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THE GROWTH OF INCOME MAINTENANCE EXPENDITURE
IN IRELAND, 1951-1979 ^x

BY
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^xThis paper has been written in the context of research carried out for an on-going research project on the development of Western European welfare states in the post-war period. I am most grateful to Professor Peter Flora who is directing this project for his valuable guidance and advice in relation to this work.

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PRECIS

This study analyses the growth of income maintenance expenditure in Ireland between 1951 and 1979 in terms of the influence on expenditure levels of three factors - demographic structure, eligibility for benefits and the average level of benefit payments. The study covers four major income maintenance programmes: old age pensions, child allowances, unemployment benefits and sickness cash benefits. The results of the analysis indicate that the main factors affecting expenditure growth have been changes in eligibility and in the average level of benefits, but that the influence of these factors has varied considerably between the programmes and over time.

I. INTRODUCTION

Between 1951 and 1978, social expenditure in Ireland grew from 15.8 per cent to 25.1 per cent of Gross Domestic Product (GDP), contributing by far the largest part of the 15.9 percentage point increase in that period in the share of GDP accounted for by total public expenditure. Further, a functional disaggregation of social expenditure (see Table 1) shows that the income maintenance component registered the largest expenditure growth, increasing its share of GDP by 5 percentage points and thus accounting for almost one third of the total public expenditure expansion. Yet despite this sizeable increase, and despite the considerable attention which has been directed towards the development of public expenditure in general (e.g. O'Donoghue and Tait, 1968; National Economic and Social Council, 1976a; O'Hagan, 1980a, 1980b) and even towards various aspects of social expenditure (e.g. Kennedy, 1970, 1972, 1975; National Economic and Social Council, 1976b; Tussing, 1978), there has been little detailed analysis of the growth of income maintenance expenditure as a specific category.¹ This paper is therefore intended to contribute to such an analysis by examining the reasons for the expansion of expenditure on selected income maintenance programmes between 1951 and 1979.

(Table 1 about here)

Table 1: Total Public Expenditure and Social Expenditure as a Share of Gross Domestic Product, 1951-1978.

Year	(% GDP)					
	Total Public Expenditure	Total Social Expenditure	Income Maintenance	Health	Education	Housing
1951	39.9	15.9	4.6	3.3	3.1	4.8
1961	34.5	14.3	5.9	3.0	3.2	2.2
1965	37.9	16.8	6.2	3.4	4.3	2.9
1970	43.4	19.8	7.6	4.5	5.2	2.5
1975	56.2	27.2	10.6	6.5	6.1	4.1
1978	55.8	25.1	9.6	6.7	5.9	2.9

Sources: Data on total public expenditure in 1951 and total social expenditure in 1951 and 1961 from Finola Kennedy, Public Social Expenditure in Ireland (Dublin: Economic and Social Research Institute), 1975. Other data from Central Statistics Office, National Income and Expenditure (Dublin: Stationery Office), various issues.

First, however, it may be useful to clarify some definitions: public expenditure refers here to the consolidated expenditure of public authorities as calculated in the national income accounts; social expenditure refers to expenditure on health, education, social security and welfare and housing according to the functional classification of public authorities' expenditure in the national income accounts; the term 'income maintenance expenditure' as used here refers to the category 'social security and welfare' in the above functional classification. This category consists mainly of current transfer payments to households (both cash and non-cash), but it also includes some current transfers to private non-profit institutions, and such current expenditure on goods and services and capital expenditure as occurs in connection with social security and welfare;² the term 'income maintenance payments' refers solely to current transfer payments for social security and welfare.

While various studies have indicated that economic growth is a necessary condition for the long term growth of social expenditures (e.g. Geary, 1973; O'Hagan and O'Higgins, 1973; Walsh, 1974), it is less evident what the immediate causes of growth may be. In the case of income maintenance payments, expenditure may increase for any of a variety of reasons: for instance, the rates of benefit payments may rise, new benefits may be introduced, eligibility for benefits may be extended to new groups; but autonomous factors such as changes in the demographic structure and in the unemployment rate also exert an important influence on expenditure levels (see

Walsh, 1974; OECD, 1976). This paper sets out, therefore, to investigate the factors involved in the growth of expenditure on four important income maintenance programmes in the period 1951 to 1979. The following section explains the methodology used in the analysis, while section III analyses the development of expenditure on old age pensions, children's allowances, unemployment benefits and sickness benefits.

II. METHODOLOGY

Expenditure on income maintenance payments may usefully be conceived of as being determined by three distinct factors: (i) the number of people exposed to a given social 'risk', i.e. the population to which a given income maintenance programme may be relevant (in the case of old age pensions this would be the over-65 age group); (ii) the number of people who actually receive benefits; (iii) the average payment per beneficiary. (See OECD, 1976.) Since change along any of these three dimensions will affect the level of expenditure, the problem lies in discovering the extent to which each of the different factors has actually operated over time. For instance, to what extent has expenditure on unemployment benefits risen because of increased unemployment and to what extent because average benefit levels have improved? A significant contribution to the analysis of expenditure growth has been made by a study carried out by the Organisation for Economic Co-operation and Development (OECD) in 1976. The study utilises a relatively

straightforward framework which makes it possible to express expenditure as a function of the above three factors. The methodology of the OECD approach is as follows: the share of GDP absorbed by expenditure on a given income maintenance function is equal to the product of four variables:

- (i) the 'relevant' population as a proportion of the total population;
- (ii) beneficiaries per 'relevant' population;
- (iii) payments per beneficiary
- (iv) the reciprocal of GDP per capita.

The product of (iii) multiplied by (iv) yields one variable-average payments per beneficiary as a proportion of GDP per capita, which is referred to as the 'transfer ratio'. Item (i) is referred to as the 'demographic ratio' and (ii) as the 'eligibility ratio'. Symbolically, this identity may be expressed as follows: if YME = income maintenance payments, GDP = gross domestic product, G = size of the population relevant to the programme, B = number of beneficiaries and P = total population, then

$$\frac{YME}{GDP} = \left(\frac{G}{P}\right) \times \left(\frac{B}{G}\right) \times \left(\frac{\frac{YME}{B}}{\frac{GDP}{P}}\right)$$

Thus, the share of income maintenance expenditure in GDP may be decomposed into a demographic component, an eligibility component and a transfer component and changes in the share can be expressed numerically in terms of changes in each of the three components.

The application of this technique to the analysis of change in income maintenance expenditures between 1962 and 1972 has shown that for the OECD area as a whole, almost 67 per cent of expenditure growth was due to changes in eligibility for programmes, over 33 per cent was due to demographic change, while the effect of the 'transfer ratio' was negligible (OECD, 1976, p. 44). The four programmes analysed in the study were old-age pensions, child allowances, unemployment benefits and sickness benefits and in the case of Ireland the findings were as follows: the analysis of old-age pensions covered the period 1961 to 1969 and transfer ratio changes were found to have been the most influential factor, although, it must be pointed out that expenditure grew only slightly relative to GDP in this period; expenditure on child allowances declined in the same period and again change in the weight of the transfer ratio appears to have been the dominant factor; the analysis of unemployment benefits covered the years 1961 - 1971 and the main factors contributing to expenditure growth were found to be the unemployment rate and eligibility changes in that order; finally, analysis of expenditure on sickness cash benefits over the same period showed that eligibility changes were the main factor in expenditure growth.

Unfortunately, the OECD analysis was confined to a relatively brief time-span and expenditure change was considered only in relation to the beginning and end points of the period.

