

# SOCIAL PROTECTION ACCOUNTS AND THEIR RELATIONSHIP TO THE NATIONAL ACCOUNTS

BY J. B. BRODERICK

*Central Statistics Office, Dublin, Ireland*

The development of social protection accounts is described and the relationship between social security and welfare expenditure (as recorded in social protection accounts) and expenditures in the national accounts is discussed. Proposals are put forward for achieving co-ordination between social protection expenditure and expenditure recorded in the national accounts, and these are illustrated by reference to Irish data. The future development of social protection accounts by the inclusion of fiscal benefits, which are not recorded in the national accounts, is also considered. Finally some references are made to the use of the social protection accounts and the development of data relating to the numbers of persons covered by social protection and the numbers of beneficiaries.

## INTRODUCTION

Social statistics have been collected for a considerable time in nearly all countries. In the last two decades, however, greater attention has been paid to compiling series of social statistics and to developing a framework of social and demographic statistics which can be related to the international systems of national accounts.

A particular part of the field of social and economic statistics is composed of data relating to social security and related matters. The International Labour Office (ILO) seems to have been the first international organization to prepare and publish data in this field. The ILO has published a number of reports on the cost of social security, the first of which appeared in June 1952 and the eighth in 1976. Since 1962 the EEC has been engaged in the preparation of social accounts which, while covering the field of the ILO inquiry, have somewhat wider scope. This paper is concerned with the social accounts of the EEC, now referred to as social protection accounts, their future development and their relationship with the national accounts.

It appears to be particularly important at present to consider co-ordination between social protection accounts and national accounts because stress is often laid on using the national accounts as a framework for the development of economic statistics in general. However, it is likely that, in many countries, developments such as the compilation of social protection accounts are undertaken without reference to national accountants and, if this is the case, it will be difficult to see the relationship between the two sets of accounts. This relationship is discussed and proposals are illustrated by reference to Irish data for 1976. It was not possible to compile similar data for other countries from published sources.

## CONCEPTS OF SOCIAL EXPENDITURE

Many terms are used to describe certain expenditures of a social nature. These range from restrictive terms like Social Welfare expenditure (generally taken as covering income maintenance payments and expenditure on institutional

care for certain disadvantaged persons) and Social Security expenditure (sometimes covering Social Welfare and health care together with one or more other items) to Social Expenditure which is a general term used to cover all expenditures of a social nature, including housing, education, cultural amenities, etc. It is clear, therefore, that a precise definition of what one is dealing with is essential.

There are further aspects relating to coverage which may cause confusion. Expenditure of a social nature may be incurred not only by the government sector but also by other sectors of the economy, such as enterprises, private non-profit institutions and even households. Very often, however, both for the compilation of data and discussion of social policy, expenditure is confined to public social expenditure—central and local government and semi-state bodies—because reliable data are usually available for these bodies and this may not be the case for other sectors of the economy, at least in the less developed countries. Furthermore, expenditure of a social nature may be confined to current transactions or, on the other hand, may include capital transactions, such as expenditure on hospitals, dwellings, equipment, etc. Finally administrative expenditure may or may not be included.

This paper relates to social protection expenditure which, perhaps, is more generally known as social security expenditure and, therefore, includes health care. Social protection current expenditure only is considered and may be broadly divided into two categories—social protection benefits (expenditure of direct benefit to households) and administrative expenditure.

#### *The International Labour Office Definition of Social Security*

It is convenient first to consider the ILO definition of social security. Data collected by the ILO are considered as forming part of the “national social security system” and the criteria for inclusion are:

- (1) The objective of the system must be to grant curative or preventive medical care, or to maintain income in case of involuntary loss of earnings or of an important part of earnings, or to grant supplementary incomes to persons having family responsibilities;
- (2) The system must have been set up by legislation which attributes specified individual rights to, or which imposes specified obligations on, a public, semi-public or autonomous body;
- (3) The system should be administered by a public, semi-public or autonomous body.

The ILO concept of social security includes expenditure by the government and by semi-state bodies on the provision of health services and on income maintenance payments (including provision of pensions) to persons no longer working on account of sickness, retirement, unemployment, etc., and on supplementary income payments granted to those with family responsibilities.

