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13 Social Security

Neuchâtel, June 2015

Total Social Security Accounts 2013

3.9% increase in social benefits expenditure

According to the provisional results of the Total Social Security Accounts (TSSA), social benefits expenditure grew by 3.9% in 2013 in real terms compared with the previous year. Since 1990, continuous growth has been recorded averaging 3.3% per year. In relation to the GDP, in 2013 social benefits exceeded the value of 24% for the first time since the start of calculations in 1990, reaching 24.2%. In international comparison, however, Switzerland was below the European average.

Results in 2013 for Switzerland

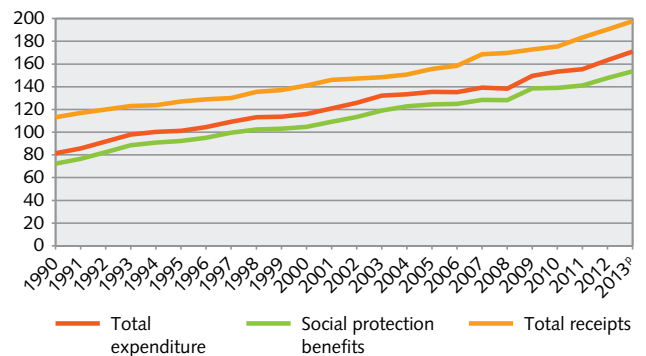
Total expenditure on social security was around CHF 170.9 billion in 2013. 90% of this amount (CHF 153.6 billion) was paid out as **social benefits**. The remaining 10% (CHF 17 billion) could be attributed to administration costs (around CHF 10 billion) and other expenditure (over CHF 7 billion).

In 2013, social benefits increased – taking into account price development¹ – by 3.9% compared with the previous year (growth rate in the previous year of 4.7%). This meant that they exceeded the average annual growth rate since 1990 of 3.3%. During this period, they more than doubled in real terms (cf. G 1).

Total receipts amounted to CHF 197.7 billion. They increased by 3.8% compared with the previous year, and by 75% compared with 1990, corresponding to an average annual growth rate of 2.5%. The positive balance of receipts and expenditure should be interpreted with caution, since the methodology does not follow purely accounting principles.

Total expenditure, social benefits expenditure and total receipts in CHF billion (at 2013 prices), 1990–2013^P

G 1



^P provisional figures

Source: FSO – Total social security accounts

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If population growth is also considered in addition to price development, the trend towards an increase in expenditure and receipts is less considerable: between 1990 and 2013, the total expenditure per capita increased on average by 2.4% per year. The increase in social benefits per capita was 2.5% and that of the receipts 1.6%.

Development in relation to the GDP

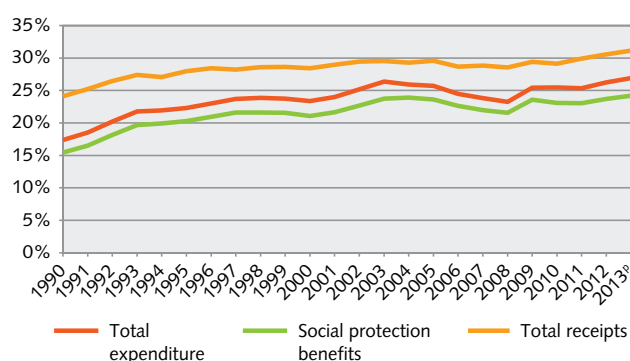
If expenditure and receipts are measured as a percentage of the Gross Domestic Product (GDP), the development of social finances is expressed in relation to the general economic development.

¹ All information on consumer prices in 2013

Revision of the GDP

Due to amendment of the methodology in 2014, the National Accounts have retrospectively revised the GDP time series. Consequently, the results of the TSSA vary from earlier publications in terms of GDP.

Total expenditure, social benefits expenditure and total receipts as % of GDP, 1990–2013^P G 2



^P provisional figures

Source: FSO – Total social security accounts

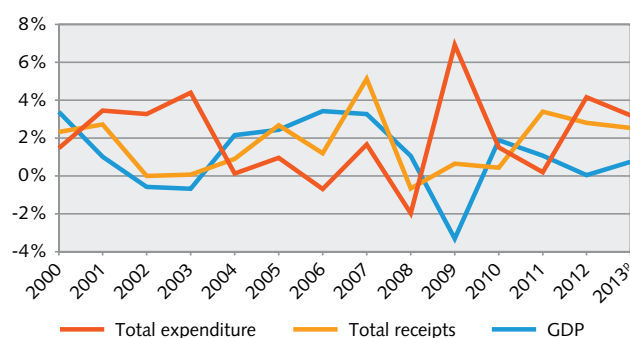
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Social benefits expenditure expressed as a percentage of GDP accounted for 15% in 1990. Subsequently, it continuously increased (with few exceptions) until 2004 to almost 24%, settling at between 22% and 24% in the following years. In 2013, it reached a new all-time high of 24.2%. Total expenditure and receipts also saw similar development, making up 26.9% and 31.1% of the GDP in 2013.