Clearly, however, it would be desirable to extend the analysis over a longer period and to consider expenditure change on an annual basis, thus facilitating identification of different phases of development and making it possible to investigate whether the influence of the three explanatory factors has varied over time. The analysis in the next section will, therefore, examine the development of expenditure on a year-by-year basis over the period 1951-1979. The general formula used in the analysis is as follows: referring to the previous equation, if the 'expenditure ratio' $\left(\frac{YME}{GDP}\right) = X$, the 'demographic ratio' $\left(\frac{G}{P}\right) = D$, the 'eligibility ratio' $\left(\frac{B}{G}\right) = E$, the 'transfer ratio' $\left(\frac{YME}{B}\right) / \left(\frac{GDP}{P}\right) = T$, and time = i , then

$$\begin{aligned}
 X_{i+1} - X_i &= (D_{i+1} - D_i) \times E \times T \\
 &+ (E_{i+1} - E_i) \times D \times T \\
 &+ (T_{i+1} - T_i) \times D \times E \\
 &+ (D_{i+1} - D_i) \times (E_{i+1} - E_i) \times T \\
 &+ (D_{i+1} - D_i) \times (T_{i+1} - T_i) \times E \\
 &+ (E_{i+1} - E_i) \times (T_{i+1} - T_i) \times D \\
 &+ (D_{i+1} - T_i) \times (E_{i+1} - E_i) \times (T_{i+1} - T_i)
 \end{aligned}$$

One of the most interesting aspects of the OECD study is its demonstration that the growth of income maintenance expenditure is not purely a function of discretionary changes in programmes, but that 'automatic' factors such as demographic change may also exert a significant influence. Unfortunately, however, the component analysis method outlined here does not allow a clear separation between discretionary and non-discretionary

influences on expenditure growth. While change in the demographic ratio is a purely automatic matter, changes in the eligibility and transfer ratios is not so clearcut. Changes in the number of beneficiaries depend partly on alterations in the conditions of eligibility for benefits and partly on factors such as changing income levels, business cycles and willingness to claim benefits. Change in the transfer ratio may result either from alterations in benefit rates or from changes in certain characteristics of the beneficiaries such as the number of dependants or the length of the social insurance record. However, such difficulties of interpretation may be overcome to a large extent by combining empirical analysis with an examination of the institutional development of the income maintenance programmes.

Alber (1982, p. 32) suggests that an examination of institutional modifications should distinguish two types of change: on the one hand, there are changes which simply preserve the existing character of the programmes by adapting them to changes in the environment, such as increases in benefit rates to keep pace with inflation; on the other hand, there are provisions which bring about real modifications in the programmes, such as the extension of eligibility to new categories of people or real improvement in benefit rates. Alber also makes the crucial point that failure to adapt institutional regulations to changes in the environment actually results in the effective curtailment of programmes, while real modifications may also take the form of deliberate dismantling of programmes. Thus Alber distinguishes the following types of

influences on social programmes:

- (a) automatic influences;
- (b) adaptive changes which preserve the status quo of programmes;
- (c) curtailment of programmes due to failure to take adaptive measures;
- (d) real improvements in programmes;
- (e) deliberate dismantling of programmes.

While we do not intend to undertake an exhaustive review of the legislative development of income maintenance programmes, interpretation of the results of our analysis will be undertaken with the foregoing typology in mind.

III. The Growth of Income Maintenance Expenditures 1951-1979

The analysis of expenditure covers four income maintenance programmes - old age pensions, child allowances, unemployment benefits and sickness benefits. Together, these four programmes accounted for 76.6 per cent of total current transfer payments for income maintenance in 1978.³

Old Age Pensions

The analysis of old age pensions includes contributory old age pensions, non-contributory old age pensions and retirement pensions. Together, these constitute the most important category of income maintenance payments, absorbing 31.7 per cent in 1978. The relevant population for these programmes is taken to be the population aged 65 years and over. The beneficiaries are the number of pensioners under the three schemes on the last day of the financial year.⁴

Looking at table 2, it will be seen that the share of GDP absorbed by old age pensions has increased from 1.9 per cent to 2.9 per cent over the period 1951-1979. It is evident, however, that the pattern of growth has been most uneven. Expenditure remained relatively stable between 1951 and 1964 at a level of around 1.9. A slight rise occurred in the period 1965-1972, bringing the share to 2.1 per cent. The major increase in expenditure occurred over a three year period from 1973 to 1975, when there was a rise of 0.9 percentage points. The share has declined very slightly since 1975, to remain stable at a level of 2.9 per cent between 1976 and 1979.

(Table 2 about here)

Turning to the three component ratios, we see that the proportion of the population in the over-65 age group has remained relatively stable during the period under review, increasing slightly in the period 1951-64 and declining again thereafter. The eligibility ratio is low by international standards (see OECD, 1976); the ratio actually declined steadily between 1954 and 1964, while a major improvement took place between 1973 and 1977. In 1979, 62.5 per cent of the population aged 65 and over were receiving old age pensions. The transfer ratio has followed a highly erratic trend; little improvement occurred over the years 1951-72 as a whole, while a significant upward shift occurred between 1973 and 1975. The ratio has declined slightly since 1976.

TABLE 2: OLD AGE PENSIONS - DEVELOPMENT OF EXPENDITURE, DEMOGRAPHIC, ELIGIBILITY AND TRANSFER RATIOS 1951-1979.

YEAR	EXPENDI- TURE RATIO	DEMOGRA- PHIC RATIO	ELIGIB- ILITY RATIO	TRANSFER RATIO
1979.	0.029230	0.107185	0.624654	0.436567
1978.	0.029112	0.107822	0.628852	0.429351
1977.	0.028876	0.108290	0.612994	0.434997
1976.	0.029985	0.108493	0.597143	0.462829
1975.	0.030040	0.108942	0.580925	0.474657
1974.	0.026370	0.109510	0.545322	0.441566
1973.	0.023542	0.110026	0.513314	0.416829
1972.	0.021003	0.110450	0.494012	0.384923
1971.	0.021801	0.110813	0.493939	0.398308
1970.	0.021355	0.111525	0.490881	0.390083
1969.	0.020232	0.111415	0.484663	0.374680
1968.	0.020318	0.111569	0.480000	0.379400
1967.	0.020478	0.111724	0.476852	0.384385
1966.	0.021180	0.111997	0.476780	0.396639
1965.	0.020023	0.111961	0.475155	0.376379
1964.	0.018876	0.111731	0.478125	0.354503
1963.	0.019588	0.111730	0.479624	0.364875
1962.	0.019435	0.111661	0.484177	0.359477
1961.	0.020156	0.111781	0.487302	0.370029
1960.	0.018950	0.111229	0.498413	0.340020
1959.	0.017942	0.110682	0.509524	0.318156
1958.	0.018297	0.110410	0.515873	0.321239
1957.	0.019129	0.109879	0.520505	0.334471
1956.	0.019242	0.109386	0.522082	0.336932
1955.	0.019536	0.108867	0.520440	0.344810
1954.	0.018667	0.108467	0.521944	0.329731
1953.	0.018758	0.107833	0.522012	0.333229
1952.	0.019538	0.107348	0.512618	0.355054
1951.	0.019138	0.106721	0.501582	0.357516

NOTE: EXPENDITURE=EXPENDITURE ON OLD AGE CONTRIBUTORY PENSION, OLD AGE NON-CONTRIBUTORY PENSION, RETIREMENT PENSION,
BENEFICIARIES=NO. OF PENSIONERS UNDER THESE THREE SCHEMES ON LAST DAY OF FINANCIAL YEAR.

EXPENDITURE RATIO=EXPENDITURE/GDP

DEMOGRAPHIC RATIO=POPULATION 65+/TOTAL POPULATION

ELIGIBILITY RATIO=BENEFICIARIES/POPULATION 65+

TRANSFER RATIO=(EXPENDITURE/BENEFICIARIES)/(GDP/TOTAL POPULATION)

In order to facilitate direct comparison between the movements of the expenditure ratio and its three component ratios, these are shown in index form in graph 1. In the accompanying table (table 3) a number of different phases of development are identified; for each phase the change in the expenditure ratio is shown along with the contribution of each of the component ratios.

During the period 1951-59, expenditure declined overall, despite growth in the number of elderly people. The major reason for this decline was a decline in the transfer ratio, while the eligibility ratio also fell. This appears to be a good illustration of what happens when adaptive measures are not taken so that the programme is actually curtailed: the pension rates were raised only five times during this nine year period and the increases granted were insufficient to maintain the value of benefits relative to per capita GDP. Moreover, the income limit defining eligibility for pensions remained unchanged between 1952 and 1959 and it seems likely that this led to the gradual decline in the eligibility ratio.

