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PUBLIC SOCIAL EXPENDITURE IN IRELAND

FINOLA KENNEDY

BROADSHEET No. 11 *FEBRUARY, 1975*

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THE ECONOMIC AND SOCIAL RESEARCH INSTITUTE COUNCIL 1974-75

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Finola Kennedy, married with four children, was formerly a full-time lecturer in Economics in University College, Dublin. The paper has been accepted for publication by the Institute which is not responsible for either content or the views expressed therein.

Printed by Cahill & Co. Limited, East Wall Road, Dublin 3.

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ISBN 0 901809 92 6

Dedication

I would like to dedicate this study in a special way to Kieran Francis, Ruth, Michael and Susan who helped in their own fashion, and to Kieran who ensured that several drafts were written.

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Acknowledgements

The author wishes to thank those who assisted with the compilation of data, in particular Miss Carroll, CSO; Mr Lamb and Mr Kevitt, Department of Social Welfare; and Mr Fox, Department of Local Government. The following read drafts of the paper and provided valuable comments and suggestions: R. C. Geary, Kieran A. Kennedy, Patrick Lynch, Dermot McAleese, C. H. Murray, R. O'Connor and Brendan M. Walsh. The author also wishes to thank the referees for their useful suggestions. Maria Maher and Bernadette Payne provided very considerable assistance in preparing the manuscript for publication. Their help is acknowledged with gratitude.

General Summary

In the present economic environment of low economic growth, rising unemployment, mounting balance of payments deficit, and rapid inflation, the strains of maintaining and expanding public expenditure programmes have never been more acute. While the cost of providing public services is rising dramatically, growth in the tax base is constrained by the low or even negative rate of economic growth and the rising level of unemployment. Domestic savings declined in 1974 and the government is being driven into a position of increased dependence on foreign borrowing. There is urgent need to review the pattern of government expenditure and finance and to scrutinise carefully the objectives and goals of government expenditure. A sense of direction is never more important than at a time of crisis.

This paper provides a factual, analytical and judgemental study of four major areas of public authority (central and local) spending—education, health, housing and social security and welfare. These four areas are broadly classified as social expenditure, although other categories of public expenditure clearly have a marked social content. Three of the areas—education, health and social security and welfare—were responsible to a striking extent for the rise in the ratio of public expenditure to GNP over the post-war period. Because of the importance of social expenditure, which comprises about half of total public expenditure at the present time, it may be expected that a study of social expenditure will provide useful insights into the overall public finance situation.

In the first part of the paper, the facts and figures on public social expenditure over the post-war period are outlined. Secondly, three phases in social policy are identified which coincide with expenditure sub-periods. In the third and fourth parts, expenditure and finance are considered in relation to the experience of other countries, including EEC countries. The Irish level of social expenditure is also considered in relation to the level of income in Ireland. The last two parts outline the objectives of social policy, provide a brief appraisal of expenditure programmes in relation to objectives and, finally, consider the overall strategies of social policy.

1. *Expenditure*

Between 1949 and 1970, social expenditure of public authorities rose from £51·4 million to £318·4 million, representing a rise in its ratio to GNP from 13·1 per cent to 19·2 per cent. Over the same period, total expenditure of public authorities rose from £119·3 million to £706·4 million, or from 30·5 per cent of GNP to 42·4 per cent of GNP. The share of social expenditure in total expenditure of public authorities rose only marginally, from 43·1 per cent in 1949 to 45·1 per cent in 1970. This near stability resulted from a substantial fall in the share of housing being compensated by a very considerable rise in the combined share of the other three services. Over the whole period, capital expenditure, especially on housing, was considerably more volatile than current expenditure, which in the case of all four services rose with only slight interruptions. The share of central government in social expenditure has increased markedly.

2. *Policy Phases*

Public expenditure is a major means of expressing public policy. The post-war years can be divided into three sub-periods, which might be called policy and expenditure phases. These are the years 1947/51 which was a very expansionary phase; 1952/62 which was overall a regressive phase; and 1963/74 which has been a period of renewed activity, initially on an *ad hoc* basis but with a gradual trend towards a cohesive social policy. Perhaps the most important policy trend in recent years has been the shift away from selectivity, or provision on a means-tested basis, towards universalism, or general provision without reference to means.

3. *Social Expenditure in Ireland Compared with Other Countries*

Comparison with EEC countries shows that while public expenditure ratios on education and health in Ireland appear to be in line with other EEC countries, the ratio on social security and welfare tends to lag behind other EEC countries. When account is taken of the fact that our income per worker is the lowest in the EEC and our dependency ratio the highest, the low Irish ratio on social security welfare can be readily understood. Furthermore an important factor, when interpreting public social expenditure ratios in Ireland compared with other countries, is the extent to which social services have been provided on a voluntary basis. Moreover, ratios of social expenditure to GNP tell little about a number of important questions. A large total ratio is consistent with little effective redistribution to the poor. It could imply redistribution within the middle and upper income groups. A large total ratio is also consistent with low *rates* of benefit as the rate of benefits is determined both by the size of total expenditure and the number of recipients of benefits.

An examination of changes in real benefit rates between 1953 and 1974 shows that, with the single exception of the maternity grant which declined in real terms over the period, all payments increased over the period as a whole and the majority increased somewhat more than average industrial earnings. However, in the sub-period 1966/74 it is striking that both the old age non-contributory and contributory pensions grew less in real terms than industrial earnings.

Over the period 1953/74, social insurance contribution rates grew much more rapidly than any of the insurance benefits, although there was a significant increase in the range of benefits provided.

Changes in public expenditure ratios or in rates of benefit do not tell anything about the adequacy of the *level* of benefits. It is suggested that certain benefits, such as the old age assistance pension, would not *alone* provide a means of survival.

4. *Financing of Expenditure*

The ratio of taxes to GNP rose from 21·0 per cent in 1947 to 31·7 per cent in 1971. The ratio of total national debt outstanding rose from 30·2 per cent in 1947 to 56 per cent in 1972.

As with expenditure, a comparison of sources of taxation in relation to GNP in Ireland and a number of different countries is made. Two anomalies of Ireland's tax structure compared with her EEC partners which are very significant from the point of view of social policy are the very high ratio of expenditure taxes to GNP and the low ratio of social security contributions to GNP. However, before *rates* of social insurance contributions are raised substantially in an attempt to increase the *share* of social security contributions, the disincentive effects of high contribution rates on employment should be scrutinised carefully. If higher contribution rates are thought undesirable then it may be necessary to make benefits more selective. It is noted that in West Germany the cost of financing family allowances has recently been transferred *from* employers and employees to the Exchequer. If it is decided to opt for higher social insurance contributions on grounds of following the EEC pattern, then the corollary would be to reduce indirect taxation.

5. *Appraisal*

While membership of the EEC is certain to influence the pattern of public social expenditure and finance in Ireland, a large degree of national choice remains. There may, in fact, be areas in which Ireland chooses to follow an opposite line to that of other member states in regard to social policy, for example, in relation to the pattern of social security finance.

Since decisions cannot sensibly be made concerning expenditure without a statement of the objectives such expenditure is intended to achieve, it is necessary to outline the objectives of social expenditure. Furthermore, the benefits of expenditure programmes can only be assessed in relation to the goals they have been designed to achieve. It is suggested that there is sufficient evidence to distinguish the following three major aims of social policy and expenditure in the post-war years in Ireland. These are (i) the relief of poverty and the provision of a minimum standard of living for all; (ii) equalisation of opportunity; and (iii) increased productivity and economic growth.

Such evidence as is available suggests that, despite considerable achievement, there are still many who do not have an adequate minimum. In regard to equality of opportunity the assessment is limited to education. It is suggested that in certain areas of education the poor may be subsidising the rich. In the case of university education, increased grants at the lower levels of income combined with a graduated loans scheme is suggested. In regard to the third objective of economic growth it is suggested that the emphasis in our education system on technical and technological education may need to be increased. While there is evidence to show that public expenditure on income maintenance operated counter-cyclically, in regard to housing public expenditure has sometimes operated in a destabilising fashion.

6. *Overall Strategies of Social Policy*

Effective social policy in Ireland must give first priority to employment. The direct provision of employment by public expenditure on capital projects such as housing is preferable to paying equivalent sums in unemployment benefit and assistance. Secondly, tax policy must be designed to spread burdens and benefits equitably. It is pointed out, for example, that the flat rate social insurance tax is a regressive tax. With regard to the provision of services, the following measures are suggested: (i) greater selectivity to ensure a more intensive provision of service for the poorest individuals and groups; (ii) immediate attention to the most hard-pressed categories which include old age pensioners and children in poverty. This could be done by substantial increases in old age pensions and the introduction of increased children's allowances paid on a selective basis by utilising the income tax system; (iii) more rigorous estimation of cost, i.e. consideration of alternatives foregone and clearer specification of objectives. This means that public expenditure programmes must be formulated in the context of a plan for some years ahead. Finally, encouragement and support should be given to voluntary effort, which has traditionally played a major role in the provision of social services in Ireland.

Introduction

THIS paper is concerned with the development of public expenditure on education, health, housing and social security and welfare in the post-war period. The marked post-war development in the structure, administration and finance of the Irish social services has roots which extend back into the nineteenth century. Housing programmes derive from legislation initiated in the last century, chiefly the Labourers Acts (1883/1958) and the Housing of the Working Classes Acts (1890/1960). Primary and secondary education are the offspring of the Commissioners of National Education (1831) and the Commissioners of Intermediate Education (1878).

Although data comparable with those used in this study are not available for the 1920s, for central government alone no less than 37 per cent of expenditure was devoted to educational and other social purposes in 1924,[1] i.e. £8·3 million of total central government expenditure of £22·6 million. By 1929 central government expenditure for education and other social purposes was £8·1 million or 36 per cent of total central government expenditure of £22·7 million. At the outbreak of war in 1939 education and other social purposes accounted for £12·6 million or just 40 per cent of total central government expenditure. At the end of the war in 1945 expenditure on education and other social purposes was £21·2 million, or 41·8 per cent of total central government expenditure of £50·6 million.

[1] J. C. M. Eason: "An Analysis Showing the Objects of Expenditure and the Sources of Revenue during the Financial Years 1924/25 to 1929/30", *Journal of the Statistical and Social Inquiry Society of Ireland* (JSSISI), 1930/31, pp. 1-13. This was the first of a series of articles by Eason read to the Society between 1930 and 1950. According to his definition, social expenditure comprises expenditure on old-age pensions, national health insurance, unemployment insurance (part), tuberculosis, charitable donations, hospitals and infirmaries, relief schemes and wireless broadcasting. Expenditure on education is classified separately.

The emphasis on education and other social purposes was reflected in legislation in the 1920s and 1930s. In 1930, the Vocational Education Act which laid the basis for a much wider provision of post-primary education, and consequently greater expenditure on education, was passed. Progress in housing during the 1920s was considerable. Over 26,000 dwellings were built with State aid between 1922 and 1932. Important housing legislation was enacted from 1931. Housing was a major issue in the election campaign in 1932. Between 1933 and 1939 nearly 62,000 dwellings were built with State aid.

The growth of public social expenditure in Ireland since the war, which is dealt with in this paper, must be seen as a growth extending back to the nineteenth century and cultivated in the 1920s, 1930s and early 1940s. In retrospect it is astonishing that so much was achieved between 1922 and 1945 with what today seems trivial expenditure. Even allowing for differences in price movements, credit must be given for the scrupulous pursuit of economy and value for money during those years.

1. *Expenditure*

IN this paper social expenditure refers to the consolidated expenditure of public authorities on education, health, housing and social security and welfare, according to the functional classification of public expenditure in the national income accounts.[2] Debt service is included in the total expenditure of public authorities but the portion of this attributable to social purposes is not provided. In this respect, the share of social expenditure in total public authorities' expenditure may be considered as underestimated.

Overall Trends

Between 1949[3] and 1970, social expenditure of public authorities (in current values) rose from £51·4 million to £318·4 million, representing a rise in its ratio to GNP from 13·1 per cent to 19·2 per cent. Over the same period, total expenditure of public authorities rose from £119·3 million to £706·4 million, or from 30·5 per cent of GNP to 42·4 per cent of GNP, as shown in Table 1.

The share of social expenditure in total expenditure of public

[2]Published data are used for 1967/70, the latter being the latest year for which published data are available for total public authorities at present (i.e., October 1974). Data for central government only are available also for 1971 and 1972 and are referred to later. Data for 1947/66 were classified with the help of the Central Statistics Office. (In fact, published data are now available for 1965 and 1966 which are virtually identical with the estimates previously made by the author.) It appears that the delay in publishing the combined public authorities data is due to a delay in publication of the accounts of the local authorities. The *Returns of Local Taxation* for 1971 have not yet been published. This delay is regrettable as the data are essential for policy purposes. Wherever the words "social expenditure" occur *simpliciter* they include both capital and current expenditure. "Public authorities" or "Government" includes local as well as central government.

[3]1949 is taken as the expenditure base as 1947 and 1948 were abnormally depressed after the war.

authorities rose only marginally between 1949 and 1970. In 1949 the share was 43·1 per cent compared with 45·1 per cent in 1970. Indeed, in 1951 and 1957 the share was identical with that of 1970, while in 1953 and 1955 it was over one per cent higher than in 1970. This may appear surprising. The approximate stability of the social share over the period came about as a result of very different trends in the components of social expenditure. While the share of housing *fell* substantially, this decline was slightly more than compensated for by a *rise* in the share of each of the other three services. The combined share of education, health, social security and welfare in total public authorities' expenditure rose from 30·5 per cent in 1949 to 39·2 per cent in 1970. The share of education grew most, rising fairly steadily from 7·6 per cent in 1949 to just 12 per cent in 1970; the share of health rose from 8·0 per cent to 9·9 per cent, and the share of social security and welfare, consistently the largest category, rose from 14·9 per cent to 17·3 per cent. By contrast, housing, which accounted for 12·6 per cent of total expenditure of public authorities in 1949, fell to 6·3 per cent in 1961, recovered to 7·7 per cent in 1966 and then fell back to 5·9 per cent in 1970. This represented the lowest share for housing in any year over the whole period 1949/70. Expenditure on housing in 1970 at £41·3 million was almost £6 million below the level of the previous year, partly due to the cement strike in 1970.

It is not yet clear whether the low figure for housing in 1970 should be regarded as temporary and exceptional, since figures for total public authorities' expenditure for subsequent years have not yet been published. However, figures for central government alone are available for 1971 and 1972, and it is significant that expenditure on housing as a proportion of total central government expenditure was only marginally higher at 5·9 per cent in 1971 and 1972 compared with 5·8 per cent in 1970 and 6·4 per cent in 1969.

The share of housing in total public authorities' expenditure has, except for very slight increases in 1952, 1955, 1966, 1967

TABLE I: *Social expenditure and total expenditure of public authorities* 1947/70.

Expenditure	1947		1949		1951		1961		1965		1966		1970	
	£m	% of GNP	£m	% of GNP	£m	% of GNP	£m	% of GNP	£m	% of GNP	£m	% of GNP	£m	% of GNP
Education	8·3	2·5	9·1	2·3	12·0	2·9	21·8	3·0	40·6	4·0	41·8	3·9	84·4	5·0
Health	6·2	1·9	9·5	2·4	13·0	3·1	20·4	2·8	32·0	3·2	37·1	3·5	70·2	4·2
Housing	3·4	1·0	15·0	3·8	18·7	4·5	14·8	2·0	27·2	2·7	29·7	2·8	41·3	2·5
Social security and welfare	13·9	4·2	17·8	4·5	18·8	4·5	40·2	5·6	60·1	5·9	67·9	6·4	122·5	7·4
Total social	31·8	9·6	51·4	13·1	62·5	14·9	97·2	13·4	159·9	15·8	176·5	16·6	318·4	19·2
Total public authorities	90·5	27·3	119·3	30·5	156·2	37·2	236·1	32·6	365·7	36·1	386·1	36·3	706·4	42·4

Per cent of total public expenditure

	1947	1949	1951	1961	1965	1966	1970
Education	9·2	7·6	7·7	9·2	11·1	10·8	11·9
Health	6·9	8·0	8·3	8·6	8·8	9·6	9·9
Housing	3·8	12·6	12·0	6·3	7·4	7·7	5·8
Social security and welfare	15·4	14·9	12·0	17·0	16·4	17·6	17·3
Total social	35·1	43·1	40·0	41·2	43·7	45·7	45·1

and 1969, declined in *every* year between 1949 and 1970. The only marked recovery in the share (0·6 percentage points) occurred in the two successive years 1966 and 1967.[4]

The stability of the overall social share in the total expenditure of public authorities between 1949 and 1970, despite significant shifts in its composition, raises an interesting possibility. It is suggestive of constraints in the budgetary and decision processes during those years which set fairly stringent limits to the balance between social and other public expenditure. To some extent, awareness of these limits is evidenced by arguments during the 1950s (for instance in the *Reports of the Capital Investment Advisory Committee* and in *Economic Development*) for a "productive shift" in public spending. In fact, the social share fell from 43·1 per cent in 1949 to 40·0 per cent in 1951. By 1957 it was up to 45·1 per cent but fell back to 41·8 per cent in 1961, most of the fall occurring between 1957 and 1959. Over the whole post-war period, the social share never rose higher than 46·2 per cent (1953). Nor did it fall below 40·0 per cent (1951) despite persistent recommendations by economic advisors, such as the Capital Investment Advisory Committee or the *Reports of the Central Bank*. An upper boundary exists because of the demand for other non-social public expenditure and also because of the broader limits to the growth of the public share in GNP to which reference is again made later on. Presumably, a lower boundary is set by "needs" however determined, political considerations, and the pattern of social service provision elsewhere, chiefly in the United Kingdom which we have tended to follow. The lower boundary is also influenced by the obligation to fulfil existing commitments, for instance due to "open-ended" schemes, and the obligation to implement policies already embarked upon. The rise in the dependency ratio from 62·5 per cent in 1946 to 73·6 per cent in 1966—the ratio rose from 65·4 per cent to 73·3 per cent between 1951 and 1961 alone—coupled with high levels of

[4]It is possible that comparable data for 1973 and 1974, when they become available, will also show recovery.

unemployment during the 1950s, all contributed to automatic growth in social security expenditure.

Changes in relative prices will also affect the limits of the social share in so far as these may differ from the non-social share.[5]

A significant fact which emerges from the foregoing is that public social spending has grown rapidly, *not* because of a change in the balance of public expenditure as between social and other forms of expenditure, but because total public authorities' expenditure has grown much more rapidly than GNP as evidenced by the rise in its share of GNP from 30·5 per cent in 1949 to 42·4 per cent in 1970. This growth has been facilitated because of the progressive impact of total taxation relative to total GNP and because deficit financing clearly seems to be on the increase. At the same time, it is recognised that government motivation may be very different as between (i) social, and (ii) other expenditure.

