Executive Summary

Analysis of the Social Security and Civil Servants Pension Agency Outturn until the 1st Semester of 2018

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Social Security outturn in 1st semester of 2018

From January to June 2018, Social Security recorded a surplus of 1 846 million euros (M€) in public accounts. Excluding the impact of the European Social Fund (ESF) and the Fund for European Aid to the Most Deprived (FEAD) the surplus was 1 765 M€. This outcome benefitted from the 1 281 M€ surplus on the Welfare System and a 484 M€ surplus on the Social Protection and Citizenship System. Net of the impact of the European Social Fund, the largest contribution to the Welfare System came from the balance on the Pay-as-you-go Welfare Subsystem which recorded a surplus increase from 522 M€ in the 1st semester of 2017 to 912 M€ in the same period in 2018.

The growth in actual Social Security revenue, net of ESF and FEAD transfers, was 2.2%, higher than the 1.7% forecast in the Social Security Budget for 2018 (SSB/2018). That outcome reflects the rate of growth in social contributions revenue which rose by 6.8% in the 1st semester (higher than the 5.1% foreseen in SSB/2018), due to the recovery in the labour market, in terms of both the number of taxpayers and the average value of their declared wages, which increased by 4.1% year-on-year.

Social Security expenditure, net of expenditure supported by the ESF and FEAD, grew by 0.9% (or 98 M€) in the 1st semester of 2018. This benefitted from the decline in spending on pensions (-1%) and unemployment benefits (-6.7%) compared to the same period in 2017. SSB/2018 points to expenditure growth of 6.8%.

Pensions expenditure is influenced by the drop in the number of pensions and by the new way the Christmas bonus is paid, which in 2018 will be paid in full in the final quarter of 2018. In the previous year half of that bonus was paid in monthly instalments. The number of pensions (old age, survival and disability) stood at 2 923 235 at the end of June 2018, meaning less 61 938 pensions than the recorded by the same timeframe of last year. Such decline is explained by the decrease in the number of disability pensions (-59 399) and survival pensions (-4 438), since the number of old age pensions rose by 1 899. The labour market developments, which cause a gradual decrease in the number of people receiving unemployment benefits, continue to be a deciding factor in the savings on Social Security expenditure, as shown by a drop in spending on unemployment benefits.

Civil Servants Pension Agency outturn in the 1st semester of 2018

In the 1st semester of 2018 the Civil Servants Pension Agency (CGA) recorded a budget surplus of 78 M€, a lower balance than in the same period of last year (89 M€), but an improvement on the 42 M€ deficit forecast in the State Budget for 2018 (SB/2018). However, a comparison with the target should only be made at the end of the year, given the change in the way the Christmas bonus is paid.

Actual CGA revenue fell by 2.1% year-on-year, due mainly to the performance of CGA contributions and "other current revenue". That outcome contrasts with the 1.2% increase forecast for the year as a whole. Revenue from social contributions fell by 3.6% up to the end of June 2018, as a result of the decrease in the number of subscribers and the aforesaid change in the payment of the Christmas bonus (which meant that the decline in the subscribers' wage bill in the 1st semester of 2018 stood at 4.4%, double the fall in the average number of subscribers). The degree of outturn on the SB transfer designed to ensure CGA's financial balance was smaller than that seen in the same period in 2017.

Actual CGA expenditure fell by 1.9% in the 1st semester of 2018 but, excluding the impact of the monthly instalments over the same period, it would have risen by around 1.8%, a figure that compares favourably with the 2.4% increase underlying SB/2018. The rate of growth in transfers to Social Security is slightly lower than the forecast for this year. Spending on CGA pensions and benefits fell by 2.3% up to the end of June, despite the updating of pensions and the gradual unfreezing of promotions within General Government (GG). Excluding the payment of the monthly instalments over the same period, that expenditure would have grown by 1.5% in the 1st semester of 2018, although still below the 1.9% estimated for the year as a whole.

The number of pensioners, excluding survival pensioners, stood at 479 758 at the end of June 2018, less 692 than the recorded at the end of June 2017. That decrease resulted from the drop in the number of disability pensions (-1 090), as the number of "old age and other reasons" pensions rose by 398.

The negative difference between the number of subscribers and the number of pensioners continues to increase. At the end of last year the difference was 27 900 and by the end of the first half of 2018 it had risen to 30 874. This represents a year-on-year increase of 9 697, which can be explained because the decline in the number of subscribers (-2.3%) was sharper than that in the number of pensioners, excluding survival pensioners (-0.1%). This change contributed to the system's structural imbalance, involving an increase in State Budget transfers.