The second phase, from 1960 to 1972 is characterised by a cyclical pattern in the expenditure ratio, the overall trend being upward. The effect of the demographic and eligibility factors is very slight in this period and, looking at the graph, we see changes in the level of expenditure follow very closely the movements in the transfer ratio. The slight rise in the expenditure ratio over this period appears to be due to the fact that the average level of benefit showed some real

improvement vis-à-vis per capita GDP, although the adjustments in benefit rates were not always enough to maintain the existing transfer ratio, thus giving rise to the cyclical pattern which we see here. Three important institutional modifications took place in this period: the introduction of payments for dependent children of pensioners in 1964 contributed to the rise in the transfer ratio in 1965. The introduction of a contributory old age pension in 1961 may also have contributed to improving the average level of benefits since these pensions were paid at a higher rate than the non-contributory pension. No immediate improvement in the eligibility ratio followed the introduction of this new pension since a considerable number of widows, who had formerly been required to transfer from the contributory widow's pension to the non-contributory old age pension at age 70, were now able to transfer to the contributory widow's pension. The introduction in 1970 of a retirement pension, payable at age 65 led to a slight rise in the eligibility ratio, although the numbers drawing this pension were relatively small.

(Table 3 / Graph 1 about here)

The share of expenditure for old age pensions in GDP grew by 0.9 per cent in the three years from 1973 to 1975. The most important factor contributing to this change was a significant improvement in the transfer ratio. Benefit rates were raised four times in this period, while the introduction of an adult

Graph 1: Old Age Pensions - Expenditure, demographic, eligibility and transfer ratios 1951-1979 (ratios are expressed as index numbers, 1951=100).

expenditure ratio ———
 demographic ratio
 eligibility ratio ———
 transfer ratio - - - - -

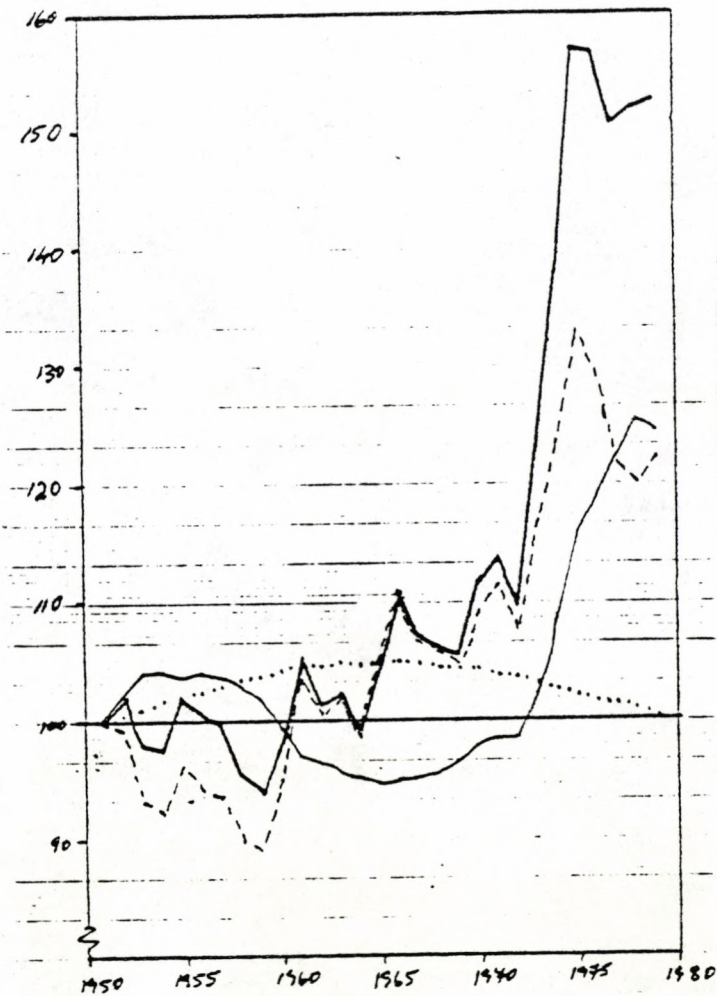


Table 3: Phases of development in expenditure on old age pensions.

Period	% change in share of GDP	Due to:		
		demographic change	eligibility change	transfer ratio change
1951-59	-0.12	+0.07	+0.03	-0.21
1960-72	+0.31	0.00	-0.06	+0.38
1973-75	+0.90	-0.03	+0.37	+0.49
1976-79	-0.08	-0.05	+0.23	-0.24
1951-79	+1.01	+0.01	+0.47	+0.42

Note: The figures for change in the demographic, eligibility and transfer ratios do not add up exactly to the figure for the change in the expenditure share because the figures on change due to interaction effects (equivalent to the last four lines of the equation on p.6) have been excluded from this table.

dependant's allowance for non-contributory pensioners in 1974 and considerable relaxation of the means test for this pension during the period under review also contributed to raise the average level of benefit. The eligibility ratio also contributed significantly to rising expenditure in this period. The reduction of the pensionable age from 70 to 66 brought about a considerable rise in the number of pensioners, while the already mentioned relaxation of the means test also contributed to the extension of eligibility.⁵

The final phase, from 1976 to 1979, saw a slight decline in the share of expenditure in GDP. Although the demographic ratio continued to decline gradually, the drop in the expenditure ratio was caused mainly by a sharp fall in the transfer ratio, which declined between 1976 and 1978. Eligibility continued to rise up to 1978, following a further reduction in the pensionable age in 1977.

Over the period as a whole, therefore, we see from table 3 that of the 1 percentage point rise in the share of GDP absorbed by old age pensions, 0.47 per cent was due to changes in eligibility while improvement in the transfer ratio accounted for 0.42 per cent of the change and the contribution of demographic change was negligible.

Child Allowances

Child allowances refers to expenditure on the children's allowance scheme only. The relevant demographic group is taken here to be the population in the 0-14 age group. The beneficiaries

are the number of children in respect of whom allowances are paid on the last day of the financial year.⁶ The share of GDP devoted to child allowances has increased only fractionally between 1951 and 1979, going from 0.56 per cent to 0.83 per cent. The 1979 level was, in fact, lower than at any time since 1951 (see table 4). Expenditure has fluctuated considerably over time, ranging from 0.56 per cent of GDP in 1951 to a high of 1.3 per cent in 1974. The size of the under-15 age group has increased only slightly over time, going from 28.9 per cent of the total population in 1951 to 31.3 per cent in 1971 and declining again to 30.6 per cent by 1979. On the other hand, the eligibility ratio has grown significantly: in 1951, allowances were paid for 40.3 per cent of the 0-14 age group. Eligibility exceeded unity in 1964 and rose to 117.1 per cent by 1978 (this is because allowances are paid for children up to the age of 16 or 18).⁷ The transfer ratio has deteriorated over time; in 1951 the average payment per child was equivalent to 4.8 per cent of per capita GDP, by 1979 it had declined to 2.4 per cent . .

(Table 4 about here)

Graph 2 shows the movements of the expenditure ratio and its three component ratios expressed in index form. Looking at this it is possible to identify four developmental phases which are analysed in table 5. The expenditure share grew by almost 0.7 per cent of GDP between 1951 and 1958, although there was a downward shift in 1955-56. The major part of the growth was due to the extension of eligibility in 1952, from which time allowances were paid for the second child as well as for the third and subsequent children. The transfer ratio

TABLE 4: CHILD ALLOWANCES - DEVELOPMENT OF EXPENDITURE, DEMOGRAPHIC, ELIGIBILITY AND TRANSFER RATIOS 1951-1979.

