

# Speaking note for presentation to plenary meeting of Social Partners and Government

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By Fr Sean Healy, sma,

## Community and Voluntary Pillar of Social Partners

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The decisions made by Government determine the kind of society we live in both now and in the medium to longer term. Most Irish people want Irish society to be fair and cohesive. They want Ireland's infrastructure and social provision to be of sufficient scale to ensure social cohesion while also securing our prosperity into the future. They expect Government decisions to move us in this direction. Irish people recognise that what makes a society strong is its social cohesion, the recognition by all its members that they are all basically equal. Irish people recognise the need for social fairness, i.e. fairness in the distribution of income and resources.

Looking at Ireland's current situation, and reflecting on the NDP mid-term review and the Budgets for 2004 and beyond, the Community and Voluntary Pillar of Social Partners wishes to highlight three key challenges facing Government. These concern the issues of balance, scale and sequencing.

### 1. Balance

There is a major imbalance between increased expenditure on infrastructure and on social provision. While public spending increased rapidly in the period 1997 to 2003

Table 1	Gross Public Spending 1997-2003 <sup>1</sup>		
	1997 €bn	2003 €bn	% Increase
Health	3.6	9.2	155.5
Education	3.2	5.9	84.4
Social Welfare	5.7	10.2	78.9
Capital Spending	2.0	5.5	175.0

(gross increase was from €18.9billion to €38.2 billion) the spending on infrastructure rose at a far faster rate than expenditure on social provision. While capital spending grew by 175% social welfare expenditure grew by less than 80%.

We acknowledge that expenditure on infrastructure is crucial. However, we reject current policies that increase expenditure on infrastructure *at the expense of* social

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<sup>1</sup> Source: Donal de Buitelir and Pat McArdle - *Tax and spend: A look to the future with an eye to the past*, Kenmare Economics Conference, October 11, 2003, page 7.

provision. Even the increases in health expenditure have not kept pace with the increase in capital spending.

We now have a situation where the current budget is in substantial surplus but the Government has consistently failed to honour its own NAPS commitments e.g. on the lowest social welfare rates - thus depriving Ireland's poorest people of the minimum required to live with dignity while billions in the current budget surplus are used to fund infrastructure increases or, as in recent years, tax cuts for the better off. No other country in Europe manages its fiscal policies in this way.

The balance between expenditure on infrastructure and social provision is wrong. This imbalance needs to be corrected *immediately*.

## 2. Scale

This issue of imbalance between developments in infrastructure and social provision is exacerbated by the insufficient scale of resources being made available by Government to address Ireland's social provision deficit. Ireland has the lowest expenditure on social provision in the EU whether measured in GDP or GNP terms.

Our growing poverty rates, unequal income distribution, growing rich/poor gap and under-equipped health and education systems represent the most visible signs of the extensive gaps in our social provision. In the context of continued economic growth and per capita income well above the European average, the opportunity to address these deficits remains available.

<b>Table 2: National Social Protection Expenditure as a % of GDP, for EU Countries<sup>2</sup></b>				
<b>Country</b>	<b>% of GDP</b>		<b>Country</b>	<b>% of GDP</b>
Sweden	32.9		United Kingdom	26.6
France	30.3		Greece	25.5
Germany	29.6		Italy	25.3
Denmark	29.4		Portugal	22.9
Austria	28.6		Luxembourg	21.9
Belgium	28.2		Spain	20.0
Netherlands	28.1		<b>IRELAND GNP</b>	<b>17.2</b>
Finland	26.7		<b>IRELAND GDP</b>	<b>14.7</b>

An analysis of Ireland's spending on social protection against that of other EU countries is telling. Social protection expenditure is defined by Eurostat to include spending on: sickness/health care, disability, old age, survivors, family/children, unemployment, housing and social exclusion initiatives not elsewhere classified (2003: 7). Table 2 shows the size of this expenditure as a percentage of GDP for 2000

<sup>2</sup> Source: Social Protection in Europe (2002:56), EU Commission. Note: EU-15 average is 27.5% of GDP.

(the latest year for which figures are available). A comparison is also made with Ireland's GNP.

Using GDP or GNP, Ireland's spending on social expenditure stands out as the lowest in Europe. There remains a considerable gap between Ireland and the next lowest country, Spain. Compared to the rest of the EU Ireland is far behind.

In this context it needs to be emphasized that maintaining the current levels of expenditure would mean that Ireland would *NEVER* effectively tackle its social provision deficits. This is not acceptable to us. Given the fact that Ireland's total tax take is the lowest in the EU there is ample scope for providing the resources to address these social provision deficits while maintaining a low-tax regime. It could be done by increasing the tax-take so that we become the country with the second lowest tax-take in the EU.

### **3. Sequencing**

This brings us to the third and final macro issue we wish to raise - the issue of sequencing. Decision-making on the Budget in recent years seems to have followed a particular sequence i.e. Government first decided what was to be made available from taxation and then decided how that money was to be used.

We have already outlined our disagreement with the lack of balance in the decisions made. However, we also wish to challenge the sequencing in the decision-making process. We believe that a vision of Ireland's future should be guiding decision-making in the policy arena. Decisions should be made on what needs to be done to reach such a future. This would produce a picture of what resources are required. It is at this point that decisions concerning total tax take and borrowing levels should be made. Our guiding vision of the future should come first, not the scale of the tax-take.