The ILO concept does not include schemes under which an employer is required to pay benefits (whether by statute or contract) direct to his employees in respect of contingencies other than employment injury (e.g. employers' pension schemes); nor does it include voluntary or optional insurance schemes outside the government social security system; apparently the reason for exclusion of such

schemes is the lack of information about them in most of the countries for which the ILO collects data. The exclusion of both these types of schemes, the coverage of which varies significantly between countries, means that the overall figures prepared by the ILO do not always give an adequate picture of social security protection, at least in the more advanced countries.

### *EEC Definition of Social Protection Expenditure*

The importance of the study of social security was recognized by the original six countries of the European Economic Community. The EEC Statistical Office undertook the setting up of an accounting system—the social accounts of the member states. The social accounts may be said to give a picture of that social expenditure in member states, within the sphere of social security agreed, and of the method of financing this expenditure.

Social protection expenditure is defined as “any expenditure designed to indemnify individuals (or households) against the occurrence or existence of certain risks or needs, insofar as this expenditure gives rise to the intervention of a third party, but without there being any simultaneous equivalent counterpart provided in exchange by the beneficiary”. The “third party” referred to is an economic unit other than the household itself, which may be a public or private administration or an enterprise. Within the concept of social protection expenditure a distinction was made between social benefits (i.e. expenditure in the form of personal allocations to individuals or households) and administrative expenditure incurred to provide the social benefits. The social benefits were, in fact, identical with certain current transfers, in cash or kind, provided to households through the intervention of the third party, and were recorded as such in the national accounts. It is evident that the original six countries in the Community did not regard any significant part of social security expenditure as being recorded under final consumption expenditure of general government.

The list of eventualities or needs, originally agreed, was the following: sickness, old age, death and survival, disablement, physical or mental infirmity, industrial accident, employment, dependents, war, political events, and natural calamity. Housing and education are not included in the list but certain housing and education benefits which can be related to one of the listed needs are included in the accounts.

It is clear from the definition that the EEC concept of social protection expenditure is somewhat wider than the ILO concept. In particular, the EEC concept includes direct benefits of a social welfare type given by employers to their employees and private non-state pension and sickness schemes provided there is no equivalent counterpart at the same time from the beneficiary. In practice, this last condition means that private individual schemes arranged with insurance companies, in which premiums are related to the risks incurred, are excluded. However, private group insurance schemes, taken out because they are required by law, regulation, convention or contract (by industry or enterprise) are included. Clearly better international comparisons are obtained by compiling overall figures in this way because in some countries social security is organised to a greater extent through employers (generally laid down by statute) than is the case in

others. For instance, in Germany, employers continue to pay wages or salaries to their employees during the first six weeks of sickness before the state social security schemes take over. In other countries different proportions of wages and salaries are paid for a period before the state scheme comes into operation. In some other countries no wages or salaries are paid before the state scheme is used. These differences mean that even a comparison of social welfare payments (income maintenance payments) between countries is hazardous when the comparison is restricted to state schemes.

The accession of Ireland, Denmark and the United Kingdom to the EEC caused some problems in relation to the social accounts. The health services in these countries are organized a different way from that in the original six community countries. Expenditure on the state health services is recorded as government consumption in the national accounts and not as current transfers to households whereas in the other countries the greater part of state expenditure on health services eventually appears as part of household consumption. The production of health services in these other countries is part of market services, which are then either purchased by households, who are reimbursed by the government through current transfers, or provided in the form of goods and services as current transfers to households, or part of non-market services transferred to households. In either case expenditure on health services finally appears as part of household consumption in the national accounts. In Ireland, Denmark and the United Kingdom state health services are non-market services provided by general government and are recorded as part of general government consumption expenditure. This expenditure could not be included with social benefits in the European System of Accounts (ESA) because social benefits had been defined in such a way as to restrict it to current transfers to households and, therefore, a new term social protection benefits was introduced to cover social benefits and other benefits in kind.