Current and Capital Expenditure

Table 2 shows that social current expenditure increased from 42·9 per cent of total public authorities' current expenditure in 1949 to just 50·0 per cent in 1970, while the social capital/total capital ratio was 43·6 per cent in 1949 compared with 27·8 per cent in 1970. As might be expected, the capital share was considerably more volatile than the current share over the period. After the war it rose from 17·6 per cent in 1947 to a peak of 45·0 per cent in 1950. It declined throughout the 1950s to 20·5 per cent in 1960, the lowest level since 1947. By 1965, it had recovered to just 30 per cent and rose to 36·2 per cent in 1967. The 1970 level of 27·8 per cent is the lowest since 1964. Of the four social services, capital expenditure on housing was by far the most important category of capital expenditure. It accounted for almost 40·0 per cent of total

[5]Consideration is given to this point in Finola Kennedy: *The Growth and Allocation of Public Social Expenditure in Ireland Since* 1947, unpublished Ph.D. thesis University College, Dublin, 1971.

capital expenditure in 1950, but this declined drastically during the 1950s to a low point of 15 per cent of total public authorities' capital expenditure in 1960. In 1970 it accounted for 17·1 per cent. Capital expenditure on education has steadily increased since the early 1950s. In 1951 it accounted for only 1·9 per cent of total public capital expenditure, but had risen to 4·4 per cent by 1960. During the 1960s the share more than doubled and by 1969 it accounted for 9·5 per cent of public authorities' capital expenditure, falling slightly to 8·6 per cent in 1970. The substantial rise in the share of education in public capital

Table 2: *Social expenditure as a proportion of total expenditure of public authorities,* 1947/70

Year	*Social current as a proportion of total current*	*Social capital as a proportion of total capital*	*Total social as a proportion of total public authorities' expenditure*
	per cent	*per cent*	*per cent*
1947	37·9	17·6	35·1
1949	42·9	43·6	43·1
1950	42·5	45·0	43·2
1951	40·2	39·7	40·0
1955	47·7	41·7	46·2
1960	48·3	20·5	41·8
1961	46·5	21·4	41·2
1966	49·1	33·3	45·7
1968	48·5	32·6	44·5
1970	49·8	27·8	45·1

expenditure during the past ten years reflects both the increased capital transfers to secondary schools and universities as well as the building of comprehensive schools and regional technical colleges.

Capital expenditure on health as a proportion of total public capital expenditure rose from 2·9 per cent in 1949 to a peak of 10·3 per cent in 1953 and then fell without interruption to a mere 0·9 per cent in 1963. It increased again to 3·3 per cent in 1966 but tapered off to 2·2 per cent in 1970.

An interesting comparison which will be referred to again in Part 2 may be made between the projections of public social capital expenditure given in the first and second programmes and the actual outturn. Marked differences exist between projection and outturn for expenditure on building and construction of houses, schools and hospitals. For the greater part of both programme periods, actual expenditure on building and construction fell well below projected expenditure in real terms. The shortfall was particularly marked in the early years of the First Programme. In the closing years of each programme actual expenditure exceeded projected expenditure. During the First Programme period, the shortfall of the first three years can be largely explained by the shortfall in housing while the surplus in the closing years is due mainly to a faster than anticipated growth of expenditure on houses and schools. During the Second Programme period, apart from 1964, when actual expenditure on housing was less than projected, and 1966 when the same was true for schools, actual expenditure on these two services exceeded projected expenditure every year. By contrast, actual expenditure on hospitals was below projected expenditure in each year.

Growth in Central Government Share in Social Expenditure

Between 1949 and 1970 the share of central government in social expenditure increased from 55 per cent to 62 per cent while the share of local authorities correspondingly declined from 45 per cent to 38 per cent. When account is taken of the portion of local authorities' social expenditure met directly by grants from central government, the local authority share fell from 40 per cent in 1949 to 21 per cent in 1970. However, this does not illustrate the full measure of local authority dependence on the State in relation to social expenditure. It does not take account of that part of local authority social expenditure which may be financed from the agricultural grant paid by the central government to the local authorities in lieu of rates. Nor does it take account of the capital funds raised for the local authorities through the Local Loans Fund.

Table 3: *Percentage distribution of social expenditure between central government and local authorities,* 1949/70

Social Expenditure	1949	1966	1970
	per cent	*per cent*	*per cent*
Local Authorities	45	36	38
Central Government	55	64	62
Public Authorities	100	100	100
Local Authorities less Central Government grants*	40	25	21

*i.e. less Central Government grants net of transfers from Local Authorities to Central Government.

Source: National Income and Expenditure and Returns of Local Taxation.

2. *Policy Phases*

PUBLIC expenditure is a major means of expressing public policy, thus changes in public social expenditure may be expected to reflect changes in public social policy. The post-war years can be divided into three sub-periods which might be called policy and expenditure phases. These are the years *1947/51* which was a very expansionary phase; *1952/62* which was overall a regressive phase; and *1963/74* which has been a period of greatly renewed activity, initially on an *ad hoc* basis but with a gradual development towards a cohesive social policy.

1947/51

This period commenced under a Fianna Fáil Government and saw the rise and fall of the First Coalition Government. The general election of 1948 was fought largely on social issues and the Clann na Poblachta party was formed as a party committed to social reform. It was a period of active campaign for improvement of the health and social security services and of housing. Between 1947 and 1951, public social expenditure doubled from £31·8 million to £62·5 million and increased its share of GNP from 9·6 per cent to 14·9 per cent. (It must be remembered, of course, that activity, especially in building and construction, was very depressed in 1947.)

One of the first signs of the campaign for improved services was in 1947 when Dr James Ryan, then Minister for Health, introduced a Mother and Child Bill in the Dáil. He stated at the time:

> It is proposed to make available to everyone in the country, if they wish to avail of it, a free service for mothers and for children up to the age of 16 years.[6]

[6]Parliamentary Debates, Dáil Éireann, (PDDE), Vol. 107, Col. 896.

The campaign was subsequently taken up by Dr Noel Browne when he became Minister in 1948. In 1949, a White Paper on social security[7] was published, containing plans for the extension of social insurance.

Even earlier, a White Paper on building and construction, *The Post-War Building Programme,* had been published in 1945. This envisaged considerable growth in housing. There was a spectacular growth in the number of houses built with State aid from 1,602 in 1947 to 8,113 in 1949 to a peak of 14,000 in 1952. Employment in housebuilding (private and local authority) rose from 6,865 in 1947 to a peak for the whole post-war period of 18,733 in 1950. In 1949 a seven-year programme for urgent hospital building was launched. The programme aimed to provide 12,100 beds and 330 cots. About two-thirds of the programme was completed at the end of the seven-year period in 1955. Capital expenditure on hospitals (including equipment) grew from £746,000 in 1948 to a peak of £4·3 million in 1952. In contrast to the other services, there was little activity in education. In 1949 there was an order to limit school building, despite deplorable conditions in many national schools.

1952/62

Overall this was a regressive phase. Social expenditure *fell* to 13·7 per cent of GNP in 1962 compared with 14·8 per cent in 1952. However, the share of public authorities' social expenditure in total public authorities' expenditure did not reach its peak of 46·2 per cent until 1955. In 1955 and in 1970 current social expenditure as a percentage of total social expenditure was 48 per cent and 50 per cent respectively and the capital ratio was considerably higher in 1955 than in 1970 as shown in Table 2. Therefore, where the really intensive decline took place was in social capital expenditure between 1955 and 1960, although capital expenditure on housing had begun to fall in 1951. Over the entire post-war period there

[7]*Social Security: White Paper Containing Government Proposals for Social Security,* Stationery Office, 1949.

were very few occasions when current expenditure on a service fell. Among the few examples were between 1951 and 1952, and 1957 and 1958, when current expenditure on health fell by 4·5 per cent and 8·1 per cent, respectively, and between 1956 and 1957, and 1957 and 1958 when current expenditure on housing fell by 3·3 per cent and 3·5 per cent, respectively.

Following the collapse of the First Coalition Government over the Mother and Child Scheme in 1951, the incoming Fianna Fáil Government were more cautious in their reforming zeal. The Social Welfare Act 1952 was a very moderate one. It marked a shift from assistance to insurance services, though limiting insurance to the employee class. At that time, over one million persons aged 16–64 were outside the employee class. The shift from assistance to insurance is illustrated by the fact that in 1947 assistance payments comprised 77 per cent of total social security payments compared with 70 per cent in 1953 and 54 per cent in 1961. The insurance wing of income maintenance was further strengthened in 1961 with the introduction of contributory old-age pensions. Apart from this innovation, the extension of children's allowances to the second qualified child in 1952[8] and the introduction of maternity allowances in 1953, were the only significant changes in the system during these years. The policy objective remained very much as indicated in 1947, i.e. to provide a minimum standard:

> The main objective of social welfare schemes administered by the State is to help the individual when, through no fault of his own, he is in danger of being overwhelmed by poverty.[9]

There were considerable economic difficulties during the 1950s which made development of the social services more difficult. Also, in the late 1950s and early 1960s national goals

[8]Children's allowances were first introduced in 1944 for third and subsequent children.

[9]*First Report of the Department of Social Welfare 1947/49*, Stationery Office, 1950.

were being stated unequivocally in terms of economic growth. In *Economic Development,* high taxation was described as an impediment to growth and one of the steps towards the stabilisation and eventual reduction of taxation was seen to lie in "deferring further improvements in the social services until a steady growth in real national income is well established".[10]

The Health Act (1953) was much more limited than previously intended, either by the immediate post-war Fianna Fáil Government or by the First Coalition Government. After 1952 hospital building slowed down, partly due to lack of funds and partly due to the near adequacy of bed numbers for TB patients, although bed requirements for other purposes were not satisfied.

The position with regard to hospital building deteriorated further in the mid-1950s. By 1957, the assets of the Hospitals' Trust Fund had been exhausted. The previous year the Minister for Finance had decided that he would cease to provide grants-in-aid to the Fund. Furthermore, a growing portion of the Fund money was devoted to meeting deficits of the voluntary hospitals rather than for capital purposes. The net result was that new hospital building works were deferred unless, as the Minister said, "they are absolutely essential to maintain existing services and of comparatively small cost".[11] An important event in 1957 was the establishment of the Voluntary Health Insurance Board by Mr T. J. O'Higgins (now Chief Justice), Minister for Health in the Second Coalition Government.[12] The Voluntary Health Insurance Board gave the opportunity for health insurance at reasonable cost to the better-off sections of the community. And in 1960 the Health

[10]*Economic Development,* Stationery Office, 1958, p. 24. It should be pointed out that any cutback of social expenditure then envisaged, either in the field of income maintenance or housing, was intended not merely to favour productive expenditure but to create the possibility of increased social spending later on, as new resources became available.

[11]*PDDE,* Vol. 167, Col. 511.

[12]Income tax concessions in respect of premiums paid for health insurance had been introduced by the Minister for Finance in 1955.

Authorities Act was an important step in the rationalisation of the administration of the health services.

In housing, a period of slowdown began in 1952, culminating in a massive cut-back in expenditure between 1956 and 1958. Between 1956 and 1958, public authorities capital expenditure on housing was halved, falling from £14·3 million to £7·6 million in 1958 prices. The fall in investment in dwellings accounted for 41 per cent of the fall in total gross domestic fixed capital formation in 1957, with the fall in local authority housing alone accounting for just half of this. Employment in housebuilding declined from just 15,000 in 1952 to 5,000 in 1961, while in local authority housing alone, employment fell from 10,407 in 1952 to 1,694 in 1961.

This decline in housing resulted both from a shortage of financial resources and from a belief—later proved to be mistaken—that housing needs were almost satisfied. The former was vitally important. Capital was comparatively abundant from 1947 to 1951 due to the high level of external assets, and the availability of Marshall Aid and Hospitals' Trust funds. In 1951 the rapid spending of the remaining Counterpart Funds, the severe balance of payments crisis, due partly to the Korean War, and the depletion of Hospitals' Trust money all contributed to capital scarcity.

In education, policy remained cautious although two significant changes were introduced by Mr Lynch when he was Minister for Education. These were the removal of the ban on married women teachers in 1958 and the extension of St Patrick's Training College. It is significant that the only branch of education discussed in *Economic Development* was agricultural education which was described as "the Cinderella of the educational household from primary school to university".[13]

1963/74

From around 1963 there was a fresh upsurge in social spending. Partly due to the satisfactory economic situation, social

[13] *Economic Development*, p. 109.

expenditure grew from 13·7 per cent of GNP in 1962 to 16·6 per cent in 1966. By 1970 social expenditure approached 20 per cent of GNP. The rise in public social expenditure was part of a general rise in public expenditure relative to GNP, since the social share of public expenditure did not change substantially. But apart from the improved economic situation, there were a number of other important factors. Due to the neglect of the 1950s, there was a pressing backlog of needs. For example, in housing a full-scale crisis broke in 1963 and a housing emergency was declared when a number of Dublin City tenement buildings collapsed, resulting in the deaths of two children in Fenian Street and of an elderly couple in Bolton Street. Another vital factor was the advent to power of a new generation of politicians. In Part 1 reference was made to the discrepancy between actual social capital expenditure and projected expenditure as set forth in the *Second Programme for Economic Expansion* (SPEE). The surge in capital spending on education and housing, particularly marked from the mid-1960s, and the persistent underspending on hospitals, apparently took place despite economic planning, which presumably reflected what was thought to be desirable from the viewpoint of economic criteria. The explanation of this phenomenon must be associated in part with the advent of a number of energetic and determined Ministers responsible for social expenditure. The end of the 1950s was marked by the departure of some historic faces from the Cabinet ranks and the advent of a number of new men[14] eager to leave their stamp on the Departments assigned to them by introducing improvements in the area of their responsibility. This could be achieved to a significant extent by ensuring that funds were devoted to their programmes. In particular, Dr Hillery who was Minister for Education 1959/65 must be mentioned as an innovator in that

[14]Professor Basil Chubb has shown that when Mr de Valera formed his last Cabinet in 1957, the average age of Ministers had finally begun to decline. See *The Government and Politics of Ireland*, Stanford University Press and Oxford University Press, 1970, p. 173. Mr Lemass's Cabinet in 1965 was being described as the "youngest Cabinet in Europe".

area whose achievements in that Department have received less attention than they deserved. Mr Blaney, during his second term as Minister for Local Government, pursued policies of expansion in housing expenditure in the face of considerable opposition from conservative forces, and in conflict with the ordinances of the economic plans. By contrast, it is interesting that while Mr MacEntee, a member of the old guard, was Minister for Health 1957/65 capital spending on health was less than planned, whereas his successor, Mr O'Malley, made a dramatic impact on the Department in his one year as Minister.

Some examples from the services illustrate the renewed activity at this time. The year 1963 was a very important one in Irish education. In that year the comprehensive schools were launched by Dr Hillery. The direct provision by the State (as distinct, of course, from the vocational education committees) of a post-primary school building introduced an entirely new principle into education. In 1964 building grants for secondary schools were introduced. In 1965 the major study, *Investment in Education,* directed by Professor Patrick Lynch, was published. Free post-primary education for all was introduced in September 1967. A university grants scheme was launched in 1969. The Limerick Institute of Higher Education was opened and a National Council for Educational Awards established. Further encouragement was given to education on the grounds that it would help to foster economic growth.[15]

In health a considerable amount of investigation—the basis for subsequent reform—was undertaken and contributed to the 1966 White Paper. This, in turn, led to the introduction of a choice of doctor scheme for general services and the establishment of Area Health Boards, Regional Hospital Boards and Comhairle na nOspideal, following the Health Act (1970).

The establishment in 1966 of the Department of Labour,

[15]*SPEE*, Chapter 8.

which has a large social as well as economic component in its function, and the establishment of the Industrial Training Authority in 1967 were important milestones in spheres allied to social welfare and education. In addition to increases in benefit rates important changes were sponsored by the Department of Social Welfare during the 1960s. These include the introduction of the old age contributory pension in 1961, mentioned earlier, the extension of children's allowances to first children from November 1963 and the introduction of the occupational injuries insurance scheme in 1967. This replaced the workmen's compensation scheme under which a claimant had to pursue his claim in the courts. In 1968 the maximum duration of unemployment benefit was extended from 156 to 312 days. Also, the social insurance of women employed in private domestic service and in agriculture was extended to include cover against unemployment (31 October 1966). Nonetheless, it continued to be recognised that there was room for further improvement.[16] The publication of the *Just Society* document together with discussions on EEC entry contributed to awareness of defects. In 1964 Professor Kaim-Caudle published a study on social security[17] which opened with the following remark:

> Advances in social welfare and possible modifications are at present being widely discussed in Ireland.

In that paper he adverted to the low level of benefits both absolutely and relative to those in the United Kingdom and Northern Ireland. Professor Kaim-Caudle listed seven suggestions for the improvement of the services and it is interesting to note that a number of these, such as the payment of death benefit, the extension of compulsory social insurance to all employees of insurable age and the introduction of a pay-related insurance scheme, were subsequently introduced. The last

[16]See Mr Boland's speech in the Dáil in 1963; *PDDE,* Vol. 202, Cols. 1649-50.

[17]P. R. Kaim-Caudle: *Social Security in Ireland and Western Europe* Dublin: The Economic and Social Research Institute, Paper No. 20, 1964.

two proposals mentioned were introduced in 1974 while death benefit was introduced in 1970. Another improvement in the services was the introduction of a scheme of redundancy payments under the Redundancy Payments Acts (1967 and 1969). This scheme comes within the administration of both the Departments of Labour and Social Welfare.

Other important developments included the extension of social insurance by the introduction of retirement pensions and invalidity pensions (1970); the extension of social assistance by the introduction of allowances for deserted wives (1970); incapacitated old age pensioners (1970), unmarried mothers (1973), ageing single women (1974), prisoners' wives (1974); and the introduction of an adult dependant allowance for old age (non-contributory) pensioners (1974).

In housing an important White Paper was published in 1964. This was followed in 1965 by the launching of the Ballymun scheme. This marked greater State, as distinct from local authority, involvement in housing. However, in 1965 and 1966 the curbing of housing was again used as a deflationary expedient. This contributed to a decline in fixed capital formation in building and construction of 3·2 per cent in 1966, whereas in the previous five years there had been an average annual increase of 12·6 per cent. In 1969 another White Paper appeared and this led to the Housing Act (1970) which, in turn, has helped to stimulate housing activity.

The past seven to eight years have witnessed the intensification of an important trend in the social services, i.e. the shift away from *selectivity*, or provision on a means-tested basis, towards *universalism*, or general provision without reference to means. This is evident from the introduction of free post-primary education for all, compulsory social insurance for all employees and the proposed free hospital services for all. This trend might be regarded as the single most important change in the provision of social services, the merits of which are considered later in Part 5.

Also, there has been a new recognition of the importance of

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internal balance in public expenditure. The meaning of such a balance was well expressed by Mr Haughey in his Budget Speech as Minister for Finance in 1967:

> Expenditures on the public capital programme falls into two categories. The first—building and construction—comprises what can be loosely described as social investment. The second, by and large, comprises development expenditure. These two types of investment are closely related and interdependent. We cannot afford the first without providing in reasonable measure for the second. At the same time, it must be recognised that social investment in housing, education and hospitals is a necessary prerequisite for a full and balanced economic development.[18]

This concept of internal balance in public expenditure is amplified in Chapter 2 of *The Third Programme*.

[18] *Budget Speech* 1967, Stationery Office, 1967, pp. 9-10.