YEAR	EXPENDI- TURE RATIO	DEMOGRA- PHIC RATIO	ELIGIB- ILITY RATIO	TRANSFER RATIO
1979.	0.008386	0.305819	1.164078	0.023556
1978.	0.007865	0.306554	1.171428	0.021902
1977.	0.008878	0.307433	1.161194	0.024868
1976.	0.010125	0.308431	1.154271	0.028441
1975.	0.012177	0.309194	1.149185	0.034270
1974.	0.013486	0.309958	1.099174	0.039583
1973.	0.012141	0.310872	1.108900	0.035219
1972.	0.007731	0.311839	1.075291	0.023055
1971.	0.009228	0.312626	1.076799	0.027412
1970.	0.010122	0.312542	1.068330	0.030315
1969.	0.009595	0.312372	1.066192	0.028809
1968.	0.008352	0.312393	1.063187	0.025147
1967.	0.009333	0.312414	1.057947	0.028238
1966.	0.010194	0.312067	1.051666	0.031061
1965.	0.010637	0.311891	1.041806	0.032737
1964.	0.011215	0.311802	1.024076	0.035122
1963.	0.010489	0.311579	0.847973	0.039700
1962.	0.009649	0.311307	0.685585	0.045211
1961.	0.010446	0.311214	0.687001	0.048857
1960.	0.011247	0.308769	0.689143	0.052820
1959.	0.011687	0.306746	0.691294	0.055115
1958.	0.012491	0.304592	0.685846	0.059794
1957.	0.012388	0.302253	0.675459	0.060680
1956.	0.009998	0.299262	0.676064	0.049318
1955.	0.010151	0.297843	0.671264	0.050774
1954.	0.010638	0.295478	0.665708	0.054083
1953.	0.010488	0.293320	0.658960	0.054262
1952.	0.009769	0.290891	0.529686	0.063402
1951.	0.005614	0.288754	0.402924	0.048250

NOTE: EXPENDITURE=EXPENDITURE ON CHILDREN'S ALLOWANCE
 BENEFICIARIES=NUMBER OF CHILDREN IN RESPECT OF WHOM ALLOWANCES
 ARE PAID ON LAST DAY OF FINANCIAL YEAR.

EXPENDITURE RATIO=EXPENDITURE/GDP

DEMOGRAPHIC RATIO=POPULATION 0-14/TOTAL POPULATION

ELIGIBILITY RATIO=BENEFICIARIES/POPULATION 0-14

TRANSFER RATIO=(EXPENDITURE /BENEFICIARIES)/(GDP/TOTAL POPULATION)

also improved in 1952 following increases in the benefit rates, but the decline in the expenditure share in 1955-56 resulted from a deterioration in this ratio. A further improvement in the transfer ratio in 1957 caused the expenditure share to rise again. The demographic ratio grew only marginally in this period.

The overall decline in the expenditure share between 1959 and 1972 resulted from a severe deterioration in the transfer ratio. This is a clear example of how failure to grant regular increases in benefit rates results in the effective curtailment of a programme: benefit rates rose only marginally between 1959 and 1968 so that the average payment declined steadily vis-à-vis per capita GDP. The downward trend in expenditure was only temporarily reversed by the extension of eligibility to the first child in 1963 and more substantial increases in benefit rates in 1969 and 1970. Thus, improvement in the eligibility component during this period was counteracted by deterioration in the transfer component.

The downward trend in expenditure was reversed in the period 1973-74, when its share of GDP rose by 0.58 percentage points. This was due largely to an improvement in the transfer ratio, following sizeable increases in benefit rates in those years. It should be noted, however, that these increases were not sufficient to raise the transfer ratio to its 1952 level. Eligibility increased slightly in this period with the raising of the age limit for payment of allowances to 18 years in respect of children in full time education or apprenticeship. Expenditure

had declined again to its 1972 level by 1978, despite further growth in the eligibility ratio. Here again the main factor at work was the transfer ratio: since benefit rates were not increased between 1975 and 1978, the average payment declined sharply vis-à-vis per capita GDP.

(Table 5 / Graph 2 about here)

Over the period 1951-1979 as a whole, therefore, the dominant factor affecting expenditure has been the transfer ratio and failure to grant regular or substantial increases in benefit rates has kept expenditure down despite a considerable expansion in eligibility for benefits.

Unemployment Benefits

The concept of a demographic ratio is rather ambiguous in the case of unemployment since the size of the relevant population is not a purely demographic matter as in the case of old age pensions and child allowances. On the one hand, it could be argued that the entire active population runs the risk of unemployment;⁸ on the other hand it is only the group which is actually unemployed that forms the potential clientele for unemployment benefits. In order to separate these two factors, the demographic ratio has been split into two ratios - that of the labour force to the total population and that of unemployment to the labour force. A second problem is that the share of GDP absorbed by unemployment expenditure tends to vary more from one year to the next than that of other income maintenance items since expenditure levels are affected by cyclical variations in the rate of unemployment. In order to reduce the effect of such

Graph 2: Child Allowances - Expenditure, demographic, eligibility and transfer ratios 1951-1979 (ratios are expressed as index numbers, 1951=100).

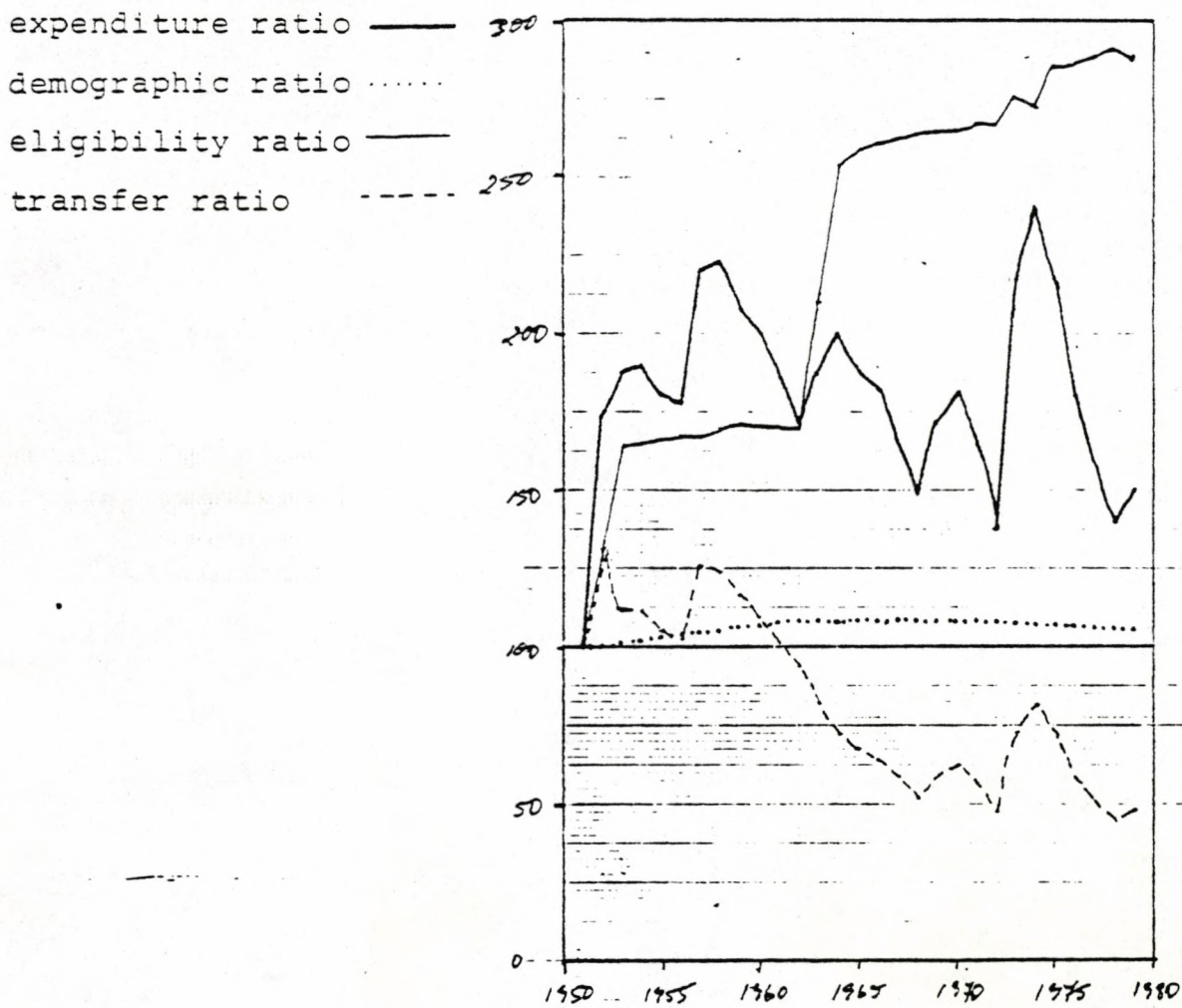


Table 5: Phases of development in expenditure on child allowances.