#### *National Accounts and Social Protection Expenditure*

Social protection current expenditure appears in several different flows in the systems of national accounts developed by the United Nations, the OECD and EEC. Expenditures on benefits can appear as current transfers to households from the income and outlay account of general government, as current transfers to households from private non-profit institutions, as current transfers to households from enterprises (e.g. pensions and sickness benefit), as consumption expenditure by general government on such items as health services, as consumption expenditure by private non-profit institutions for social purposes, and as subsidies to market services (e.g. subsidized rents or transport costs); administrative expenditure appears as consumption expenditure of general government and private non-profit institutions or as intermediate consumption of enterprises. The content, however, of the different items of social protection expenditure in the national accounts is determined by the institutional arrangements in each country, which differ considerably, and therefore, these individual items of social expenditure are not readily comparable between countries.

For instance, in some countries nearly all state health expenditure is included as part of consumption expenditure by general government because the govern-

ment organizes and controls the provision of health services as well as finances this expenditure. However, in other countries although the state arranges the financing of health services, the degree of organization and control is less and the greater part of health expenditure appears as current transfers from general government or social security institutions to households and consequently is recorded as part of final consumption of households. It can be seen, therefore, that while transfer payments to households contain a large part of social protection expenditure, such figures are not comparable between different countries and could not be regarded as covering all social protection expenditure. On the other hand, the national accounts can be used to compare figures for total social expenditure by general government classified by function or purpose, because the aggregate of current transfers by general government to households and final expenditure by general government can be more meaningfully compared between countries. However, the general government accounts do not cover all social protection expenditure and it is necessary to include other sectors of the economy to achieve international comparability in this field.

One of the purposes of national accounts is to trace a clear distinction between final consumption by households and collective consumption by public authorities. In doing this the basic accounts and tables do not provide clear cut aggregates for items such as social protection expenditure. This is one of the main reasons for developing a set of social protection accounts in order that certain aggregated expenditure of a social nature may be identified and analysed. In doing this, however, it is important to preserve consistency between the national accounts and the social protection accounts and links should be developed to make it clear how the figures in both sets of accounts are related. Indeed links with social protection accounts and with other accounting systems should be considered in the context of the future development of national accounts.

Two important conclusions can be drawn from the above discussion. First, although the greater part of social protection benefits may be provided through general government, other institutional sectors also play a part in the provision of these benefits. It follows that an institutional sector break-down of the expenditure on social protection is important and this provides a direct link with the national accounts. Secondly, social protection benefits may be provided by direct transfers to households or by direct expenditure by other sectors of the economy. Therefore, a distinction according to nature of expenditure is important and this also provides a link with national accounts.

#### *The Relationship between Social Protection Expenditure and Expenditure in the National Accounts—the Nature of Social Protection Expenditure*

Current social protection expenditure is clearly of two types. First, there is expenditure which is of direct benefit to households. Most social protection expenditure falls into this category. Secondly, there are management expenses or administrative costs, and these may be difficult to isolate in some cases. Institutions responsible for social protection either redistribute resources by means of direct transfers in cash or kind to households or pay the costs of services used by households. In addition they pay the wages and salaries of their own personnel

and purchase goods and services in order to ensure that their administrative services can carry out their work. The government may subsidize certain market activities so that benefits can be given to certain households in the form of reduced tariffs. All of these operations must be distinguished in order to link the social protection accounts with the national accounts. While it may not seem important from the point of view of the beneficiary or for international comparisons of aggregate social protection expenditure to distinguish benefits recorded as part of government consumption expenditure in the national accounts from benefits recorded as transfers to households, it is, nevertheless, desirable to do so in order to portray the institutional arrangements for providing benefits and in order to ensure consistency between the national accounts and the social accounts. The following table shows a breakdown of social protection benefits by nature. Both ESA and SNA terminologies are used in the table. Items 1 and 2 (social benefits and other benefits in kind) correspond to flows in the national accounts. A third constituent, item 3 (fiscal benefits), does not appear in the national accounts but is included in the table for reasons of international comparability. Fiscal benefits are given in the form of reduced taxes which are applicable to certain households satisfying certain conditions. These will be considered later.