3. Social Expenditure in Ireland Compared with Other Countries

A COMPARISON of the shares of public social expenditure in GNP in a number of countries serves to place the Irish allocation in a wider perspective. Comparison with better-off countries may throw light on how the Irish pattern of allocation will look in the future.

Comparison with OECD, UK and EEC

There are serious difficulties in obtaining a consistent classification across countries, but the three sets of comparisons presented in Tables 4, 5 and 6 may be taken as based on reasonably consistent data.[19] The first gives data for Ireland and certain OECD countries for public expenditure on education, health and social security in 1955 and 1965.[20] It is derived from a special OECD study combined with data for Ireland estimated separately but on similar principles.[21] The second comparison gives data for Ireland and the United Kingdom for all four services in 1970 and is based on the respective national income accounts. The third gives data for expenditure on social security and welfare and health in the original six EEC member countries, the United Kingdom and Ireland in 1968: it is based on a Commission study, except for Ireland. The Irish data are taken from *National Income and Expenditure 1970*. Finally, a comparison

[19]The absence of up-to-date comparative data on social expenditure in different countries is a handicap for purposes of up-to-date analysis and is in contrast with the availability of many economic series.

[20]In view of the below average unemployment rate in 1965, the growth in social security payments as a proportion of GNP is not as marked as it would be if the comparison were made with a year of high unemployment.

[21]As explained in Part I.

Table 4: *Government expenditure on education, health and social security as percentage of GNP, certain OECD countries, 1955 and 1965*

Country	*Total*		*Education*		*Health*		*Social Security*	
	1955	1965	1955	1965	1955	1965	1955	1965
	per cent	*per cent*	*per cent*	*per cent*	*per cent*	*per cent*	*per cent*	*per cent*
Austria	17·4*a*	22·1*b*	3·0*a*	3·9*b*	3·5*a*	4·1*b*	10·9*a*	14·1*b*
France		21·0*b*		5·4*b*		4·4*b*		11·2*b*
Ireland	11·3	13·1	2·7	4·0	3·1	3·2	5·5	5·9
Japan	8·5	9·9	4·2	4·0	1·0	1·7	3·3	4·2
The Netherlands	10·3	19·5	3·5	6·2	6·8*	13·3*	*	*
Norway	13·7*a*	20·2*b*	3·8*a*	6·1*b*	1·5*a*	2·0*b*	8·4*a*	12·1*b*
Sweden	14·4	19·5	4·3	6·0	3·2	4·3	6·9	9·2
Switzerland	9·7*c*	12·2*b*	2·8*c*	3·5*b*	1·4*c*	1·7*b*	5·5*c*	7·0*b*
United Kingdom	11·7	15·0	3·1	4·4	3·0	3·5	5·6	7·1
United States	7·4	10·3	3·1	4·2	0·9	1·2	3·4	4·8

(*a*) Data are for 1957.
(*b*) Data are for 1966.
(*c*) Data are for 1961.

*Health and Social Security combined.

Source: OECD Economic Outlook, Occasional Studies, July 1970, p. 49, except for Ireland. Irish data from Finola Kennedy, *op. cit.*

is given for the year 1972 of social benefits per function as a percentage of national income in the EEC countries.

In the OECD countries shown in the first comparison, social expenditure on the three services (education, health and social security) as a proportion of GNP rose in all cases over the period and was responsible to a striking extent for the rise in the public expenditure/GNP ratio over the period.[22]

The share of education in GNP in 1965 ranged from 3·5 per cent in Switzerland to 6·2 per cent in The Netherlands. Ireland, with 4·0 per cent, was ahead of Austria (3·9 per cent), the same as Japan (4·0 per cent), and just behind the United States (4·2 per cent) and the United Kingdom (4·4 per cent). It is interesting that the share of education in Japan fell from 4·2 per cent in 1955 to 4·0 per cent in 1965 and that Japan had by far the fastest rate of economic growth in this period. The share of health in GNP in 1965 varied from as low as 1·2 per cent in the United States, to as high as 4·4 per cent in France, with Ireland again occupying an intermediate position. The share of health in Ireland, alone among the countries in the comparison, failed to rise. This tallies with the fact noted above that actual spending in health lagged behind that planned in the *SPEE*. The share of social security in GNP in 1965 was lowest in Japan (4·2 per cent) and the United States (4·8 per cent). Ireland was next lowest with 5·9 per cent, while Austria, with 14·1 per cent, had the highest share.

While there are some limitations in the comparison,[23] a striking feature revealed by the data is that, while the Irish shares for education and health appear to be fairly well in line, public expenditure on social security as a proportion of GNP, though ahead of Japan and the United States, lags well behind the continental countries. However—and this could be important in regard to a country such as France which has a large

[22] *OECD Economic Outlook*, Occasional Studies, July 1970, p. 48.

[23] One such limitation relates to the measurement of fringe benefits in social expenditure. This has not been attempted here. However, since in the national income accounts, income includes income in kind, comparability may not be so seriously affected.

number of war veterans—war veterans pensions are included in social security expenditure.[24]

The second comparison which is based on fully consistent data, shows a truly remarkable similarity between the public

Table 5: *Public social expenditure as a proportion of GNP in Ireland and the United Kingdom,* 1970

Expenditure	*Ireland*	*United Kingdom*
	per cent	*per cent*
Education	5·0	5·2
Health	4·2	4·1
Social Security and Welfare	7·4	8·7
Housing	2·5	2·5
Total Social	19·2	20·5

Source: National Income and Expenditure for Ireland; and *National Income and Expenditure* for United Kingdom.

social expenditure ratios in Ireland and the United Kingdom in 1970. The public expenditure/GNP ratio for education was 5·0 per cent in Ireland and 5·2 per cent in the United Kingdom. The ratio for health was 4·2 per cent in Ireland and 4·1 per cent in the United Kingdom. For social security and welfare the ratio was 7·4 per cent in Ireland and 8·7 per cent in the United Kingdom. For housing the ratios in Ireland and the United Kingdom were identical at 2·5 per cent. The combined ratio for the four services was 19·2 per cent in Ireland compared with 20·5 per cent in the United Kingdom. This does not contradict the fact that the absolute level of services in the United Kingdom is higher because (*a*) the United Kingdom has a higher level of income *per capita;* and (*b*) lower levels of dependency and unemployment.

[24]Precise information was not readily available, but in Germany and France in 1972 war veterans' pensions accounted for around one per cent of GNP.

The data used in the third comparison relating to the year 1968 and based on EEC data show that the United Kingdom ratio of social welfare and security expenditure to GNP (12·4 per cent) is lower than in any of the original six member countries of the EEC, which range from 15·9 per cent for France to 17·5 per cent for The Netherlands. Clearly, the data

Table 6: *National expenditure on social welfare and security, and health, 1968*

Country	*Total*	*Expenditure per capita*	*Total as per cent of GNP*	*GNP per capita*
	(*$m*)	($)	(*per cent*)	($)
Belgium	3,431	356	16·5	2,160
France	18,132	357	15·9	2,540
Germany	24,427	406	16·5	2,240
Italy	12,430	236	16·5	1,400
Luxembourg	134	399	17·3	2,300
The Netherlands	4,414	347	17·5	1,990
UK (1968/69)	12,700	229	12·4	1,860
Ireland	310	107	10·2	1,060

Source: The Common Market and the Common Man, EEC Commission, 1971. Irish ratio based on *National Income and Expenditure.* Irish and UK figures may not be fully comparable. GNP *per capita* figures have been added.

on which the ratio is based differ from the data used in the Ireland/United Kingdom comparison for 1970. In that comparison, the total for social security and welfare as a percentage of GNP at market prices was 8·7 per cent. The comparable ratio in 1968 was 8·5 per cent. However, if expenditure on the National Health Service, which amounted to 3·9 per cent of GNP in 1968, is added to the 8·5 per cent already mentioned, the resulting total is 12·4 per cent. The comparable ratio for

Ireland, combining health, social security and welfare in 1968 was 10·2 per cent.

It may be inferred from the foregoing that the United Kingdom and Irish ratios of public expenditure on social security and welfare and health combined to GNP were well below those in the original six EEC member states in 1968.

Table 7 provides a comparison based on the latest data published by the Commission. This shows that Ireland lags quite a distance behind the other EEC member states as measured by the social accounts expenditures in relation to GNP. The gap widens enormously when the benefits, as distinct from the expenditures, are examined. The gap between these two which is attributable to administrative costs is quite small (between one and two percentage points), except in Italy where it is 3·5 percentage points and in Ireland where the gap is an unbelievable 6·9 percentage points. A comparable gap existed also in 1970 for which year data are also given in the *Report on the Development of the Social Situation in the Community in 1973*. Clearly, this cannot be correct. The most likely explanation is that the bulk of health expenditures which would be in the form of payments in kind have been omitted and only cash transfer payments in the form of sickness benefits have been included. If total public expenditure on health were included, this would amount to over 5 per cent of national income[25] instead of 0·8 per cent given for sickness benefit alone. This example serves to underline further the problems of international comparisons. In relation to all benefits as a percentage of national income, except family charges, where we are slightly ahead of the United Kingdom, we are at the bottom of the table and generally by a considerable distance. In the case of old age, death and survivors benefits, the Irish ratio was 5·7 per cent compared with 8·4 per cent in Belgium, the next lowest after Ireland, and 11·2 per cent in Germany which was the highest of the nine. The Irish position in regard to the

[25]Public authorities expenditure on health accounted for 4.2 per cent of GNP in 1970 (see Table I).

Table 7: *Social Accounts[(a)] expenditures in relation to national output in EEC countries in* 1972

	Belgium	*Germany*	*France*	*Italy*	*Luxembourg*	*Netherlands*	*UK*	*Ireland*	*Denmark*
	%	%	%	%	%	%	%	%	%
Expenditures as % of GNP	19·2	22·1	18·7	22·4	20·0	22·7	17·1	13·4	20·8
Expenditures as % of National Income	24·1	28·9	24·4	27·3	26·6	28·0	22·1	17·3	27·4
Benefits per function as % of National Income									
Sickness	5·3	7·7	6·3	6·3	4·6	7·3	5·6	0·8	7·4
Old age, death, survivors	8·4	11·2	9·1	8·6	} 16·0	10·3	10·2	5·7	9·5
Invalidity	1·0	1·3	0·3	3·1		2·5	0·7	0·5(*b*)	2·7
Employment injuries, occupational diseases	1·2	1·3	1·0	0·9	1·6	—	0·3	0·1	0·4
Unemployment	1·2	0·3	0·3	0·4	0·0	1·1	1·1	1·0(*c*)	0·9
Family charges	3·9	2·4	4·6	2·6	2·8	3·5	2·0	2·2	4·4
Other(*d*)	1·8	2·9	1·4	1·9	0·6	2·4	1·4	0·1	1·3
Total	22·8	27·1	23·0	23·8	25·6	27·1	21·3	10·4	26·6

(*a*) They include: social security plus voluntary benefits from employers plus benefits for victims of political events and natural disasters plus other social measures. Pensions of public servants are included in this table.

(*b*) Including physical and psychical infirmity.

(*c*) In fact, the figure given in the report is 0·1; but this must be assumed to be a misprint for 1·0; the figure for 1970 was 0·9 and a figure of 1·0 is required for the column to total accurately.

(*d*) They include: benefits for physical and psychical infirmity, political events, natural catastrophes.

Source: Report on the Development of the Social Situation in the Community in 1973.

sickness benefit ratio must be interpreted in light of the earlier remarks.

Not only do the expenditure ratios differ between the different EEC countries, but also the social security systems themselves differ in many respects in the different member states. In view of the great variety of social security structures in the Community, both between the different countries and within individual countries, few generalisations are possible. Expenditure on social security has been rising sharply in all the Community countries in recent years, particularly in Italy and The Netherlands. In all member countries, except Luxembourg, sickness and maternity benefits account for about one-quarter of all social security expenditure (this proportion is gradually rising), whereas for pensions and family allowances, for example, the emphasis is much more varied.

It is not surprising that the pattern of expenditure should differ from country to country for there are differences in age structure, in the need for medical care, unemployment, etc. But such differences do not alone explain the differences in expenditure. There are also large differences in the structures of the welfare schemes, in their objectives, and in the methods adopted in order to achieve them. These differences are reflected not only in the varying degrees of emphasis placed on the different broad categories: family allowances, pensions, etc; within these categories, important differences exist also. In the case of pensions, for example, Professor Thomas Wilson recently exposed the myth of a common "European pension policy" to which the three recently admitted member countries would have to conform.[26]

Social Expenditure and the Level of Income

As already mentioned, comparison between social expenditure ratios in Ireland and countries with higher *per capita*

[26]Thomas Wilson: "The Welfare State and the Elderly in Europe", *The Three Banks Review*, March 1974, pp. 55-72. A more detailed account of pensions schemes in the EEC and comparative analysis is given in *Pensions, Inflation and Growth*, edited by Thomas Wilson, (Heinemann, 1974).

incomes may shed light on Ireland's future pattern. However, precisely because comparisons are being made between Ireland and better-off countries, such comparisons could lead to misinterpretation. In order to redress any possible misinterpretation on this score, it must be stressed that, in relation to its income *per capita,* Ireland appears to have done well in terms of its *aggregate* public social expenditure ratios to GNP. This implies little, however, about the effectiveness, or otherwise, of public social expenditure in assisting any individual category of persons, poor or not. A large total ratio of public social expenditure to GNP does not automatically imply significant redistribution from the rich to the poor. It could imply considerable redistribution among middle and better-off classes. It will be suggested in Part 5 that expenditure on higher education, for example, helps the better-off more than the poor. Even a high ratio of income maintenance payments alone to GNP cannot be interpreted unequivocally as implying major redistribution. Consideration must also be given to the number of beneficiaries sharing the transfers, and to the fact that some schemes, e.g. children's allowances, involve cash payments made regardless of income.

When interpreting public expenditure ratios, a factor of very considerable importance is the extent to which social services have been provided on a voluntary basis. This is the case not only in services for relief of the needy, such as those provided by the Society of St. Vincent de Paul, or services to meet a very broad range of human problems, without actually providing material aid, such as the work of the Legion of Mary, but also in the provision of health and education services. At least since the eighteenth century, voluntary workers, lay and religious, have provided health care on a widespread basis.[27] To the present time, the voluntary hospitals play a major role in the provision of health care, although their dependence on State aid has greatly increased.

[27]J. O'Sheehan and E. de Barra: *Ireland's Hospitals*, 1930-1955, Dublin: Hospitals' Trust (1940) Ltd.

A similar situation exists in education. Until the advent of State comprehensive schools, the provision of traditional secondary education rested with voluntary groups, chiefly religious orders of men and women.

Interpretation of public social expenditure ratios must bear this crucial factor in mind, i.e. that there is widespread non-public provision of social services. There is no doubt that the huge voluntary sector meant that social services could be supplied well below their economic cost. Nuns, brothers and priests, in following their professional vocations, will work long hours, do overtime, etc., without expecting overtime pay, or even any pay at all. Economies were also experienced on the capital side. For years resources from capitation grants and incremental salary grants to qualified religious staff were diverted into school building funds.

At present, the slowdown in vocations combined with the increased numbers availing themselves of health and education services means that the subsidy given by voluntary workers in providing these services is declining relatively to the total expenditure on these services. The following example illustrates the point. Of a total of 1,800 secondary teachers in receipt of incremental salaries in 1946, 977 or 54 per cent were religious. By 1969/70, the position was that of a total of 6,525 teachers in receipt of incremental salaries, only 2,284 or 35 per cent were religious. Of a total public expenditure on incremental salaries in that year of £7·2 million, religious teachers received £2·4 million, while lay teachers received the balance, £4·8 million. The year 1962/63 was the first in the post-war period that the number of lay secondary teachers exceeded the number of religious secondary teachers. This trend continued throughout the 1960s and in 1969/70 there was an actual decline in the total number of religious teachers over the previous year.

Having entered these reservations, it may be said that, in terms of income *per capita*, Ireland has done relatively well in raising public social expenditure ratios to GNP. Evidence of this was provided in 1968 by Professor P. R. Kaim-Caudle[28] who found that the Irish ratio of public social expenditure to GNP, though lower than in a number of the smaller West European countries, compared well—and sometimes *more favourably*—with the situation in those countries when they were at a similar level of economic development, as measured by income *per capita*. In 1973, Dr R. C. Geary, dealing with the same topic, concluded that "having regard to relative incomes, Ireland's present distribution of transfer income (except national debt interest) measures up to best EEC standards".[29] Dr Geary rightly pointed out that Ireland has by far the lowest income per head of the nine EEC member countries while its dependency ratio is the highest.

As the issues are of great interest, it was most unfortunate that the controversy following publication of Geary's findings was clouded by confusion over terminology. Geary himself included in "Social Security" all current public authority transfers except debt interest. These include major items for education and health, as later pointed out by Walsh.[30] Such payments would not come under the heading "Social Security and Welfare" in the standard national accounts definition used throughout the present paper. However, certain health expenditures would be included under "Social Security" according to International Labour Office conventions. Also, in his article Geary stated that he was referring only to central government, whereas, in fact, as he subsequently admitted, he was speaking of general government (i.e. combined public authorities netting out inter-authority transfers).[31]

In their comment on Geary's original article, O'Hagan and

[28]P. R. Kaim-Caudle: *The Levels and Trends of Social Expenditure in some Smaller Western European Countries*, unpublished ESRI memorandum, 1968.

[29]R. C. Geary: "Are Ireland's Social Security Payments too Small? A Note", *The Economic and Social Review*, Vol. 4, No. 3, April 1973, pp. 343-348.

[30]Brendan M. Walsh: "Income Maintenance Payments in Ireland, 1953-1971: Cyclical Variations and Long-Term Growth", *The Economic and Social Review*, Vol. 5, No. 2, January 1974, pp. 213-225.

[31]R. C. Geary: "Are Ireland's Social Security Payments too Small? A Rejoinder", *The Economic and Social Review*, Vol. 5, No. 1, October 1973, pp. 123-126.

O'Higgins[32] stated that Geary was referring only to cash payments. This was not the case, as pointed out by Geary in his rejoinder.[33] Their contribution was valuable, however, in emphasising that the growth in income *alone* is not the only important factor in the growth of the social welfare/GNP ratio.[34]

Walsh's paper[35] was invaluable both in sorting out confusions in the terminology and in the author's own positive contributions. Walsh's two main conclusions which were not incompatible with Geary's findings were as follows:

(i) The growth in income maintenance payments in Ireland over the period 1953/71 has been closely associated with the growth in real national income. The evidence suggests that for every 10 per cent in real income, income maintenance payments have grown by about 16 per cent.

(ii) The amount of money disbursed in income maintenance payments varies counter-cyclically, due to fluctuations in the level of unemployment and dependency. This results in an automatic stabilisation effect that has been quite important in recession years, amounting, for example, to one per cent of national income in 1957.

Since the above-mentioned articles appeared, comment has been made by the OECD on the growth of social welfare expenditure in Ireland. It is relevant to discuss this here briefly. In the report on Ireland for 1974, the OECD published figures showing that between 1958 and 1972 expenditure by

[32]John O'Hagan and Michael O'Higgins: "Are Ireland's Social Security Payments too Small? A Comment", *The Economic and Social Review*, Vol. 5, No. 1, October 1973, pp. 113-121.

