Department of Social and Family Affairs welcomes CPA research

The Department of Social and Family Affairs welcomes the publication by the Combat Poverty Agency of a report by Dr Virpi Timonen of TCD entitled *Irish Social Expenditure in a Comparative International Context* as a timely contribution to the debate on the future direction of Irish social policy.

The report shows that Ireland's level of social expenditure is lower than that of most other OECD countries. This is due to a number of factors:

- Ireland's elderly population (over age 65) is a third lower than the EU average requiring much lower expenditure on pensions and health care – for example Ireland's spend on pensions is just 25% of total social welfare expenditure compared to the EU average of 46%, and 63% for Italy, a country with a high proportion of elderly people;

- Social insurance was only extended to the full working population in recent decades, as a result of which a high proportion of current pensioners still only qualify for pensions under social assistance;

- Ireland does not provide for supplementary pensions leaving these to be provided by private insurance, the subject of the current PRSA campaign;

- Ireland's current level of unemployment is among the lowest in the EU;

- Social expenditure is usually given as a proportion of GDP which includes a high proportion of repatriated profits – the actual income available (GNP) is up to 15% less;
- Ireland is financing a major catch up in infrastructure with public investment running to over 6% of GDP in 2002 compared to the other cohesion countries Spain and Portugal at around 3.5%, and at 1% to 1.5 % for developed countries such as Belgium, Denmark, Germany and the UK.

There were increases in the rate of employment and in social welfare rates in real terms, which resulted in significant fall in basic or consistent poverty from 15 per cent to 5 percent in the period 1993 to 2000. However, because of the dramatic increase in incomes generally resulting from the high level of economic growth relative poverty actually increased in this period. It is expected this gap will decline in future years as social welfare rates continue to catch up.

Ireland's social expenditure is poised to increase significantly in the coming decades as the population ages and the pension schemes mature. However, this will be offset by a reduction in the need for the current high levels of infra-structural investment and the greater productivity from a increasingly trained and educated workforce. Private pension provision based on savings today through schemes such as the PRSAs and the Pension Reserve Fund will also greatly help to reduce the burden of an ageing population on future generations.

The Combat Poverty Agency study should greatly help to focus the debate on nature of future social expenditure and the pace at which it should increase while ensuring economic competitiveness is maintained.

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