
**Redistribution Through
State Social Expenditure
in the Republic of Ireland:
1973-1980**

NATIONAL ECONOMIC AND SOCIAL COUNCIL

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1. The main task of the National Economic and Social Council shall be to provide a forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice, and to advise the Government, through the Taoiseach, on their application. The Council shall have regard, inter alia, to:
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 - (ii) the attainment of the highest sustainable rate of economic growth,
 - (iii) the fair and equitable distribution of the income and wealth of the nation,
 - (iv) reasonable price stability and long-term equilibrium in the balance of payments,
 - (v) the balanced development of all regions in the country, and
 - (vi) the social implications of economic growth, including the need to protect the environment.
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 7. The Council shall regulate its own procedure.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

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**PART I:
COUNCIL'S COMMENTS ON REDISTRIBUTION THROUGH STATE
SOCIAL EXPENDITURE IN THE REPUBLIC OF IRELAND:
1973-1980**

**PART II:
REDISTRIBUTION THROUGH STATE SOCIAL EXPENDITURE
IN THE REPUBLIC OF IRELAND:
1973-1980**

by

**David B. Rottman
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PART I

COUNCIL'S COMMENTS ON REDISTRIBUTION THROUGH STATE SOCIAL EXPENDITURE IN THE REPUBLIC OF IRELAND: 1973-1980

INTRODUCTION

1. The consultants'* report is largely analytic, and is concerned with ascertaining trends in the redistribution of resources.** Specifically, the study analyses the extent to which the non-cash social services — health, housing, education and transport — redistribute resources between households. A summary of the report is given below in paragraphs 42-76: the summary contains a brief description of the data sources, methodology and results.
2. Primarily, the report draws on the Household Budget Survey data, and as with all income distribution studies based on household survey data, there are limitations to the study. An important limitation of this type of study is the need to estimate the benefits to households of social services in terms of the current costs of their provision, and to estimate households' utilisation of these services. Other limitations arise from the exclusion of certain benefits, notably tax expenditures, from the analysis. Despite their limitations, however, large scale representative surveys of households' incomes, tax payments and social service utilisation, such as the Household Budget Survey, are a necessary and valuable source of information on the distribution of income, taxation and social services.
3. A specific limitation of the study is that it analyses trends in redistribution from 1973 to 1980. This time period for the study was necessitated by the availability of data. The Household Budget Surveys are undertaken by the Central Statistics Office every seven years: 1973 and 1980 are the two most recent years for which data are available. The study focusses on trends between these dates in the pattern of redistribution of non cash social services. However, the consultants supplement this data with an analysis, in Chapter 8, of trends in social expenditure and taxation since 1980, and they give an account of how these trends may affect their analysis and conclusions.

ORIGINS AND RATIONALE OF THE PROJECT

4. The project was initiated in 1984 because available information about the effect of public expenditures on social services (as defined above) on the distribution of resources among households and families was incomplete. Redistribution is a central aspect of social policy, and in previous reports the Council has stated how important redistribution is to the attainment of economic and social goals*** The Council's terms of reference require it, when advising on matters of economic and social policy to consider:

*Following discussions by the Council these comments were drafted by Tony McCashin in the Council's Secretariat.

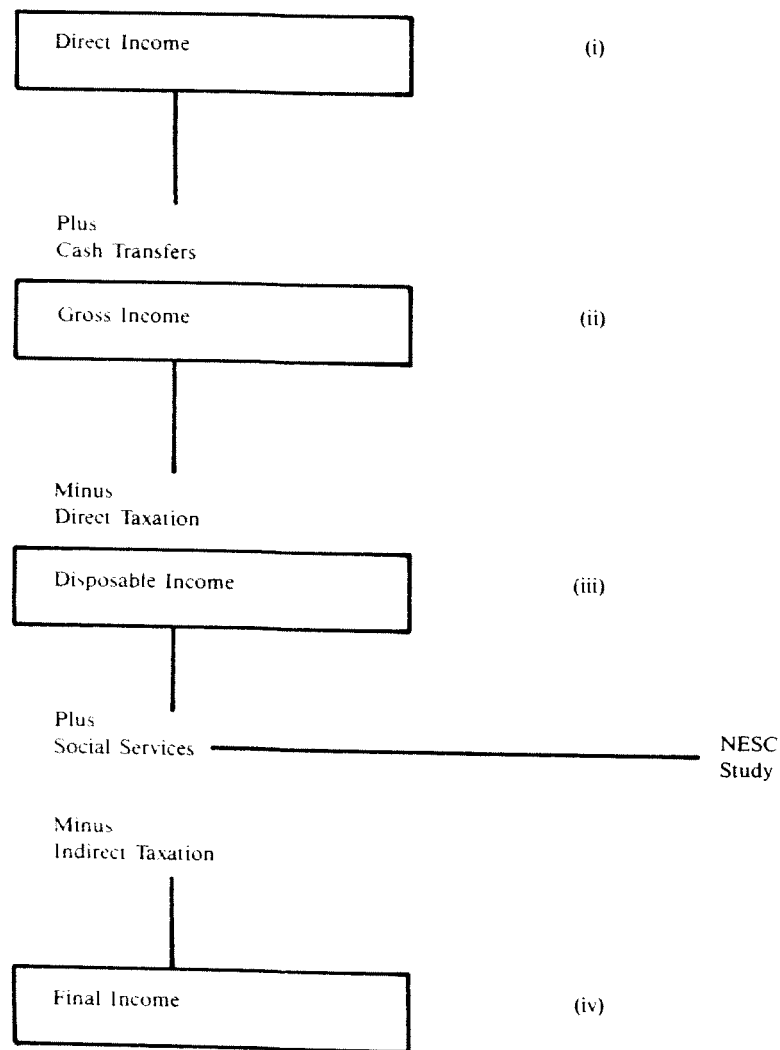
**The report was prepared for the NESC by Dr. David Rottman and Ms. Máiréad Reidy of the Economic and Social Research Institute.

***NESC, Report No. 8, *An Approach to Social Policy*, 1975; NESC, Report No. 61, *Irish Social Policy: Priorities for Future Development*, 1981.

“the fair and equitable distribution of the income and wealth of the nation.”

5. The process of redistribution as analysed in the report can be understood by reference to Figure (i) below. Households can generate income from their economic activity as wages and salaries, income from self employment, investment and property income and so on. They may also have income from gifts, inheritances, capital gains and other sources. To

Figure (i)
Stages in Income Redistribution



these incomes the State may add, where appropriate, transfer payments such as old age pensions or childrens allowances which gives the gross income of households. Direct taxation (income tax and PRSI) is deducted from gross incomes leaving households with disposable incomes. Individuals’ or households’ disposable incomes are not the complete measure of resources at their disposal. The State provides social services such as education, health and housing: these services affect the resources and standards of living of those who utilise them. (Indirect taxes such as VAT and excise duties affect the purchasing power of disposable incomes through their effect on prices).

6. The study assesses the extent to which the disposable income of households is affected by their access to, and utilisation of, State provided or State subsidised social services. Further, the study attempts to determine how these services and subsidies are redistributed between different social groups and different stages in the family life cycle.*
7. The Council undertook this particular study for the following reasons. Firstly, the Council had previously referred to the need for information on the distribution of income and in its report, *Irish Social Policy: Priorities for Future Development*, had stated that:

“Priority in the future development of social policy should be given to the redistributive impact of policies, in particular by ensuring that the net benefits of direct and indirect transfers are concentrated on those most in need. The distributive consequences of all proposals for change in expenditure and taxation programmes should be published by the Government. Adequate information about the distribution of income and wealth in the country should be gathered as a matter of urgency.”**

8. Secondly, although some published data was available on the redistributive impact of direct taxes and cash benefits, the analysis of non-cash social services in particular was extremely limited. Furthermore, the overall reviews of the taxation and social security systems were being undertaken by the Commissions on Taxation and Social Welfare respectively, and their terms of reference incorporated the distributional aspects of the tax and transfer systems.
9. Thirdly, improvements in data availability and access to data, and conceptual improvements in redistributive studies offered scope for more definitive analyses in a number of respects (the analysis of trends over time, the use of representative large samples of households rather than

*The formal terms of reference of the study are given in Chapter 1 of the consultants’ report.

**NESCS, Report No. 61, *op. cit.*, page 3.

Table (i)
Social Services Expenditure 1975 and 1983

	1975	1983
	£m (current)	
Education	170.6	928.4
Health	178.3	1,080.4
Housing	126.6	469.5
Other Community and Social Services	46.2	239.1
Total	521.8	2,717.4
Total as % GNP	14.1	20.3
Total as % Public Expenditure	24.5	28.8
Total as % of Non Debt Public Expenditure	27.4	37.6

Source: National Income and Expenditure.

illustrative case study material,* the availability of a classificatory framework for social class and family life cycle)**

10. Fourthly, during the nineteen seventies and up to the early nineteen eighties expenditure on non-cash social services grew rapidly, as Table (i) indicates. These expenditures grew rapidly, as Table (i) indicates, from 27% to 30% of non-debt public expenditure, and from one seventh (14.3%) to one fifth (20.3%) of GNP, from 1975 to 1983. Official statements of policy objectives for such expenditure programmes invariably include general references to concepts such as 'equality', 'need', 'equity', but the distributional objectives of the programmes remained vague. The Council, attempted, therefore, to determine the actual redistributive impact of these public expenditure programmes.

OVERVIEW OF COUNCIL'S COMMENTS

Arising from the consultants' report the Council has formulated comments. (see paragraphs 15-41). These comments are summarised in paragraphs 11-14 below.

(i) Policy Objectives

11. The Council recommends, firstly, that the objectives of social expenditure programmes, and in particular their redistributive objectives, if any, should be fully articulated, so as to offer explicit criteria for evaluation. Secondly, policies in the social services area should take into account the potential conflicts between social or redistributional objectives and economic or efficiency objectives. Thirdly, there is a need to develop more specific redistributive objectives, as statements of general aspirations for

*NESC. Report No. 11 *Income Distribution: A Pilot Study*. Dublin, 1975.

**D. Rottman, D. Hannan, et al: *The Distribution of Income in the Republic of Ireland: A Study in Social Class and Family Cycle Inequalities*. ESRI, Paper 109, 1982.

'equality' or 'redistribution' (for example) are an inadequate basis for policy formulation and assessment.

(ii) Redistribution and Targetting

12. The evidence of the consultants' report indicates that substantial redistribution of resources is brought about by the State's taxation social welfare and social service provisions. However, the Council notes the analysis in the report that some of the redistribution results, not from carefully structured taxation and social spending, but from the overall level of taxation and social expenditure. The Council believes, therefore, that improved targetting and structuring of taxes and benefits could improve their redistributive efficiency.

(iii) Family Policy

13. A key finding of the consultants was a trend of redistribution of resources away from families (i.e. households with dependent children). The Council believes that consideration should be given to the concept of family policy as a focus for social planning and resource allocation. Such a focus is justified by the demographic structure, the changes taking place in the structure of households and families, and the preventative potential inherent in social services directed towards children and families.

(iv) Research and Information

14. The Council considers it essential that regular and up-to-date analyses of the redistributive impact of taxes and benefits should be undertaken. Future studies of redistribution, in the Council's view, should attempt to analyse the impact of tax expenditures on households, and to widen the coverage of public services included in the analysis. The Council notes that the analysis of redistribution need not derive solely from the HBS: separate, specifically designed surveys could be undertaken by independent researchers and there would be certain advantages to this procedure. The Council does not offer a specific recommendation on this question.

POLICY OBJECTIVES

15. In its report *Strategy for Development*, the Council has argued that the pursuit of a more equitable society should be one of the essential ingredients of economic and social policy in the period ahead* Conventionally, social equity is considered to be advanced by State involvement in the

*NESC. *Strategy for Development 1986-1990*, Report No. 83, page 319.

provision of income maintenance and social services, and the levying of taxation. Total social expenditure and taxation in Ireland now comprise 30% and 38% of GNP, respectively.

16. A key feature of the economic and social policy environment is the state of the public finances and the consequent need to control public expenditure. Considering social policy in this particular context the Council expressed the view that:

“the constraints present a renewed opportunity for, and heighten the arguments in favour of, more effective and equitable social policies.”*

The need for ‘more effective and equitable social policies’ implies, in turn, that at a minimum the objectives of social expenditure programmes should be clear and explicit, and that these expenditure programmes should be critically evaluated in relation to their objectives.

In their study, which is summarised below in paragraphs 42-76, the consultants assess the extent to which expenditures on non cash social services affect the distribution of income and resources. The assessment is conducted against a background in which the policy objectives for these social services are stated only vaguely and briefly.

17. The consultants point out that the objectives of many social expenditure programmes are stated in a very general way; in particular, the extent to which redistributive objectives underly the specific services is not at all clear. Implicit in the structure and operation of many programmes, however, are general redistributive objectives regarding the guarantee of minimal physical amenities (housing), the attainment of social equality of opportunity (education), or the redistribution of income (social welfare and taxation). Currently, the annual *Comprehensive Public Expenditure Programmes* volume is the source of official data and policy objectives on social expenditure (and other public expenditure). It is not possible from this source, in the Council’s view, to determine the objectives of social expenditure programmes nor to establish specific criteria for evaluation.
18. In their report the consultants evaluated non cash social services *solely* from the standpoint of redistribution, and *as if* redistribution were a key objective of these services. The Council recognises that not all social services are primarily redistributive in intent, and indeed some may have no redistributive rationale whatsoever. For example, transport expenditure is least amenable to the redistributive analysis undertaken by the consultants; the rationale of public expenditure on transport lies in the economic

**Ibid.*, page 319.

requirement for a transport network, the necessity to minimise the social costs of private motoring, and the need to plan and conserve the physical environment. Statements of public expenditure programmes should therefore offer specific objectives and should indicate relative priorities and potential conflict between objectives. (In paragraphs 32 and 33 below it is argued that policy objectives such as ‘equality’ or ‘redistribution’ are imprecise, and that there are different types of redistribution). Where social expenditure programmes do not have redistributive objectives, the Council still insists that analyses of their distributional *consequences* be undertaken, as this might identify ways in which undesirable distributional effects can be minimized.

19. A key issue in the analysis of policy objectives is the potential for conflict between redistributive (‘equity’) and economic (‘efficiency’) objectives. There are two aspects to be noted here. Firstly, the macro economic link between State social programmes and economic performance: a central concern here is the possible deleterious effect of the welfare state on the economy. In *Strategy for Development* the Council argued that there is no simple, aggregate relationship between measures of total social expenditure and overall economic performance, and that there is considerable diversity of economic experience among countries with large and small Welfare States, a view adopted by the OECD*
20. Secondly, however, trade-offs between efficiency and equity are likely to arise in the context of specific state interventions and specific programmes of expenditure. The consultants’ brief did not extend to an analysis of these efficiency issues, but the Council notes below those aspects of the social expenditure programmes where potential inefficiencies arise (these points have already been adverted to by the Council in previous reports):
- there is evidence to indicate that the structure of the sickness payments programme has contributed to Ireland’s high level of absenteeism, which results in significant levels of social security expenditure and other social costs in the form of lost production;
 - a range of means tests and other eligibility criteria for various social services may, in combination with high marginal tax rates, result in complex poverty traps and disincentives for specific groups in the population;
 - the structure of health care programmes, in particular the incentives system, gives rise to a degree of uneconomic use of resources and potential over provision relative to need;

*NESC, *Strategy for Development. op. cit.* pages 191-192; OECD, *The Role of the Public Sector*, Paris, 1985, Peter Saunders, *Public Expenditure and Economic Performance — An International Perspective*, Conference Paper, Bath University, 1984; David Cameron, *Public Expenditure and Economic Performance in OECD Countries*, Conference Paper, Bath University, 1984.

- housing subsidies, through their effects on the scale and pattern and price of housing, create inefficiencies in the housing system;
- child income support arrangements for unemployed workers with large families may combine with high marginal tax rates to result in excessive replacement ratios.*

The Council believes that in devising and managing social expenditure programmes their efficiency implications should be fully considered.

REDISTRIBUTION

21. The Council notes the evidence in the consultants' study that substantial redistribution of income and resources is being effected by the State's actions in taxation, social welfare and social services. Undoubtedly the distribution of income would be drastically more unequal if market incomes — 'direct' incomes in the terminology of the consultants' report — were not affected by the imposition of progressive taxes and the allocation of transfer payments and social services. Some progress has therefore been made in obtaining the redistribution advocated by the Council in earlier reports.**
22. Over the period studied by the consultants, redistribution was enhanced. However, the Council notes the distinction made in the report between average taxes/benefits and the rate of progressivity of taxes/benefits. The improved redistribution documented by the consultants is, they argue, partly attributable to the *sheer scale* of taxation, transfers, and social services expenditure, and only partly to a higher rate of progressivity. (At present, total taxation represents 38% of GNP, and total social expenditure comprises 30% of GNP). According to the consultants, the redistributive potential inherent in this scale of taxation and expenditure is formidable, but is not being fully realised. The extent of redistribution currently being obtained could be obtained with a lower average level of taxation/benefit combined with an improved rate of progressivity.
23. Two issues regarding the targetting of taxation/benefits arise from consideration as a result of this analysis:*** Firstly, there is evidence that within the current framework of allocation systems a degree of misallocation may be taking place. The consultants' evidence shows, for instance, that

*See NESC, *Strategy for Development, op. cit.* pages 192-201; NESC, Report No. 23, *Housing Subsidies, 1977*; NESC, Report No. 79, *Economic and Social Policy Assessment*, Appendix I, 1985.

**NESC, Report No. 8, *op. cit.*; NESC, Report No. 61, *op. cit.*

***A qualification to be noted here is that the consultants' results are given in terms of *households*. These are not necessarily synonymous with *families* or with the relevant *unit of entitlement*.

2.2% of local authority tenancies are inhabited by tenants in the top quintile of the income distribution, a further 9.0% by those in the next lowest quintile. This pattern of allocation co-exists with a degree of homelessness. The Council does not infer, of course, that new tenancies are being deliberately offered to high income families, although the absence of a statutory income limit for local authority tenancies might allow this to occur. Presumably some tenants' households may experience prosperity long after a tenancy has been allocated. These households may then be capable of either providing their own accommodation or paying an economic rent. Furthermore, tenancies may be "inherited" by the second generation of a family. These observations raise detailed issues regarding the eligibility for local authority housing and housing subsidies. At present the Council is undertaking a review of housing policy, and in the context of the housing system as a whole the Council will formulate views on policies regarding eligibility for local authority housing.

24. Similar observations can be made of the allocation of health services through the system of eligibility. A small proportion of top quintile households (4.3%) and 10% of the fourth quintile were in Category I entitlement, i.e. full entitlement to all health services, free of charge. Under present arrangements eligibility to Category I entitlement is determined on the basis of income: the Health Boards operate non-statutory, nationally uniform administrative guidelines, and these guidelines allow for discretionary treatment of exceptional cases. The Council is concerned that these arrangements appear to result in the allocation of full eligibility status to some households at the highest income levels. In the view of the Council it is essential that, given income guidelines, income should be defined in the same way in all regions and areas, and the application of these criteria, and the use of discretionary powers, should also be uniform.
25. Secondly, the underlying *structure* of social expenditure programmes may not in all cases be appropriate to the attainment of redistributive objectives. In particular, the results regarding social groups' participation in third level education show that — although some improvement has taken place — the instruments of policy in this area have not reduced the social inequalities in access to third level education.* The system of third level education grants and of subsidies to third level institutions has now been in place twenty years and the Council recommends that these arrangements should now be critically reviewed. In its report, *Strategy for Development*, the Council referred to the continuing social inequalities in education and to the necessity to consider alternative financing mechanisms:

*The Council also made this point in *Strategy for Development 1986-1990, op. cit.* pages 218-222.

"Analysis of the financing instruments in Ireland have identified a range of alternatives to the present system and the Council therefore consider that a review of the financing of third level education should be undertaken."*

26. Similarly within the health services, the programme of drug subsidisation, (the pharmaceutical cost assistance scheme), was shown in the consultants' analysis to be disproportionately beneficial to the higher income groups. If this scheme is redistributive in its intent, then clearly the scheme requires review.
27. A central feature of the consultants' analysis was the consistent erosion of the relative income and resource situation of families. Family in this context refers to households in which there are young dependents: i.e. young persons who are economically dependent on the head of the household. There are no explicit policy statements regarding the nature and extent of public support for the family and the Council concludes, therefore, that these trends revealed in the report are the unintended outcomes of current provisions. The relative standing of family households in taxation, transfer payments and social services can be summarised as follows.
28. Families benefit from the generality of public expenditures on the non cash social services. In particular, family households receive the benefits of education expenditures. There are also specific provisions for families and children in the social welfare system, such as Family Income Supplement, Child Benefit, and Child Dependant additions, and there are specific family income support payments such as payments for widows, deserted wives and single mothers. However, in their analysis of the *relative* position of family households the consultants reveal that trends in redistribution over time were unfavourable of families:**

"The only evident clarity to policies pursued over the 1973-80 period is a net effect of transferring resources from economically active households to households in which the head of household was over retirement age. That result was consistently obtained at all stages of the redistribution process. The other clear pattern is the absence of a sustained effort to target the consequences of policies to the benefit of households in which families were being raised. That failure is evident in the distribution of the tax burden and the allocation of both cash

**Ibid*, page 221.

**Some examples of the provisions and policies which underlie these trends are the following: higher rates of increase in transfer payments to non family households; a cumulative decline in the real value of the child tax allowance and its eventual abolition in 1986; availability of certain schemes such as free travel and free electricity to non family households.

transfers and subsidies in the form of services. Households in which a family was being reared were less well off relative to other types of households at the end of the period." (page 145).

29. This trend of redistribution away from family households and towards non family households may be at variance with the relative *costs* and *needs* of households. Family households, on average, will have higher housing costs, greater costs in terms of household formation and maintenance, and lower savings; moreover, if families are dependent on social welfare they are less likely than households at the later stage of the life cycle to have supplementary sources of income such as occupational pensions or investment income*.
30. The absence of an overall family policy is highlighted by these trends. In some countries, the Council notes, the specific needs of families across a range of areas such as health, taxation, housing, and child support act as an organising focus for public policy. For a number of reasons, the Council believes that the concept of *family policy* could act as a valuable criterion for devising and evaluating social policies in Ireland:
 - In Ireland the population structure, relative to most other European countries, is significantly comprised of families and children, as 29.5% of the population are aged under 19.
 - The family as an institution receives strong social, cultural and legal recognition.
 - In Ireland, as elsewhere, there is systematic variation across the life cycle in the needs and resources confronted by individuals and households, and this variation has not yet been adequately reflected in official policy.
 - An economic or 'investment' rationale attaches to family policy, as social services which ensure adequate housing, health and education for children, and which prevent family poverty, contribute to the maintenance of a literate and productive work force and to the avoidance of crime and social malaise**.
 - Family structures in Ireland are changing significantly — for example family size is declining, the incidence of one parent families is increasing due to rising numbers of non marital births and marital breakdown, young adults are forming separate households at an

*See, Robert Walker and Gillian Parker (eds.), *Money Matters*, Sage Publications, London, 1988; *Report of the Commission on Social Welfare*, Stationery Office, Dublin, 1986.

**The standard analyses of family policy emphasise this point. See for example, Margaret Wynn, *Family Policy*, Penguin Books, London 1970.

earlier age — and these changes have implications for a range of public policies.

31. One specific aspect of family policy which has received some attention is *family income support*. The Council believes that no overall strategy has been effectively developed and pursued in this area. One series of proposals recommended by the Council in 1980 has not been adopted; an alternative approach (a unified child benefit) was proposed in 1984* but this too has not been adopted. Specific proposals are not offered by the Council in this report. The Council considers, however, that family income support policy, and the wider question of family policy, merit particular priority in the context of available resources.

REDISTRIBUTIVE OBJECTIVES

32. The redistributive aims of social expenditure programmes should be spelt out more clearly, in the Council's view. A variety of different, and perhaps conflicting meanings can attach to objectives such as 'redistribution', 'equity', 'equal opportunity'. Figure (ii) below summarises a number of interpretations of equality and illustrates the policy which might derive from them. At one end of the policy spectrum is the social integration approach, exemplified by the universal public provision of hospitals and schools to ensure that people of all socio economic backgrounds have access to the same services. At the other end of the spectrum, positive discrimination policies attempt to redress the consequences of underlying economic inequalities by 'over' provision to particular groups, areas or communities. Between these policies lie strategies aimed at actually equalising the 'take up' of services and the amounts of resources used. The objectives of social expenditure programmes should recognise these distinctions, and policy makers should examine the desirability and feasibility of particular forms of 'equality'.
33. The Council does not offer here a mixture of specific policies in the various social programmes; the classification of approaches to redistribution however, raises a number of points. Firstly, the state of the public finances heightens the need for clarity in defining policy objectives and for ensuring that resources are directed in a targeted manner. The 'equality based on need' approach is therefore particularly important in current economic conditions. One example of this approach in practice is the recent housing expenditure strategy: this has entailed curtailment of many general grants and subsidies and the redirection of modest

*NESC, Report No. 47, *Alternative Strategies for Family Income Support, 1980; Building on Reality, 1984-1987*. Government Publications, 1984.

expenditures towards the homeless whose housing needs are, of course, extreme*. The Council believes that the potential for such targeted provision should be explored in social programmes.

34. Secondly, the possible conflicts between different types of redistributive objectives should be noted. The consultants' study reveals one such conflict. It is clear from the evidence in the study that local authority housing subsidies are substantially progressive in their distribution and have become more so in recent years. Judged according to a measure of equality based on need this redistribution is effective in social policy terms. However, one of the consequences of this increasingly progressive redistribution is that the social composition of local authority housing has become highly concentrated; this tenure is rapidly becoming the tenure of those in the very lowest reaches of the income distribution and those dependent on social welfare. In turn this is contributing to the disimprovement in local authority estates, decline in community confidence, the exit from these estates of these with employment and adequate incomes, and the extreme social polarisation of local authority housing from private sector housing. A social integration approach to equality is therefore at variance with the equality based on need approach. It can be concluded that progressive redistribution, in the consultants' terminology, may not always be the most appropriate or most important social objective. In the housing example, other objectives such as community stability, maintenance of a social mix in the community, might be adopted as key objectives.
35. Thirdly, some of the versions of the equality strategy are 'stronger', and therefore more difficult for the State to achieve. 'Equality of resources' and 'positive discrimination' as illustrated in Figure (ii) raise complex policy questions. Attempts to successfully implement 'positive discrimination' as a way of counteracting underlying social inequalities are fraught with difficulties. In education, for example, policy interventions to positively discriminate require co-ordinated action on a whole range of social and economic factors which affect educational participation and performance. Similarly with attempts to redress inequalities in health; these are also the result of a whole range of economic and social factors not directly amenable to policy intervention. These inherent difficulties are compounded in the Irish context by the diffuse structure of ownership and management of resources in education and health. Both areas are overwhelmingly funded by the State, but the ownership and direct control of some of these resources lies to some extent with non-State agencies. In the absence of direct management of services and agencies the State may

*In the 1988 Budget a specific capital allocation of £3m over three years was given for projects dealing with homelessness.

Figure (ii)
Interpretations of Equality

Type of Equality	Definition	Examples of Provisions and Policies
Social Integration	Equality of access to a good service	Subsidised mortgages for low income groups to become home owners. Free education at second level.
Equality of Utilization	Equality of actual utilization and "take up", given equal access	Ensuring full attendance at primary schools among all children.
Equality of Resources	Equality of take-up and equality in actual resources used	Guaranteeing equal class sizes and teacher expertise in all schools; ensuring geographically equal distribution of health care.
Positive Discrimination	Equality in the sense of provision to counterbalance inequalities in private provision, or inherent socio-economic inequalities	"Additional" resources in deprived schools or areas to counterbalance educational underachievement due to socio-economic conditions.
Equality based on need	Equality of resource allocation to take into account variations in demographic, medical or other characteristics	Age related supplements to child income supports; specific health care programmes for the disabled, or housing provision for the homeless.

Source: See consultants' report, Chapter 1.

need to develop additional financial mechanisms to implement particular policies.

RESEARCH AND INFORMATION

36. The consultants' study is the most detailed study in Ireland of trends in the redistributive impact on households of State taxes and benefits. It is considered important by the Council that independent, critical assessments of the effects of social expenditure programmes, and public expenditure programmes in general, are undertaken. The research resources required for these assessments are minute relative to the scale of total social expenditure (about 30% of GNP). In its report, *Information for Policy*, the Council drew attention to the need for data:

"at a household level on living and occupational conditions as well as usage of public services and taxation burdens."*

*NESC, Report No. 78, *Information for Policy*, 1985, page 9. See also NESC, Report No. 17, *Statistics for Social Policy*, 1976.

37. At present the constraints on the compilation and analysis of such data are the nature and frequency of the Household Budget Survey and the limited access of researchers to the data. There are two options regarding future research in this area: either separate redistribution surveys or continued reliance of the HBS. Separate and specifically designed studies of households in the population could be undertaken on a regular basis; an advantage to this procedure is that the studies' methodology and data could be designed as redistribution studies and the concepts, data and methods would reflect this. The HBS is primarily an *expenditure* survey, and much of the information collected is related to expenditure. Therefore, there is limited scope for the inclusion of questions which are specifically relevant to the analysis of redistribution. A separate study undertaken by independent researchers could be completed more quickly, as the researchers would have direct access to the data and there would not be a requirement, as with the HBS, to collect and analyse detailed expenditure information. (The Council gratefully acknowledges the co-operation of the CSO in facilitating access to the 1973 and 1980 HBS data).

38. The second option for policy makers is to rely on the HBS. If comprehensive, up to date redistribution analyses are to be obtained then a number of developments in relation to the HBS are required. Firstly, the HBS is undertaken every seven years. More frequent Household Budget Surveys are required if they are to provide current information relevant to policy analysis. Secondly, the redistribution component of the data set would need to be completed more quickly*. The CSO would therefore need additional resources to speedily produce the tax, transfer and social services data. In addition, redistribution analyses would be facilitated by ensuring that outside researchers have quick and direct access to the CSO redistribution data. (It is recognised that the CSO are legally obliged to guarantee the confidentiality of the data given by respondents).

39. Thirdly, as the consultants point out, it is desirable that estimates of the benefits of State social services are based on the extent to which these services are utilised. Such estimates are more appropriate than those based on entitlement, which assume that each person with an entitlement receives an equal amount in the form of the "average benefit". At present, the HBS estimates make use of known differences in the actual utilisation of services — for example regional, or age, or gender differences. There may be scope for obtaining further information in the HBS on actual utilisation of services, although this scope is severely limited by the length of the existing HBS questionnaires. (In the 1987 HBS questionnaire two

*The costings of social service benefits, on which the redistribution analyses rely, are not available until long after the end of the HBS reference year.

questions are included which ascertain utilisation of health services by household members). If possible, other data sources should be exploited to obtain information on the utilisation of services.

40. Finally, the Council is concerned that future policy research on redistribution should consider two issues — the scope of the public expenditures included in the study and the treatment of tax expenditures. The coverage of public expenditures is limited at present to about 55%* of Government current spending; the services whose allocation and redistribution are not included are largely public goods—roads, infrastructure, law and order, etc. Some attempts should be made to include such services in future studies (although there are no refined methods at present for dealing with them).
41. The analysis of redistribution in the consultants' report, and in similar studies based on household survey data, is limited by the absence of information on the benefits of tax expenditures to households. In the case of housing and health for instance, there are tax reliefs on mortgage interest payments and health insurance contributions. These implicit public expenditures are significant for middle and higher income households: as the effects of these tax allowances are not separately identified, the overall distributional effects of housing subsidies or health care subsidies cannot be properly assessed. It would be difficult to attempt to collect data in surveys such as the HBS on tax expenditures.** However, the Council suggests that their importance warrants their inclusion in the analysis of data.

SUMMARY OF CONSULTANTS' REPORT

In the paragraphs below the methodology and results of the study are described.

Methodology

42. In line with the methodology conventionally deployed in redistribution studies the authors drew on representative information about households' incomes and their receipt of State benefits and services.

(i) Data Sources

43. The consultants' analysis draws on the Household Budget Surveys of 1973 and 1980. These are nationally representative sample surveys of about 7,500 households, in which detailed information is collected about the

*The 1973 and 1980 HBS data allocated 56% and 54% respectively of Government current expenditure to households.

**The CSO have indicated that from the experience of HBS exercises to date, attempts to collect information from respondents on tax expenditures would be very demanding on respondents and would therefore have a detrimental effect on the response to the survey.

demographic, social, and economic characteristics of households, and about the incomes and usage of State services by persons in the household. The most recent year for which data are available is 1980 (a HBS was conducted in 1987 but any similar analysis of this data would not be complete until 1990). In the report the consultants focus on the trends in redistribution over the 1973 to 1980 period, and this analysis is supplemented by a discussion (in Chapter 8) of post-1980 developments. The HBS data is the most comprehensive and representative data available on which to base an analysis of the redistribution process as it affects households*

(ii) Allocation of Social Services Expenditure to Households

44. The benefits or "value" to households of receiving State social services are generally calculated by identifying the *cost* of providing the service and applying various assumptions to allocate these costs (as measures of benefits) to the households. Utilisation of social services varies and so, necessarily, does the exact estimation procedure. In the case of health services, for instance, there is a complex eligibility system, with the lowest income groups (Category I) entitled to free access to the entire range of publicly provided health services: successively higher income groups (Categories II and III) have correspondingly diminished entitlements. The variable entitlements, and the varying utilisation rates of hospitalisation by age and sex, are taken into account in estimating the benefits to households of the health services. Primary education, however, demands less complex estimation. The education and labour force status of persons in the households is directly ascertained in the survey: for each child in the household attending primary school the current annual, per pupil cost of primary education is added to the household's disposable income as a non cash benefit.
45. Not all public services are treated in this study. Health, education, housing, and transport are the services included. In the relevant chapters of their report (Chapters 3, 4, 5, and 6) the consultants give the details of the specific services and benefits covered in the study.

(iii) 'Benchmark' Measure of Income

46. Redistribution can be described as a process or 'chain' along which households move, from the starting point of their own 'direct' income through to the stage of 'final' income, as outlined in Figure (i) above. In

*Details of the samples, the questionnaires, weighting procedures, response rates and the comprehensiveness and reliability of the HBS data can be found in *Redistributive Effects of State Taxes and Benefits on Household Incomes* (separate volumes for 1973 and 1980 data). CSO, Dublin, 1975 and 1983.

the framework adopted by the consultants, direct incomes are affected by transfer payments and direct taxes, and this process yields disposable incomes. The redistributive impact of the taxation and transfer systems can be understood, therefore, by deploying direct income as a benchmark, and assessing their net effect by comparing direct incomes with disposable incomes. *Disposable income*, in turn, is applied as an initial benchmark against which to assess the redistribution effected by *non cash benefits*. The underlying methodology is to “add” and estimate of the value of non cash benefits to the disposable incomes households.

47. Differences in the size and composition of households, which give rise to different needs, are dealt with in the study by means of adult equivalence scales.* The disposable income of each household is transformed into disposable *per capita equivalent income* by dividing actual income (household, disposable) by the number of adult equivalent units in the household. For example, a household consisting of one adult person is 1.0 units, and that consisting of a man and wife is 1.74 units: when each household’s income is divided by its adult equivalents it allows incomes to be directly compared, as the income needs have been standardised to allow for the variable size and composition of households.
48. The consultants use per capita equivalent disposable income as a classificatory variable throughout the report. Households’ disposable incomes are calculated, transformed into per capita equivalent disposable income, and then ranked from the highest income (per capita equivalent disposable) to the lowest. The incomes are then categorised into quintiles, i.e. blocks of one fifth of the households — the lowest one fifth of the (per capita equivalent disposable) income distribution, the second lowest, and so on. By definition each quintile contains 20% of the households. This share of households can be compared with shares of non cash benefits to arrive at an overall description of the actual distribution of taxes and benefits.

(iv) Definition of Redistribution

49. Redistribution among households is the process whereby Governments impose taxes, distribute cash transfers, and make available services such as health, housing and, education. Studies of redistribution attempt to trace these flows of taxes and benefits and to measure their net impact. There are two aspects to the measurement of the redistributive impact of taxes and transfers, the average *rate* of taxation/transfer and the degree of *progressivity*. These jointly determine the redistributive outcome.

*See consultants’ discussion in Chapter 2 of the report.

50. The rate of taxation/benefit refers to the average level of taxes/benefits. Progressivity, however, refers to the relationship between the average rate and the income distribution. As Figure (iii) indicates, a benefit is progressive if the rate of benefit increases as we descend the income scale, conversely a tax is progressive if its rate increases ascending the income scale. Regressive taxes and transfers are the opposite to progressive, and proportional taxes and benefits evince the same rate for all incomes. These two dimensions of redistribution are independent, and the distinction between them is important in understanding changes in observed redistributive outcomes. For example, if the amount of redistribution attained increases over a period of time this may be due simply to increased total expenditure, i.e. increased average benefits, rather than enhanced progressivity in the allocation of benefits.

Figure (iii)
Redistribution Terminology

	Tax	Transfer/ Benefit
Progressive	Average rate increases as income rises, and conversely	Average rate declines as income rises, and conversely
Regressive	Average rate increases as income declines, and conversely	Average rate increases as income rises, and conversely
Proportional	Rate of tax/benefit is constant for all incomes	

(v) Social Class and Family Cycle

51. The consultants also examine patterns of redistribution between different socio economic groups and across the phases of the family life cycle. Socio economic groups are defined, following sociological procedure, according to a schema of social classes which captures the underlying economic determinants of households’ social status: the schema differentiates households according to the type of resources they can use to generate income — whether capital such as a business or farm or financial capital, educational and professional qualifications, or labour skills for manual employment. These basic distinctions are applied to give a schema of thirteen social classes ranging at the top from large proprietors — defined as owners of businesses and large farms who employ labour, through to higher professionals who include doctors, solicitors, accountants and other such professionals, other employed or self employed, and, at the bottom, to unskilled manual workers. This schema is used in the report to ascertain the extent to which non-cash benefits reinforce or modify the underlying structure of social inequality.
52. Households in all social classes evolve through a family life cycle which varies in terms of its needs and resources. Thus, households comprised

only of young, unmarried adults will, on average have less need for health services and their earning power on average is undiminished by age, retirement or ill health. The elderly, by contrast, will be more prone to ill health, and their incomes in general attenuated by retirement. In short, the life cycle through which individuals and families evolve is characterised by a variation in their resources and needs. This variation in needs and resources is a dimension of redistribution, and in the report the consultants apply a scheme which locates households in the various life cycle phases. For example, households with only young (under 40) unmarried adults are classified as 'young single' households; those consisting entirely of elderly persons (aged over 65) who are (or were) married and had children who have since formed independent households are classified as 'empty nest'; young couples with children aged under 5 are classified as 'family formation' households.

Results of Study

53. In Chapters 3 to 6 of the report the consultants analyse trends in the redistributive impact of four areas of social expenditure — health services, education, housing subsidies and transport. Chapter 7 places this analysis of the social services in the context of the system of taxes and cash benefits and draws conclusions about the redistribution process as a whole. These chapters are the core of the consultants' report and are summarised in the paragraphs below.

(i) Health Services

54. During the period 1973-80, and up to 1983, public expenditure on health services grew rapidly. This expenditure growth was accompanied by significant changes in the structure of entitlement and financing (which are described by the consultants in pages 70-75). During this period the proportion of the population in Category I eligibility, i.e. full entitlement free of charge to all health services, grew from 30.7% in 1973 to 35% in 1981; by 1986 the figure was 38%. Total public expenditure on health services increased from 4.7% of GNP in 1972 to 8.6% in 1980, and has remained in the range of 8% of GNP during the nineteen eighties. Total health care expenditure allocated to households in the consultants' study increased by 74.3% in real terms from 1973 to 1980: there is a wide variation between health care programmes in their expenditure trends (Table 3.5).

55. The evidence indicates that in both years (1973 and 1980) health care expenditures were progressive in their impact. Reflecting the three-tier, means-tested structure of entitlement, households in lower quintiles of the income distribution, in both years, were significantly more likely to have

full (Category I) eligibility. Moreover, as Table (ii) reveals, this progressive eligibility structure became more marked over the period; full eligibility became more concentrated in the lowest reaches of the income distribution. In 1980, 41.6% of households in this category were in the bottom quintile, compared with 34.1% in 1973.

Table (ii)
Distribution of Persons with Full (Category I) Entitlement by (Per Capita Equivalent, Disposable) Income Quintile, 1973 and 1980

	Quintiles					All
	Bottom	2nd	3rd	4th	Top	
1973	34.1	31.3	19.9	11.7	3.1	100
1980	41.6	28.6	15.8	9.7	4.3	100

56. Two important qualifications to the above pattern of increasingly universal provision are pointed out by the consultant. Firstly, the *relative* improvements in access to subsidised health provision appears to have favoured households in higher social groups. Large proprietor households increased their share of representation in Category I eligibility during 1973 to 1980 from 3.5% to 4.3%; the respective figures for large farmers and higher professionals are 6.7% to 18.7%, and 0.6% to 5.2%. These increases contrast with declines in the case of the three working class categories. (See Table 3.3) Secondly, households with children were left less favourably entitled, relative to non family households. Family formation households (those consisting of parents with young children) had 19.3% in Category I in 1973, and only 14.4% in 1980; by contrast young single households improved their figure from 15.3% to 20.3%, and households at the older stages of the life cycle significantly improved their entitlement (Table 3.4).

57. The report also examines the distribution of actual *expenditures*, as well as entitlement categories. As indicated above (paragraph 54), average public expenditure on health per household grew significantly in real terms, and this growth in expenditure, and scale of expenditure, could be highly redistributive if this (average) level of expenditure is combined with a moderate degree of progressivity. In 1980 average public expenditure per household totalled £8.19 (per week equivalent) of which 73% is public expenditure on hospitals (public patients) and a further 14% on the GMS scheme for medical card holders. The actual degree of redistribution obtained from the high level of public subsidy is summarised below in Table (iii). It can be seen that in 1973 total expenditure was slightly progressive, the lowest quintile of income obtaining about 22% of the expenditure and the higher quintiles obtaining slightly diminishing shares. This pattern of progressivity appears to have been accentuated in 1980.

Table (iii)
Percentage Distribution of Public Health Expenditure in 1973 and 1980 by (Per Capita Equivalent Disposable) Income

Quintile Share %	Quintiles					Total
	Bottom	2nd	3rd	4th	Top	
Total Health						
1973	21.7	25.1	22.7	18.1	12.4	100.0
1980	25.4	24.6	19.8	17.3	12.9	100.0
Hospitals — Public Patients						
1973	19.4	24.1	23.6	19.8	13.0	100.0
1980	23.1	24.2	20.5	18.3	13.8	100.0
Medical Card Service						
1973	34.8	30.6	19.6	11.8	3.2	100.0
1980	40.0	29.3	16.0	10.1	4.6	100.0
Pharmaceutical Cost Assistance						
1973	3.7	16.1	15.3	30.4	34.6	100.0
1980	7.5	18.1	20.1	25.6	28.8	100.0
Maternity Services						
1973	19.3	27.9	27.8	17.0	8.0	100.0
1980	51.6	27.3	13.0	7.3	0.7	100.0

Notes: The table includes only four of the eight sub headings of health expenditure analysed in the report; these four sub headings account for 92% of the expenditure in 1980 and 94% in 1973. The total figure includes all of the items. See Tables 3.5, 3.6, 3.7.

The distribution of health expenditures varies by health care programme: in both years the medical card programme is markedly redistributive towards the lower income quintiles, with an improved progressivity in 1980; the drugs refund scheme (pharmaceutical cost assistance scheme) however, is not progressive as the shares of higher income quintiles are greater than the lower quintiles.

