

Social Expenditure and the Social Accounts of the European Economic Community

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INTRODUCTION

Certain summary information relating to the Social Accounts of the EEC was published recently in "Report of the Development of the Social Situation in the Communities in 1974". [1] The Statistical Office of the EEC is shortly to publish the latest issue of the Social Accounts [2] in which detailed data for Ireland and the other two "new" member countries appear for the first time. The Accounts include a considerable amount of data relative to different aspects of social expenditure and they appear to be somewhat complex. It seems to be useful, therefore, to set down in this paper some exposition or clarification of the system and to present the figures to be published for Ireland, to comment on the statistical aspects of the international comparisons and to point out where severe lack of comparability still exists. The relationship between the data in the Social Accounts and other figures for social expenditure and the presentation of these figures in the National Accounts, which cover the whole economy, are also considered. In the final section, the future development of the Social Accounts is discussed.

PART 1 - THE DIFFERENT CONCEPTS OF SOCIAL EXPENDITURE:

SOCIAL EXPENDITURE, SOCIAL SECURITY AND SOCIAL WELFARE EXPENDITURE

These are three of the terms used to describe certain expenditures of a social nature and sometimes the same term is used to describe different aggregates of social expenditures. Social Welfare expenditure is usually understood to refer to the most restrictive concept of income maintenance payments (such as unemployment benefit and assistance, old age pensions, etc.). Social security expenditure is normally taken as including, in addition to income maintenance payments, expenditure on health services and on housing. Social expenditure is sometimes regarded as including expenditure on education, in addition to the other expenditures.

There are further aspects of coverage which add to the possibility of confusion. Expenditure of a social nature may be incurred not only by the government sector but also by other sectors of the economy such as enterprises (businesses), insurance organisations, charitable bodies, etc. Very often, however, both for the compilation of data and for discussion of social policy, social expenditure is confined to public social expenditure [3], because reliable data are usually available for the public authorities - central and local government - and this is not the case for other sectors of the economy. Furthermore, expenditures of a social nature may be confined to current transactions or, on the other hand, may also include capital transactions such as expenditure on the construction of hospitals, schools and dwellings. Finally, administrative expenditure may or may not be included.

It is readily seen, therefore, that, with so many variables, the coverage of which may vary between countries, there is much room for confusion and that great care must be exercised in presenting data and in drawing conclusions from them.

NATIONAL ACCOUNTS AND SOCIAL EXPENDITURE

Social expenditures appear in several different flows in the systems of national accounts [4], [5] and [6] developed by the United Nations, the OECD and the EEC. They appear as current transfers to households from the income and outlay account of general government (i.e. public authorities); as current transfers from enterprises to households (e.g. pensions and sickness benefit); and as direct expenditure by general government on education, housing and health services. The content, however, of these different items of social expenditures in the national accounts is determined by the institutional arrangements in each country, which differ considerably, and therefore, these sub-items of social expenditure are not readily comparable between countries. For instance, in Ireland nearly all state health expenditure is included as part of direct final expenditure by public authorities because the public authorities organise and control the provision of health services as well as finance this expenditure. However, in other countries, although the state arranges the financing of health services the degree of organisation and control is less and the greater part of health expenditure appears as current transfers from public authorities or social security institutions to households and consequently as part of final consumption by households. Of course, the national accounts can be used to compare figures for total social expenditure by public authorities, classified by function or purpose, because the aggregate of current transfers by public authorities to households and final expenditure by public authorities can be more meaningfully compared between countries.

One of the purposes of national accounts is to trace a clear distinction between final consumption by households and collective consumption by public authorities. In doing this the basic accounts and tables do not provide clear-cut aggregates for such items as total consumption of the population and social security expenditure. This is one of the main reasons for developing a set of social accounts in order that certain aggregated expenditures of a social nature may be identified and analysed.

THE INTERNATIONAL LABOUR OFFICE DEFINITION OF SOCIAL SECURITY

For a number of years the ILO has published details of the cost of social security for a selection of countries [7]. Data collected by the ILO are considered as forming part of the "national social security system" and the criteria for inclusion are:

- (1) the objective of the system must be to grant curative or preventive medical care, or to maintain income in case of involuntary loss of earnings or of an important part of earnings, or to grant supplementary incomes to persons having family responsibilities;
- (2) the system must have been set up by legislation which attributes specified individual rights to, or which imposes specified obligations on, a public, semi-public or autonomous body;
- (3) the system should be administered by a public, semi-public or autonomous body.

The ILO concept of social security includes expenditure by the government and by semi-state bodies on the provision of health services and on income maintenance payments (including provision of pensions) to persons no longer working on account of sickness, retirement, unemployment, etc., and on supplementary income payments granted to those

with family responsibilities. It does not include expenditure on education and is, therefore, not as wide as the concept of government social expenditure though it does include certain expenditures of semi-state bodies which are regarded as being outside the government sector in the national accounts.

The ILO concept does not include schemes under which an employer is required to pay benefits (whether by statute or contract) direct to his employees in respect of contingencies other than employment injury: nor does it include voluntary or optional insurance schemes outside the government social security system. Apparently the reason for exclusion of such schemes is the lack of information about them in most of the countries for which the ILO collects data. The exclusion of both these types of schemes means that care must be exercised in drawing conclusions from the figures published by the ILO because, if a country has a relatively large number of employers' schemes, the aggregate level of the benefits provided by the government social security system may be lower than in other countries even though the total benefits from all types of schemes may be larger. Consequently the overall figures prepared by the ILO do not always give an adequate picture of the social security protection provided for the population.

EEC DEFINITION OF SOCIAL SECURITY - THE SOCIAL ACCOUNTS

The importance of a study of social security was recognised by the original six countries of the European Economic Community. The EEC Statistical Office undertook the setting up of an accounting system - the Social Accounts of the member states. The Social Accounts may be said to give a picture of that social expenditure in member states, within the sphere of social security agreed, and of the method of financing this expenditure.

Social expenditure is defined as "any expenditure designed to indemnify individuals (or households) against the occurrence or existence of certain risks or needs, insofar as this expenditure gives rise to the intervention of a third party, but without there being any simultaneous equivalent counterpart provided in exchange by the beneficiary". The "third party" referred to is an economic unit other than the household itself which may be a public or private administration. Within the concept of social expenditure a distinction was made between social benefits (i.e. expenditure in the form of personal allocations to individuals or households) and administrative expenditure incurred to provide the social benefits. The social benefits were, in fact, identical with current transfers, in cash or kind, provided to households through the intervention of the third party, and recorded in the national accounts.

The list of eventualities or needs, originally agreed, was the following: sickness, old age, death and survival, disablement, physical or mental infirmity, industrial accident, unemployment, dependents, war, political events and natural calamity. Occupational training of adults and housing have since been added to the list but as the compilation of figures is still in an experimental stage the figures have not yet been included in the social accounts. Education is not included.

It is clear from the definition that the EEC concept of social expenditure is somewhat wider than the ILO concept. In particular, the EEC concept includes direct benefits of a social welfare type given by employers to their employees and private non-state pension and sickness schemes provided there is no equivalent counterpart at the same time from the beneficiary. In practice, this last condition means that private individual schemes arranged with insurance companies, in which premiums are related to the risks incurred, are excluded. However, private group insurance schemes taken out because they are required by law, regulation, convention or contract (by industry or enterprise) are included. Clearly better international comparisons are obtained by compiling overall figures in this way because in some countries social security

is organised to a greater extent through employers (generally laid down by statute) than is the case in others. For instance, in Germany employers continue to pay wages or salaries to their employees during the first six weeks of sickness before the State social security schemes takes over. In other countries different proportions of wages and salaries are paid for a period before the State scheme comes into operation. In some other countries no wages or salaries are paid before the State scheme is used. These differences mean that even a comparison of social welfare payments (income maintenance payments) between countries is hazardous when the comparison is restricted to State schemes.

The accession of Ireland and the United Kingdom to the EEC caused some problems in relation to the social accounts. The health services in these countries are organised in a different way from that in the original six community countries. In Ireland and Britain expenditure on the state health services is treated as government consumption and not as current transfers to households whereas in most of the other countries state expenditure on health services is part of household consumption. The production of health services in these other countries is part of market services, which are then either purchased by households who are reimbursed by the government through current transfers, or are provided in the form of goods and services as current transfers to households. In either case expenditure on health services finally appears as part of household consumption in the national accounts. In Ireland and the United Kingdom the state health services are non-market services provided by the public authorities and are recorded as part of public authorities' consumption expenditure.