Short-term development

Growth rates of expenditure and receipts per capita vary from year to year. Whereas receipts tends to develop in parallel with economic cycles, expenditure is marked by stronger growth during economic downturns than during economic upturns. This social protection system's stabilising function was particularly noticeable in the recession of 2009.

Annual change in total expenditure, receipts and GDP per capita at constant prices, in %, 2000–2013^P G 3



^P provisional figures

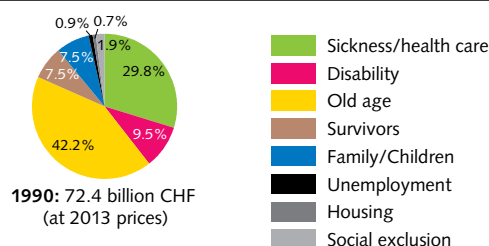
Sources: FSO – Total social security accounts, national accounts © FSO, Neuchâtel 2015

Social expenditure by function

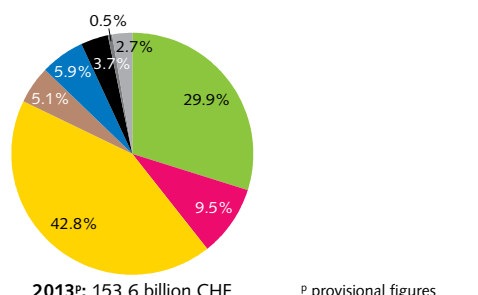
Switzerland's social security system covers various needs and protects households and individuals from the main risks. To ensure a clear and coherent overview, all social benefits are assigned to one of the following eight functions: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion.

The relative share of the individual functions has not changed substantially since 1990. More than 80% of social benefits were used to cover the functions of old age, sickness/health care and disability (cf. G 4).

Expenditure on social benefits by function, in %, 1990 and 2013^P G 4



1990: 72.4 billion CHF (at 2013 prices)



2013^P: 153.6 billion CHF

^P provisional figures

Source: FSO – Total social security accounts

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The **old age** function accounted for by far the biggest share of expenditure with 42.8%. In 2013, these benefits made up CHF 65.7 billion, with 95.7% going to Old Age and Survivors Insurance (CHF 36.4 billion) and occupational pension funds (CHF 26.5 billion).

The **sickness/health care** function followed in second place with 29.9% of benefits and CHF 45.9 billion. Mandatory health insurance (52.7%) and public financing of the health system (25.0%) account for the lion's share here.

Real expenditure for the **disability** function increased between 1990 and 2005. It decreased again from 2009 onwards with the revisions of disability insurance. In 2013, it still made up CHF 14.6 billion or 9.5% of social benefits expenditure. In 2013, 46.7% of these benefits came from disability insurance, 15.4% from occupational pension funds.

With 3.7%, the **unemployment** function made up only a small share of social benefits. However, due to the influence of cyclical economic development, it was subject to marked fluctuations. As a result of the recession, expenditure in this function in 2009 increased by 63% compared with the previous year. Two years later, this expenditure fell by 27% and compared with 2012, it increased by 13% in 2013.

Similarly, the **social exclusion** function with 2.7% accounts for only a small share of social benefits. This CHF 4.1 billion mainly consists of social assistance.