[33]R. C. Geary, *op. cit.*

[34]*Op. cit.*, p. 115. There is another point also. At very high levels of income the public social welfare/GNP ratio may decline due possibly to a swing back to private provision for contingencies. Cf. R. A. Musgrave: *Fiscal Systems*, Yale University Press, 1969.

[35]B. M. Walsh, *op. cit.*

central government on social welfare grew from £25·4 million to £91·4 million.[36] The report points out that social welfare expenditure, therefore, grew more slowly than GNP over the period, i.e. at a rate of 9·6 per cent per annum for social welfare expenditure compared with 9·8 per cent per annum for GNP.

A check on the sources showed that Table 9 in the OECD report, from which the above data are drawn, is identical to Table 2 in *The Budget* 1973, except for the omission of two items in the Budget table—contribution to EEC budget and other expenditure.[37] The data in the Budget tables differ in several important respects in regard to social security and welfare from that used in the present study which are drawn from the national income accounts. For example, the budget heading "social welfare" includes, in relation to the Social Insurance Fund, only the Exchequer contribution to the Fund. This helps to explain the difference between the figure of £91·4 million for social welfare in the Budget table and a figure of £162·1 million for social security and welfare for central government (including extra-budgetary funds) in the national accounts. Another difference between the two figures arises because the Budget and OECD figure includes current expenditure only.

Although this study has been concerned chiefly with combined public authorities' expenditure (national income classification), the Budget (and the OECD report) data are extremely interesting in themselves. The data covered under "social welfare" in the Budget include in addition to the Exchequer contributions to the Social Insurance Fund already mentioned, only the social assistance payments by the central government, i.e. old age non-contributory pensions, widows' and orphans' non-contributory pensions, free travel, electricity, TV and radio licences for pensioners, children's allowances

[36]*OECD Ireland* 1974, Table 9, p. 22.

[37]This meant that the OECD figures did not add to the total of £664.5 million given in the Budget document.

and unemployment assistance. The fact that these have grown more slowly than GNP between 1958 and 1972 would indicate that statements which relate the growth of income and of welfare payments must be interpreted with great care if they are not to mislead.

It might be suggested that the use of the years 1958 and 1972 by the OECD risks a confusion of cyclical with trend factors. In 1958 only 47 per cent of the labour force was in insured employment, compared with 57 per cent in 1972 and a contributory old age pension was introduced in 1961. These factors would contribute to a slower rate of growth in total disbursements on social assistance schemes. On the other hand, Table 8 shows the important fact that the numbers of recipients of social assistance payments *increased* by 72,000 between 1958 and 1972. (The increase is 255,000 if allowances for individual children are included, as distinct from families.) There were marked increases in the numbers of children's allowances paid,

Table 8: *Number of social assistance payments in* 1958 *and* 1972

Payment	1958	1972
Children's Allowance	227,079(*a*)	356,855
Old age and Blind (non-contributory) Pension	163,474	109,991
Unemployment Assistance	27,436	46,520
Widows' (non-contributory) Pension	26,385	16,205
Orphans' (non-contributory) Pension	336	225
Deserted Wives' Allowance	—	2,044
Home Assistance(*b*)	46,722	31,214
Total	491,432	563,054

(*a*) Refers to families. The numbers of children in respect of whom allowances were paid was 817,563 in 1958 and one million in 1972.

(*b*) Includes dependants.

Source: Department of Social Welfare.

and a deserted wives' allowance, which did not exist in 1958, was paid in 1972 to 2,044 deserted wives. In 1972 the average number in receipt of unemployment assistance was 46,520 compared with 27,436 in 1958. This was mainly due to a relaxation of the means limit and a new method of assessing the means of smallholders.

It will be clear from the foregoing that the pitfalls in attempting to pass judgment on the size of Irish social spending in relation to its national income are daunting.[38] Can any meaningful conclusions be drawn? The evidence of Kaim-Caudle, Geary (taking account of coverage of data), and Walsh, together with the comparisons presented by the author are compatible. Given the income level, Ireland has done well in terms of the share of national income devoted to social purposes. In comparison with the United Kingdom, which has a much higher income per head, Ireland has done extremely well, as shown in Table 5. Nevertheless, it is true to say that at present the ratio of social security and welfare[39] to GNP is below that in the continental EEC countries, though not much below that in the United Kingdom.

Trend in Real Benefits

Additional light would be shed on Geary's original question if comparisons of benefit rates were made, making allowance as far as possible for differences in domestic purchasing power. The GNP ratio tells a good deal about the *burden*, while the comparison of rates tells about the *benefit* to the individual. A low rate of benefit is consistent with a heavy burden (e.g. due to low income *per capita*, high dependency, high unemployment, etc). Table 9 gives some comparative data for children's allowances. In 1970 the Irish rates of children's allowances were pitiful compared with those paid in the EEC countries. Even taking account of the big increases in rates in 1973 and 1974, the rates paid in Ireland in 1974 were still well below

[38]For a relevant discussion of the problems related to cross-section and time-series comparisons of public expenditure, see R. A. Musgrave: *Fiscal Systems*, Yale University Press, 1969.

[39]Defined in the "narrow" national accounts sense (excluding all health).

Table 9: *Family allowances in EEC countries, 1 July 1970*

Country	1 Child	2 Children	3 Children
		$ per month	
Germany	—	6·88(*a*)	20·57
Belgium	12·58	33·78	63·47
France(*b*)	7·05	29·82	59·73
Italy	9·15	18·30	27·45
Luxembourg	12·38	24·76	47·10
The Netherlands	12·00	25·64	39·28
Denmark(*c*)	16·85	33·70	50·54
United Kingdom	—	9·35	19·80
Ireland	1·20	4·80	9·60
Ireland, 1 July 1974	5·52	13·44	23·16

(*a*) If annual income under $2,140;

(*b*) For family with one wage/salary earner;

(*c*) 1 July 1972.

those paid in continental countries, other than Germany, and the UK in 1970. However, it must be remembered that in France, for example, the employer pays the children's allowance, whereas in Ireland, the UK and Germany the State pays.

Turning to changes in real benefit rates in Ireland, Table 10 shows how certain assistance payments, insurance benefits, and insurance contributions have grown in real terms over the period 1953/74. Data on real changes in average industrial earnings are included to provide a basis of comparison with the trend in incomes in the industrial sector. With the single exception of the maternity grant, which *declined* in real terms over the period (it was £2 in 1953 and £4 in 1974), all payments increased over the period as a whole and the majority increased somewhat more than average industrial earnings. From 1958 to 1966 only children's allowances grew less rapidly than average industrial earnings. However, it is striking that from 1966 to 1974 both the old age non-contributory and contributory pensions grew less in real terms than industrial earnings. It appears that the authorities are aware of this problem and anxious to redress the situation. Mr Cluskey, when he introduced the estimate for the Department of Social Welfare in the Dáil in June 1974, said that it was necessary to devise a satisfactory system of social welfare payments to guard against inflation. He mentioned the fact that the Social Action Programme of the EEC has the long-term aim of linking the real value of social benefits to the increase enjoyed by the productive sector of the community.

In contrast to the pensioner, however, the unemployed fared better than the wage earner in so far as rates of payments to the unemployed grew more rapidly in real terms than average industrial wages between 1953 and 1974.

Over the period 1953/74, social insurance contribution rates grew much more rapidly than any of the insurance benefits. For example, the ordinary rate of social insurance contribution for a man grew by 376 per cent in real terms between 1953 and 1974, while unemployment benefits for a single person grew by 126 per cent. The ordinary rate of social insurance contribution for a woman grew by 548 per cent in real terms, while the widows' contributory pension grew by 128 per cent and the maternity allowance grew by 126 per cent over the period. The contribution rate for a male domestic worker grew by 397 per cent and for a female domestic by 692 per cent between 1953 and 1974. This represents a real annual average growth rate of 7·4 per cent and 10·4 per cent respectively. The insurance stamp for a female domestic, male domestic and flat-rate contribution for an ordinary male worker are now all identical, i.e. £3·26 per week. The female domestic worker is not covered for pay-related benefits.

In so far as the ratio of contribution rate to benefit rates is a measure of the advantages of social insurance, those covered by social insurance got a better deal in 1953 than those in similar circumstances in 1974. But account must be taken of the fact that there was a significant and substantial increase in the range of benefits covered by social insurance contributions in 1974 compared with 1953. So far as domestic workers, in particular, are concerned they are now covered fully for unemployment benefit, whereas in 1953 their entitlement was more limited.

Table 10 only tells about certain relative changes over the period 1953/74; it does not tell anything about the adequacy of the absolute rate of benefits paid. As the ratio of unemployment benefit to average earnings has risen over the period it is clear that unemployment benefit has, at least, become "more adequate" in relation to earnings foregone. Unemployment benefit payable to a married man with four children has risen from 40 per cent of average male industrial earnings in 1954 to 56 per cent in 1973.[40] However, this still leaves unanswered the significant question whether unemployment assistance of £6·35 for a single person and £14·85 for a married man with two children or £17·85 for a married man with 4 children is adequate. The comparable figures for unemployment benefit are £7·75, £17·20 and £20·80. The old age non-contributory pension is now £7·30, while the contributory pension is £8·50. Some might maintain that the data speak for themselves and that it cannot be seriously argued that £6·35 or £7·30 per week could possibly be regarded as a subsistence income. One factor which suggests the inadequacy of assistance payments is that it is well known to home assistance officers that there are many in receipt of assistance payments and, indeed, insurance benefits who are forced to have recourse to home assistance also.[41]

No estimates of a poverty or subsistence budget are published in Ireland. However, since means of £11·50 per week are

[40]When the effects of taxation and pay-related supplements are taken into account the increase is greater. See Brendan M. Walsh: *The Structure of Non-Agricultural Unemployment in Ireland* 1954-72, Dublin: The Economic and Social Research Institute, Paper No. 77, 1974, p. 41, Table 11.

[41]A major review of the home assistance service is being carried out in the Department of Social Welfare at the present time.

Table 10: *Real percentage changes and annual average growth rates in social assistance and insurance payments, social insurance contributions and average industrial earnings,* 1953–74

Payment			*Percentage change*			*Average annual growth rate*		
			1953–74	1958–66	1966–74	1953–74	1958–66	1966–74
Assistance:	Old Age (non-contributory) Pension		139·19	81·12	33·23	4·2	7·7	3·7
	Widows' (non-contributory) Pension		155·93	53·23	66·83	4·6	5·5	6·6
	Unemployment Assistance:	Single person (urban)	147·37	40·67	96·34	4·4	4·4	8·8
		Man, wife, two children	174·02	57·99	89·46	4·9	5·9	8·3
	Children's Allowances:	Second qualified child	110·36	—21·49	125·36	3·6	—3·0	10·7
		Third qualified child	75·30	—5·67	73·22	2·7	—0·7	7·1
Insurance	Old Age (contributory) Pension		—	—	48·93	—	—	5·1
	Widows' (contributory) Pension		127·89	37·31	56·48	4·0	4·0	5·8
	Unemployment Benefit:	Single person	126·42	37·31	55·48	4·0	4·0	5·7
		Man, wife, two children	141·21	52·58	52·72	4·3	5·4	5·4
	Maternity Allowance		126·42	44·12	48·13	4·0	4·7	5·0
	Maternity Grant		—29·88	57·22	—47·44	—1·7	5·8	—7·7
Insurance Contribution	Ordinary Rate:	Man	376·22	107·76	184·12	7·7	9·5	7·9
		Woman	545·57	159·94	202·63	9·3	12·7	14·8
	Domestic Rate:	Man	396·93	112·54	134·73	7·9	9·9	11·2
		Woman	692·34	208·40	235·99	10·4	15·1	16·4
Average Industrial Earnings			116·69	35·40	51·97	3·8	3·9	5·4

Notes: Real percentage changes were calculated using consumer price index (CPI) as deflator. Annual figures for the CPI were used in each year. The 1974 figure is an estimate assuming an increase in the CPI of 16 per cent over the 1973 level. Average industrial earnings relate to all workers in transportable goods industries. Earnings for 1974 were estimated on the assumption of an increase of 19 per cent over the 1973 level.

allowed before disqualification for *any* part of the old age assistance pension, perhaps the unwritten poverty line may be drawn somewhere in the region of £12 per week.[42] If that is so, then the old age pensioner dependent *solely* on the old age pension could not exist. While the lot of an insured unemployed man who is married with children has improved considerably *vis-à-vis* a man in employment between 1954 and 1973, there is no doubt that the assistance old age pensioner living alone in a city room is living in poverty. By contrast, the old age pensioner living on a family farm may have accommodation, food and other amenities provided, what was described under a 1933 provision as "benefit or privilege". These are not taken into account in the assessment of means.

[42]Means of £5 per week are allowed together with receipt of *full* old age pension of £7.30 which makes a total of £12.30 per week.

4. *Financing of Expenditure*

Overall Trend

THEORETICALLY, public expenditure could grow until it absorbed 100 per cent of GNP if the community assented to this. The constraints on this growth relate to the rate at which expenditure can be financed via taxation and borrowing. The ratio of taxes to GNP at market prices was 21·0 per cent in 1947. By 1965, the tax/GNP ratio had risen to 24·9 per cent. It was 30·3 per cent in 1970 and 31·7 per cent in 1971. The ratio of total national debt outstanding to GNP at market prices was 30·2 per cent in 1947 and had risen to 71·0 per cent in 1968. However, it declined to 56 per cent in 1972. This was mainly due to the fact that with inflation the ratio of *existing* debt to GNP falls. Expenditure on public debt (i.e. debt interest, redemption of securities and loan repayments) rose from £7·5 million in 1949, or 1·9 per cent of GNP, to £94·0 million in 1970, or 5·6 per cent of GNP. In 1949 public debt accounted for 6·3 per cent of total public authorities' expenditure. The figure was 13·3 per cent in 1970 but had been even higher in 1968 when it was 15·2 per cent.[43] A remarkable feature of the 1970 situation was that expenditure on public debt exceeded expenditure under every other functional heading with the single exception of expenditure on social security and welfare. In 1970 expenditure on public debt exceeded public expenditure on agriculture, forestry and fishing for the first time ever.

Comparison with Other Countries

As with expenditure, comparisons of taxes in relation to GNP in Ireland and a number of different countries are made (Tables 11 and 12). The first comparison shows the ratio of

[43]Some of the year-to-year variation is caused by the different amounts of loans which fall due for redemption.

Table 11: *Ratio of taxation to GNP at current market prices: EEC countries, average* 1967–69

Country	*Social Security*			*Personal income tax*		*Direct taxes on corporations*		*Indirect taxes*		*Total taxes*		*GNP per capita*	
	Paid by employer	*Total*											
	per cent	*per cent*	*Rank*	*per cent*	*Rank*	*per cent*	*Rank*	*per cent*	*Rank*	*per cent*	*Rank*	$ 1969	*Rank*
Belgium	(6·4)	9·5	6	8·1	6	2·1	5	13·3	6	33·0	6	2,372	5
Denmark	n.a.	1·9	9	14·8	1	1·0	9	16·5	2	34·1	5	2,861	1
France	(10·8)	14·5	1	4·6	9	1·9	7	16·0	4	37·0	2	2,785	2
Germany	(6·3)	10·5	4	8·2	5	2·3	4	14·1	5	35·1	3	2,513	4
Ireland*	(1·1)	2·1	8	5·2	7	2·0	6	18·4	1	27·7	9	1,162	9
Italy	n.a.	11·0	3	5·1	8	1·7	8	12·5	7	30·3	8	1,521	8
Luxembourg*	n.a.	10·2	5	8·6	4	2·4	3	11·1	8	32·3	7	2,632	3
The Netherlands	(10·1)	13·4	2	10·8	2/3	2·8	1	10·8	9	37·8	1	2,196	6
United Kingdom	(2·5)	4·9	7	10·8	2/3	2·4	2	16·1	3	34·2	4	1,974	7

*1966/68.
Source: Expenditure Trends in OECD Countries 1960–80, OECD, Paris, July 1972, Table 19.

Table 12: *Taxes as percentage of GNP, EEC countries, average* 1968

Country	Excluding social insurance		Including social insurance	
	per cent	*Rank*	*per cent*	*Rank*
Denmark	35·6	1	38·7	2
United Kingdom	31·6	2	36·6	3
Ireland	27·4	3	29·8	9
The Netherlands	25·5	4	39·7	1
Belgium	24·0	5	33·8	6
Germany	23·2	6	34·0	5
Luxembourg*	22·9	7	32·4	7
France	21·8	8	36·3	4
Italy	19·2	9	30·1	8

*1968/69 only.

Source: Revenue Statistics of OECD Member Countries 1968/70, OECD, Paris, 1972.

taxation to GNP at current market prices in the nine EEC countries for an average of the years 1967/69. The second comparison shows taxes as a percentage of GNP excluding and including social insurance in the EEC countries for an average of the years 1968/70.

Among the EEC countries in the 1967/69 period, while the ratio of direct taxation to GNP was relatively low, Ireland's indirect taxes were highest in relation to GNP, while Ireland's social security contributions were lowest. The ratio of taxation, excluding social insurance contributions, to GNP placed Ireland in third position after Denmark and the United Kingdom. However, when social insurance contributions are included in taxation, Ireland has the lowest taxation/GNP ratio of the nine countries. Thus, Ireland's low direct and overall tax ratio is explained by the low social insurance contributions. Leaving these aside, we have a very high tax ratio in absolute terms, and extremely high in relation to our low income *per capita*.

Two anomalies of Ireland's tax structure compared with her EEC partners which are very significant from the point of view of social policy are the very high ratio of expenditure taxes to GNP and the low ratio of social security contributions to GNP.

The very high ratio of expenditure taxes implies a regressive taxation situation as it is recognised that expenditure taxes penalise the poor relatively more than the rich.[44] The low ratio of social security contributions is partly explained by the fact that social security expenditure as a proportion of GNP is lower in Ireland than in her EEC partners as shown earlier. It is also due to the fact that the State contributes heavily from general taxation to social security finance in Ireland compared with the EEC countries other than the United Kingdom whose system we have largely followed. Finally, it reflects the hitherto limited social security tax base in Ireland.

High *rates* of social insurance contributions may have a disincentive effect on increasing employment, i.e. they tend towards encouraging capital substitution. While they may be appropriate in continental countries, they may not be appropriate in Ireland. Before concluding, therefore, that by increasing social insurance contributions in Ireland substantially, the share of social security finance coming from employers and employees would be increased and the Irish situation would accordingly be more in line with EEC countries, the possible negative effects on employment must be scrutinised. If higher contributions are thought undesirable, then expenditures must be more selective as suggested in Part 6.

[44]This is mitigated to the extent that rates are included in expenditure taxes and derating is operative in the agricultural sector. However, regressivity in rates may arise because of the outdated basis of existing valuations. For example, a high income owner of a large old house with a low valuation may pay less in rates than a middle or low income owner of a new house with a valuation more in line with current prices. In 1971 receipts from rates amounted to 3·2 per cent of GNP at market prices.