Strictly according to the rules of the National Accounts and the Social Accounts non-market health services would not be part of social benefits as defined originally for these accounts. However, it was in fact decided to include such expenditures as part of social benefits in compiling the data for the 1970-72 accounts in order to retain a reasonable degree of international comparability which would otherwise have been seriously affected. Further reference will be made later to this matter.

PART 2 - THE SOCIAL ACCOUNTS OF THE EEC

For analysis, social expenditure must be classified in a number of different ways. It is necessary also to consider the nature and source of the revenue used to finance the expenditure. The principal data contained in the accounts are the following:

- (1) a classification of social expenditure according to nature of expenditure,
- (2) a classification of social benefits according to function,
- (3) a classification of social benefits according to nature
- (4) a classification of revenue according to nature and by sectors of the economy which finance it.

All these classifications are given for a number of different types of system which are formed by grouping expenditures and receipts in accordance with certain criteria. The choice of systems and the method used to aggregate the data were adopted by the original six Community countries and they cannot be regarded as being ideal for the other countries. In compiling the data regard is had to "institutions", "activities" and "systems".

Different institutions are responsible for the provision of social services, leading to the recording of social expenditure in the social accounts. For instance, the Department of Social Welfare is responsible for the provision of different social services (e.g. the social insurance fund, children's allowances, etc.) termed "activities" in the social accounts. These activities are grouped into a number of different types of system, there being four main types which may be described as follows:

Type A Systems - Compulsory welfare systems, covering one or more of the risks or needs in the social accounts (except those covered by Type C Systems). These cover insurance systems and compulsory systems where there is no payment for participation.

Type B Systems - These cover benefits granted by employers without legal or contractual obligation.

Type C Systems - These cover benefits to victims of civil commotion, natural disaster and war.

Type D Systems - These cover other welfare activities, such as payments to persons not covered under the Type A Systems.

The Type A Systems are then sub-divided into five sub-systems.

Type A1 - General Systems - These cover the whole population or substantial sections of it.

Type A2 - Special Systems - These cover certain occupational groups, such as building workers.

Type A3 - Statutory Systems - These cover employees of public authorities.

Type A4 - Complementary and Supplementary Systems - These systems grant benefits in addition to those granted under the basic systems (A1, A2 or A3).

Type A5 - Voluntary Systems - These are systems which the individual is free to join or leave at his discretion. They are included in the A group because in some cases it is not possible to get separate data for them, in which case they would be included with A1 Systems.

Definitions of these systems and the allocation to them of activities in the case of Ireland are shown in Appendix I. The allocation was made by the Statistical Office of the EEC. In Ireland no expenditures are shown under B and C as there is no information available regarding employers' voluntary schemes and expenditures under C are probably negligible.

CLASSIFICATION BY NATURE OF EXPENDITURE

There are two principal types of social expenditure. The first has been termed social benefits which account for by far the greater part of social expenditure. Social benefits represent that part of social expenditure which is distributed to individuals or households in the form of income payments or of goods and services in kind. The second main type of social expenditure relates to administrative costs which are necessary in order to provide the benefits. There may be a small amount of other costs, such as interest paid by social institutions, etc., which are distinguished from administrative costs.

A further distinction is made between current and capital expenditure. The present Social Accounts relate only to current expenditure.

Social benefits can take different forms and these may have different economic and social effects on the economy. Furthermore, to ensure consistency between the Social Accounts and the National Accounts it is necessary to distinguish these different forms or natures of expenditure. The different natures distinguished in the accounts are:

1 *Social Benefits*

- (a) Periodical cash payments,
- (b) Cash payments - once only,
- (c) Cash re-imbursments for goods and services purchased by households
- (d) Equivalent value of goods and services provided in kind.

2 *Administration Costs*

- (a) Wages and salaries
- (b) Purchases of goods and services

3 *Other Expenditure*

CLASSIFICATION BY FUNCTION

The function, or purpose of expenditure, relates to the different fields of social activity and is the most important of the classifications both for national and for international use. The list of functions was determined by general agreement between the original six member countries but it was agreed that the list could be supplemented in the future.

The list of functions is the same as the list of risks and needs adopted in the definition of social expenditure. Each of the functions specified is considered to represent a function of social policy. The list of functions for which data are to be published is the following:

- 1. **Sickness**
- 2. **Old age, death, survivors**
- 3. **Invalidity**
- 4. **Physical or mental disability**
- 5. **Employment injury, occupational disease**
- 6. **Unemployment**
- 7. **Family**
- 8. **Political events, natural disaster**
- 9. **Miscellaneous**

CLASSIFICATION OF REVENUE BY NATURE AND SECTOR

Just as there are several types of social expenditure there are also different types of revenue which is provided by the different sectors in the economy. Traditionally revenue for social purposes comes from the contribution of employers and employees and from government grants. This lends naturally to the adoption of three main sources of revenue - enterprises, households and government.

The nature of the revenue which finances social expenditure is important for both economic and social policy. In the classification by nature, monetary contributions are distinguished from imputed contributions. Monetary contributions, of course, occur when money payments are made to a fund such as the social insurance fund which then provides benefits. Imputed contributions occur when an employer pays retirement pensions to former employees without the intervention of any fund, the imputed contribution being taken as identical with the pensions actually paid. Government grants are distinguished from government social contributions (monetary or imputed) on behalf of their employees. The principal items in the classification are the following:

- | | |
|---|--|
| <ul style="list-style-type: none"> 1. <i>Employers' social contribution</i> | <ul style="list-style-type: none"> 2. <i>Household social contributions</i> |
| <ul style="list-style-type: none"> <i>Actual</i> enterprises government households | <ul style="list-style-type: none"> 3. <i>Miscellaneous contributions</i> enterprises government rest of world |
| <ul style="list-style-type: none"> <i>Imputed</i> enterprises government | <ul style="list-style-type: none"> 4. <i>Other receipts</i> |

THE RESULTS FOR IRELAND AND SOME INTERNATIONAL COMPARISONS

Appendix 2 contains four detailed tables for Ireland, three relating to expenditure and one to revenue, for the years 1970-73. The years are the financial years commencing on 1 April. The data contained in the tables were compiled by the Departments of Health, Social Welfare, Labour and the Central Statistics Office.

The tables show:

- (1) Social expenditure classified by system and nature 1970-73,
- (2) Expenditure on social benefits classified by system and function 1970-73,
- (3) Expenditure on social benefits classified by nature and function 1970-73,
- (4) Current receipts classified by system, nature and sector 1972-73.

In order to avoid double counting the total expenditure and total receipts exclude any transfers between institutions or activities. The figures show a rapid growth in total social expenditure from £214 million in 1970 to £391 million in 1973, the increase from £297 million in 1972 to £391 million in 1973 being the largest annual increase. Social benefits comprise about 96 per cent of the total expenditure and these rose from £206 million in 1970 to £376 million in 1973.

The fourth table shows that current receipts were £298 million in 1972 and £390 million in 1973. About three-quarters of current receipts are provided by the government and about one-eighth each by enterprises and households.

The following tables show some comparisons between the community countries. Table A shows the percentage distribution of social expenditures by nature in 1972.

TABLE A.
PERCENTAGE DISTRIBUTION OF SOCIAL EXPENDITURE BY NATURE,
1972

Nature	Ireland	United Kingdom	Denmark	France	Germany	Italy	Netherlands	Belgium	Luxembourg
	Percentage								
Social benefits	96	96	97	95	94	88	97	95	96
(a) Periodical cash payments	60	64	51	68	70	60	70	71	79
(b) Cash payments - once only	1	3	0	0	1	3	3	2	2
(c) Cash reimbursements	1	-	2	24	4	2	2	17	6
(d) Goods and services	34	29	44	3	19	23	22	5	9
Administration costs	4	4	3	4	5	5	3	4	4
Other expenditure	0	0	0	1	1	7	-	1	0
Total Expenditure	100	100	100	100	100	100	100	100	100

The table shows that in all the countries except Italy expenditure on social benefits was between 94 per cent and 97 per cent of total expenditure. For Ireland the percentage was 96 per cent. For the most part social benefits are provided in the form of periodical cash payments. This type of expenditure accounted for 60 per cent of total expenditure in the case of Ireland and the percentages for other countries varied between 51 per cent for Denmark and 79 per cent for Luxembourg. Cash payments given once only were not very significant in amount in any country. Cash reimbursements in respect of goods and services already provided were significant in the case of France (24%) and Belgium (17%) but in the other countries the percentages were small and amounted to only 1 per cent in the case of Ireland. Social benefits in the form of goods and services are most important in the case of the three new member countries. About 34 per cent of total expenditure was provided in this way for Ireland, 29 per cent for the United Kingdom and 44 per cent for Denmark. The next highest Community country was Italy where the percentage amounted to 23 per cent. The percentages were low in the case of France (3%) and Belgium (5%).