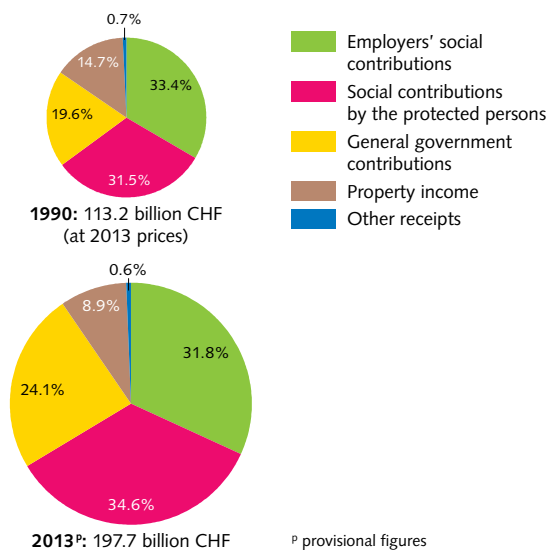
Social security funding

Receipts from social security were CHF 197.7 billion in 2013. Making up around two thirds of the receipts, employers' social contributions (CHF 62.9 billion) and protected persons (employees, self-employed persons, pensioners, with CHF 68.4 billion) represent the most important source of funding. Although the share of social contributions has hardly changed since 1990, there has been a slight shifting of the burden from employers to employees (cf. G 5). The main reason for this development was continued growth in net health insurance premiums since 1990.

The remaining third of the receipts was made up of state contributions (CHF 47.6 billion and 24.1%), property income (CHF 17.7 billion and 8.9%) and other receipts (CHF 1.2 billion and 0.6%).

Total social security receipts by type, in %, 1990 and 2013^P

G 5



Source: FSO – Total social security accounts

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Results in 2012 for Europe

The methodology used by the Total Social Security Accounts enables international comparisons with the EU28 member states, Turkey, Serbia, Norway and Iceland.

International comparisons are either possible at **function level** or aggregated level using **purchasing power standard (PPS) per capita** or **social benefits in relation to GDP**. The PPS per capita shows the level of expenditure per capita: The influence of the various price levels and demographic weightings of the countries is considered and balanced. Social benefits in percentage of GDP make clear the relative weighting of this expenditure in relation to the countries' economies.

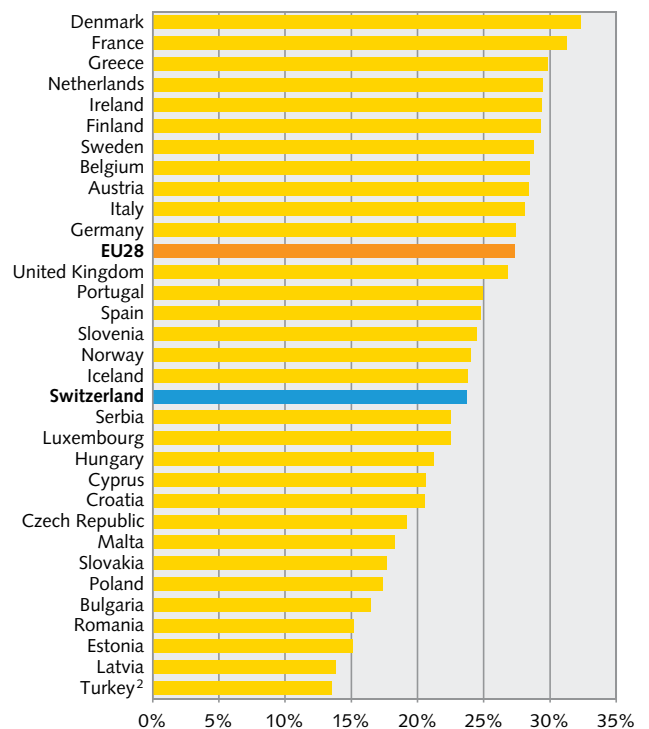
In relation to GDP

On average for the EU28 countries, social benefits in 2012 made up around 27.4% of the GDP², i.e. approx. 3.7 percentage points more than in Switzerland (23.7%). Switzerland was placed 18 out of 32.

The range of social benefits varied from 13.5% (Turkey²) to 32.3% (Denmark). In long-term comparison, Switzerland's rate was also below the EU average.

Social benefits as % of GDP², in European comparison, 2012^P

G 6



^P provisional figures

Source: Eurostat – The European System of integrated Social Protection Statistics (ESSPROS)