#### SOCIAL PROTECTION BENEFITS BY NATURE

ESA	Code	SNA	Code
1. Social benefits (current transfers to households)	R64	1. a. Social security benefits	6.4
Cash		b. Social assistance grants	6.5
Kind		c. Unfunded employee welfare benefits	6.8
		d. Casualty insurance claims	5.2 (part)
		e. Net equity of households on pension funds	8.9 (part)
		f. Wages and salaries (sick pay)	4.1
		Cash	
		Kind	
2. Other benefits in kind	R30 (part)	2. Other benefits in kind	
Subsidies to market services		Subsidies to market services	3.5 (part)
Consumption expenditure of government and private non-profit institutions	P3A (part)	Consumption expenditure of government and private non-profit institutions	2.20 (part)
3. Fiscal benefits	—	3. Fiscal benefits	—

In ESA insurance claims arising from contracts taken out by employers with private group insurance schemes because they are required by law, regulation, convention or contract are included in social benefits. Personal expenditure on insurance (e.g. for sickness or pension) may also be incurred and the resultant claims are part of accident insurance claims or affect life insurance reserves; these are not part of social protection benefits. In SNA insurance claims are not divided as in ESA and, therefore, to correspond with ESA, part of insurance claims are included in social protection benefits, together with part of the net equity of households on pension funds.

It may be thought that some social protection benefits appear in the national accounts as intermediate consumption of enterprises but this is not so. Examples of

such intermediate consumption are expenditures on subsidized restaurants at places of work, medical examination, recreational facilities, etc. While such expenditures are of some benefit to employees they also benefit employers and are not appropriate for inclusion in social protection accounts.

It is clear that fiscal benefits should be included in the accounts. The simplest example is reduction in income tax payable arising from children's tax allowances. Assistance to families may be given in this way instead of by direct cash grants to families.

Administrative expenditure appears in both ESA and SNA as either intermediate consumption of enterprises or as final consumption expenditure of government or private non-profit institutions.

### *The Function of Social Protection Expenditure*

The function, or purpose, of expenditure relates to the different fields of social activity and is the most important of the classifications both for national and international use. The list of functions is the same as the list of risks and needs adopted in the definition of social protection expenditure. These have been modified slightly since the accounting system was first set up. At present they are:

1. Sickness
2. Invalidity
3. Physical or mental disability
4. Employment injury, occupational diseases
5. Old age
6. Survivors
7. Maternity
8. Family
9. Unemployment
10. Miscellaneous (including poverty)

The functions effectively draw the boundary around social protection accounts and thereby limit the field covered. Although housing and education do not appear among the list of functions certain benefits related to housing and education are included. Thus housing benefits given to certain family groups or persons with low incomes and benefits given to assist the vocational training of adults (connected with unemployment) are included. In these cases the criterion for inclusion is that the benefits must be related to one of the functions listed and this effectively limits the field covered to social security. Naturally it is difficult to get agreement on what "social protection" should contain. Not everyone would agree with the exclusion of housing and education from the list of functions. Certain changes in the above list are at present being considered. It is likely that housing will appear as a separate function in future.

### *Units of Observation and their Classification*

In theory the household could be used as a unit of observation and information obtained from Household Expenditure Surveys, or similar sample surveys of households, could be used to compile estimates of the aggregate social protection

benefits received by households. However, since social protection benefits are organized on an institutional basis it is clearly more efficient to obtain information on an aggregate basis from institutions or parts of institutions. For example, the social security funds form an institutional sector and accounts are available showing the receipts and expenditures of the funds in the sector. Central Government is also an institutional sector and many social protection benefits are provided directly by Central Government, e.g. children's allowances; in this case the children's allowances part of Central Government is considered as an activity of the institution. An activity may be considered as part of an institution with its own separate accounts. Clearly activities can be classified according to the institutional sector classification of ESA (or SNA) shown in the following table:

Sectors and Sub-sectors	ESA Code
Non-financial corporate and quasi-corporate enterprises	S10
Credit institutions	S40
Insurance enterprises	S50
General government	S60
Central government	S61
Local government	S62
Social security funds	S63
Private non-profit institutions serving households	S70
Households	S80
Rest of the world	S90

While the above classification is useful in providing a direct link with ESA or SNA, and should also provide useful information for policy makers in showing how social protection is organized, its use in analysing social protection expenditure and studying its effect in the economy is somewhat limited. For these purposes it is more useful to classify activities according to the groups of persons protected and the nature of the protection—this classification may be referred to as a classification of systems of social protection and the following is that at present being discussed by the EEC:

#### Nomenclature of Systems

1. Basic systems
  11. National systems
  12. General systems
  13. Special systems
    131. Statutory systems
    132. Other occupational systems
    133. Systems in favour of victims of political events or natural disasters
    134. Other
2. Complementary and supplementary systems
  21. Statutory systems
  22. Other
3. Voluntary systems
4. Systems of other social measures

Thus the units of observation (the activities) can be classified either according to institutional sector or according to system of social protection. It is not proposed to go into the strict definitions of the systems here. However, the following descriptions indicate the type of systems.