Administration costs amounted to between 3 per cent and 5 per cent of total expenditure.

For international comparison expenditure on social benefits can be related to one or more of the economic aggregates used in the national accounts. In order to show the relative incidence of expenditure on social benefits on the national economy in the different countries, expenditure on social benefits is shown as a percentage of gross domestic product at market prices (GDP) for the years 1970-73 in Table B.

TABLE B
EXPENDITURE ON SOCIAL BENEFITS AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT AT MARKET PRICES, 1970-73

Year	*Ireland	United Kingdom	Denmark	France	Germany	Italy	Netherlands	Belgium	Luxembourg
	Percentage of GDP								
1970	12.8	15.4	19.3	17.8	19.7	17.1	20.1	16.9	16.1
1971	13.1	15.9	20.6	17.9	20.3	18.0	21.2	17.2	17.8
1972	13.1	16.1	20.3	18.1	21.1	19.6	22.4	18.7	18.5
1973	14.4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

* Data for Ireland are not comparable with those for other countries. See text.

In each year the expenditure on social benefits in Ireland as a percentage of GDP was lower than for any of the other countries. In 1972 the percentage in Ireland was 13.1 per cent, the next lowest country being the United Kingdom with 16.1 per cent and then France with 18.1 per cent. The highest percentage (22.4%) was recorded in the Netherlands. In considering these percentages, however, it should be remembered that the coverage of social expenditure recorded in the social accounts is not complete. In the case of Ireland two very important constituents are not included because data are not available. These are the amount of wages

and salaries paid by employers when persons are absent from work due to sickness and the benefits provided by private pension and sickness schemes which are part of the normal contract of employment. Clearly the amounts involved are substantial and it is not clear to what extent other countries have covered these systems of social expenditure. It is probable that the coverage varies between the countries. In the United Kingdom both these systems are covered. It is believed also, that in Germany, where employers are required to continue to pay wages and salaries for the first six weeks of employees' absences through sickness, these payments are included in the social accounts. Another point to note is that a substantial increase was recorded in the figure for expenditure on social benefits as a percentage of GDP in Ireland in 1973 - 14.4 per cent as compared with 13.1 per cent in 1972. Data for 1973 for the other countries are not yet available so that a comparison cannot be made.

Table C shows how the expenditure on social benefits as a percentage of GDP is divided between the different functions.

TABLE C

EXPENDITURE ON SOCIAL BENEFITS AS A PERCENTAGE OF GDP AT MARKET PRICES BY FUNCTION, 1972

Function	*Ireland	United Kingdom	Denmark	France	Germany	Italy	Netherlands	Belgium	Luxembourg
	Percentage								
Sickness	3.8	4.2	5.6	5.0	6.0	5.2	6.1	4.3	3.3
Old age, death, survivors	4.9	7.6	7.2	7.1	8.6	7.1	8.5	6.9	11.6**
Invalidity and physical and mental disability	1.4	1.1	2.7	0.4	1.0	2.9	3.9	1.1	0.0
Employment injury, occupational disease	0.1	0.2	0.3	0.8	1.1	0.7	-	1.0	1.2
Unemployment	0.7	0.8	0.7	0.2	0.3	0.3	0.9	1.0	0.0
Family	2.0	1.5	3.4	3.6	1.9	2.1	2.9	3.2	2.0
Political events, natural disasters	-	0.2	0.0	0.8	1.4	0.7	0.1	0.5	0.3
Miscellaneous	0.3	0.4	0.3	0.2	0.8	0.6	0.0	0.7	0.1
Total	13.1	16.1	20.3	18.1	21.1	19.6	22.4	18.7	18.5

* Data for Ireland are not comparable with those for other countries. See text.

** Including invalidity

In most countries about two-thirds of social benefits are allocated to the functions, sickness and old age, death, survivors. In Ireland expenditure on old age, death, survivors, was 4.9 per cent of GDP in 1972 but in other countries the figures varied from 7.1 per cent to 11.6 per cent. In Ireland expenditure on sickness as a percentage of GDP in 1972 was 3.8 per cent, the expenditures in other countries varying from 4.2 per cent to 6.1 per cent, apart from the exceptional figure of 3.3 per cent for Luxembourg which is apparently due to the inclusion of part of invalidity and sickness with old age. Expenditure on invalidity and physical and mental disability as a percentage of GDP varied considerably between countries - probably due to difficulties in allocating certain expenditures between this function and sickness. The percentage in Ireland was 1.4 per cent. Taking both functions together, the percentage for Ireland was 5.2 per cent, compared with 5.4 per cent in the United Kingdom, France and Belgium. Expenditure on family benefits as a percentage of GDP amounted to 2.0 per cent in Ireland and varied from 1.5 per cent in the United Kingdom to 3.6 per cent in France. In interpreting this figure it should be recalled that, when any extra benefits are given under other functions, such as sickness or unemployment, for family responsibilities, these extra amounts are allocated to the function family.

Table D shows the percentage distribution of benefits by function in 1972.

TABLE D
PERCENTAGE DISTRIBUTION OF BENEFITS BY FUNCTION, 1972

Function	Ireland	United Kingdom	Denmark	France	Germany	Italy	Netherlands	Belgium	Luxembourg
	Percentage								
Sickness	29.2	26.3	27.8	27.4	28.5	26.3	27.0	23.1	17.9
Old age, death, survivors	37.1	47.4	35.7	39.5	40.8	36.2	38.1	36.7	62.7*
Invalidity and physical and mental disability	10.4	7.0	13.5	2.4	4.7	14.7	17.4	6.2	0.1
Employment injury, occupational disease	0.5	1.2	1.4	4.6	5.1	3.8	-	5.2	6.3
Unemployment	5.7	5.1	3.6	1.1	1.2	1.7	4.0	5.4	0.0
Family	15.1	9.3	16.5	19.9	9.0	10.7	12.8	17.1	11.0
Political events, natural disaster	-	1.5	0.2	4.3	6.7	3.7	0.6	2.5	1.4
Miscellaneous	2.0	2.2	1.3	0.8	4.0	2.9	0.1	3.8	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* Including invalidity

Taking the total benefits as 100 for each country it shows the proportion of benefits allocated to each of the functions. It is clear that, for each of the countries, the most important functions are sickness, old age, death, and survivors. In general the next most important function is the family.

Table E shows the percentage distribution of current receipts by sector of origin in 1972.

TABLE E
PERCENTAGE DISTRIBUTION OF CURRENT RECEIPTS BY SECTOR OF ORIGIN, 1972

Sector	*Ireland	United Kingdom	Denmark	France	Germany	Italy	Netherlands	Belgium	Luxembourg
	Percentage								
Enterprises	11	24	6	50	36	43	31	39	27
Government	74	50	84	28	37	34	24	37	40
Households	14	18	7	20	24	15	36	20	25
Social security institutions	1	8	3	1	2	4	8	4	8
Other sectors	0	0	0	1	1	4	1	0	0
Total	100	100	100	100	100	100	100	100	100

* Data for Ireland are not comparable with those for other countries. See text.

The table shows that in each of the three new member countries of the Community the percentage of current receipts which come from the government sector is significantly greater than the percentages shown for the other countries. In Ireland 74 per cent of current receipts come from the public authorities and this is exceeded only by Denmark in which the figure is 84 per cent. In the United Kingdom receipts from the government sector amount to 50 per cent, while in the other countries they vary between 24 per cent and 40 per cent. In Ireland 11 per cent of the current receipts come from enterprises and the only country with a lower percentage is Denmark with 6 per cent. The low percentage for Ireland, however, is caused to some extent by the omission from the accounts of certain items such as wages and salaries paid during sickness. The United Kingdom has 24 per cent of current receipts in this category and in the other countries the percentage varies from 27 per cent in Luxembourg to 50 per cent in France. In Ireland 14 per cent of receipts come from households and the only country with a lower percentage is Denmark with 7 per cent. The United Kingdom has 18 per cent and in the other countries the percentage varies from 15 per cent in Italy to 36 per cent in the Netherlands.

