

## Social security

### Social security contributions and benefits

Systematic information relating to social security contributions and benefits began to be available in 1921. From this date until 1995 data were taken from the financial reports of the institutions involved or from statistical calculation performed by the institutions themselves on their own administrative figures. In order to use these documents for statistical purposes, they had to be broken down and reclassified according to consistent schemes. In some cases, during reclassification it was necessary to use data from different sources that could act as parameters for reconstructing the items in the reports.

Since 1996 ISTAT has implemented the annual survey entitled *Final balance sheets of social security institutions*. The field of observation covers the most representative public and private institutions which provide social security benefits. These may take the form of financial aid, such as pensions, family or unemployment benefits, or support in kind such as providing food, lodging or access to thermal therapies. The resources used to provide benefits are made up of social security contributions paid by employers and workers and by transfers, mostly from the State budget.

ISTAT performs this survey in order to construct general government accounts, drawn up in compliance with the European System of Accounts (ESA95), in addition to the social protection accounts, compiled in accordance with the criteria set out by the European system of integrated social protection statistics (ESSPROS).<sup>1</sup> The baseline data are acquired through survey forms (EP1/EP2 – EP1Bis/EP2Bis). The EP1/EP1Bis form is divided into six sections. Section I covers data relating to current spending and revenue, with an in-depth analysis of spending on personnel. Section II is dedicated to spending and revenue on capital accounts. Section III provides an analysis of receivable and payable transfers while Section IV summarises the overall financial situation (deposits and withdrawals). Section V details items relating to the purchase of moveable property and real estate, distinguishing between used and new assets. Lastly, Section VI reports on the funds set aside to cover employee leaving indemnities.

On the basis of the data collected, ISTAT reclassifies the items in the reports to bring them into line with ESA95 accounting standards. In addition, for the larger institutions data are processed with the aid of a thorough analysis of the financial reports. The units of analysis are revenue and expenditure in the final balance sheet, expressed on both an accruals and cash basis (the sum of collections and payments in both the accruals account and residual accounts).

From 2003 final balance sheet data onwards the main income and expense items are analysed on a regional level and accompanied by a series of indicators designed to provide information on the economic-financial balance of the institutions<sup>2</sup>.

#### *Warnings for time series comparisons*

Over the years both the reclassification criteria for figures in the year-end balances and the universe of social security institutions included in the survey have changed. The change over time in contributions, benefits and the relationship between benefits and contributions has been affected by

<sup>1</sup> Eurostat. 2008. *Esspros Manual: Population and social conditions*. Luxembourg: Methods.

<sup>2</sup> In 2010 the time series running from 1999 to 2007 was reconstructed, and subsequently extended to 2008 ([www.istat.it/dati/dataset/20100713\\_02](http://www.istat.it/dati/dataset/20100713_02)). This series is not presented here due to the small number of observations.

the extension of social security to new social categories, in addition to the extension of the range of benefits provided. As a result of this extension, the level of benefits tends to rise faster than contributions.

- From 1921 to 1931, the considerable gap recorded with regard to INPS between contributions and benefits is due to the fact that, during this early period of the institution's activities, the provision of invalidity, old-age and survivor's pensions – which constitutes the institution's core activity – was very limited because the number of insured parties who were entitled to the pension was still very small.
- From 1921 to 1974, the figures relating to contributions and benefits include contributions made by the State and the duplications due to the transfer of funds between different departments of the same institution or between institutions.
- In 1975 a new data processing method was introduced: contributions are indicated net of contributive and fiscal deductions and benefits are shown net of adjustment entries.
- From 1985 to 1995, the figures relating to contributions and benefits are not available by institution, but only as aggregate figures.
- From 1996 the figures recorded are reclassified in order to harmonise them with ESA95 accounting schemes.