A basic system is one which provides at least a level of cover to guarantee the maintenance of the minimum socially acceptable standard of living; the benefits are not intended to supplement other benefits granted for the same risk. National systems cover the entire population. General systems cover a major part of the population. Special systems cover certain categories in the population.

Complementary systems cover benefits granted in some cases where basic benefits are already granted. Supplementary systems cover benefits granted independently of the basic system but related to the basic system.

Voluntary systems are systems which the individual is free to join or withdraw from at his discretion.

Systems of other social measures cover systems of social assistance, always involving a means test, and are designed to cover cases not covered by other systems or where other systems are inadequate in particular cases.

#### *Presentation of Social Protection Expenditure*

The classifications considered—nature, function, institutional sector and system—enable a series of tables on social protection expenditure to be derived. The tables are required for two purposes: (1) to provide a link with items in the national accounts and (more importantly) (2) to enable an analysis of social protection expenditure to be carried out. Four basic tables, tables 1, 2, 3 and 4, are proposed and are shown in the Appendix. In these tables the two classifications of systems and functions are those already in use by the EEC. The other classifications proposed—nature and institutional sector—have not been used by the EEC. Only basic tables are considered here and a complete analysis of social protection expenditure is not given.

Table 1 shows social protection expenditure classified by nature and by institutional sector. The table distinguishes between social benefits (direct transfers in cash and kind to households), other benefits in kind and administrative expenditure. This table is important in showing a link between social protection expenditure and the ESA accounts. The social benefits in each institutional sector are recorded in ESA and the figures here must agree with ESA. The subsidies to market services and consumption expenditure of government and private non-profit institutions are part of corresponding items in ESA and can, therefore, be related to ESA figures. The table is also interesting in that it shows to what extent the different institutional sectors are responsible for providing social protection benefits and the manner in which they are provided, i.e. whether by direct transfers in cash or kind (social benefits), or by other means—subsidies to market services and consumption expenditure of government and private non-profit institutions which then provide the services to households (benefits in kind).

In the remaining tables social protection benefits only are shown but it would also be possible to include administrative expenditure. Table 2, which cross-classifies nature and system, shows how the systems for social protection are grouped into categories and how the systems provide the different benefits. The

emphasis here is on the systems which, of course, are not related to ESA, but are fundamental for the social protection accounts. The classification by nature and system shows the amount of benefits of different natures provided by systems.

Table 3 classifies social protection benefits by nature and function. The functional classification is perhaps the most important for analysing social protection expenditure. The table also shows how the benefits are provided.

Table 4 classifies social protection benefits by system and function. This is an extremely important table for the analysis of social protection benefits.

The total expenditure on social protection benefits as shown in these tables amounts to £848 million, which was 19 percent of GNP at current market prices in 1976. The figures in the tables, however, are not complete, since they do not include all social protection schemes providing retirement pensions through private insurance companies and all payments during absence from work on account of sick leave. The amount for these omissions can be roughly estimated at £100 million, so that total expenditure on social protection is likely to exceed 21 percent of GNP. This is a very significant figure and it is extremely important to ensure that international comparability is attained between countries in its measurement. The proposals set out here would help to achieve this.

### *Fiscal Benefits*

The social protection benefits that have been considered are those that are provided to the beneficiaries in one of the following ways:

- (1) by direct cash payments
- (2) by free provision of goods and services
- (3) by provision of goods and services below cost price,

and these benefits correspond with flows or parts of flows in the national accounts. It is possible to provide similar benefits through the application of the taxation system. The most obvious example of this is the tax allowance given in respect of dependant children, which has the same effect as a direct allowance given for dependant children. Benefits given through the operation of the tax system are referred to as fiscal benefits. Clearly the mix between direct social protection benefits and indirect (or fiscal) benefits varies between countries and even in the same country over time. It is necessary, therefore, to identify benefits of this type which should be included in social protection accounts if comparability between countries is to be obtained. In the following paragraphs some tentative proposals are put forward for consideration.