Period	% change in share of GDP	Due to:		
		demographic change	eligibility change	transfer ratio change
1951-58	+0.69	+0.03	+0.39	+0.13
1959-72	-0.48	+0.03	+0.71	-0.77
1973-74	+0.58	-0.01	+0.02	+0.55
1975-79	-0.52	-0.02	+0.08	-0.55
1951-79	+0.25	+0.03	+1.06	-0.29

See note to Table 3.

cyclical elements, the unemployment rate is calculated on a three year average of the level of unemployment (e.g. for year i the average of the number unemployed in years $i-1$, i and $i+1$ is used).⁹ This three year average is not used in calculating the eligibility and transfer ratios. Thus, the share of unemployment benefits in GDP calculated using the component ratios is not an actual figure but a theoretical one which would obtain if unemployment in any given year was at the 'average' level for the period. The analysis includes expenditure on unemployment, benefits, unemployment assistance, redundancy payments and the portion of pay-related benefit attributable to unemployment. The unemployment rate is calculated on the basis of census data and official inter-censal estimates of the numbers 'out of work'. The beneficiaries are the annual average number of persons claiming unemployment benefit and unemployment assistance (including smallholders) and the eligibility ratio is calculated by taking the beneficiaries as a proportion of the number classified as out of work.

Table 6 shows the share of unemployment expenditure in GDP for the period 1951 to 1979, along with the theoretical expenditure series and the four component ratios. Actual expenditure grew from 0.5 per cent to 1.6 per cent of GDP over the period as a whole; the main expenditure growth has occurred in the period since 1966, and was particularly rapid in the years 1975 and 1976. Expenditure reached 2.4 per cent of GDP in the latter year, after which it declined. It will be observed that the theoretical expenditure series differs from the



actual data in so far as the fluctuations are less severe, the overall trend is similar in both series. The rest of the analysis

(Table 6 about here)

refers to the theoretical series. The active population has decreased in size, going from 42.6 per cent of the total population in 1951 to 36.2 per cent in 1979; however, a slight increase has occurred since 1976. The unemployment rate has varied considerably over time; unemployment rose sharply in the years 1956-58, reaching 6.4 per cent in the latter year. By 1965 it had declined to 4.6 per cent, but it began to increase gradually from 1966 onwards. Unemployment grew particularly rapidly between 1974 and 1977, in which year it reached 7.5 per cent. The rate declined again in 1978 and 1979. The eligibility ratio fell between 1953 and 1961, beginning to rise again from 1962 onwards. This ratio has exceeded unity since 1967, and it rose sharply in 1974 and 1975. Since 1976 eligibility has declined slightly. The transfer ratio has fluctuated a good deal, although it has improved over the period as a whole. The main improvement occurred in the years 1974-75; in the latter year the average payment per beneficiary was equivalent to 57.6 per cent of per capita GDP. By 1979 it had declined to 49.9 per cent.

Graph 3 shows the development of the expenditure ratio and its four component ratios in index form and in table 7 we have identified a number of developmental phases which we shall now discuss briefly. The modest rise in expenditure between 1951

TABLE 6: UNEMPLOYMENT BENEFITS - DEVELOPMENT OF EXPENDITURE, ACTIVITY, UNEMPLOYMENT, ELIGIBILITY AND TRANSFER RATIOS 1951-1979.

YEAR	ACTUAL EXPENDITURE RATIO	ACTIVITY RATIO	UNEMPL- OYMENT RATIO	ELIGIB- ILITY RATIO	TRANSFER RATIO	THEORETIC- AL EXPENDITURE RATIO
1979.	0.016283	0.361926	0.063713	1.486486	0.498553	0.017090
1978.	0.018762	0.360918	0.069177	1.534591	0.509175	0.017509
1977.	0.021079	0.358519	0.075085	1.517241	0.522034	0.021322
1976.	0.024130	0.357719	0.072790	1.519553	0.572375	0.022647
1975.	0.023039	0.360231	0.066027	1.558282	0.576152	0.021390
1974.	0.015336	0.362152	0.059829	1.343066	0.520595	0.015150
1973.	0.013198	0.365560	0.059662	1.292308	0.482660	0.013604
1972.	0.010461	0.370701	0.059768	1.270073	0.467901	0.013167
1971.	0.013136	0.376091	0.059524	1.155555	0.501540	0.012974
1970.	0.012740	0.378983	0.055158	1.240310	0.469780	0.012180
1969.	0.010830	0.383459	0.053773	1.140496	0.459261	0.010800
1968.	0.010020	0.395510	0.051351	1.172414	0.429586	0.009970
1967.	0.009242	0.386207	0.050298	1.128205	0.406069	0.008899
1966.	0.008423	0.387656	0.047704	0.954128	0.467174	0.008143
1965.	0.006808	0.389430	0.046429	0.893204	0.425636	0.006874
1964.	0.006453	0.392458	0.047450	0.826923	0.429831	0.006619
1963.	0.006700	0.393684	0.048425	0.807339	0.434001	0.006800
1962.	0.006222	0.393640	0.049671	0.800000	0.400175	0.006260
1961.	0.005820	0.393187	0.052046	0.763636	0.390509	0.006102
1960.	0.005872	0.394774	0.056052	0.773109	0.361512	0.006185
1959.	0.006856	0.396697	0.060526	0.833333	0.354765	0.007198
1958.	0.007931	0.399930	0.064271	0.845070	0.377121	0.008192
1957.	0.008659	0.402773	0.061388	0.847682	0.390338	0.008181
1956.	0.008357	0.409938	0.056958	0.893617	0.384418	0.008021
1955.	0.006367	0.413557	0.052428	0.848000	0.350884	0.006451
1954.	0.007254	0.417545	0.052117	0.929134	0.361599	0.007311
1953.	0.008215	0.417430	0.051178	1.000000	0.372708	0.007962
1952.	0.007218	0.424653	0.044923	1.016129	0.338331	0.007542
1951.	0.005379	0.426207	0.041204	0.942308	0.325041	0.005379

NOTE: EXPENDITURE=EXPENDITURE ON UNEMPLOYMENT BENEFIT (INCLUDING PAY-RELATED BENEFIT), UNEMPLOYMENT ASSISTANCE AND REDUNDANCY PAYMENTS; BENEFICIARIES=ANNUAL WEEKLY AVERAGE NO. OF CLAIMANTS OF UNEMPLOYMENT BENEFIT AND UNEMPLOYMENT ASSISTANCE (INCLUDING SMALLHOLDERS).

EXPENDITURE RATIO=EXPENDITURE /GDP

ACTIVITY RATIO=TOTAL LABOUR FORCE/TOTAL POPULATION

UNEMPLOYMENT RATIO=NUMBER OUT OF WORK/TOTAL LABOUR FORCE

ELIGIBILITY RATIO=BENEFICIARIES/NUMBER OUT OF WORK

TRANSFER RATIO=(EXPENDITURE /BENEFICIARIES)/(GDP/TOTAL POPULATION)

and 1958 was due to a rise in the unemployment rate, since very little movement occurred in the other ratios. The expenditure share fell in the period 1959-60 and here again the main factor at work was the unemployment rate, although all the other ratios declined too. The gradual rise in expenditure between 1961 and 1965 was accompanied by a rise in the transfer and eligibility ratios, while the unemployment rate continued to decline. The two important legislative changes affecting eligibility in this period were (a) the replacement in 1961 of the fixed means limit for receipt of unemployment assistance by a variable limit which takes account of the number of dependant children of an applicant and (b) the introduction at the beginning of 1966 of a more favourable method of calculating the means of smallholders for the purposes of unemployment assistance.¹⁰ This latter measure in particular increased the number of beneficiaries from 1966 onwards. The main improvements in the benefit provisions in this period were the introduction of a payment for the third and subsequent children of unemployment assistance beneficiaries in late 1960 and the already mentioned flexible means limit in 1961.