The low ratio of direct taxation to GNP reflects the small number of income tax payers. This is due to a number of factors which include the high dependency ratio—in Ireland this was 73 in 1971 compared with an average of 58 for the other EEC countries[45]—the large number of farmers who were not taxed prior to 1974, the existence of profits tax relief on manufactured exports, and our low income per worker compared with our EEC partners. It does not mean that rates of tax are relatively low.

In Europe, because of the dominance of the insurance principle, most of the overall social security schemes (i.e. insurance plus assistance) in EEC countries rely on employers' and insured persons' contributions for the bulk of their finance. Accordingly, the State share in the original six member countries is lower than in Denmark, the United Kingdom, or Ireland, as shown in Table 13. Denmark is remarkably different from the original six in this respect and is nearest to the Irish pattern. Whereas in the original six member states the share of overall social security finance borne by public authorities in 1972 varied from 13 per cent in The Netherlands to 31 per cent in Luxembourg, it was 81 per cent in Denmark, 68 per cent in Ireland, and 40 per cent in the United Kingdom. However, in Belgium, France, Germany and Italy the share of the public authorities in social security finance has been growing in recent years. For example, in France it grew from 9 per cent in 1968 to 16 per cent in 1972.

Table 14 shows the proportion of social insurance contributions payable by employers and employees excluding any State contribution in the EEC countries in 1974. A very varied pattern emerges. However, in general, the employer bears the heavier burden though there are some notable exceptions. For example, in The Netherlands and Denmark the employee pays 100 per cent of the contribution for retirement and death

[45]East Germany has a dependency ratio similar to Ireland. There, the most striking feature of social security provision is the high contributions imposed on both employers and employees. However, the benefits are quite substantial and pay related.

Table 13: *Sources of finance of overall social security (assistance and insurance) expenditure in EEC countries,* 1972

Country	*Source of finance*					
	Employers	*Employees*	*Public Authorities*	*Income from investments*	*Other*	*Total*
	per cent	*per cent*	*per cent*	*per cent*	*per cent*	*per cent*
Belgium	46	20	30	4	—	100
France	62	20	16	1	1	100
Germany	50	24	23	2	1	100
Italy	54	15	24	3	4	100
Luxembourg	36	24	31	8	1	100
The Netherlands	43	36	13	8	—	100
Denmark	10	6	81	3	—	100
United Kingdom	34	18	40	8	—	100
Ireland	20	11	68	1	—	100

Source: Report on the Development of the Social Situation in the Community in 1973. Data refer to the finance of expenditures given in Table 7 of this paper.

The figures refer to overall social security including public service pensions. For social insurance *alone* the figures for Ireland in 1973/74 were: Employers 37 per cent; employees 30 per cent; and the Exchequer 31 per cent. The balance was met by investment income.

Table 14: *Proportion of social insurance contributions payable by employers and employees, excluding any State element, EEC countries, 1 January 1974*

Contribution	*Belgium*	*France*	*Germany*	*Italy*	*Luxemburg*	*The Netherlands*	*Denmark*	*UK(a)*	*Ireland(b)*
	per cent	*per cent*	*per cent*	*per cent*	*per cent*	*ber cent*	*per cent*	*per cent*	*per cent*
Sickness Benefit									
Employer	60	78	50	99	33⅓	86	66⅔	—	—
Employee	40	22	50	1	66⅔	14	33⅓	—	—
Retirement and Death Pensions									
Employer	57	71	50	67	50	—	—	—	—
Employee	43	29	50	33	50	100	100	—	—
Unemployment Benefit									
Employer	42	80	50	100	—	50	50	—	—
Employee	58	20	50	—	—	50	50	—	—
Flat Rate Contribution									
Employer	—	—	—	—	—	—	—	73	57
Employee	—	—	—	—	—	—	—	27	43
Pay-Related Contribution									
Employer	—	—	—	—	—	—	—	50	66⅔
Employee	—	—	—	—	—	—	—	50	33⅓

(*a*) From August 1974.
(*b*) From July 1974.

pensions. In Germany all contributions are on a fifty-fifty basis as is the case with unemployemnt benefit in The Netherlands and Denmark and the contribution for purposes of pay-related benefits in the United Kingdom. In certain cases, the employer pays the total, or almost the total contribution. In Italy the employer pays 100 per cent of the contribution for unemployment benefit and 99 per cent of the contribution for sickness benefit, while in The Netherlands the employer pays 86 per cent of the contribution for sickness benefit.

In Ireland the situation from 1 July 1974 is that the employer pays 57 per cent and the employee 43 per cent of the flat rate contribution, while the employer pays 66⅔ per cent and the employee 33⅓ per cent for the pay-related contribution.

As a result of the emphasis on insurance in the six original EEC member countries, most benefits there depend upon a record of contributions and duration of employment. The cost of insurance to both employers and employees is high in the EEC countries, as shown in Table 15. For instance, in France in 1970 an employee earning less than £1,400 per annum paid 6·58 per cent of his earnings in social insurance contributions while the employer paid up to 33·72 per cent of the employee's earnings in payroll tax. It is difficult to give comparable figures for the United Kingdom and Ireland because our systems are so different. In Britain and Ireland there is the weekly stamp system with certain differential payments (e.g. for agricultural and domestic workers). Under the expanded social insurance scheme introduced in Ireland in April 1974, in addition to a basic stamp for all workers, pay-related contributions (comparable to those in Britain) are made by both employer and employee on the first £2,500 of yearly earnings where the insured person is employed in a manufacturing, commercial or service industry, or in agriculture. In a recent British White Paper on pensions it was proposed to abolish the basic flat-rate stamp so that pay-related contributions will be in operation for all levels of income.

It should be remembered that the ceilings up to which the

Table 15: *Social insurance contributions in Europe, general schemes, percentage of employed persons earnings, 1 January 1970*

Contribution	*France*		*Germany*		*Belgium*		*Italy*		*The Netherlands*	
	Employer	*Employee*	*Employer*	*Employee*	*Employer*	*Employee*	*Employer*	*Employee*	*Employer*	*Employee*
	Percentage of earnings									
Pension	5·75	3·00	8·50	8·50	8·00	6·00	12·65	6·35	—	11·40(*a*)
Sickness(*b*) (i)	10·45(*c*)	2·50	4·00*	4·00*	4·80	3·85	14·46	0·15	14·80	6·30
(ii)	2·00	1·00								
Unemployment	0·32(*d*)	0·08(*d*)	0·65	0·65	1·20	1·20	2·30	nil	0·50	0·50
Industrial Injuries Average	3·70	—	1·50	—	4·50	—	3·90	—	—	—
Family Allowances	11·50	—	nil(*e*)	—	10·50	—	15·00	—	5·30	—
Total	33·72	6·58	14·65	13·15	28·95	11·05	48·31	6·50	20·60	18·10

*Average.

(*a*) Percentage of net income under general pension scheme covering all residents.

(*b*) Includes sickness and maternity benefits and health services; in Belgium and France also includes invalidity pensions, and in The Netherlands disablement benefit.

(*c*) There are earnings limits for most of the schemes. They vary according to the insurance risk. The French percentages at (i) relate to earnings up to the contribution ceiling, to which must be added (ii) levied on total earnings.

(*d*) Non-statutory compulsory scheme (collective agreements) covering workers in industry and commerce. In addition, there is a scheme of unemployment assistance, financed by the State, means-tested after the first three months of benefit.

(*e*) Allowances paid by the State.

Source: The Financial Times, 8 July 1971.

social security taxes are paid in the original six EEC member countries are fairly low in most cases. Thus, for example, in 1970 the 33·72 per cent of wages paid by employers in France as social security tax applied only to earnings up to around £1,400 per annum, except in the case of the 0·32 per cent unemployment benefit contribution, which is payable up to some £6,000 per annum. There is no ceiling (except for family allowances) in Italy, which makes the 48·3 per cent burden on the employer particularly severe. For the other countries, a good general guide is that most social security payroll taxes were payable only up to some £1,500 of an individual's income in 1970. Family allowances also are subject to a means-test in certain cases.

The difference in social security systems reflects the different principles on which they are based. The French have long objected that the British system is, when compared with the European one, an indirect subsidy to industry. There are wide ramifications to this argument: for example, the continentals expect higher industrial injuries insurance for high-risk industries and argue that Britain supports mining by collecting the same contributions from all industries and paying out where needed.

5. *Appraisal*

Effects of EEC membership on Social Policy

PRESSURES to increase public social expenditure have been considerable in the past and may be expected to continue. Open-ended schemes exist in all the social services and expenditure on these automatically increases as the numbers availing themselves of the programmes increase (e.g. in education). In addition to maintaining existing programmes, there is a public commitment to expand on a number of fronts, for example in the hospital services and housing. Furthermore, with the passage of time, pressures are likely to mount to increase benefits towards EEC levels. It may be pointed out here, however, that only two definite provisions in social policy are required by our accession to the EEC. First, benefits are to be paid to immigrant workers from other EEC member states on the same basis as native workers and, second, it is intended that benefits be raised consistently to compensate for cost-of-living increases. There is a general intention on the part of the EEC authorities to make proposals about indexing social security payments on a common, Community-wide basis but there has been no specific proposal in this regard to date.

Although the Treaty of Rome is vague on certain aspects of social policy, the desirability of harmonising social policies was stressed at the Conference of Heads of Government in the Hague in 1969. Following from this, the Commission published in 1971 *Preliminary Guidelines for Social Policy Programmes in the Community*. To date, most of the concrete actions being pursued as part of the Social Action Programme fall within the area of training/retraining of workers rather than the four functional areas discussed in this paper. Within the fields of education, health, housing and social security, there have been no major concrete changes introduced on a Community-wide basis (apart from the provision of reciprocal treatment of migrant workers) and, although the EEC Commission is committed to a gradual harmonisation of social security provisions, no definite moves in that direction have yet been taken. While harmonisation is intended, there is no question of unifying all social security schemes. Separate national traditions and background are recognised, as illustrated by the following quotation from *Conditions for a Social Action Programme* published by the Commission in April 1973:

> It is not the Commission's aim to centralise the solutions of all the social problems of the Community. Nor would it wish to see introduced a single social policy tackling all social problems in the Community in a uniform manner... Although a uniform social system for the Community is not envisaged nor the general alignment of all social systems, it is nevertheless necessary to aim at minimum standards of social protection capable of being regularly improved. Appropriate transfer of resources at Community level must also be envisaged to permit the less-favoured Member States to reach those minimum standards and thus facilitate their progressive harmonisation and improvement.

A Council Resolution of 21 January 1974 concerning a social action programme urged vigorous action with a view to realising the social aims of European Union, in order to attain the broad objectives of (i) full and better employment, (ii) improvement of living and working conditions, and (iii) increased involvement of management and labour in the economic and social decisions of the community, and of workers in the life of undertakings.

While membership of the Community is certain to influence the pattern of social expenditure and finance, a large degree of national choice remains. There may, in fact, be areas in which Ireland chooses to follow an opposite line to that of other member states in regard to social policy. Examples of this might be in regard to family planning centres, the provision for abortions and the proliferation of *crèches* and day nurseries.[46] These are all receiving growing public authority expenditure and support in various member countries according to the latest *Report on the Social Situation.* Ireland, instead, might choose to pursue an independent line which would assist and encourage mothers to stay at home and to care for their children rather than to enter the labour force. Thus, money which might in other EEC countries or in Ireland be spent on day nurseries, might instead, as suggested later, be spent on a mothers' allowance for mothers in poor circumstances who have full-time care of children. Another important area where it might be desirable for Ireland to follow a different path from the other EEC countries relates to the finance of social security. In part 4 it was pointed out that raising social security contributions markedly in order to reduce the Exchequer share in social security finance might be inappropriate in Ireland, as such a move implies increasing taxation on employment. It is interesting to note that at present some of the other EEC countries are moving in the *opposite* direction. For example, in Western Germany the financing of family allowances has recently been transferred from employers and employees to the Exchequer. If it is decided to increase social insurance contributions on grounds of following what has been traditional practice in a number of EEC countries, then the corollary should be to reduce indirect taxation.

Since decisions cannot sensibly be made concerning expenditure without a statement of the objectives such expenditure

[46]See *Report on the Development of the Social Situation in the Community in* 1973, Chapter VII. The Report states that there has been a great increase in the provision of day nurseries and *crèches* in many countries, also "in most countries there has also been an increase, encouraged by the public authorities, in family and marriage guidance bureaux and family planning centres, together with developments in the field of family and sex education. This trend has doubtless been accelerated in certain Member States by the fact that they have undertaken a revision of their legislation concerning abortion, since liberalisation in this field necessarily implies that information and guidance be available." (p. 155).

is intended to achieve, it is necessary to outline the objectives of social expenditure. Decisions may then be viewed in relation to these. Furthermore, it is intended to provide here a limited and necessarily somewhat impressionistic assessment of the benefits of social policy as mirrored by expenditure programmes, and policy can only be assessed in relation to the developmental goals it has been designed to achieve.[47] It is hoped that such a broad view may stimulate more detailed study on cost-benefit lines, etc., at a disaggregated level and also lead to discussion of what the goals of social policy are, what they ought to be, and the achievements of programmes in relation to the broad policy objectives. The issues involved in the evaluation of social policy eventually come back to one's view about the social welfare function.[48] There has been little discussion or research on these issues in Ireland to date. What is presented here must be regarded only as a tentative beginning.

The Aims of Social Policy in Ireland since the War

Any social policy is shaped by a particular set of ideas on the one hand and a particular set of needs on the other. Ideology and pragmatism are the twin moulds of social policy. According to circumstances, one or other may be the dominant mould. For example, it was argued a few years ago by John Kelly, then a law professor at University College, Dublin and now Parliamentary Secretary to the Taoiseach, that in the area of judicial reform, policy formation lacked the basis of any coherent philosophy and was based on raw pragmatism.[49]

A similar judgment was made by Professor Pfretzschner in relation to housing policy:

Irish governmental leaders from 1921 to the present, far

[47]Gunnar Mydral: "The Theoretical Assumptions of Social Planning", *Transactions of the Fourth World Congress of Sociology*, 1959, Vol. II, pp. 155-156.

[48]For a very good summary of some of the recent economic literature in this area see Lester C. Thurow: "Cash Versus In-Kind Transfers", *American Economic Review*, May 1974, p. 190. Two recent books also provide a review of the literature, A. J. Culyer: *The Economics of Social Policy:* and IEA: *The Economics of Charity*.

[49]Professor J. M. Kelly, *The Irish Times*, 30/31 August 1968.

from being persuaded by ideological motives, have functioned largely in terms of pragmatism, i.e. they have been challenged by the unfilled demand for shelter from almost all segments of the population, and they have attempted to meet the demand by direct action programmes.[50]

Professor Pfretzschner relates this pragmatism to the legislative basis which is of interest in view of Professor Kelly's remarks:

Pragmatism, not ideology, determines the legal basis for action on the housing front.[51]

While the role of ideology may have been more subtle and less obvious,[52] it is of interest that these two experts were convinced of the dominance of pragmatism. If this is so, it makes it all the more difficult to come to grips with the objectives of social policy as few clear statements may be expected if policy is merely formed on an *ad hoc* pragmatic basis.

In their study of public revenue and expenditure in Ireland, Professors O'Donoghue and Tait concluded that "there has been little articulated policy operative in this respect until recent years".[53] Nonetheless, there are a number of official sources which throw considerable light on the stated aims of social policy. The Constitution of 1937 provides the first guideline for the period under consideration. Secondly, government White Papers which outline official policy either in regard to individual services such as health or housing or which deal with the whole economy such as the Programmes for Economic Expansion provide another source. A third source is that of

[50]Paul A. Pfretzschner: *The Dynamics of Irish Housing*, Dublin: Institute of Public Administration, 1965, p. 20.

[51]*Ibid.*, p. 125.

[52]See John Whyte: *Church and State in Modern Ireland*, for a really excellent discussion of the influence of Catholic social teaching on policy in the 1930s—1950s. See also Garret FitzGerald: "Seeking a National Purpose", *Studies*, 1964, for a consideration of ideological influences.

[53]M. O'Donoghue and A. A. Tait: "The Growth of Public Revenue and Expenditure in Ireland" in J. A. Bristow and A. A. Tait (Editors) *Economic Policy in Ireland*, Dublin: Institute of Public Administration, 1968, p. 267.

reports whose findings have been accepted in whole or in part by the Government, such as the *Report of the Commission on Emigration, Economic Development, Investment in Education,* the *Full Employment Report* and other reports of the National Industrial Economic Council and the reports of the National Economic and Social Council. A fourth source of stated aims of social policy is Ministerial speeches and Parliamentary papers.[54]

Quotations from four important documents published during the post-war period serve as a point of departure for a statement of the aims of social policy. Furthermore, they provide a guide to the direction in which social policy was tending during the period.

Firstly, the following comment is found in the *Report of the Commission on Emigration*, which was established in 1948 by the Minister for Social Welfare and reported in 1954:

> The objective of social policy should be to influence conditions of life here so that by eliminating genuine grievances and by effecting improvements, potential migrants may be able to live in reasonable comfort and contentment at home.[55]

The Report then discusses briefly housing, education and "community life" but does not discuss either the health or income maintenance services.

Next, the chief objectives of the *Second Programme* are stated as follows:

[54]"Non-official" documents, such as Rev. Dr J. Dignan's *Social Security: Outlines of a Scheme of National Health Insurance* (1945), had considerable influence on policy. More recently the *Statement on Social Policy* produced by the Council for Social Welfare (a Committee of the Catholic Bishops' Conference) in early 1973 was an influential document. Many of its points were taken up by the political parties in the subsequent election campaign and in their policy statements. Another example would be CARE memoranda. However, the documents under consideration here are official or semi-official reports which the Government endorsed and which, therefore, reflect a statement of policy intent by Government.

[55]*Commission on Emigration and Other Population Problems* 1948-54, Dublin: Stationery Office, Chapter 8, p. 169.

> It (the Second Programme) will have for its chief objective the raising of the real income of the community by 50 per cent in the 1960s, in line with the collective target of OECD. Its complementary aim will be to secure the progressive reduction of involuntary emigration so that by 1970 net yearly emigration will be reduced to 10,000 at most.[56]

The *Second Programme* also subscribed to the general principles of the *First Programme* which had been derived from *Economic Development*. At the time of *Economic Development* (1958) which coincides with the middle of the period, it was felt that more productive investment was the most urgent need. High taxation was described as "one of the greatest impediments to economic progress because of its adverse effects on saving and on enterprise".[57] One of the steps towards the stabilisation and eventual reduction of taxation was seen to lie in "deferring further improvements in the social services until a steady growth in real national income is well established".[58]

In the *Second Programme*, priority is also given to productive investment, though not to the exclusion of "adequate provision of social capital":

> The achievement of the growth targets of the programme will enable additional resources to be provided for houses, schools, hospitals . . . and other forms of social capital.[59]

The final quotation appears in the *Report on Full Employment* published in March 1967:

> The aim should be a society which strives after equal opportunity by ensuring access to the highest levels of

[56] *Second Programme for Economic Expansion*, Dublin: Stationery Office, 1963, p. 17. Note also: "The framework of the Second Programme is determined by the growth rate", SPEE, p. 64.

