monitoring on the implementation of the social pillar to respect citizens' rights on the basis of 20 social principles aimed at guiding EU Member countries toward a strong, fair and opportunity-rich European social unit.

Restrictive measures taken by national governments in response to the SARS-COV-2 pandemic have affected the situation of working life where major economic consequences have been observed on the labor market. It is important to note that the impact of the COVID-19 crisis should be focused on the most vulnerable segments of the working population, and that measures should be implemented to provide income support and ensure access to social protection for those vulnerable segments of the population.

The analysis in this Article shows net social protection benefits that measure net expenditure by collecting information on the average rates of taxes and social contributions paid by the beneficiaries of each cash benefit, rates which are then applied to gross expenditure for each benefit in order to acquire a net value.

According to the 2019 statistics, we see differences between EU Member States in spending on social protection benefits in euro per capita, where Luxembourg (2 891,61€), Denmark (1 639,91€) and Sweden (1 264,13€) are the top and in the last three places are Malta (201,48 €), Romania (163,62 €) and Bulgaria (119,99 €).

Figure no.1. Structure of expenditure on social protection benefits in the Member States of the European Union in 2019 (euro per inhabitant) - (author's processing according to Eurostat data).



Source: https://ec.europa.eu/eurostat/databrowser/view/SPR_NET_BEN_custom_2728503/default/table?lang=en

The data recorded in the Eurostat basic system show that in 2019 there are significant differences between gross social benefit expenditure and net expenditure in million euro in Germany (95.953,69 million euro), Italy (67.957,40 million euro) and the Netherlands (41.270,44 million euro), and Bulgaria has a low fluctuation of only 4,09 million euros.

Table no.1. Structure of gross and net welfare expenditure of the Member States of the European Union in 2019 (million euro) - (author's processing according to Eurostat data).

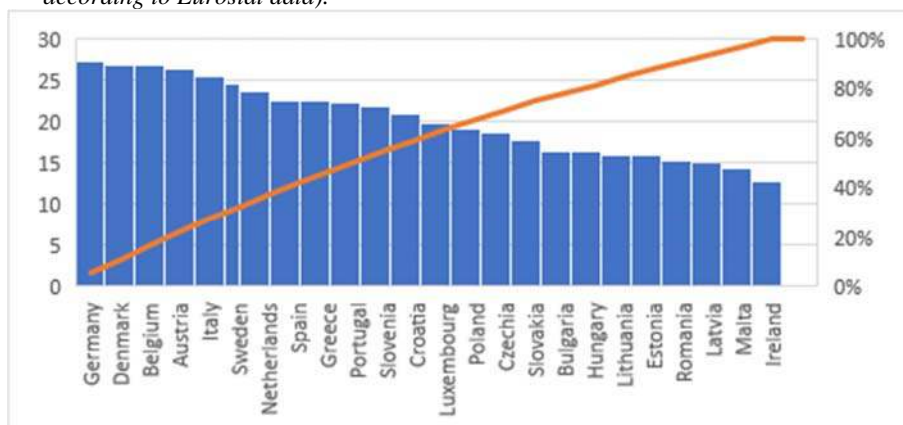
EU countries	Gross social protection	Net social protection	Differences (gross-net)
Austria	116.563,96	105.397,86	11.166,10
Belgium	137.515,33	128.876,08	8.639,25
Bulgaria	10.184,34	10.180,25	4,09
Czechia	42.407,59	42.207,79	199,80
Croatia	11.814,16	11.621,63	192,53
Denmark	97.931,87	83.793,46	14.138,41
Estonia	4.590,73	4.453,01	137,72
Germany	1.045.321,26	949.367,57	95.953,69
Greece	45.928,01	41.444,86	4.483,15
Ireland	48.427,18	46.019,86	2.407,32
Italy	524.422,00	456.464,60	67.957,40
Latvia	4.774,45	4.602,93	171,52
Lithuania	8.055,03	7.852,87	202,16
Luxembourg	13.746,55	12.402,81	1.343,74
Malta	2.059,88	2.037,00	22,88
Poland	113.451,69	102.087,13	11.364,56
Portugal	51.453,09	48.133,42	3.319,67

Romania	34.129,54	33.932,41	197,13
Slovakia	16.843,40	16.798,73	44,67
Slovenia	10.730,99	10.559,18	171,81
Spain	299.817,45	281.605,72	18.211,73
Sweden	131.622,80	116.881,40	14.741,40
Netherlands	233.884,00	192.613,56	41.270,44
Hungary	24.339,41	24.003,05	336,36

Source: https://ec.europa.eu/eurostat/databrowser/view/SPR_NET_BEN_custom_2729225/default/table?lang=en

The total net social protection expenditure in 2019, as a percentage of gross domestic product (GDP), better reveals the differences between EU Member States, thus using the Pareto chart the distribution of data in descending order of frequency, with a cumulative line on a secondary axis, as a percentage of the total (Figure no. 2).