It was only from 1966 onwards that expenditure on unemployment benefits began to expand significantly. Between 1966 and 1971 its share in GDP rose by 0.6 percentage points, the major factors contributing to this being rises in the eligibility and unemployment ratios. The above-mentioned change in relation to smallholders continued to increase the numbers drawing benefits in 1966 and 1967, while the abolition of employment

period orders from 1967 also raised the average numbers receiving unemployment assistance.¹¹ The extension of the maximum duration of unemployment benefit in 1968 from 156 to 313 days also led to a slight rise in the overall number of beneficiaries.¹² The unemployment rate began to rise gradually from 1966 onwards, following the recession of 1965-66. However, unemployment continued to rise during the late 1960s by which time the economy had recovered from the recession. One explanation which has been suggested for this phenomenon is that improvements in unemployment benefits (i.e. the introduction of a redundancy payments scheme and the extension of the maximum duration of unemployment benefit to almost one year in 1968) induced unemployed persons who would otherwise have emigrated to remain in Ireland (see Geary and Hughes, 1970, p. 4; Walsh, 1978).

(Table 7 / Graph 3 about here)

The slackening in the growth rate of expenditure in 1972 and 1973 was due to a levelling off in the unemployment rate and a slight fall in the transfer ratio which offset the continued expansion in eligibility. This was followed, however, by a rapid growth in expenditure between 1974 and 1976 when the share of GDP increased by 0.9 percentage points. Unemployment increased rapidly in this period, following the onset of the world recession in 1974. However, the transfer ratio also improved significantly due to the introduction of pay-related benefit in 1974. The abolition of the income ceiling for insurance of non-manual workers in 1974 may also have operated to raise

Graph 3: Unemployment Benefits - Expenditure, activity, unemployment eligibility and transfer ratios 1951-1979 (raties are expressed as index numbers, 1951=100).

expenditure ratio ———
 activity ratio
 unemployment ratio xxxxx
 eligibility ratio ———
 transfer ratio - - - - -

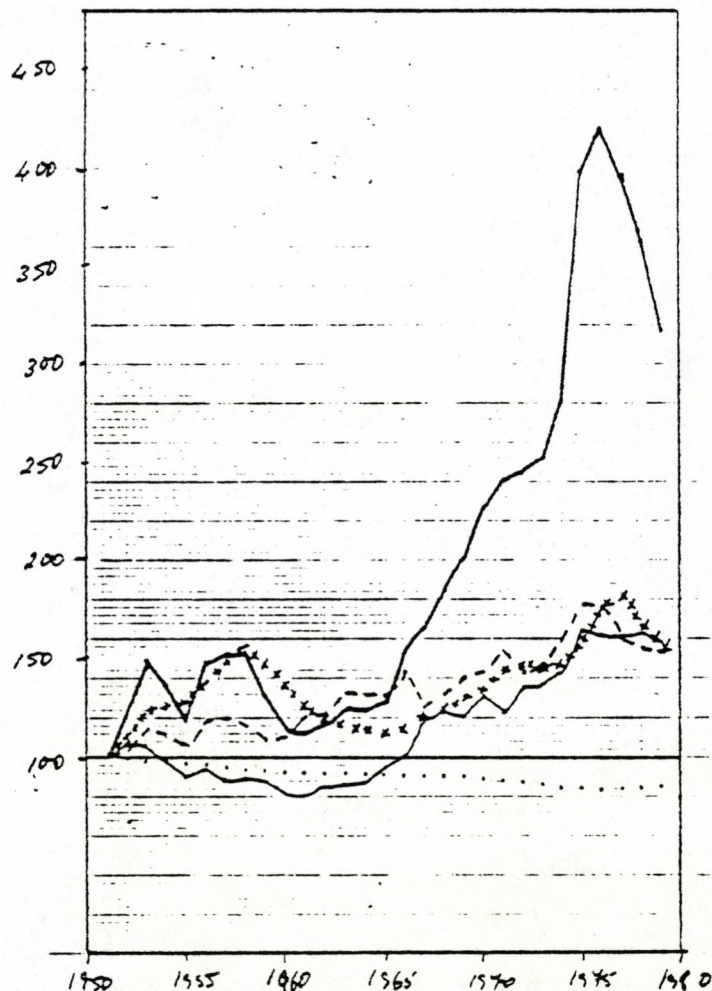


Table 7: Phases of Development in expenditure on unemployment benefits

Period	% change in share of GDP	Due to:			
		activity ratio change	unemployment ratio change	eligibility ratio change	transfer ratio change
1951-58	+0.28	-0.03	+0.30	-0.06	+0.09
1959-60	-0.20	-0.01	-0.10	-0.07	-0.03
1961-65	+0.07	-0.01	-0.11	+0.10	+0.11
1966-71	+0.61	-0.02	+0.19	+0.20	+0.12
1972-73	+0.06	-0.04	0.00	+0.15	-0.05
1974-76	+0.90	-0.03	+0.30	+0.24	+0.25
1977-79	-0.56	+0.03	-0.28	-0.05	-0.29
1951-79	+1.17	-0.08	+0.29	+0.31	+0.29

See note to Table 3;

the transfer ratio by enabling more workers to qualify for unemployment benefit. The eligibility ratio also rose considerably in this period; while it is difficult to account for this increase in the numbers claiming benefits one plausible explanation might be the improvement in the level of benefits which an unemployed person could expect to receive. The introduction of pay-related benefit in 1974, and the extension of the maximum duration of this and of basic unemployment benefit to 381 and 390 days respectively in 1976 raised the earnings replacement rate of unemployment payments significantly. As such, more unemployed people may have been induced to draw benefits rather than emigrating in search of work. The analysis by Walsh (1978) provides some support for this hypothesis.¹³

The expenditure ratio fell again between 1977 and 1979, although it remained at a higher level than in 1974. The main reasons for this fall were a reduction in the level of unemployment and a decline in the transfer ratio. The latter disimproved as the upper limit on earnings on which pay-related benefit was payable remained at its 1974 level until 1979. It is interesting to note, however, that the eligibility ratio only declined slightly in this period. Looking at the last line of table 7, it will be seen that of the 1.17 percentage point increase in the share of GDP devoted to unemployment benefits over the period 1951-79 as a whole, slightly more was accounted for by eligibility changes than by changes in the unemployment rate and the transfer ratio.

Sickness Cash Benefits

The concept of the demographic ratio is again somewhat ambiguous in the case of sickness benefits; however, we shall take it that the 'target' group in this case is the active population. The eligibility ratio is also difficult to define since eligibility depends on two factors - being insured and falling ill. For this reason we have divided the eligibility ratio in two - the insured labour force over the total labour force and the beneficiaries over the insured labour force.

The analysis covers expenditure on disability benefit and invalidity pensions, including a proportion of pay-related benefit attributed to disability benefit. The insurance ratio is calculated on the total number of insured persons in March of each year. The number of beneficiaries is difficult to define since the same individual may claim disability benefit for several periods during a given year. For this analysis we have used the numbers receiving benefits on the last day of each year.¹⁴

Table 8 shows that the share of expenditure on sickness benefits has grown considerably in the period under review, going from 0.3 per cent to 1.5 per cent of GDP. Expenditure increased gradually, with cyclical fluctuations, up to 1973, when it reached 1.0 per cent of GDP. The years 1974-1976 saw a more rapid expansion in expenditure, with the 1976 level being maintained in the following years. Turning to the component ratios, we see that, as in the case of the other programmes examined, the demographic ratio has varied relatively little. The insurance ratio has increased over time in a linear fashion,

rising more sharply in 1975 after the removal of the earnings ceiling for insurance of white-collar employees. The beneficiary ratio has expanded quite considerably going from 5.6 per cent of the insured population in 1951 to 10.2 per cent in 1979. The transfer ratio has followed the by now familiar cyclical pattern; the trend has been upwards however, with the main improvements occurring in 1952-53 and 1974-75.