The inclusion of fiscal benefits raises problems because there is no obvious boundary to limit indirect benefits. However, in principle, the inclusion of fiscal benefits in social protection accounts should be limited to those benefits which are similar to the direct benefits already included in the accounts or related to one of the risks. There is a certain danger that all types of fiscal benefits (e.g. all types relating to family) may be proposed for inclusion even when they are scarcely relevant to social protection. The author feels that fiscal benefits should be limited by convention to those which clearly have counterparts among direct benefits. One can start with examples of fiscal benefits which should *not* be included. These comprise marriage tax allowances (because no direct allowances are paid to wives or husbands on account of marriage), inheritance and wealth tax allowances

(because these are not relevant to social protection), tax relief for superannuation contributions, etc. (because these relate to the financing of schemes rather than to benefits received).

It would appear that there are two types of fiscal benefits to be included. The first type comprises the following in Ireland: tax allowances given in respect of dependant children, tax allowances for other dependant relatives (not wives or husbands), additional tax allowances for one parent with children, special allowances for blind persons, special allowances related to old age.

The second type of fiscal benefit is related to the provision of tax free benefits. For instance children's allowances may or may not be subject to tax. If the situation varies between countries then clearly, to ensure comparability, all such benefits must be recorded net of tax or grossed up to allow for tax. It appears preferable to gross up for tax since, in general, social protection benefits are subject to tax. The amount by which the benefit must be grossed up is a measure of the fiscal benefit in this case.

In Ireland the following fiscal benefits are appropriate to the social protection accounts:

	<i>Estimated for 1976</i>
	£ million
(1) Tax foregone due to tax allowance for children	53.0
(2) Tax foregone due to tax allowance for dependant relatives	5.0
(3) Tax foregone due to <i>extra</i> allowance for widowed person	0.4
(4) Tax foregone due to <i>extra</i> allowance for persons aged 65 years and over	1.5
(5) Tax foregone due to <i>extra</i> allowance for blind persons	0.0
(6) Grossed up tax in the case of direct children's allowances which are not liable to tax	25.0
(7) Grossed up tax in the case of short-term social welfare benefits, e.g. sickness benefit and unemployment benefit, which are not liable to tax	14.0

The measurement of the value of the fiscal benefits is difficult because there are no real flows of goods or cash payments which can be measured directly. Nevertheless, it is possible to make estimates of the amount of tax foregone on the basis of certain assumptions. Clearly assumptions must be made in compiling these estimates as the marginal rate of tax varies from family to family and thus tax foregone can vary from zero to the highest rate of tax applied to the tax allowance. The estimates shown above for tax foregone were prepared by the Revenue Commissioners. These are reasonably reliable estimates.

It is more difficult to make estimates for grossed up tax in the case of benefits which are not taxable as information is not available from tax sources. The estimates shown above are, therefore, largely conjectural. The grossed up tax in the case of direct children's allowances was compiled by applying the standard rate of tax to the aggregate children's allowances. Since children's allowances are paid to all persons, irrespective of income, the marginal rate of tax in the majority of cases is probably the standard rate and the assumption is then made that the

extra tax foregone due to families paying tax above the marginal rate is equivalent to the loss in tax foregone due to families paying tax at rates below the standard rate. It is particularly difficult to obtain an estimate of grossed up tax in the case of the short-term social welfare benefits since, in a large number of cases, these benefits are paid to persons who would not be liable to tax. In this case a figure of 10 percent of short-term social welfare benefits has been taken for the fiscal benefits. The total of the above fiscal benefits comes to about £100 million, which is equivalent to about 12 percent of the social protection benefits previously considered. It should be emphasized that the above figures are quoted merely to indicate orders of magnitude and the individual figures are not sufficiently reliable to enable conclusions to be drawn.