58. The more detailed analysis of distribution by social class and by family cycle (Figures 3.1 and 3.2 and Appendix Tables 3.2 and 3.3) reveals a relative disimprovement in the shares of working class households and of family households respectively. The shares of working class households in subsidies relative to their representation in the population declined over the 1973-80 period, and conversely with farming and professional households. Families with children experienced a relative decline in their share of health subsidies (Figure 3.2), and households of elderly persons increased their share, as the consultants point out:

“To the extent that children impose substantial medical costs on their family, then State policy over the 1970s moved in a manner unfavourable to households with children *relative* to other types of households” (page 84).

59. In summary, the report's findings with regard to trends in the distribution of public health expenditure are:

- a degree of redistribution between income categories and an improvement in the extent of this redistribution;
- a very large increase in average expenditure rather than enhanced progressivity is associated with the improved redistribution;
- a relative decline in the share of families and lower socio economic groups in health expenditure.

During the 1980's no fundamental alteration in these patterns has been brought about. However, since 1987 public expenditure on health has been reduced and if these reductions continued over a period the pattern of redistribution described in the report might alter.

(ii) Education

60. The scale of public expenditure on education is similar to that on health; in 1986 public expenditure on education was just short of £1.2 billions. Expenditure, had risen during the nineteen seventies from 5.3% of GNP in 1973/4 to 6.4% in 1980 and rose during this decade to 7.2% in 1986. Total expenditure allocated to households increased by 16.2% in real terms between 1973 and 1980, as Table 4.3 in the reports shows. During the seventies and eighties no major organisational or policy initiatives were implemented which achieved, or intended to achieve, specific reallocations of resources. The objectives, structures and public financing of education were set in the educational initiatives of the mid-to-late nineteen sixties. A notable feature of that period was the explicit statement of egalitarian objectives and the introduction of public expenditure programmes, such as free education at second level and student grants at third level, to achieve these objectives. Other objectives relating to the provision of skilled manpower for the development of the economy were also formulated, but this aspect of education expenditures is not examined in this study.
61. The consultants' analysis of the redistributive impact of expenditure incorporates the tiered nature of the educational system, — primary, secondary and third level — and the ascending level of subsidisation. Table (iv) below summarises the key data in the report in respect of the distribution of education expenditures. In this table, for each quintile of income at each level of the education system, the share of education subsidies is divided by the share of pupils to give a ratio; where the ratio is greater than 1.0, then households in that quintile of income receive a disproportionately greater share of the subsidies, and conversely. The first point to be gleaned from these data is that there was no dramatic shift in

Table (iv)
The Distribution of Education Subsidies by Income Quintile, 1973 and 1980

	Income Quintile					Total
	Bottom	2nd	3rd	4th	Top	
Ratio of Primary Education Benefits to Primary Age Children						
1973	1.04	1.04	0.98	0.98	0.89	—
1980	1.04	1.05	1.00	0.97	0.85	—
Ratio of Secondary Education Benefits to Secondary Age Children						
1973	1.27	1.17	0.98	0.83	0.84	—
1980	1.41	1.15	1.03	0.84	0.69	—
Ratio of Third level Education Benefits to Third level Pupils — University only						
1973	0.74	0.57	1.00	1.44	1.21	—
1980	0.48	0.97	0.81	0.66	2.21	—
Ratio of Non University Third level Education Benefits to Third level Pupils						
1973	0.87	0.79	0.94	1.05	1.22	—
1980	0.61	0.90	0.90	1.25	1.22	—
Percentage Distribution of Total Education Subsidies						
1973	17.9	26.2	24.2	18.9	12.7	100.0
1980	21.6	23.1	23.7	19.2	12.1	100.0

Source: See Tables 4.5 and 4.6 of the Report.

Notes: Primary Age Children are defined as those aged 5-14 years and Secondary and Third Level as 14-21 years.

the 1973-1980 period in the structure of subsidisation. At both ends of the time period a clear pattern is in evidence: a broadly proportional relationship between children and subsidies at primary level, a moderately progressive one at second level and a distinctively regressive one at third level. A differentiation between the university and non-university sectors emerges; the latter is less regressive.

62. There was no significant shift in the overall distribution of total education subsidies from 1973 to 1980, as the final rows of Table (iv) demonstrate. Relative social class shares in subsidies remained largely unchanged, with the qualification that large farm and medium farm households improved their proportionate share of the subsidies (Figure 4.1). The experience of the nineteen seventies is summarised by the consultants as follows:

“In social class terms, the experience of the nineteen seventies was mixed: there is no clear trend towards diminished class inequalities in the sharing of state subsidies to education.” (p. 100).

Overall, educational subsidies increased in real terms, participation in second and third level improved among all social groups, but the relative positions of social classes remained constant. This results from the continuing differences in participation rates at second and third level, and the higher subsidy from which participants in these levels of education benefit.

63. A caveat applies to this analysis. The procedure adopted by the CSO in classifying and allocating households may lead to some distortion of the true position. Third level cash grants to students are treated as transfer payments; third level students living away from the parental home when the HBS is conducted are not included in the parental home, and thus the benefits and subsidies of higher education are not incorporated in the various measures of their families' resources. Households consisting entirely of students living away from the parental home during term time are classified in the survey as separate households, and therefore as beneficiaries of education grants and subsidies. In net terms the effect of this treatment of cash grants, and of the de facto definition of households, is to underestimate the higher education subsidies received by families and thus to understate the degree of inequality.
64. Since 1980, developments in education policy and financing may have improved the degree of redistribution. Primary education expenditure, the most redistributive sector, significantly increased its share of the education budget. At second level the capitation grant to private schools outside the free scheme has been abolished. Finally, at third level the proportion of students with grants appears to have increased.

(iii) Housing

65. Direct public expenditure on housing is modest relative to the scale of the health and education commitments. In 1986 total expenditure was £627 millions, or 3.8% of GNP. This programme of public expenditure tends to be more volatile: with great frequency new programmes and subsidies are initiated and then modified, or abandoned. During the main period of the study, 1973-80, total housing expenditure fluctuated in a range between 2.2% of GNP (1973) and 3.3% (1980). A wide range of subsidies exist in the housing sector: these include capital grants, mortgage interest subsidies, direct provision and allocation of a accommodation by local authorities, rental payments differentiated by income for local authority dwellings, and tax incentives for the purchase of owner occupied housing. The analysis in the report is confined *solely* to the subsidies pertaining to local authority housing — a very restricted analysis in view of the range

of subsidies to other tenures, and the limited share of local authority housing (12% in 1981) in total housing provision.*

66. The role of local authority housing is couched in redistributive terms, as the provision of accommodation “for households unable to house themselves.” This redistributive objective appears to have been achieved in both 1973 and 1980, as Table (v) reveals. In both years the subsidies are distributed progressively, with lower quintiles receiving a share of the subsidies in excess of 20%. Over forty per cent of the subsidies were allocated to the lowest quintile in 1980, and a further 28% to the second lowest quintile — a significantly enhanced redistribution compared with 1973. The consultants summarise their analysis in these terms:

“Housing expenditure, in so far as it is captured by the CSO allocations to households, was progressive in both 1973 and 1980, and was more strongly so in the later year” (page 114).

Table (v)
The Distribution of Housing Subsidies by Income Quintile

	Income Quintiles					All
	Bottom	2nd	3rd	4th	Top	
1973	27.7	26.6	25.2	15.2	5.4	100
1980	42.7	27.8	18.0	9.5	2.1	100

Source: See Table 5.1.

67. The distributional implications of local authority housing and its subsidisation can be better understood by examining the social distribution of housing tenures, which are the result, in part, of the mix of subsidies. Reflecting the policy commitment to owner occupied housing, and the plethora of subsidies applied to this end, the consultants’ evidence (Tables 5.2, 5.3 and 5.4) reveals a growing polarisation in the housing system. Local authority housing became increasingly the preserve of the very lowest income groups: in 1973, 55% of local authority (rental) households were in the lowest two income quintiles, by 1980 this figure had reached 68%. Owner occupied housing has extended into the lower reaches of the income distribution; 13.4% and 18% respectively of households in the owned- with-mortgage tenure were in the lowest two quintiles in 1973 and 1980. Since 1980 this trend of increased residualisation has continued: local authority rental housing has become very largely the domain of the very lowest income groups. However, this general pattern should not obscure the fact that local authority housing is apparently available to some high income families: in 1980, 9% of local authority households were in the second highest quintile and a further 2% in the top quintile.

*The NESG is at present undertaking a review of housing policy. This review will contain a comprehensive analysis of the various subsidies and incentives in the housing system as a whole.

(iv) Transport

68. This area of public expenditure is less significant for the analysis of redistribution for two reasons. Firstly, transport policy and expenditure, as the consultants acknowledge, are directed at a variety of economic and social objectives and redistribution may not be an important evaluative criterion. The study examines only the redistributive aspect of transport expenditure. Secondly, because the scale of public expenditure on transport is small relative to expenditure on the main social programmes (in 1986, £86m plus £99.5m on direct subvention to CIE compared with about £2½ billions on social welfare for example), the impact of transport subsidies on the total redistribution scenario is insignificant. In their analysis the consultants are constrained by the data available to examining the redistribution effected by only two subsidies — the general subvention to CIE and the free travel scheme for the elderly. Two other subsidies are not included; the school transport scheme which is subsumed in the education programme, and the subsidy implicit in the treatment of excise duty on diesel fuel used in scheduled road passenger and rail services*.
69. In brief, the free travel scheme for the elderly is progressive in relation to income as higher proportions of the subsidy accrue to the lower quintiles of income (Table 6.3). A sharp contrast to this pattern is found in the general transport subsidy which appears highly regressive in both 1973 and 1980. (Table 6.2). This reflects the higher level of utilization of transport by those in higher income groups. Transport utilisation, of course, also varies between regions in accordance with the availability of public transport, and the apparently regressive nature of the general transport subsidy may therefore derive from the lower utilisation in non urban areas, which also have lower income levels.

The Redistribution Process

70. Figure (i) above described redistribution as a process commencing with direct income and proceeding through various stages to final income. The role of the non cash social services in this total process, as analysed by the consultants, has been summarised in the paragraphs above. A complete assessment of the redistributive impact of the social services, however, also requires an overview of the redistributive role of the taxation and cash transfers systems.
71. The period 1973 to 1980, and into the nineteen eighties, witnessed a rapid growth not only in non cash social services expenditure, but also in direct taxation and in cash transfers to households. Total revenue (including

*In the case of scheduled road passenger services the excise duty is repaid, and in the case of rail services the excise duty rate is levied at the lower, non automotive rate.

social insurance) rose from 31% of GNP in 1973 to 36% in 1980 and 45% in 1984. Personal income tax and social insurance contributions increased their share of total taxation from 38.7% to 55.5% over the same period, while the share of rates and property taxes declined from 11.7% to 3.7% (Table 7.2). Social welfare transfers grew from £600m to £1210m in real (1980 prices) terms during the 1973-1982 period, and continued to increase thereafter. By 1986 social welfare spending had reached 15.5% of GNP. What the implications for households have been of these changes as they unfolded to 1980 have been summarised by the consultants (Table 7.3). The direct income of households increased in real terms by 12.9%, but this change is greatly overshadowed by the increase in transfers of 23.8%, and most important of all by the 76.1% increase in direct taxation. Households on average benefited from a modest real decline in indirect taxation and a significant real increase in non cash subsidies.

Table (vi)
GINI Coefficient Measures of Inequality for Direct, Gross, Disposable and Final Income 1973 and 1980

	1973	1980
Direct	45.53	47.64
Gross	38.71	39.26
Disposable	37.57	36.67
Final	38.69	35.50

Source: Table 7.4

72. To evaluate the net redistributive impact of these interrelated changes the consultants calculated the conventional summary measure of the inequality of income for the various stages of the redistribution process in 1973 and 1980. This measure, the Gini-Coefficient, varies between 0 and 100 (when denominated as a percentage); the higher the coefficient the greater the inequality, and conversely. As Table (vi) above indicates, a marked feature of the trends during 1973-80 was the increased inequality in *direct* income. This was counterbalanced by the impact of cash transfers and direct taxes, as indicated by the lower coefficient for disposable income in 1980: final incomes were also more equally distributed in 1980 than in 1973.

This indicates that in 1980 when the indirect, non cash subsidies analysed in Chapters 3 to 6 of the consultants report are combined with indirect taxes, the distribution of income is rendered more equal.

73. The *relative* effectiveness of taxes, transfers and indirect taxes and subsidies as mechanisms of redistribution can be quantified; the Musgrave-Thin index measures the proportionate reduction in inequality (or increase in equality) as we proceed through the various stages of the

Table (vii)
Proportionate Gains in Redistribution at Various Stages, 1973 and 1980

Stages of Redistribution	Redistributive Mechanism	Gain in equality %	
		1973	1980
Direct to Gross Income	Cash Transfers	15.0	17.6
Gross to Disposable Income	Direct Taxation	2.9	6.6
Disposable to Final Income	Indirect Taxes and non cash subsidies	-3.0	3.2

Notes: See text, Chapter 7. The gain in equality is calculated as $\frac{G_1 - G_2}{G_1} \times 100$ where G_1 and G_2 are gini co-efficients at successive stages such as direct, gross, disposable and final income.

redistribution process. Table (vii) gives the relevant data for 1973 and 1980. Greater redistribution was being effected by transfers, taxes and subsidies in 1980, as compared with 1973. Cash transfers in both years had the most powerful redistributive impact, followed by the direct taxation system. The indirect redistribution brought about through indirect taxation and social services expenditure was negative in 1973, but noticeably positive in 1980. In summarising their analysis the consultants remark:

“The vast bulk of redistribution, apparently, occurred through the disbursement of cash transfer payments, though the income tax system was sufficiently progressive to reinforce that effect in both years. By 1980, indirect taxes and benefits had also become redistributive — an important change to the impact of State policies.” (page 136).

74. Across all social class groups the impact of direct taxes and cash transfers was uniform (Table 7.5 (a)). Direct incomes grew on average by a factor of 3.2 (in current terms) from 1973 to 1980, but this growth, even when complemented by a rise in cash transfers, was not sufficient to ensure an equal growth in disposable incomes among most social classes. Direct taxation intervened at a rapidly increasing rate so that the ratio of direct taxes in 1980 to 1973 was 4.81 on average, and as high as 6.46 for large proprietor households. The CPI was 2.73 times greater at the end than the beginning of the period, and it is clear that for five of the social class groups disposable income growth was overwhelmed by the growth in the CPI — among these groups are the unskilled manual working class households. There is no strong social class pattern to the evolution of disposable income; the only exception to the 1980/73 growth ratios is for small proprietors with a ratio of 3.39, compared with an average of 2.93 for all households, an average from which other social class categories did not greatly deviate. When the social class categories are brought to bear on the impact of indirect taxes and non cash subsidies, the findings regarding direct taxes and cash transfers are generally reinforced.

75. The family cycle analysis reported by the consultants (Tables 7.6 (a) and 7.6 (b)) reveals a consistent and marked pattern of relative disimprovement of family households. Their direct incomes and cash transfers increased less rapidly than the average and their direct tax commitments increased by more (Table 7.6 (a)). As a consequence the growth of the disposable incomes of family households diverged from the average for all households, and markedly so compared to households at the later stages of the life cycle. Trends in indirect subsidies and taxes compounded the disimprovement in the relative standing of family households; for example, indirect subsidies allocated to 'old single' households in 1980 were 5.76 times those of 1973, but the respective ratios for 'family formation' and 'middle child-rearing' households were 3.39 and 3.25. The final income dispositions of households, therefore, feature a sharp, relative deterioration for family households. According to the consultants:

"The net redistributive consequences of policy changes over the 1970s in taxation and social expenditure were to the clear detriment of households in which families were being raised. They were disproportionately used as a source of tax revenue and relatively neglected as recipients of social services, whether in cash or benefits in kind" (p. 145).

76. The discussion in Chapter 8 of trends since 1980 in taxes and transfers suggests a continuation, but probably at an accelerated rate, of the trends from 1973 to 1980. Social security recipient numbers and expenditure increased significantly after 1980, and the differentiation between family and non family households apparently continued. Total taxation, and the share of personal income taxation in this total, both rose very sharply and the tax burden on average and less than average incomes continued to climb. Significantly, the importance of direct incomes relative to transfers and taxes will probably have declined due to rising unemployment and stagnant real earnings.

PART II

REDISTRIBUTION THROUGH STATE SOCIAL EXPENDITURE IN THE REPUBLIC OF IRELAND: 1973-1980

by

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INTRODUCTION: OBJECTIVES AND METHODS

1. TERMS OF REFERENCE

This is a study of who benefits from government expenditure on the social services. It has the following terms of reference:

- (a) To analyse available information on the receipt of non-cash subsidies in 1973 and 1980 in the areas of health, education and housing and to make comprehensive estimates of their redistributive impact.
- (b) To examine the relationships between redistributive measures in the two years.
- (c) To consider how the 1973-80 differences that emerge in redistribution were affected by such factors as changing household composition, demographic change generally, and changes in labour force participation.
- (d) To make estimates of the consequences of post-1980 changes in taxation and in social expenditure levels.

It was stipulated that the analysis should adopt the social class and family cycle framework being used at the ESRI for the study of income inequalities and that the focus should be on the redistributive consequences of policy issues.

This chapter is intended as a primer for those readers who are unfamiliar with the rationale for redistribution studies. It outlines the status of redistribution as an objective of public policy and considers the relationship between redistribution and other objectives of public policy. The chapter that follows turns to the nuts and bolts of actually carrying out a redistribution analysis generally and using Irish data in particular. Measuring the extent to which the objective of redistribution is being achieved requires that complex technical problems be resolved, such as how to measure the benefit that is derived from government expenditure, and how to allocate the resulting financial gain to specific families.

Both the treatment of the meaning of redistribution in this chapter and the discussion of the methodology of redistribution analysis in Chapter 2 are very much tailored for a general rather than a specialist audience. No prior familiarity with the subject matter is assumed. Those readers who prefer a more complete background before embarking on the actual examination of redistribution from social expenditure in Ireland will find suitable sources in

the references cited in the two introductory chapters. More comprehensive — and technical — discussions of the issues can then be consulted as desired. Tables relating to the more important methodological issues are provided in the Appendix tables. The main text will direct readers to the Appendix's tables when they relate to matters essential for those readers who wish to make independent evaluation of the reliability of the findings presented in this report.

2. CONTENTS OF CHAPTER 1

The objective of the chapter is to familiarise the reader with the logic of conducting a redistribution analysis. First, redistribution is defined and the public policy issues subsumed under it are outlined. Those issues are approached through a review of the general considerations applicable to any redistribution study, as well as the specific approach to redistribution that has been adopted in this country by bodies such as the NES. Since redistribution refers to the sharing out of the benefits of State expenditures and services, a crucial consideration is how the nation's families are to be categorised. This chapter introduces the reader to the three main ways in which families will be classified for the redistribution analysis: income group, social class, and family cycle stage. The chapter also examines the relationship between redistribution and other objectives of public policy in Ireland. A final section outlines the structure of the rest of this report.

3. THE REDISTRIBUTION PROCESS

(a) The Meaning of Redistribution

Redistribution refers to the changes in the financial well-being of families that occur because the State imposes taxes and makes available services. Some taxes are taken directly from income earners, as is the case with income tax and Pay Related Social Insurance, while other taxes are collected from consumers, as with Value Added Tax. Similarly, the benefits from State expenditure are sometimes received directly in the form of cash, as with Children's Allowances, and sometimes come in the form of subsidized or free of charge services in areas like health care, education, housing, and transportation. If we look at each type of taxation and each service provided by the State, we find enormous variation in the impact that they have on families. Some households are not subject to a particular form of taxation or do not receive any benefit from a particular service. Those households which are affected pay or receive amounts that vary from the minute to the very substantial.

A redistribution study traces the flow of tax revenues from families into the exchequer and the reverse flow of the benefits of State expenditure from the Exchequer to recipient families and measures whether the impact promotes

greater equality between families. That impact may be assessed for the totality of State taxes and benefits, including those taxes, like payroll tax, which are levied on firms rather than on persons, and those benefits, like national defence, that are provided for the good of the community as a whole. Such a comprehensive set of accounts of our financial obligations and rights as citizens is rare. Redistribution usually refers to a more restricted set of exchanges between families and the State.

The idea of equality is basic to the very meaning of redistribution. For those taxes and government expenditure intended to create greater equality we can attempt to measure the extent to which that objective is being met. We can also try to weigh the amount of redistribution achieved against the extent to which other objectives prompting the State's action were accomplished. Other government actions are not primarily undertaken for their redistributive consequences or may not be generally viewed as having a redistributive objective. They may be undertaken, for example, to promote public order through the provision of law enforcement and crime control activities by the police, courts, and prisons. Yet intended or not, the redistributive impact of a policy may be quite substantial.

Redistribution in this report refers primarily to State actions that have as one of their objectives the diminution of inequalities between families through the provision of social services. This applies to the four policy areas cited in the terms of reference: health, education, housing, and transportation. But the impact of those policies does not occur in a vacuum. In fact, the allocation of benefits in the form of services takes place simultaneously with tax payments by families and cash social welfare payments. So we are ultimately concerned with the contribution made by expenditure on social services to overall redistribution through taxes and benefits. What do we mean by inequality? Perhaps it is easiest to begin by indicating what it is not, by distinguishing between equality and another basic objective of governments: efficiency. Le Grand and Robinson (1980: p. vi-vii) note:

“Efficiency considerations refer to the provision of the quantities of housing, hospitals, schools, highways, and so on that yield the greatest level of (net) benefit to the community. Equity issues are concerned with the justice or fairness of the way that these goods and services are divided between different members of society — for example: Who receives a college education? How should health care be divided between different patients?”

This raises two questions of particular relevance to this redistribution study. First, why should we focus on social expenditure? Second, what categories of families are we trying to make equal?

There are several reasons for this study's focus on government social expenditure. One is that the sums involved are so vast and have grown so

substantially in recent years as to make it essential to know what impact those expenditures are having on the well-being of families. In 1987, 56 per cent of all public expenditure was for social purposes, even when payments on the public debt are included in calculating total public spending for the year. Second, the goods and services provided by that expenditure are of enormous consequence for the life chances of the nation's citizens: the amount of education one receives is an important predictor of outcomes ranging from the likelihood of obtaining a job, the size of one's income, and success in adjusting to retirement. Health care, adequacy of housing, and access to affordable transportation also have clear consequences for the quality of life. Third, social expenditure is a major source of income today. Social welfare payments provide income, in many cases the only income, to 29.2 per cent of all adults; if we include those receiving payments as a dependent, more than one third (35.2 per cent) of the population are beneficiaries. In 1985, it was estimated that nearly 44 per cent of the nation's households received one or more social welfare payments weekly (Commission on Social Welfare, 1986, p. 95).

This study looks in particular detail at the redistributive consequences of non-cash benefits—the subsidies to health, education, housing, and transportation. One reason for narrowing the focus to those programmes is the lack of consensus about how public money should be allocated to recipients. Financial need does not provide as useful a touchstone here as it does for most cash benefits, which are allocated to categories of need for income replacement. A second reason is pragmatic. Taxation and cash benefits through social welfare have been the subjects of wide-ranging reviews in recent years by official commissions (The Commission on Taxation and The Commission on Social Welfare). Less attention has been given to non-cash benefits and while this report is limited to one aspect of them—their redistributive consequences—it is intended to facilitate public debate on the general topic.

If the distribution of public social expenditure is what we are trying to equalize, we need to consider the question of what equality means in this context. A recent review of the different ways in which equality is defined (O'Higgins, 1987) suggests that there is no agreement, even among strong advocates of the objective of redistribution, about what it is to be equalised. One basic distinction is between equality of resources (or of opportunities) and equality of outcomes, as in the difference between an objective of making educational participation available to all because it is free of charge and the objective of all school age children attaining similar levels of skill and credentials from that system. But, of course, people have different needs and different desires, and our ambitions for equality should also consider those realities. O'Higgins (1987, p.p. 6-7) suggests the following list as a reasonable statement of egalitarian objectives that public policy might try to meet (examples from education are derived from Raftery, 1987). They are given in ascending degree of commitment to equality and difficulty in fulfilling that commitment.

1. Equality of access to a good or service, such as health care or education (the Irish 'free school' scheme exemplifies this form of equality);
2. Equality of use, with people from different backgrounds taking equal advantage of equality of access (a commitment that would be met by ensuring that all actually attend school) although this may mask differential resource use, as would occur in differently resourced schools or due to 'streaming' within schools;
3. Equality of resource use, such that the equality of use is substantive and not merely symbolic (in education, this implies equal availability and utilisation of subjects and environments for studying them);
4. Equality of total resources, with State provision structured so as to counterbalance disparities created by systems of private provision of the good or service (in education, this might be stated as an objective that students of equal ability perform equally well despite different socio-economic backgrounds); and
5. Equality of well-being, where people are not only equal in what they have but in their satisfaction with what they have. (In another formulation — see Raftery, 1987, p.9, this level of equality in education is stated as equality of attainment for all students despite their differences in ability).

Redistribution studies measure the equality with which some important goods and services are allocated in a society — in the present study this includes health care, education, housing and transportation. They are able to directly address, however, only some of the meanings of equality listed above. The diversity of 'equality' will be noted when interpreting the meaning of observed patterns of redistribution in this country. For practical purposes, the most authoritative statement about equality and redistribution in Ireland is that provided by the National Economic and Social Council. Three aspects of the Council's approach are of particular relevance: redistribution as an objective of government policy, unintended redistributive consequences, and criteria by which to determine if greater equality is being achieved.

In its own study of income distribution, the Council (1975b, p.5) developed redistribution as an instrument by which governments change the distribution of income to one that is 'more equitable and fairer':

"The initial distribution of national income is determined by the market value placed on the services rendered by different individuals and households in the production of the national output, and on the distribution of skills, talents and wealth within the community. This initial distribution of income may not be the distribution which society wants."

Thus, some government interventions through expenditure programmes and

taxation will be primarily intended to achieve a redistribution between individuals and families.

Redistribution studies can be used to evaluate the extent to which such interventions are successful and even to compare those interventions against the likely impact of alternative policies. Given the legion of specific taxes and expenditure programmes, the actual impact on the nation's population is likely to be complex, formed from policies that are not always explicitly designated as redistributive in purpose. The interaction between taxation and expenditure is particularly relevant. As the NES (1975a, p.13) observed, 'the relationship between (tax) payments and benefits in money and kind from the State may not always work towards a greater equality in the distribution of real income'. Generally, we can view all government interventions as potentially redistributive, although the objective of redistribution may be only secondary or even absent from the intentions underlying a particular policy. Redistribution is a measurable outcome of government policies to be balanced against other standards of effectiveness and efficiency.

The Council noted the inevitable value component to any evaluation of a country's income distribution. But it offered a basic statement of how redistribution can be evaluated:

"... any change is desirable which brings nearer a situation in which the disadvantaged are brought nearer to the level that assures their self-respect and the respect of others, in which all are assured of equal access to education, medical care, satisfactory housing and satisfying jobs, in which opportunities for improving their living standards are as nearly as possible equalised, and in which the human dignity of all individuals is respected" (NES, 1975(a), p.13).

Thus, NES takes a comprehensive view of redistribution, stressing both cash incomes and the distribution of services. That view is solidly based in the tradition of pursuing equality of outcomes—opportunities and living conditions—rather than equality of market income. This corresponds to what in Great Britain is termed the 'Strategy of Equality', the use of tax revenue to fund a range of social services sufficient to offset income-based inequalities so that they do not extend to vital areas of living standards, such as health and transportation, and are not perpetuated to the next generation through unequal educational provision and/or utilisation.

This clarifies the role of a redistribution analysis in Ireland. It is intended to ask certain questions that can only be answered by examining detailed information about the income and government benefits received, and taxes paid, by a large number of families. Though such studies have been undertaken in many countries, it is not possible to make general evaluations of the

redistribution produced by particular types of programmes or levels of expenditure. The amount of redistribution depends on the equality of the distribution of market income (wages, salaries, interest, dividends, etc.) and on the impact of other benefits and of taxation. What is highly redistributive in one country may well be counterproductive in another. This is an important point for a period in which issues surrounding the Welfare State are often addressed in an emotive manner. As David Heald (1983, p.146) urges, 'what is required in all countries is careful evaluation of redistributive impact, neither untested faith nor assertions of inevitable failure'. Of course, programmes that were conducive to redistribution in 1973 or in 1980 may not produce the same result in 1987. But by linking outcomes to the policies followed in those years, it should be possible to both understand the pattern of redistribution in the past and to make an informed assessment of current and proposed policy.

(b) Categorising Families

If redistribution refers to changes in the inequalities between families with respect to health care, education, housing, and transportation, it is useful to examine categories of families. Income is an obvious and crucial way to categorize the nation's families in a redistribution study. Do the various forms of social expenditure benefit the poor more than the rich or the rich more than the poor? Income is perhaps the most general measure of a family's ability to provide for its 'needs', but it is not so comprehensive as to be able to stand on its own. In this study, income level will be supplemented by two additional ways of categorizing families: their social class and their place in the family cycle. This section reviews how families will be classified according to their incomes, their social class, and their family cycle stage.

(i) *Income quintiles*: Income quintiles are constructed by taking a group of families and ranking them on the basis income, starting with the family that has the lowest income and ascending upward until we reach the family with the largest income. If we have the necessary information on all 897,000 families in the country, we would count upwards, stopping to note when we have reached each tenth of the families. So the first 89,700 families we counted would represent the bottom decile of the income distribution. Once all the families have been placed in the correct decile, we have a convenient set of income categories. Through the use of an income quantile, generally either a decile (10 per cent) or a quintile (20 per cent) of families, we can readily compare an income group's share in the national income to its share in benefits or taxes. A quintile by definition contains one fifth of all families, and when families are divided into quintiles based on their 1980 disposable incomes, they benefit from 25 per cent of health expenditure, 22 per cent of education expenditure, and 41 per cent of local authority subsidies. (Appendix Table 7.19).

(ii) *Social class*: The experience of families as taxpayers to, and beneficiaries of, the State does not depend only on their levels of income. It also varies with

the *source* of their incomes. To some extent, taxation and social welfare legislation is designed to treat families with the same amount of income unequally depending on how those incomes are produced. Income from wages or salaries is thus taxed differently than income from self-employment or many forms of investment. Historically, the social welfare system was based on a distinction between manual and non-manual workers one that ended only in 1974, with different rules for collecting contributions and disbursing benefits. Today, explicit differences based on income source are rare, but research has shown that the source is nonetheless an important factor influencing the accessibility and the utilisation of social services (Le Grand, 1982 provides a useful summary).

In this report, families are categorised into socio-economic classes. The class to which a person belongs is believed to influence their utilisation of social services and the extent—the value—of their use. A social class is formed out of families that avail of similar packages of resources that can be used to generate income. We can identify four main types of resources in Ireland today: (1) capital in the form of company shares, farmland or business firms, (2) credentials or qualifications earned through the educational system, and (3) labour skills for manual employment. We differentiate among families in terms of both the type of resource they control and its quantity. Capital, credentials, and skills are attributes with which individuals can bargain in the markets in exchange for an income. A fourth capacity, however, is increasingly important and takes the form of entitlement to social welfare income maintenance payments. The resulting class categories bring together occupations that represent similar levels of resources, divided by whether income is obtained through wage employment, self-employment, or as an employer. They represent basic distinctions that result in the members of each category receiving a characteristic level of income return, making a typical tax payment, and receiving a typical amount of State benefits. The categories also differ in the extent to which provision is made for occupational pensions, the security of the income source and age of retirement.¹

Socio-economic classes are important for explaining why families are treated in particular ways as taxpayers or as recipients of State benefits. They are important for social policy because they represent categories of families that have similar life chances: the likelihood of obtaining an adequate education, of finding secure employment, of remaining healthy. Social classes are of particular importance because in Ireland there is only a limited prospect that a child born into a class will transfer into another one through educational, occupational, or marriage mobility (Rottman and Hannan, 1982; Whelan and Whelan, 1985). Social classes thus represent an important dimension of inequality against which the impact of the State through social expenditure can be measured. Also, the benefits from social expenditure received by families in a class can be compared to their contribution to tax revenues and to their receipt of cash benefits through social welfare payments.

(iii) *Family cycle*: Family cycle stages represent the changes in family composition and size that most families, whatever their class, experience over their duration. We can think of these stages as representing typical situations faced by families in which the income available is limited when contrasted to expenditure requirements. The family cycle tries to divide families into the main stages through which virtually all are likely to move. The stages to the cycle bring together in a single index the changes households experience in size, the number of consumers as opposed to earners, the ages of its members, and their family relationships. Much of the Welfare State is formed out of policies which seek to equalise the purchasing power not between income groups but between families at different stages of the family cycle. Typically, policies are directed at families bearing the cost of raising children or at families comprised of people beyond the usual retirement age. The very concept of social insurance assumes that there will be a transfer of income for each participant from points at which income is being received to other points when, due to specified contingencies such as retirement, it is absent. There are limitations in studying such transfers through cross-sectional data, but the problem is well recognised and the appropriate interpretation of such an analysis is well documented, (O'Higgins, 1984; Uusitalo, 1985).

In this report, family cycle is used primarily as what the economists term a 'horizontal' dimension of inequality. Families with the same income may be treated differently by the State, either by design (as with the now abolished child tax allowances) or unintentionally (through the manner in which higher education is financed).

Chart 1 provides the definitions of social classes and family cycle stages that were developed at the ESRI. The table also indicates the percentage of all households (the distinction between 'family' and 'household' will be discussed in Chapter 2) falling in each category. These percentages are shown separately in Tables 1.1 (a) and 1.1 (b). Both the categories for social class and those for family cycle are designed to be particularly relevant to the situation in Ireland. Four separate class categories are used to differentiate among farmers in terms of their resources for income generation (this is done by size of farmholding and whether paid farm labour is used). It is useful here to note that the standing of these farm categories *vis-a-vis* other classes will be affected by the fact that the two years being analysed were atypical for farm income: 1973 was a particularly favourable year for farmers, producing average income far higher than in adjacent years; 1980 was one of the least favourable years for farm incomes during the period of general decline that took place after 1978 (Cox, Higgins, and Kearney, 1982, p. 91). The 12 family cycle stages are based on the ages of the parents and of their children, with separate provision for 'single' households.

CHART 1

Definitions of Class Categories and Family Cycle Stages

CLASS CATEGORIES:

- 1 *Large Proprietors*: Owners who are employers in industry, construction, the provision of professional and technical services, as well as wholesale and retail services. All farmers with more than 100 acres who employ labour have been included (2.2 per cent of all households in 1973 and 2.5 per cent in 1980).
- 2 *Small Proprietors*: The primary income source is from ownership of wholesale, retail, or industrial enterprises in which labour is not employed. Self-employed artisans and service workers are included, as are manual workers who are employers of other manual workers (4.0 per cent and 4.1 per cent).
- 3 *Large Farmers*: Those with holdings of 100 or more acres but who do not employ labour, and farmers with 50 to 100 acres who do use hired labour (3.4 per cent and 2.6 per cent).
- 4 *Medium Farmers*: Those with holdings of 50 to 100 acres who are not employers (5.1 per cent and 4.7 per cent).
- 5 *Small Farmers*: Have holdings of 30 to 50 acres or have less than 30 acres but are employers (5.9 per cent and 4.3 per cent).
- 6 *Marginal Farmers*: With less than 30 acres and without employees (7.4 per cent and 3.6 per cent).
- 7 *Higher Professionals*: A category that includes both self-employed and employed professionals, as well as senior executive and administrative employees (4.5 per cent and 6.0 per cent).
- 8 *Lower Professionals*: Households headed by individuals in professions that are less restrictive in the required credentials and also junior administrative and managerial employees (3.7 per cent and 4.3 per cent).
- 9 *Intermediate and Routine Non-Manual Workers*: Junior ranks of non-manual workers in industry, commercial life, and public administration, as well as qualified technicians, all employees (11.0 per cent and 14.1 per cent).
- 10 *Skilled Manual Workers*: Household heads with clearly defined occupational skills, attested to through an apprenticeship or through some other form of training (12.7 per cent and 15.7 per cent).
- 11 *Service Workers*: Non-manual workers who have skills roughly equivalent to those of semi-skilled manual workers, examples being postmen, bus conductors, roundsmen and caretakers (7.8 per cent and 8.8 per cent).
- 12 *Semi-skilled Manual Workers*: Possess recognised occupational skills, though these tend to be specific to particular industries (8.7 per cent and 9.2 per cent).
- 13 *Unskilled Manual Workers*: Those with undifferentiated labour power (14.7 per cent and 11.4 per cent).
- 14 *Residual Category*: Households for which there is no available history of economic activity, previous or current (8.9 per cent and 8.7 per cent).

FAMILY CYCLE STAGES:

- 1 *Young Single Household*: Head of Household (HOH) is single, less than 40, no children of the HOH. Most people in this category will get married and proceed through the cycle (3.3 per cent in 1973 and 5.9 per cent in 1980).
- 2 *Young Married*: HOH is married, with wife present in the household, with HOH < 40 and/or < 45, no children of HOH. Since only a small minority will remain childless, nearly all of these are young marriages (2.6 per cent and 2.7 per cent).
- 3 *Family Formation*: HOH married, but only with children less than 5 years old in the household (10.6 per cent and 12.4 per cent).
- 4 *Middle Child-rearing*: HOH married with children. Children less than 5 years and children older than 5 years in the household. Families here are at the last stage of family formation nearing completion of childbearing (18.7 per cent and 18.8 per cent).
- 5 *Complete*: HOH married, no children less than 5, children 5-10 in household and with or without children over 10. Childbearing here is completed in nearly all cases. Some of the older children may have left (8.9 per cent and 8.9 per cent).
- 6 *Early Dispersal*: HOH married with children, none less than 10; children of 10-15 present with or without children over 15. This is a clearly Dispersal stage (11.0 per cent and 10.1 per cent).
- 7 *Dispersal*: HOH married with children; none less than 15 years; children of 15-20 present, with or without children of 20 and over (7.8 per cent and 5.7 per cent).
- 8 *Two Generation Adult*: HOH married with children; none less than 20 (8.8 per cent and 7.1 per cent).
- 9 *'Empty Nest' Stage (a)*: HOH > 40 but less than 65 and ever-married, and/or wife > 45. There are no children in the household (6.9 per cent and 5.4 per cent).
- 10 *'Empty Nest' Stage (b)*: As above but HOH aged 65 or over (10.1 per cent and 11.7 per cent).
- 11 *Old 'Single' Household (a)*: HOH > 40, but less than 65. Single, no children. Few HOHs in this category are less than 50 years old; few will ever marry. Often they are, in reality, the residual 'child' stage of Category 8 households, both parents having died (7.1 per cent and 5.9 per cent).
- 12 *Old 'Single' Household (b)*: As above but HOH aged 65 or over (4.3 per cent and 4.5 per cent).

Table 1.1(a): Distribution of Households by Social Class, 1973 and 1980

Social Class	1973	1980
	%	%
Large Proprietor	2.2	2.5
Small Proprietor	4.0	4.1
Large Farmer	3.4	2.6
Medium Farmer	5.1	4.7
Small Farmer	5.9	4.3
Marginal Farmer	7.3	3.6
Higher Professional	4.5	6.0
Lower Professional	3.7	4.3
Intermediate, Routine non Manual	11.0	14.1
Skilled Manual	12.7	15.7
Service Workers	7.8	8.8
Semi-Skilled Manual	8.7	9.2
Unskilled Manual	14.7	11.4
Residual Worker	8.9	8.7
Total	100	100
N	7740	7183

Source: *Household Budget Surveys 1973 and 1980*.

Table 1.1(b): Distribution of Households by Stages of Family Cycle, 1973 and 1980

Family Cycle Stage	1973	1980
	%	%
Young, Single	3.3	5.9
Young, Married	2.6	2.7
Family Formation	10.6	12.4
Middle Child Rearing	18.7	18.8
Complete	8.9	8.9
Early Dispersal	11.0	10.1
Dispersal	7.8	5.7
Two Generation Adult	8.8	7.1
'Empty Nest' Stage (a)	6.9	5.4
'Empty Nest' Stage (b)	10.1	11.7
Old 'Single Household' (a)	7.1	5.9
Old 'Single Household' (b)	4.3	4.5
Total	100	100
N	7740	7183

Source: *Household Budget Surveys 1973 and 1980*.

4. REDISTRIBUTION AND OTHER GOVERNMENT OBJECTIVES

Redistribution thus refers to changes in the well-being of families attributable to the way in which the State collects tax revenue and makes available social services. The chapters that follow ask whether those State actions, especially the provision of social services, tend to make families more equal or more unequal. The impact on equality is considered in three ways: by income level, by source of income, and by family cycle stage.

Virtually all government policies are potentially redistributive, altering the well-being enjoyed by various sections of Irish society. For some policy areas, such as social welfare, the primacy of redistribution as an objective is manifest. Even there, however, redistribution is but one criterion among several that must be weighed against one another. The Commission on Social Welfare (1986), for example, suggests four additional criteria that should be used when evaluating the efficacy of social welfare income maintenance programmes: adequacy of payments, comprehensiveness of coverage, consistency, and simplicity. A given structure of social welfare payments may emerge strong when evaluated in terms of redistribution, but score weakly on measures of consistency or simplicity. There may even be an inherent tradeoff in which, say, expanding the coverage of a social welfare system reduces its redistribution.

The primacy of redistribution is not as apparent for many social service policy areas as it is for income maintenance. Enhanced educational expenditure, for example, can be — and has been — advocated as a contributor to Ireland's economic development, with a well-educated workforce attracting overseas investment (*Investment in Education, 1965*). So social expenditure can be evaluated by the same basic criteria as any form of public expenditure. Clarke (1984) offers six 'performance indicators' that are applicable to all public sector programmes: efficiency, effectiveness, availability, awareness, extensiveness, and acceptability. His definition of what each indicator represents is reproduced here as Figure 1.

The results from a redistribution study can be used to obtain measures of achievement on several of these indicators. In many social expenditure programmes, for example, the degree of redistribution will depend both on the level of State provision and the extent to which that provision is utilised by various social groups. So we can evaluate provision in the form of expenditure on, say, second level education in terms of its availability and extensiveness. But we can also evaluate second level education as a programme in terms of awareness and acceptability, qualities which will, among other factors, influence social class differences in educational participation rates. Redistribution merges elements of the six 'performance indicators'. It certainly has something to say about the effectiveness of second level education (the extent to which objectives have been met) and efficiency (the cost per unit of output in meeting that objective), since one objective of the Irish educational

Figure 1: Properties of Performance Indicators
Reproduced from Clarke, 1984 (p.34)

Measure	Conceptual Content	Highlights	Examples
Efficiency	Compares resource inputs with outputs	How such resources were used	Cost per ton produced; Cost per client serviced in medical care; Passengers to staff ratio Staff/Student ratio.
Effectiveness	Compares accomplishment with objective (i.e., what was intended)	Effect (impact) and variation from goals	Number of patients cured Number of trainees in permanent employment. Incidence of particular disease in cattle herd.
Availability	Amount and type of resources	What service(s) can be obtained	Number of units of service rendered; Publication of services provided; List of opportunities available for school leavers; List of opportunities vacant
Awareness	Knowledge of user population and other agencies (especially referral agencies) of existence; Range and conditions for which services are appropriate	Who knows about what service can be used	Percentage of user group aware of service; Number of individuals referred to any by other agencies; Number of information booklets dispatched.
Extensiveness	Compares quantity of service rendered to the extent of the problem	'How much' is available but not 'How well'...	Clients in outpatients programmes; Students enrolled at school, universities; Number of users of particular service, e.g., Library
Acceptability	Compares service provided with preferences of users	User satisfaction with existing services and therefore potential estimate of future use	Number of complaints; Punctuality in running trains; Avoidance of power failures; Delays in delivery of letters; Percentage of operator calls answered within 15 seconds; Cleanliness, Comfort.

system since the reforms of 1967/68 has been 'to enable optimal opportunity in second level education to be made available to all children (*Comprehensive Public Expenditure Programmes* 1985, p.324)'.