(Table 8 about here)

Graph 4 shows the expenditure ratio and its four component ratios in index form, while table 9 shows the relative contributions of the components in each phase of expenditure development. The rise in expenditure from 1951 to 1957 was due mainly to an improvement in the transfer ratio; the rates of disability benefit were raised significantly when the new social insurance system came into operation in 1952, and again in 1956. The beneficiary ratio also rose slightly in this period. During 1958-59 the transfer ratio declined again, giving rise to a fall in expenditure. The period from 1960 to 1971 saw a rise of almost 0.5 percentage points in the expenditure ratio. The major factor contributing to this rise was an increase in the proportion of the insured population claiming benefits, particularly from 1968 onwards. While it is obviously beyond the scope of this paper to explore in depth the causes of this rise in the claim rate, one factor which appears to have been influential is the degree of medical control over claimants for sickness benefit. During the period 1968-71 the proportion of claimants summoned for examination by medical referees declined considerably. (On this point see Hughes, 1982).

TABLE 8: SICKNESS CASH BENEFITS - DEVELOPMENT OF EXPENDITURE, DEMOGRAPHIC INSURANCE, BENEFICIARY AND TRANSFER RATIOS 1951-1979.

YEAR	EXPEND-ITURE RATIO	DEMOGRA-PHIC RATIO	INSURANCE RATIO	BENEFIC-IARY RATIO	TRANSFER RATIO
1979.	0.014709	0.361936	0.672683	0.102195	0.591154
1978.	0.014618	0.360918	0.686276	0.099866	0.590955
1977.	0.014547	0.359519	0.701024	0.099075	0.584210
1976.	0.014610	0.357719	0.715771	0.098063	0.581863
1975.	0.014054	0.360831	0.726003	0.093510	0.573733
1974.	0.011947	0.362152	0.673563	0.098320	0.498120
1973.	0.010142	0.365560	0.661531	0.091937	0.456173
1972.	0.010099	0.370701	0.659768	0.095457	0.432578
1971.	0.011332	0.376091	0.654375	0.091963	0.500709
1970.	0.010063	0.378983	0.652683	0.090311	0.486274
1969.	0.010012	0.383459	0.648663	0.089035	0.452077
1968.	0.009396	0.385513	0.636242	0.084255	0.454664
1967.	0.009242	0.384828	0.636828	0.079921	0.471887
1966.	0.009501	0.387656	0.615742	0.079460	0.500940
1965.	0.008343	0.389430	0.599286	0.078367	0.456163
1964.	0.008217	0.392458	0.583630	0.077896	0.460524
1963.	0.008593	0.393684	0.571034	0.078196	0.488849
1962.	0.007203	0.393640	0.568851	0.072747	0.442183
1961.	0.007356	0.393187	0.567960	0.073097	0.450646
1960.	0.006970	0.394774	0.558855	0.072503	0.435724
1959.	0.006584	0.396697	0.548273	0.068821	0.439885
1958.	0.007037	0.399930	0.546275	0.069309	0.464755
1957.	0.007287	0.402773	0.549311	0.070500	0.467197
1956.	0.006603	0.409938	0.544781	0.066595	0.443947
1955.	0.005746	0.413557	0.529139	0.064299	0.408373
1954.	0.006022	0.417545	0.520114	0.065602	0.422667
1953.	0.005849	0.417430	0.516572	0.065419	0.414642
1952.	0.005107	0.424653	0.541467	0.061561	0.360759
1951.	0.003317	0.426207	0.536371	0.056138	0.258478

NOTE: EXPENDITURE=EXPENDITURE ON DISABILITY BENEFIT (INCLUDING PAY-RELATED BENEFIT) AND INVALIDITY PENSIONS
 BENEFICIARIES=NO. IN RECEIPT OF DISABILITY BENEFIT AND INVALIDITY PENSIONS ON 31 DECEMBER.

EXPENDITURE RATIO=EXPENDITURE/GDP
 DEMOGRAPHIC RATIO= LABOUR FORCE/TOTAL POPULATION
 INSURANCE RATIO=INSURED POPULATION/ LABOUR FORCE
 BENEFICIARY RATIO=BENEFICIARIES/INSURED POPULATION
 TRANSFER RATIO=(EXPENDITURE/BENEFICIARIES)/(GDP/TOTAL POPULATION)

The fall in the share of expenditure in 1972-73 was due mainly to a fall in the transfer ratio; the beneficiary ratio remained unchanged in this period. The rapid increase in expenditure in the years 1974-76 is attributable largely to an improvement in the transfer ratio, following the introduction of pay-related benefit, payable in addition to the flat rate benefit, in 1974. The increase in the eligible population following the extension of social insurance to all employees in 1974, and a further expansion in the beneficiary ratio accounted for only a small amount of the expenditure increase. Expenditure has remained relatively stable vis-à-vis GDP since 1977, with the transfer and beneficiary ratios increasing only marginally and the insured population declining gently.

(Table 9 / Graph 4 about here)

Over the period 1951-79 as a whole, the factor contributing most to the growth of expenditure has been the improvement in the transfer ratio. The other important factor has been the growth of the beneficiary ratio, while demographic change and changes in the insured population have had a negligible effect.

IV. Conclusion

This study set out to analyse the reasons for the growth of expenditure on income maintenance programmes, distinguishing between three potential explanatory factors - demographic

Graph 4: Sickness Cash Benefits - Expenditure, demographic, insurance, beneficiary and transfer ratios 1951-1979 (ratios are expressed as index numbers, 1951=100).

expenditure ratio ———
 demographic ratio
 insurance ratio ———
 beneficiary ratio ———
 transfer ratio - - - - -

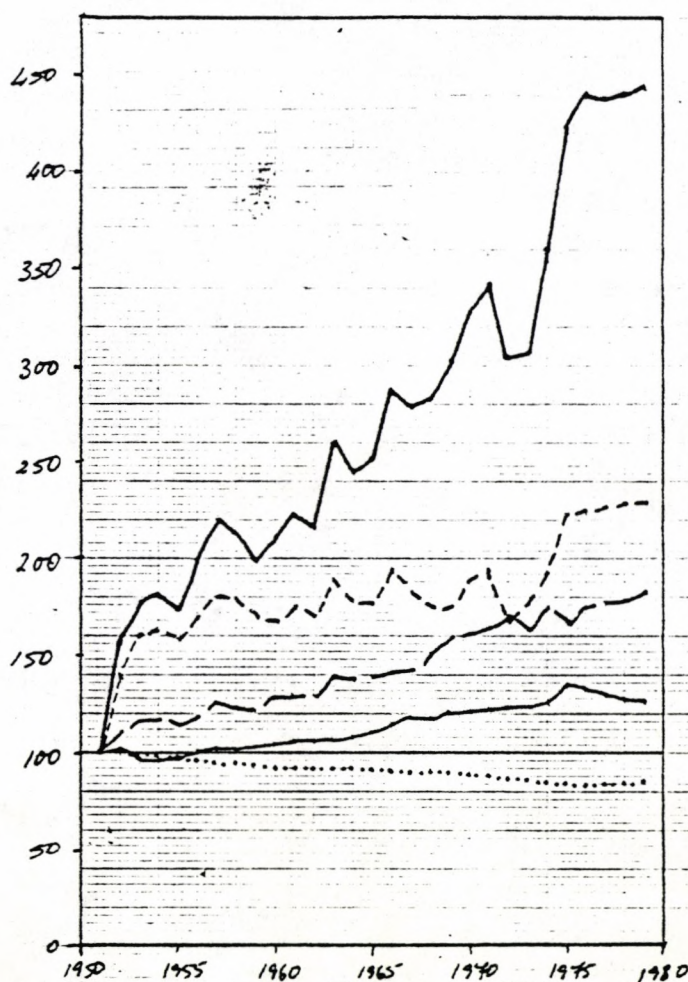


Table 9: Phases of development in expenditure on sickness cash benefits.