PART 3- THE DEVELOPMENT OF THE SOCIAL ACCOUNTS

The present state of the social accounts has been reached after more than a decade of development. It can be expected that the accounts will be further developed over the next decade. There are many fields of interest which merit further work and in which extensions to the accounts can be made. The main areas which merit consideration, and in most of which work is actively proceeding, are

- (1) addition to the list of functions covered in the accounts,
- (2) modification or extension of the concepts of expenditure and revenue,
- (3) extension of the accounts to cover capital transactions,
- (4) compilation of data regarding number of persons covered and number of beneficiaries
- (5) analysis of the accounts to obtain data for certain groups of the population different from those covered in the systems classification.

The social accounts do not cover expenditure on education although expenditure on occupational training of adults is at present being discussed with a view to incorporating such expenditure in future. Should all expenditure on education be included in the accounts? There would seem to be justification for covering all such expenditure since this expenditure is generally considered to be social. Also if it is included it would be possible to compile figures with or without education since the individual functions are distinguished. Furthermore, the difficulty of drawing a distinction between occupational training of adults and other types of expenditure on education would not arise. On the other hand the inclusion of education in the account means that a substantial part of social expenditure would not be related to either income maintenance payments or the provision of health services, which might be termed the more essential social expenditures. It would be interesting to hear views on this matter.

Modifications are already being made to the concepts originally used in the social accounts. The term "social benefit" was intended to be synonymous with the same term in the national accounts, which covers transfers by enterprises and the government to households which eventually appear as part of household consumption. In fact, however, in the new member countries a significant part of social expenditure is recorded in the national accounts as part of government consumption (e.g. expenditure on the health services in Ireland and the United Kingdom). For any realistic international comparisons this expenditure must be included under social benefits and it is proposed to alter the term "social benefits" to "social advantages" and to distinguish under social advantages non-market goods and services (i.e. those provided by the government without direct payment and appearing as part of government consumption). While amendments of this nature will make the presentation of the social accounts more complicated they will also make it possible to relate more readily the expenditure in the social accounts to that recorded in the national accounts and to provide consistency between both sets of accounts.

Up to the present, the social accounts cover social payments in cash and in kind to individuals and households. There are, however, other types of benefit which accrue to individuals and households and which are not recorded as payments in cash or kind to households in the national accounts. These include subsidies to enable benefits to be allocated to individuals or households, either at a rate below market prices or free of charge, and reductions in tax payments due to tax allowances given for particular purposes such as allowances for children. Examples of the former are subsidies paid to the local authority housing account to enable local authority rents to be kept below the true market level and the subsidy to building societies to enable them to keep interest rates below the market level. In these cases monetary flows are recorded in the national accounts but in the case of benefits received through tax allowances no monetary flows

occur and, therefore, they are not recorded anywhere in the national accounts. It is intended to make provision in future in the social accounts for the recording of both these types of transactions. Clearly to ensure international comparability it will be necessary to define the transactions carefully and to isolate them in the accounts in order to examine their relative importance in the different countries.

The inclusion of the benefits received from tax allowances in social advantages has to be considered carefully. Clearly the reduction in tax paid arising from tax allowances for children is somewhat akin to children's allowances and should be included in the accounts. Should the tax saved by having a marriage allowance instead of a personal allowance be included under the function "family"? At first sight this seems reasonable to do since, if one of the partners to a marriage is not gainfully occupied, the gainfully occupied partner receives a tax allowance and, thereby, pays less tax. However, if both partners to a marriage are gainfully occupied, then there is no tax advantage in marrying and so no benefit is received. In fact, in the case of some countries such as Ireland, there is a tax disadvantage on marrying and, therefore, there would be a negative benefit. On account of these difficulties it would seem preferable not to treat tax saved through marriage allowances as family benefits.

The extension of the accounts to cover capital expenditure would be advantageous. Capital expenditure in the social field can be of two types - capital transfers to households (e.g. to help them to purchase houses) and capital expenditure which is necessary to provide current or capital social benefits to households (e.g. expenditure on the construction of hospitals and of buildings to house administrative personnel). Only a small part of capital expenditure would be regarded as direct benefits to households. The remainder of capital expenditure could be divided in two ways which might be called "functional" and "administrative". Examples of "functional" are expenditure on local authority housing (for provision to tenants at subsidised rents), expenditure on the construction of hospitals, occupational training centres, etc., while examples of "administrative" are expenditure on buildings, machinery and equipment used for administrative purposes. This latter expenditure will be difficult to estimate since it relates in many cases to parts of buildings, part use of machinery, etc.

It might be queried whether the social accounts should include, in addition to expenditure on gross physical capital formation, financial accounts showing changes in the financial assets and liabilities of the sectors providing the revenue. Such an extension does not seem to be necessary however. Practically all the revenue to finance social expenditure comes from three sources - employers' and employees' contributions and government grants. In general the social institutions in Ireland do not hold a large amount of financial assets and, in the few cases where assets are held, they are held in the form of government securities. The institutions do not operate on the capital markets and, therefore, changes in their financial assets and liabilities are not of any great interest. An extension of the accounts to cover financial assets and liabilities therefore seems to be unnecessary at the present time in the case of Ireland.

It has been recognised for many years that figures for social expenditure must be supplemented by data relating to number of persons covered for benefits and number of beneficiaries to whom benefits are paid. Studies have been made, or are in the course of being made, for all the Community countries in order to identify the problems of compiling data of this nature as a routine procedure. When these studies have been completed and then discussed in Luxembourg, no doubt efforts will be made to have data of this type compiled regularly by each country. Such data will provide a valuable basis for future policy decisions in the social field.

A possible criticism of the social accounts as at present constituted is that they refer only to the population covered by the activities or systems. Sub-groups are only distinguished in so far as they are covered by the individual activities in the accounts. It could well be that, when

social expenditure is a high proportion of GDP, the benefits may in a large part accrue to higher income groups in the population. The accounts, it must be remembered, cover not only payments to the lower income group but all payments in the form of pensions and health expenditure for the higher income groups as well. There is no way of determining from the data in the accounts whether a sufficient part of all social benefits is being received by the lower income groups. In order to answer questions relating to this apportionment it would be necessary to classify social benefits by income group or by social group. While such classifications would be desirable it is clearly not practicable to introduce them at present in the compilation of the data for the social accounts.

A possible way to obtain information of this type is, of course, to carry out special social surveys on a sample basis or to ask details about social benefits at a Census of Population. The information obtained could be used to divide the benefits recorded in the social accounts among different income or social groups.

CONCLUSION

The social accounts in their present form are very useful for the purpose of analysing and comparing social expenditure and its financing between the different countries of the Community and for use in the formation of the social policy of the Community. Future developments will make them even more useful in this respect.

Although social expenditure in Ireland as a proportion of GDP is the lowest among the Community countries care must be exercised in drawing inferences from the comparisons on account of the incomplete coverage of the accounts which, it is felt, is particularly serious in the case of Ireland. Furthermore, the accounts in their present form do not give any information as to the allocation of social benefits to the lower income groups in the population. There is need, therefore, for other surveys to be made to obtain further information as to the allocation of social benefits.

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APPENDIX 1

DEFINITIONS OF THE SYSTEMS

TYPE A SYSTEMS - All welfare systems which, as a result of legal or other compulsory provisions, cover one or more of the risks or needs in the social accounts (excepting injury caused by civil commotion or natural disaster) in so far as these systems do not belong to the field of "other welfare activities" (type D). There must be

- (a) compulsory participation by all persons belonging to the groups concerned
- (b) compulsory payment for the right to participate if there is provision for such a payment, and
- (c) inalienable rights to benefit in the event of the materialisation of the risk.

The Type A systems are sub-divided into the following:

Type A.1 (General Systems) - Basic systems under which cover is provided for the population as a whole or for substantial sections of it.

Type A.2 (Special Systems) - Basic systems which protect specific occupational groups or persons working in certain branches of the economy (e.g. building).

Type A.3 (Statutory Systems) - Basic systems for the members of the staff of public services and the officials of public undertakings having an official status under public law.

Type A.4 (Complementary and Supplementary Systems) - Benefits are only granted under the complementary systems in cases where the elementary benefit is already granted under a basic system. The supplementary systems operate independently of the corresponding basic systems covering the same risk or need; benefits under them are therefore granted concurrently with the basic benefits.

Type A.5 (Voluntary Systems) - All systems of Types A.1 to A.4 under which the individual is free to join and withdraw at his discretion. (The criterion of compulsory participation is relaxed in respect of these voluntary systems. The reason they are included with the other A systems is that in a number of countries it is difficult to obtain separate data for the voluntary systems.)