The importance of redistribution vis-a-vis other evaluative criteria and its relationship to those criteria can only be determined for a specific programme area. It is not possible to generalise. Within each programme area our ability to use redistribution as a meaningful evaluative indicator will depend on the degree to which quantifiable objectives for the area have been explicitly stated. Indeed, in the absence of such a statement, the very enterprise of evaluation, regardless of whether it includes a redistribution component, is at best dubious.

As Culyer (1980, p.310) notes, explicitness in stating objectives is crucial:

"Less formal methods of policy appraisal — based on 'experience' or 'flair' — are basically uncommunicable and the 'truth' about social policy gets 'revealed' to but a few. Different programmes are not related to one another. Responsibility gets divided up in an arbitrary way. Democratic participation is minimised. The scope for the riding of personal hobbyhorses by administrators and policy makers is maximised. Explicit analysis has the signal virtue of forcing the decision maker to concentrate (a) on the objectives of policy and (b) upon the trade-offs between and within policies that necessarily have to be made"

The warning is particularly appropriate in a study of redistribution. In the absence of explicit objectives, the information used for evaluation tends to be whatever is most readily obtained. Data on redistribution lack that virtue and the criterion of redistribution is consequently obscured and neglected.

Since 1983 the new publication series *Comprehensive Public Expenditure Programmes* provides a potential authoritative source of objectives as illustrated in the discussion of objectives in education. The most recent volume, covering 1986, includes all the major social expenditure programmes and the objectives contained in the relevant 'programme statements' will be used in making evaluations in this report. To a considerable extent, however, the required degree of explicitness remains absent, and the analysis will, therefore, necessarily remain more descriptive than evaluative. The ability to evaluate will also reflect the nature of the allocation of State expenditure to each area. All estimates of the distribution of benefits are those derived by the Central Statistics Office. Given the current level of knowledge about the pattern of social service usage, it is rarely possible to allocate the benefits from State expenditure with precision. In Culyer's (1980, p.111) formulation, "because people have not been forced before to ask the relevant questions the relevant data are not available".

5. OUTLINE OF THE REPORT

Chapters 3, 4, 5 and 6 represent the core of this report. They present, in turn, the redistributive effects achieved through State expenditure on health care, education, housing, and transportation. Each chapter is both analytical — measuring redistribution between income groups, social classes, and family cycle stages — and evaluative, linking the amount and nature of the redistribution to specific policies. The comparison of the redistribution accomplished in 1973 with that found in 1980 will permit some broader conclusions on the consequences of particular policy initiatives and redirections.

THE METHODOLOGY OF REDISTRIBUTION STUDIES

Chapter 7 widens the focus to place the redistributive impact of social expenditure over the 1973-80 period in the context of the total redistribution process. This requires consideration of the consequences of the taxation and cash transfer policies in place during 1973 and 1980. For example, patterns of health care expenditure that were strongly redistributive toward families raising young children would be evaluated one way if they were financed by one set of taxation policies and quite differently if funded by alternative policies.

Chapter 7 also reviews trends in the taxes and expenditures considered in the redistribution analysis. It locates the policies followed over the 1973-80 period within the more general shifts in Irish government policies since 1960 to the present.

Chapter 8 brings the report to a conclusion by summarising the major findings and then discussing their implications for government policy. Its major objective is to raise questions and outline some possible answers. However, it does contain the lessons drawn from the study by its authors. It is hoped that the other chapters provide sufficient material for each reader to use the report to develop their own assessment of the extent and adequacy of redistribution from social service expenditure and the role of various policies in leading to that outcome.

This chapter has three main sections. The initial section summarises the findings from the redistribution analysis, discusses their implications along the lines indicated by the terms of reference and, where possible, evaluates the efficacy of particular policies. A second section considers the lessons that can be drawn about the conduct of redistribution studies in Ireland. This includes both the limitations of existing data — mainly the 1973 and 1980 Household Budget Surveys, and recommendations for future data collection efforts and analysis.

The chapter and report ends on a more speculative note: a review of the likely redistributive effects of post-1980 policy developments in the social services. This exercise is perhaps the section of the report of greatest newsworthiness. It is also the one most susceptible to alternative interpretations. Those offered belong to the authors alone and—unlike the conclusions drawn in and from Chapters 3-7—are not based on an analysis of representative data.

1. OBJECTIVES AND STRUCTURE OF THE CHAPTER

This chapter introduces the mechanics of carrying out a redistribution analysis and the advantages and limitations of a study which compares the redistributive effects found in two different years. Brevity requires that the presentation be limited to such information as the reader will find essential in understanding the analysis. The criterion for deciding what to include is that of providing both the rudiments of how the analysis works, and a sufficient foundation for the reader to make an independent assessment of the weaknesses and strengths of the evidence provided in the data analysis chapters and of the interpretations and conclusions drawn in the final chapter.

The chapter has two main sections. In the first of these, a model of the redistribution process is presented. Redistribution is presented as a series of steps through which the State either augments family income by providing cash transfers or subsidies or draws money from the household by imposing various forms of taxation. The model offers a way to familiarise the reader with the terminology and concepts of a redistribution analysis and also places the type of redistribution of central concern here — that accomplished through the provision of social services — in the context of other redistributive mechanisms. The chapter's second main section addresses the actual methodology of estimating the steps in the redistribution process as they occur in actual households. This material is presented as a series of basic questions, ranging from possible sources of data for estimating redistributive effects in Ireland to how we can make comparisons among households that differ in size and composition.

2. THE REDISTRIBUTION MODEL

Families are continuously engaged in financial transactions with the State. After all, every purchase of a good or service subject to VAT is a tax payment and every day of a child's education is subsidised, in part, by the State. Redistribution is really the combined effect of all those transactions, but by convention redistribution studies break the process of redistribution into a series of steps. These provide, in effect, a snapshot of continuously changing economic circumstances of families and State policies.

Figure 2.1: Stages and Concepts in Redistribution Analyses

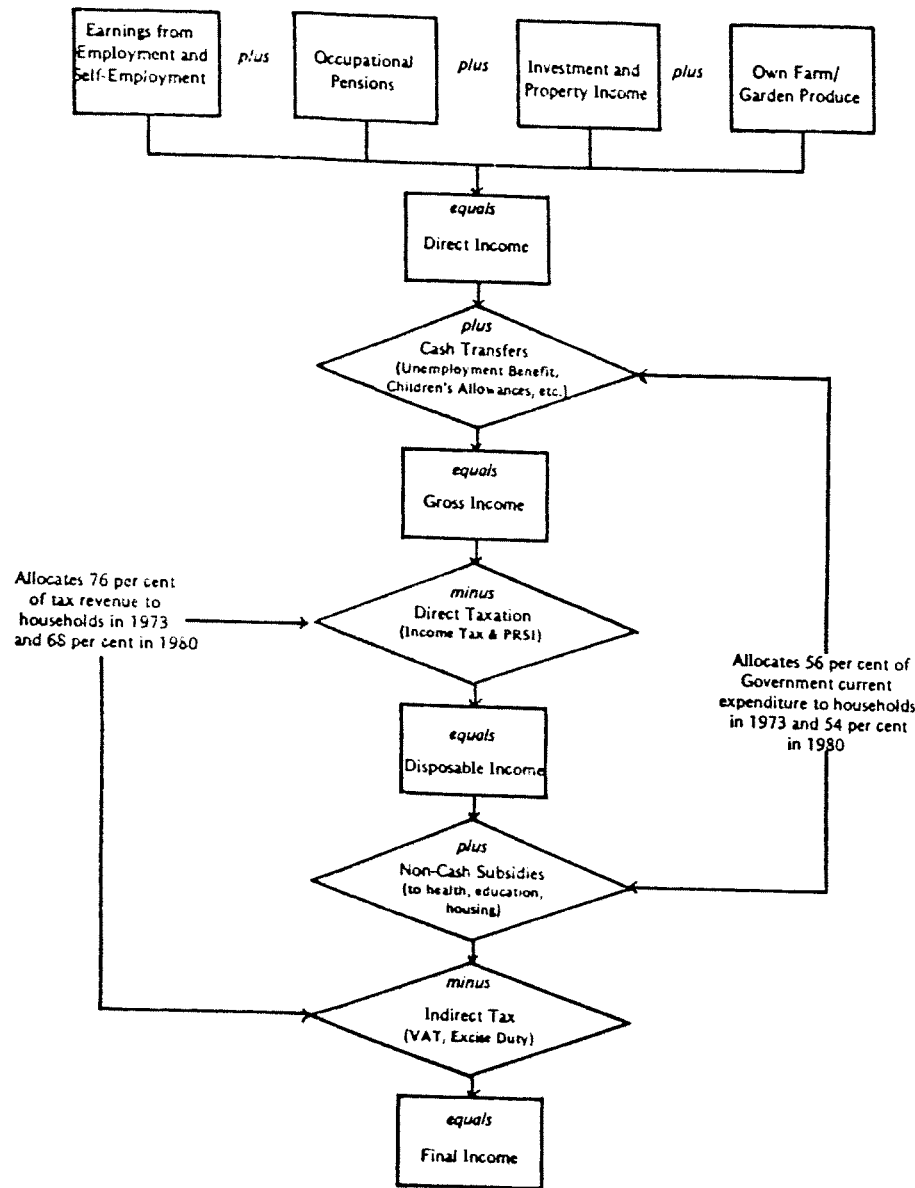


Figure 2.1 illustrates these steps and introduces the terminology used in redistribution studies to label various State/family transactions (the format is adapted from the series of annual redistribution studies published in the UK Central Statistical Office's *Economic Trends*). Direct income provides the initial

measure of family income. The combined total received from employment or self-employment, pensions from previous employers, and investment income. This is the market income of the family. The distribution among households of cash transfer payments is then examined, followed by the distribution of the direct taxation burden. Once direct tax has been subtracted, the total value of subsidies from State services is calculated and treated as an additional form of income. The redistribution process is completed when indirect taxes are subtracted, producing the 'final' income of a family.

The following definitions will be used in this report for the main steps in the redistribution process:

Direct Income: All market income of a recurring nature earned by members of the household: wages and salaries, income from self-employment, pensions from previous employers, investment income through dividends or interest, rental income, and 'the value of any free goods and services regularly received by household members and the retail value of own farm or garden produce consumed by the household (CSO, 1983, p.102)'.
Cash Transfers: All subsidies provided by the State through a direct transfer of money: children's allowance; old age and retirement pensions (contributory and non-contributory); unemployment benefit and assistance; occupational injuries benefit; education grants and scholarships; redundancy lump sums and weekly payments; free school meals; and payments under any other social welfare programme.

Gross Income: Direct income plus cash transfers.
Direct Taxes: Income tax and employees' social insurance contributions.
Disposable Income: Direct income and cash transfers, less direct taxation paid, a standard measure of a household's spending power.
Non-Cash Benefits: The cost to the State of providing members of a household with social services, particularly in the areas of medical care, education and housing; non-cash social welfare entitlements, such as free public transportation, free TV licenses, and free telephones; and general subsidies to reduce the cost of various items of expenditure to households, including food, transportation, etc.

Indirect Taxation: Taxes on expenditure (Value Added Tax, Customs and Excise Duties), license fees, motor taxation, rates on private dwellings (in 1973) and water charges.

Disposable income supplemented by the value of non-cash benefits received and diminished by the imposition of indirect taxation.

In Chapters 3 through 6, disposable income is used as the basis for placing households into income categories. This is justified by our concern for the extent to which non-cash services reduce or increase inequalities present in the amounts of income available to households to provide for their own welfare. Also, there is a tendency at present for some subsidies to be allocated on the basis of criteria that include the household's disposable income; examples include the local authority housing differential rent scheme and medical cards. Consistency in the analysis requires that the same income concept be used for all four of the social expenditure areas to be examined. So in the context of the model of the redistribution process just given and the desire to examine non-cash benefits relative to available household income, the chapters that follow differentiate among households based on their disposable incomes.

In selecting the income benchmark to be used for examining the distribution to households of State subsidies to health, education, housing, and transportation disposable income seems to be the appropriate choice. Disposable income is in effect the amount of money available to a household for its living expenses. The use of disposable income allows us to compare the distribution of non-cash subsidies to the income available in households to purchase the range of services provided by the State; for example, to own an automobile as opposed to using the subsidised public transportation system. Household expenditure potentially covers health care services, tuition and fees for education, as well as what the household spends on housing and for transportation. It must be recalled, however, that disposable income incorporates the impact of State cash transfer payments given as income supplements (as with Children's Allowances). Disposable income also reflects the income tax and PRSI burdens imposed on a household. The choice of which income baseline to adopt as the baseline for comparing the distribution of the benefits from social expenditure has implications for the interpretations that we reach. Therefore, Appendix tables are included through which redistribution can be viewed vis-a-vis the direct (market) incomes of the nation's households.

The redistribution process, as outlined, is concerned primarily with the changes State policies in taxation and subsidisation make to the incomes households derived from the various market sources: earnings from employment or self-employment, interest, dividends, and occupational pensions. A substantial proportion of Irish households — about one in eight — lack any such income. All of their income stems from the State. Many other households depend on a mixture of market and cash transfer income.

We can think of each step in the redistribution process as altering the amount of the total income available to families in each income decile. Each step has its own income total, reflecting whether taxes have depleted it or transfers expanded it. To make the necessary calculations, we require data describing the circumstances of actual households. There is no satisfactory alternative to the use of such a data base. Redistribution studies are, therefore, closely tied to the availability of large-scale national surveys of income. Only a very large number of households could possibly be representative of the diverse economic circumstances of a nation's families. Such surveys have been carried out annually in the United Kingdom and in the United States for more than 20 years. In the Republic of Ireland, suitable data are available only for two years: 1973 and 1980 (a redistribution analysis based on the 1987 Household Budget Survey cannot be expected before 1990).

3. ESTIMATING AND ALLOCATING INCOMES, TAXES, AND BENEFITS

The basic issue at each step in the redistribution model is whether the consequences promote greater equality among households. Students of redistribution have developed a set of tools for measuring and evaluating those consequences. The most important of these will be reviewed here in the form of the answers to a series of questions about the analysis:

When is a benefit or tax redistributive? Formally, redistribution has two components. The first is progressivity. A tax is progressive if it has an average rate that increases as we move up the income distribution and a benefit is progressive if its average rate declines as income increases. Regressive taxes and benefits evince decreasing and increasing average rates, respectively. Some taxes or benefits are proportional in their effect, being experienced by all households at a constant rate.

The second component to redistribution is the size of *average rates* of taxes and benefits. This is independent of the progressivity/regressivity dimension. The distinction is important, because the amount of redistribution achieved through benefits may rise over time simply because the Government is spending more money on social policy programmes with an unchanging degree of progressivity of its effect.

Although we can measure the redistributive effect of individual expenditure programmes — say, the subsidy to third level education — it is necessary to understand that the coefficient we obtain is but one contributor to the net redistribution achieved (Kakwani, 1977; Lambert, 1985).

Are some benefits or taxes redistributive by definition? No. The impact of benefits and taxes depends on the way in which income is *distributed* in a country. It is for this reason in particular that we require information on the experiences of real people and families if evaluations are to be made about

whether government interventions increase or decrease inequality. As Suits (1977, p.752) observes:

“... income distribution is central to the very concept of progressivity. There is nothing inherently regressive about a sales tax or even a poll tax. They are regressive because income is unequally distributed and the more unequally income is distributed, the more regressive they become.”

This is applicable to the evaluation of expenditure programmes. The identical package of subsidies or social welfare payments might prove progressive in one country and regressive in another or progressive in one country in 1973 and regressive in the same country in 1987.

What data bases allow us to estimate redistributive effects in Ireland? Highly detailed financial information from a large number of randomly selected families is required. The use of ‘typical family’ estimations are not meaningful. Such exercises construct hypothetical family situations covering a range of employment statuses and occupations (e.g., bank manager with a wife and two children in secondary school) and then calculate the effects of, say, a Budget, on each family. Atkinson and his colleagues (1983, p.64) show that such exercises ‘can be highly misleading’, with such widely used examples as the UK DHSS model actually representing the real situation of only some 4 per cent of real family situations. They conclude: ‘The overall distribution of gains and losses resulting from tax and benefit reforms can be assessed adequately only by looking at a representative sample of families, such as that provided regularly by the Family Expenditure Survey’ (Atkinson et al., 1983, p.74; see also Piachaud, 1982, pp. 117-118).

The Central Statistics Office’s Household Budget Survey is the Irish counterpart to the Family Expenditure Survey. It is national in coverage, collects data on very large numbers of households (about 7,500) and despite a focus on expenditure data — the HBS is primarily intended to provide weights for the Consumer Price Index — devotes considerable effort to accurately measuring the flow into the household of income from all sources. The Revenue Commissioners are the other major source of information on the distribution of incomes in the Republic. However, the data tapes lack the detailed descriptive information on tax units to permit allocation of any part of the redistributive process other than the impact of income tax and PRSI. Tax data also exclude individuals at the bottom of the income distribution, either because they have no earned income or because their earnings are so small as not to be reported to the Revenue Commissioners.²

Previous Irish studies of redistribution based on the 1973 HBS are provided by Murphy (1980), Nolan (1977, 1981), and O’Connell (1982). The 1980 data have been analysed by Murphy (1983) and compared to the 1973 results in Murphy (1984).³

What is the appropriate unit of analysis for a redistribution study? The answer depends partially on what we are trying to make more equal through social expenditure and partially on the limitations of our data sources. As a practical matter, expenditure and Budget surveys are focussed on the unit of consumption — the household. This requires an assumption that income coming into the household is pooled. This is satisfactory for redistribution studies as the household ‘is more appropriate than the family or the individual for determining the redistributive effect of indirect taxes and subsidies’ (UK, CSO, p.97).⁴

The CSO defines a household as ‘a single person or group of people who regularly reside together in the same accommodation and who share the same catering arrangements’ (CSO, 1980, p.56). Most, but not all, households could also be accurately described as families. In 1980, three-quarters of all households in the HBS sample contained a conventional family unit of household head with spouse and/or children (Murphy, 1984, p.25).

How accurate are survey estimates of income? Family expenditure and household budget surveys make substantial demands on the patience and cooperation of respondents. In 1973, 57 per cent of all households in the CSO sample participated in the full survey, while the response rate for 1980 was 56 per cent. The possible distortions that might arise if some categories of households were less willing than those in other categories to cooperate in the survey are minimised by a procedure of reweighting the survey responses so that the sample of households is an accurate description of the characteristics of the national population as identified in the Census returns (see CSO, 1976 and 1982.)

Differential response rates are a less serious problem than the intrusion of inaccuracies in the respondents’ reports of the size of the income available to households. Before reviewing those problems, it is useful to point out that the two Household Budget Surveys and the analysis in this report rely on the very considerable experience accumulated over the 25 years in which annual redistribution studies have been carried out and published in the United Kingdom.⁴

The main limitations that will require caution in generalising from our findings to the population of all Irish households and in evaluating the effects of State policies are that:

- (i) Understatement of earned income is found in all survey-derived income data. This is both unintentional, due to the complexity of the task required of survey respondents, and intentional. The general phenomenon is not, in itself, a barrier to measuring variation in the level of income, but the degree of understatement is specific to types of households: Income from self-employment is obtained on a different basis than that accruing from wages

or salaries and the flow of income from investments or property is not strictly comparable to other sources.

(ii) The definition of income excludes some forms of income received by households, including 'receipts from sale of possessions, withdrawals from savings, loans obtained, loan repayments received, windfalls, prizes, retirement gratuities, maturing insurance policies...' (Murphy, 1984, p.5). Again, this leads to understatement that is likely to vary with factors like the employment status of the household head.

(iii) The HBS is far more demanding on respondents than most surveys, and the rate of refusal is higher. Differential participation rates by social groups are anticipated when selecting the sample and the responses are reweighted for analysis. But the resulting income estimates are less precise than would be the case in other surveys of the same size and with the same variation in incomes.

(iv) Income data from surveys typically refer to a brief time period rather than to a twelve-month period. Generally, this tends to overstate the amount of variation that is present in the earned incomes being received by the nation's households (see Nolan, 1985).

How can we place a value on the benefit a household receives from a non-cash subsidy, like that to education? The answer is that for the most part we must estimate the cost of providing the service and use various assumptions to allocate a financial benefit to the households. Different procedures are required depending on the type of programme under consideration. The main possibilities are reviewed here, but each of the main analysis chapters will discuss the specific procedures and limitations to those procedures used in estimating the household benefits whose distribution is at issue. Generally:

(i) It is only possible to allocate a proportion of State expenditure and taxes to households, so the analysis is necessarily partial. For example, in the chapter on housing it will only be possible to consider the redistributive effects of State subsidies to current local authority tenants. That subsidy in 1980 represented only 39.5 per cent of the housing benefits distributed to the nation's households (NESC, 1983, p.103). The remaining State assistance went to owner occupiers and renters in the private housing sector. In theory, all State expenditure can be allocated to a nation's households (O'Higgins and Ruggles, 1984; Ruggles and O'Higgins, 1981). In practice, the HBS allows the allocation of just over one half of current State expenditure (56 per cent in 1973 and 54 per cent in 1980. This accounts for the major programmes by which cash is transferred to individuals and families and such non-cash subsidies 'which directly benefit particular individuals and households and which can be realistically assessed' (Murphy, 1984, p.57). This excludes expenditures on general public services, such as police or fire protection and road maintenance, where it is contentious whether the result

confers specific social benefits or no basis exists for attributing that benefit to specific households. On the taxation side, a more substantial proportion of the total can be allocated to specific households — 76 per cent in 1973 and 68 per cent in 1980 (Murphy, 1984). However, the difference in the comprehensiveness of the coverage of the taxation burden, which is due to changes in the composition of tax revenue, makes comparisons of redistribution through subsidies more certain than that through taxes.

(ii) Allocations of the benefit from public social expenditure require estimation procedures that vary in their reliability. This is an important qualification in the analysis of the present study and it will be discussed in each chapter pertaining to an expenditure area.

(iii) In terms of taxation, it is assumed that their incidence is such that (a) the level of tax is set at the amount paid by household members, (b) that the full burden of indirect taxes such as VAT are passed on to the final purchaser, and (c) the burden of indirect taxation on a household is estimated from their current expenditure.

(iv) In allocating the benefit from cash transfers the administrative costs of providing the income is omitted, but for most indirect benefits the amount received by a household includes expenses incurred for administrators' wages and salaries. For subsidies we allocated the cost of providing the service, distributed among households based on estimated patterns of use. We want to know 'who benefits and by how much' from a specific programme but our only measure of 'how much' is the cost of provision, which may not reflect the value to the recipient.

(v) When we allocate taxes and benefits to households we are taking an inventory at a single point in time. In doing so, we ignore the potential effects that the existence of the present set of taxes and benefits has had on the distribution of market income. This 'original income' under a different set of taxation and public expenditure policies would be distributed differently than the one we have measured and used as the first step of our redistribution analysis.

How can we compare the financial situations of families that differ greatly in size and composition? Through the use of adult equivalence scales it is possible to adjust incomes, benefits or taxes so that all households have the same level of 'need'. Equivalence scales reflect the costs imposed on a household by the inclusion of members beyond a standard size/composition, with the standard usually designated as either a household containing a single adult or a married couple without children. Each additional household member is given a weighting based on their age and the number of other people in the household, on the assumption that the expense required to feed, clothe and provide for other essentials varies by age, as does the potential to add to the 'earning power' of the household. The presence of other household members of the same age

may make possible economies of scale that affect the cost to the household of providing for their essential needs.

Equivalence scales are by now standard features of redistribution studies, their status greatly enhanced by the endorsement of the *Royal Commission on the Distribution of Income and Wealth* (see their Report No.6, Appendix E). That endorsement was a qualified one, however. The qualification stems from the absence of an agreed procedure for determining the magnitude of the weights that make households equivalent. In the UK there is a considerable body of research applying alternative approaches to the problem of scale estimation; the four main approaches are summarised and their respective limitations outlined by Nolan (1981).⁵ In the absence of comparable research in this country, the standard response is to either apply the scale weightings implicit in the structure of social welfare payments or to apply scales derived from UK data on expenditure.⁶ Both approaches have limitations which should be noted. Social welfare payments are made at rates per dependent adult and dependent child and those rates can be used to calculate implicit equivalence scales — the result can be termed a ‘political’ valuation on the ‘cost’ imposed by additional family members, as it is set and revised by the legislature. The use of that political judgement is rendered difficult in Ireland by the lack of consistency across social insurance and social welfare schemes in the provision that is made for adult and child dependants. In this country, the size of the payment for dependents varies significantly and arbitrarily among the various categories of entitlement (*Commission on Social Welfare*, 1986, pp.202 and 218). The alternative approach — using scales based on the observed extra costs to families of child and adult dependants — is also problematic. The *Commission on Social Welfare* (1986, p.201) was “not convinced that the data on equivalence scale research elsewhere can be readily applied in the Irish context. Given the larger average family size in Ireland, the marginal costs of children may well be quite different to those in other countries”.

Such scepticism is clearly appropriate when deciding on actual rates of payment to be provided to social welfare recipient families of varying composition. However, for a redistribution study, the choice of one set of scales among various alternatives is not likely to significantly affect the results or the conclusions drawn from them (Nolan, 1981, pp.73-4). This study approaches the problem of standardising households on the basis of need through a method of establishing costs that combines ‘political’ and ‘empirical’ estimates. The Central Statistics Office derived equivalence scales that are primarily based on the cost weightings implicit in the Unemployment Assistance (rural payment levels) averaged over the 1973-80 period. This is refined by differentiating child dependant weights by age, using the results of McClement’s research in the UK (see Murphy 1984, p.19). The following weights convert a household income to the equivalent status of an adult living alone without dependants:

One adult (no dependants)	1.00
Married couple	1.74
Child (0-4 years)	0.25
(5-13 years)	0.38
14-20 years)	0.53
Additional adult (over 20)	0.74

The application of equivalence scales to income and benefit levels can be illustrated with reference to a family of five, comprised of a married couple with three children, one aged 4, one aged 7, and one aged 14. If we apply the logic of the CSO equivalence scales, that household would require 2.9 times the income of a single adult living alone to have the equivalent standard of living. Let us assume that both households generate earnings of £20,000 in 1987. The use of equivalence scales would leave the income of the single person unscathed, but reduce that of the five-person household to a fraction of its size — £6,897. This rather dramatic change in fortunes reflects presumed differences in the needs of those two households — the demands that the income must meet. It is equivalent income that is used in this study to rank households. That is, the allocation of households into income deciles or quintiles takes into account differences in household size and composition, setting all households equal to a standard situation of a household which must cover the costs of but one adult without any dependants, child or adult. The use of equivalence scales considerably alters the ranking of families from what would be found if actual income figures had been employed. Indeed, the impact is sufficient to move a household whose income fell in the top decile of income earners based on actual income down to the middle of the income distribution when rankings are adjusted to reflect equivalent incomes. A similar effect occurs when we compare types of income. For purposes of this study, households are ranked and thus classified into deciles for each income concept separately. So a household could be in the top decile for direct income but the flow outwards of taxation and the flow inwards of State benefits might combine to place it considerably lower in the ranking of households by ‘final income’.

The re-rankings of households which can be attributed to the use of equivalence scales or to the income changes caused by taxes or benefits do have a bearing on the interpretations that we reach from the data analysis presented in Chapters 3-7. Appendix tables provide the interested reader with an overview of the methodological issues involved and sufficient empirical evidence on re-ranking to independently evaluate their implications for the use of data from the 1973 and 1980 *Household Budget Surveys*. The essential point is that when households are being compared in terms of their receipt of State benefits, the comparisons incorporate adjustments to income that take into account the level of need, as indicated by size and composition.

4. CONCLUSION

With the review of the meaning and purpose of redistribution as an objective of government policy in the previous chapter and this chapter's rudimentary discussion of the methodology of a redistribution analysis, we can proceed to the evaluation of health policies over the 1973-80 period. This requires that we allocate to households the benefits of State expenditure on health care. That is a preliminary step. Our central concern is with how that expenditure was shared out among the nation's households. In that chapter and those that follow, income level, social class, and family cycle stage are the main groups whose share in State subsidies will be evaluated in terms of their contribution to the objective of redistribution.

In 1987, the extent and pattern of the redistribution that is identifiable for 1973 and 1980 are of interest because of the link between the policies that were followed in those years and the observed redistributive consequences. The ability to compare redistribution in 1973 to that in 1980 facilitates drawing conclusions, as it is possible to link changing policies to changing redistributive consequences. The link between government policies, such as the structure of entitlements to various levels of subsidised provision, and the distribution of the policy's benefits is not without complications. Indeed, each of the succeeding chapters will devote considerable space to establishing the extent to which we can: (a) accurately allocate the benefits of expenditure in a particular social policy area to households and (b) link that allocation to specific policies in force at the time. This report is written, in part, with a view toward future efforts that can build on what it attempts to produce—more comprehensive and timely evaluations of the consequences of social policy decisions.

REDISTRIBUTION THROUGH HEALTH EXPENDITURE

1. THE CONTEXT

This chapter examines the redistribution achieved through public expenditure on health care, the largest component of public social services expenditure in this country. The 1987 Budget contains provision for current expenditure of £1,170 million on health services, representing roughly one eighth of total public expenditure in that year.⁷ That financial commitment alone certainly draws our attention to the question: who benefits? The system by which health care is delivered in Ireland enhances the importance of using redistribution as an evaluative criterion. Tussing (1985, p. 74) describes the Irish system as 'dual' with private and public components between which there are "large elements of cross-subsidisation, and the nominally private side is financed largely, perhaps mainly, by government." In Ireland, of every £100 spent on health care, only £15 is paid directly by the users; the remaining costs are borne, through a multiplicity of schemes, by the State.⁸ Certainly it is reasonable to enquire the extent to which such an overwhelming commitment to public financing in fact leads to the various forms of equality outlined in Chapter 1.

The 1973-80 period is crucial to developing an understanding of the redistributive effects deriving from the policies that govern the State's investment in health care. Expenditure on health care grew more rapidly than did other programme areas in cost over those years and quite substantial structural changes were made in the manner of health care delivery. Indeed, in those years health care expenditure in Ireland grew at a faster rate than in most Western European countries, expanding from 5.0 to 8.3 per cent of Gross National Product. The result of that growth is that on a per capita basis, public health spending in Ireland is slightly greater than in New Zealand and is identical to U.K. levels. Though other OECD countries (which include most of the industrial democracies) record still higher per capita expenditures, Ireland's relatively low GNP per capita means that financing health care requires an unusually high proportion of national income to sustain this high per capita expenditure (OECD Observer, No. 137, November 1985). Even before the current exigencies of cuts in public spending, this pattern of rapid expenditure growth and a significant commitment of national resources to health care made

the question of the resulting redistributive effects highly pertinent. Now it is acute.

An overview of the direction of change in the 1970s can be found in the two factors that determine the extent of redistribution: the progressivity/regressivity of the subsidy and the average size of the subsidy. Statistical analyses indicate that health subsidies were more equitably distributed in 1980 than in 1973, with substantial progressivity present in both years (Murphy, 1984, Table 24). This means that the amount of the subsidy was proportionately greater in low income than in high income households. Between 1973 and 1980, the average subsidy to Irish households rose from £1.80 to £8.19, a rise of exactly two thirds in real, inflation adjusted, terms. This chapter examines these trends in more detail, looking at specific programmes of health care, linking the availability of subsidies to current State policies, and examining how the money spent on health care was distributed among social classes and households at different stages of the family cycle.

Structural changes make the 1973-80 comparison of interest. Until 1979, high income earners were excluded from the coverage provided by the various Health Acts. They were formally incorporated into the public health care system as 'Category III', and become entitled to free care in the public wards of public hospitals. The drugs subsidy scheme was also made universal in coverage. These structural changes were associated with a realignment of the links between the tax system and health care financing, with the introduction of the one per cent 'health levy' to be paid up to an income limit. This general trend toward universalistic provision and away from means-tested benefits has been described by Tussing (1981, pp. 204-5) as moving Ireland toward a health system that provides services free to all at the point of use; however, this

"almost necessarily involves a regressive redistribution. Services formerly bought, mainly by those in the upper half, and usually in the upper 15%, of the income distribution are now provided without charge, hence freeing some part of their incomes for other use."

Since the upper income groups retained the tax deductible status of their Voluntary Health Insurance premiums, the potential for a substantial change in the redistribution achieved through State health policy is considerable.

This chapter begins with a discussion of how some of the issues raised in the preceding chapters relate to the topic of health expenditure. In particular, the status of redistribution as an objective of health policy, the mechanism for allocating the benefit of State subsidies to households, and the interpretation of that allocation's connection to equality will be considered.

2. ISSUES IN REDISTRIBUTION THROUGH HEALTH EXPENDITURE

The most direct statement of equality as an objective of health policy comes in the consultative document, *Health: The Wider Dimensions* (Department of Health, 1986, p. 18):

"equity in this context is taken to relate to the distribution of available health services over the population on the basis of need and an equitable sharing of the cost of providing such services . . . The Irish public health care system can be said to have addressed the equity objective to the extent that access to health services is guaranteed to the whole community, with individuals being asked to pay for services on the basis of their financial means."

The structure of that public system, which will be described shortly, gives rise to what the document terms 'anomalies' in which access is not related to financial means.⁹ The redistribution analysis of this chapter will examine those 'anomalies' in detail. The document also recognises a more fundamental problem: "Equality in health is a step beyond guaranteeing an equitable distribution of available health services, however. It implies that each individual is offered the same opportunity to enjoy good health." In the hierarchy of meanings of equality, this implies an equality of resource use at the very least, and, to be meaningful, a distribution of health that counterbalances differences between individuals and families that obtain health services from the private care system and those obtaining care exclusively through public provision.

A redistribution study primarily makes an assessment of the equality of the distribution of public subsidies, although it is usually possible to compare that distribution to that describing the distribution of expenditures on private health services and, infrequently to measures of health status. The present study is concerned with the question of how the publicly funded component to health care in this country is distributed relative to people's income, social class, and stage in the life cycle.

The limitations of the analysis need to be clearly stated. Chapter 2 reviewed some of the general issues in allocating the benefits from social expenditure to households. In the case of health care, we are allocating an estimate of the costs of the services that households received as subsidies from the various public health programmes. That is an important distribution, but it is not the same as measuring the distribution of actual health care resources (such as access to hospitals), health care outputs (number of physician visits, discharges from hospital, etc.), or effectiveness or quality of care (e.g. improved health). This is a study of where the vast sums spent on health care, funded from tax revenue (and borrowing) go.

Here, as with most of the social services, a complication arises in terms of

interpreting the meaning of the observed distribution of the benefits of public expenditure: to what extent are the beneficiaries those who make use of the service or the professionals (doctors, nurses, technicians) who provide it. Some 60 per cent of health expenditure is for purposes of 'pay', either through wages, salaries, employer PRSI, or doctors' fees (NESC, 1986, p. 66). Now much of the growth in health expenditure can be attributed to rising real costs of providing medical care, rather than an enhanced quantity or quality of services. This can be observed in other countries, but "increases in the relative prices of health and education in Ireland in the period 1973-81 were well above the European norm (Maguire, 1984, p. 7)." So the expansion of the health budget over the 1970s can not be assumed to have automatically improved the level of care being experienced by the Irish public.

To summarise, this study is asking the questions *who benefits* from health expenditure and by *how much*? The only measure available to us of 'how much' households benefit is the cost of provision, which may not reflect the actual value to the recipient in terms of health care received and health status attained.

The actual distribution of health expenditure is governed by a structure of entitlements. All individuals—entitlement is determined on an individual basis, though family circumstances may affect one's eligibility category—potentially receive some form of subsidy, irrespective of income level. Tussing (1985, p. 77) describes it as "a complex system of entitlement to free or subsidised medical care." There is a three-fold distinction in terms of the available services or benefits:

"There are, first, those to which all persons, regardless of income or situation, are entitled. There are, second, some additional services or benefits to which all but approximately the highest fifteen per cent in the income distribution are entitled; and there are, third, the comprehensive benefits—consisting of virtually all medical care services, provided free of charge at the point of use—to which the lowest third of the income distribution are entitled."

The link between income level and entitlement is not, however, so strong such as to make the subsidy to health from public expenditure redistributive by definition—there are the 'anomalies' noted by the Department of Health. These arise from the complexities in the system of determining entitlements.

One basic factor in that complexity is that entitlement to the most comprehensive subsidisation—that available to holders of medical cards—is discretionary. The manner in which decisions on the allocation of Medical Cards are made varies by region and by occupation (Gormley, 1979), with farmers generally having an advantage in obtaining entitlement over other groups with comparable income levels (Curry, 1978). The relationship between

disposable income and entitlement as stated in guidelines and in statute has also varied over time. Thus, despite a formal structure for distributing health care that is designed to be redistributive, the extent of redistribution actually achieved is problematic even in terms of the allocation of State-subsidised costs.

This gives the chapter two basic questions: whether entitlements are allocated in a progressive manner and whether the distribution of entitlements and the level of subsidy provided to each form of entitlement combines to create a system that is redistributive? The answers given in the chapter reflect, in part, the manner in which the Central Statistics Office determined the entitlement statuses of household members and the manner by which a particular monetary value was placed on the subsidy being received by the households which participated in the 1973 and 1980 Household Budget Surveys.

Health benefits were allocated by first identifying the number and ages of those household members with each category of entitlement and then imputing the cost of the services that yielded for the household. The general approach to allocating benefits is "to average the cost of services over all eligible persons in the population and to attribute this amount to all such persons in HBS sample households . . . Refinements are made where possible to allow for known variations by age, sex, region, etc." (Murphy, 1984, p. 62-3). Procedures differed somewhat between the two surveys, with more precise estimates being obtainable for the later year, both in terms of identifying entitlement categories and allocating costs borne by the State for health care. The next section of the chapter describes the entitlement structure in 1973 and 1980 and the manner in which the CSO in each year's survey attributed entitlement category to household members. It proceeds to examine the distribution of entitlement to State benefits by income, class, and family cycle. This leads to the heart of the chapter: the formal analysis of the redistributive effects of public expenditure on health care. The section containing that analysis begins by briefing the reader on the manner in which the CSO allocated to households a specific sum out of the total of what the State spent.

In interpreting the evidence on redistribution, the standard technique will be to compare each group's share of the population with its share of health holders of particular levels of health care entitlement or of health care expenditure. This will be augmented, where possible, by information on known differences by age, sex, and social class in the prevalence of health problems and the recourse to private spending for health care (which includes costs reimbursed through VHI).

3. ENTITLEMENTS TO HEALTH SUBSIDIES

It is useful to begin by establishing the importance of entitlement in the Irish health care system. The current entitlement structure summarises the

differences that one's category of entitlement makes in terms of the subsidies that are available.

Entitlement to Health Services other than inpatient care depends on the eligibility for these services. There are three categories of eligibility for health services and the category to which a person belongs determines what services he should pay for and what services he is entitled to free of charge. The categories are as follows:

Category I: Persons who are unable without undue hardship to arrange general practitioner services for themselves and their dependants. Such persons and their dependants have full eligibility for all health services without charge. This includes in particular: free general practitioner and pharmaceutical services; free maintenance and treatment in public wards of hospitals; free specialist out-patient services at public clinics; free dental, ophthalmic and aural services. Fully eligible persons are issued with 'medical cards' by the health boards, after a decision by the Chief Executive Officer.

Category II: Persons, together with their dependants, whose annual income is below a specified limit. These persons are entitled to free maintenance and treatment in public wards of hospitals; free specialist out-patient services at public clinics; assistance towards the cost of prescribed drugs; maternity and infant care services, free drugs for certain long-term illnesses. Persons with limited eligibility are obliged to pay a health contribution.

Category III: Persons, together with their dependants, whose income is above the specified limit. They are entitled to free maintenance in public wards of hospitals (excluding consultants' fees); free specialist out-patient services at public clinics (excluding consultants' fees); assistance towards the cost of prescribed medicines and free drugs for certain long-term illnesses.

In 1973, only two categories formally existed: Medical card holders and 'limited eligibility'. Medical cards in 1973 were available to those who were in the opinion of the Chief Executive Officer of the relevant Health Board 'unable, without undue hardship, to afford general practitioner services for themselves and their dependants'. Eligibility depended on whether the applicant's income was below a level that varied by age, marital status, and other factors. Each health board set its own limits during 1973; the first 'negotiated' guidelines were set in March, 1974. Subsequent income guidelines are shown in Appendix Table 3.1. This has not eliminated anomalies in the system. Specifically, the relationship between Medical Card guidelines and various social welfare programmes has not been coordinated so as to ensure that those entirely dependent on State income maintenance payments for their income are eligible. That particular anomaly led to the introduction of a special age related income limit in July, 1984. Still other categories were eligible for Medical Cards irrespective of their income—for example, students were so treated until 1984. Such practices made it common to find households with members holding different types of entitlement.

Entitlement to the 'limited eligibility' category historically was linked to the social insurance system. The 1973 conditions for limited eligibility status were such as to include: all manual workers who were insured (that is, paid stamps) without an income limit, insured non-manual workers with incomes below a certain annual limit (set at £1,600 in 1973), and farmers with rateable land valuations below a set amount. An annual contribution of £7 allowed farmers, the self-employed, and the retired to voluntarily obtain 'limited eligibility' status. Thereafter, entitlement criteria changed in tandem with the social insurance system. Notable changes came in 1974 with the introduction of a partial pay-related system. This added a one per cent insurance contribution by the employee and two per cent by the employer on earnings (up to a maximum) to the 'stamps'. This was formalised in July, 1976 when the Department of Health issued cards to all insured persons paying a health contribution. Also in that year, an additional contribution of 33 pence per week was levied on insured persons in receipt of 'limited eligibility' services.

From 1979 onwards Category II consisted of those entitled to a limited range of services by virtue of having an annual income less than a fixed minimum amount, or who had been voluntary contributors on the 31st March 1974 or were so on 5th April 1979. (Voluntary contributors also had to fulfil conditions based on the number of social insurance contributions paid or credited in the contribution year before 5th April 1979, or have had made 72 contributions in the three previous contribution years.) People in this category were entitled to free in-patient care in a public ward, free out-patient care, maternity and infant welfare services, and the refund on drugs scheme. Anyone in this category who went into a private or semi-private ward of a public hospital had to pay part of the maintenance costs themselves.

From 1973 to 1979, the remainder of the population formed a residual category, entitled to a restricted range of services, mainly concerned with infectious diseases or long-term disabilities, that were available free to everyone. They were formally incorporated into the structure as Category III in 1979. It included all those whose annual income was above the income limit for Category II (£7,000 as of July, 1979) and made available without charge free maintenance in a public ward, subsidised maintenance in private and semi-private wards, refund on drugs, and out-patient services. Consultants' fees were paid directly by Category III patients.

In exchange, a Health Contribution of one per cent was levied on all incomes up to a maximum, initially £5,500 annually. Technically, this was applicable to all participants in the labour market. However, for medical card holders the one per cent is levied instead on the employer, and women receiving Department of Social Welfare provisions for widows, deserted wives, or unmarried mothers are also exempt. The one per cent health contribution was collected by the Revenue Commissioners as part of the Pay Related Social Insurance

Contribution from everyone except farmers, who paid through their Health Boards. The self-employed pay one per cent of their annual earnings up to the same ceiling as others. The ceiling was raised in July 1979 to £7,000 where it remained until it was again raised—to £8,000—in June 1981. That ceiling which doubles as the demarcation point between Category II and Category III for non-medical card holders builds a strong regressive element into the levying of the health contributions. The 1987 Budget placed the ceiling at £15,000 and raised the rate of contribution to 1.25 per cent. The complexities to the structure of health care entitlements in Ireland are evident, as are the resulting tendency to create anomalies.

In the 1973 Household Budget Survey, only holders of medical cards were identified; membership of the 'limited eligibility' category was established on the basis of recorded income levels and social insurance contribution records. Other individuals formed a residual without formal entitlements. In 1980, entitlement was specifically established for each member of the household and it was not necessary to use an estimation procedure to distinguish Category II from Category III status (see CSO 1980, 1983 for further details).