It can be seen, however, that fiscal benefits are quite significant when compared with the total of traditional social protection benefits. No doubt the proportion of fiscal benefits varies between countries and it would be informative to have estimates of fiscal benefits compiled for other countries. It would be interesting to know whether the procedure outlined above for compiling fiscal benefits meets with general approval. If so, it should be possible to compile estimates without great difficulty. Even if it is considered that the estimates are not sufficiently accurate for inclusion in standard tables they should at least be provided separately so that the full extent of social protection can be measured. In Ireland this appears to be nearly one quarter of GNP.

#### *Capital Expenditure*

The figures for expenditure on social protection compiled by the EEC and ILO are limited to current expenditure. There are suggestions to extend the accounts to cover capital expenditure. Capital expenditure by general government in the field of social protection could be obtained from a functional breakdown of general government capital expenditure, since the greater part of expenditure on health and on social security and welfare services is relevant to social protection. However, considerable problems would arise in determining capital expenditure by other sectors of the economy in the field of social protection. How can the capital expenditure of insurance enterprises which is relevant to social protection be separated from other capital expenditure in the sector? How can the relevant capital expenditure of corporate and quasi-corporate enterprises, which provide direct benefits to their employees, be determined? It would appear, however, that the greater part of capital expenditure relevant to social protection is undertaken by general government and therefore, a compilation of general government capital expenditure would be useful. The EEC is at present engaged in an enquiry into capital expenditure by general government on social protection and this covers gross physical capital formation and capital grants to other sectors.

#### *Use of Social Protection Accounts*

It is relevant to make some brief comments on the use to which social protection accounts can be put. It is important to assess the extent of social protection in the national economy and to analyse the cost of this protection and

how it is financed. Any such analysis must, however, be incomplete unless it is supplemented with data relating to persons covered by social protection and the numbers of beneficiaries. The next important step in the development of data on social protection is to relate the economic data to persons and, while discussions have taken place on this matter, so far no data appear to have been compiled and published. Undoubtedly, there are many difficulties in relating the financial data to persons covered and beneficiaries. For example, some persons are covered by more than one activity or scheme of protection against old age or sickness. This immediately raises the problem of duplication in numbers covered and in beneficiaries.

As a first step in preparing data of this type it is suggested that all the separate activities in the different systems be listed. Each activity should then be described and the following information should be recorded:

- (1) Total amount of social protection benefits
- (2) Total number of persons covered (i.e. potential beneficiaries)
- (3) Total number of beneficiaries

In such a listing of activities some persons would appear under more than one activity for any specific function. It seems to be virtually impossible to eliminate this type of duplication using the sources normally used for the compilation of social protection data. For instance, in Ireland, while nearly all employees are covered for retirement pensions by the State Social Insurance Scheme, many of these employees are also covered for additional retirement benefits by group insurance schemes taken out with private insurance companies. Even if it were possible to identify such cases where persons are covered in more than one way, what useful information could be compiled from the data? The total number of persons receiving retirement pensions (free of duplication) could, of course, be related to the total retirement pensions paid, but this overall average is scarcely very useful for policy purposes. It would probably be more useful to have the individual activities relating to old age or retirement listed and to record the benefits paid for each activity, the persons covered and the number of beneficiaries. If this were done the usefulness of particular activities could be assessed and it could be seen whether these activities are common to a number of countries or confined to one country. There would appear to be good reasons, therefore, for compiling and publishing such information by activity, which can be done without the use of considerable resources, and it is believed that the information would be useful and informative. It would be interesting to have other opinions on this matter.

#### CONCLUSION

For the future development of social protection accounts co-ordination with the national accounts is essential. Methods of achieving this co-ordination are set out in this paper and either these, or some similar methods, should be used in compiling data. Some subdivision of certain items in the national accounts might be considered with a view to achieving better co-ordination. In order to carry out work of this nature national accountants should be actively involved in the compilation of social protection accounts, together with their colleagues in

the field of health, social security and welfare. If they are not involved then the detailed accounts of social protection expenditure, amounting to one-quarter of GNP, will not be consistent with the national accounts and it may be difficult to interpret figures in both sets of accounts.

To improve international comparability in the social protection field it is essential to introduce fiscal benefits into the accounts. International agreement should be obtained on the coverage of these benefits and on methods of compilation.