TYPE B SYSTEMS (Employers' Non-contributory benefits) - All arrangements under which employers grant non-contributory social benefits, (without legal or contractual obligation) to their employees (or former employees) and their families.

TYPE C SYSTEMS - All arrangements the purpose of which is to grant social benefits to the victims of civil commotion and natural disaster, including war benefits.

TYPE D SYSTEMS (Other Welfare Activities) - All public and private systems concerned with other welfare activities. In particular, the public activity of welfare assistance is included, sometimes supplemented by private collaboration, which is designed to eliminate need affecting the well-being of the individual, particularly when the social insurance or social security systems or any other system of collective protection against the risks or needs under consideration are not applicable or are inadequate to meet the case. A list of the activities in the different types of systems in Ireland is shown below.

ACTIVITIES AND SYSTEMS

SYSTEMS OF TYPE A

A 1. GENERAL SYSTEMS

- 1 Central Government
 - 11 Health Services
 - 12 Social insurance fund
 - 13 Occupational injuries fund
 - 14 Children's allowances
 - 15 Redundancy payments fund
- 2 Local Government: Health Boards
- 3 Private enterprises
 - 31 Redundancy payments
 - 32 *Payment of wages and salaries in case of sickness, ...

A 2. SPECIAL SYSTEMS

- 1 Central Government: supplementary unemployment fund (manual workers in building, etc. in case of bad weather)

A 3. STATUTORY SYSTEMS

- 1 Central Government
 - 11 Superannuation of employes
 - 12 *Payment of salaries to employees in case of sickness, ...
- 2 Local Government
 - 21 Superannuation of employes
 - 22 *Payment of salary to employees in case of sickness, ...

A 4. COMPLEMENTARY AND SUPPLEMENTARY SYSTEMS

- 1 Private enterprises (superannuation payments) (1)

A 5. VOLUNTARY SYSTEMS

- 1 Voluntary health insurance board
- 2 *Private pension funds

SYSTEMS OF TYPE D: OTHER SOCIAL MEASURES

D 1. PUBLIC SOCIAL AID

- 1 Central Government
- 2 Local Government

D 2. SUBSIDISED PRIVATE SOCIAL AID

- 1 *Private charity funds

D 3. UNSUBSIDISED PRIVATE SOCIAL AID

- 1 *Private charity funds

* Data for these systems are not yet included in the Accounts

(1) Data available only for enterprises covered by the Census of Industrial Production

Note: Expenditure for systems of types B and C have not been identified in Ireland.

APPENDIX 2

TABLE 1

SOCIAL EXPENDITURE CLASSIFIED BY SYSTEM AND NATURE, 1970-73

Nature	System	Type A systems					Total	All systems			
		General	Special	Statutory	Complementary	Voluntary		Other systems	Amount	Percentage distribution	
		£ million									Percentage
1 Social benefits	1970	145.2	0.2	19.9	1.9	2.5	169.7	36.5	206.2	96.3	
	1971	172.2	0.2	23.3	1.9	3.2	200.8	41.8	242.6	96.1	
	1972	201.0	0.3	27.5	2.7	4.1	235.6	49.1	284.8	95.9	
	1973	267.6	0.3	33.6	3.6	5.0	310.1	66.1	376.2	96.1	
(a) Periodical cash payments	1970	77.1	0.2	19.9	1.9	-	99.0	34.6	133.6	62.4	
	1971	90.3	0.2	23.3	1.9	-	115.7	39.2	154.9	61.4	
	1972	101.5	0.3	27.5	2.7	-	132.0	46.0	178.0	60.2	
	1973	138.2	0.3	33.6	3.6	-	175.7	61.8	237.5	60.7	
(b) Cash payments - once only	1970	1.0	-	-	-	-	1.0	-	1.0	0.5	
	1971	1.8	-	-	-	-	1.8	-	1.8	0.7	
	1972	2.5	-	-	-	-	2.5	-	2.5	0.8	
	1973	2.9	-	-	-	-	2.9	-	2.9	0.7	
(c) Cash reimbursement	1970	0.0	-	-	-	2.5	2.6	-	2.6	1.2	
	1971	0.0	-	-	-	3.2	3.2	-	3.2	1.3	
	1972	0.0	-	-	-	4.1	4.1	-	4.1	1.4	
	1973	0.0	-	-	-	5.0	5.0	-	5.0	1.3	
(d) Equivalent value of goods and services in kind	1970	67.1	-	-	-	-	67.1	1.9	69.0	32.2	
	1971	80.1	-	-	-	-	80.1	2.6	82.7	32.7	
	1972	97.0	-	-	-	-	97.0	3.2	100.2	33.5	
	1973	126.5	-	-	-	-	126.5	4.3	130.8	33.4	
2 Administration costs	1970	5.8	-	-	-	0.3	6.1	1.9	8.0	3.7	
	1971	7.3	-	-	-	0.3	7.6	2.2	9.8	3.9	
	1972	9.2	-	-	-	0.3	9.5	2.6	12.2	4.1	
	1973	11.0	-	-	-	0.4	11.5	3.6	15.0	3.8	
(a) Wages and salaries	1970	4.1	-	-	-	0.2	4.3	1.4	5.7	2.6	
	1971	5.1	-	-	-	0.2	5.4	1.4	6.7	2.7	
	1972	6.2	-	-	-	0.2	6.4	1.6	8.0	2.7	
	1973	7.9	-	-	-	0.3	8.2	2.4	10.6	2.7	
(o) Purchase of goods and services	1970	1.7	-	-	-	0.1	1.8	0.6	2.4	1.1	
	1971	2.2	-	-	-	0.1	2.3	0.8	3.1	1.2	
	1972	3.0	-	-	-	0.1	3.1	1.0	4.2	1.4	
	1973	3.2	-	-	-	0.1	3.3	1.1	4.4	1.1	
4 Total expenditure (excl transfers)	1970	151.0	0.2	19.9	1.9	2.8	175.8	38.4	214.2	100.0	
	1971	179.5	0.2	23.3	1.9	3.5	208.5	43.9	252.4	100.0	
	1972	210.2	0.3	27.5	2.7	4.4	245.2	51.8	297.0	100.0	
	1973	278.7	0.3	33.6	3.6	5.4	321.6	69.7	391.3	100.0	

TABLE 2

EXPENDITURE ON SOCIAL BENEFITS CLASSIFIED BY SYSTEM AND FUNCTION 1970-73

Function	System	Type A systems					Total	Other systems	All systems	
		General	Special	Statutory	Complementary	Voluntary			Amount	Percentage distribution
		£ million								
Sickness	1970	56.6	-	-	-	2.5	59.1	-	59.1	28.7
	1971	65.6	-	-	-	3.2	68.8	-	68.8	28.4
	1972	79.2	-	-	-	4.1	83.3	-	83.3	29.2
	1973	105.2	-	-	-	5.0	110.2	-	110.2	29.3
Old age, death, survivors	1970	29.2	-	19.9	1.9	-	51.0	25.0	76.0	36.9
	1971	35.7	-	23.3	1.9	-	60.9	28.5	89.4	36.8
	1972	42.9	-	27.5	2.7	-	73.1	31.8	104.9	37.1
	1973	56.1	-	33.6	3.6	-	93.3	42.4	135.7	36.1
Invalidity and physical or mental disability	1970	20.0	-	-	-	-	20.0	0.2	20.2	9.8
	1971	26.0	-	-	-	-	26.0	0.2	26.2	10.8
	1972	29.6	-	-	-	-	29.6	0.3	29.9	10.4
	1973	36.7	-	-	-	-	36.7	0.3	36.9	9.8
Employment injury, occupational disease	1970	0.9	-	-	-	-	0.9	-	0.9	0.4
	1971	1.1	-	-	-	-	1.1	-	1.1	0.5
	1972	1.4	-	-	-	-	1.4	-	1.4	0.5
	1973	1.9	-	-	-	-	1.9	-	1.9	0.5
Unemployment	1970	6.6	0.2	-	-	-	6.8	5.0	11.8	5.7
	1971	7.3	0.2	-	-	-	7.5	5.7	13.2	5.4
	1972	8.1	0.3	-	-	-	8.4	7.6	16.0	5.7
	1973	8.4	0.3	-	-	-	8.7	10.4	19.1	5.1
Family	1970	30.9	-	-	-	-	30.9	4.4	35.3	17.1
	1971	34.2	-	-	-	-	34.2	5.3	39.6	16.3
	1972	36.3	-	-	-	-	36.3	7.2	43.5	15.1
	1973	55.8	-	-	-	-	55.8	10.4	66.2	17.6
Miscellaneous	1970	1.0	-	-	-	-	1.0	1.9	2.9	1.4
	1971	2.2	-	-	-	-	2.2	2.1	4.3	1.8
	1972	3.5	-	-	-	-	3.5	2.3	5.8	2.0
	1973	3.5	-	-	-	-	3.5	2.7	6.2	1.6
Total Social Benefits	1970	145.2	0.2	19.9	1.9	2.5	169.7	36.5	206.2	100.0
	1971	172.1	0.2	23.3	1.9	3.2	200.7	41.8	242.6	100.0
	1972	201.0	0.3	27.5	2.7	4.1	235.6	49.2	284.8	100.0
	1973	267.6	0.3	33.6	3.6	5.0	310.1	66.2	376.2	100.0