[57] *Economic Development*, Dublin: Stationery Office, 1958, p. 21.

[58] *Op. cit.*, p. 24.

[59] *Second Programme for Economic Expansion*, Dublin: Stationery Office, 1963, p. 269.

> education for all with the ability to benefit, which permits no restriction on the entry to any field other than those imposed by merit and the capacity to serve, and which fixes a floor below which none, irrespective of their ability, will be allowed to fall. If this ideal is made the objective of social policy, then successful efforts to achieve full employment are more likely to be forthcoming.[60]

Any attempt to classify the aims of social policy on the basis of such evidence as has been mentioned will necessarily be somewhat arbitrary and open to dispute. Nevertheless, it is essential that some attempt to provide such a classification be made.

It is suggested that there is evidence to distinguish the following three major aims of social policy in the post-war years in Ireland:

1. The relief of poverty and the provision of a minimum standard of living for all;

2. Equalisation of opportunity;

3. Increased productivity and economic growth.

These aims might be called the *humanitarian*, the *egalitarian* and the *economic* aims of social policy. The first of the aims is illustrated to some extent by the quotation above from the *Report of the Commission on Emigration*. The second and third aims are also, to some degree, illustrated by the quotations from the *Second Programme*, *Economic Development* and the *Report on Full Employment*. If the sequence implied by the quotations is correct, it appears that the economic aim preceded the egalitarian aim. It is possible, by looking more closely at each of the aims in relation to the four services under consideration, to find some evidence that these were, in fact, aims of social policy.

[60] *Report on Full Employment*, NIEC Report No. 18, Dublin: Stationery Office, 1967, p. 9.

The Provision of a Minimum for All

Evidence that this has been a stated aim of social policy, at least since 1937, may be found in the Constitution. The following extract is relevant to the health and social security services

> The State pledges itself to safeguard with especial care the economic interests of the weaker sections of the community, and, where necessary, to contribute to the support of the infirm, the widow, the orphan and the aged.[61]

In this section of the 1937 Constitution is found a directive principle of social policy to guide the State in relieving extreme need and contributing to the maintenance of the necessitous. Emphasis on the minimum is present also in the *First Report of the Department of Social Welfare*.[62]

With regard to education, the objective of a minimum level is also indicated in the 1937 Constitution:

> The State shall, however, as guardian of the common good, require in view of actual conditions that the children receive a certain minimum education, moral, intellectual and social. . . . The State shall provide for free primary education and shall endeavour to supplement and give reasonable aid to private and corporate educational initiative, and, when the public good requires it, provide other educational facilities or institutions, with due regard, however, for the rights of parents, especially in the matter of religious and moral formation.[63]

While there is no direct mention of housing in the Constitution, the implication of Article 45 and other sections of the

[61]*Bunreacht na h-Eireann*, 1937, Article 45.

[62]See quotation from *First Report of the Department of Social Welfare* 1947-1949, in Part 2 of this paper.

[63]*Bunreacht na h-Eireann*, 1937, Article 42.

Constitution would appear to be that housing policy should ensure that everyone must enjoy a dwelling of at least minimum standards; persons should be encouraged to become owner-occupiers; and rural families, in particular, should be assisted to settle on the land.

In a White Paper[64] published in 1948 it was stated that the primary aim of the proposed housing programme was to eradicate existing slums and other unfit housing and eliminate overcrowding. The aim of a minimum standard of housing for all has influenced housing legislation:

> There is implicitly in almost all of the Irish housing laws . . . an awareness that a large proportion of Irish families lack a large enough income to enable them to purchase or rent shelter which is sufficient to their needs.[65]

Equality of Opportunity

The trend towards equality of opportunity has been much more clearly defined in education than in the other services. In 1963, the then Minister for Education, Dr P. J. Hillery, stated:

> As I see it, the equality of educational opportunity towards which it is the duty of the State to strive must nowadays entail the opportunity of some post-primary education for all.[66]

Accordingly, the introduction of free secondary education for all and of university grants were measures intended to increase equality of opportunity. Recent moves in the health services away from the principle of selectivity towards a welfare

[64]*Housing: A Review of Past Operations and Immediate Requirements*, Dublin: Stationery Office, 1948.

[65]Paul A. Pfretzschner: *The Dynamics of Irish Housing*, Dublin: Institute of Public Administration, 1964, p. 23. For a summary of the stated objectives of housing policy, see *Housing White Papers*, 1948, 1964 and 1969.

[66]Statement by Dr P. J. Hillery, T.D., Minister for Education, in regard to Post-Primary Education, 1963.

state type comprehensive system free of charge for all are somewhat similar to trends in education. While such policies indicate the presence of the equalisation objective, it will be questioned later if, in fact, they help to achieve the equalisation goal.

Economic Growth

The case for increased social expenditure has been justified on economic grounds for a number of years. This has been particularly true in regard to education. The sustained interest in social expenditure to achieve faster rates of economic growth was partly induced by certain bottlenecks encountered, such as shortage of skilled labour or labour immobility due to a lack of suitable housing. Economic analysis also contributed to the interest on the basis of a number of empirical studies which raised doubts about the primacy of physical capital in economic development.[67]

In Ireland the economic aim of expenditure on education was emphasised following the *Investment in Education* report (1965), and in the *Third Programme* (1969). As early as 1963 the economic aim in regard to technical education was made explicit by the Minister for Education:

> The Technical Schools Leaving Certificate[68] with as its supporting base the three years vocational school and the secondary schools intermediate courses would give the country a systematic supply of youth with a sufficient technical education to become at a later stage the technicians and higher technicians which the country is, as we must all hope, going to need.[69]

It is not clear that the aim of economic growth was much in the mind of the policy-makers in regard to housing. Yet,

[67]See David Walker: *The Allocation of Public Funds for Social Development*, Dublin: The Economic and Social Research Institute, Paper No. 8, 1962, for a discussion of some of the early studies.

[68]This, in fact, never materialised.

[69]Statement by Dr P. J. Hillery, T.D., Minister for Education, on Post-Primary Education, 1963.

the contribution of housing to economic development is vital. Charles Abrams has stated that:

> In Ireland, housing proved a mainstay of economic activity when the unemployed had no other opportunities.[70]

During the post-war years the income maintenance system has come to be regarded as an important tool of economic policy for stability and growth both in Ireland and elsewhere. When income and employment decline, social security payments automatically increase, thus acting as a stabiliser.

Achievement

A number of questions may now be asked which can help to decide the success, or otherwise, of the policies pursued in meeting the goals of social policy.

Recent research suggests that a large sector of the population, perhaps as big as 25 per cent, still live in poverty, i.e. they have not achieved a reasonable minimum.[71] In view of the vast increases in expenditure on the social services outlined in Part 1, this, if correct, must call in question the effectiveness of existing social expenditure programmes in combating poverty and providing *a minimum for all.* Most notable categories of poor include children and the aged. In an important speech in March 1974, the Tánaiste, Mr Corish, spoke of the one in five Irish children living in poverty. In Part 3 of this paper, it was shown that since 1958 the pensioner has not been keeping up with the growth of real earnings enjoyed by the productive sector. The adequacy of the old age pension, particularly for those living in city rooms, was questioned. Furthermore, a large number of appeals are made against decisions concerning social welfare payments of various types, especially pensions.[72]

[70]Charles Abrams: *Housing in the Modern World,* p. 110.

[71]Seamus Ó Cinnéide: "The Extent of Poverty in Ireland", *Social Studies: Irish Journal of Sociology,* Vol. 1, No. 4, August 1972.

[72]See various *Reports of the Department of Social Welfare,* (triennial).

The existence of such a large number of appeals may suggest that there are many living in the shadows of poverty, but who are excluded by existing schemes and the prescribed criteria used in the administration of the schemes.

Not only the young and the old, but every age group is affected by the provision of housing. There is no doubt that considerable progress has been made in housing the poor in the post-war period. Mr Blaney, in a speech in the Dáil in 1965 when he was Minister for Local Government, admitted to the neglect of "those who are in the worst possible conditions. . . . Over the years this residue of the poorest of the poor in the worst of our worst houses remains".[73] Nevertheless, the numbers remaining in inadequate or overcrowded accommodation is very high. In June 1963 the collapse of houses in Fenian Street in which two children were killed heralded a fresh housing crisis. Ten years later in the summer of 1973, Fenian Street was blockaded by evicted squatters.

Despite great efforts by Dublin Corporation, the number awaiting rehousing by Dublin Corporation is higher now than it was in 1964. When last revised in November 1972 the approved housing list numbered 5,307 applicants compared with 4,856 in 1964. These numbers refer to heads of households only. The total numbers, including dependants, are considerably greater—probably around 18,000 in 1972.[74] Also, the list includes approved applicants only. These are considerably less than total applicants. For example, one type of applicant who would not be "approved" would be a married couple with no children. On the other hand, the regulations have been considerably loosened over the past ten years, so that the grounds for "approval" are much wider now than they were formerly.

The success of public expenditure programmes in helping

[73] *PDDE*, Vol. 215, Cols. 381-2.

[74] See *Report of Assistant City Manager re Revision of the Housing List*, November 1972. This summarises the family sizes of the 5,307 approved applicants as follows: 3 persons or less: 48 per cent; 4 persons: 32 per cent; 5 persons: 12 per cent; 6 persons or more: 8 per cent.

to house those categories of the population most in need is difficult to assess. In another study[75] it has been shown that there is some evidence that within the local authority programmes there was a tendency to neglect the categories in most severe need, i.e. with the least ability to pay rents or service loans. There is also some suggestion that the poorer local authorities could least afford to carry out parts of their housing programme, for instance in relation to the payment of supplementary grants. Within the private housing area, it would appear that the grant system operated in favour of the larger house and the better-off owner-occupier.

Steps have been taken to overcome these two major defects in public expenditure programmes on housing; in the first instance by introducing a more equitable rents policy, where payment of rent is more closely related to ability to pay, and in the second instance by recasting the grants system for private housing.[76]

While the health services have been improved considerably, they are at present an area of great unease among those most intimately associated with their provision—the doctors. Access to the general medical services scheme as well as remuneration are important unsettled issues as is the question of extension of hospital services free of charge to all and the corresponding role of consultants. The choice of doctor scheme which was introduced to replace the old dispensary system, itself rooted in the Poor Law System, was an important step forward. However, it must be asked whether the extension of hospital services free of charge to all is a justifiable or a desirable move in view of the already long periods which poorer patients must frequently wait before they can get access to a hospital bed. Possibly this is an example of where a move towards equality is premature as the minimum remains to be more adequately satisfied. It is relevant to recall that the Health Act (1953)

[75]Finola Kennedy: "Public Expenditure in Ireland on Housing in the Post-War Period", *The Economic and Social Review*, Vol. 3, No. 3, April 1972, pp. 373-401.
[76]Housing Act (1970).

which extended services for the middle income groups was opposed by Mr T. F. O'Higgins on similar grounds. When he became Minister for Health in 1954, he introduced legislation to delay the implementation of the 1953 Act. He argued that facilities could not cope adequately with demand and "unless we take action to prevent it, the poor people, instead of being at the head of the queue, will take their place at the end".[77]

With regard to the second objective, *equality of opportunity,* the discussion here is limited to a consideration of some aspects of expenditure programmes on education. This is because the objective was most clearly stated in relation to education. R. C. Geary and F. S. O Muircheartaigh have recently published a wide-ranging study *Equalization of Opportunity in Ireland: Statistical Aspects,* ESRI, Broadsheet, No. 10, which includes an analysis of education and opportunity. The key question in relation to education is whether the vastly increased expenditure on education has reduced social disparities. Or has it, as is now being suggested by Vaizey and others in a general context merely intensified them? It is now being argued that education, as a "social distributor" of life chances often compounds rather than eases the difficulties of disadvantaged children.[78] Evidence of the very low rates of participation in full-time education for persons in the age group 15–19 years and for university students from the lower social groups was given in *Investment in Education* (1965) and in a study by Monica Nevin (*Journal of the Statistical and Social Inquiry Society of Ireland* 1966/67). This was before the introduction of university grants (these are means-tested). However, in January 1974 at the Annual Conference of the Union of Students in Ireland, the USI President stated:

> At the present time, low-income groups simply cannot afford to enter higher education; middle-class groups are virtually monopolising third-level study. It is they who

[77]*PDDE,* Vol. 146, Col. 1970.

[78]See, for example, John Vaizey: *The Political Economy of Education;* and The National Children's Bureau: *Born to Fail.*

get the benefit of direct government spending, it is they also who take up the bulk of higher education grants, because only they can afford to do so.

In his address to the Conference, the Minister for Education quoted the foregoing and said that if such were the case it should be remedied. If equality of opportunity is a serious objective of policy, then rather than increasing grants across the board as a solution to the problem, it would be well worth considering providing increased grants at the lower level of parental income and introducing a graduated loans scheme at the higher levels.[79] This point is reinforced by the fact that a large proportion of the full economic cost of university education is met by the State for *all* students. For example, in the academic year 1973/74, the total average expenditure per student in Trinity College, Dublin was approximately £950 per annum. Student fees averaged £150 per student per annum, leaving about £800 *per student* per annum to come from other sources, mainly the State.[80] A comparable situation exists in secondary education even where schools continue to charge fees. As early as 1961/62, fees and other revenue together provided less than 30 per cent of the income of secondary schools, while State grants, including incremental salary grants, provided over 70 per cent.[81]

In the case of free post-primary education, the immediate beneficiaries were the middle-class parents of children at those post-primary schools which joined the scheme. Since many post-primary schools, especially boys' schools in the Dublin area, opted to remain out of the scheme, there are grounds to believe that better-off parents can and will pay for their children's education.[82] Therefore, if the objective is really to help

[79]Cf. Richard Lynn: *The Irish Brain Drain*, Dublin: The Economic and Social Research Institute, Paper No. 43.

[80]Statement by the Board of Trinity College, Dublin, reported in *The Irish Times*, 2 May 1974.

[81]*Investment in Education*, Table 5.4, p. 85.

[82]Cf. Conrad Leser: *Demand Relationships for Ireland;* and *A Further Analysis of Irish Household Budget Data* 1951-52, Dublin: The Economic and Social Research Institute, Papers No. 4 and No. 23.

the disadvantaged,[83] it would be only common sense to devote more resources to educating those children whose parents *caunot* afford to do so.

The conclusion that expenditure at the higher levels of education helps the rich more than the poor and is, therefore, to an extent a transfer from the poor to the rich is not peculiar to Ireland. In a now classic article, Hansen and Weisbrod point to a similar situation with regard to public higher education in California.[84]

The basic weakness in the "more education means more equality" argument is the mistaken assumption that growth in the stock of education necessarily leads to greater equality in its distribution between persons. Angus Maddison has shown that for the United Kingdom if one takes simply the cumulative *number of years* of formal education of the population, then inequalities between the best- and least-educated are not too great. But, if allowance is made for the differences in the *cost* of providing instruction at different levels, inequality in the distribution of educational capital is very striking. A year of primary education cost the government of the United Kingdom £125 in 1971/72, but a year of university education cost £1,250.[85] Since children from poor homes are better represented at primary than university level, Madison maintains that to reduce inequality it would not be rational to try to educate everyone to graduate standard. It would be more reasonable to levy some sort of wealth tax on those with the most educational capital, and one could add, to provide more intensive assistance at the lower levels and for the poorer families.

It is being gradually recognised in a number of countries that,

[83]It may be that, despite statements by politicians, the consensus among the "winning coalition" of voters is that public expenditure on education should help the middle class which forms the majority of the electorate.

[84]W. Lee Hansen, and Burton A. Weisbrod: "The Distribution of Costs and Direct Benefits of Public Higher Education: The Case of California", *Journal of Human Resources*, Vol. IV, Spring 1969.

[85]Angus Maddison: "What is Education for?", *Lloyds Bank Review*, No. 112, April 1974, pp. 19-30.

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despite attention given to them, the programmes for the poor are dwarfed by the programmes which benefit the non-poor.[86] The relative position of the poor is, therefore, not improving. In the *Report on the Development of the Social Situation in the Community in* 1973 an actual deterioration in the relative position of the weakest groups in the vital area of employment was admitted. The differences found by an analysis by sector between privileged and underprivileged are showing no signs of becoming less marked as all the underprivileged sectors in most countries have experienced a deterioration in their position, even if this deterioration has only been slight.[87]

Often, because of the attitudes of society at large, the only politically feasible way of ensuring the provision of a service for the poor is to provide it for everyone. Because the very poor are only a minority, and do not constitute a powerful pressure group, any government that focuses largely on helping them may be voted out of power. This is an argument for the provision of services on a universalist basis, but it is not necessarily an argument for equality of opportunity. The latter requires not merely equal services for all, as, for example, "free" post-primary education, but extra help to the least advantaged—what Titmuss calls "positive discrimination." so that they may be in a position to avail themselves of services on an equal footing with the better-off. A man with a limp needs a good odds to have any chance in a race.

With regard to the third objective, *increasing growth and productivity,* it must be asked if the whole emphasis in our post-primary education system is not misplaced. It has been shown that one of the most significant results of free post-primary education has been the enormous increase in enrolments in traditional-type secondary schools and the further relative neglect of vocational and technical education. Geary

[86] A. Dale Tussing: "The Dual Welfare System", *Society,* 1974, pp. 50-57.
[87] *Report on the Development of the Social Situation in the Community in* 1973, p. 49.

and Ó Muircheartaigh[88] show that over the period 1946/66 annual average percentage rates of increase in whole-time enrolments actually grew faster in vocational schools (4·8 per cent per annum) than in secondary schools (4·4 per cent per annum). However, after 1966 there was a very marked reversal of this situation. Between 1966 and 1972, the comparable rates for vocational and secondary schools were 5·7 per cent and 8·2 per cent respectively. This has taken place despite the fact that a number of authoritative studies, including *Investment in Education* and *The Drogheda Pilot Manpower Study*, have indicated a serious deficit of people with technical qualifications. The academic-technical imbalance which exists in post-primary education in Ireland is chronic and is markedly different from the situation in continental countries, where high quality technical education is fairly widespread. Given present attitudes—there is no doubt that traditional secondary, rather than technical, education signifies higher status educa-

Table 16: *Annual average percentage rates of increase in numbers participating wholetime in post-primary education, classified by establishment type, in approximate periods* 1946/66 *and* 1966/72

Establishment	*Approximate period*	
	1946-66	1966-72
	per cent	*per cent*
Secondary	4·4	8·2
Vocational	4·8	5·7
University	4·5	3·5
Total	4·5	7·1

Source: R. C. Geary and F. S. Ó Muircheartaigh: *Equalization of Opportunity in Ireland: Statistical Aspects*, Dublin: The Economic and Social Research Institute, Broadsheet No. 10, p. 106.