Table 3.1 describes the changing distribution of entitlement to health subsidies between 1973 and 1980, based on the Household Budget Surveys of those years. The percentages are of persons rather than households, since households are not necessarily formed of individuals with the same entitlement. The main change over the period is the diminished share of the population falling within the least subsidised category. In 1973, just under one third—32 per cent—of the population was entitled to Category I services; this fell slightly to 30 per cent in 1980. However, Category II (previously 'limited eligibility') in 1980 constitutes more than half—55 per cent—of the population, a marked increase from the 42 per cent in that category in 1973. There was a compensating depletion in the ranks of those with only residual eligibility: from 26 per cent to 15 per cent of the population. That conforms to the estimates made by the Department of Health. For example, in January 1981, (*Statistical Information Relevant to the Health Services, 1981*) the relative shares of the three categories was estimated at Category I (35 per cent), Category II (50 per cent), and Category III (15 per cent). Estimates for 1986 are 38 per cent, 45 per cent, and

Table 3.1: Percentage of Population in The Three Categories of Eligibility for Health Services in 1973 and 1980.

Year	Category I	Category II	Category III	Total
		%		
1973	31.7	42.1	26.3	100.0
1980	30.4	54.5	15.1	100.0

Source: *Household Budget Surveys 1973 and 1980.*

17 per cent), indicating a continuing trend towards greater income inequality (Department of Health, 1986).

Such changes in the structure of entitlement are of fundamental importance to understanding the redistribution achieved through health expenditure. Table 3.2 therefore begins the redistribution analysis by revealing the extent to which household disposable income predicts the type of health subsidy entitlements found in a household. The upper half of the table refers to the situation in 1973. Of all the persons with full eligibility in that year, 34.1 per cent were living in households located in the bottom income quintile—in the lowest one fifth of the income distribution. In 1980, full eligibility persons were even more concentrated in low income households: 42 per cent. The obverse pattern of greater concentration is evident for Category III. Persons with that form of entitlement were more likely to be found at the top of the income distribution in 1980 than in 1973. The link between income and entitlement, however, is far from predetermined. In 1980, for example, we find 14 per cent of Medical Card holders residing in households with incomes in the top two deciles. Anomalies are more evident in distribution of Category II entitlements. In both years such persons tend to be found in the middle of the income distribution, but membership in that rapidly growing category of entitlement is fairly evenly distributed among all income levels except the very lowest.

The substantial changes that took place in the structures of entitlement and the differential effects on various income groups suggest that important consequences will be noted if the entitlement composition of various class categories are compared in 1973 and 1980. In Table 3.3 the persons living in three households comprising each class are divided into the three eligibility categories. For example, in 1973 6.7 per cent of persons in 'large farm' households were in Category I, 41.1 per cent in Category II, and 52.3 per cent were in Category III. The corresponding figures for 1980 were 18.7, 65.9, and 15.4 per cent, respectively. Most class categories also experience substantial changes in their entitlement composition. Proprietorial households, agricultural and non-agricultural, markedly improved their entitlement position. There was a clear shift from 'limited eligibility' into Category I and from 'no eligibility' into Category II. Categories of white collar employees also tended to move, along with the population generally, to more favourable—that is more highly subsidised—entitlements. The change in some classes, however, was less dramatic. The least change was registered for working class households. Their likelihood of having Category I type entitlements either remained unchanged or slightly disimproved, while some movement took place (except for skilled manual workers) into Category II and out of the 'no eligibility' category. In 1980, a person living in a 'medium farmer' household was as likely as someone in a 'skilled manual' household to have a medical card. On the other hand, in that year only 'large proprietors' and 'higher professionals' were mostly to be found in the lowest eligibility category; that

had been true of 70 and 82 per cent, respectively, of persons from those categories in 1973. Though these changes undoubtedly reflect, in part, the actual relative income situations as experienced by various categories, in policy terms the results are extreme. The shifts in entitlement, seem to have benefited proprietors and white collar employees far more than they did working class families.

Table 3.2: Public Health Care Entitlement in 1973 and 1980: The Distribution of Persons with Various Entitlements by Equivalent Income Quintile

Quintiles of 1973 Equivalent Disposable Income							Average number of persons
Category	Bottom	2nd	3rd	4th	Top	All	
Full Eligibility	34.1	31.3	19.9	11.7	3.1	100.0	1.27
Limited Eligibility	9.0	21.9	27.4	24.2	17.4	100.0	1.69
No Eligibility	8.3	13.9	18.6	25.4	33.8	100.0	1.05
Quintiles of 1980 Equivalent Disposable Income							Average number of persons
Category	Bottom	2nd	3rd	4th	Top	All	
Category I (full)	41.6	28.6	15.8	9.7	4.3	100.0	1.13
Category II	10.0	20.1	27.1	24.6	18.1	100.0	2.03
Category III	5.7	8.5	18.9	31.3	35.6	100.0	0.56

Source: *Household Budget Surveys, 1973 and 1980*

The distribution of health care entitlements by family cycle also changed significantly over the 1973-80 period. That change left households with families less favourably positioned, in terms of entitlement, in 1980. If we look in Table 3.4 at the situation obtaining for households at the family formation stage, we find that whereas 19 per cent had been in Category I in 1973, the 1980 figure was 14 per cent. The main change for such households was a greater likelihood of being in Category II than in either Categories I or III. A similar pattern holds for the next three stages of the cycle: 'middle child-rearing', 'complete', and 'early dispersal'. Though the comparison ignores income differences between stages, it is of interest that households raising children were slightly more likely than the national average to be in Category III. The changes at the later stages of the cycle were quite different. Most persons living in households with elderly household heads have medical cards: this was true for 56 per cent of those in 'empty nest' households during 1973 and for 71 per cent in 1980. Some six per cent of persons from households at that stage were in Category III; this contrasts with the 16 per cent that had 'no eligibility' in 1973. The CSO allocations of benefit are explicitly based on age differentials in the largest sub-

programme areas. It is reasonable, therefore, to anticipate that the benefit from health care to the elderly might be somewhat overstated, given the lack of information on variation in utilisation of these services by other factors, such as class, region, or income group. Yet the differences examined thus far suggest that policy changes on the vital issue of entitlement over the 1970s tend to limit the benefits from state expenditure accruing to households raising families. More precisely, in 1980 they would appear to receive a smaller proportionate share of the total subsidy available to households, despite the enormous growth in the size of that subsidy.

To summarise, in the 1970s a major restructuring occurred to the manner in which health care is subsidised in Ireland. The trend was strongly toward universalism, with key health services—such as hospital care—made free at the point of use to all citizens and the proportion of the population included in the categories qualifying for high levels of subsidy growing. This section examined the extent to which those changes affected various income, class, and family cycle categories. The relationship of entitlement to income seems to have sharpened over the period, though it remained rather weak. Certainly, the entitlement system seems to have worked more to the benefit of high income social class categories than to low income working class ones. There is more ambiguity still when we look at the distribution of the more heavily subsidised entitlement category by stage in the family cycle. Over the 1970s, it appears that households in which children were being raised became *less* likely to be in possession of medical cards. They were slightly more likely than the average to be in Category III and therefore entitled to the lowest range of free or subsidised health services.

4. THE DISTRIBUTION OF HEALTH EXPENDITURE BENEFITS

Entitlements place boundaries on the potential benefits a household receives from the State towards health care. The CSO used information on patterns of utilisation of the available services and the average cost of the services used to allocate specific subsidies to households. The resulting redistribution depends on the nature of the estimation procedures used—there is no source of information that tabulates actual costs of services used by individuals—and also on the average value and progressivity/regressivity of the way in which the services were provided.

The benefits received by households from current health expenditure were estimated for the most part through a two stage process. First, the average weekly cost of providing a specific health service was estimated separately for each of the entitlement categories to which it was available. It is important to understand that these average costs were for the most part estimates, based on patterns observed from other data sources on differences by age and sex in the extent of utilisation of these services. For some programmes, such as maternity

Table 3.3: The Entitlement of Persons Resident in Households: Class Differences in 1973 and 1980

Class	Entitlement Category					
	I		II		III	
	1973	1980	1973	1980	1973	1980
			%			
Large Proprietor	3.5	4.3	26.4	46.1	70.1	49.5
Small Proprietor	11.0	15.7	32.8	55.2	56.1	29.2
Large Farmer	6.7	18.7	41.1	65.9	52.3	15.4
Medium Farmer	14.6	27.2	60.2	61.8	25.2	11.0
Small Farmer	41.8	44.6	41.8	48.6	16.4	6.8
Marginal Farmer	70.6	75.0	18.3	23.2	11.1	1.8
Higher Professional	0.6	5.2	17.6	44.5	81.9	50.3
Lower Professional	2.3	10.8	32.4	64.6	65.3	24.6
Other Non-manual	11.8	13.6	43.1	66.3	45.1	20.2
Skilled Manual	24.9	26.7	63.6	62.4	11.5	10.9
Service Worker	28.3	26.5	54.4	66.8	17.2	6.8
Semi-skilled Manual	37.8	34.8	50.8	57.3	11.3	7.9
Unskilled Manual	59.9	56.1	35.0	39.7	5.1	4.2
Residual	65.0	77.3	17.2	18.1	17.7	4.6

Source: *Household Budget Surveys 1973 and 1980*.

Table 3.4: The Entitlement of Persons Resident in Households at Various Stages of the Family Cycle in 1973 and 1980

Life Cycle Stages	Entitlement Category					
	I		II		III	
	1973	1980	1973	1980	1973	1980
	%		%		%	
Young Single	15.3	20.3	55.0	73.0	29.7	6.7
Young Married	13.0	7.0	54.7	72.1	32.3	20.9
Family Formation	19.3	14.4	49.6	67.2	31.1	18.4
Middle Child Rearing	32.9	28.6	41.3	54.5	25.8	16.9
Complete	28.7	26.8	47.2	56.7	24.0	16.5
Early Dispersal	29.1	27.0	42.0	56.6	28.9	16.4
Dispersal	29.9	30.2	40.7	60.6	29.4	9.2
Two Generation Adult	43.1	44.5	34.9	46.4	22.0	9.1
'Empty Nest' LT65	34.3	32.3	40.4	48.0	25.3	19.6
'Empty Nest' GT65	56.1	70.9	27.8	22.7	16.1	6.3
Old Single LT65	39.5	46.2	33.2	42.4	27.3	11.4
Old Single GT65	60.7	74.1	22.3	21.0	17.0	4.9
Not Classified	22.3	37.7	49.2	38.6	28.6	23.8

Source: *Household Budget Surveys 1973 and 1980*.

Note: LT and GT are less than and greater than respectively.

services, the benefit could be allocated on the basis of actual utilisation—for example, by “assigning the weekly equivalent of the average cost of a birth in the year 1980 to each relevant child under one year of age in sample households” (CSO, 1983, p. 65). The costs for other programmes, including the largest expenditure programme, general hospital services, were varied to allow for known differences by age in the frequency of hospital admissions and the duration of stays (as observed in the Hospital In-Patient Enquiry). In other programmes, differences among health boards in expenditure levels were used to assign benefits to households by averaging the cost of the service over all the households in each region.

In the second stage of the estimation process, the number of persons in the household eligible for each level of subsidy was multiplied by the average cost. Services available to all free of charge were costed and the average allocated to households on a per capita basis. Psychiatric services (short-stay) and day services for mentally handicapped persons, for example, were treated as benefits accruing to the community at large and therefore the cost was averaged over all persons in the population and allocated to households on the basis of the number of residents.

Generally, in 1980 estimates of the benefits received were made on a more refined basis than had been possible in the 1973 exercise and also covered a more substantial proportion of public health expenditure. More complete descriptions of the allocation procedures used can be found in the two published CSO redistribution studies (1973, p. 59 and 1983, pp. 65-6).

The composition of the monies allocated in the two years can be seen in Table 3.5, which gives the average benefit received per household, overall and subdivided by eight major programme areas. Despite the different allocation procedures in the two years, the cost of service provision for patients of public hospital wards dominates the estimates: it accounts for 67 pence of every pound spent on health included in the 1973 redistribution study and 73 pence of every pound in 1980. Though the cost of the General Hospital Service required more than half of Department of Health expenditure in 1980—a concentration that makes the Irish health care system quite distinctive (see Tussing, 1985, Chapter 5)—its impact is overstated in the redistribution analysis since other programmes were not as readily attributable. The second costliest component of the subsidy considered here is the General Medical Service, which represents 18 per cent of 1973 expenditure and 14 per cent of 1980 expenditure. Generally, the expenditures covered in the analysis that follows carry a strong presumption of redistribution being reserved, especially in 1973, for those with low incomes.

The main interest in Table 3.5 is the potential for redistribution implicit in the averages. A slightly progressive programme could make a substantial

Table 3.5: Average Health Care Benefits 1973* and 1980.

	1973 (Current Prices)	1973 (1980 Prices)	1980 (Current Prices)	Real Change 1973-1980 %
	£	£	£	
Total Health	1.80	4.70	8.19	74.3
Hospitals — Public Patients	1.21	3.31	5.94	79.5
Medical Card Service	0.32	0.87	1.16	33.3
Pharmaceutical Cost Assistance	0.01	0.03	0.21	600.0
Child Health Services	0.06	0.16	0.04	-75.0
Maternity Services	0.03	0.08	0.22	175.0
T.B. Hospitals	0.03	0.08	0.01	-87.5
Other Services (free to fully eligible groups)	0.03	0.08	0.20	150.0
Other Services (free to all persons)	0.08	0.22	0.41	86.4

Source: *Household Budget Surveys, 1973 and 1980*

*In 1973, an allocation was made for subsidies to private hospital patients, an average of £0.03 per week.

contribution to the overall redistribution through health expenditure if it involves a large average subsidy. The overall average, of course, is an estimate of the benefit accruing to all households in the country. For special eligibility groups, such as medical card holders, the average value should be far higher than that national average. The 1973-80 change in the redistributive effect from health expenditure is likely to be dominated by the costs of hospital-based services. In real (after inflation) terms, those costs nearly doubled over the seven year period. The only other service with a high average incidence is that provided to medical card holders. In real terms, its cost rose by a third in the 1973-80 period, less than half the rate obtaining for health care generally. That diminished share of the total benefit is counterbalanced, at least in nominal terms, by policy changes that should have enhanced the progressivity of its impact. The maximum income specified in medical card guidelines has risen more slowly than wages, rendering the service more selective. The income limit in November 1973 for a married couple was £17 weekly, just under two thirds of the average weekly earnings in transportable goods industry. In 1980, the guideline for a married couple was £47 and the average weekly industrial earnings, £91.39, yielding a maximum income for medical card eligibility of one half the average (see Appendix Table 3.1).

We can now turn to the manner in which these expenditures were distributed among the nation's households. Table 3.6 does this for 1980. The tables should

be read as indicating how each type of subsidy included was shared out among the five income quintiles of households. For example, the top row of Table 3.6 indicates that the bottom quintile of households (ranked by their disposable equivalent incomes) received just under 22 per cent of health expenditure. In contrast, the top quintile received a 12.4 per cent share. The inclusion of average value of each programme indicates that its relative importance in the context of the expenditure is being considered here. Where a programme is allocated on a per capita basis, as with the 'other' category, differences between quintiles in their shares of the total simply reflect the sizes of the households.

The distribution of the benefit from eight specific health programmes by income group can also be seen in Table 3.6 for 1973 and Table 3.7 for 1980. Generally, the distribution in each year follows from the structure of entitlement. In 1973 medical card services were concentrated in the lower income quintiles, while pharmaceutical cost assistance was a subsidy directed almost entirely to the top half of the income distribution. Two thirds of medical card benefits went to the households in the bottom 40 per cent of the income distribution, while approximately the same share of pharmaceutical costs went to the top 40 per cent. This follows the nature of the health care delivery system but also may reflect differences in utilisation, given that the main item of expenditure—that on general hospitals—was concentrated on households in the middle of the income distribution. This, however, largely reflects the method of allocation, which was based on an assumption that age differentials are the most important factor in determining utilisation.

The pattern in 1980 is substantially changed. Generally, the change is progressive, directing medical card services more toward the lowest income group. Maternity services are also in 1980 predominantly allocated to households in that group: more than half of the subsidy is received by households in the bottom quintile. The major sub-programme in terms of cost, general hospital services, is little changed in its distribution, though households in the bottom quintile have an increased share of the total subsidy, as do households in the top quintile. The sharing out of the subsidy to Category I and II households in the form of various services provided free of charge has become more concentrated in the middle of the income distribution, a reflection of the changing structure of entitlements which favour that part of the income range. Overall, if redistribution is the criterion, the change in policy since 1973 seems to have been uneven but generally favourable. However, that assessment may well downplay the extent of need in the second lowest income quintile. Table 3.7 shows that its share of most specific programme subsidies declined slightly over the 1973-80 period.

Socio-economic differences as measured in 1973 are derived largely from the distribution of entitlements rather than observations of actual benefits received, while the 1980 allocation is more indicative of differences in

Table 3.6: The Distribution of Health Programme Expenditures by Quintiles of Equivalent Disposable Income, 1973

Health Programmes	Quintiles					Total	£ Average Value
	Bottom	2nd	3rd	4th	Top		
Total Health	21.7	25.1	22.7	18.1	12.4	100.0	1.80
Hospitals — Public Patients	19.4	24.1	23.6	19.8	13.0	100.0	1.21
Medical Card Service	34.8	30.6	19.6	11.8	3.2	100.0	0.32
Pharmaceutical Cost Assistance	3.7	16.1	15.3	30.4	34.6	100.0	0.14
Child Health Services	21.3	31.1	25.6	15.0	7.0	100.0	0.06
Maternity Services	19.3	27.9	27.8	17.0	8.0	100.0	0.03
T.B. Hospitals	16.1	21.5	22.4	21.4	18.6	100.0	0.03
Other Services Free to Eligible Groups	24.8	25.9	21.1	17.2	11.0	100.0	0.03
Other Services Free to All Persons	16.8	22.8	22.7	20.6	17.2	100.0	0.08

Source: Household Budget Survey, 1973

Table 3.7: The Distribution of Health Programme Expenditures by Quintiles of C.S.O. Equivalent Disposable Income, 1980

Health Programmes	Quintiles					Total	£ Average Value
	Bottom	2nd	3rd	4th	Top		
Total Health	25.4	24.6	19.8	17.3	12.9	100.0	8.19
Hospitals — Public Patients	23.1	24.2	20.5	18.3	13.8	100.0	5.94
Medical Card Service	40.0	29.3	16.0	10.1	4.6	100.0	1.16
Pharmaceutical Cost Assistance	7.5	18.1	20.1	25.6	28.8	100.0	0.21
Child Health Services	19.4	22.3	25.6	20.4	12.3	100.0	0.04
Maternity Services	51.6	27.3	13.0	7.3	0.7	100.0	0.22
T.B. Hospitals	19.5	21.5	22.1	20.6	16.3	100.0	0.01
Other Services Free to Eligible Groups	9.8	19.9	26.3	25.0	19.0	100.0	0.20
Other Services Free to All Persons	21.0	21.7	19.3	19.3	18.7	100.0	0.41

Source: Household Budget Survey, 1980

utilisation. The broad pattern of health expenditure distribution among class categories can still be compared, however. With 14 class categories to consider, one approach to presenting the relevant material is to express each class category's share of total health expenditure as a ratio of its size. The result is shown in Figure 3.1. Skilled manual workers, for example, in 1973 represented 12.9 per cent of all households and received 16.1 per cent of all health subsidies, leading to a ratio of 1.25. The 1980 ratio is exactly 1.00, as the category's share in the subsidy and in the total number of households was identical. A line is drawn across the figure to indicate the 'break even' point, where the class's share of the subsidy exactly equals its share of all the households. Changes between 1973 and 1980 in health policy, as these affected the distribution of benefits, were to the advantage of middle class professionals and non-agricultural proprietors; they were to the disadvantage of manual working class categories. Farmers in both years had ratios of greater than one, indicating that they received more of the subsidy than their representation in the population would give if the allocation were equally distributed to all households.

Class categories vary in their age structure and family compositions. That variation in this study is measured through the family cycle index. Figure 3.2 repeats the comparison of ratios in 1973 and 1980 using the 12 family cycle stages. Changes between 1973 and 1980 seem to have markedly benefited the two generation adult and the two elderly stages, which have been to the clear detriment of households in the child-rearing stages of the cycle. The pattern in 1973 was clear, with only the child rearing stages receiving more of the health care subsidy than simple numbers would dictate. Households at the empty nest and old single stages received a low share of the total, relative to their numerical presence, while the lowest subsidy went to the young single and young married stages. To the extent that the distribution of health expenditure varies according to household need, it would appear in 1980 to only reflect age related factors. The costs of raising children would not seem to have been addressed in health care policy.

The two figures conveniently summarise the changing patterns of distribution by class and family cycle of the benefits from public expenditure on health in the two years. (The distribution of the subsidies can be examined in more detail by turning to Appendix Tables 3.2 and 3.3). In terms of the sharing out of subsidies among social classes, the pattern is the same in the two years but the impact of class is blunted in the later year. By 1980, non-agricultural proprietors and professionals significantly increased the share of the total being received by their households. This is at the expense of working class households, whose 1980 subsidy shares largely mirror their percentage of the nation's households. If we look at the shares by family cycle stages, a pattern imposed by the structure of health care subsidisation is evident in both years, with the main beneficiaries being the elderly. Families with young children present were receiving more of the subsidy than their percentage share of all households, but to a lesser degree in 1980 than in 1973.

Figure 3.1
The Ratio of Social Class Shares in Health Subsidies to Shares in Households, 1973 and 1980.

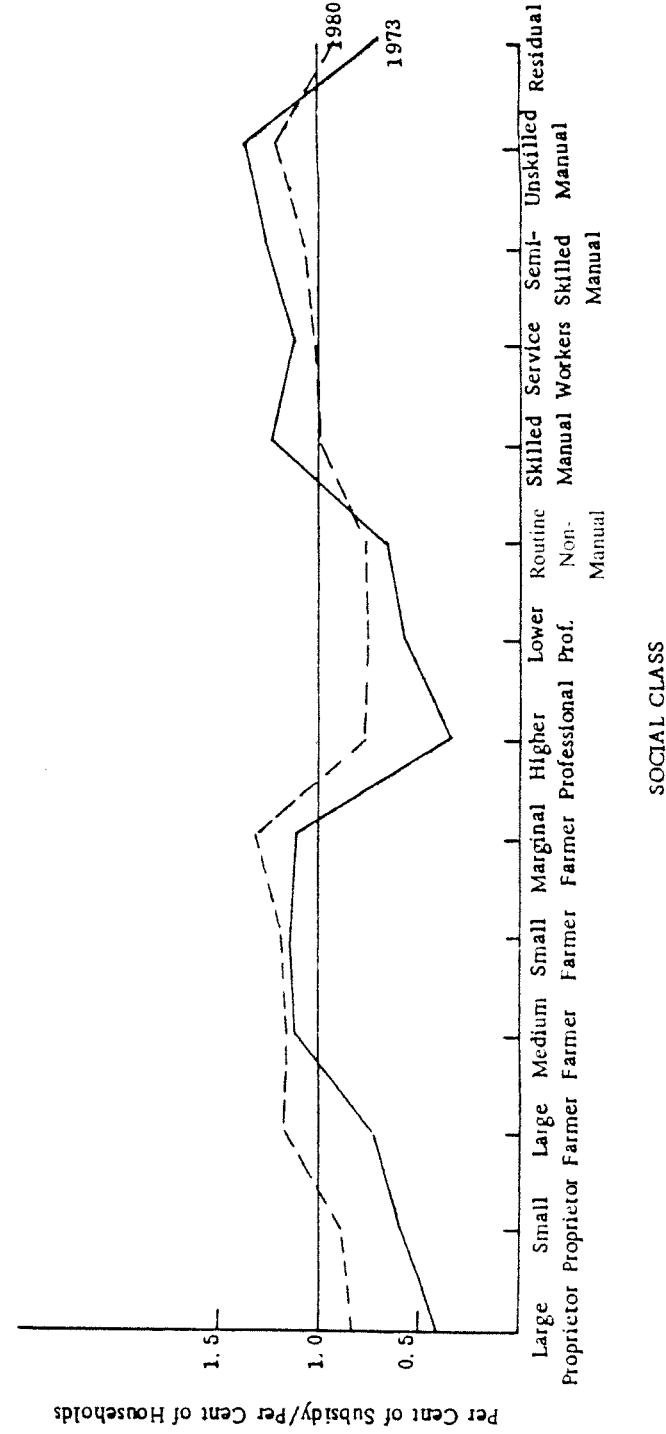
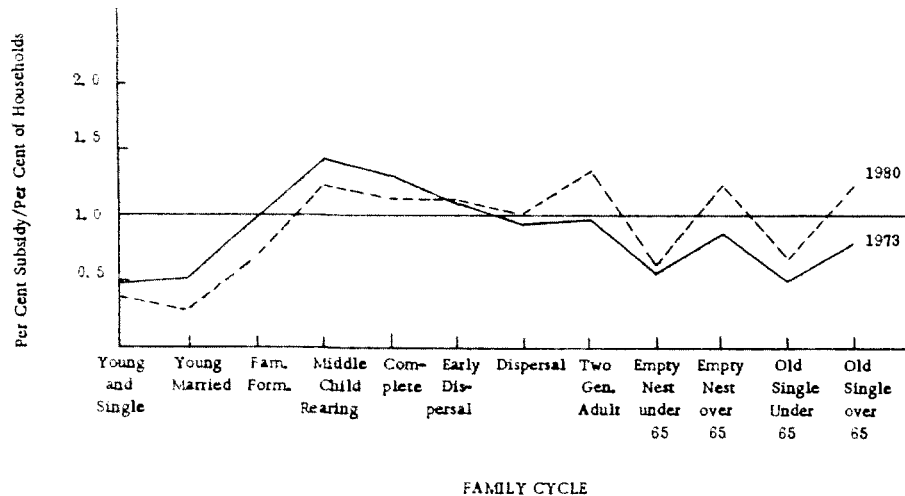


Figure 3.2

The Ratio of Family Cycle Shares in Health Subsidies to Shares in Households, 1973 and 1980



5. CONCLUSION

The redistributive effects of the State subsidy to health care in Ireland occur through a complex system of delivery. This chapter has examined aspects of that system limited, by and large, in scope to those sub-programmes included in the CSO's analysis of indirect benefits. State subsidies to health care also arise from the 'tax expenditure' incurred by exempting Voluntary Health Insurance premiums from income tax and from the treatment benefits which are administered by the Department of Social Welfare as part of the PRSI scheme. The broader change in the structure of subsidy, of which the 1979 reforms were a part, has had some consequences that would appear to be unintended. This is most notable in the case of families raising children. To the extent that children impose substantial medical costs on their family, then State policy over the 1970s moved in a manner unfavourable to households with children relative to other types of households. The overall level of provision has increased far more rapidly than inflation. But some sub-groups of the population appear to have secured a far greater share of that expanded subsidy. Redistribution resulting from health subsidies was greater in 1980 than it had been in 1973. That shift is attributable mainly to the enhanced level of provision available to the elderly and occurs despite a trend toward diminished subsidies for families with dependent children. Where services are specifically aimed at the latter set of families, as with maternity services, provision has become more selective and is for the most part diverted to those families at the lowest part of the income distribution. It is not possible to make a definitive

assessment based on the available data. However, the evidence does suggest that raising the size of the overall subsidy to health care has tended to bypass low income groups in employment, at least relative to the gains made by other groups, and that the new resources were not channelled toward the low income households generally.

Statements on the objectives of health policy in, say, *Comprehensive Public Expenditure* volumes, are not particularly informative about the target groups for redistribution through public health expenditure. The most expensive of the programmes, general hospitals, is assigned "the broad aim" of "making available to the population a comprehensive hospital service of the best possible standards and in the most efficient manner possible" (Department of Finance, 1985, p.307). Some £715 millions were spent in 1986 toward that broad aim (see *Comprehensive Public Expenditure Programmes*, 1986, p. 306). Community Health Services, essentially services to medical card holders, are assigned the broad aim of providing "a range of services to selected groups to meet health needs at community level, thereby reducing the demand for institutional care".

These are very broad objectives and the analysis presented here cannot determine the extent to which they were met in 1973 or 1980. It would seem, however, that many of the concerns expressed in the mid-1970s about the Irish health care system are still applicable. In particular, it would appear that the discretionary element in the entitlement to the most comprehensive level of free provision in 1980 led to families that were in the same financial circumstances not being treated in a similar manner. It would also appear that the social welfare system and the health delivery system are still not working in tandem. Since 1984, adjustments have been made to ensure that elderly applicants dependent on Old Age Pensions remain entitled to medical cards. No such explicit provision has been made for other categories of recipients. At the same time, the guidelines for medical card entitlement have been adjusted so as to gradually reduce the number of those at work who are eligible. Also, given the low share of health subsidies seen to be directed at families with children, attention should be placed on the implicit equivalent scales in the medical card guidelines. From the evidence presented in this chapter it is unlikely that those scales accurately reflect the medical 'cost of a child'.

The Household Budget Surveys gathered expenditure data through diaries maintained by householders over a two week period. That short duration makes the resulting expenditure data an uncertain guide to the distribution of private expenditures (see Tussing, 1985, p. 243 for an analysis of the 1980 expenditures as they vary by entitlement category, health board region, and occupational groups). The average household headed by a professional, a manager, or an employer spent an estimated £242.33 in 1980 for medical care services. It has been noted that these expenditures do not reflect the actual costs

REDISTRIBUTION THROUGH EDUCATIONAL EXPENDITURE

1. THE CONTEXT OF PUBLIC EXPENDITURE ON EDUCATION

Expenditure in support of education is only marginally lower than that allotted to health care, making it the second largest component of public social expenditure as defined in this study. That commitment will involve an estimated £1,134 millions in current expenditure during 1987. With such sizable sums, perspective is needed. The public cost of education in this country is equivalent to 7.2 per cent of Gross National Product and 11.4 per cent of total public expenditure (Budget, 1987).

This chapter examines the questions of who benefits from that expenditure and by how much. In doing so, the benefits at stake are measured as the costs per pupil of different forms of education. The Irish system for funding education is one in which all pupils are subsidised, even where they or their families are paying fees. The extent of the subsidy being received, however, varies considerably. In redistributive terms, that variation is crucial in two respects. First, what is the take-up by income group and social class of different types of education, especially its non-mandatory forms? Second, the cost to the State of subsidising each type of education differs; generally, costs per pupil increase with each successive level of education, but costs also vary within each level, say between universities and regional technical colleges.

The context of the redistribution analysis to be presented is largely one of policy. Redistribution has been a more coherent objective of educational expenditure than in areas such as health or transportation. Once this policy context is described, the section turns to the problem of allocating costs to specific households. The estimates are once again identical to those used by the Central Statistics Office in its redistribution studies. Those estimates are more precise than what was possible in the area of health, but difficulties arise in the case of allocating the benefits of the subsidy to students in third level institutions.

Since the mid-1960s education expenditure has been viewed in Ireland as having two main objectives. The first is the reduction of marked social class and regional disparities in educational participation rates, particularly at the second and third level. Thus, fees for post-primary education were abolished, except within a limited sub-sector which also benefited from the 'free' scheme,

of the services being purchased in most instances. Patients in private or semi-private rooms of public hospitals are not charged at a rate that equals the cost of providing the rooms, with the difference borne out of the general State subsidy to hospitals and thus an implicit subsidy. The Council for Social Welfare (1987) reviews the evidence for this form of subsidisation, which is not captured in the CSO allocations, and notes Tussing's 'educated guess' that tax expenditures and implicit subsidies cover more than half the cost of private care. This is on top of a system that has been moving, at least over the 1970s, toward inclusion of the relatively well-to-do in the programmes through which health care is provided explicitly free of charge or below cost.

This trend needs to be considered in the context of the clear relationship socio-economic status has with the known environmental, social, and medical determinants of health status (see, Tussing, 1982 for a summary of the Irish evidence; Le Grand, 1982 or Reid, 1981, Chapter 4 review that evidence using British data).

and free school transport was introduced. The second broad objective is implicit in the name of the government report that provided the impetus for reform: *Investment in Education*. That report (1965, p. 350) concluded that "education as well as having its own intrinsic values, is a necessary element in economic development". So redistribution has been a formal objective of Irish educational policy since 1965, gaining particular force with the reforms of 1967.

But the possession of educational credentials also confers obvious life-long financial advantages to the individual student. One formulation of this private/public division of benefits from public spending on education is that advocated by Tussing (1978, p. 174). He argues that education is a:

" 'quasi-public good', with both public and private characteristics. It is a private good in that its principal beneficiaries are the pupils, who receive benefits in both current or consumption form (the enjoyment of learning, of socialising with peers, of recreation, etc.) and in investment form (yielding lifelong enhanced potential earnings, as well as enhanced enjoyment of literature, music, etc.) ... but education of an individual often also benefits society at large. The social system, the political system, and the economic system all demand of their participants a certain minimal level of education."

Tussing concludes that subsidies received before the legally established minimum school-leaving age—14 throughout the period being studied and subsequently—are public, and those after that age are private.

It is reasonable to expect that those benefits were realized in Ireland, as its concentration of expenditure in the area of education is one of the highest in the EEC, such expenditure was equivalent to 6.7 per cent of the country's Gross Domestic Product, a figure which Denmark matched and which only the Netherlands and Luxembourg exceeded (OECD Observer No. 127, March 1984). Over the 1973-80 period, Irish educational expenditure grew as a percentage of GNP; however, despite a 47 per cent real increase in size, it failed to keep pace with other areas of public expenditure and therefore its share of the total declined somewhat: from 12 to 10.1 per cent. That is the recent experience of all OECD countries (see Maguire, 1984, p. 8).

The programme statements in *Comprehensive Public Expenditure* are vague about objectives for primary and third level education. However, the statement on second level education keeps faith with the *Investment in Education* doctrine: Thus, the "main policy priority is to enable optimal opportunity in second level education to be made available to all children. To achieve this requires that each area is provided, as far as possible, with facilities which will cater for the varying aptitudes and abilities of the children of the area" (*Comprehensive Public Expenditure*, 1985, p. 324). This is ambitious indeed,

corresponding most closely to the 'fourth' of the equality objectives noted in Chapter 1: "Equality of Total Resources".

In practice, the redistribution achieved through the subsidy to education is a function of two main variables: social class specific 'take-up' rates of each year of education beyond the legal minimum requirement (age 14 at present) and the cost of each such year, which become steeper as students move from primary to second level to third level.

Social class differentials in educational participation are well documented in Ireland.¹⁰ The *post-Investment in Education* era can be seen to have substantially increased the level of provision and indeed the equality of *provision*; however, inequalities in educational *participation* at second and third level have widened. The overall participation rate in full-time education for 17 year olds had grown from the 25 per cent found in 1963/64 by research commissioned for the *Investment in Education* team to some 58 per cent in the 1982/83 academic year (see Breen, *et al.*, 1987, Chapter 6). Yet over the same period, the gap between the participation rates of children from the upper middle class and those from manual working class backgrounds widened. This occurred as children from middle class families increased their rate of educational participation more rapidly than other groups. The differential is most pronounced among university students. Generally, the development of the Regional Technical Colleges and other non-university third level institutions has mitigated class inequalities in participation (Rottman and Hannan, 1982, pp. 61-62). The basic differences as they stood in the mid-1970s are presented in Table 4.1 (reproduced from Breen, 1984, p. 105). The differential is well summarised by the contrast between the 50 per cent of boys from professional and managerial backgrounds who enter a third level institution and the four per cent of sons of semi-skilled and unskilled manual workers who do so.

Table 4.1: Percentage Participation Rates for Entering Post-Primary School in 1976-77, by Sex and Father's Occupational Group

Occupational Group	Reaching Leaving Cert.		Entering 3rd Level	
	Boys	Girls	Boys	Girls
Upper Non-manual	97	100	50	35
Lower Non-manual	59	71	26	16
Skilled Manual	32	74	10	11
Semi-skilled Manual	16	41	4	7
All	50	69	21	16
		59		19

Source: Estimated from Department of Education *Statistical Reports* (various years), 1981 national surveys of Intermediate and Leaving Certificate pupils (for details of these surveys see Hannon and Breen (1983, Ch. 2) and from 1982 NMS Survey of School Leavers.

The importance of such differentials is enhanced in redistributive terms by the extent to which second and third level education cost more, per pupil, to provide than education at the primary level. In the 1973/74 school year, for example, the average per pupil State subsidy (current costs only) stood at £94 for primary school students, £176 for secondary schools, £230 for vocational and technical colleges, and £736 for universities. The full range of per pupil subsidy for that and subsequent years can be found in Table 4.2. The trend after 1973 is for subsidies to primary and second level students to grow at a faster rate than inflation, and at much the same rate. However, the most rapid escalation in costs occurred in the Regional Technical College sector, where costs rose to close to those obtaining in the universities. The per capita student subsidy to university students actually declined in real value over the 1973-80 period, having failed to increase at the same level as inflation. This has occurred despite the fact that the full costs of third level education are allocated in a manner such that only one quarter of the cost is collected through student fees (NESC, 1983, p. 30). The National Economic and Social Council has repeatedly drawn attention to the high state subsidies at senior cycle second level and at third level which, combined with disproportionately higher participation rates by the higher income groups, entails large regressive subsidies. The resources devoted to schemes of positive discrimination in favour of the underprivileged remain minimal at £0.4m. in 1983 (NESC, 1983, pp. 29-30).

These subsidies were made to households in a period dominated by increased real costs in most sectors of the educational system, expanding enrolments, and growing differentiation within sectors. The change in real costs, by sector, have already been examined. The 1973-80 trend serves to decrease the overall redistributive importance of university student subsidies. Enrolments in second level expanded far more rapidly. The number of boys in all second level institutions grew from 111,200 in the 1972/73 school year to 138,600 in 1979/80; the comparable figures for girls are 113,800 and 143,400 (Hannan and Breen, 1983, p. 34). Third level institutions experienced a more rapid proportionate growth over those years from 28,614 to 38,050 (Department of Education *Statistical Report*, 1974, p. 3, HEA, 1981, p. 11), but their enrolments are dwarfed by the number of second level students being subsidised. In addition to a general tendency for growth in the more expensive levels of the education system, considerable changes were taking place within each level. Secondary schools experienced a slight decline in their share, as did vocational schools; their loss was to the benefit of comprehensive and community schools, which enrolled 4.1 per cent of second level students in the 1973/74 school year and 8.4 per cent in 1979/80 (though the numbers fluctuate from year to year; see the various Statistical Reports published annually by the Department of Education). More dramatic shifts were occurring in the third level. By 1980, universities only accounted for slightly more than half of all students engaged in third level studies, with very rapid expansion having been recorded over the

Table 4.2: Average Cost to the State Per Pupil by Education Sector, 1973/74 to 1984

Sector	Year										
	1973/74	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984**
Primary	94	152	175	198	224	270	339	440	470	550	586
Secondary	176	284	328	362	408	510	589	748	870	925	925
Comprehensive and Community	210	342	370	419	457	560	653	809	925	1,000	1,000
Technical	199	364	414	433	529	610	704	922	1,020	1,085	1,015
R.T.C.s*	230	801	830	896	1,011	1,170	1,405	1,470	1,725	1,795	1,795
University	736	1,014	1,044	1,180	1,073	1,378	1,644	2,040	2,200	2,320	2,320
Teacher Training	683	1,170	1,144	1,354	1,434	1,710	1,786	2,030	2,440	2,730	3,000

Source: 1975-81 data, NESC, No. 70, Table 3.15; 1982 and 1983, as indicated in NESC No. 75, p. 30; 1973/74 and 1984 estimates were provided by the Cost Accounting Section of the Department of Education.

* The estimate is for Vocational and Technical Colleges only.

** Only broad sectoral averages were available. Approximately £350 per pupil should be subtracted from the third level average to exclude the value of student grants and scholarships.

preceding decade in the Regional Technical Colleges and National Institutes for Higher Education (see the reports of the Higher Education Authority, various years).

As Murphy (1983, p. 25) notes, “while differences in resource distribution by level are hardly surprising they raise questions concerning the distributional impact of public educational expenditures within society”. Over the 1970s, policies on school construction, classroom size, and, most notably, the effort to expand second level participation, had consequences for the financing of education and ultimately on the redistribution being achieved.

The analysis of those consequences is affected by the method of allocation of benefits to households. The procedure used by the CSO was to identify all household members in full-time education by type of schooling. Average costs per pupil were available for national schools, fee paying secondary day schools, non fee-paying secondary day schools, secondary boarding students, ‘other’ second level schools, universities, and other third level institutions. The per capita value of free school transport could not be specifically assigned to recipients in 1973 but in the 1980 survey was so allocated.

This method of allocation is relatively blunt, ignoring some of the wider differences within levels. For example, vocational schools fared less well in their per student subsidy than did other type of second level schools (Murphy, 1983, p. 25), a trend that is not reflected in a comparison of the redistributive consequences in 1973 to 1980. Also, it is less comprehensive than alternative forms of estimating per student costs to the State. The CSO uses the Department of Education’s method, but an alternative methodology developed by Tussing (1978) and updated by Murphy (1983) includes administrative overheads (such as the cost of maintaining the Office of the Minister for Education, and funding to the university sector from the Department of Agriculture). The resulting increases to the costs tend to be small at primary and second level but quite substantial at the third level.

The actual identification of who benefits is problematic only for third level students. Persons 15 years of age and older receiving higher education are only included as household members if they are resident in the household for the full 14 days during which expenditure data were gathered. So if students live away from their parental home, the benefit will not be attributed to the household. Correspondingly, when the sample included households comprised of students sharing a flat, for example, the full value of the subsidy was allocated. This makes the distribution of third level subsidies inherently different than that used for the other two levels. Specifically, the redistribution analysis is not necessarily linking the educational subsidy with the highest cost to the socio-economic groups that are its beneficiaries. The subsidies will often instead by attributed to low income households—low income because their

members are students who either not in employment or in low wage part-time employment.

There is one final difficulty with evaluating the redistributive impact of spending on third level education. The CSO treats educational grants and scholarships from public authorities and free school meals as cash subsidies and they will be reflected not here but in Chapter 7, which places redistribution through social expenditure in the context of the full redistribution process.

2. REDISTRIBUTION BY INCOME QUINTILE

A formal statistical analysis (Murphy, 1984, Tables 24 and 25) indicates that educational expenditure was progressive in its impact in both 1973 and 1980, but is ambiguous over whether that impact grew or declined over the period. It is clear that the progressive impact of educational expenditure declined between 1973 and 1980 in relative importance to other sources of redistribution. This is a consequence of the second component of redistribution: the average size of the benefit. Table 4.3 provides the average benefit per household—not per student, the subsidy is here being divided across the entire population—for education overall and for each level.

The size of the estimated average benefits, therefore, reflect both the per student subsidy and the proportion of households receiving a benefit at each level of education. In these terms the most substantial real increases were at the primary level and the non-university third level institutions. The average second level benefit also grew in real terms, but less substantially. University education provided an average benefit that declined in real terms — by some 40 per cent. In the analysis that follows, the distribution of educational benefits are contrasted for each income group, class, or family cycle with shares in the number of children of the appropriate age. The age groups used for the secondary and third levels are the same, covering the 14-21 year old range.

Table 4.3: Average Education Benefits, 1973 and 1980

	1973 (Current Prices)	1973 (1980 Prices)	1980 (Current Prices)	Real Change 1973-1980
	£	£	£	%
Total	2.87	7.84	9.11	+ 16.2
Primary	1.41	3.85	4.42	+ 14.8
Second Level	1.33	3.63	3.96	+ 9.1
Third Level — University	0.25	0.68	0.41	- 39.7
Third Level — Other	0.10	0.27	0.32	+ 18.5

Source: *Household Budget Surveys, 1973 and 1980.*

The costs allocated by the CSO do not correspond, especially when they pertain to the university sector, to what is known about actual overall expenditure trends. The discrepancy is evident from Table 4.4, which compares the composition of education expenditure in the CSO analysis with that found by Tussing (1978, Table 4.9) for 1974 and Murphy (1983, Table 11) for 1980.