TABLE 3

EXPENDITURE ON SOCIAL BENEFITS CLASSIFIED BY NATURE AND FUNCTION, 1970-72

Function	Nature	Periodical cash payments	Cash payments - once only	Cash reimbursements	Equivalent value of goods and services provided in kind	Total
Sickness	1970	11.5	-	2.5	45.1	59.1
	1971	11.8	-	3.2	53.8	68.8
	1972	13.2	-	4.1	66.0	83.3
	1973	16.6	-	5.0	88.6	110.2
Old age, death, survivors	1970	71.9	-	-	4.1	76.0
	1971	84.2	0.1	-	5.1	89.4
	1972	98.6	0.1	-	6.2	104.9
	1973	127.8	0.2	-	7.7	135.7
Invalidity and physical or mental disability	1970	4.9	-	-	15.3	20.2
	1971	7.8	-	-	18.4	26.2
	1972	8.2	-	-	21.7	29.9
	1973	10.4	-	-	26.5	36.9
Employment injury occupational disease	1970	0.9	0.0	0.0	-	0.9
	1971	1.1	0.0	0.0	-	1.1
	1972	1.4	0.0	0.0	-	1.4
	1973	1.7	0.2	-	-	1.9
Unemployment	1970	11.8	-	-	-	11.8
	1971	13.2	-	-	-	13.2
	1972	16.0	-	-	-	16.0
	1973	19.1	-	-	-	19.1
Family	1970	31.0	0.3	-	4.0	35.3
	1971	34.5	0.3	-	4.7	39.6
	1972	37.6	0.4	-	5.5	43.5
	1973	58.6	0.4	-	7.2	66.2
Miscellaneous	1970	1.7	0.6	-	0.6	2.9
	1971	2.3	1.4	-	0.6	4.3
	1972	3.1	2.0	-	0.7	5.8
	1973	3.2	2.2	-	0.8	6.2
Total social benefits	1970	133.6	1.0	2.5	69.0	206.2
	1971	154.9	1.8	3.2	82.7	242.6
	1972	178.0	2.5	4.1	100.2	284.8
	1973	237.5	2.9	5.0	130.8	376.2

TABLE 4

CURRENT RECEIPTS CLASSIFIED BY SYSTEM, NATURE AND SECTOR 1972-73

Nature and Sector	System	Type A systems						Other systems	All systems		
		General	Special	Statutory	Complementary	Voluntary	Total		Amount	Percentage distribution	
				£ million							Percentage
1	Employers' social contributions	1972	31.8	0.1	22.4	2.7	-	57.0	-	57.0	19.1
		1973	43.8	0.1	27.5	3.6	-	75.0	-	75.0	19.2
	<i>Actual</i>	1972	31.2	0.1	0.2	-	-	31.5	-	31.5	10.6
		1973	43.2	0.1	0.0	-	-	43.3	-	43.3	11.1
	Enterprises	1972	31.2	0.1	-	-	-	31.3	-	31.3	10.5
		1973	43.2	0.1	-	-	-	43.3	-	43.3	11.1
	Government	1972	-	-	0.2	-	-	0.2	-	0.2	0.1
		1973	-	-	0.0	-	-	-	-	0.0	0.0
	Households	1972	-	-	-	-	-	-	-	-	-
		1973	-	-	-	-	-	-	-	-	-
	<i>Imputed</i>	1972	0.7	-	22.2	2.7	-	25.5	-	25.5	8.5
		1973	0.6	-	27.5	3.6	-	31.7	-	31.7	8.1
	Enterprises	1972	0.6	-	-	2.7	-	3.3	-	3.3	1.1
		1973	0.6	-	-	3.6	-	4.2	-	4.2	1.1
	Government	1972	-	-	22.2	-	-	22.2	-	22.2	7.4
		1973	-	-	27.5	-	-	27.5	-	27.5	7.0
2	Household social contributions	1972	31.1	0.1	5.1	-	4.4	40.7	-	40.8	13.7
		1973	36.7	0.1	5.5	-	5.0	47.3	-	47.3	12.1
3	Miscellaneous contributions	1972	145.9	-	0.2	-	-	146.1	52.3	198.4	66.5
		1973	195.3	-	0.3	-	-	195.6	70.2	265.8	68.1
	Enterprises	1972	-	-	-	-	-	-	-	-	-
		1973	-	-	-	-	-	-	-	-	-
	Government	1972	145.5	-	0.2	-	-	145.7	52.3	198.0	66.4
		1973	195.0	-	0.3	-	-	195.3	70.2	265.5	68.0
	Rest of world	1972	0.4	-	-	-	-	0.4	-	0.4	0.1
		1973	0.3	-	-	-	-	0.3	-	0.3	0.1
4	Other receipts	1972	1.7	-	-	-	0.1	1.8	-	1.8	0.6
		1973	1.7	0.1	-	-	0.2	2.0	-	2.0	0.5
5	Total (excl transfers)	1972	210.4	0.3	27.7	2.7	4.6	245.7	52.3	298.0	100.0
		1973	277.5	0.3	33.3	3.6	5.3	319.9	70.3	390.2	100.0
	<i>of which</i>										
	Enterprises	1972	31.8	0.1	-	2.7	-	34.6	-	34.6	11.6
		1973	43.8	0.1	-	3.6	-	47.5	-	47.5	12.2
	Government	1972	145.5	-	22.6	-	-	168.1	52.3	220.4	74.0
		1973	195.0	-	27.8	-	-	222.8	70.2	293.0	75.1
	Households	1972	31.1	0.1	5.1	-	4.4	40.7	-	40.8	13.7
		1973	36.7	0.1	5.5	-	5.0	47.3	-	47.3	12.1
	Other	1972	2.1	-	-	-	0.1	2.2	-	2.2	0.7
		1973	2.0	0.1	-	-	0.2	2.3	-	2.3	0.6

DISCUSSION

Mr. Joe Durkan: Both as a user of National Accounts and a contributor to the "Social Report" of the EEC I would like to propose a vote of thanks to Mr. Broderick for his paper which set out the methodology of "Social Accounts" and comments on the validity of international comparisons.

I would like to make a few general points.

For many years the terms Social Accounts and National Accounts were used interchangeably. The former term, as it is used in the paper and for purposes of the EEC, represents an extension of the supporting tables of traditional National Accounts rather than the emergence of a separate concept.

It is in this lack of a conceptual basis that I have greatest difficulty with this paper. I find no analytical framework to justify the preparation of separate social accounts, though as a user of National Accounts I welcome the extension of data implied in these new tables. Could it be that what we are getting here is simply what we would expect to get in a full system of National Accounts built around a Keynesian framework?

International comparisons at the best of times are difficult. In the present context it is not immediately clear, even given the reservations of Mr. Broderick that they will not be abused. In particular it is the figures in Tables B and C that will be immediately taken up, with in general Ireland performing "less well" than other EEC countries. Personally I feel that what we should be after is the adequacy of levels of benefits in an Irish context, taking account not only of contractual and insurance rights, but also benefits that flow from family relationships and voluntary organisations and similar studies in other countries. At a different level the determinants of social benefits e.g. the age structure of the population, the overall dependency ratio and the level of GNP per head, may be the decisive reasons for differences between countries. Aggregate data of the sort presented here will not answer these questions. But this of course is the point referred to earlier is a lack of a theoretical framework. Somewhere in the background is the notion of the "Social Wage" and this needs to be articulated.