[88]R. C. Geary and F. S. Ó Muircheartaigh: *Equalization of Opportunity in Ireland: Statistical Aspects*, Dublin: The Economic and Social Research Institute, Broadsheet No. 10, p. 106, also Table 16 in this publication.

tion to the vast majority—the shift in balance between academic and technical education required by the economy is more likely to come about from a restructuring of income differentials and conditions of service through market forces of supply and demand than from educational policy. However, there could be great value in policies which, while allowing parents to opt for traditional secondary education, would also render a distinctive technical sector immensely more attractive through curriculum reform, improved teacher training and higher standards. These latter suggestions may not be enough to overcome the middle-class attitude towards technical education and occupations. One of the advantages of comprehensive schools is the wide range of subjects offered and the possibility of choosing technical and practical subjects without attending a school which may be looked on as inferior because it is not academic. A wide curriculum is also useful in providing some practical subjects for academic children.

However, a universal policy of comprehensive schools may not be the answer either. Variety is the spice of life and surely nowhere more so than in education. Therefore, what is important is *not* that "we go comprehensive" but that the whole spectrum of our educational institutions, whether primary, secondary, technical, comprehensive, or third level, are providing a qualitatively enriching experience for the pupils and one which is in line with career opportunities. It would be a great pity if the individuality of schools were lost. In the individual character, rather than the standardisation of schools, resides the potential for a creative and varied society in which all talents have a role and receive a chance to fulfil that role.

Distinct from the problem of the attitude which views technical education as inferior, there is the difficult problem of the attitude of the poorer families and individuals towards post-primary education. That there is a close relation between education and the level of family income is widely recognised.[89]

[89]John H. Adler: "Development and Income Distribution", *Finance and Development*, Vol. 10, No. 3, September 1973, p. 3.

It is difficult to establish the direction of the casual relation, because there is logic and empirical evidence for either of two assertions: (i) that poor or non-existent formal education is one of the causes of low income; or (ii) that low family income is one of the reasons why children do not go to school, or get only a minimum—and an inadequate minimum at that—of education.[90] However, neither of these assertions may tell the whole story. Many children from poor backgrounds may not themselves want to attend school, and if they do attend under duress they may simply idle. The answer in such cases may be a combination of work and school. If suitable employment exists, the status of the young person—as capable of earning and hence having money for outings, amusements, etc., is maintained in his own eyes and in the eyes of his peer group. At the same time, day release (perhaps one half-day per week) could provide for education either of a vocational or continuation nature (i.e. general subjects). In general, the provision of continuation-type education after entry to employment is almost non-existent. This is a pity as it means, in general, that when a young person enters employment he is usually cut off from ever returning to full-time education. Much greater flexibility is required so that a young worker could, if he wished, return to full-time education after a period in employment. In general, there is a need for greater mobility between the world of school and the world of work.

It is in the area of housing that the most urgent attention is required in relation to economic growth at the present time. The post-war period provides a wealth of experience from which useful lessons may be learnt. The pattern of public expenditure on housing in the post-war period was largely a response to what the authorities considered to represent housing needs. The effect on the provision of dwellings was that in the immediate post-war years, when there was agreement that needs were great, housing expenditure and output soared. As

[90] *Ibid.*

funds became tighter and as the impression grew that needs were being satisfied—even though this was an impression partly grounded in false facts—expenditure and output slowed down. The economic crisis of 1956/58 witnessed a severe cut-back in housing. In the 1960s, expenditure and output grew in response to expansionist policies although once again in the crisis of 1965/66 there was a tightening of credit and a slight curbing of housing growth. Despite the growth in the 1960s, real capital expenditure at 1958 prices by public authorities on housing was marginally lower in 1968 than it had been in 1951. It was shown in Part 1 of this paper that in 1970 housing expenditure fell by £6 million. At the present time (1974), due to the current economic difficulties, the housing programme is in peril. Past experience suggests that any drastic cuts will only aggravate the economic difficulties. However, there are certain important elements which distinguish the current situation from the 1956/58 situation and which make cuts less likely now. In 1956/58 the background was one of emigration and vacancies in local authority housing estates, especially in the perimeter areas of Dublin such as Ballyfermot. Today, houses in these estates are extremely scarce and much sought after. Emigration has been replaced by net immigration.

While there was ample justification for a major housing drive in the late 1940s and early 1950s, given the urgency of needs, there can be little doubt that a smoother growth of expenditure, especially on new local authority housing, from then on would have been socially and economically desirable. The cyclical impact on the economy could have been mitigated.[91] Fluctuations in housing output which result almost immediately from variations in public expenditure have adverse effects on productivity in the housebuilding industry:

The building industry rightly argues that their efficiency

[91]Finola Kennedy: "Public Expenditure in Ireland on Housing in the Post-War Period", *The Economic and Social Review*, Vol. 3, No. 3, April 1972, pp. 373-401.

> would be improved if they could contract out of the adjustments necessary in the economy from time to time."[92]

In view of this, it is disappointing to find in the NIEC *Report on Physical Planning* that:

> . . . until this major problem (excessive growth in money incomes as compared to productivity) is resolved, it would be quite unrealistic to expect that curbs on the expansion of activity in building and construction will not on occasions be necessary in the interests of economic stability.[93]

The reasoning behind this is that because expenditure runs too fast ahead of output and balance of payments deficits result, the necessary medicine is, at least in part, a cut in investment in building and construction which will readily induce unemployment, reduce spending and get the balance of payments back in line. A preferable alternative would be to steady the growth of both investment and consumption, and especially the growth of investment in the building and construction industry.

Reference was made in Part 3 of this paper to a study by Walsh which showed that between 1953 and 1971 public expenditure on income maintenance payments operated counter-cyclically. However, looking at public social expenditure as a whole, the stabilising effects of income maintenance expenditures may be counterbalanced by the destabilising effects of government social investment.[94] For example, in 1957 cuts in government spending on housing accentuated the depression in the economy which, in turn, necessitated the payment of unemployment benefit and assistance on a much larger scale than would otherwise have been the case.

[92]P. R. Kaim-Caudle and Mella Crowley, unpublished Memorandum for the Royal Institute of Architects in Ireland, 1970.

[93]Physical Planning, NIEC Report No. 26, Dublin: Stationery Office.

[94]Finola Kennedy: "Social Expenditure of Public Authorities and Economic Growth 1947-1966", *The Economic and Social Review*, Vol. 1, No. 3, April 1970, pp. 385-392.

6. *Overall Strategies of Social Policy*

THAT there has been expressed agreement in favour of the three mentioned goals as objectives of social policy has been established, even if practice has not always conformed to precept. All objectives do not apply with equal strength to all expenditures and it is possible that at times objectives may conflict. Different ways of attaining these objectives exist and frequently the same objective may be attained by different means. In general, ways of attaining the objectives of social policy fit into the following categories:

1. Employment policy and incomes policy which indirectly influences the distribution of income while leaving individuals free choice in the disposal of that income;
2. Tax policy, which involves specific State decisions on the distribution of income while still leaving individuals freedom in spending disposable income (i.e. after taxes and transfers);
3. State provision of services, which involves the State in decisions about what services people shall have.

This paper has been concerned chiefly with State provision of services and income transfers. However, a co-ordinated social policy must take cognisance of all three means of attaining social objectives and expenditures themselves both in the aggregate and at the individual service level.

Employment

As poverty most frequently results where the family breadwinner in unemployed, ***employment provision*** must be a top priority. Attention should be paid to the fact that employment provision has been by far the most successful means of tackling poverty and in the improvement of opportunity in the United States. On the other hand, despite the enormous expenditure on the "education strategy" in the war on poverty, it has been an almost total failure.[95] A thorough review of investment policies in light of the employment criterion is called for.

Development economists have argued that the chief means of curbing urban unemployment must be the expansion of industrial production, if necessary through import substitution. More recently, the expansion of industrial production for export (as in Ireland) is being promoted in order to help the balance of payments. Its employment-creating effects are also important. In view of export difficulties and uncertainties in foreign markets which arise from time to time, the growth of industrial exports as a means of the sustained alleviation of urban unemployment can only be relied on to a limited degree. It is for this reason that employment based on the home market, notably in such activities as the provision of public housing, is crucial. In the present economic environment, it is particularly important to avoid sharp cut-backs in housing.

Adler[96] discusses the relationship between growth and distribution. He suggests that public expenditure on rural development, including rural primary education, and the elimination of urban unemployment, for example, through housebuilding, should be priority areas in a policy to achieve social justice. In time of depression the direct provision of employment through public expenditure on capital projects such as housing is preferable to spending an equivalent sum on unemployment benefit and assistance. The cost to the government and community of maintaining large numbers on unemployment benefit and assistance is not merely the cost of the payments themselves. There is the loss to the community

[95]See A. Dale Tussing: "Poverty Research in the United States" *The Economic and Scoial Review*, Vol. 5, No. 1, October 1973, pp. 75-98.
[96]*Op. cit.*

of real output and the very considerable loss of government revenue from social security and income tax receipts.

Redistribution

Redistribution through the tax system may help to solve a large part of many poor families' problems. But how practical a possibility is a significant redistribution of income? Almost nothing is known at present concerning how the burden of taxation is distributed by income class and among persons with approximately equal incomes. In an important recent study of the US tax system, Pechman and Okner conclude that the US tax system is essentially proportional for the vast majority of families and, therefore, has *little effect on the overall distribution of income.*[97] This is a fundamental finding and it could possibly be the case in Ireland also. Apart from ignorance on this crucial question, it has been argued that redistribution impedes economic growth and that we must aim all out for growth first. Professor W. J. L. Ryan, in his address to the Confederation of Irish Industry Conference in January 1974, said:

> Tax rates at the margin are now so high that there would be great difficulty in effecting through increased taxation additional transfers of income from the better-off to the less fortunate members of the community. Bigger slices can be got only from bigger cakes.

The juxtaposition of the two patterns of a high growth rate with a low social justice performance and of a poor growth rate with a high social justice accomplishment, which implies the existence of a measurable trade-off, is in reality hardly ever the way in which the problem poses itself.[98] A more realistic

[97]Joseph A. Pechman and Benjamin A. Okner: *Who Bears the Tax Burden?* The Brookings Institution, 1974.

[98]It is interesting to find that in the final chapter of the *General Theory*, i.e., "Concluding Notes on the Social Philosophy Towards Which the General Theory Might Lead", Keynes wrote as follows: "The outstanding faults of the economic society in which we live are its failure to provide full employment and its arbitrary and inequitable distribution of wealth and incomes". He went on to argue that the redistribution of income could prove positively favourable to the growth of capital.

and practical way to put the question is to ask: could the higher national growth rate have been achieved without a deterioration in the income distribution? And what can be done to maintain the growth rate while at the same time correcting the distribution of income? In other words, as Adler states:

> It is doubtful whether the idea of a conscious choice among various combinations of income growth and income distribution is useful and whether the notion of a trade-off, while logically unassailable, has any operational significance.[99]

In practical terms, a 4 per cent growth rate accompanied by a reduction in unemployment is preferable to a 4 per cent growth rate with no reduction in unemployment. However, the former course implies a lower average income for all in employment. Jan Tinbergen, the first Nobel Prize winner in Economics, has commented that the best way to re-distribute income in a situation of unemployment is to create more employment.

A disheartening feature of current discussion of incomes policy is that the economic objective of moderating cost increases to match productivity increases is dominant and little attention is given to the social objective of a redistribution of income and wealth. Welfare beneficiaries are seldom organised in strong pressure groups and unions understandably fight hardest for their own members and often for their strongest members who are unlikely to be the lowest-paid workers. In some cases, the earnings of workers are low because workers are on the margin of unemployability. This fact is sometimes used to excuse unions from negotiating for minimum wage legislation as this might lead to unemployment, but it should strengthen the will of unions to fight for a counterpart of the British Family Income Supplement which is designed to meet

[99] *Op. cit.*, p. 4.

the needs of low-income wage earners.[100] Quite remarkably, incomes policy discussions rarely centre on these issues, partly because of union silence.

However, national pay agreements may not be suitable as a vehicle for redistribution. The unions' first role in such agreements is to fight for their own members. Therefore, in addition, and as a complement, to a *pay agreement* there should be initiated a *distribution agreement* in which unions, employers, farmers and others would meet with the Government to examine how much the non-poor would transfer to the poor. While it would be the role of the Government to put the case of the poor and underprivileged, representatives of these groups could be involved also. Many of them are gradually being organised and represented ably by voluntary workers and by social workers. Such a possibility might be considered by the National Economic and Social Council in its work. Clarification would be gained on the vital point of how much the non-poor are prepared to redistribute to the poor and how much they choose to redistribute among themselves. Much discussion of public expenditure ignores the fundamental fact that it is *public* only at the point of distribution and not at the point of origin.

Selective Provision of Services and Benefits

Considerable care should be taken in designing public social expenditure programmes in such a way as to ensure that benefits accrue to the poor. Richard Bird, a high-ranking official in the Fiscal Affairs Division of the International Monetary Fund, recently wrote:

[100] The United Kingdom Family Income Supplements Bill (October 1970) provided for an embryo negative income tax in that "make-up" totals for different sized families with at least one parent in full-time work are specified (e.g., £15 a week for one-child families, with £2 a week more for each additional child). If family resources (i.e. incomes of husbands and wives) over the preceding five weeks have been below the prescribed level, 50 per cent of the difference is paid by the Government subject to an overall limit of £3 a week. Once the level of payment is determined, it is to be continued for twenty-six weeks irrespective of any change in family circumstances. The fact that there has been a low take-up rate for the Family Income Supplement in Britain does not mean it should be ignored. Rather, its failings should be examined in light of the objectives it was designed to achieve.

Expenditures on health, education and similar government activities related directly to the wellbeing of individuals can clearly be so directed as to benefit most the poorer members of society. The fact that in some countries it appears that education expenditures have in reality *helped most those who need it least*—for example, by subsidising university education for the children of the well-to-do—does not affect this conclusion. What it does do is reinforce the importance of being selective and of paying careful and close attention to the precise nature of expenditures if one is concerned with the distributional impact. It is obvious, for example, that money spent on primary education in the rural areas will do more to benefit the poor than the same amount spent on university education in the capital city. The poor, like the rich, are by no means a homogeneous group, and policies designed to help particular subgroups of the poor will need, as a rule, to be selective and often localised in their incidence.[101]

A recent British study[102] of disadvantaged children shows how heavily the dice are loaded against these children. One child in sixteen—the disadvantaged—had adversity after adversity heaped on them even from before birth; their health was poorer, their social attainment lower, their physical environment worse than ordinary children. Poor children and poor old age pensioners are the groups that should be the top priority of social policy.

There is little doubt that the recent climate of political opinion is against selectivity.[103] This contrasts with the position as recently as eight to ten years ago when, for example, selectivity was staunchly adhered to in the provision of health

[101]Richard M. Bird: "Public Finance and Inequality", *Finance and Development*, Vol. 11, No. 1, March 1974.

[102]The National Children's Bureau: *Born to Fail*, 1973.

[103]To avoid any possible confusion, selectivity may be defined as an assessment of needs in relation to private means or income and general capacity to satisfy such needs.

services in an effort to optimise the use of limited resources.[104] The following quotation from the 1966 White Paper on the health services illustrates the fact that selectivity was at that time the guiding principle in the development of the health services:

> In developing the services . . . the Government did not accept the proposition that the State had a duty to provide unconditionally all medical, dental and other health services free of cost for everyone, without regard to individual need or circumstances . . . By following this broad principle (selectivity), there has been a more effective use of the necessarily limited portion of the national product which can be devoted to the public development of health services than if an effort had been made to develop on a much broader base a scheme with the features of a comprehensive free-for-all national health service.[105]

The present emphasis is somewhat reminiscent of the universalistic emphasis in the British Labour Party policies in the election campaigns and Party Manifestos in 1964 and 1966. However, there has been a rapid change in the climate of opinion in Britain since then. As early as 1967 Douglas Houghton, who was for a time the Member of the Cabinet in charge of the co-ordination of social policy, wrote:

> There appears, however, to be a noticeable shift in public opinion towards bringing improved benefits to those most in need; away from "universalism" to "selectivity". The poor and the needy, it is said, get inadequate help because of the costly and wasteful spread of higher benefits over all, irrespective of actual requirements . . . Of the several

[104]See *The Health Services and their Further Development*, Dublin: Stationery Office, 1966.
[105]*Ibid.*, p. 16.

possible remedies for this situation (the existence of sub-standard families) the one which found least favour with public opinion seemed to be all-round increases in family allowances . . . it would be wasteful of resources to give to parents of over six million children higher family allowances to meet the needs of barely one-tenth of them.[106]

Research carried out in Britain almost ten years ago by Professor Kaim-Caudle attempted to quantify the value of State aid to parents in different income groups. He concluded that "there can be no doubt that the better-off benefit more from State aid than the less well-off".[107]

There are two main objections to selectivity. These have been well summarised by Prest.[108] First, there is a feeling by some that poor people have a natural right to relief and that a means test is totally unwarranted form of inquisition. While there are valid historical reasons for such feelings, the basis for their existence need not continue forever. Part of the problem may arise because of the notion which led Kaim-Caudle to conclude that "the free general medical services for the least well-off . . . were a good example of the maxim that 'a service for the poor is a poor service'".[109] But this, if true, need not necessarily be so. The argument in this paper in favour of selectivity is precisely designed to ensure that scarce funds may be channelled for the provision of a top-rate service for the poor. Secondly, selectivity has implications for marginal tax rates. Some methods of alleviating poverty carry with them an *implicit* marginal tax rate, e.g. when the size of rate rebate to which a family is entitled falls as its income rises, what happens is parallel to a rise in tax liabilities when income increases. Moreover, such

[106]Douglas Houghton: *Paying for Social Services*, Institute of Economic Affairs, 1967, pp. 10-11.

[107]P. R. Kaim-Caudle: "Selectivity in Family Allowances" in *Social Services for All? Part I*, Fabian Society, 1968, p. 20.

[108]A. R. Prest: "The Negative Income Tax: Concepts and Problems", *British Tax Review*, 1970, pp. 352-365; *Social Benefits and Tax Rates*, Institute of Economic Affairs, Research Monograph No. 22, 1970.

[109]P. R. Kaim-Caudle: *Comparative Social Policy and Social Security: A Ten Country Study*, London: Martin Robertson, 1973, p. 305.

implicit marginal tax rates may be additive not only to one another but also to income tax and graduated national insurance payments. The overall result is that far from high marginal tax rates only affecting the rich, there may be even higher marginal rates attached to much lower levels of income. Little is known about the numbers affected by implicit tax rates and the problem needs further examination. Sensible selectivity must take this problem into account and face it squarely if the effort to assist the poor is genuine.

To tackle the problem of poverty effectively it has been argued in this paper that the first and most obvious task is to create more employment. Redistribution measures come next. In cases where these remedies fail or are inadequate, it might be argued that a good fall-back system of minimum income support which would pin the subsistence level at a reasonable minimum is desirable. Such a scheme could combine and, perhaps in part, replace various partial schemes of home assistance, fuel allowances, rent allowances, etc. Such a blanket fall-back scheme would require a means test; but it would require one means test only in lieu of the several means tests which a poor person may have to undergo for the present wide range of fragmented schemes. The administrative appeal of a single means test could be weighed against other possible drawbacks. This could be operated on the lines of a negative income tax.