Table 4.4: The Distribution of the Education Budget: Alternative Estimates

Level:	CSO 1973	Tussing 1974	CSO 1980	Murphy 1980
First	49.1	41.3	48.5	38.7
Second	46.3	45.5	43.5	41.7
Third	12.2	13.2	8.0	19.5
Total	100.0	100.0	100.0	100.0

Note: Breakdowns and totals exclude expenditures on residential homes
Source: *Household Budget Surveys, 1973 and 1980.*

The present study is biased in the direction of overemphasising the impact of primary and secondary education and understating the impact of expenditure on third level. In part, this is a result of different forms of cost estimation (discussed above). But it also strongly suggests that many of the recipients of the benefit of third level educational subsidies were not located in the Household Budget Survey of 1980. A growing propensity to live away from the parental home combined with low response rates from student households are the most likely main causes of this underrepresentation of third level subsidies in the CSO's calculations.

From Tables 4.5 and 4.6 it can be seen that when equivalence scales are used to classify households based on their rank in the hierarchy of disposable incomes, primary education emerges as slightly progressive, second level as distributing a progressive subsidy and third level education as a markedly regressive. In the case of third level, there is an important differentiation between the university and non-university institutions. In the case of the universities, 40 per cent of the 1980 benefit was received by the top income quintile; only 7.4 per cent reached households in the bottom quintile (though that quintile had 15.3 per cent of persons in the relevant age group. This contrasts with the 22 per cent of the non-university subsidy received by the top quintile and the 9.3 per cent share according to the bottom quintile. The main beneficiaries of subsidy to the RTCs and similar institutions is the second highest quintile.

This portrait is derived from the 1980 data, and is found in Table 4.6. It can be contrasted with the situation that prevailed in 1973 by comparing it with

Table 4.5: The Distribution of Education Subsidies by Equivalent Disposable Income Quintiles, 1973

	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	All
(A) Distribution of Primary Education Benefit	20.0	29.6	23.9	16.6	10.0	100.0
(B) Distribution of Primary Age Children*	19.2	28.4	24.3	16.9	11.2	100.0
(A)/(B)	1.04	1.04	0.98	0.98	0.89	—
(A) Distribution of Secondary Education Benefit	17.5	25.7	24.5	18.6	13.8	100.0
(B) Distribution of Secondary Age Children**	13.8	25.7	24.5	18.6	13.8	100.0
(A)/(B)	1.27	1.17	0.98	0.83	0.84	—
(A) Distribution of Third Level Education — University Benefit	10.2	12.9	24.7	32.4	19.8	100.0
(B) Distribution of Third Level University Pupils		— As Secondary —				
(A)/(B)	0.74	0.57	1.00	1.44	1.21	
(A) Distribution of Third Level Education — Other Benefit	15.2	17.8	23.4	23.7	20.0	100.0
(B) Distribution of Third Level Other Pupils		— As Secondary —				
(A)/(B)	0.87	0.79	0.94	1.05	1.22	
Total Education	17.9	26.2	24.2	18.9	12.7	100.0

Source: *Household Budget Survey, 1973*

* Refers to children aged 5-14 years.

** Refers to children aged 14-21 years.

Table 4.5. The 1973 and 1980 distributions of the benefit from primary education are similar. However, second level education is less clearly progressive in 1973, though the greatest share of the benefit is found in the second and third quintiles. The change from 1973 to 1980 in the distribution of third level benefits was in a regressive direction. In 1973, the top income quintile received about a fifth of the subsidy; in 1980 it received 40 per cent. The benefit of non-university third level education was also less regressive in 1973 than it was to become by 1980.

Interpretation of the subsidy distribution patterns in the two years is facilitated

Table 4.6: The Distribution of Education Subsidies by Equivalent Disposable Income Quintiles, 1980

	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	All
(A) Distribution of Primary Education Benefit	24.5	26.1	23.6	17.2	8.6	100.0
(B) Distribution of Primary Age Children*	23.6	24.9	23.6	17.7	10.1	100.0
(A)/(B)	1.04	1.05	1.00	0.97	0.85	—
(A) Distribution of Secondary Education Benefit	21.5	21.0	24.4	20.8	12.3	100.0
(B) Distribution of Secondary Age Children**	15.3	18.3	23.8	24.7	17.9	100.0
(A)/(B)	1.41	1.15	1.03	0.84	0.69	—
(A) Distribution of Third Level Education — University Benefit	7.4	17.7	19.2	16.3	39.5	100.0
(B) Distribution of Third Level University Pupils	— As Secondary —					
(A)/(B)	0.48	0.97	0.81	0.66	2.21	
(A) Distribution of Third Level Education — Other Benefit	9.3	16.5	21.5	30.8	21.9	100.0
(B) Distribution of Third Level Other Pupils	— As Secondary —					
(A)/(B)	0.61	0.90	0.90	1.25	1.22	
Total Education	21.6	23.1	23.7	19.2	12.1	100.0

Source: *Household Budget Survey, 1980*.

* Refers to children aged 5-14 years.

** Refers to children aged 14-21 years.

by comparing it to the distribution of children in the relevant age groups. For example, households in the top income quintile in 1973 received 10 per cent of the total subsidy to primary education and 11.2 per cent of all children aged between 5-14 lived in those household. The ratio of subsidy to children is therefore 0.89.

3. REDISTRIBUTION BY CLASS AND FAMILY CYCLE

The overall pattern of class category shares in education subsidies in 1973 and 1980 is shown in Figure 4.1 (the calculations on which the figure is based can

be found in Appendix Table 4.1). In 1973, the categories with the largest excess of their share of all households were non-agricultural proprietors and professionals. The two proprietorial categories enjoyed much the same advantaged situation in 1980, although only higher professional households continued to have a similar advantage. The main gains over the 1970s in terms of enlarged shares were among large and medium farm households. In 1980, large farmers represented 2.7 per cent of all households and received some four per cent of all educational subsidy. The experience of other groups was generally one of stability. Among the working class households, the relative subsidy share received by skilled manual households declined and that of semi-skilled households increased.

A more detailed examination of class differentials can be undertaken if the relevant participation rates are considered. The following categories received a greater share of the second level subsidy in 1980 than their share in children of the relevant age group: large proprietors (a ratio of 1.18), small proprietors (1.1), large farmers (1.33), medium farmers (1.18), higher professionals (1.24) and lower professionals (1.08). Other groups had a ratio of about one or lower, with unskilled manual workers manifesting the lowest ratio (0.76). At the university level, the differentials are marked indeed. Large proprietorial households received a 9.2 per cent share, higher professionals, 18.7 per cent, and intermediate non-manual workers, 20.2 per cent. More than one-fifth of the subsidy (23.2 per cent) was allocated to households in the 'residual' class category. Since the CSO does not inquire about parental occupations, and since students living away from their home often have no work experience, they cannot be assigned to a class category from the Household Budget Survey data. The practical consequence is that a large share of the total subsidy cannot be examined in its distribution among social classes.

The inequalities in the distribution of the benefits of State subsidies to education had, however, diminished over the 1970s. In the 1973 survey, the ratios of second level subsidy share to potential student share for various class categories were: large proprietors, 1.24; small proprietors, 1.38; higher professionals, 1.54; and lower professionals, 1.27. Large and medium farm households had the same ratio of 1.15, while even marginal farm households nearly matched subsidy share to share of secondary school subsidy, with a ratio of 0.97. Skilled manual workers also were nearly even in their share of the two distributions (0.98), while the ratio experienced by unskilled manual worker households stood at 0.74; that was virtually identical to their ratio in 1980. One important difference, at least in interpreting the distribution of third level subsidies, is in the residual class category. Such households received only 3.7 per cent of the subsidy in 1973. The massive increase to nearly a fifth of the total indicates the change over the decade in the likelihood that third level students would live away from their parental home. Therefore, neither the distribution of that subsidy in 1980 nor the contrast of it to the 1973 distribution is of substantive interest.

Figure 4.1

The Ratio of Social Class Shares in Education Subsidies to Shares in Households, 1973 and 1980

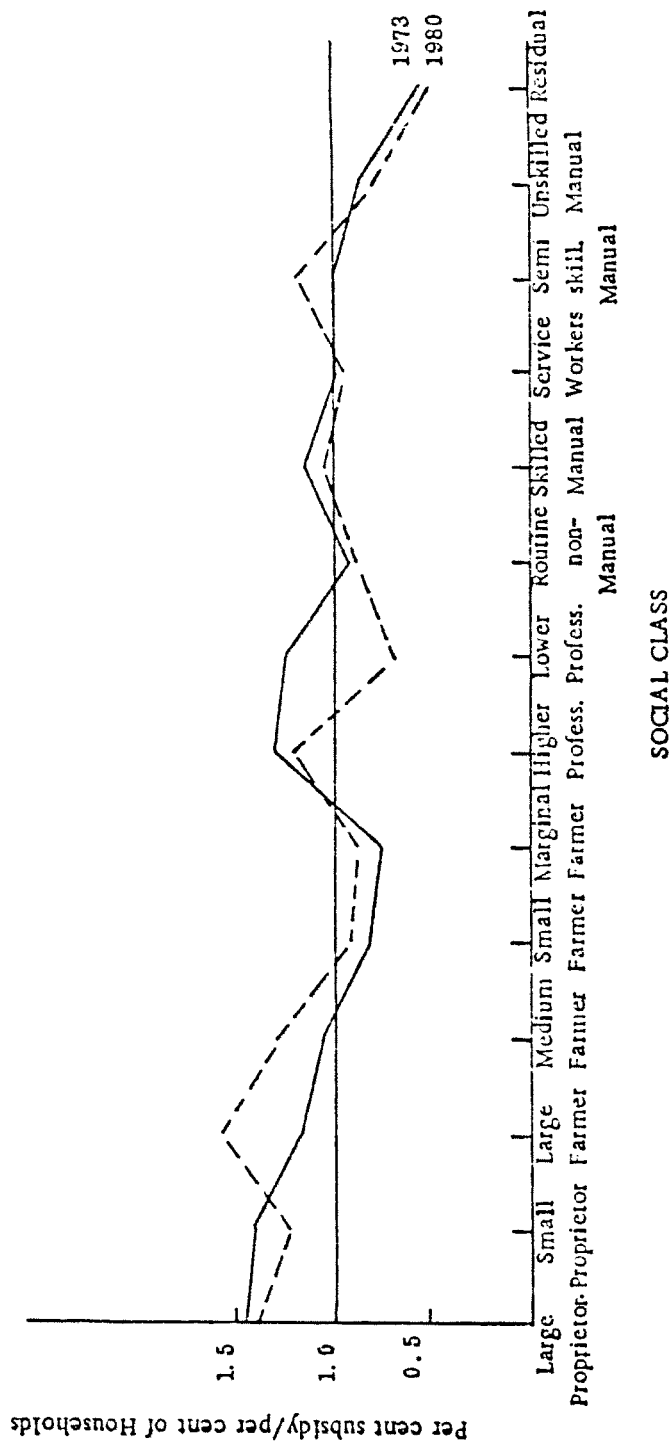
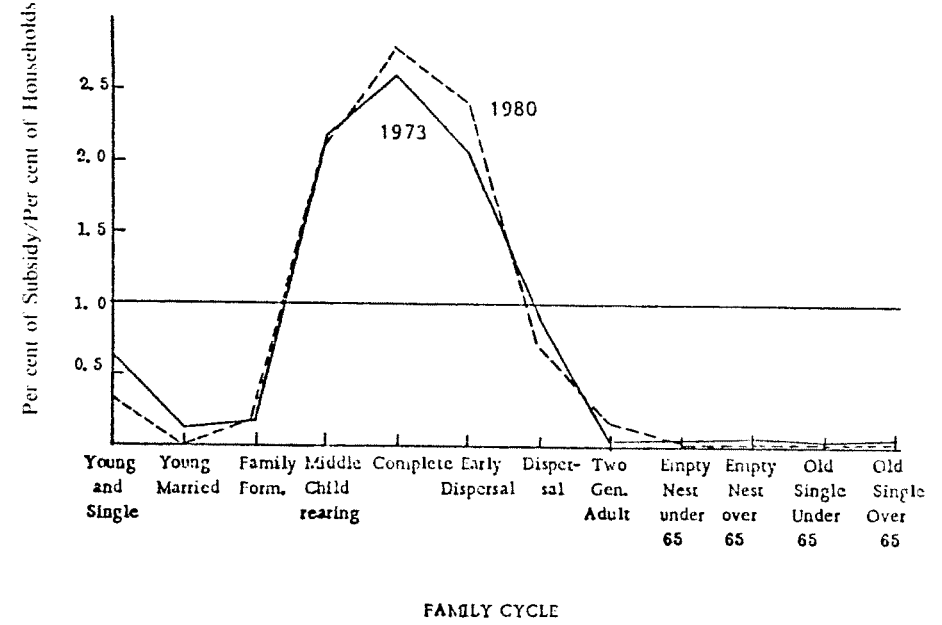


Figure 4.2

The Ratio of Family Cycle Shares in Education Subsidies to Shares in Households, 1973 and 1980



Family cycle differences in shares of educational expenditure are not revealing for obvious reasons. Figure 4.2 indicates the concentration of that subsidy in households at the fourth to seventh stages: 'middle child-rearing' to 'dispersal'. The pattern of distribution is not influenced by the presence in 1980 of a greatly increased, in its relative size, young single category. Their share in educational subsidies remained constant despite the expansion of that category from 3.3 to 5.9 per cent of all households.

4. CONCLUSION

The analysis of who benefits from educational expenditure and by how much finds that it was moderately redistributive in 1973 and more strongly redistributive in 1980. This follows in part from the limitations of the estimation procedure used. Yet the results are still more benign than what many commentators using school participation data as their evidence have concluded (see, for example, Rottman and Hannan, 1982, Chapter 2). Overall educational expenditure was concentrated in the middle income quintiles. That the households in those quintiles were the ones most likely to have school age children in residence helps explain the pattern of distribution but does not alter

its redistributive effects. Educational expenditure, as measured in the CSO estimates, contributes to overall redistribution through State expenditure programmes. Chapter 7 will place education expenditure in the context of the full process of redistribution through taxes and benefits in the two years.

The overall conclusion regarding the effects of educational policy, however, is not necessarily favourable. One reason is the strong relationship between educational subsidy and social class. Researchers are far more likely to have access to data on parental occupation and employment status than on income. Hence the use of social class or social group as the standard basis for classifying families or households when studying the impact of educational policy. In social class terms, the experience over the 1970s was mixed: there is no clear trend toward diminished class inequalities in the sharing of State subsidies to education. Within farming, for example, the difference between large and medium farm households, on the one hand, and small and marginal farm households, on the other, widened considerably between 1973 and 1980. Non-agricultural proprietors took a smaller share of the total subsidy in 1980 than in 1973—see the ratios of subsidy share to share of all households in Appendix Table 4.1—but so did skilled manual worker, service worker, and unskilled manual worker households. When this pattern is viewed in the realisation of the limited coverage given in the analysis to the strongly regressive subsidies to third level education, the concerns that troubled the NESC and researchers over the years re-emerge. If State policy on education has made some strides toward a greater realisation of the least demanding of egalitarian objectives — equality of access — it is not evident that progress is being made in the other forms of equality noted in Chapter 1. The Irish educational system is clearly not producing nor moving toward equality of educational outcomes regardless of one's socio-economic background.

The chapter also leads to two more or less methodological conclusions. One is that future studies of the impact of educational expenditure will have to take into account the tendency of students in third level education to live away from their parents. The Household Budget Survey is focused on the expenditure unit; the existence of other family members living elsewhere — even temporarily — is not relevant to its major objectives. It is of course possible to add questions to the survey inquiring about children of household members who are attending primary or secondary boarding schools or who are living elsewhere while attending a third level institution. Competition for space on the questionnaires is intense but the 1987 Survey should make possible more accurate allocations of total State expenditures on education. Estimating redistribution is an iterative process, one in which each exercise improves on its predecessors.

A second methodological conclusion is the importance of social class as a basis for evaluating State policies. The policy concerns which underly Irish

educational policy are more directly related to class issues than to income per se. In the analysis of health care, family cycle proved to be quite revealing about important distributional patterns of State subsidies. Enough is known about social class differences in health status—ranging from infant mortality rates to morbidity from specific diseases, to work toward improving the allocations that we can make on the basis of social class in that area of expenditure as well.

REDISTRIBUTION THROUGH HOUSING SUBSIDIES

1. THE FRAMEWORK FOR STATE SUBSIDY TO HOUSING

State current expenditure on housing in 1987 is estimated to run at £241 millions. That sum, equivalent to 2.4 per cent of total current expenditure, will cover a variety of schemes, of which the local authority rental accommodation is but one. Further, the largest subsidy to the provision of housing today comes in the form of a 'tax expenditure': the income tax allowance available to those making mortgage interest payments. The £160 million in tax revenue that is expected to be forgone in 1987 as a result (Budget 1987, p. 23) is a massive subsidy to those purchasing a home in the private housing sector. This diversity is important. First, State housing policy lacks the consistency evident in other programme areas. Le Grand's (1987, p. 7) examination of the British social services finds council housing to be the most 'pro-poor' and tax subsidies to owner-occupiers the second most pro-rich among social services expenditure. Second, Irish housing policy is more prone to shifts in direction than most programme areas. This is evident in the tendency of the size of State expenditure to vary considerably from year to year rather than to move in trends or cycles and also for new schemes of subsidisation to appear and then vanish after a relatively short duration. That diffuseness of State housing subsidies stems from the stated policy objectives. The Comprehensive Public Expenditure Programmes series provides the following wording:

"The basic aim of housing policy is to ensure that, as far as the resources of the economy permit, every household can obtain a house of good standards, located in an acceptable environment, at a price or rent they can afford. A secondary aim is the encouragement of owner occupation, as the widely preferred form of tenure. An important principle in the operation of policy is that the primary responsibility for the provision of housing rests with the individual. Those who can afford to do so are expected to house themselves, if necessary with the aid of grants and other incentives from central and local authorities. Households unable to house themselves from their own resources depend largely on housing authorities." (Comprehensive Public Expenditure Programmes 1986, p. 392).

This suggests that housing subsidies should be highly redistributive, given the policy emphasis on 'ability to pay' and the special attention to the situations of those requiring State assistance.

The CSO estimates of State benefits only provide explicit allocation of the subsidy to households renting local authority accommodation. Other subsidies, such as mortgage interest relief, are implicit in the size of the income tax payments made by an owner-occupier household. This obviously limits the extent to which we can evaluate the actual redistributive outcomes from State housing policy in 1973 and 1980. To partially redress the imbalance in the coverage of the analysis, the distribution of categories of housing tenure across income quintiles, social class, and the family cycle are considered in the chapter.

The framework through which the State subsidises housing costs is essentially divided into three components. In 1973 (actually, the financial year 1973/74), public authority housing expenditure was comprised of 27 per cent in the form of current subsidies, 48.9 per cent through capital transfer payments and the direct costs of construction, and 24 per cent through loans. The comparable percentage shares in 1980 were, respectively, 30 per cent, 46.8 per cent, and 23 per cent (Baker, 1984, Table 1). As noted, 'housing effort' as a percentage of GNP is quite volatile over short time spans compared to other areas of social expenditure. This is largely due to varying commitments to new housing construction and to schemes for subsidising loans for house purchases. Housing expenditure in 1973 was equivalent to 2.2 per cent of GNP and 1980 expenditure 3.5 per cent. Despite that growth, housing expenditure as a proportion of total public expenditure tended to decline, though the downward trend was uneven and frequently reversed even within that short period. Thus, housing expenditure in 1973 represents 7.3 per cent of the total, while 1980 expenditure accounts for 5.6 per cent. These calculations omit 'tax expenditures' to those purchasing a home through a mortgage in which the interest component of their mortgage repayment is subject to tax relief at the taxpayer's marginal rate of tax. That exemption too has varied substantially with Budget provisions, but was at its most generous, in real terms, in the late 1970s. Subsequently, its value to the average home purchaser declined in real terms, and in recent years the maximum exemption has in fact been reduced in the absolute amount that can be claimed as exempt in a tax year. In 1980, housing tax expenditure amounted to £36 million (NESC, No. 75, p. 73); that subsidy, termed 'fiscal welfare' by Richard Titmuss, multiplied fourfold over the next seven years to the £160 million cited earlier. Since 1981, housing policy shifted towards the use of tax incentives on the construction of private rental accommodation (see *Comprehensive Public Expenditure Programmes* 1985, p. 395).

Subsidies to housing are likely to be specific to each of the main housing tenure groups in Ireland: (i) owner occupiers, who may either own the house outright or be purchasing it through a bank or building society mortgage; (ii) tenants of local authorities, who pay a rent that is less than the economic cost of the housing provided; (iii) tenants renting from the private market (which may be

subject to various government restrictions and controls), and (iv) tenants of local authority housing who are purchasing their homes from the local authority at a subsidised price.

The Household Budget Surveys only provide satisfactory estimates of the subsidy being received by local authority tenants. In both surveys, the housing benefit is that accruing to local authority tenants in the form of current State expenditure on local authority housing. This covers maintenance, management costs, and loan charges. No allocation was made of the capital expenditure incurred in the construction of existing or new dwellings in the local authority housing sector. The 1973 allocation took total State expenditure, as defined above, and converted it on a national basis into an average expenditure per £1 of rates. This was possible because the rate component of the rents paid in respect of individual local authority households was distinguished, so the allocation of the subsidy was directly proportional to the rates paid. The 1980 allocation was necessarily different, due to the abolition of rates on non-commercial buildings, which took effect in 1978. The benefit was estimated on an average cost per room, with the figures provided to the CSO by the Department of the Environment, distinguishing between Co. Dublin and the rest of the country. The economic rent of each local authority dwelling in which a household participating in the 1980 survey lived was then estimated by multiplying the appropriate average economic rent per room by the total number of rooms occupied by the household. The benefit is then the difference between the estimated 'economic rent' and the actual rent paid by the household to the local authority. The CSO's procedure can be explained as:

- (1) The average economic rent per room x No. of rooms =
Total Economic Rent.
- (2) Actual rent paid by the household.
- (3) Subsidy = (1) - (2).

The 1980 procedure takes account of the 'differential rent' scheme by which local authority rents vary with a household's economic circumstances. Therefore the estimated distribution of housing benefits in the redistribution analysis that follows is both partial, in that it excludes the subsidy to all but one tenure group, and is not fully comparable between 1973 and 1980.

In this chapter the focus is necessarily on the subsidy allocated through local authority rents and the main differences between 1973 and 1980 will be: (a) the change in the composition of local authority tenants and (b) the effects of the differential rent scheme, which has been gradually extended to a point where, in 1984, it covered some 90 per cent of rentals (*Comprehensive Public Expenditure*, 1985, p. 395).¹¹ The impact of other benefits in the form of subsidised housing will be examined by considering the tenure group composition of income categories, class categories, and family cycle stages.

2. THE DISTRIBUTION OF LOCAL AUTHORITY RENT SUBSIDIES

The real value of the average subsidy to housing as measured by the CSO declined between 1973 and 1980, reflecting in part, the diminished proportion of all households receiving the benefit. The average is over the total population of households, not only those households renting local authority housing. In 1980 prices, the 1973 subsidy would be £1.09 on average, whereas the actual average subsidy in 1980 was £1.00. The analysis of redistribution begins with a comparison of the distribution of housing subsidy in 1973 and 1980 by quintile of equivalent disposable income. That is provided in Table 5.1. The allocation of the subsidy is progressive in both years, though considerably more so in 1980. In 1973, some 28 per cent of the subsidy went to households in the bottom quintile, giving the bottom 40 per cent of households a 54 per cent share. The comparable distribution in 1980 gave 43 per cent of the subsidy to the bottom quintile and 71 per cent to the bottom two quintiles. Given the nature of the subsidy being allocated, however, the extent to which households in the upper parts of the income distribution were in receipt of a subsidy as local authority tenants is notable in both years.

Table 5.1: The Distribution of Housing Subsidies by Quintiles of Equivalent Disposable Income, 1973 and 1980

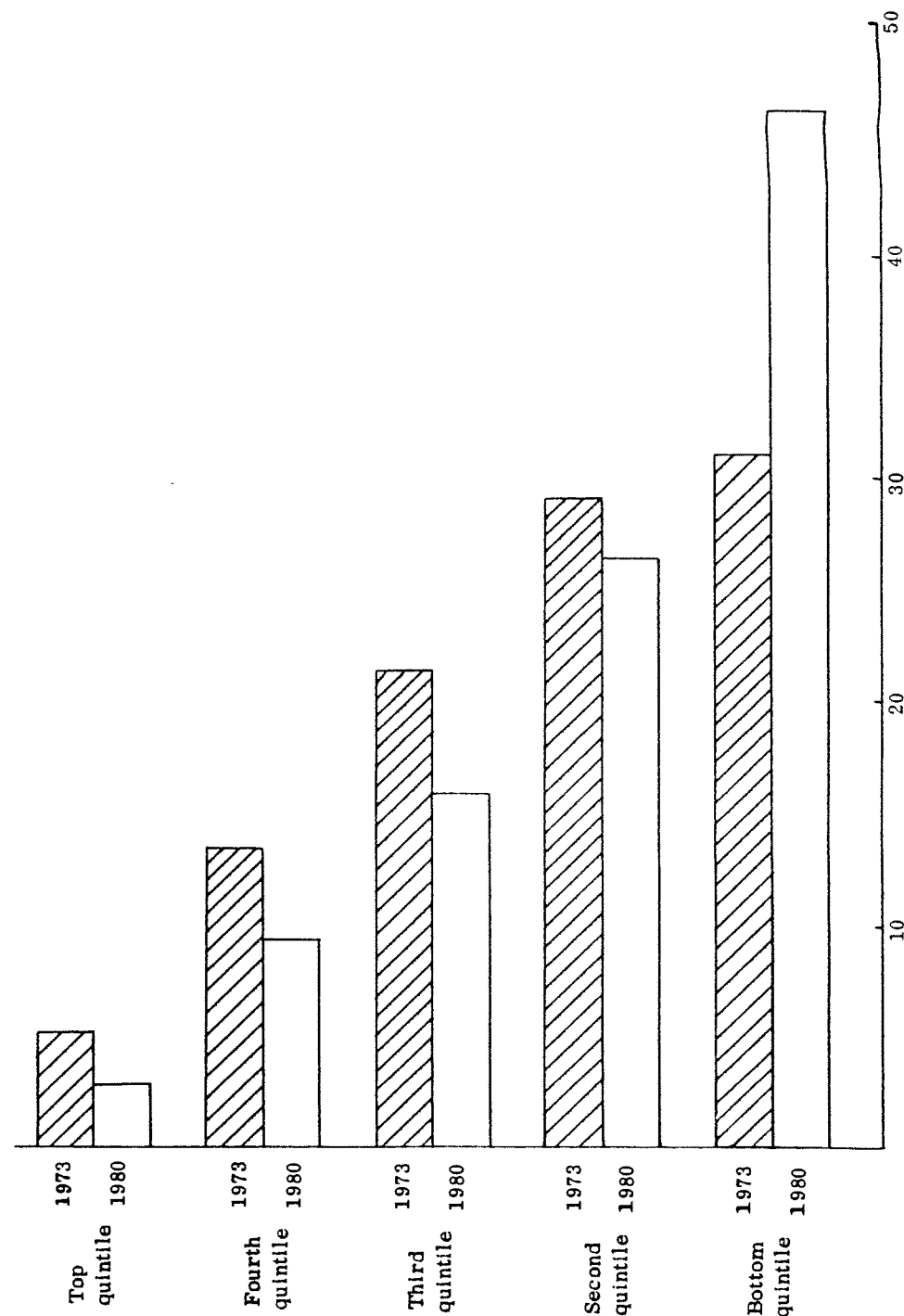
Year	Equivalent Income Quintiles					All
	Bottom	2nd	3rd	4th	Top	
1973	27.7	26.6	25.2	15.2	5.4	100.0
1980	42.7	27.8	18.0	9.5	2.1	100.0

Source: *Household Budget Surveys, 1973 and 1980.*

The sharp contrast between the distributions can be seen in Figure 5.1, which reproduces the information in Table 5.1 in bar chart format. It would appear that housing policy changes, as they affected local authority rental subsidies, tended to make the distribution more progressive. In particular, the share of the lowest income group grew dramatically, the share of the second lowest income group remained unchanged, and the shares received by households in the top three income quintiles declined substantially.

Figure 5.2 provides an overview of the distribution of the subsidy by class category. Two groups of class categories experienced changes in their shares of all subsidies. One was minor - that occurring for farm households. Their share of the total subsidy is minute in both years compared to their share of households. But it apparently was possible in 1980 for farm households to take advantage of the subsidy provided through local authority rental housing. This had not been the case in 1973. The other change was more substantial. Skilled manual workers in 1973 had the highest ratio of subsidy share to household share. This declined considerably by 1980, leaving skilled manual workers with

Figure 5.1: The Distribution of Housing Subsidies by Quintiles of Equivalent Disposable Income, 1973 and 1980



much the same subsidy share they would have received had the benefit been allocated simply on a per capita household basis. Instead, within the working class, subsidies were more clearly directed towards the unskilled manual worker category. Service workers and semi-skilled manual households held similar shares in both years. Generally, local authority rentals offer one form of state subsidy that is directed to working class households. The subsidy to local authority renters also appears to be directed in a manner that favours families raising children. This can be seen from the pattern of subsidy/household ratios given in Figure 5.3. This contrasts with, for example, the findings discussed in Chapter 3 for health care expenditure. The relative advantage experienced by households in the 'middle child-rearing' and 'complete' stages is present in both 1973 and 1980, though it is slightly less pronounced in the latter year. However, households in the 'formation' and 'dispersal' stages did not particularly benefit from housing subsidies. In 1973, the other main beneficiary stage was 'empty nest' households in which the household head was aged less than 65; this advantage had disappeared in 1980. The general pattern was, both in 1973 and 1980, for only a small number of stages to, in fact, receive a significant share of the subsidy relative to the number of households at that stage. This cannot be taken as an evaluative statement. Overall, the subsidy being allocated is but one of many available and is far from being the most generous, either in cost or actual service provided.¹²

It is also possible that the 1973-80 comparisons reflect differences in taking advantage of the opportunities, particularly attractive since July, 1973, for local authority tenants to purchase their houses rather than continuing on as renters. The opportunity to purchase offers a subsidy, as the price offered to the tenants wishing to purchase is that of the cost of construction. The difference between the purchase price, set at construction costs of decades earlier, and the market value of the dwelling is significant. By 1986, some 180,000 houses had been purchased by tenants from local authorities (Comprehensive Public Expenditure Programmes 1986, p. 393). This subsidy is not considered in the CSO estimates. The NES (No. 25, p. 26) estimates that the 'discount' to tenant purchasers of local authority houses is in the range of 50 to 75 per cent of the house's value.

3. TENURE GROUPS

Given the data limitations, the most satisfactory basis for evaluating the overall consequences of housing policy is to examine the situation of each of the main tenure groups. Table 5.2 takes each of six tenure groups — owned outright, owned with mortgage, local authority tenant purchaser, local authority renter, private sector renter, and 'rent free' — and indicates the distribution of the groups' households in terms of equivalent disposable income quintiles. (Appendix Table 5.1 provides the same cross-tabulation, but with the rows rather than the columns adding up to 100.0 per cent). By looking at each tenure

Figure 5.2

The Ratio of Social Class Shares in Housing Subsidies to Shares in Households, 1973 and 1980

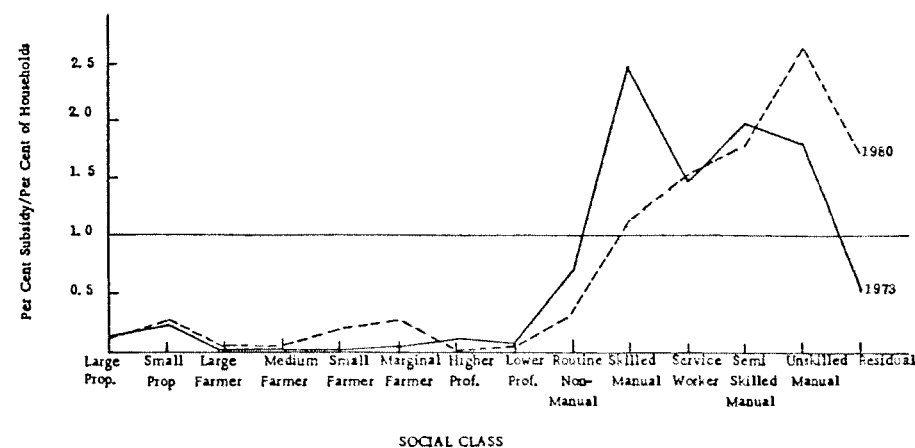


Figure 5.3

The Ratio of Family Cycle Shares in Housing Subsidies to Shares in Households, 1973 and 1980

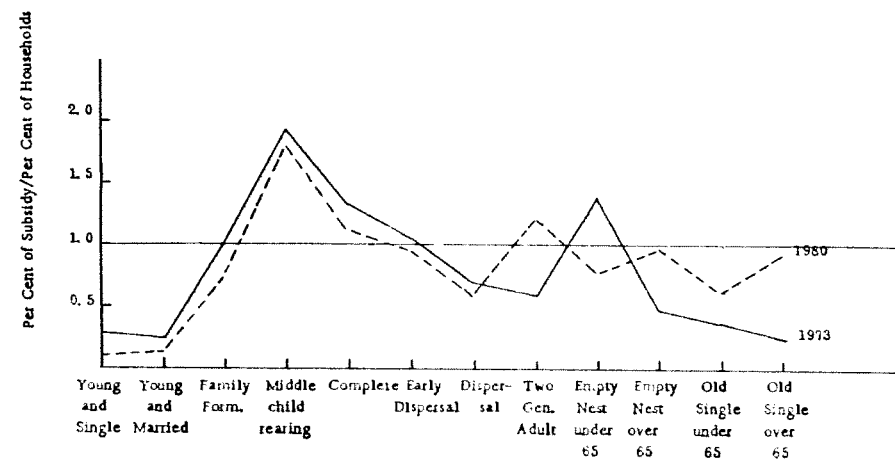


Table 5.2(a): Tenure Group by Equivalent Disposable Income, 1973

Equivalent Disposable Income Quintile	Tenure Group					
	Owned Outright	Owned with Mortgage	Tenant Purchase (L.A.)	Local Authority Rental	Other Rental Furnished, Unfurnished	Rent Free
Lowest	21.5	3.7	20.3	27.4	17.3	35.7
2nd	20.9	9.7	22.4	28.0	13.8	22.3
3rd	18.2	19.8	24.0	23.9	18.6	14.6
4th	17.5	31.2	23.1	15.0	23.0	15.7
Highest	21.9	35.7	10.2	5.6	27.5	11.7
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Household Budget Survey, 1973*

Table 5.2(b): Tenure Group by Equivalent Disposable Income, 1980

Equivalent Disposable Income Quintile	Tenure Group					
	Owned Outright	Owned with Mortgage	Tenant Purchase (L.A.)	Local Authority Rental	Other Rental Furnished, Unfurnished	Rent Free
Lowest	25.2	5.8	15.9	39.4	14.6	27.2
2nd	22.6	12.2	24.5	28.6	16.1	22.5
3rd	19.8	22.3	23.3	20.8	14.5	10.7
4th	16.3	28.8	26.3	9.0	21.2	22.2
Highest	16.1	31.0	10.0	2.2	33.4	17.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Household Budget Survey, 1980*

group separately, we can use percentages to allow for differences in the number of households within each tenure group. The distributions for most tenure groups are broadly similar for 1973 and 1980.

Those who own their home outright are of diverse economic circumstances, those with mortgages are at the top of the income distribution, while local authority purchasers tend to be at the middle of the income distribution.¹³ Households obtaining accommodation through the private rental market are diversely situated in terms of income levels. Those in 'rent free' accommodation are most likely to be in the lower part of the income distribution, but some 17 per cent fall within the highest income quintile in 1980. The major change between 1973 and 1980 is the extent to which the two local authority groups are differentiated. In 1980, tenant purchasers are more likely to be from the middle of the distribution, while renters are very much concentrated in the bottom two quintiles. Another change, though not as marked, is for the mortgage purchase group to become less concentrated at high income levels. For example, in 1973, 36 per cent, and in 1980, 31 per cent, of such households were located in the top income quintile.

The analysis of Household Budget Survey data suggests that in 1973 and 1980 the relationship between household income and local authority rents is erratic. In a tabulation previously made available to the NESC (NESC No. 75, Table 2.3) the average rent paid by local authority tenants rose with income but not consistently. The Council (p. 25) concluded that 'the differential rents scheme did not, in 1980, operate in a way that related rents systematically to ability to pay'. It went on to urge "reorganisation of the local authority rent system in such a way that rents are related more closely to ability to pay and that the position of low income families is protected."

A comparable examination of the class and family cycle tenure group profiles can be found in the Appendix Tables (A5.2 and A5.3 for class and A5.4 and A5.5 for family cycle). The main area of growth over the 1970s was in the owner-occupier tenure group, which accounted for 53.6 per cent of all households in 1971 and 65.8 per cent in 1981. When the local authority tenant purchasers are included as owners, the share changed from 59.8 to 73.8 per cent over the 10 years. In the same period, local authority rental accommodation dropped from 18.4 to 12.3 per cent of the total housing stock.¹⁴ Our main interest, therefore, is in the distribution of households with mortgages. The magnitude of the change and its concentration in class categories can be seen in Table 5.3. Overall, in 1973 some 13 per cent of households had a mortgage, a figure that had grown to 24 per cent in 1980. Only one category — higher professionals — had a majority of mortgage holders in 1973. Farm households tend to own their home outright — the farmhouse is simply a part of the general family enterprise.

Table 5.3: The Percentage in each Social Class with a Mortgage 1973, 1980

	% with Mortgage	
	1973	1980
Large Proprietor	15.9	37.9
Small Proprietor	15.8	28.9
Large Farmer	2.7	8.4
Medium Farmer	1.1	7.4
Small Farmer	0.7	4.5
Marginal Farmer	0.6	1.0
Higher Professional	53.6	63.2
Lower Professional	28.1	38.9
Intermediate Routine Non-Manual	33.4	41.9
Skilled Manual	18.7	31.5
Service Worker	15.4	22.3
Semi-Skilled Manual	8.8	20.5
Unskilled Manual	2.6	7.8
Residual Workers	3.6	5.7
Retired Farmers	—	1.5
Average	13.4	24.4

Source: *Household Budget Surveys, 1973 and 1980.*

By 1980, however, mortgage interest rates and the extent of the State subsidy through 'tax expenditure' to mortgage holders had become a major concern for a substantial proportion of proprietors outside of agriculture, white collar employees, and skilled manual workers. A fifth of service and semi-skilled manual households had a mortgage in 1980, a substantial increase over the 1973 figures. In redistributive terms, the importance of subsidies to mortgage holders is not limited to high income, middle class categories, but since the amount of the subsidy varies with marginal tax rates, its impact is still likely to be regressive.

A mortgage confers not only a State subsidy in the form of tax relief, one that varies positively with the size of one's income, but also substantial responsibilities. The implications of those responsibilities is particularly acute in terms of the family cycle. Households at the early stages of the cycle typically face the costs of both purchasing their home and raising a family. The percentage of households holding a mortgage in each family cycle stage can be seen in Table 5.4. In 1973, in only three stages were more than a fifth of the households mortgage holders: 'young married', 'family formation', and 'middle child-rearing'. Even at the 'dispersal' stage, only one of every ten households had a mortgage. The 1980 pattern reflects the magnitude of the changes and

Table 5.4: The Percentage in each Family Cycle Stage with a Mortgage, 1973, 1980

Family Cycle Stage	% with Mortgage	
	1973	1980
Young and single	1.8	8.5
Young married	26.6	53.4
Family formation	27.7	54.0
Middle child rearing	23.8	36.4
Complete	17.5	36.8
Early dispersal	14.6	25.4
Dispersal	10.4	17.7
Two generation adult	3.2	6.5
Empty nest — under 65	5.2	9.8
Empty nest — over 65	3.1	4.5
Old single — under 65	2.9	4.6
Old single — over 65	0.3	1.6
Average	13.3	24.4

Source: *Household Budget Surveys, 1973 and 1980.*

the extent to which households at the later stages of the cycle are generally unaffected, having long since completed the purchase of their house. Among households at the 'family formation' stage, the percentage with mortgages doubled between 1973 and 1980. A similar increase was found among households at the 'complete' stage. Of course, the comparison here is of households, which in 1973 were at a particular stage of the life cycle with other households which happened to be found in that stage in 1980. In policy terms, this raises a cautionary note when the regressive nature of 'tax expenditures' through mortgage loan interest exemptions are discussed. In terms of vertical equity, that form of welfare is clearly regressive. However, if we include a horizontal dimension when considering equity, the implication is that much of the cost of any change to the subsidy would adversely affect households in which expenditure commitments are already heavily constrained by the responsibilities of raising children.

4. CONCLUSION

Housing expenditure, in so far as it is captured by the CSO allocations to households, was progressive in both 1973 and 1980, and was more strongly so in the later year. The enhanced progressivity was somewhat blunted in its redistributive impact by a decline in the real value of the average benefit allocated to households. These effects emerge with clarity from the tables included in this chapter and conform to the statistical analysis carried out by

Murphy (1984, Tables 23 and 24). The redistributive consequences of changes over the 1970s are not straightforward, however, when they are viewed in the context of other, more costly, State interventions that influence the standard of housing enjoyed by various groups, whether categorised by income, class, family cycle, or some combination of those groupings. Over the 1970s, and continuing into the 1980s, the size of the tenure group in which the progressive effects were being experienced was shrinking. By 1985, local authorities were renting some 113,000 dwellings, while some 178,000 households were in accommodation purchased from a local authority (*Comprehensive Public Expenditure*, 1985, p. 395). Approximately one-quarter of all new housing construction is currently for local authority rentals. The continued emphasis on increasing the stock of local authority rental accommodation is combined with new government policies that seek to encourage existing tenants to enter the private housing sector as owner-occupiers. This leaves housing policy in Ireland with rather contradictory objectives: to build more new local authority housing and to provide incentives for those in such housing at present to seek alternatives. The net effect might be what policy-makers are trying to achieve, but the cost is likely to be considerable.

Although the trend over the 1970s suggests that policies did concentrate local authority rent subsidies more on households with low income, the encouragement for tenants to purchase their homes, built at public expense, for far less than their market value may have acted to create a two-tiered system. The more fortunate, who are able to afford to buy their homes, are possibly receiving a greater State subsidy than those who continue to rent. Given the income group compositions of purchasers and renters, the highest subsidy appears to be directed at the more well-to-do end of the income distribution. These policy effects clearly require review.

Shifts in the housing market have generally served to make more young families mortgage holders. During the late 1970s, such a move, given the generous government subsidy through 'tax expenditures', might have been to the advantage of households with many young dependants. As O'Brien (1982, pp. 59-60) points out:

"the tax relief on interest repayments is of greatest value to those with the largest debt and with the highest marginal tax rates. At first sight such a result would appear to be directly regressive. However, ... in an inflationary period many large mortgage holders tend to be held not by the purchasers of the biggest houses but by the most recent purchasers of almost any sort of house ... Taken over the whole range of owner-occupiers, the tax reliefs may well be positively redistributive, assisting most the relatively poorer and younger householders who are paying a particularly large share of their income on housing".