Notwithstanding these criticisms, I think Mr. Broderick has provided a useful paper. Statisticians are often accused of qualifying everything. Perhaps Mr. Broderick could qualify more.

Mr. Paul O'Dwyer: From a policy making point of view, Mr. Broderick's paper is both encouraging and in some ways discouraging.

It is *encouraging* because it contributes to making social type expenditures explicit and therefore amenable to comparative analysis - the comparisons being sometimes made between social and non-social expenditure, and sometimes between social expenditures in different countries. The monitoring of social revenue and expenditure flows can also contribute to our understanding of economic development and can give real meaning to the "social" label which is often tagged on to it, in that the social consequences, or at least the most obvious ones, are there for all to see.

The paper is also *discouraging* in some ways because it highlights the problems involved in getting complete coverage, and the incompleteness of the data limits its usefulness for policy making. For example the textual qualifications to Table B on page 157 severely limit the usefulness of the figures presented. Another aspect to which attention is drawn on page 163 is the absence of data differentiated by the income levels of the recipients - this is surely crucial to any analysis of, and comparisons between, social schemes. Furthermore even if the data were complete, they would surely need to be set in the context of a system of social indicators

which would give a better idea of the underlying deprivation or relative social disadvantage which the social expenditure covered was designed to remedy. I am thinking here of such factors as adequacy of housing and amenities.

The positive aspect of the whole operation described by Mr. Broderick is, of course, that it is usually the initial compilation of partial data which gives rise to further questions and thereby pushes the development of social data another step forward.

Another aspect of the question is the projection of social data into the future. I think most people who deal with making projections, even in the most cursory manner, and regardless of how wide of the mark the projections may eventually turn out, they will agree that the inherent discipline of this exercise throws any deficiencies in the data into high relief and very often suggests new patterns of enquiry and new, and not necessarily more complex, ways of data collection and presentation. In this connection it is worth drawing attention to the fact that the basic framework of the EEC social accounts is also being used in the concurrent exercise of drawing up the European Social Budget. This is concerned with making projections of the social expenditure of EEC member states.

Taken together these two exercises will undoubtedly make a significant contribution to the development of a better understanding among member states of each other's social services and commitments, and the inter-relationship at national and EEC level between economic growth and social development. While much further work is required to improve the comparability and extend the scope of the historical data presented in the Social Accounts, to improve the forecasting methods being used in the Social Budget, and to develop the interpretative aspects of both projects, the work done to date, and in particular that described by Mr. Broderick, represents a significant step forward. I would therefore like to second the vote of thanks proposed by Mr. Durkan.

Dr. R. C. Geary (with some afterthought):- I join the other speakers in warmly congratulating Mr. Broderick. He has given us a lot to think about. His last part particularly is so subtle that I would not risk comment on it without very much more study.

Some specific points:-

1. In Appendix 2, Table 1, a column is provided for "Voluntary" under Type A. Yet in the text, Type A is stated to consist only of compulsory systems.
2. Amongst list of functions, No. 8 is "Political events, natural disasters". Some cynics will find the conjunction amusing.
3. Most of what I have to say relates to Table B to which I turn later.
4. In Table D it is curious that the proportion (6%) borne by Ireland for unemployment payments is so small. Is it prudent to spend so little (though payments have greatly increased since 1972, but right across the board) on part of our able-bodied workforce compared to what we spend on the old, sick, disabled etc? Also the percentage is nearly the same as in the UK, though in 1972 our percentage number unemployed was some four times greater than in UK.
5. At the beginning of Part 3, Mr. Broderick invites our comments. I welcome this because it means that his own thinking is not yet in a set mould. I find myself in doubt (if not in full disagreement) about some of his propositions. He certainly has made us think.

As to Table B, I would have wished that Mr. Broderick had commented on the controversy which raged some two years ago, started by my innocent self in a short note published

in *The Economic and Social Review*. I purported to show that when real personal income per head was equal to that of our EEC partners the ratio of current transfers (except national debt interest) - derived from Table A.20 of NIE - to personal income would be at least level with most of them. Having regard to increases in transfer payments since the note was written I am satisfied that Ireland is now well at the head of the EEC league in this regard. The impression conveyed by Table B as it stands is in my view erroneous in apparently showing that Ireland's percentage is lowest. On the contrary, when regard is had to income level Ireland is tops.

In the controversy, refutation of this thesis was attempted in vigorous terms by Messrs O'Higgins and O'Hagan to whom Geary rejoined with that meekness which is his second name. Drs. Brendan Walsh and Finola Kennedy also participated. None of these colleagues said Geary was wrong, O'Hagan and O'Higgins, the most trenchant critics, merely held that he had not proved his case. I would very much like to have Mr. Broderick's expert opinion.

The issue is an important one. If it is true that by far the poorest member of the EEC fraternity is doing an excellent best in the matter of income redistribution, surely a strong case could be made for favourable treatment by way of help under other heads, e.g. economic capital investment?

While international statistical comparisons are inevitable in issues like that mentioned, as a professional statistician, generally I deprecate them. We learn statistical methodology from other countries, but results ...? We are all so different. We should use our own statistics to better our own condition.

On the problem of definition of social payments, Mr. Broderick refers to education at several places. I have no doubt whatever that it should be "in". In fact that excellent Table A.20 of NIE, detailing categories of public authority transfers, and includes education, has been my bible. As a result of the paper I am now less sure. I begin to wonder whether the list should not be much longer?

Starting with the thinking of Adam Smith one has the impression that for a long time government was regarded merely as a necessary evil. This view has now changed entirely, particularly with governments' involvement in social payments. What about other items of expenditure of government, going back to governments' earliest activity, expenditure on defence and police? Are not these services to the people? If so, should they be included in the household account, with imputed income?

As a general principle I think an effort should be made to transfer as many payments as possible from the present government column of final demand to the household column. I cannot say off-hand how this would be done.

While I am somewhat sceptical of excessive categorization of social payments by nature, function etc - it is the items, as in Table A.20 of NIE, that matter - I recognise that full regard must be had to the EEC system since ultimately relief etc. payments to the poor relation may depend on the classification used.

Miss Claire Carney: We are much indebted to Mr. Broderick for his meticulous paper on the method of recording statistics in the social accounts of the European Economic Community, and for alerting us to the hazards of accepting comparative data on face value. An example of this could be a misinterpretation of the figure of 3.3 per cent for expenditure on 'Sickness' as a percentage of GDP in Luxembourg, 1972, (Page 168, Table C) as compared with 3.8 per cent in Ireland and 6 per cent in Germany, the highest in the table. Although this figure could

suggest a remarkably low incidence of illness or a low rate of expenditure allocated to this function in Luxembourg, a more likely explanation is given by Mr. Broderick, i.e. that this exceptional figure is "apparently due to the inclusion of part of invalidity or sickness with old age". Even with agreement on a system of classification, local administrative structures could be a factor in distorting the figures. In Ireland, for example, Unemployment Benefit is payable to a man or single woman for a continuous period of 312 days, and to a married woman or a person under 18 years of age, for a continuous period of 156 days: a further 13 *paid* contributions must be made before any-one can re-qualify for benefit. Should our present high rate of unemployment continue, many unemployed men and women will be unable to re-qualify, which, in terms of classification on page 153 presumably will mean that they are no longer included in Type A system but will transfer to Type D system although they are clearly members of the insurance group. Selectivist income-maintenance services are particularly complex in Ireland, with more than thirty separate schemes administered by six government departments - it would seem that determination of eligibility for all such schemes will need to be vested in one authority before we can present a clearer picture to our neighbours in the Community.

In comparing social expenditure between countries, in general we tend to regard low figures as being indicative of a lack of commitment to social justice. The media often highlights these figures with such pejorative descriptions as "lagging behind" in social expenditure, but, in my view, low figures must be interpreted with caution as they are not always an indictment of a country's approach to social welfare. Unemployment and redundancy are not enviable occurrences, but the higher the incidence the higher will be the figure stated in this classification: large numbers drawing disability benefit or even widow's contributory or non-contributory pension may indicate that all is far from well in health care. On the other hand, a "cause celebre" or a combination of factors may lead to public pressure on government to provide, for example, child guidance clinics and special schools. This will show an increase in functional and administrative expenditure as defined in the paper, but not necessarily a superiority in the standard of service vis-à-vis that of other countries which may have already gradually developed such services to a very sophisticated degree without any sudden major expenditure.