There are two important ideas involved in the negative income tax. One is that welfare benefits should be more selective and concentrated on the poorer sections of the community only. The other is that relief should take the form of cash payments rather than benefits in kind.[110] However, while the negative income tax is a concept of considerable intellectual appeal there are many formidable problems in putting the tax into operation which indicate that it may offer more pitfalls than opportunities. Prest concludes that if we were starting from scratch, with no existing institutions and method of working, it

[110] Prest, *op. cit.*

would be eminently sensible to adopt the negative income tax as the comprehensive way of tackling poverty. But we are not starting from scratch. A variety of very different administrative programmes exist which defy easy synthesis. Certain policies, such as the development of graduated pensions and unemployment benefits, represent moves in the *opposite* direction to negative income tax.

A more feasible approach, if one less likely to appeal to those with a leaning towards administrative tidiness, is to build on the existing structures. These, after all, were built with goodwill in the past. A basic problem for administrators of social services is said to be the identification of the poor and the delivery to them of appropriate aid in a non-stigmatising manner. Since it has been established that the old and the young are among those who suffer most from poverty, an immediate way to relieve poverty would be to increase substantially old age pensions and to find means of aiding poor children.

The system of payment of children's allowances could be so arranged as to give substantial aid to poor families. In Mr Haughey's Budget statement in 1968, he said:

> Aid does not always get where it is most needed. For instance, the general scheme of children's allowances costs over £10 million[111] a year but the Government are conscious of the fact that this large sum is not being spent to the best advantage.

He pointed out that the number of out-of-date payable orders which the Department of Social Welfare receive to be validated was evidence of the fact than many parents receive payments which are not really necessary in the circumstances. In the following year, 1969, Mr Haughey stated in his Budget speech:

> Children's allowances are being substantially increased because it is by this means that assistance can be given directly to the *families who need it most.*

[111]Expenditure on children's allowances for 1975 is estimated at £43·2 (at 1974 rates).

He said that he had decided against a means test but:

> I propose to make a start towards selectivity by providing that part of the proposed increase in the allowances will be recovered from persons paying income tax.

Again in the 1970 Budget family allowances were increased and it was stated in the Budget speech that:

> As with the increases granted last year, the increases now proposed will be recovered in part from persons paying income tax by reducing the allowance under the Income Tax Acts for each child who benefits from the increase.

When Mr Richie Ryan introduced his first Budget in 1973, he followed the pattern which Mr Haughey had initiated in regard to children's allowances. There were substantial increases in children's allowances but people with net earnings in excess of £2,500 did not receive the increase at all because of appropriate reductions in the income tax allowance for each child.[112]

In the 1974 Budget, however, a remarkable turnabout in policy took place in regard to children's allowances. Mr Ryan said that, in the interests of simplification, a uniform child tax allowance of £200 would be introduced which would mean that the child allowance would no longer vary with the age of a child or a taxpayer's income and, in addition, it would do away with the irritation of the "claw-back". Thus, what Mr Haughey had devised as a means of helping the poor and Mr Ryan had subscribed to in his first Budget, became in 1974 an "irritation". The net result of the overall income tax simplifications resulting both from the elimination of the "claw-back" and changes in allowances which Mr Ryan introduced in 1974 was that a married person with three children and earning £10,000 a year

[112]Prior to the 1973 Budget where children's allowances were paid, the income tax allowances were reduced by: £15 in respect of the second child and by £23 in respect of the third and each subsequent child. Following 1973 Budget there was a further reduction of £50 per annum in respect of each eligible child, including the first child, if the taxpayer's *net* income exceeded £2,500.

saved £320·7 in tax, whereas a married man with three children earning £1,500 saved £40·15.

The effect of selectivity in children's allowances may be illustrated as follows. In 1971 £17·5 million was spent on children's allowances for approximately one million children, i.e. £17·5 for each child per annum. If the same amount were paid only to the 213,000 children estimated by Ó Cinnéide as living in poverty, then each poor child could receive £82.

The amounts in 1975 would be considerably greater. If, in 1975, total expenditure on children's allowances reaches £50 million, this could represent £50 for every child, or £235 for every poor child. This example presents the choice rather starkly. A gradual scaling in the operation of selectivity could occur in practice. If it is thought impracticable to introduce a means test, then the so-called "claw-back" provides an excellent way of ensuring selectivity. It would be possible to increase children's allowances substantially and then recover them from the better-off through the tax system. If the resulting system was not as "simple" as one of uniform tax allowances of £200 and no "claw-back", then simple administration must be weighed against slightly more complex administration which can help the poor. The degree of complexity required cannot be too great as such a system operated successfully for several years. One argument against the "claw-back" is that rich people not paying income tax avoid making their contribution. However, with the extension of income taxation to better-off farmers and the general strengthening of measures against evasion, this can no longer be considered the problem it was sometimes considered in the past.

Another possibility might be the payment of an additional allowance to mothers in poor circumstances who are in full-time care of dependent children.[113] The payment of a mothers'

[113]Such allowances exist in some other countries. In Italy, for example, a wife's allowance is paid subject to a means test of personal resources. In France, in addition to children's allowances, there is a single wage allowance paid where only one parent works. In 1970 this was approximately £2 per child per month, but it was £7 for each child under two years.

allowance would probably be criticised vociferously by family planning advocates as a pro-natalist measure. But this would be unjustified as family planning does not affect children who are already born. To avoid means testing which might be impractical as the numbers are very large, it might be paid to all mothers with a large number of dependent children and recovered in total from the better-off through the tax mechanism.

A remarkable feature of Table 10 of this paper, which showed the real percentage changes in social benefits between 1953 and 1974, was that the only benefit which *declined* over the period was the maternity grant which fell in real terms by 30 per cent. The only other decreases shown in the Table were in children's allowances in the sub-period 1958–66. Over that period, children's allowances for the second child declined in real terms by 21·49 per cent and for the third child by 5·67 per cent. In addition, it may be noted that in the sub-period 1966/74 the maternity allowance grew least of all the benefits listed, with the exception of the maternity grant which actually declined, and the old age (non-contributory) pension. These trends would seem to indicate a relatively low priority for maternity grants and allowances. This contrasts with some EEC countries where maternity grants are substantial. In 1970 the maternity grant in France was £56·50 and in Belgium £70 for first births.

But such a system of cash transfers based on negative income tax increased old age pensions or increased children's allowances paid on a selective basis or the payment of a mother's allowance, would not be sufficient in itself to solve the problem of poverty. The drawbacks in the cash transfer system are well summarised by Thurow.[114] He points out that the economists' support for cash transfers (e.g. negative income tax) rests on the doctrine of absolute consumer sovereignty. Everyone is his own best judge of what should be done to maximise his own utility. Thurow says that public policies must face up to a modification of this simplistic view. Governments have a whole range of

[114] *Op. cit.*

policies that can be used to supplement or supplant consumer sovereignty. One of the mildest and least coercive of these is the public provision of goods and services in kind.

Thurow points out that realistically there is a continuum of family and individual management ability. As a result, the same cash income will provide different real standards of living for different people. Given a continuum of individuals with varying degrees of competence, transfer systems need a corresponding continuum of transfers, ranging from cash, cash with advice, vouchers and in-kind provision. This points to the urgency for concerted efforts in such areas as local authority housing, primary and vocational education and public health services.

Of vital importance in designing a sensible income maintenance system is the reform of social insurance programmes, under which people gain rights to benefits based largely on contributions made during previous work periods. In the United States it has been shown that social insurance programmes:

> . . . are becoming increasingly inefficient in helping the lowest income groups. Moreover, increases in social insurance benefits may simply replace money that could have been diverted to other programs.[115]

Lerman and Townsend show that in the United States benefits from welfare elements in social security payment formulas will go increasingly to middle- and upper-income groups. However, low and moderate-income workers will bear a large part of the costs of these welfare elements, since they tend to shift the tax burden from the personal income tax towards the social security tax.[116] The regressivity of the social insurance tax in relation to income may be illustrated by the following example based on contribution rates in Ireland in 1973. The ordinary flat-rate contribution for women was £1·20 (employee) and £1·79 (employer), compared with £1·27 (employee) and £1·84

[115]Robert I. Lerman and Alair A. Townsend: "Conflicting Objectives in Income Maintenance Programs", *American Economic Reveiw*, May 1974, p. 210.
[116]*Ibid.*, p. 211.

(employer) for males. The female contribution rate was, therefore, 96 per cent of the male contribution rate compared with a female/male earnings ratio of about 55 per cent. The same arithmetic applies to any lower-paid worker.

Economy Essential Due to Scarcity of Resources

It is well to remember that it is scarcity of resources that gives rise to the need for the study of economics. The late George O'Brien wisely reminded us:

> Plenty of everything for everybody is nowhere within reach. Unattainable objectives should not be made the programme of practical politicians.[117]

What, then, is to be done? On the one hand, public expenditure has taken a massive share of GNP yet "needs" are nowhere near being satisfied. Pressures to increase expenditure further are mounting, both autonomously due to the existence of "open-ended" schemes, and following our EEC membership. Bearing in mind the scarcity of resources and special features of the Irish situation such as low income, the high dependency and unemployment rates, thin dispersal of population outside the main cities and our low ratio of direct taxation to GNP, one priority should surely be the encouragement of the voluntary principle. Ireland has had an excellent record in this regard and it would be a very great pity if voluntary effort did not receive recognition and support.

A question which must be faced now or in the near future is whether the point of diminishing returns to *aggregate* public authorities expenditure has been reached. How much further can the tax/GNP ratio rise without significantly altering the system? If the answer to this question is that there is little leeway and if it is thought desirable to maintain the existing "mixed economy" then the importance of the distribution of public expenditure and its selective nature becomes even more

[117]George O'Brien: *The Phantom of Plenty: Reflections on Economic Progress*, Dublin: Clonmore and Reynolds, 1948, pp. 72-73.

vital, as does the question of the distribution of the tax burden referred to earlier. It also means that on economic, as well as other grounds, voluntary effort should be encouraged. It could be argued that in certain areas there has been an unnecessarily high level of public expenditure and that this could actually be reduced. If, for example, it were decided to reduce expenditure on hospital in-patient care, this expenditure would have to be replaced in part by public out-patient expenditure but voluntary back-up services could also be encouraged as a supplement.[118]

Need for Planning

Another priority in public expenditure is a more careful assessment of costs.[119] It was noted in an earlier part of this paper that the lack of attention to costs and alternatives foregone in the early post-war years was made possible by the unique availability of funds. Likewise, growth in social spending in the early 1960s was facilitated by the increase in real resources and a rapid growth of borrowing and national debt. On the other hand, cuts in expenditure have been associated with the apparent exhaustion of financial resources, as in the late 1950s. Such cut-backs are extremely wasteful. Slower and surer growth is preferable to high growth followed by standstills. The latter is the inevitable result if the allocation process proceeds in a see-saw fashion between "what we need" and "what we can afford".

The discussion does not seek to conclude that cost factors are necessarily the most important in making choices. In certain cases, the opposite may be true. But costs merit considerable study. The observation of Roland McKean (*Public Spending*, 1968) that the process of budget formation is frequently one in

[118]For example, the "meals-on-wheels" service could be expanded.

[119]The economist's definition of costs is *alternatives foregone*. Only by considering the alternatives foregone by any given expenditure can the poor be helped. Another State banquet means less for housing or pensions! The concept of alternatives foregone applies not only to objectives, but also to the means of achieving those objectives.

which physical "requirements" are selected prior to cost estimation is borne out in a number of instances in public social expenditure in Ireland (e.g. free post-primary education and free hospital services for all). Such a sequence, which only considers costs after "needs" have been decided, is seriously deficient. Needs can only be ranked in an economically meaningful way if they are considered in relation to their costs, i.e. the *alternatives foregone*.

Analysis of trade-offs highlights the question of selectivity versus universalism in the social services. If too little attention is paid to costs then both the comparison between having one programme rather than another and the comparison between providing a higher level of service for a limited number or a modest level for many will be neglected. The administrator must focus on the choice between, for example, an extra £1, or £1 million for office accommodation, or for old age pensioners or poor children. Objectives must be specified clearly and they must be related to the resources required to achieve the objectives.

The traditional budget suffers from two main defects. Firstly, the current budget is generally expressed in terms of inputs, salaries of civil servants, teachers, etc., and secondly, expenditure is only shown for one year in advance. Because of the input orientation of the budget it is difficult to identify what elements of spending comprise a unit oriented towards a particular objective. Accordingly, it is difficult to assess the cost of alternative programmes. Thus, many choices are made without conscious reference to costs, that is to the alternative benefits that must be sacrificed. The second trouble is associated with the fact that expenditure is shown for one year in advance only. If the full cost, and not just the down payment which the first year cost represents, has to be declared, it is less likely that foot-in-the-door techniques will be used to get something started without calling attention to the full costs. In addition "the traditional budget period of a single year throws little light on the significance of expenditures whose effects may be spread over the next decade".[120] It is thoroughly inadequate for procurement of long lead-time items and for construction projects.

It is important that the cost of new projects should be given not merely for the current year or the year ahead. Costing over a number of years (even beyond the next general election) highlights the longer-run trade-offs which may differ markedly from the situation in the initial year. Thus, for example, the free post-primary education scheme was announced without very searching consideration of its long-run costs, not only in second level subsidies, but also at third level. Nor was there published any consideration of costs of alternative strategies such as increased support for the underdeveloped technical wing of post-primary education. In general, there is a strong temptation to secure the acceptance of a project by understating initial estimates of costs. This can lead to wasteful cut-backs later on. Such a situation can only be avoided if public programmes are presented in the context of an overall plan for a period of years.

In conclusion, the co-ordinated use of all policy tools for the achievement of the goals of social policy is advocated. As Lerman and Townsend remark: "there is no easy way out".[121] Effective social policy will include the use of all the following:

1. Employment policy;

2. Tax policy to spread burdens and benefits equitably;

3. With regard to the provision of services:

   (*a*) greater selectivity to ensure a more intensive provision of service for the poorest individuals and groups;

[120] Arthur Smithies, "Conceptual Framework for the Program Budget", David Novilk, ed. *Program Budgeting. Program Analysis and the Federal Budget.* Cambridge, Mass.: Harvard University Press, 1965.

[121] *Op. cit.*

(*b*) immediate attention to the most hard-pressed categories which are generally concluded to be the old age pensioners and children in poverty. This could be done by substantial increases in old age pensions and the introduction of increased children's allowances paid on a selective basis by utilising the income tax system;

(*c*) more rigorous estimation of cost, clearer specification of objectives and greater consideration of alternatives, all of which would contribute to greater economy in public spending and leave more resources available to meet other social needs;

4. Encouragement and support for voluntary effort.

APPENDIX TABLES

Table A.1: *Maximum rates of principal social assistance benefits at certain times and percentage change,* 1948–74

Benefit	1948	1953	1958	1962	1966	1971	1974 *to* 30 *June*	1974 *from* 1 *July*	1953 *to* 1974(*a*)	1958 *to* 1966	1966 *to* 1974(*a*)
	£ per week								*Percentage Change*		
Old age (non-contributory) Pension	0·87	1·07	1·25	1·50	2·88	4·25	6·15	7·30	582·24	130·40	153·47
Widows (non-contributory) Pension	0·70	1·00	1·18	1·42	2·30	4·25	6·15	7·30	630·00	94·92	217·39
Unemployment Assistance:											
Single Person: urban	0·80(*b*)	0·90	0·95	1·07	1·70	3·60	5·35	6·35	605·56	78·95	273·53
elsewhere	0·45	0·60	0·65	0·87	1·40	3·30	5·05	6·05	908·33	115·38	332·14
Man, wife, two children:											
urban	1·40(*b*)	1·90	2·05	2·62	4·12	7·90	12·55	14·85	681·58	100·98	260·44
elsewhere	0·98	1·40	1·55	2·12	3·72	7·50	12·15	14·45	932·14	140·00	288·44
Allowance for third and each other child (urban and elsewhere)	various(*c*)	none	none	0·12	0·25	0·50	1·25	1·50	—	—	500·00
	£ per month										
Children's Allowances:											
First qualified child	none	none	none	none	0·50	0·50	2·00	2·30	—	—	360·00
Second qualified child	none	0·55	0·77	0·77	0·77	1·50	3·00	3·30	500·00	0	328·74
Third qualified child	0·50	0·87	1·10	1·10	1·32	2·25	4·05	4·35	400·00	20·00	229·55

(*a*) Rates from 1 July 1974 used in calculating percentage changes.
(*b*) Rates refer to any county borough or the Borough of Dun Laoghaire. Rates in other urban areas were £0·70 and £1·40 respectively.
(*c*) Various small increases according to area and number of children.

Source: Reports of Department of Social Welfare and Department of Social Welfare.

Table A.2: *Maximum rates of principal social insurance benefits at certain times and percentage change*, 1948–74

Benefit	1948	1953	1958	1962	1966	1971	1974 *to* 30 *June*	1974 *from* 1 *July*	1953 *to* 1974(*a*)	1958 *to* 1966	1966 *to* 1974(*a*)
	£ per week								*Percentage Change*		
Old age (contributory) Pension	none	none	none	2·00	3·00	5·00	7·20	8·50	—	—	183·33
Widows (contributory) Pension	0·80	1·20	1·50	1·62	2·62	4·50	6·60	7·80	550·00	74·67	197·71
Unemployment Benefit: single person	1·12	1·20	1·50	1·62	2·62	4·50	6·65	7·75	545·83	74·67	195·80
Married man with two children	1·75	2·50	3·05	3·62	5·92	9·45	14·50	17·20	588·00	94·10	190·54
Maternity Allowance	none	1·20	1·50	1·75	2·75	4·50	6·55	7·75	545·83	83·33	181·82
	Single Payment										
Maternity Grant	2·00(*b*)	2·00	2·00	2·00	4·00	4·00	4·00	4·00	100·00	100·00	0

(*a*) Rates from 1 July 1974 used in calculating percentage changes.
(*b*) A rate of £4 was also payable in 1948 which included medical disability payment where necessary.

Table A.3: *Rates of contributions for social insurance benefits and percentage change, 1948/74*

Period	*Male*	*Female*
	£	£
Ordinary Rate		
1948	0·20	0·15
January 1953—September 1956	0·24	0·17
September 1956—January 1961	0·28	0·20
January 1961—January 1963	0·45	0·38
January 1963—January 1964	0·53	0·45
January 1964—January 1966	0·60	0·52
January 1966—October 1966	0·74	0·66
October 1966—May 1967	0·75	0·67
May 1967—January 1968	0·85	0·75
January 1968—January 1969	1·00	0·90
January 1969—January 1970	1·22	1·11
January 1970—October 1970	1·41	1·30
October 1970—October 1971	1·68	1·57
October 1971—October 1972	2·03	1·91
October 1972—July 1973	2·46	2·33
July 1973—April 1974	3·08	2·96
April 1974—July 1974	2·66	2·54
July 1974	3·26	3·14
	Percentage Change	
January 1953—July 1974	1,258·33	1,747·06
January 1958—January 1966	164·29	230·00
January 1966—July 1974	440·54	475·76
	£	£
Domestic Rate		
January 1953	0·23	0·10
January 1958	0·27	0·13
January 1966	0·73	0·51
July 1974	3·26	3·26
	Percentage Change	
January 1953—July 1974	1,317·39	2,260·00
January 1958—January 1966	170·37	292·31
January 1966—July 1974	346·58	539·22

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