Such a fortunate effect was not the result of policy, but 'an almost accidental

REDISTRIBUTION THROUGH SUBSIDISED PUBLIC TRANSPORTATION

1. SOCIAL POLICY AND TRANSPORTATION

Public expenditure on transportation services is not commonly regarded as a part of social expenditure or its impact a matter for social policy in Ireland. Certainly NESC publications over the years have not treated it in that manner (but see NESC Report No. 48). State interventions to provide public transportation or to subsidise private transportation can be seen as being directed at a variety of economic and social objectives. Le Grand (1982, pp. 116-20) reviews the history of justifying public expenditure as redistributive, by improving the mobility of low income groups beyond what it would be if they were dependent on purely market supplied transport services. The subsidy has also been defended on the grounds that it provides a minimum level of service that would not otherwise exist. More generally, public transportation systems as a form of direct provision have been justified as relieving congestion on roads, thus reducing accidents and conserving energy, as well as protecting the environment: "Subsidies are necessary, because it is argued that other users, particularly motorists, cannot easily be made to pay the full costs of the congestion and environmental damage they impose" (Short, 1983).

Scepticism over the redistribution component of such claims is certainly warranted. Le Grand's (1987, p. 7) evaluation of the distribution of public expenditure on the British social services found 'railway subsidies' the most pro-rich — the subsidy to those in the top income quintile was nearly 10 times greater than that to persons in the bottom fifth of the income distribution. In Ireland, such a public role is recognised as part of the objective of transport expenditure on road and rail transport: "to ensure that services are provided as economically as possible to meet the economic and social needs of the community through the operations of CIE and by licensing private sector operators as necessary" (*Comprehensive Public Expenditure Programmes*, 1985, p. 206). In plain language, public transport has been assigned the social role of providing for those who are not car owners; in particular, it has been argued that a public transportation system maintains the mobility of those without cars in rural areas and facilitates their links with towns and cities, thus reducing rural to urban migration.

In Ireland, subsidy to public transportation with direct redistributive consequences occurs in four main forms. The first is the subsidy provided from

outcome of the operation of inflation on the tax relief scheme'. Since 1980, the real value of the average 'fiscal welfare' derived from interest relief tax expenditures has declined, as has inflation. The likely result is the one O'Brien predicted: "In non-inflationary circumstances, tax relief would work in the directly regressive way usually attributed to it." With the local authority rental sector increasingly filled by the very lowest income groups and with many working class households mortgage holders, recent housing policy would seem to be deficient in meeting the needs of moderate income households in employment. It is, however, apparently efficient at meeting the housing needs of the households with the very highest and the very lowest incomes. Finally, it also appears that a share of the subsidy through local authority rentals is going to households in the top half of the income distribution. This is less true in 1980 than it was in 1973, but it suggests a lack of precision in the pursuit of the State's official housing policy.

Finally, the CSO analysis allocates but a fraction of the subsidies available to housing costs. Local authority tenants as a tenure group covered 17 per cent of all households in 1973 and but 11 per cent in 1980. The methodology of redistribution studies in Ireland needs to adapt to the realities of changing patterns of tenure and of the allocation of State subsidies to each of the major tenure categories. Again, this will impose a burden on the Household Budget Survey in terms of a number of questions whose sole purpose would be to increase the breadth and accuracy with which indirect subsidies are being measured. Given the sums of State money involved in the subsidies, and the social policy consequences of a misallocation of resources away from the categories most in need in a programme such as housing, the availability of data for evaluation purposes is clear. If it cannot be obtained within the Household Budget Survey, alternative sources must be sought. Some suggestions for what information is needed have been made by NESC (1983, pp. 131-133). The Council is less clear on how the data are to be collected. Even if a methodology were to be developed for estimating subsidies for each tenure category, the implications of the results would be difficult in the absence of corresponding information on incomes, class or socio-economic groups, and family cycle stages of the beneficiary households. That requires a large scale survey. We would, however, agree with NESC (1983, p. 131) that the collection and analysis of the relevant data "would involve costs which would be small in relation to the level of current expenditure and which might be offset by consequent savings as a result of greater effectiveness achieved in social programmes."

the Exchequer to cover CIE's annual deficit. In 1973, that subsidy amounted to £10,750,000. Had that level of subsidy been retained in real terms, it would have amounted to £29 million in 1980; the actual subsidy provided in that year was £70 million (CIE Annual Reports, various years).

The second basic form of subsidy is that available to old age pensioners who, subject to certain restrictions on use, are entitled to free travel. That subsidy is not means-tested and is universally available to all meeting the age requirement. A third major form of subsidy comes through free school transport. The value of that subsidy which is selective rather than universal, has already been incorporated in estimating the benefits distributed through the educational system. A fourth subsidy is offered in the form of the repayment of excise duty on diesel fuel purchased for use on scheduled road passenger services and the charging of fuel used in trains with duty at the lower, non-automotive rate (this gave a 1986 subtotal of £17 millions, £8 millions to road passenger services and £9 millions to train passengers — Department of Finance estimate, personal communication).

In this chapter we are concerned with two rather different forms of subsidy to transport. One is the subsidy automatically granted to anyone under age 65 who travels by CIE rail or bus services. They pay a fare that is subsidised in that its cost is reduced by the State's willingness to cover the deficit between what CIE's services cost to provide and what its customers pay. The second subsidy is that to old age pensioners. It does not require any expenditure by the passenger in order to qualify for the benefit. The Department of Social Welfare pay CIE an agreed annual amount of money in lieu of the actual cost of operating the free transport system. No record is maintained of how often free travel pass holders make use of CIE service and so the actual cost to CIE of the service cannot be estimated. A survey was, however, carried out in 1973 on the use by free travel pass holders on city buses and subsequently used as an indication of the take-up level for the service. Since 1973, the subsidy has been increased on the basis of general fare increases and changes in the free travel scheme. The Department of Social Welfare pay 60% of that estimated cost. The discount is justified on the grounds that free travel is a social service, and that the Department of Social Welfare, being one of CIE's larger customers, is in effect bulk buying and also because the scheme applies in off-peak hours, when for most forms of public transport the cost of carrying an extra passenger is quite low, if not negligible.

Whether the subsidy is total (as with old age pensioners) or partial (as for all other passengers) the likelihood of redistribution resulting can be questioned on a *priori* grounds. As Short (1983) notes, since most travel involves some form of expenditure in accomplishing its purpose, "the very low income groups could not be presumed to make purposeless trips" Le Grand's (1982, p. 117) conclusion based on data for the UK suggests that caution is advisable. He

found that "public expenditures on transport have not promoted greater equality in final income."

This is supported in the Irish case if we look at the distribution of expenditure on various forms of transport using the 1973 and 1980 Household Budget Surveys. The relevant data are summarised in Appendix Tables 6.1 and 6.2 and provide the distribution by quintile of equivalent disposable income of transportation expenditure overall, and separately on travel by motor vehicle, bus, and train. The 1980 profile is more supportive of the prospect of redistribution through transportation subsidies, but still is far from promising. Overall, the bottom income quintile spent 9 per cent of total transportation expenditure, with 30 per cent incurred by households in the upper quintile. The bottom quintile's share in motor vehicle related expenditure was also 9 per cent and the top quintile's again 30 per cent. Expenditure on travel by bus was concentrated in the two highest income quintiles, who shared 58 per cent of the total. The top quintile spent nearly half (49 per cent) of expenditure on rail travel, contrasted with the 6 per cent spent by households in the bottom quintile. In terms of the general subsidy to CIE, it seems unlikely that its distribution could be progressive or that it could be redistributive in its consequences.

2. ALLOCATING THE SUBSIDY TO HOUSEHOLDS

In the 1973 redistribution analysis, free travel to the elderly was allocated on a simple per capita eligibility basis and the general subsidy to CIE was allocated proportionately to what the household spent on travel. The 1980 identification of those with 'free travel for the elderly' was more precise and the State subsidy was allocated on the basis of the fares actually paid by a household's members, with the per £ subvention estimated by CIE separately for Dublin city bus services and other bus and rail passenger services. The resulting average benefits in 1973 and 1980, both overall and divided into the two components — free travel for the elderly and the general transportation subsidy — are shown in Table 6.1.

Table 6.1: Average Transportation Subsidy: 1973 and 1980

Subsidy	1973	1973 in	1980	Real Change
	£	1980 prices		
Elderly	0.049	0.133	0.178	34.1%
General	0.050	0.136	0.580	426.8%
Total	0.098	0.269	0.758	282.2%

Source: *Household Budget Surveys, 1973 and 1980.*

Over the 1973-80 period, subsidies to the elderly in the form of free transportation grew in real terms by just over one third. That growth is dwarfed by the massive rise in the cost of the general subsidy to CIE services. One consequence is that the 1973 redistribution analysis will reflect evenly the two programmes. By 1980, the subsidy directed specifically at the elderly accounted for only £23 of every £100 allocated in the CSO exercise. This occurred despite a considerable increase in the number of recipients of free travel, from an estimated 242,000 in 1973/74 to 349,000 in 1980 (Department of Social Welfare estimates provided to the authors), a rise facilitated by a change in eligibility during 1980 in which the made free travel available at age 65 (it had been 69 in 1973). The CSO's allocations do not duplicate the actual change in public expenditure on free travel for the elderly, which rose from £2.1 million in 1973/74 to £11.1 million in 1980. (Department of Social Welfare estimates supplied to authors).

Because the composition of the subsidies estimated by the CSO differs so greatly between 1973 and 1980, the analysis looks at the two types of subsidy separately.

3. THE DISTRIBUTION OF THE SUBSIDY TO TRANSPORTATION

Table 6.2 provides the distribution of the general transport subsidy in 1973 and 1980 by quintiles of equivalent disposable income. The pattern is highly regressive, with the bottom quintile receiving an 8.1 per cent share of the total value of the subsidy in 1973, a year in which the top quintile received a 42 per cent share. The 1980 distribution is similar. The only variation that can be discerned is the slight reduction of the shares received in the bottom and top quintiles, the difference accumulating in the fourth quintile, which raised its share from 21 per cent in 1973 to 28 per cent in 1980.

Table 6.2: The Distribution of the Transport Subsidy by Equivalent Disposable Income Quintiles, 1973 and 1980

Year	Quintiles					All
	Bottom	2nd	3rd	4th	Top	
1973	8.1	13.3	16.3	20.6	41.7	100.0
1980	6.8	10.3	16.3	28.2	38.5	100.0

Source: *Household Budget Surveys, 1973 and 1980*.

As Le Grand (1982, p. 113) argues, "It is likely that the distribution of private expenditure is not too inaccurate an indicator of the distribution of public expenditure and hence that the latter, like the former, is quite unequal". The allocation of the general subsidy, of course, excludes households comprised

entirely of the elderly, who are subsidised separately and more comprehensively. As can be seen in Table 6.3, the benefit there is indeed directed at low income households. In 1973, 32 per cent and in 1980, 30 per cent of the subsidy was received by households in the bottom fifth of the income distribution. The converse was the restricted share being received by households in the top 40 per cent of the distribution. Their share in 1973 was 24 per cent of the total and in 1980 19.9 per cent.

Table 6.3: The Distribution of the Free Travel for the Elderly Subsidy by Equivalent Disposable Income Quintiles, 1973 and 1980

Year	Quintiles					All
	Bottom	2nd	3rd	4th	Top	
1973	32.0	25.9	18.1	13.0	11.0	100.0
1980	30.3	33.3	16.6	12.7	7.2	100.0

Source: *Household Budget Surveys, 1973 and 1980*.

The distribution is, of course, the mirror image of the distribution by income level of persons with the entitlement to free travel (shown in Appendix Table 6.3), as 'take-up' of the benefit is assumed in the CSO estimates to be invariant by class or region.

The estimating procedures followed by the CSO, however, do permit examination of differences between social classes and family cycle stages in their share of the general subsidy to CIE. In Figure 6.1 the pattern of class-specific subsidies is summarised, using the format of contrasting each category's share of the subsidy with its relative size (in terms of the proportion of all households falling within the category). Although the degree of subsidisation varies directly with the extent of use of CIE services, class differences generally follow what one would anticipate based on income levels. The exception is the shares being received in both years by farm households. Their rural locations tends to make them low users of the services and thus recipients of low, relatively speaking, shares, of the total subsidy.

In 1973, only one group, lower professionals, had a subsidy to household ratio substantially greater than unity. That had declined significantly by 1980, a year in which only routine non-manual workers had such a ratio. Working class households, and particularly unskilled manual households, received little of the benefit from the State subsidy, which, it will be recalled, was allocated according to expenditure patterns. In both 1973 and 1980, within broad groupings of categories, the benefit was generally distributed in accord with income levels. Thus, large farmers fared best in terms of the share received and marginal farmers the least; skilled manual workers, while doing less well than middle class employee category households, had a far greater share than did unskilled manual workers.

The Ratio of Social Class Shares in Transport Subsidies to Shares in Households, 1973 and 1980

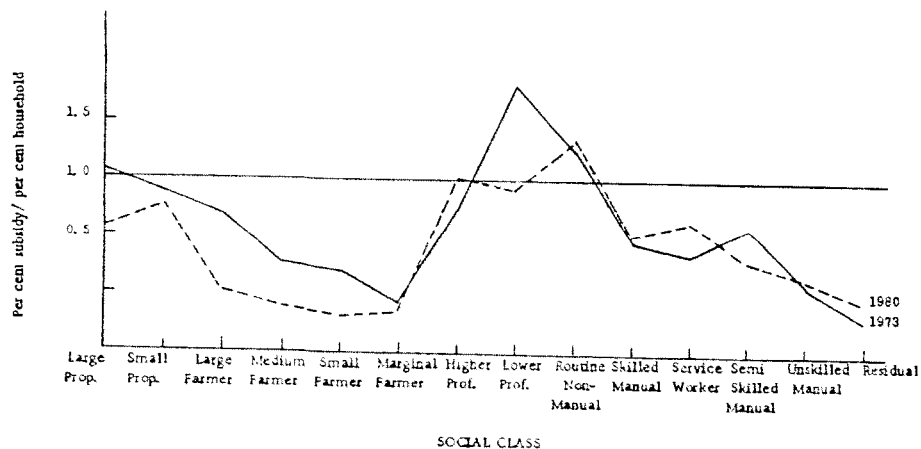


Table 6.4 indicates the share of various class categories in (a) free travel for the elderly and (b) the general subsidy to transportation. In terms of 'free travel' the shares received by farm households declined, although so did their proportional size of their categories in the total class structure. Most working class categories experienced an increased share in 1980, compared to 1973. The pattern of distribution generally follows that which was already examined in relation to income. The distribution of the general subsidy, however, is both more concentrated in a small number of class categories — higher professionals, intermediate non-manual workers, and skilled manual workers — and that concentration is stronger in 1980 than it had been in 1973. One category accounted for 27 per cent of the total subsidy in 1980: intermediate non-manual workers. That class category includes employees likely to rely on public transportation for commuting to work and, traditionally, for journeys on weekends from the city to the rural areas in which they were raised. They represented 14.3 per cent of all households.

The general trend over the 1973 to 1980 period diverted more of the benefit from transportation subsidy to 'upper working class' households (Skilled Manual and Service Workers). In 1973, their combined share of the subsidy was 19.5 per cent (they represented 20.8 per cent of all households). The comparable 1980 figures indicate that those categories received 26.9 per cent of the subsidy while accounting for 24.8 per cent of households. However, even in 1980 the transportation subsidy is clearly of most benefit to middle class categories of employees.

The family cycle distribution of the transport subsidy is highly skewed in favour

Table 6.4: Transport Subsidies by Social Class, 1973 and 1980

Subsidy	Sum (%)	Social Class													
		Large Prop-rietary	Small Prop-rietary	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Profes-sional	Lower Profes-sional	Intermed-iate Non-Man, Manual	Skilled Manual	Service Workers	Semi-Skilled Manual	Unskilled Manual	Residual Worker
Free Travel for Elderly	100.0	1.1	2.4	3.7	5.0	7.4	8.7	2.3	2.1	7.9	6.5	6.2	5.3	14.9	18.7
General Transport	100.0	0.7	1.4	2.3	3.7	4.1	5.2	2.5	2.9	11.9	11.3	10.7	6.9	16.4	14.5
Subsidy	100.0	3.5	5.6	4.1	4.0	4.3	3.4	5.8	8.7	19.9	12.7	6.8	9.9	8.2	3.0
	100.0	2.7	3.2	1.4	1.9	1.4	1.3	9.1	6.4	26.8	16.6	10.3	7.5	7.6	3.6

Source: Household Budget Surveys, 1971 and 1980

of young single households, who received an 18 per cent share of the total (while representing 3.3 per cent of all households) in 1973 and a 23 per cent share in 1980, when they represented 5.9 per cent of all households. Figure 6.2 indicates the extent of the concentration in one category. The pattern of distribution otherwise is little changed between 1973 and 1980. In both years, the bulk of the subsidy is limited to four stages: young single, complete, early dispersal and dispersal. The latter stages are ones in which household size would be at its maximum, and the subsidy is a direct result of the amount a household expended. So at those stages, there would be a 'peak' of the number of users without a corresponding entitlement to 'free travel'. Elderly households, of course, make limited use of the general subsidy, although the fact that a household is classified as 'empty nest over age 65' or 'old single over 65' does not indicate that all household members are eligible for the 'free' service. Households in the 'family formation' and 'middle child-rearing' stages receive a share of the total subsidy that leaves them with a ratio of less than one in both years. The distribution of the 'free travel for Old Age Pensioner' subsidy by family cycle is not particularly informative. It can be found, however, as Appendix Table 6.4.

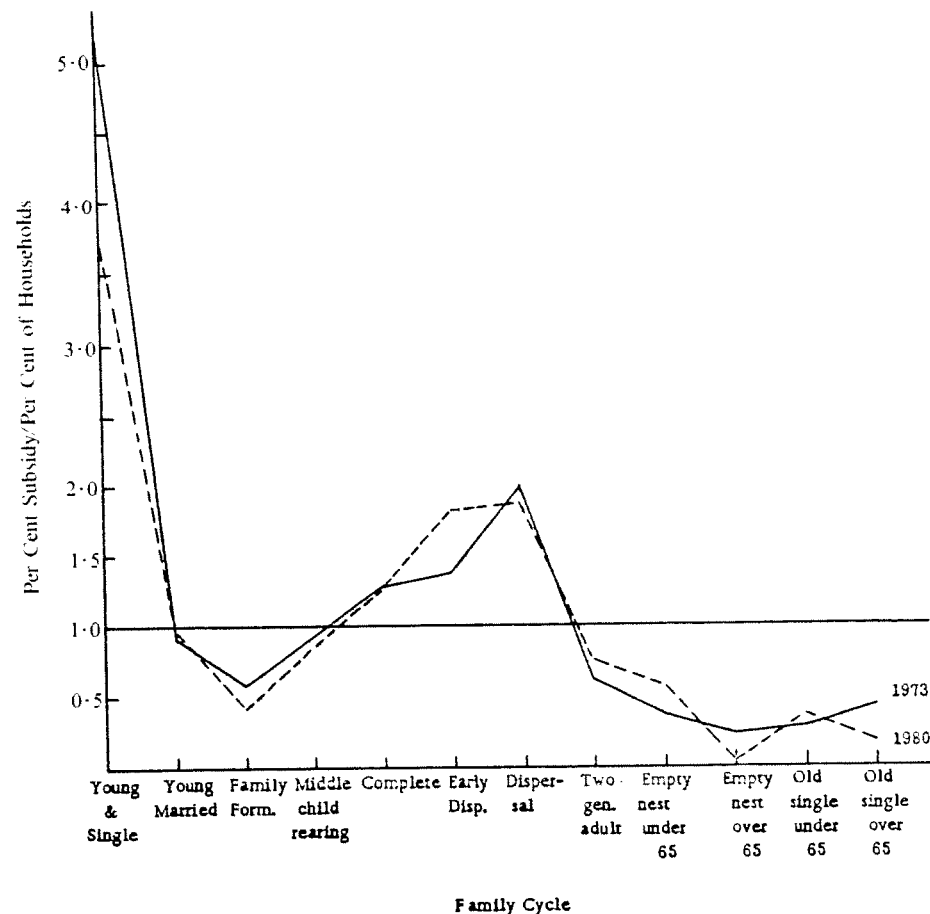
When interpreting the extent to which the general transportation subsidy, both in 1973 and 1980, is to the advantage of high income groups, it is useful to recall that the benefit is directly proportional to expenditure on CIE services. Such expenditure is related to income level, class, and family cycle (see the appendix tables) and also to rural/urban location. Some of the regressive impact of expenditure on transportation may be attributable to regional differences in levels of disposable income, with the Dublin region having both the highest incomes and the most dense network of public transportation services. Yet that factor cannot explain the extraordinary extent to which the subsidy is failing to meet its redistributive objectives. The manner in which the subsidy is given appears to favour the well-to-do and does not, in consequence, compensate for inequalities in private transportation.

4. CONCLUSION

It would appear that Le Grand's portrayal of the impact of subsidised transport in Britain is applicable to Ireland. The method of the subsidy's delivery ensures that it is taken advantage of primarily by those who are in a position to afford the cost of the service, have a job to commute to, and can afford leisure time pursuits. In 1973, households in the top income quintile spent about 10 times as much on transportation as did households in the bottom quintile (Appendix Table 6.5). The result is a highly regressive State subsidy. It is not possible to extend the analysis to other areas of transport which are subsidised, such as those provided to owners of motor vehicles. Such subsidies are assuming an increased importance over time as the number of car owners increases. Between 1973 and 1980, average household expenditure on car transport increased in

Figure 6.2

The Ratio of Family Cycle Shares in Transport Subsidies to Shares in Households, 1973 and 1980.



real terms by 58 per cent, that on bus fares declined by 23 per cent, while rail transport by individuals grew, in cost, by 18 per cent in real terms (see Appendix Table 6.7). There is, however, a lower correlation in Ireland between income and car ownership than in a more urbanised country such as Britain (see the rural and urban results for the 1973 and 1980 Household Budget Surveys). This still leaves a substantial regressive transfer occurring through subsidised rail and bus services in Ireland. That must be combined, however, with an increasing component of transport subsidy that is of benefit to those able to afford the cost of purchasing and maintaining a motor vehicle. As in the other chapters examining specific expenditure programmes, the need for more accurate estimates of subsidies is apparent. A particular research question to emerge

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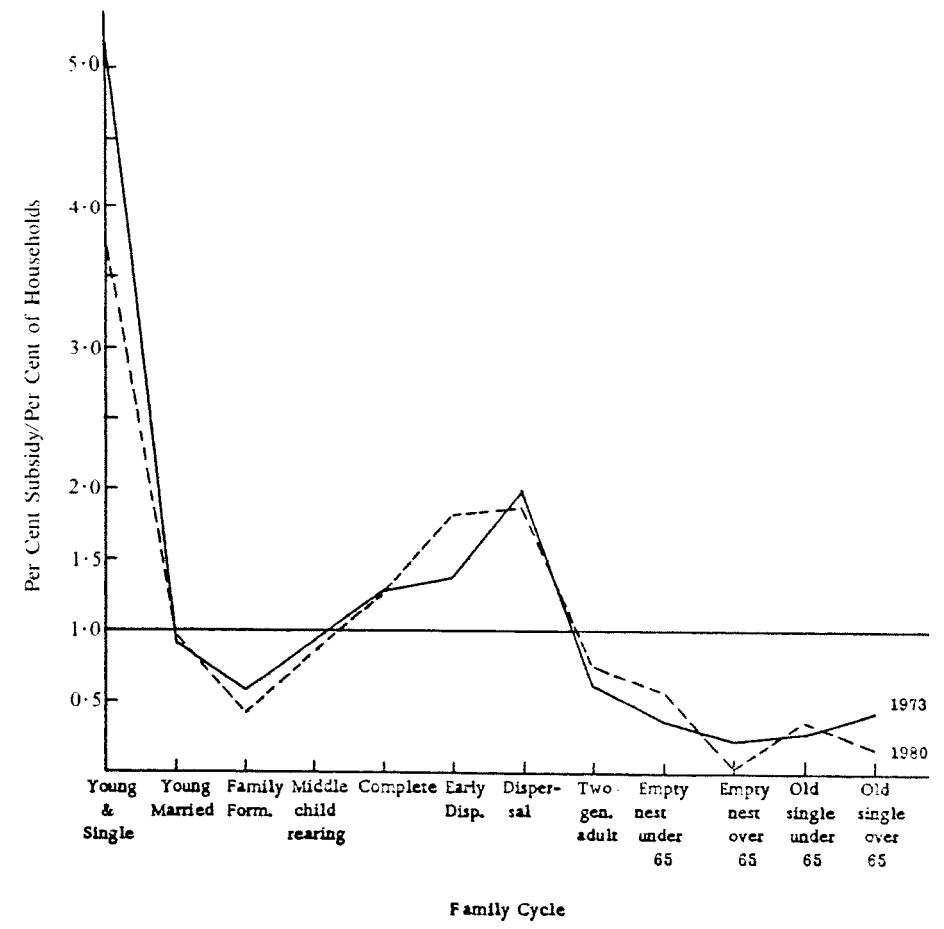
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from this limited examination is that of the extent to which the observed differences in utilisation result from choice, or if low income and unemployment lower the quality of life in such a manner as to inhibit participation in social activities. In other words, low incomes may directly reduce use of CIE services because of their cost—even with the subsidy included—and also indirectly as the inability to spend money on shopping, recreation, and entertainment removes the purpose of travel.

REDISTRIBUTION IN THE REPUBLIC OF IRELAND: AN OVERVIEW

1. THE REDISTRIBUTION PROCESS

The preceding four chapters have looked in detail at one link in the chain that form the redistribution process in Ireland: public expenditure on the social services. This chapter places that link in the perspective of the others, particularly direct taxation, cash transfer programmes, and indirect taxation. This is vital before proceeding to draw conclusions. The redistributive consequences of expenditure programmes can only be stated conclusively when we know the source of the money which financed them. The vast bulk of state social expenditure is drawn from taxation, and more specifically from personal taxation. We therefore need to look at the interaction between flows of tax revenue out of households and the flows of benefits — in cash and in indirect subsidies — into the household. In some cases — such as health care — social expenditure is tied to specific taxes, in addition to relying on general tax revenue. Along with the link between who benefits and who pays, we need to consider the relative contribution different taxes and benefits make to the total redistribution effect: the difference between direct and final household incomes. This depends on the average size of each tax or benefit and on their progressivity/regressivity.

This chapter examines redistribution in Ireland over the 1973-80 period in two main ways. First, it looks at trends in the levels of taxes and benefits. What is presented is a summary of the more detailed treatment given in Appendix Tables which provide comparisons with other OECD countries. Second, the format of income quintile, class, and family cycle analysis is replicated for all the stages of the redistribution process. This, too, is abbreviated, with a more complete redistribution analysis to be found in accompanying Appendix tables.

2. TRENDS IN PUBLIC SOCIAL EXPENDITURE AND TAXATION

The 1970s was a period of massive expansion in Ireland's 'welfare effort' — the proportion of its GNP devoted to social welfare and social service programmes. This occurred as the Welfare State emerged more rapidly and later than in most European countries.¹⁴ The period was one of consolidation as well as expansion, as the methods of payment and service provision were reformed and restructured. This study is largely an evaluation of what was achieved during

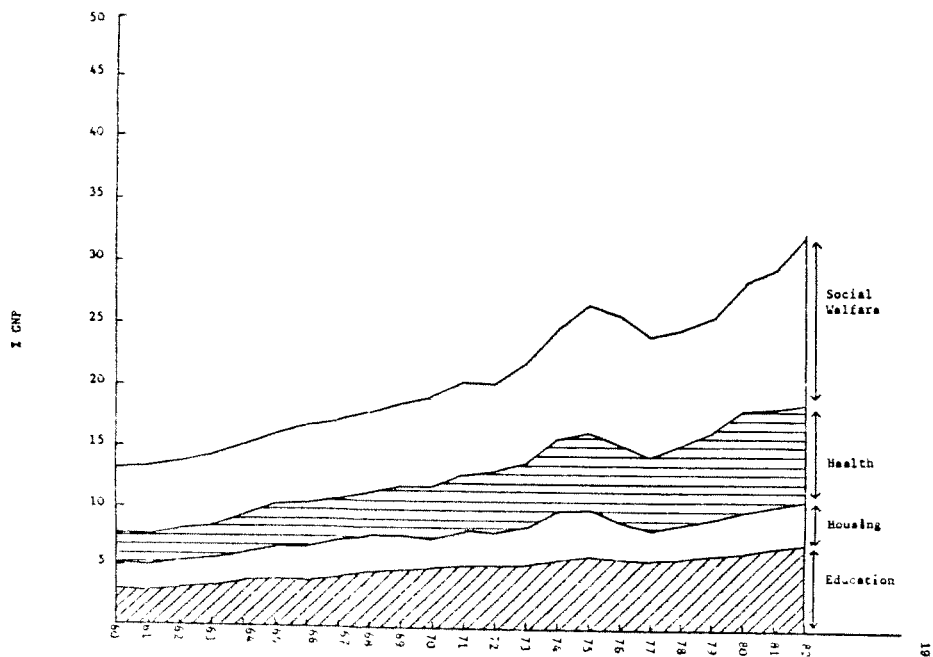
that period of intensive change. In terms of effort, total public social expenditure grew from an amount representing 22 per cent of GNP in 1973 to a 28.6 per cent share in 1980. The change in the structure was notable in the establishment of Supplementary Welfare Allowance (1975) as the third, 'safety net tier' of the social welfare system, below 'benefit' and 'assistance'. Health care entitlements were also restructured into a three-tiered system based on income; in education, two forms of provision became prominent for the first time: the comprehensive/community second level and the non-university third level institutions, such as the Regional Technical Colleges and National Institutes for Higher Education. Previous chapters have considered the redistributive consequences of such changes in the level and structure of subsidisation.

The magnitude and composition of public social expenditure fluctuated from year to year. This section briefly reviews post-1960 trends to place the situations in 1973 and 1980 in perspective. Given the relevance of taxation for net redistributive effects, trends in taxation levels, overall and by type of tax, are also reviewed.

Figure 7.1 summarises change in public social expenditure since 1960, based on the definitions and procedures used by Finola Kennedy (1971, Appendix to

Figure 7.1

Public Expenditure (Current and Capital) on Major Social Service Programmes as % of GNP at Market Prices 1960-1982



Chapter 1). Between 1960 and 1982, social expenditure increased from a total equal to 13.3 per cent of GNP to 32.5 per cent. That massive growth was particularly intense over the 1970s, although the decade was obviously one of abrupt policy shifts, in contrast to the sustained and steady expansion throughout the 1960s.

Kennedy identified three phases of social policy and expenditure in Ireland since 1947: an expansionary phase of 1947-51, in the course of which social expenditure increased from 9.6 to 14.9 per cent of GNP; a regressive phase between 1952 and 1962, during which social expenditure as a percentage of GNP contracted; and 1963-74, a period of renewed expansion. That growth phase, in fact, extended to 1975. After that, clarity of direction is lacking. Social expenditure declined somewhat in proportion to GNP for a few years but started to grow again in 1978 and continued to do so sufficiently for the 1980 proportion to exceed that of 1975. That rise, and its post-1980 continuation, failed to keep pace with public expenditure generally. Indeed, 1974 appears to have marked the peak of social expenditure's share of total public spending: 49.4 per cent.

The steady growth in health and education reflects the steady expansion of both the coverage and the level of benefit provided over the 1960s and early 1970s. In the 1970s, growth in social welfare continued rapidly as the range of programmes continued to expand, eligibility rules broadened, payment levels improved further and the number of recipients rose from 719,000 in 1971 to 1,318,000 in 1985 (Commission on Social Welfare, 1986, p. 59). The 1970s also brought considerable growth to health and to housing expenditure, expansion in the former reflecting the introduction in 1974 of the General Medical and General Hospital Schemes and in the latter a rapid increase in the construction of local authority housing units.

Table 7.1 allows a closer look at expenditure trends over the 1970s and how they fared relative to inflation. If we use the figures in the table to compare the profile of social expenditure in 1973 with that obtaining in 1980, we find that the composition has shifted in favour of health and against all other areas, particularly housing and education. Education represented 24.3 per cent of social expenditure in 1973 and 21.9 per cent in 1980. Health increased its share from 24.2 per cent to 29.0 per cent over the period, while housing declined from 14.7 per cent to 12.2 per cent. Social security/social welfare retained a constant share of total social expenditure, representing 36.8 per cent in 1973 and 36.9 per cent in 1980. These changes, however, took place in the context of an overall decline in the share of public expenditure devoted to social programmes. The cost of economic services and of servicing the public debt absorbed an ever growing proportion of total expenditure.

The redistributive consequences of public expenditure in 1973 and 1980 will

Table 7.1: Actual and Real changes (1980 prices) in Social Expenditure of Public Authorities, 1973/4-1982 (indexed for 1980 = 100)

Year	Education			Health			Housing			Social Security and Social Welfare			Total Social Expenditure			Total Public Expenditure		
	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100	Actual Expend. £m.	Real Expend. 1980 Prices	1980 = 100
1973/4	145.1	396.4	70.1	144.3	394.3	52.7	87.6	239.3	76.0	219.6	600	63.1	596.5	1,629.8	63.2	1,207.3	3,298.6	58.8
1974	170.6	398.6	70.5	178.5	417.1	55.8	126.6	295.8	94.0	275.1	642.8	67.6	750.7	1,754.0	68.0	1,520.0	3,551.4	63.3
1975	225.9	436.1	77.1	240.5	464.3	62.1	152.3	294.0	93.4	395.4	763.3	80.3	1,014.1	1,957.7	75.9	2,128.8	4,109.7	73.3
1976	272.0	445.2	78.7	291.3	476.8	63.7	142.3	232.9	74.0	488.6	799.7	84.1	1,189.3	1,946.5	75.5	2,485.1	4,067.3	72.5
1977	321.4	463.1	81.9	343.7	495.2	66.2	143.6	206.9	65.8	552.2	795.7	83.7	1,365.0	1,966.9	76.3	3,001.0	4,324.2	77.1
1978	382.4	511.9	90.5	428.3	573.4	76.7	187.2	250.6	79.6	622.3	833.1	87.7	1,620.2	2,168.9	84.1	3,607.2	4,828.9	86.1
1979	446.3	527.5	93.3	539.4	637.6	85.3	247.7	292.8	93.0	719.2	850.1	89.5	1,972.6	2,331.7	90.4	4,445.7	5,255.0	93.7
1980	565.4	565.4	100.0	747.9	747.9	100.0	314.7	314.7	100	950.3	950.3	100	2,578.3	2,578.3	100	5,606.7	5,606.7	100
1981	724.8	602.0	106.5	858.5	713.0	95.3	405.2	336.5	106.9	1,252.1	1,040.0	109.4	3,240.5	2,691.4	104.4	6,930.2	2,106.4	137.6
1982	859.8	608.1	107.6	989.4	699.7	93.6	443.0	313.3	99.6	1,712.1	1,210.8	127.4	4,004.3	2,831.9	109.8	8,665.8	2,243.3	140.0

Source: *National Income and Expenditure*, various years, CPI 1980 = 100. Revised Consumer Price Index, *Irish Statistical Bulletin*.

depend on the distribution of the tax burden which raised the revenue. That burden shifted substantially over the 1970s, reflecting the effects of inflation on personal income taxation, the abolition of rates on domestic property, changes in the method by which Pay Related Social Insurance was levied, and the reliance in various budgets on indirect taxation as a revenue source. Income tax in Ireland was not explicitly linked to the rate of inflation. In consequence, over the 1970s the real value of allowances and other exemptions, as well as the real starting points for the various tax bands, were eroded. Income tax was being levied on a larger proportion of each taxpayer's earnings and more of that tax was levied at a higher than standard rate (Clarke, 1981; Rottman and Hannan, 1981). Taxes on property declined with the removal of domestic rates in 1977 and the failure to implement alternative forms of taxation (Sandford and Morrissey, 1985). At the same time, the restructured system of PRSI placed the additional taxation burden primarily on employers rather than directly on employees (Hughes, 1985, pp. 17-25).

The 1970s represented a marked departure from earlier patterns of taxation in Ireland. In 1960, for example, only 14.8 per cent of tax revenue came from personal income taxation, an additional 7.3 per cent came from corporate income tax, and employers and employees split almost evenly a 4.9 per cent share from social insurance taxes. The Exchequer relied primarily on taxes on goods and services in the form of customs and excise duties and the predecessors to VAT: these accounted for 54.2 per cent of all tax revenue, with an additional 15.7 per cent yielded from rates. All taxation in 1960 was equivalent to 22 per cent of the Nation's Gross Domestic Product.

Table 7.2 presents a profile of the sources of tax revenue in the 1970s. The shift from the 1960 tax regime is evident in 1973 and becomes more pronounced over the decade. Overall, the 1970s brought less of a change in the level of taxation — it amounted to 31 per cent of GNP in 1973 and 35.9 per cent in 1980 — but in the growing reliance on personal income tax and social insurance. Personal income tax was responsible for 23.5 per cent of tax revenue in 1973 and 32.2 per cent in 1980. If we combine personal income tax with employee social insurance contributions, we find that 28 per cent of taxation was levied directly on household income in 1973 and 37 per cent in 1980. The comparable figures for taxes on goods and services were, respectively, 49.7 and 43.7 per cent. Redistribution analyses based on those two years will, therefore, reflect very different tax structures. In particular, after 1980 the share of tax revenue from personal income tax tended to decline and that from VAT and other indirect taxes to grow. Another important type of change occurred within each year when we compare the 'nominal' tax system and its measured 'real' impact on households. For example, personal income tax was structured in a strongly progressive manner throughout the 1970s, but the impact of that progressivity would appear to have been blunted by a combination of 'bracket creeping' through inflation and tax exemptions that were primarily available to high income earning households (see Dowling, 1978; Rottman and Hannan, 1981).

Table 7.2: The Structure of Taxation in Ireland: 1973-82

Revenue Category	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
	%	%	%	%	%	%	%	%	%	%
Personal Income Tax	23.5	22.5	25.2	25.8	27.6	28.5	30.0	32.2	31.4	30.6
Corporation Income Tax	5.6	6.9	4.8	4.4	4.1	5.0	5.7	4.5	5.0	4.7
Social Insurance										
Employee	4.4	5.0	5.6	5.2	5.2	5.0	5.0	4.9	4.8	5.5
Employer	5.2	6.7	8.2	8.0	8.3	8.7	9.2	9.4	9.2	9.5
Rates	8.7	8.4	7.3	6.9	6.1	4.1	3.9	3.4	2.7	2.2
Other Property Tax	3.0	2.9	2.4	1.9	2.0	2.1	2.2	1.8	1.8	1.5
Taxes on Goods and Services	49.6	47.6	46.5	47.8	46.7	46.7	44.1	43.7	45.0	46.0
All Taxes	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Tax Revenue £m	842.1	945.4	1,196.0	1,626.9	1,899.1	2,130.8	2,466.5	3,186.8	4,000.9	4,914.7
Total as a % of GNP	31.2	31.6	32.1	35.5	34.5	33.2	33.0	35.9	37.8	39.5

Source: *Revenue statistics of OECD Member Countries 1965-1983*. Paris, 1984. (Tax data; pp. 125-127; GDP; p. 102)

The relevance of social expenditure and taxation trends can be summarised by the 1973-80 changes in the real value of average subsidies and taxes. Table 7.3 presents the relevant information. The real change (adjusted by the consumer price index) reflects changing levels of service provision or tax yield, on the one hand, and the greater coverage in the 1980 HBS, on the other. As noted, health expenditure greatly increased its importance as a potential source of redistribution, education modestly increased, while housing subsidies have declined in real average value. The most substantial growth, however, occurred in the category of 'other subsidy', which includes transportation. By contrast, the upward trend in cash transfers through social insurance or social welfare has been less pronounced: a real growth of 24 per cent. These changes can also be compared with those found in earned incomes, which rose by just over one-eighth, and in direct taxation, which had a far greater average value in 1980 than in 1973. Indirect taxation declined over those same years by 10 per cent. Such changes represent one of the two main components of redistribution: ranking of the average value of potentially redistributive programmes. The difference between overall redistribution through taxes and benefits in 1973 and in 1980 will therefore be strongly influenced by the changes that took place in the progressivity with which direct taxation is levied.

Table 7.3: Average Direct Income, Cash Transfers, Direct Taxes, Indirect Subsidies and Indirect Taxation in 1973 and 1980

	1973 (current prices)	1973 (1980 prices)	1980 (current prices)	Real Change 1973-80
	£	£	£	%
Direct Income	36.05	98.42	111.14	12.9
Cash Transfers	4.22	11.52	14.26	23.8
Direct Taxes				
(a) Income Tax	3.12	8.52	16.15	89.6
(b) Social Insurance	.82	2.24	2.80	25.0
(c) Total Direct Tax	3.94	10.76	18.95	76.1
Subsidies				
(a) Health	1.80	4.91	8.19	66.8
(b) Education	3.09	8.44	9.12	8.1
(c) Housing	.40	1.09	1.00	-8.3
(d) Other	.41	1.12	2.55	12.76
(e) Total subsidies	5.69	15.53	20.85	34.3
Indirect Taxation	7.45	20.34	18.31	-10.0

Source: *Household Budget Surveys 1973 and 1980*

3. REDISTRIBUTION BY TAXES AND BENEFITS

(a) Income Inequality at Stages of Redistribution

Table 7.4 contains the distributions of income at each of the four main income concepts that by convention are used to measure the redistribution process: direct, gross, disposable, and final. Each distribution is described in two ways. First, the proportion of the total income available is apportioned among the deciles. Thus, in 1973, the top decile possessed 29.2 per cent of direct income. Second, a summary statistical measure of inequality is presented: the Gini coefficient. That coefficient has a possible range of between zero and 100, where zero indicates that there is a complete equality of income, and 100 represents the maximum level of inequality, in which a single household controls all of the income*. Thus, the larger the value of the Gini coefficient, the greater the degree of inequality income distinctions.

The most notable change over the period is the marked increase in the inequality of the distribution of direct income. The share of total direct income received by the top two deciles of households increased from about 47 per cent in 1973 to 48 per cent in 1980; the share of the top 10 per cent increased from 29.2 per cent to 29.7 per cent. In fact, each of the top six deciles had a greater share of direct income in 1980 than in 1973, while the share of the bottom four deciles fell from 11 per cent to nine per cent of total direct income. In 1973 the bottom two deciles of households received 1.2 per cent of direct income, but by 1980 their share had fallen to only 0.5 per cent. The expanded real value and coverage of State transfer payments mitigated the increased inequality based on earnings but the inequality of gross income still stood higher in 1980 than it has in 1973. The top three deciles increased their shares of gross income, while those of the next two deciles remained unchanged and, except for the bottom quintile, the share of gross income was actually less in 1980 than in 1973 for the other deciles.

When we look at disposable income, the benchmark for this study, we see that direct taxation clearly contributed more towards reducing inequality in 1980 than it had in 1973. The Gini coefficient for 1980 is lower and the effect was sufficient to reverse the trend towards greater inequality evident for direct and gross incomes. The combined impact of indirect taxes and benefits, the latter including those discussed in Chapters 3-6, as shown in the distribution of final income is more equitable in 1980. In 1973, final income was actually less equally distributed than disposable income. This had reversed by 1980, a change that is particularly apparent when the bottom half of the two

* The Gini coefficient is but one of many indices of income inequality. Each index tends to be more sensitive to changes in some parts of the distribution than others and to reflect differently the size of transfers between households. Gini coefficients are particularly sensitive to inequality at the middle of the income distribution. See NESO (1975b), Nolan (1978) and Murphy (1984) for reviews of alternative indices and their application in Ireland.