Mr. Broderick's paper alerts us to the difficulty of reaching consensus on which objectives and policies are primarily social and which are primarily economic in their effect. The line of demarcation is much less distinct to-day than it was early in this century when the legislators blithely distinguished between the "deserving" and "undeserving" poor during the enactment of the Old Age Pensions Act 1908, the first of the great Liberal reforms. Nonetheless, in the prevailing climate of economic difficulty one often hears arguments that public spending should shift to what are described as 'productive' policies and that social welfare expenditure should be temporarily restrained. I think that we do not sufficiently advert to the fact that the many social welfare recipients - blind, old, physically and mentally handicapped - by virtue of the very reason for their eligibility are much more likely to spend any increase in income on home-produced, utilitarian goods than on luxury or imported items or holidays abroad, thus re-circulating these increases more to the benefit of their own country than is the case with the majority of us who receive increases under National Pay Agreements.

Mr. Broderick queries (page 161) whether the inclusion of expenditure on education in the social accounts would be justified. I would argue in favour of its inclusion on the grounds that education is a basic human need and not a profit-making organization. As he points out, certain aspects are already included - in my view it is only widening the gap

between those with a particular physical or social need and those without, if education and training for one group is regarded as social expenditure but not in the case of the other group.

Finally, I shall be grateful for clarification of two points.

(1) Page 154. "Social Benefits (d) Equivalent value of goods and services provided in kind." What is included in this category - for example, would expenditure on such items as school meals, school books, cheap fuel be relevant?

(2) Page 161. The first paragraph states - "in the new member countries a significant part of social expenditure is recorded in the national accounts as part of government consumption (e.g. expenditure on the health services in Ireland)". In Ireland would health service expenditure at present include those income maintenance services which happen to come under the Minister for Health although they would seem to more appropriately take their place under social insurance and assistance expenditure, i.e. Disabled person's maintenance allowance, Infectious Diseases maintenance allowances, Rehabilitation allowances, Allowances for the care of a severely handicapped child at home and expenditure in connection with the home help service and meals on wheels?

Dr. P. McGowan: I would also like to thank Mr. Broderick for providing the first set of EEC Social Accounts for Ireland. Tables B and E of his paper show that the proportion of national resources devoted to social expenditure is increasing and that a substantial portion of this expenditure is financed by the public sector. I will confine my remarks to the implications of growing social expenditure and the manner in which it is financed for the overall capital market, namely, savings and investment.

The extension of national schemes to provide benefits during unemployment, sickness, retirement and old age can be regarded by potential beneficiaries as equivalent to an increase in their wealth. In other words, when householders are more confident of a continuity of income in the event of unemployment, illness, death of main income earner, retirement and old age, they may respond to this greater degree of certainty by moderating their rate of savings. Up to a point, the availability of social security - broadly defined - can be regarded as a substitute for private savings. Recent research in the United States, particularly by Professor M. Feldstein of Harvard University, suggests that the extension of social security programmes in the US has discouraged private savings. It is probable that this trend would emerge in Ireland as our national social security and health arrangements are extended.

In view of what I have been saying we should consider ways and means by which the negative influence of expanding social welfare and health programmes on savings could be minimised, especially in view of the need for additional capital accumulation over the years ahead to support a growing population. So far most social expenditure in Ireland is financed on the "pay-as-you-go" rather than the "endowment" method. Each year the proceeds of social welfare and health subscriptions by persons and firms are spent in financing social welfare and health benefits. This method of financing social expenditure does not lead to a direct accumulation of savings and capital. A pool of funds could be accumulated if, for a number of years ahead, the yield from subscriptions were to exceed benefits paid. These funds could be used to finance housing or small industry and complement the social security arrangements. This manner, i.e. the "endowment" method of financing social expenditure, would increase savings and capital formation which would be an offset to any diminution in private savings that

would probably arise as a result of the additional security and certainty promoted by improvements in the social welfare and health programmes. A number of other countries, e.g. Sweden and Brazil, have used the "endowment" method of financing to their advantage and it would also seem to be in Ireland's interest to consider it.

Once again I would like to thank Mr. Broderick and to encourage him to extend the EEC Social Accounts along the lines he has suggested in Part 3 of his Paper. The research and the financing arrangements I have been discussing cannot be conducted in a satisfactory manner without the type of statistics being pioneered by Mr. Broderick.

Dr. Roy Johnston: On the paper, which I welcome as a useful contribution, may I point out that there is a case for distinguishing social payments which are independent policy variables from other variables such as unemployment payments which are rapidly dependent in the aggregate (although the 'per unit' value is a policy variable) on the outcomes of economic policy decisions. Although the relative amount of the latter is small, I feel that the distinction needs to be made if one has in mind inputs and outputs from a quantitative socio-economic model

Regarding Dr. Geary's contribution, I do not think we have any right to be complacent because our allocations of social expenditure look broadly comparable with those of other EEC members. The picture is distorted by our high dependency ratio, our pathological demographic structure consequent on the persistence of the emigration tradition since the famine.

Reply by J. B. Broderick: I would like to thank the proposer and seconder of the vote of thanks and the other speakers to the paper for the many useful comments on the subject of social accounts. I will try to comment briefly on some of these.

Mr. Durkan said that expenditure on certain important social activities, such as housing, were not included in the social accounts and he did not appear to be clear as to the reasons for developing social accounts. I think the main reason for developing the system of social accounts is to provide a measure of the extent to which populations are covered against the occurrence of certain risks, such as unemployment, sickness, etc., i.e. to provide a measure of social protection. The list of risks or needs which give rise to social expenditure is being extended and figures for housing, which is important for Ireland, will be included when agreement is reached.

Mr. O'Dwyer and other speakers referred to incompleteness of data limiting the usefulness of the accounts. I would only say that the coverage in the accounts for Ireland will be extended in order to ensure comparability with the other countries and that further work on the development of the accounts is proceeding in Luxembourg which will lead to the coverage being extended for all countries. Even in their present form I believe the accounts are very useful and give considerable information about relative social expenditure in the community countries.

With regard to international comparisons, I think Miss Carney's observations that differences in administrative structures can distort the figures is important. It is quite true that, when persons change from unemployment benefit to unemployment assistance after prescribed periods, there is a transfer of expenditure from the type A systems to the type D systems, although the persons involved are clearly appropriate to insurance schemes. This indicates that the breakdown of systems is more useful in indicating different administrative structures than for comparisons of level of figures in the different systems. As regards the queries raised, it is true that items such as school meals, school books and cheap fuel are included in "equivalent value of goods and services provided in kind". Health service expenditure in the form of income maintenance payments are amalgamated with social insurance and assistance expenditure and do not, therefore, appear as health expenditure in the national accounts but instead are included under social security. In the social accounts such expenditure is included under sickness or invalidity and disability in common with the other social security benefits paid to

sick persons.

In reply to some of Dr. Geary's points, voluntary systems are included with the compulsory insurance systems because, in many cases, voluntary participation in compulsory schemes for employees is allowed when persons leave the labour force, and it is usually not possible to get separate data for these voluntary participants. Perhaps the heading for type A systems should be amended to indicate this. I would not agree that table B which shows social benefits as a percentage of GDP is misleading. Of course, at a further stage, income level can be considered in relation to the level of social benefits. In doing this, however, great care must be exercised in using comparable figures for each country. It seems to me that conclusions should not be drawn on the basis of a study of transfer payments alone, since the content of these varies between countries on account of different institutional arrangements, e.g. a great deal of expenditure on education is included in transfer payments in Ireland while very little health expenditure is included, the reverse being the case in other countries. I would question the wisdom of transferring expenditure on defence and police from Government to household expenditure. Surely such expenditure is of benefit to enterprises as well as to households and, therefore, it would not be appropriate to allocate it to households. However, the concept of total consumption of the population is finding favour at present and this may go some way to meet Dr. Geary's suggestion. In this concept all household expenditure is amalgamated with that part of Government final expenditure which is of benefit to households, e.g. expenditure on education and health. A difficulty of course arises in deciding where to draw the line. Dr. McGowan's comments on the financing of social expenditure are interesting. If financing were to be based on the "endowment" method instead of "pay-as-you-go", a need for financial accounts would arise. Perhaps this method of financing is more common in some of the other EEC countries, which seem to be interested in financial accounts of the social security institutions.

Other speakers mentioned the importance of isolating unemployment payments in relation to economic and social policy and the necessity of making valid international comparisons in all fields of social expenditure. Indeed the main object of the present paper is to stimulate interest in these international comparisons of social expenditure and in its financing. Our future efforts must lie in attaining greater comparability between the figures of the different countries.