Figure no. 2. Rate of total net social protection expenditure in 2019 (% of GDP) - (author's processing according to Eurostat data).



Source: https://ec.europa.eu/eurostat/databrowser/view/SPR_NET_BEN_custom_2729225/default/table?lang=en

According to European statistics, in 2019 it is noted that Germany is at the top with 27,33%, Denmark with 26,99% and Belgium with 26,95%, and in the last 3 posts there are Latvia with 15,02%, followed by Malta with 14,49% and Ireland with 12,91%, Romania being at the 21 position.

The purpose of the absolute value of net social protection benefits is to demonstrate the real impact of social transfers on the income of beneficiaries, limited to measuring the impact of the tax system on the value of gross benefits (in cash) registered there and cannot take into account the amount of tax benefits granted to persons who do not receive such cash benefits.

In Romania, according to the legislative provisions in force, the state consents and is responsible for granting social assistance benefits through central and local public authorities, being granted both in cash and in kind that include allowances, allowances, social benefits and facilities. The most significant expenses incurred by the authorities are: Social aid, heating aid, family support allowance; state child benefit, foster allowance, child rearing allowance and insertion incentive; Rights granted to persons with disabilities in accordance with Law no.448/2006, HIV/AIDS food allowance, indemnity of persons with severe and accentuated disabilities, complementary personal budgets granted to persons with disabilities, as well as food allowance for children with HIV/AIDS type disabilities.

Such expenditure exists in all Member States of the European Union, regardless of whether the emphasis is placed in each country according to other divergent profiles.

5. Conclusions

The efficiency of the national social protection system depends on the efficiency of the income redistribution systems within a state, i.e. on the efficiency of the tax and social systems. In a country where the shadow economy is a significant part of economic life, where tax evasion and economic fraud are a natural practice, effective income redistribution and reducing social inequality is an impossible task.

The current system of social protection can be characterized as a centralized one, even if the intentions of decentralization of some responsibilities are pronounced once the financial capacities of local public authorities are strengthened in this regard.

In terms of information, we can say that those statistics and data on the execution of the national public budget on social programs are few and do not allow an analysis of the efficiency of their use.

To this aspect we can add the lack of an information system, which would allow an operational analysis and management of the resources managed by the Ministry of Labor and Social Solidarity.

Therefore, it is not possible to monitor many indicators with statistical validity, which is recommended at European level.

We conclude that certain vulnerable groups at risk of social exclusion have a particular need for integrated social services in the community, in particular social services without accommodation, where they can receive information, advice, education, mediation, connection to resources, psychological, social, educational, medical, employment support, housing, etc. multidisciplinary interventions are essential in an inclusive urban community with high economic potential.

The role of the authorities is to facilitate access to the basic services of the community, since in the absence of alternative socio-professional integration, opportunities to improve health, adequate housing conditions and participation in quality initial and continuing education, social inclusion of vulnerable people cannot be achieved.

The reserves for the increase of the funds of social programs remained directed toward optimizing the expenditures and less toward the increase of revenues as a share in the total revenues of the national public budget.

In the institutional aspect, the way of using these funds remains an outdated one, which is based on the resources and structures taken over from the former state institutions in the field – boarding schools, local labor agencies, etc., without an analysis of the optimization of this network.

The low capacity to monitor and analyze interventions through various social programs at both central and local levels persists.

There is a tendency to induce the proposed objectives and a weak correlation of the expected effects from social programs with predestined funds.

Compared to the legislation present at the level of most developed European countries, the Romanian unemployment insurance system is focused on granting some ungenerous benefits, especially in terms of the extent to which previous salary incomes are replaced.

In the case-law of some European countries, there is an interest in differentiating the categories of unemployed not only according to their seniority and the value of their previous income, but also according to a number of additional criteria, such as the family situation or the age of the applicant. The importance of these provisions lies in the ability to mitigate a number of collateral risks of unemployment (e.g., poverty) and cover vulnerable generations from the labor market point of view (e.g. people close to retirement age), thus relieving the pension system of expenses incurred with early retirement. In the case of Romania, such a measure could have beneficial effects, providing support to a category of population that, in the absence of earned income on the labor market, seeks financial stability by "forcing" early retirement levers.

Considering the statistical data on social benefits expenses, we believe that Romania is among the last positions in the rankings, which leads us to a state of the economy inclined to decline by the absolute decrease in real terms of the level of social expenses, but not their decrease in relative terms, in a time of heightened need.

The social protection issues that all States currently encounter are of particular interest to countries in transition, including Romania.

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