Table 7.4: The Distribution of Direct, Gross, Disposable and Final Income, 1973 and 1980

Decile of Population	Share of Total Income							
	Direct Income		Gross Income		Disposable Income		Final Income	
	1973	1980	1973	1980	1973	1980	1973	1980
Top 10 ^{0%}	29.2	29.7	26.7	27.0	26.4	25.7	26.8	25.2
2	17.7	18.3	16.6	16.9	16.2	16.2	16.3	16.1
3	13.8	14.3	13.2	13.3	13.0	13.0	13.2	13.0
4	11.3	11.5	10.9	10.9	10.9	11.0	11.1	11.0
5	9.3	9.5	9.2	9.2	9.2	9.3	9.8	9.3
6	7.6	7.7	7.7	7.6	7.8	7.9	7.2	7.9
7	6.1	5.7	6.4	6.1	6.5	6.6	6.3	6.6
8	3.8	2.8	4.8	4.5	5.0	5.1	4.8	5.3
9	1.2	0.5	3.0	3.1	3.3	3.5	3.2	3.9
Bottom 10 ^{0%}			1.5	1.6	1.7	1.7	1.4	1.9
Gini Coefficient	45.53	47.64	38.71	39.26	37.57	36.67	38.69	35.50

Source: Unpublished data from HBS, 1980 and Murphy, 1985, p. 230

distributions of final income are compared. The vast bulk of redistribution, apparently, occurred through the disbursement of cash transfer payments, though the income tax system was sufficiently progressive to reinforce that effect in both years. By 1980, indirect taxes and benefits had also become redistributive — an important change to the impact of state policies.

While a more extensive comparison can be obtained in Appendix Table 7.15, the British situation in the 1970s offers a useful point of reference for the impact of State policies on income inequality in this country. Inequality of direct income was greater in Ireland than in the U.K. in both years but the two countries shared a tendency for that inequality to rise over the decade.

Over the 1973-80 period, the rising inequality in market incomes in both countries was effectively counteracted in its effect on actual standards of living by an expanded redistributive effort through progressive income tax and transfers, both cash transfers and non-cash subsidies. This redistributive effect is readily expressed through a measure of the percentage decrease in the level of inequality associated with each State intervention. The Musgrave-Thin index, defined as:

$$\frac{G_1 - G_2}{G_1} \times 100$$

serves this purpose. It indicates the magnitude of the growth in effort from direct taxes and benefits over the 1970s and the considerably greater redistribution consistently achieved in the UK. Significantly, however, the balance between the effect of indirect taxes and benefits shifted in Ireland from a negative to a positive impact in 1980 that exceeded that observed in the UK data.

Redistribution from:	Ireland		United Kingdom	
	1973 %	1980 %	1973 %	1980 %
Cash Transfers	+15.0	+17.6	+19.4	+21.8
Direct Taxation	+2.9	+6.6	+4.9	+7.8
Indirect Subsidies and Taxes	-3.0	+3.2	+3.0	+2.4

Redistribution is determined by two components: progressivity and the average payment. In the Irish case, we can tentatively attribute the enhanced redistributive effect recorded in 1980 firstly to increased reliance on direct taxation and, secondly, to rising social welfare payment levels. Ireland, therefore, conforms broadly to the conclusion of a recent study of the advanced capitalist societies: "when tax, transfer and expenditure programmes are viewed together, it is apparent that public expenditure programmes, particularly the provision of cash transfers, have been almost totally responsible for changes in income distribution which governments have brought about ..." (Saunders,

1984, p. 29). But the pattern in Ireland seems more complex. Ireland's distinctive social class and family cycle profiles seem to make horizontal redistribution more important than in other countries, highlighting the differential impact of taxation and of indirect subsidies to health, education and housing.

This analysis suggests that the expanded 'welfare effort' over the 1970s led to solid gains, when evaluated on redistributive criteria. In a period during which inequality in market (direct) incomes was growing, inequality of final income decreased. In Ireland, unlike in the U.K., inequality of final income was actually lower in 1980 than in 1973; in the U.K., the Gini coefficients for final income were the same in both years. If we measure the overall redistributive effect for the two countries by using the Musgrave-Thin data, in 1973 we find an index of 15 for Ireland and 27 for the U.K.; the results of Ireland's fledgling welfare state are manifest in the vast difference found in 1980: Ireland's index had risen to 27, compared to 32 for the U.K.

Thus, in Ireland over the 1973-80 period cash transfers and indirect subsidies became more progressively distributed, with the latter form of transfer increasing sharply in average benefit. Direct taxation and indirect taxation when combined remained slightly regressive, although the more progressively levied income tax and PRSI were becoming more prominent. In 1973, the average direct tax payment was equivalent to 10 per cent of household gross income (market income plus cash transfers), while indirect tax was equivalent to 19 per cent of gross income. The 1980 averages are 15 per cent for both forms of taxation.

Since previous analyses of income redistribution have focused on income categories, the remainder of this chapter looks at how the various forms of taxation and benefits were distributed among class categories and family cycle stages. In the analysis that follows, it is to be stressed that we are looking at two cross-sectional surveys. The households studied in 1980 are not the same ones surveyed in 1973.¹⁵

(b) Class Inequalities

Tables 7.5(a) and (b) provide the average amounts earned by households in each class category and the average direct transfers received and taxes paid. Immediately below each comparison, the 1973-80 change is expressed as a ratio: the 1980 average is shown as a ratio of what was received or paid in 1973, so the larger the ratio, the greater the amount of increase. Three changes within the table potentially altered the relative standing of class categories: direct income, cash transfer receipts, and direct taxation. The net effect of these changes is reflected in each category's disposable income. Each category's experience over those years can be readily evaluated by two criteria. First, the

change ratio for all households in the sample is shown separately for each column. Second, the Consumer Price Index recorded a change such that any ratio greater than 2.73 represents a real increase.

Direct income is the benchmark for evaluating State interventions in Table 7.5(a). Overall, income differences based on the market tended to decline among categories as the highest rates of income growth were experienced by lower income categories. This applies both generally and within each of the main subgroups: non-agricultural proprietors, farm households, white collar employees, and working class households. Unskilled manual workers represent an exception to those trends. Cash transfers made a minor contribution to reinforcing that process. While earned income had increased by a factor of 3.2, transfers, on average, grew by 3.38. Farmers recorded the most substantial increase in the size of the average transfer, counterbalancing their relatively poor rate of direct income growth. Generally, cash transfers did not tend to have a major equalising impact on class category average incomes but are distributed by income progressively. Direct taxes in 1980 were nearly five times greater, on average, than in 1973. The rate of increase was such that it exceeded the increase in earnings for even the low income categories which had experienced declining real incomes.

In consequence, the gains made by many categories through the market were eroded by the structure of the direct tax system. This was true of all working class categories and of intermediate non-manual workers (sometimes referred to as the 'lower' middle class, consisting of employees in junior administrative, sales, and technical occupations). The rise in tax burdens, however, was greater still among proprietorial categories. This reflects, in part, a growing reliance in such households on supplementary income sources. More farm households were in receipt of such income in 1980 and wage income formed a larger share of such categories' total earnings. When disposable income is examined, we find that all farmer categories were better off after direct State interventions: this is in marked contrast to employees, of which all save unskilled manual workers were worse off once direct transfers and taxes were allocated. Non-agricultural proprietors were, on average, worse off in 1980 if they belonged to the 'large proprietor' category and better off, quite significantly so, if they were 'small proprietors'.

Table 7.5(b) extends the examination of class differences to include indirect subsidies and indirect taxes. Here, disposable income serves as the benchmark. Expenditure on social services was distributed in both 1973 and 1980 in a manner that did not greatly differentiate among the average rate experienced by categories. In 1973, subsidies to working class households tended to be higher than the national average, farmers received on average slightly below the national figure, as did all three categories of employee middle class households.

Table 7.5(a): Average Direct Income, Direct Transfers, Direct Taxes, and Disposable Income in 1973 and 1980: Class Categories (in pounds per week)

Class Category	Direct Income		Direct Transfers		Direct Tax		Disposable Income		N	
	1973	1980	1973	1980	1973	1980	1973	1980	1973	1980
Large Proprietors	77.89 (2.53)	197.28	1.56 (2.97)	4.63	4.83 (6.46)	31.19	74.62 (2.29)	170.72	166	177
Small Proprietors	38.33 (3.53)	135.41	1.90 (2.97)	5.65	2.50 (5.26)	13.15	37.73 (3.39)	127.91	307	298
Large Farmers	63.33 (2.07)	131.25	1.99 (5.38)	10.71	1.16 (5.74)	6.66	64.16 (2.11)	135.30	261	190
Medium Farmers	45.23 (2.32)	104.78	2.63 (4.36)	11.47	1.26 (4.83)	6.09	46.61 (2.36)	110.16	392	340
Small Farmers	28.70 (2.74)	78.54	3.93 (4.12)	16.18	1.11 (5.83)	6.47	31.52 (2.80)	88.25	461	311
Marginal Farmers	18.50 (2.53)	46.83	6.54 (4.01)	26.24	1.12 (2.73)	3.06	23.91 (2.93)	70.01	572	256
Higher Professionals	72.67 (2.98)	216.20	1.33 (3.52)	4.68	11.73 (4.28)	50.22	62.27 (2.74)	170.66	353	428
Lower Professionals	55.78 (2.74)	153.02	1.58 (3.16)	5.00	8.55 (3.55)	30.31	48.81 (2.62)	127.71	283	310
Intermediate Non-Manual	45.73 (3.15)	144.25	2.95 (2.96)	8.73	6.53 (4.50)	29.36	42.15 (2.93)	123.63	846	1,015
Skilled Manual	38.45 (3.10)	119.11	3.72 (3.68)	13.69	5.48 (4.25)	23.29	36.69 (2.98)	109.51	983	1,128
Service Workers	35.25 (3.15)	104.68	3.80 (3.72)	14.15	4.63 (3.96)	18.35	34.42 (2.92)	100.47	602	632
Semi-Skilled Manual	33.08 (3.18)	105.12	4.42 (3.68)	16.25	4.34 (4.17)	18.08	33.16 (3.11)	103.29	674	658
Unskilled Manual	25.31 (2.48)	62.66	6.70 (3.70)	24.78	3.33 (3.00)	10.00	28.68 (2.70)	77.45	1,020	816
Residual	8.71 (3.44)	29.92	6.63 (3.32)	21.98	0.45 (7.69)	3.46	14.90 (3.25)	48.44	699	524
Total	36.00 (3.20)	111.15	4.22 (3.38)	14.26	3.94 (4.81)	18.95	36.28 (2.93)	106.46	7,739	7,185

Figures in parentheses express the 1980 average as a ratio of that for 1973
Source: *Household Budget Surveys, 1973 and 1980*.

Table 7.5(b): Average Disposable Income, Indirect Subsidies, Indirect Taxes and Final Income in 1973 and 1980: Class Categories

Class Category	Disposable Income		Indirect Subsidies		Indirect Taxes		Final Income	
	1973	1980	1973	1980	1973	1980	1973	1980
Large Proprietor	74.62 (2.29)	170.72	5.85 (3.82)	22.36	12.00 (2.37)	28.44	68.47 (2.40)	164.64
Small Proprietor	37.73 (3.39)	127.91	5.95 (3.58)	21.29	10.19 (2.11)	21.49	33.48 (3.81)	127.71
Large Farmer	64.16 (2.11)	135.30	5.37 (5.01)	26.93	8.72 (2.33)	20.32	60.81 (2.33)	141.90
Medium Farmer	46.61 (2.36)	110.16	5.70 (4.23)	24.09	6.96 (2.92)	20.32	45.36 (2.51)	113.92
Small Farmer	31.52 (2.80)	88.25	4.96 (4.16)	20.63	5.87 (2.69)	15.81	30.61 (3.04)	93.08
Marginal Farmer	23.91 (2.93)	70.01	4.72 (4.59)	21.66	4.48 (2.66)	11.92	24.15 (3.30)	79.76
Higher Professional	62.27 (2.74)	170.66	5.21 (3.93)	20.45	12.33 (2.12)	26.09	55.14 (2.99)	165.02
Lower Professional	48.81 (2.62)	127.71	5.40 (2.75)	14.87	9.57 (2.34)	22.43	44.64 (2.69)	120.16
Intermediate Non-Manual	42.15 (2.93)	123.63	4.89 (3.63)	17.77	8.79 (2.35)	20.66	38.25 (3.16)	120.74
Skilled Manual	36.69 (2.98)	109.51	7.23 (2.99)	21.59	8.73 (2.30)	20.11	35.18 (3.16)	111.00
Service Worker	34.42 (2.92)	100.47	6.09 (3.48)	21.17	7.96 (2.31)	18.35	32.55 (3.17)	103.29
Semi-Skilled Manual	33.16 (3.11)	103.29	6.68 (3.63)	24.27	7.70 (2.47)	18.99	32.13 (3.38)	108.57
Unskilled Manual	28.68 (2.70)	77.45	6.36 (3.57)	22.70	6.57 (2.06)	13.52	28.48 (3.04)	86.63
Residual	14.90 (3.25)	48.44	4.20 (3.96)	16.62	2.73 (2.25)	6.14	16.36 (3.60)	58.92
Total	36.28 (2.93)	106.46	5.69 (3.66)	20.85	7.45 (2.46)	18.31	34.52 (3.16)	107.00

Figures in parentheses express the 1980 average as a ratio of that for 1973
Source: *Household Budget Surveys, 1973 and 1980*

The 1973-80 changes reflect substantial restructuring of the flow of subsidies, along with, of course, some differences in the method by which estimated benefits were allocated. Overall, the average indirect subsidy grew over those years more substantially than had cash transfers. Farm households recorded the highest rates of growth in real terms, while working class categories fared slightly less favourably from the change. Generally, there was only a weak relationship between the size of a category's income or its rate of income growth between 1973-80, on the one hand, and the magnitude of the growth in average subsidies it received. That was not counterbalanced by the alteration that occurred in the distribution of the burden of indirect taxes. For all households, and all but two of the farm categories, such taxes decreased, on average, in real terms over the period. The net effect of all State interventions, as manifest in average final incomes, can be seen in Table 7.5(b).

Those interventions did provide a cushion for farmers and other groups which experienced relatively poor growth in their market incomes. All categories improved their situation after indirect State interventions were taken into account; there was little differentiation, however, in the extent of that improvement, except that farm categories consistently were the greatest beneficiaries. The result is that indirect interventions reproduced at a milder level the inequities evident in disposable income. If we take direct income as our starting point, the gains by working class households are clearer. The growth in final income exceeded that in direct income in all cases, though the differential was wider for farm categories. The impact would have been far stronger had it not been partly counterbalanced by trends in taxation, which either 'clawed back' some of the gains (in the case of income tax and PRSI) or were largely neutral (indirect taxation).

(c) Family Cycle Stages

The redistribution process is examined through a different analytical lens in Tables 7.6(a) and (b). Households there are categorised according to their stage in the family cycle. Table 7.6a considers the impact of direct State interventions. As before, the benchmark is direct income. Over the 1973-80 period, direct income tended to increase most at stages where 'earning power' was greatest — that is, where the possibility existed for additional earners to add to household income. Direct income increased most at the 'dispersal' and 'two-generation adult' stages and also at the 'young married' stage. In comparison, the changing pattern of allocation for cash transfers clearly favoured the elderly and households at the middle stages of the family cycle; their average weekly transfer grew far more rapidly than the national average of 3.38. Cash transfers over the period declined, as a relative share of the total, for families with young dependent children. Households at the 'family formation' and 'middle child rearing' stages experienced a growth in transfer payments slightly greater than inflation; those at the 'complete' stage, where many of the children would still

Table 7.6(a): Average Direct Income, Direct Transfers, Direct Taxes, and Disposable Income in 1973 and 1980: Family Cycle Stages

Cycle Stage	Direct Income		Direct Transfers		Direct Taxes		Disposable Income		N
	1973	1980	1973	1980	1973	1980	1973	1980	
Young Single	41.23 (3.17)	130.57 (2.95)	1.67 (2.95)	4.92 (2.95)	6.07 (4.85)	29.41 (2.88)	36.82 (2.88)	106.08 (2.88)	254 422
Young Married	45.88 (3.47)	159.08 (2.54)	1.27 (2.54)	3.23 (2.54)	6.23 (5.78)	35.99 (3.09)	40.92 (3.09)	126.32 (3.09)	201 197
Family Formation	40.60 (2.99)	121.53 (2.81)	2.54 (2.81)	7.13 (2.81)	4.28 (4.72)	20.22 (2.79)	38.86 (2.79)	108.44 (2.79)	812 1,352
Middle Child Rearing	43.08 (2.90)	125.11 (2.95)	5.11 (2.95)	15.10 (2.95)	3.78 (4.84)	18.28 (2.74)	44.42 (2.74)	121.93 (2.74)	1,434 641
Complete	46.11 (3.26)	150.32 (2.65)	4.79 (2.65)	12.68 (2.65)	4.56 (5.50)	25.09 (2.98)	46.34 (2.98)	137.90 (2.98)	688 727
Early Dispersal	49.10 (3.17)	155.81 (3.68)	3.87 (3.68)	14.26 (3.68)	5.70 (4.64)	26.42 (3.04)	47.27 (3.04)	143.65 (3.04)	846 407
Dispersal	48.35 (3.49)	168.52 (3.73)	3.95 (3.73)	14.73 (3.73)	6.81 (4.81)	32.78 (3.31)	45.49 (3.31)	150.48 (3.31)	595 511
Two Generation Adult	34.02 (3.48)	118.43 (4.25)	5.85 (4.25)	24.85 (4.25)	4.23 (5.09)	21.55 (3.42)	35.64 (3.42)	121.73 (3.42)	650 389
Empty Nest (LT 65)	25.83 (3.14)	81.14 (3.47)	3.19 (3.47)	11.06 (3.47)	2.87 (5.38)	15.43 (2.94)	26.15 (2.94)	76.77 (2.94)	531 843
Empty Nest (GT 65)	11.45 (2.22)	25.45 (3.95)	5.97 (3.95)	23.56 (3.95)	1.09 (2.34)	2.55 (2.84)	16.34 (2.84)	46.46 (2.84)	770 424
Old Single (LT 65)	21.21 (2.88)	61.15 (3.52)	2.60 (3.52)	9.16 (3.52)	2.25 (4.28)	9.63 (2.81)	21.59 (2.81)	60.68 (2.81)	555 320
Old Single (GT 65)	9.18 (3.10)	28.46 (3.98)	5.42 (3.98)	21.55 (3.98)	0.76 (3.46)	2.63 (3.46)	13.85 (3.46)	47.38 (3.46)	328 424
ALL									

All figures in parentheses express the 1980 average as a ratio of that for 1973; LT, GT are less than and greater than respectively.
Source: *Household Budget Surveys, 1973 and 1980*.

Table 7.6(b): Average Disposable Income, Indirect Subsidies, Indirect Taxes and Final Income in 1973 and 1980: Family Cycle Stages

Cycle Stage	Disposable Income		Indirect Subsidies		Indirect Taxes		Final Income	
	1973	1980	1973	1980	1973	1980	1973	1980
Young Single	36.82 (2.88)	106.08 (2.71)	3.40 (2.71)	9.22 (2.71)	8.15 (2.30)	18.71 (2.30)	32.07 (3.01)	96.59 (3.01)
Young Married	40.92 (3.09)	106.32 (3.09)	1.71 (3.09)	4.57 (3.09)	8.23 (3.08)	25.35 (3.12)	33.80 (3.12)	105.54 (3.12)
Family Formation	38.86 (2.79)	108.44 (2.79)	2.94 (2.79)	9.97 (2.79)	8.36 (2.32)	19.39 (2.32)	33.45 (2.96)	99.03 (2.96)
Middle Child Rearing	44.42 (2.74)	121.93 (2.74)	10.39 (2.74)	33.73 (2.74)	8.71 (2.37)	20.64 (2.37)	46.10 (2.93)	135.02 (2.93)
Complete	46.34 (2.98)	137.90 (2.98)	11.41 (2.98)	39.10 (2.98)	8.95 (2.56)	22.88 (2.56)	48.79 (3.16)	154.12 (3.16)
Early Dispersal	47.27 (3.04)	143.65 (3.04)	9.16 (3.04)	35.60 (3.04)	9.74 (2.39)	23.24 (2.39)	46.70 (3.34)	156.00 (3.34)
Dispersal	45.49 (3.31)	150.48 (3.31)	5.19 (3.31)	18.57 (3.31)	10.07 (2.70)	27.23 (2.70)	40.60 (3.49)	141.82 (3.49)
Two Generation Adult	35.64 (3.42)	121.73 (3.42)	2.43 (3.42)	16.48 (3.42)	7.57 (3.01)	22.84 (3.01)	30.50 (3.78)	115.36 (3.78)
Empty Nest (LT 65)	26.15 (2.94)	76.77 (2.94)	1.96 (2.94)	7.84 (2.94)	5.62 (2.43)	13.68 (2.43)	22.49 (3.15)	70.93 (3.15)
Empty Nest (GT 65)	16.34 (2.84)	46.46 (2.84)	2.65 (2.84)	14.04 (2.84)	3.45 (2.08)	7.19 (2.08)	15.54 (3.43)	53.32 (3.43)
Old Single (LT 65)	21.59 (2.81)	60.68 (2.81)	1.48 (2.81)	7.59 (2.81)	4.09 (2.70)	11.05 (2.70)	18.98 (3.01)	57.22 (3.01)
Old Single (GT 65)	13.85 (3.42)	47.38 (3.42)	2.44 (3.42)	14.06 (3.42)	2.59 (2.34)	6.05 (2.34)	13.70 (4.04)	55.39 (4.04)
ALL								

All figures in parentheses express the 1980 average as a ratio of that for 1973; LT and GT are less than and greater than respectively.
Source: *Household Budget Surveys, 1973 and 1980*.

be of school-going age, received a diminished average transfer in real terms in 1980 compared to 1973. The effect of the changing burden of direct taxation was far more significant for most stages than had been cash transfers. Certainly, the tax system, as structured in 1980, failed to distinguish among families based on the number of dependants. Differentials between stages were maintained, by and large, but the burden of additional tax revenue was not imposed in a manner that reflected the number of dependants within a household. In consequence, the net effect of direct State interventions, as shown in average disposable incomes, was a disimprovement of living standards over the seven years. For all save the two stages where the household head is over age 65, disposable incomes grew less than had direct incomes. And the disimprovement was sharpest for families with young dependants.

Did indirect transfers (through education, health care, housing, and transportation) mitigate that trend? Table 7.6(b) suggests that it did not. The distribution of such benefits, which were dominated by expenditure on health care, moved over the 1970s very much to the advantage of the elderly. Fivefold and greater rises took place between the two survey years. Allocation to households in the early and middle stages of raising a family was more haphazard. Taxation, however, did not change between 1973 and 1980 in a manner that clearly affected household welfare differentially. It was neither strongly tied to income or to household composition. In most cases, the average indirect tax burden of households declined in real terms. Households with elderly household heads fared best in this regard, but there is little obvious rationale for the levels or the changes between 1973 and 1980.

The average final incomes of the stages in the two years suggest: (a) a general disadvantage for households raising families, and (b) a tendency for that disadvantage to become more pronounced between 1973 and 1980. If we use the direct/disposable income comparison, we find that in 1973 family cycle stages in which dependent children were likely to be found either benefited from, on average, or lost very slightly through, the combination of direct taxes and direct transfers. The 1980 averages show that the sole beneficiaries of those interventions were elderly households, though the greatest net losses were in the 'young single' stages. When the contrast is average disposable to final income, the change is evident, though not as obviously structured. In 1973, the only net gainers from indirect subsidies and taxes were households at the 'middle child-rearing' and 'complete' stages, doubtlessly a result of the relative share of educational expenditure of the total social expenditure allocated to households. The 1980 distribution made all but the last four stages net losers from State interventions. Redistribution in 1980 was dominated by the transfer from families at work, irrespective of their burden of dependency, to households in which the members were generally over retirement age. That conclusion is based, of course, on the particular taxation and subsidy policies applied in that year.

The net redistributive consequences of policy changes over the 1970s in taxation and social expenditure were to the clear detriment of households in which families were being raised. They were disproportionately used as a source of tax revenue and relatively neglected as recipients of social services, whether in cash or benefits in kind. The inevitable consequence of such a set of policies was to increase the likelihood that families at those stages in the cycle will be found in the lower quintiles of equivalent disposable and final income. The relevant information for assessing the extent of that change is contained in Tables 7.7 (disposable income) and 7.8 (final income)* Of families at the 'middle child-rearing' stage, 45 per cent were found in the bottom two quintiles of disposable income in 1973; this had grown to 47.8 per cent by 1980.

That change was even more to their detriment when final incomes are examined. Table 7.8 shows that 35 per cent of those households had been in the lower two quintiles in 1973 and 43 per cent in 1980. The experience of households in the 'formation' stage was similar, though the relative erosion of their position was less severe. Still, in 1973, 20 per cent of such households were located in the top quintile of final income, while in 1980 that share had declined to 18 per cent. The decline occurred despite the fact that the economic circumstances of such families had, by and large, also fared poorly, relative to other categories, when assessed on direct income. The only evident clarity to policies pursued over the 1973-80 period is a net effect of transferring resources from economically active households to households in which the head of the household was over retirement age. That result was consistently obtained at all stages of the redistribution process. The other clear pattern is the absence of a sustained effort to target the consequences of policies to the benefit of households in which families were being raised. That failure is evident in the distribution of the tax burden and the allocation of both cash transfers and subsidies in the form of services. Households in which a family was being reared were less well off relative to other types of households at the end of the period.

4. CONCLUSION

In conclusion, we stress both the accomplishments recorded over the 1973-80 period and the limitations. The policies of successive governments did, despite limited coherence to their efforts, result in direct taxation and cash transfers becoming more progressive in their distribution. This meant that State policy in those areas compensated for rising inequalities in direct income. When we look at the impact of indirect taxes and transfers, the results are more impressive still. The effect was to decrease the level of income inequality in final

* The appendix contains the comparable tables for direct and gross income as well as tables indicating the distribution of each class category's households by quintiles of direct, gross, disposable and final equivalent incomes.

Table 7.7: The Distribution of Individual Family Cycle Categories by Quintiles of Equivalent Disposable Income, 1973 and 1980

Equivalent Disposable Income Quintiles	1973										1980												
	Young and Single		Young Married		Family Formation		Middle Child Rearing		Complete		Early Dispersal		Dispersal		Two Generation Adult		Empty Nest Under 65		Empty Nest Over 65		Old Single Over 65		
Bottom	5.5	5.6	8.0	16.5	14.5	13.1	9.1	16.5	25.0	47.9	30.7	48.7	6.9	4.5	10.4	21.7	16.4	15.8	10.7	27.1	35.0	32.2	35.5
2nd	9.1	5.0	15.7	27.4	28.0	20.1	13.9	18.2	20.2	19.9	14.4	23.4	3.6	3.0	14.9	26.1	22.4	15.3	7.9	17.1	36.9	14.5	33.8
3rd	8.3	14.3	24.0	25.5	24.8	22.7	20.7	19.2	15.4	14.2	13.6	12.5	8.9	10.4	26.4	24.4	26.0	25.2	17.7	20.2	14.4	15.1	13.1
4th	23.9	28.1	29.5	18.2	19.3	25.1	27.7	22.6	15.7	9.1	15.3	5.9	19.6	21.1	26.7	18.2	23.3	26.1	33.2	23.8	7.5	15.5	8.9
Top	53.3	47.1	22.8	12.3	13.4	18.9	28.6	23.6	23.7	9.1	26.0	9.4	61.0	61.0	21.7	9.4	11.8	17.6	30.3	21.5	6.2	22.7	8.7
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of h/holds	254	201	812	1,434	688	846	595	650	531	770	555	328	422	197	892	1,352	641	727	407	389	843	424	320

Source: Household Budget Surveys, 1973 and 1980.

Table 7.8: The Distribution of Individual Family Cycle Categories by Quintiles of Equivalent Final Income, 1973 and 1980

Equivalent Final Income Quintiles	1973										1980													
	Young and Single		Young Married		Family Formation		Middle Child Rearing		Complete		Early Dispersal		Dispersal		Two Generation Adult		Empty Nest Under 65		Empty Nest Over 65		Old Single Over 65			
Bottom	10.5	11.3	16.1	11.1	8.4	11.8	14.1	24.3	34.1	38.3	34.1	39.1	7.3	11.7	19.1	23.8	20.9	14.8	15.4	20.1	19.6	29.3	28.3	
2nd	11.4	13.8	21.6	27.8	26.0	24.0	18.4	17.0	13.4	14.6	11.5	15.4	11.4	13.8	21.6	27.8	26.0	24.0	18.4	17.0	13.4	14.6	11.5	
3rd	23.2	22.5	23.2	23.0	27.4	25.8	24.7	17.2	11.4	9.8	15.1	7.8	23.2	22.5	23.2	23.0	27.4	25.8	24.7	17.2	11.4	9.8	15.1	
4th	47.7	40.8	20.1	14.3	17.3	23.7	27.4	21.4	21.6	8.0	24.4	9.4	47.7	40.8	20.1	14.3	17.3	23.7	27.4	21.4	21.6	8.0	24.4	9.4
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
No. of h/holds	254	201	812	1,434	688	846	595	650	531	770	555	328	422	197	892	1,352	641	727	407	389	843	424	320	

Source: Household Budget Surveys, 1973 and 1980.

REDISTRIBUTION THROUGH SOCIAL EXPENDITURE: CONCLUSIONS AND RECOMMENDATIONS

incomes quite significantly, and to do so in a period during which inequalities based on the market were rising. Whereas the combined effect of indirect taxes and benefits shifted resources from the poor to the rich in 1973, in 1980 it was redistributing from high to low income groups.

It is in this changing redistributive climate that the specific contribution of spending on social services should be assessed. The various forms of State intervention — cash transfers, direct tax, indirect tax, and non-cash subsidies — were moving in much the same direction, but with little evident conscious coordination.

This is evident when we use the results of the class and family cycle analyses to indicate the types of households that benefited from the trend toward greater redistribution. Much of the achievement over those years in redistributing resources among income groups was apparently a transfer from younger households to older households which had left the labour force. The analysis based on income groups alone indicated that benefits of all varieties became more progressive and that taxation, when direct and indirect levies were combined, became less regressive. Confidence in the generalisability of the 1973-80 differences is enhanced by similar findings obtained from comparing urban households in 1973 and 1978 (Rottman and Hannan, 1981).

To the extent that the redistributive component of State policy was directed to benefit specified targets, it was successful only in relation to households at the late stages of the family cycle. Otherwise, in all four relative interventions examined, there was at most a weak link between the consequences of State intervention and differences in: (a) relative income levels in either 1973 or 1980, (b) the rate of change in income level over that period, and (c) need as manifested in child dependency. In particular, direct taxation generally served to counterbalance whatever gain a category recorded in other policy areas. Nationally, the average direct income rose by a ratio of 3.2, cash transfers by 3.4, subsidies by 3.7, and indirect taxation by 2.5. That was far overshadowed by the 4.8-fold growth in the average tax burden. However, simultaneously, the decline in the real value of the indirect tax burden lowered the relative tax contribution drawn from households receiving a market income. The main beneficiaries of that decline would be the elderly, who experienced the largest rise in support through State expenditures. Other categories of beneficiaries were required to pay through their tax bills for a substantial share of the benefits they received from an expanding Irish Welfare State.

1. INTRODUCTION

This chapter seeks to tie together the various strands to the analysis and commentary presented thus far. It is designed to make the maximum use of the existing data, while respecting its limitations, and to direct the resulting conclusions to important policy issues today. However, it must be noted that the contents of this report utilise the same estimates of benefits as were used by the CSO in their published redistribution analysis. It was not possible to alter the estimates from those derived by the CSO's own procedures.

This concluding chapter has three main sections. In the first, the main conclusions regarding the redistributive consequences of social policies in Ireland over the 1970s will be presented. Those conclusions are anchored in the allocation of benefits to households in two years: 1973 and 1980. The second section reviews the limitations to what we know about who benefits and by how much from social expenditure on health care, education, housing, and transportation. More space is devoted to proposing new approaches than to criticism of existing estimating procedures. The third section of the chapter differs fundamentally from the rest of the report. Although we stressed that what has been described and inferred comes from estimated benefits, what was presented followed from a well-defined methodology. The interpretations made from that analysis can vary between observers, but there is an objective set of evidence by which to determine which is the most appropriate. There is no standard methodology for applying past redistribution results to current policies. It is possible to use data on actual households — their incomes and taxes — to simulate the effects of alternative, even hypothetical policies. But this report has not presented such an analysis. So the final section of the chapter is a personal view of how the 1973-80 findings relate to current social policies.

2. POLICIES AND THEIR CONSEQUENCES: 1973-80

One basis for linking policies to redistributive consequences is to search for what is consistent and what is inconsistent between 1973 and 1980. Given the magnitude of the changes in the level of subsidy to various social service

programmes and the massive restructuring of provision and entitlement to them we would anticipate very different redistributive consequences. Where these are indeed observed, it should be possible to associate their direction and shape with particular policy shifts or trends. We examine each social expenditure programme separately.

(a) Health

The general trend in State health policy over the 1970s was towards higher levels of subsidisation and universalism. By 1980, 85 per cent of the population was included in one of two categories that brought entitlement to substantial levels of health services provided free of charge at the point of use. The following redistributive consequences were noted:

1. The overall impact of expenditure on health care became more redistributive over the 1970s. This is in large measure a result of the increased average benefit being offered to households, but there is evidence of greater progressivity among income categories.
2. Despite these changes, the link between income level and the entitlement category remained weak. The changes in the entitlements system worked to the advantage of high income socio-economic classes more than it did to lower income classes. Farm households were clear beneficiaries of expenditure on health care, with their position improving over the 1970s and differences between large and other farmer categories declining. Also, the consolidation of the services under the new Category II entitlement did not result in a clear distinction among households with incomes in the top two thirds of the income distribution.
3. The allocation of Medical Cards, providing entitlement to the most comprehensive free of charge service, was not coordinated with the needs of families raising children. This is in contrast to policies which tended to ensure that the elderly were provided with Category I entitlement. There is no evidence of a comparable level of concern with the medical costs incurred in raising a family. Of course, the subsidy estimates examined were dominated by the impact of the General Hospitals Service.
4. The discretionary element in determining the type of health care subsidy one receives is evident in both 1973 and 1980. The formalisation that occurred during the 1970s did not erode its influence.
5. The main losers from the policy changes over the 1970s seem to be low income wage earners. Their entitlement to Category I coverage was decreased and they were not given an advantaged position in obtaining Category II services.

6. The two main policy issues in health care that emerge from a redistribution analysis appear to be: (a) should there be a more flexible system of entitlements that makes more distinctions according to need and ability to pay among households than does the current threefold one? (b) should the available funds be allocated to entitlement categories in such a way as to ensure an 'equality of total use', as described in Chapter 1, in which the subsidy from State funds compensates for, rather than augments, differences in the level of services obtained based on income?

(b) Education

1. Expenditure on primary education — and in all likelihood on the junior cycle of secondary school — is redistributive. That effect was present in both 1973 and 1980.
2. There was a very slight increase between 1973 and 1980 in the progressivity with which that subsidy was disbursed among households. In the context of the large growth in the size of the subsidy, that change is disappointing and suggests that much of the redistribution achieved occurred due to higher average subsidies. Certainly the pattern relating income to the share of subsidy received is ambiguous. So the 1980 analysis did not find an allocation that was clearly more progressive than in the past.
3. In contrast, expenditure on third level education — and in all likelihood on the senior cycle of second level — is strongly regressive. It was more so in 1980 than in 1973, although here the pattern is obscured somewhat by alterations in patterns of household composition in which young people attending are more likely to live apart from their parental family while in school.
4. Within the third level, the negative redistributive effect is specifically a feature of the universities. Other third level institutions confer benefits that are more widely shared through the income distribution.
5. Socio-economic class differentials in the subsidy to education manifest some important consistencies and inconsistencies. One consistency is in the extent to which the main benefit from expenditure on third level education is confined to non-agricultural proprietor and professional households. A second is the extent to which working class categories are essentially non-recipients of this form of benefit. The differences between 1973 and 1980 reflect a more even distribution among the main beneficiary categories; large and medium farm households are the only categories which substantially increased their relative shares from low to high levels.
6. The redistribution analysis thus confirms the basic outline of the criticisms of the Irish educational system, as noted in Chapter 4. The overall

redistribution produced through educational expenditure in the analysis stems, in part, from the extent to which the estimates of subsidies overstate the importance of State expenditures on primary education. Further, such improvements as occurred between 1973 and 1980 owed much to the rising average level of benefit per household, rather than enhanced progressivity. Still, the redistributive effect of subsidising primary education, though slight, cannot be ignored when making decisions on funding policies for the educational system as a whole. Further, the subsidy to primary education is one of the few identified in this report as clearly of benefit to households raising young families.

(c) Housing

1. The subsidy to local authority tenants is the most clearly progressively distributed of all the benefits examined and is far more so in 1980 than in 1973.
2. This must be interpreted, however, in the context of changing housing tenure patterns in Ireland. Local authority tenants were clearly becoming a more marginal category over the 1970s as State policies encouraged those who could afford to do so to purchase their local authority dwellings or to become owner occupiers through mortgages. This required massive subsidies, exceeding those made available to local authority tenants. The tenure group receiving the subsidy to local authority tenants shrank in size from 17 to 11 per cent of all households between 1973 and 1980; the 'owner occupied with mortgage' group rose from 14 to 24 per cent over those years.
3. One consequence of these policy changes is to concentrate local authority tenant housing among a small number of socio-economic class categories. Skilled manual workers, for example, tended increasingly to purchase housing in the private sector. The greater redistribution found in 1980 from local authority rent subsidies therefore comes primarily from its being increasingly used by very low income categories.
4. However, despite that concentration, there is evidence that local authority rents are not clearly related to household incomes. This is true despite the growing use of the differential rents scheme.
5. The contradictory nature of State housing policy, noted at the start of Chapter 5, is evident in the changing income, class, and family cycle compositions of the various housing tenure groups. In the 1970s, State policies were attempting to subsidise all forms of housing. The overall effect was clearly not redistributive.
6. Some of the contradictions would be removed and perhaps greater coherence achieved if documents such as Comprehensive Public Expenditure

Programmes were to adopt the NESC approach of examining expenditures and policies for each of the main tenure groups separately. Also, housing is a prime example of the extent to which recipients of subsidies are unaware of the extent to which their costs are being met, in part, out of the Exchequer. This was proposed by the Dail Select Committee on Public Expenditure in its 1984/85 Report, and endorsed by the Commission on Social Welfare (1986, p. 156).

7. The existence of large 'tax expenditures' to mortgage holders raises some important questions about less visible forms of redistribution. Although the benefits derived therefrom tend to be regressive, tax expenditures have features which suggest caution in adopting policies that reduce their value. First, State policies have reduced class inequalities in housing status by assisting skilled and service workers to become homeowners. Second, that subsidy is also of considerable benefit to families in the child raising stages of the family cycle. As with health care, State policies should be aware of the 'costs of a child' in the provision of vital services.

(d) Transportation

1. The general subsidy to transportation — which, in effect, reduces the cost of CIE fares to a level far below their economic cost — is the most regressive programme examined in this report.
2. That negative contribution to redistribution through State actions is consistent in 1973 and 1980. In contrast, the subsidy to free travel for the elderly is progressively distributed in both years. However, since the size of the general subsidy has grown so much more substantially than that to the elderly, the combined redistributive effect is more negative in 1980 than in 1973. This is in part a reflection of the extent to which the CSO estimates for the general subsidy are more comprehensive, especially in 1980, but also the nature of how transportation is subsidised in Ireland.
3. The social objectives of transportation policy in Ireland, as reviewed in Chapter 6, are clearly not being met. Private expenditure on transportation in the top income decile was 10 times greater than in the bottom income decile in 1980. Public subsidies reinforced rather than counterbalanced these inequalities in access to transportation.
4. This brings into question the method by which the subsidy is administered. To obtain the benefit of the subsidy, one must incur two costs. The first is the cost of being a train or bus passenger, of paying the subsidised price. The second cost is that of the shopping or leisure activity that prompts the trip. By tying receipt of the subsidy to the ability to meet these costs, the benefit remains confined to the well-to-do.

5. In particular, much of the subsidy would seem to be directed at those who commute to work. This may meet some of the environmental and other objectives of transportation policy, but again reinforces inequalities between those in employment and those who, for reasons other than age, are not.

6. Transportation policy in Ireland also seems to generate substantial urban/rural and regional inequalities in the distribution of the general transport subsidy.

(e) Overall Summary

In the context of the 'effort' required in terms of high levels of public expenditure and the corresponding expansion in the level of taxation, the overall evaluation of the 1973-80 period is one of modest accomplishments. This is an assessment from the standpoint of redistribution. State policies in 1980 were more redistributive than in 1973. This cannot be adopted as an unambiguous evaluation that those policies had become more effective. First, there is the problem of the limited returns from substantial investment and from considerable structural innovation in service provision. Second, redistribution is but one government objective. A complete assessment can only be made where: (a) government policy is based on clearly stated objectives, (b) where the relative importance of those objectives is established, and (c) the trade-off effects between achieving the various objectives are clear. None of these conditions has been met in Ireland. One rationale for this study is that it can encourage a process of thinking through what public policy is trying to accomplish. Although redistribution as examined here is a consequence that households experience in their standard of living, it is far easier to measure that consequence than it is to link it to particular policy choices or to particular trends in the labour market or economy generally.

It is, however, possible to measure the consequences of State policies more precisely by making more accurate allocations of the benefits conferred on households through the social services. That is the topic of the next section.

3. THE FUTURE OF REDISTRIBUTION STUDIES IN IRELAND

There are several key areas in which improvements can be made to the estimates available on the distribution of the benefits of public social expenditure in Ireland. We would place priority on the following. First, for each programme area, the money being allocated in the estimates should parallel the actual budget. This was not the case in the estimates used in this report. The money allocated among the sample households for health care greatly overstated the role of the General Hospitals Service in the Department of Health's expenditures, just as the estimated education subsidies overstated what is being

spent on primary education. So one priority is to have estimates that cover the full range of each area of social expenditure and in which each subprogramme is the correct percentage of the actual budget for that social service.

A second priority is to allocate the costs of State programmes by the extent to which they are utilised. This involves moving away from estimates based on entitlements - in which it is assumed that each person receives an equal amount in the form of the average benefit. The extant CSO estimates make use of known regional, gender, or age differences in the actual utilisation of services. This can be improved by adding additional questions to the Household Budget Survey itself. The relevant questions would continue the process of making more precise demarcations based on which persons are entitled to various subsidies and, where possible, inquire directly as to the extent to which that entitlement is used. However, there are limits to how many additional questions can be inserted into the already lengthy questionnaires. The main basis for improvements is likely to be analysis of other data sources.

This leads to the third priority: making use of existing data sources to provide more precise information of who makes use of existing services. In some cases, notably the use of 'free travel for the elderly', this could be combined with studies that would help establish the actual cost of the subsidy for the sponsoring department. In many cases, data bases already exist that, with some modifications, could provide the information on utilisation or 'take-up' of services that could be applied to the CSO's redistribution exercises. In health care, the Hospital In-Patient Inquiry is the obvious source. Other areas, such as transportation may require special studies to determine patterns of utilisation. Such studies should seek to explain the apparent regional and socio-economic differences in the use of CIE services.

This leads to a recommendation that research in the public services should be tailored to the extent possible to provide, in addition to the answers to specific questions, data on redistribution. This follows from the importance attributed to redistribution in this report and the anomalies identified in which public social expenditure is clearly failing to meet redistributive objectives. Such a recommendation raises the issue of coordination of research. There is at present no authority that can direct existing data bases and current or proposed research programmes towards providing the necessary information. A working group within, or reporting to, the Statistical Council is one possibility. An alternative is that the NESC publish a formal annual review of information on social policy that would include an assessment of the extent to which the needs of redistribution analyses are being met. Further, the coincidence of the 1987 Household Budget Survey with the ESRI survey of Poverty and the Usage of State Services should greatly facilitate the development of estimating procedures for identifying who benefits and by how much from public social expenditure.