Period	% change in share of GDP	Due to:			
		demographic change	insurance ratio change	beneficiary ratio change	transfer ratio change
1951-57	+0.40	-0.20	+0.01	+0.08	+0.27
1958-59	-0.07	-0.01	0.00	-0.02	-0.04
1960-71	+0.48	-0.03	+0.13	+0.22	+0.09
1972-73	-0.12	-0.03	+0.01	0.00	-0.10
1974-76	+0.45	-0.02	+0.08	+0.07	+0.28
1977-79	+0.01	+0.02	-0.09	+0.06	+0.02
1951-79	+1.14	-0.05	+0.08	+0.27	+0.43

See note to Table 3.

change, change in eligibility for programmes and change in the average level of benefit payments.

Demographic explanations are theoretically relevant primarily in relation to the two programmes for which the clienteles consist of specific age groups - old age pensions and child allowances. However, it was found that demographic change accounted for only a minute part of the observed expenditure growth. It should be pointed out, however, that while demographic explanations do not appear important in a diachronic perspective, they assume much more significance in a synchronic context. The proportion of the population in the under-15 age group is high by European standards (30.7 per cent in 1978 compared to an EEC average of 22.0 per cent); moreover, the birth rate in Ireland has declined only slightly during the 1970s, whereas other Western European countries have experienced a sharp fall in birth rates (see EEC, 1981). The implication of this demographic feature for expenditure on child allowances is that, all other things being equal, the cost of providing such allowances is higher in Ireland than in other European countries.

By contrast, Ireland has had a declining elderly population since the early 1970s while in most other European countries this group has increased in size. Thus, while the increasing number of old people has contributed significantly to the growth of pension expenditures in many countries, such

growth has not been exacerbated by demographic pressures in Ireland.

Changes in eligibility for benefits have exerted an important influence on expenditure growth, and therefore it is interesting to note the variations in the timing of eligibility changes between the different programmes. For child allowances, the major extensions in eligibility came in 1952 and 1963, after which eligibility changes became secondary to changes in the transfer ratio in influencing expenditure. By contrast, eligibility changes were not important in relation to old age pensions until the 1970s, when reductions in the pensionable age were one of the main causes of expenditure growth..

While eligibility changes in the case of child allowances and old age pensions occurred as a result of deliberate institutional changes, it is more difficult to interpret the growth of the eligibility ratios for unemployment and sickness benefits. In the case of unemployment benefits, the growth in eligibility during the latter half of the 1960s . appears to have resulted mainly from discretionary changes affecting the regulations governing qualification for benefits. However, the growth in eligibility during the period 1974-76 is more problematic; since there was no institutional change which might have directly resulted in an increased claim rate, this paper has suggested that improvements in benefit levels may have encouraged more people to claim benefits.

In the case of sickness benefits, the rise in the

numbers claiming was an important factor contributing to expenditure growth during the late 1960s and early 1970s. Again there were no institutional changes which might directly account for the higher claim rate, and it was suggested that the decrease in the amount of official medical control over benefit claims may have contributed to this. It may also have been the case that the gradual improvement in the average level of benefits enabled more people to take sick leave, whereas formerly the income replacement rate of sickness benefit was so low as to preclude people from taking leave except in the case of serious illness.

Change in the transfer ratio, that is the average level of benefits in relation to per capita GDP, has been particularly important during the rapid expenditure growth for all four programmes examined around the period 1973-76. Benefit rates were raised substantially at this time, although it should be noted that subsequent increases were not sufficient to maintain the transfer ratios achieved at that time during the period 1976-79. Prior to the 1970s, the effects of changes in the transfer ratio varied a good deal from one programme to another. In the case of pensions, such expenditure growth as occurred during the 1960s and early 1970s was due almost entirely to a gradual improvement in the transfer ratio. On the other hand, transfer ratio improvements exerted relatively less influence in the case of unemployment and sickness benefits. With regard to child allowances, the

severe deterioration in the transfer ratio was the reason for the fall in the expenditure share during the 1960s.

Returning to the distinction which was made earlier between automatic and discretionary changes, it would appear from the analysis that expenditure on child allowances and old age pensions has grown as a result of institutional modifications of the programmes. In the case of unemployment and sickness benefits, discretionary changes have been important, but automatic factors have also exerted a considerable influence. Obviously, the increase in the unemployment rate has been a major factor in the growth of expenditure on unemployment benefits, but increases in the rate of benefit claims have contributed significantly to expenditure growth in the case of both unemployment and sickness benefit schemes.

Finally, it is possible on the basis of this analysis to develop some ideas concerning likely sources of expenditure growth in the coming years. In the case of old age pensions; the main factors leading to increased expenditure are likely to be further extension of eligibility and improvement in the transfer ratio. There is particular scope for extending eligibility since the eligibility ratio is still relatively low; the major such extension would be the introduction of pension insurance for the self-employed. In the case of child allowances it is difficult to foresee any further change in eligibility and the main avenue for improvement is the

raising of benefit levels. Expenditure on unemployment benefits will, of course, continue to respond to changes in the unemployment rate. In the realm of discretionary changes, the main potential for expenditure growth would appear to lie in further improvement of the transfer ratio, particularly in the case of unemployment assistance. Finally, it is possible to envisage that expenditure on sickness benefits might be increased by further improvement in the transfer ratio; another possible improvement would be the extension of sickness insurance to the self-employed.

NOTES

1. Several studies have investigated the economic correlates of expenditure on current transfer payments in general (Geary, 1973; O'Hagan and O'Higgins, 1973) and income maintenance payments in particular (Walsh, 1974).
2. In 1978, 95.6 per cent of expenditure for 'social security and welfare' consisted of current transfer payments.
3. This figure is calculated on the basis of the expenditure items included in the present analysis. These items are detailed under the separate programme headings.
4. The eligibility and transfer ratios are calculated on the basis of the average of the number of beneficiaries on the last day of the current financial year and the previous financial year.
5. The pensionable age was reduced to 69 years in 1973, 68 years in 1974, 67 years in 1975 and 66 years in 1977.
6. The transfer and eligibility ratios are calculated in the manner outlined in footnote 4.
7. Allowances are paid in respect of children up to age 18 who are undergoing full time education or apprenticeship or who are incapacitated, otherwise the allowance ceases at age 16.
8. The term 'active population' refers to the total labour force.
9. The use of this technique is suggested in the OECD (1976) study.
10. The new method involved assessment of smallholders' means on a notional rather than a factual basis. For a full description of the changes involved see Report of the Department of Social Welfare, 1963-66, pp.22-23.

11. Employment period orders operated in relation to unemployment assistance for over 30 years up to 1967. Normally two orders were made each year which had the effect of disqualifying certain classes of persons in rural areas from receipt of unemployment assistance during certain periods of the year.
12. The extension of the maximum duration of unemployment benefit resulted in the inclusion in the number receiving unemployment benefit of a number of smallholders who would previously have been excluded if they transferred to unemployment assistance when their entitlement to benefit was exhausted. (See The Trend of Employment and Unemployment in 1978, p. 17, Dublin:Stationery Office).
13. However, Walsh adds the caveat that his findings should be treated with caution due to the large standard errors in the underlying coefficients.
14. For the years 1970-1973, data on the numbers receiving invalidity pensions are taken from Hughes (1982), p.79.

DATA SOURCES

Data regarding expenditure on the four programmes analysed are taken from National Income and Expenditure, various years, Dublin: Stationery Office.

Data on beneficiaries are taken from the Report of the Department of Social Welfare, various years, Dublin: Stationery Office.

Demographic data are from the Census of Population of Ireland, various issues. The numbers aged under 15 and 65 and over have been derived by linear interpolation for inter-censual years.

Data on the total labour force and the number out of work are taken from The Trend of Employment and Unemployment, various years, Dublin: Stationery Office, and from Economic Review and Outlook, Summer 1981, Dublin: Stationery Office.

Data on the numbers insured for social insurance benefits are taken from the Reports of the Department of Social Welfare, various years.

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