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Comparison in PPS

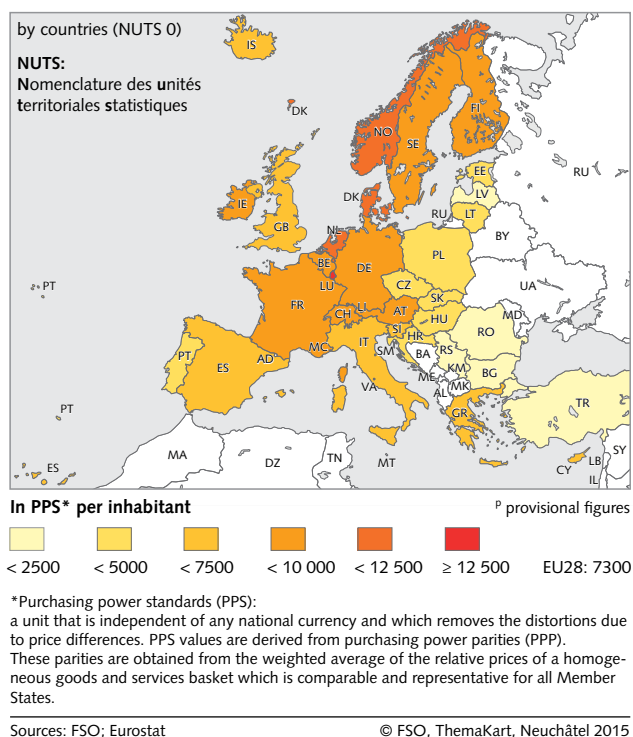
A different picture emerges if we consider the per capita purchasing power standard (PPS): With 9200 PPS, Switzerland was above the EU28 average of 7300 PPS and is in 9th place.

This rank was relatively stable over the past 10 years. Similarly, no change was seen in first place which was still held by Luxembourg (2012: 13,600 PPS) and Turkey was still at the bottom of the scale (2012: 1,800 PPS).

A wealth gap can be seen across Europe: Eastern and Southern European countries tend to pay out fewer social benefits compared with Western and Northern Europe.

² With the exception of Turkey, the GDP was revised in accordance with the ESA 2010.

Expenditure on social benefits in Europe, 2012^P M 1



Social expenditure by function

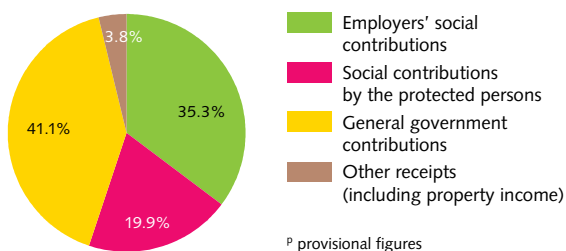
The breakdown by function in the EU28 is similar to that of Switzerland: the most important functions are old age (making up 40.6% of benefits), and sickness/health care (making up 29.6%). The functions family/children (7.8%) and unemployment (5.4%) are slightly more important in the EU than they are in Switzerland. In recent years, the latter may have increased due to the debt crisis in the EU. In contrast, social benefits for disability are higher in Switzerland.

Social security funding sources

In Europe, the funding of social security systems in 2012 was far different to Switzerland's system.

On the one hand, the share of public and employer contributions in the EU28 was far higher than those in Switzerland (2012: 41.1% and 35.3% cf. G7, compared with 24.5% and 29.8%). On the other hand, protected

Total social security receipts in the EU28 by type, in %, 2012^P G 7



Source: Eurostat – The European System of integrated Social Protection Statistics (ESSPROS) © FSO, Neuchâtel 2015

persons in the EU contributed far less to social security funding with 19.9% while in Switzerland this share was 34.8% (2012). Similarly, property income and other receipts in Europe (3.8%) was lower than in Switzerland (10.9%).

Basic principles and methodology

The Total Social Security Accounts (TSSA) are coherent composite statistics published by the Federal Statistical Office on a periodic basis. They are calculated using a number of statistical sources and provide information on finances in the area of social security. The Total Social Security Accounts method is based on the European System of Integrated Social Protection Statistics (ESSPROS) which was developed by the Statistical Office of the European Union. In accordance with ESSPROS, the TSSA were supplemented by a net social benefits and pension module in 2015.

Definition of social security

The area of social security is clearly delimited within the ESSPROS by the concept of social protection. Social protection includes all interventions from public and private bodies intended to relieve the burdens of households and individuals. Interventions are only considered if they satisfy the criterion of social solidarity, i. e. have a redistribution effect or are mandatory as the result of a law or a collective agreement.

The concept of burden is defined far more narrowly. It covers the following eight precisely defined risks or needs: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion. In the terminology of the ESSPROS, these risks or needs are described as functions.

Total Social Security Accounts

The TSSA represent Switzerland's implementation of the ESSPROS specifications. The 32 schemes form the starting point. These consist of one or several institutional units that are distinguished by a particular set of regulations (common legal basis). Old Age and Survivors Insurance may be cited as an example of an individual institution based on the Federal Law on Old Age and Survivors Insurance. In contrast, more than 2000 pension funds in Switzerland represent individual units which share the Federal Law on Occupational Old Age, Survivors' and Invalidity Pension as their common legal basis.

Further information on the internet

FSO statistics website: Social security → Total Social Security Accounts

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