The boundary of the field of social protection is drawn by the list of functions covered and by the definitions of the functions. There is room for some further international discussion on these matters.

Finally it is important to compile and publish data on persons covered by social protection and on the number of beneficiaries, in order to relate these to the financial data. These additional data would make the social protection accounts far more useful for policy purposes.

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APPENDIX

TABLE 1

SOCIAL PROTECTION BENEFITS BY NATURE AND INSTITUTIONAL SECTOR, AND ADMINISTRATIVE COSTS BY INSTITUTIONAL SECTOR, 1976  
(£ million)

Nature	Institutional Sector	Non-Financial Corporations and Quasi-Corporate Enterprises S10	Insurance Enterprises S50	Central Government S61	Local Government S62	Social Security Funds S63	Private Non-Profit Institutions and Households S70,580	Total
	1. Social benefits							
Cash		9.9	—	252.2	39.6	236.6	—	538.4
Kind		—	11.0	9.1	1.6	3.1	—	24.9
2. Other benefits in kind								
Subsidies to market services		—	—	31.1	—	—	—	31.1
Consumption expenditure of government and private non-profit institutions		—	—	—	253.8	—	—	253.8
Total benefits		9.9	11.0	292.5	295.1	239.7	—	848.2
Administrative costs and other expenses		—	0.9	9.5	19.6	13.1	—	43.1

TABLE 2  
SOCIAL PROTECTION BENEFITS BY NATURE AND SYSTEM, 1976.  
(£ million)

Nature	System	Basic systems				Supplementary and Complementary Systems	Voluntary Systems	Systems of Other Social Measures	Total
		National Systems	General Systems	Statutory Systems	Other Special				
1. Social benefits									
Cash		48.2	255.5	90.9	0.5	4.2	—	139.0	538.4
Kind		—	3.1	0.6	—	—	11.0	10.2	24.9
2. Other benefits in kind									
Subsidies to market services		—	—	—	—	—	—	31.1	31.1
Consumption expenditure of government and private non-profit institutions		32.1	221.7	—	—	—	—	—	253.8
Total		80.3	480.4	91.5	0.5	4.2	11.0	180.3	848.2

TABLE 3  
SOCIAL PROTECTION BENEFITS BY NATURE AND FUNCTION 1976  
(£ million)

Nature	Function									
	Sickness	Invalidity, Disability	Employment Injury, Occupational Disease	Old Age	Survivors	Maternity	Family	Unemployment	Miscellaneous	Total
1. Social benefits										
Cash	77.0	22.3	4.7	203.2	46.6	2.8	83.9	83.6	14.3	538.4
Kind	14.1	—	—	8.5	—	—	—	—	2.2	24.9
2. Other benefits in kind										
Subsidies to market services	—	—	—	—	—	—	—	—	31.1	31.1
Consumption expenditure of government and private non-profit institutions	197.1	22.0	—	11.6	—	16.7	6.4	—	—	253.8
<b>Total</b>	<b>288.2</b>	<b>44.3</b>	<b>4.7</b>	<b>223.4</b>	<b>46.6</b>	<b>19.5</b>	<b>90.3</b>	<b>83.6</b>	<b>47.6</b>	<b>848.2</b>

TABLE 4  
SOCIAL PROTECTION BENEFITS BY SYSTEM AND FUNCTION 1976  
(£ million)

System	Function									
	Sickness	Invalidity, Disability	Employment Injury, Occupational Disease	Old Age	Survival	Maternity	Family	Unemployment	Miscellaneous	Total
Basic systems										
National systems	11.4	16.2	—	—	—	—	52.7	—	—	80.3
General systems	239.5	27.8	4.7	75.6	39.5	19.5	19.1	43.8	10.9	480.4
Statutory systems	26.3	—	—	63.3	—	—	1.9	—	—	91.5
Other special systems	—	—	—	—	—	—	—	0.5	—	0.5
Supplementary and complementary systems	—	—	—	4.2	—	—	—	—	—	4.2
Voluntary systems	11.0	—	—	—	—	—	—	—	—	11.0
Systems of other social measures	—	0.3	—	80.3	7.1	—	16.7	39.3	36.7	180.3
All systems	288.2	44.3	4.7	223.4	46.6	19.5	90.3	83.6	47.6	848.2