In carrying out these suggestions, the focus should be on the main areas of social expenditure: health, education, housing, and transportation. Only once the benefits of those areas can be distributed with confidence should efforts turn towards other programme areas. This is based on a belief that it is more important to be accurate and comprehensive for the most costly programmes, with the greatest consequences for peoples' life chances, than to measure the total effect of public expenditure.

Refining the accuracy of estimated benefits per household will not be a purely methodological exercise. It will require some difficult choices on issues of what we are seeking to equalise. This is evident in the problem of determining the beneficiaries of the subsidy received by students in third level education. The choice appears to be between allocating the benefit to the individual or to their family of origin. Given the socio-economic class differentials noted in this report, it seems preferable to assign the benefit to the parental family. This is not, however, a technical decision. It is based on a view of the redistribution process that treats education as primarily a benefit that is allocated to families, who otherwise would bear the full cost of third level education. Of course, many students contribute towards or indeed cover their expenses while attending school. But the logic of redistribution links the benefit to the income or class of the recipient, and that is most appropriately represented in the parental home.

Finally, two points can be made. First, this report suggests the merits of taking an approach to redistribution that pays considerable attention to socio-economic class and to family cycle. Ireland's distinctive class structure and labour force make income too blunt a classifying factor to group households for redistribution studies. Second, it is vital to distinguish between social expenditure as measured in the estimation procedures of a redistribution analysis and actual social expenditure. The difficulties of estimating benefits received by specific households makes the budget allocated for each programme in the redistribution analysis a distorted image of the actual one. This is evident, for example, in the extent to which the distribution of the benefit from the General Hospital Service shaped the redistribution observed from health expenditure; primary education has a similar role for educational expenditure.

4. REDISTRIBUTION IN THE 1980s

This section gives an overview of the changes in taxation and social expenditure during the 1980s. In discussing the period since 1980 basic data on expenditure and taxation trends are presented, and the policy initiatives and directions with implications for resource allocation are noted. The ramifications of these trends and policies in terms of their redistributive impact must remain, to an extent, a matter of conjecture. It will be possible, at the very least, to identify

features of the post-1980 scenario which may justify qualifications to the 1973-80 analysis. The discussion follows the format of the main chapters: firstly, we discuss each of the four social services separately, and we then consider these in the context of the system of taxes and transfers.

(a) Health

Since 1980 there have been no fundamental changes in the structure of health services which would warrant any major revisions to our analysis in chapter 3. During this time the basic structure of eligibility and financing of health services has remained largely unchanged. Incremental changes were made on an annual basis to the income guidelines which determine eligibility status, and to the income ceiling for the health levy. In addition some rationalisation was effected in hospital bed provision, in both the psychiatric and acute sectors.

Table 8.1 below presents key information for the 1980-87 period. Public health expenditure remained constant approximately, at about 7.5% of GNP, although there was some volatility in growth rates over the period. Retrenchment however set in in 1987 when expenditure reductions brought the figure to 7.1% of GNP. By 1987 current expenditure was £621m (in constant 1980 prices) compared with £656m in 1980. Further reductions will follow in 1988 when the outturn is likely to be 6.7% of GNP*. The pattern of subsidisation changed very marginally in a 'downward' pattern; the proportion of the population in Category I eligibility (full eligibility) increased from 35% in 1980 to 38.3% in 1983 and has stayed at 37% since then. VHI coverage in the population continued to grow, although the growth has been marginal in more recent years. This growth too has distributional implications since it

Table 8.1: Trends in Health Services and Health Expenditure 1980-87

	1980	1981	1982	1983	1984	1985	1986	1987
Total health expenditure as % of GNP	7.7	7.5	7.5	7.6	7.4	7.5	7.5	7.1
Total current health expenditure at constant 1980 prices	656	631	649	657	643	651	657	621
% of Total health expenditure on community care	20.5	22.1	23.2	21.6	22.0	22.2	22.9	22.8
Number of medical card holders as % of population	35.0	35.7	36.8	38.3	37.0	36.8	37.4	n.a.
VHI insured population as % of population	24.5	27.1	28.2	28.9	29.1	29.2	29.2	29.3

Sources: *Revised Estimates for Public Services (various years)*, *Statistical Information Relevant to the Health Services, (various years)*, *Comprehensive Public Expenditure Programmes*.
Notes: Expenditure figures are gross.

*Estimates provided by NESC Secretariat, based on 1988 Budget documentation.

entails rising tax expenditures, (because of the tax allowance on VHI premia), and since 'private' care is effectively cross subsidised in the complex system of health care financing in Ireland.

In the 1987 Budget, charges were imposed for utilisation of acute public hospital beds (£10 per day) and for outpatient services on the grounds that unnecessary utilisation will be curtailed. This initiative has been accompanied by the introduction of an additional VHI scheme to cover the new charges for non-medical card holders, and takes place against a background of reductions in the provision of public hospital beds, and a growth in new, fully private hospitals. The direction of the health care system in the nineteen seventies was towards more comprehensive public provision, but this trend, and its redistributive gains, may now be halted as a result of the combination of reduced public bed provision, charges on public hospital bed provision, the growth of private hospitals and the associated increase in private health insurance. In commenting on the public health expenditure reductions, and the associated policy changes, the author of the recent ESRI study on Irish Medical Care resources observed:

“The change is what has come to be called ‘privatisation’ — a shift of responsibility for important and traditional public expenditure to private markets, and therefore to household budgets. Whether Ireland should have a privatised public health system is not for a health economist, and particularly a foreigner, to say. But one can point out that such systems are inevitably more expensive than their predecessors. They typically yield so-called ‘two tiered’ systems, with one level and quality of care for those with low incomes who must rely on the (scaled down) public sector; and with another level, and quality of care, for those with higher incomes who, through private health insurance, are in a position to avail of private care. One thing that we have learned over the past two decades is that where care is provided through a market process and financed by health insurance, the costs tend to grow explosively, often out of control. Private care is costly care.” (Tussing, 1987).

Finally in relation to health expenditure, a recurring theme of policy, enunciated for example in *Health the Wider Dimensions* (Department of Health, 1986); was the necessity to shift health services towards community based care. That this policy was not effectively pursued is clear from Table 8.1: the share of health expenditure on Community Care shifted only slightly between 1980 and 1987, and never exceeded 23%.

(b) Education

Table 8.2 below provides key data on education expenditure and services in the nineteen eighties. Aggregate expenditure trends are similar to those in health; increases in the early part of the decade and retrenchment being initiated in

1987. In all, education expenditures totalled 7.2% of GNP in 1987. Enhanced redistribution in the nineteen eighties may have resulted from the changing composition of public education expenditures. As Table 8.2 shows, the share of primary education in total expenditure has been increasing, rising to 44.4% by 1987, from 38.7% in 1980. The progressively redistributive nature of primary education expenditure is now a more significant aspect of total education expenditures.

The latter trend may be reinforced in its impact by the diminishing role of State subsidies in University institutions. In *Strategy for Development*, the NESC (NESC 1986, pages 219-221) pointed out that fees had significantly increased in real terms, and that the fee income and other income was making an increasing proportionate contribution to University costs. This observation can be juxtaposed with the data on third level grants in Table 8.2. Grant holders increased their share in the third level population during the nineteen eighties; total higher education grant holders rose from 18.9% in 1980 to 33.5% of the third level population in the academic year 1986/7* (The sharp rise in unemployment and stagnating real disposable incomes during the period have undoubtedly widened the net of families eligible for third level grants).

Table 8.2: Trends in Education Services and Education Expenditures

	1980	1981	1982	1983	1984	1985	1986	1987
Total Education Expenditure as % of GNP	5.9	6.3	6.3	6.6	6.6	6.8	7.3	7.2
Total Current Education Expenditure at Constant 1980 prices	470	499	537	543	554	564	580	543
Per Cent Share of Total Expenditure to Primary Education	38.7	37.7	36.1	39.8	40.6	40.7	41.1	44.4
Index of Real Value of Third level grants	100	139.0	125.2	114.4	108.0	120.2	119.3	119.5
Total Higher Education Grant holders as % of Third level Students	18.9	22.6	25.2	27.7	28.7	30.9	33.5	n.a.

Sources: *Revised Estimates for Public Services (various issues)*, *Reports of Higher Education Authority*, Department of Education.

Notes: Grants refer only to Higher Education Grants and students include the full time student population of the five universities, the two NIHEs, the Royal College of Surgeons, NCAD, and Thomond College. The years refer to academic years 1980/81, 1981/82 etc. for the final two rows of the data; n.a. is not available.

*These figures should be interpreted with caution; there are other types of grants, and the colleges data exclude the Colleges of Technology and the Regional Technical Colleges.

However, this growing population of grant holders were not beneficiaries of grants which reliably maintained their real value. The observation of the NESC (NESC, 1986, pages 220-221, Figure 9.2) that no consistent policy of determining a level for the grants has been pursued, is fully reflected in these data: the real value of the grants gyrated during the period, with a very significant increase of 39% from 1980 to 1981, followed by a cumulative decline from 1981 to 1984 and then a partial recoupment of the lost ground in 1985. In the framework of the Household Budget Survey, as we outlined earlier, these grants are classified as transfer payments rather than social service expenditures.

The likely drift towards a more redistributive structure of education expenditures, as articulated above, requires two qualifications. Firstly, a crucial indicator of the redistributive impact of education expenditures is the relative participation of lower socio economic groups in the upper second level and third levels of the education system. Data are not available to reveal trends in this regard. Secondly, the progressive shift in expenditure towards primary education may be counterbalanced by demographic trends. The pupil population is shifting towards the upper reaches of the system as the long run decline in births makes an impact on the relative numbers of pupils in the various levels of education. In other words, the gain in the redistributive performance of educational expenditures arising from the enhanced expenditure share of primary education may be offset in future years when the size of the primary school population declines significantly.

The analysis in Chapter 4 revealed a progressive distribution of secondary education subsidies and a heightened progressivity in 1980 compared with 1973. One policy decision in the nineteen eighties will have reinforced this trend. Commencing in the academic year 1986/7 secondary schools which are not in the 'free scheme' no longer receive capitation grants for their pupils.* These schools largely cater for the children from middle and higher income groups. This recent policy change, to quote from the NESC:

"means an increase in the contribution to second level education costs from the disposable income of parents, and this development is broadly compatible with a more equitable approach to the financing of second level education" (NESC, 1986, page 220).

The critical analysis of the inequitable aspects of education expenditures offered by Tussing a decade ago (Tussing, 1978) has therefore been recognised in part. An examination of the current distribution of second level education subsidies would likely display a more egalitarian profile.

*Until this policy was implemented, schools in the 'free scheme' received a capitation grant and a supplementary grant per pupil in lieu of the fees foregone by having free access. Schools not in the free scheme received the capitation grant until the 1986/7 academic year.

(c) Housing

Public expenditure on housing grew rapidly after 1980 — with gross current expenditure doubling in real terms between 1980 and 1987. Most of this additional expenditure refers to the costs of loans incurred in providing such housing.* This increase can largely be attributed to trends in interest rates over that period. Also, the rise in current expenditure was accompanied since 1982 by a decline in the magnitude of capital expenditure on housing. By 1986, some 119,000 of the nation's 985,000 housing units were local authority rentals and some 180,000 were former local authority dwellings purchased by their tenants (and possibly resold), with more than 76 per cent of all houses owner occupied (Comprehensive Public Expenditure Programmes 1986, pp. 392-93).

Public policy on housing has moved in several new directions since 1980. First, greater emphasis was placed for a number of years on conserving and improving the existing housing stock through grants to owner occupiers. These have largely been abolished. Second, incentives to first time house purchasers have been generally stressed, although their attractiveness has varied from year to year. A £2,000 grant continued to be available with the option of a £3,000 mortgage subsidy instead; the latter incentive was replaced in 1986 by a grant of £2,250; the Housing Finance Agency was established in 1981 with a remit to provide mortgages for modest owner occupied homes to those on low incomes. Third, at the same time, the rate of subsidy per mortgage holder through tax expenditures declined in real value in successive budgets. The 1987 budget reduced the value of that subsidy still further, by limiting its applicability to 90 per cent of the amount previously available to the mortgage holder for tax relief (a maximum of £1,800 for a single person). A fourth policy direction was the use of a £5,000 grant to encourage local authority tenants to become owner occupiers in the private housing sector; this grant was abolished in 1987.

An overview of the trends is given in Table 8.3 Housing expenditure was in a range around 3.5% of GNP during the period. Current expenditure increased significantly, a reflection not of improved housing services, but of the increased interest costs on borrowed capital which is a major item under current expenditure sub head. Real capital expenditure, by contrast, has plummeted since 1983. This does not necessarily reflect poorly on the State's commitment to local authority housing provision, as the capital investment in new dwellings has declined at a time when demand has also declined due to demographic and other factors. Specific data on the local authority housing sector provide clues as to its continuing redistributive role. Local authority rental income declined relative to costs — from 21.6% of maintenance management and loan costs in

*Up to the end of 1987 local authority house building was financed by loans from the local loans fund and the repayments made by the local authorities were subsidised in total by the Department of the Environment.

1980 to 17.1% in 1985. On average, real rents of local authority tenancies declined marginally. The impact of stagnant disposable real incomes and rapidly rising unemployment during this period has, apparently, affected the rental incomes of local authorities through the differential rent scheme: rents in this sector would be increasingly depressed as they are income related.

Our analysis of housing subsidies, as we explained in chapter five, is confined to the local authority rental sector, a very narrow analysis in view of the range of subsidies and incentives which impinge on the owner occupied sector and on the housing system as a whole. Some relevant data on owner occupation are therefore included in Table 8.3. The major subsidy, albeit an implicit subsidy in the form of a tax expenditure, is the cost of mortgage interest tax relief on house purchase loans. On aggregate this rose in real terms more than three fold from 1980 to 1985 and then began to decline, reflecting the Budgetary decision of 1987 to reduce the allowance.

Table 8.3: Trends in Housing and Housing Expenditure 1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Total Housing Expenditure as % of GNP	3.0	3.3	3.6	3.8	3.6	3.8	3.6	3.8
Housing Capital Expenditure at Constant 1980 prices	202	232	247	248	233	219	200	206
Housing Current Expenditure	64	71	80	97	111	121	113	128
Local Authority Rental Income as % of Maintenance, Management Loan Charges	21.6	19.4	20.1	17.3	18.3	17.1	not available	
Average Real Rent of All Local Authority Dwellings, index 1980 = 100	100	74.0	98.8	92.3	99.1	97.7	not available	
Real Cost of Mortgage Interest Tax Relief (1980 prices)	24	30.6	40.4	54.1	73.6	86.3	85.5	80.3
Net Repayments in First Year as % of Disposable Income	42.3	43.3	21.4	21.0	18.1	16.9	14.6	n.a.

Sources: *Public Capital Programme (various issues)*, *Revised Estimates for Public Services (various issues)*, *Quarterly Bulletin of Housing Statistics*.

Notes: Capital expenditure included in the first row is the total Public Capital Programme figure for housing. Capital and Current expenditure figures and mortgage interest allowance data are deflated by the House Building Cost index and the implicit net current public expenditure deflator respectively; net repayments assume repayments on an average priced house, with a 75% mortgage over 25 years, the case is that of a married man with two children on average industrial earnings, benefitting from the mortgage subsidy (NESC, *A Review of Housing Policy*, forthcoming).

The cost of the tax allowance in 1985/86 is estimated at £145 million in current prices compared with £204 million gross public current expenditure on housing in 1985; the actual scale of these subsidies are therefore converging, and the need to examine *all* housing subsidies is consequently highlighted. Finally, the cost of access to the owner occupied tenure appears to have eased considerably

in recent years: net mortgage repayments as a percentage of income, allowing for the tax allowance on interest repayments, declined from about 43% of disposable income in 1980 to 15% in 1986. The decline in house prices in the middle and lower price ranges, combined with the tax allowances, have therefore facilitated access to owner occupation.

On balance, it appears that post-1980 policies have continued the trend towards social concentration in local authority housing; increasingly this tenure is inhabited by those in the very lowest reaches of the income distribution. This would continue, if not enhance, the strong redistributive effect that emerges from expenditure on that housing tenure group. It may also have serious social policy implications as many local authority estates become concentration points for social deprivation in a period of economic recession. Owner occupation has extended widely and has become the predominant tenure, aided by a panoply of state subsidies and incentives. An analysis of the emerging pattern of redistribution from housing expenditures must therefore incorporate, not only the explicit provision and subsidisation of housing in the local authority tenure, but also the various subsidies to the owner occupied sector.

(d) Transportation

The main policy change in this programme area occurred with the Transport Act, 1985 and the subsequent restructuring of CIE. This was the culmination of efforts to control the size of CIE expenditure and the Government subsidy that made up the difference between costs and revenue. In redistribution terms, this may have affected the average benefit conferred through the general transportation subsidy but would not affect its highly regressive distribution. Expenditure on the limited aspects of transportation covered in our analysis continues therefore to be a net detractor from the overall redistribution process. We acknowledge of course that in the nineteen eighties, just as in the seventies, redistributive goals were not the basis of transportation expenditure. This diversity of objectives, however, should not obscure the evidence from our analysis that the subsidy is regressive in its impact. In 1986 the general subsidy to CIE was £99.5 millions.

(e) Taxes and Transfers

The analysis in Chapter 7 highlighted the important role of the cash transfer system in effecting a large measure of redistribution, and indicated that a degree of progressive redistribution is attained through the taxation system. This analysis centred on the period 1973-1980, a period characterised by a significant level of real income growth, an expansion of social service expenditures, and a widening system of social security provisions.

Since 1980 some of these trends have been accentuated, as Table 8.4 reveals, and

Table 8.4: Trends in Taxes and Transfers 1980-1987

	1980	1981	1982	1983	1984	1985	1986	1987
Total Social Welfare Expenditure as % of GNP	10.4	11.4	13.3	14.2	14.3	15.0	15.5	15.3
Total Social Welfare Expenditure in constant 1980 prices (£m)	897	998	1162	1232	1242	1292	1359	1372
<i>Real Value of Social Welfare Payments:</i>								
(Index 1980 = 100)								
Contributory Old Age Pension	100	105.2	116.5	117.7	118.5	120.0	123.9	124.1
Unemployment and Disability Benefit	100	100.5	108.8	103.8	108.6	109.7	114.1	113.1
Childrens Allowances/Child Benefit	100	113.4	133.8	130.6	124.6	122.1	146.9	142.6
Per Capita Equivalent Income of Social Welfare Family as % of Pensioner Couple	83.1	78.4	77.0	75.0	75.1	74.5	74.8	74.6
<i>Social Welfare Population:</i>								
Recipients of Unemployment Payments (000's)	113.8	136.0	173.5	177.4	188.2	210.2	218.3	222.8
Recipients of Widows and Old Age Pensions (000's)	307.4	312.8	318.0	319.3	323.2	330.3	333.9	338.8
Total Recipients as % of Total Population (%)	16.2	16.7	17.7	17.9	19.3	20.5	21.0	21.1
<i>Taxation:</i>								
Tax Revenue as % of GNP	29.1	30.5	32.5	34.7	36.2	36.4	37.6	37.4
Personal Income Tax as % of Total Taxation	38.7	37.5	36.8	38.0	40.1	40.5	41.2	43.3
Real Value of Tax Exemption Limit, for Single Person, 1985/86 prices (£ per annum)	2950	2894	2760	2737	2651	2650	2573	2490
Real Value Average Earnings (£ weekly 1980 prices)	96.2	96.9	89.6	90.9	93.9	96.1	99.5	—
Real GNP Per Capita at Constant 1980 prices	2614	2683	2635	2565	2567	2539	2498	n.a.

Sources: *Budget Booklets, Estimates for the Public Services, Statistical Information on Social Welfare Services (various issues)*; Taxation data are from *NESC Report No. 83, Tables 4.1, 4.2, 4.10.*

Notes: The comparison of pensioners and social welfare families refers to the social welfare income of a pensioner couple aged between 66 and 80 in receipt of a contributory pension and that of a family man with a spouse and two children in receipt of unemployment benefit (flat rate) plus childrens allowances/child benefit; adult equivalence measures were applied; population data are the CSO annual population estimates; unemployment figures refer to direct recipients of unemployment assistance and unemployment benefit.

some new trends emerged which undoubtedly have redistributive implications. Firstly, social security expenditure grew from 1980 until 1986, reaching 15.5% of GNP in the latter year, a real growth of about 50%. This is attributable to the rising number of recipients and to improved real payments: it can be seen from the data that recipients of payments now comprise 21% of the total population, compared with 16.2% in 1980. Examples are given in the Table of the growth in recipient numbers — a doubling in unemployment payment recipients and about a 10% increase in pensioner numbers. The real value of the contributory old age pension grew by almost a quarter, and of unemployment and disability benefit by 13%. In its account of trends in social security spending from 1980 to 1985, the NESC calculated that the largest *single* items contributing to real expenditure growth were — in this order — unemployment payments and old age pensions (NESC, 1986, page 62). Further, the growth in unemployment expenditure was almost wholly due to increased recipient numbers, while pensions expenditure grew largely because of real payment increases. The real increase in *total* expenditure was equally attributable to increases in recipient numbers and increases in payment levels.

Secondly, taxation continued to increase after 1980, but at an accelerating rate. Total taxation rose to almost 38% of GNP by 1986, from under 30% at the beginning of this decade. Personal income taxation, as the figures show, made an increasing contribution to tax revenue, comprising 43% of total taxation by 1987. Personal incomes were subjected to significant real increases in taxation; one illustration in the Table is the decline in the real value of tax exemption limits. Further relevant data have been provided by the NESC; by 1986/7 single workers on earnings within a range of 95% to 126% of average earnings were subject to marginal tax rates of 58%-65.5% if PRSI is included. In the same tax year almost a quarter of all single tax payers were paying marginal rates of 58% (NESC, 1986, Tables 4.6 and 4.9).

Thirdly, economic performance in this decade is in marked contrast to the original period of our analysis. The volume of GNP grew at an annual average rate of 3.7% from 1975/1980, but *declined* at an annual rate of 0.1% from 1980 to 1985. Reflecting the stagnating economy, real earnings, as shown in the Table, declined for some of the recent period (1981-84) and stabilised from 1985 onwards. The growth in unemployment, indicated in the data by the increased number of welfare beneficiaries, is of course a corollary of these wider economic circumstances.

To consider the implications of these trends it is useful to return to our framework of direct — gross — disposable and final income. Direct incomes to households will have grown very little on average, and for a growing number of households who became dependent on social welfare payments direct incomes were nil. It is possible therefore that the overall distribution of *direct* incomes became more unequal, but this must be a matter of conjecture.

However, *disposable* incomes may have become more equally distributed as a consequence of the rising taxation of direct incomes, the growth in the real value of transfer payments, and the enhanced role of transfer payments in household incomes.

In an absolute sense transfer payments during the eighties — as they were during the nineteen seventies — will be a powerful counterbalance to a widening inequality of direct incomes. The importance of this counterbalancing will undoubtedly have grown, however.

The distinction offered in our analysis between average taxes and benefits on the one hand, and the rate of progressivity on the other is relevant here also. If the inference made above about the currently enhanced redistributive impact of taxes and transfers is correct, then this impact should be seen as deriving, in large part, from overall average taxes and benefits. In other words, the total scale of taxation and transfers, rather than explicitly designed and targeted taxes and transfers, to an extent explains the redistributive achievements of social expenditures and taxation. The tax system, for instance, is characterised by a narrow tax base and has increasingly impinged on those with modest incomes, while deriving little tax revenue from property and capital. Within the social welfare system there is a wide divergence in the rates of income support a divergence not apparently related to divergent income needs.

A contrast between the period 1980-87 and the original period of analysis to 1980 is offered by the changing relative roles of non cash social services — which are the core of our study — and direct transfer payments. The main areas of non cash spending which were increasing during the nineteen seventies and early eighties are now subject to retrenchment. Social security spending, however, has continued to grow, and its growth has accelerated since 1980. A significant redistributive outcome of this should be noted: in the total redistributive process from direct income to final income, which we outlined in Chapter 7, the effect of direct cash payments was measured as making the predominant contribution to redistribution; this predominance in the redistributive process is now reinforced.

(f) Overview of Trends Since 1980

Any attempt to offer a definitive conclusion on the precise implications for our analysis of the post-1980 scenario is fraught with uncertainty. We can offer a number of general and very tentative observations, however, which taken together might point to this later period as one of greater redistribution. Firstly, the major channels of redistribution — taxes and transfers — grew in significance during the 1980's. We would expect this to result in a more egalitarian distribution of disposable income in the current period, unless a very marked widening in the distribution of direct incomes had also taken place. Secondly,

transfer payments, which are more redistributive than non cash transfers or taxation, grew in importance relative to these other mechanisms of redistribution. Thirdly, as we observed in the discussion on education, housing and health trends in the 1980's, some specific developments and policies in these areas are redistributive in effect — changes in education subsidies, increased concentration of local authority housing subsidies on lower income groups, for instance.

Finally, the qualifications to, and limitations of, the redistribution analysis in this study should be recalled when noting our summary of trends since 1980. We have analysed redistribution in a literal and limited way, because of our specific focus on the *public expenditure flows* affecting households. Thus, the egalitarian distribution of housing subsidies refers only to local authority housing and not to the housing system as a whole; this reveals nothing about housing quality or about inequalities in housing amenities. Perversely, the enhanced redistributive impact of transfers arises in part because of rising unemployment and the necessarily burgeoning role of unemployment payments.

These instances highlight the need to integrate data from redistribution studies, which are undoubtedly essential to the evaluation of social policy, with more general information on social trends and social policies.

FOOTNOTES

1. This approach and its rationale are presented at greater length in Rottman *et al.* (1981; 1982). It is based, by and large, on the writings of Anthony Giddens (1973).
2. The Commission on Taxation (1982, Appendix 5) describes and assesses the relative merits of income distribution data derived from the Revenue Commissioners' administrative records and from the HBS.
3. Other analyses which do not strictly follow the format of redistribution studies but which contain relevant results are Roche's (1982, 1984) of poverty and Rottman, Hannan *et al.* (1982a and 1982b).
4. This subsection summarises a complicated and controversial technical literature. Those readers wishing to obtain a fuller appreciation of the assumptions and methodology of redistribution studies should consult a standard reference, such as Nicholson (1974), the annual UK analyses published in the CSO's *Economic Trends* series, or the various reports of the Royal Commission on the Distribution of Income and Wealth (especially Report No.5). Strong advocacy of the methodology can be found in Atkinson (1983) and more generally in the various studies produced by the UK Economic and Social Research Council's 'Programme on Taxation, Incentives, and the Distribution of Income'. A more critical evaluation can be found in O'Higgins (1980). Detailed discussions of the limitations implicit in the Household Budget Survey methodology can be found in Murphy (1980, 1983, 1984), Nolan (1980), and O'Connell (1981).
5. The *Commission on Social Welfare* (1986, pp. 306-7) summarises the evidence on the 'cost of a child' from the various empirical studies.
6. This gap will soon be filled (see Keogh and Conniffe, 1988).
7. Health expenditure is 11.7 per cent of estimated gross public expenditure (Department of Finance, Budget 1987, 31 March 1987).
8. The private/public allocation of health costs is Tussing's (1985, p. 126) estimate for 1980.
9. It (p.18) notes that since taxation funds 85 per cent of public health expenditure, 'how fairly the funding burden is shared is a reflection of the fairness of the tax system generally' (see Chapter 7 below).
10. See, for example, Rottman and Hannan, 1982, Chapter 2; Hannan and Breen, 1983, Chapter 3; Breen, 1984, and *The Economic and Social Review*, 'Symposium on Equality of Opportunity in Irish Schools', Vol. 16, No. 2, January 1985.
11. Before July 1973 the rent payable by a local authority tenant was based on the tenant's full income through a formula of differentials specific to each local authority. In July of 1973 (midway in the collection of the HBS data) a new scheme was introduced on a national basis. This assessed rents on 'weekly basic income' (excluding, for example, overtime and bonus payments), less income tax on that income and social welfare contributions. Rents so assessed averaged about one-fifth less than those under the earlier scheme (NESC, No. 25, pp. 108-109). Reviews of differentials are made at intervals. In a period of rapid inflation and economic growth, such as the 1970s, this could lead to substantial disparities between 'need' and rents, and between income and rent levels. In 1973, 29.2 per cent of local authority tenants paid a fixed rent; by 1980, this had been reduced to 12 per cent. See the relevant December issues of the *Quarterly Bulletin of Housing Statistics*.

12. Allocations of the total subsidy to housing are difficult and often produce quite different estimates. However, it is clear that over the 1970s owner-occupiers received a greater State subsidy than did local authority tenants (see O'Brien, 1982, p. 59).
13. More recent data — from a 1986 survey — found that one-third of the local authority renter tenure group consisted of households in which the head of household was not in receipt of any social welfare payments (*Commission on Social Welfare*, 1986, p. 509).
14. 1971 figures are from the *Census of Population of Ireland, 1971*, Volume VII, Table 1; 1981 figures are from *Bulletin No. 40 of the 1981 Census of Population*, Table 9.
15. A classic definition of the 'Welfare State' is provided by Asa Briggs (quoted in Flora and Heidenheimer, 1981, p. 29). A 'Welfare State' is a state in which organised power is deliberately used (through politics and administration) in an effort to modify the play of market forces in at least three directions — first, by guaranteeing individuals and families a minimum income irrespective of the market value of their property; second, by narrowing the extent of insecurity by enabling individuals and families to meet certain 'social contingencies' (for example, sickness, old age and unemployment) which lead otherwise to individual and family crises; and third, by ensuring that all citizens without distinction of status or class are offered the best standards available in relation to a certain agreed range of social services.
16. The averages cited for each category are estimates, subject to sampling error. Given the size of the sample and of the numbers in most subgroups examined in this report, the confidence intervals surrounding those estimates are small. However, the complexity of the sample design and the need for re-weighting partly offsets the precision achieved when estimating from large numbers of households (see Moser and Kalton, 1972, pp. 200-209). Also, when examining the difference between a category's average in the two surveys, the potential for error is greater than that which would be found when estimating either year's average itself.

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APPENDIX TABLES

Appendix Table 2.1: Equivalent Direct Income by Equivalent Gross Income, 1973

Equivalent Direct Income	Equivalent Gross Income										Total
	1	2	3	4	5	6	7	8	9	10	
1. No. %	403 52.0	307 39.7	44 5.7	15 1.9	6 0.7	-	-	-	-	-	775 100.0
2. No. %	287 37.0	235 30.4	187 24.2	51 6.6	7 0.9	*	*	-	-	-	774 100.0
3. No. %	85 10.9	230 29.7	227 29.3	140 18.1	67 8.7	23 2.9	*	*	-	-	775 100.0
4. No. %	-	*	316 40.9	275 35.5	118 15.2	53 6.9	9 1.2	-	-	-	773 100.0
5. No. %	-	-	-	293 37.8	323 41.7	115 14.8	38 5.0	6 0.8	-	-	775 100.0
6. No. %	-	-	-	-	253 32.7	396 51.2	103 13.4	20 2.6	*	-	774 100.0
7. No. %	-	-	-	-	-	182 23.6	483 62.4	103 13.3	6 0.7	-	774 100.0
8. No. %	-	-	-	-	-	-	137 17.6	568 73.3	69 8.9	*	774 100.0
9. No. %	-	-	-	-	-	-	-	76 9.9	662 85.6	35 4.6	773 100.0
10. No. %	-	-	-	-	-	-	-	-	36 4.7	738 95.3	774 100.0

Source: Household Budget Survey, 1973.

*These cells contain very small numbers.

Appendix Table 2.2: Equivalent Direct Income by Equivalent Final Income, 1973

Equivalent Direct Income	Equivalent Final Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	226 29.1	248 32.1	145 18.8	96 12.4	36 4.6	14 1.8	6 0.7	-	-	*	*	774 100.0
2. No. %	271 35.0	206 26.6	134 17.3	77 10.0	56 7.2	14 1.8	8 1.0	*	-	-	-	774 100.0
3. No. %	130 16.9	145 18.8	165 21.3	151 19.4	86 11.0	54 7.0	23 2.9	12 1.6	*	*	*	774 100.0
4. No. %	60 7.7	81 10.4	153 19.8	161 20.9	155 20.1	101 13.1	39 5.1	17 2.1	6 0.7	-	-	773 100.0
5. No. %	35 4.5	43 5.5	86 11.1	129 16.6	177 22.9	158 20.4	97 12.5	39 5.0	9 1.1	9 1.1	*	775 100.0
6. No. %	21 2.8	28 3.6	51 6.6	91 11.7	126 16.3	175 22.6	160 20.7	97 12.5	22 2.8	22 2.8	*	774 100.0
7. No. %	10 1.3	11 1.4	27 3.6	43 5.6	90 11.7	155 20.1	201 26.0	183 23.6	46 5.9	46 5.9	7	774 100.0
8. No. %	12 1.5	5 0.7	11 1.4	22 2.9	31 4.0	76 9.8	181 23.4	230 29.7	180 23.2	26 3.4	26 3.4	774 100.0
9. No. %	7 0.9	5 0.6	*	*	*	21 2.8	54 7.0	170 22.0	349 45.2	145 18.8	145 18.8	773 100.0
10. No. %	*	*	-	*	*	4 0.5	6 0.8	21 2.7	154 19.8	583 75.3	583 75.3	774 100.0

Source: *Household Budget Survey, 1973.*

*These cells contain very small numbers.

Appendix Table 2.3: Equivalent Direct Income by Equivalent Disposable Income, 1973

Equivalent Direct Income	Equivalent Disposable Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	395 51.0	301 38.8	55 7.1	13 1.7	11 1.4	-	-	-	-	-	-	774 100.0
2. No. %	278 35.9	225 29.0	184 23.8	63 8.1	15 1.9	7 0.9	*	-	-	-	-	774 100.0
3. No. %	97 12.6	219 28.3	218 28.2	121 15.6	65 8.4	45 5.9	6 0.8	*	*	*	*	774 100.0
4. No. %	*	26 3.3	284 36.7	275 35.6	104 13.4	52 6.7	27 3.6	*	*	-	-	773 100.0
5. No. %	*	*	28 3.6	267 34.5	307 39.6	112 14.5	45 5.8	13 1.6	-	-	-	775 100.0
6. No. %	-	-	4 0.6	34 4.3	248 32.0	340 43.9	112 14.4	33 4.2	-	-	-	774 100.0
7. No. %	-	*	*	*	22 2.8	203 26.2	385 49.8	141 18.3	20 2.6	20 2.6	-	774 100.0
8. No. %	*	-	-	*	4 0.5	14 1.8	189 24.4	420 54.2	141 18.2	5 0.7	5 0.7	774 100.0
9. No. %	-	-	-	-	-	-	6 0.7	163 21.0	498 64.3	107 13.8	107 13.8	773 100.0
10. No. %	-	-	-	-	-	-	*	*	111 14.3	662 85.4	662 85.4	774 100.0

Source: *Household Budget Survey, 1973.*

*These cells contain very small numbers.

Appendix Table 2.4: Equivalent Gross Income by Equivalent Disposable Income, 1973

Equivalent Gross Income	Equivalent Disposable Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	755 97.5	19 2.5	-	-	-	-	-	-	-	-	-	774 100.0
2. No. %	15 2.0	693 89.5	66 8.5	-	-	-	-	-	-	-	-	774 100.0
3. No. %	*	53 6.9	614 79.3	104 13.5	-	-	-	-	-	-	-	774 100.0
4. No. %	*	6 0.7	86 11.1	531 68.6	150 19.4	-	-	-	-	-	-	774 100.0
5. No. %	-	*	7 0.9	132 17.1	463 59.9	169 21.9	-	-	-	-	-	774 100.0
6. No. %	-	*	-	5 0.6	153 19.8	447 57.8	167 2.16	-	-	-	-	774 100.0
7. No. %	-	-	-	*	5 0.7	152 19.7	462 59.7	153 19.8	-	-	-	774 100.0
8. No. %	*	-	-	*	2 0.3	5 0.6	140 18.1	484 62.6	141 18.2	-	-	774 100.0
9. No. %	-	-	-	-	-	-	*	136 17.6	536 69.2	99 12.8	-	774 100.0
10. No. %	-	-	-	-	-	-	*	*	97 12.6	675 87.1	-	774 100.0

Source: *Household Budget Survey, 1973.*

*These cells contain very small numbers.

Appendix Table 2.5: Equivalent Gross Income by Equivalent Final Income, 1973

Equivalent Gross Income	Equivalent Final Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	445 57.5	199 25.7	67 8.7	44 5.7	13 1.7	*	*	*	*	*	-	774 100.
2. No. %	147 19.0	284 36.7	180 23.3	96 12.4	48 6.2	12 1.5	4 0.5	-	-	*	*	774 100.
3. No. %	65 8.4	156 20.2	227 29.4	189 24.4	97 12.6	33 4.3	4 0.6	*	-	-	-	774 100.
4. No. %	40 5.1	66 8.5	151 19.6	176 22.8	196 25.4	98 12.7	40 5.1	4 0.6	4 0.6	*	-	774 100.
5. No. %	33 4.3	32 4.1	73 9.5	125 16.2	177 22.8	199 25.7	94 12.2	36 4.6	36 4.6	*	*	774 100.
6. No. %	14 1.9	18 2.3	47 6.1	76 9.8	127 16.4	190 24.6	184 23.7	98 12.6	98 12.6	15 1.9	6 0.7	774 100.
7. No. %	12 1.5	7 0.9	17 2.2	49 6.3	71 9.2	144 18.6	233 30.1	201 25.9	201 25.9	38 4.9	4 0.5	774 100.
8. No. %	9 1.2	8 1.0	9 1.1	15 1.9	27 3.5	74 9.5	163 21.0	255 33.0	255 33.0	195 25.1	20 2.5	774 100.
9. No. %	5 0.7	*	*	*	16 2.0	18 2.4	47 6.1	157 20.3	157 20.3	372 48.1	150 19.3	774 100.
10. No. %	*	*	-	*	*	4 0.5	5 0.7	19 2.4	19 2.4	147 19.0	591 76.1	774 100.

Source: *Household Budget Survey, 1973.*

*These cells contain very small numbers.

Appendix Table 2.6: Equivalent Disposable Income by Equivalent Final Income, 1973

Equivalent Disposable Income	Equivalent Final Income										Tot	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	448 57.9	195 25.3	69 8.9	43 5.5	14 1.8	*	*	*	*	-	-	774 100.
2. No. %	155 20.0	234 36.7	167 21.6	102 13.2	49 6.4	10 1.3	3 0.4	-	*	*	*	774 100.
3. No. %	73 9.4	166 21.4	229 29.6	181 23.4	92 11.9	26 3.3	5 0.6	*	-	-	-	774 100.
4. No. %	34 4.4	74 9.5	166 21.4	179 23.1	186 24.0	99 12.9	31 4.0	4 0.5	*	-	-	774 100.
5. No. %	24 3.1	26 3.4	85 11.0	149 19.2	198 25.5	189 24.4	81 10.4	17 2.2	*	*	*	774 100.
6. No. %	13 1.7	14 1.8	35 4.5	65 8.5	143 18.5	233 30.1	183 23.6	79 10.2	5 0.6	4 0.5	4 0.5	774 100.
7. No. %	13 1.6	7 0.9	16 2.0	29 3.7	65 8.4	147 19.0	278 36.0	189 24.4	27 3.5	*	*	774 100.
8. No. %	8 1.0	*	6 0.8	21 2.7	18 2.3	48 6.2	163 21.1	339 43.8	158 20.4	11 1.4	11 1.4	774 100.
9. No. %	4 0.6	4 0.5	*	4 0.5	8 1.0	19 2.5	26 3.4	133 17.2	468 60.5	108 13.9	108 13.9	774 100.
10. No. %	*	*	-	*	*	-	4 0.5	8 1.0	110 14.2	644 83.2	644 83.2	774 100.

Source: Household Budget Survey, 1973

*These cells contain very small numbers.

Appendix Table 2.7: Equivalent Direct Income by Equivalent Gross Income, 1980.

Equivalent Direct Income	Equivalent Gross Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1 No. %	302 42.0	260 36.2	124 17.2	20 2.8	12 1.7	*	-	-	-	-	-	719 100.0%
2 No. %	279 38.9	207 28.9	186 25.9	40 5.6	*	*	-	-	-	-	-	717 100.0%
3 No. %	137 19.1	209 29.1	136 18.9	158 22.0	57 7.9	17 2.4	*	*	-	-	-	718 100.0%
4 No. %	-	42 5.8	272 37.9	240 33.4	101 14.1	51 7.1	12 1.7	-	-	-	-	718 100.0%
5 No. %	-	-	-	261 36.4	325 45.3	94 13.1	31 4.3	*	*	-	-	718 100.0%
6 No. %	-	-	-	-	220 30.7	372 51.9	101 14.1	24 3.3	-	-	-	717 100.0%
7 No. %	-	-	-	-	-	180 25.1	454 63.2	76 10.6	8 1.1	-	-	718 100.0%
8 No. %	-	-	-	-	-	-	116 16.1	550 76.5	51 7.1	*	-	719 100.0%
9 No. %	-	-	-	-	-	-	-	63 8.8	634 88.2	21 2.9	-	718 100.0%
10 No. %	-	-	-	-	-	-	-	-	24 3.3	695 96.7	719 100.0%	719 100.0%

Source: Household Budget Survey, 1980.

*These cells contain very small numbers.

Appendix Table 2.8: Equivalent Gross Income by Equivalent Disposable Income, 1980

Equivalent Gross Income	Equivalent Disposable Income										Total	
	1	2	3	4	5	6	7	8	9	10		
1. No. %	685 95.4	33 4.6	-	-	-	-	-	-	-	-	-	718 100.0%
2. No. %	23 3.2	623 86.6	73 10.2	-	-	-	-	-	-	-	-	719 100.0%
3. No. %	5 0.7	54 7.5	545 75.9	114 15.9	-	-	-	-	-	-	-	718 100.0%
4. No. %	* -	1.1 -	88 12.3	470 65.5	150 20.9	-	-	-	-	-	-	718 100.0%
5. No. %	* -	* -	10 1.4	121 16.9	423 58.9	161 22.4	-	-	-	-	-	718 100.0%
6. No. %	- -	- -	* -	9 1.3	138 19.2	374 52.0	188 26.1	9 1.3	-	-	-	719 100.0%
7. No. %	* -	- -	- -	* -	5 0.7	169 23.5	384 53.5	155 21.6	-	-	-	718 100.0%
8. No. %	- -	- -	- -	- -	* -	13 1.8	140 19.5	400 55.6	163 22.7	-	-	719 100.0%
9. No. %	- -	- -	- -	- -	- -	* -	6 0.8	150 20.9	453 63.1	-	-	718 100.0%
10. No. %	- -	- -	- -	- -	- -	- -	* -	4 0.6	102 14.2	611 85.1	-	718 100.0%

Source: Household Budget Survey, 1980.
*These cells contain very small numbers.

Appendix Table 2.9: Equivalent Direct Income by Equivalent Final Income, 1980

Equivalent Direct Income	Equivalent Final Income										Total
	1	2	3	4	5	6	7	8	9	10	
1 No. %	157 21.8	188 26.1	167 23.2	118 16.4	49 6.8	26 3.6	13 1.8	* -	- -	- -	720 100.0%
2 No. %	245 34.2	155 21.6	126 17.6	98 13.7	63 8.8	13 1.8	13 1.8	4 0.6	- -	- -	717 100.0%
3 No. %	156 21.7	126 17.5	110 15.3	101 14.0	100 13.9	70 9.7	27 3.8	20 2.8	8 1.1	* -	719 100.0%
4 No. %	68 9.5	131 18.2	132 18.4	146 20.3	101 14.1	75 10.4	33 4.6	21 2.9	10 1.4	* -	719 100.0%
5 No. %	34 4.7	73 10.2	98 13.6	121 16.8	164 22.8	119 16.6	65 9.0	31 4.3	13 1.8	* -	719 100.0%
6 No. %	24 3.3	27 3.8	39 5.4	66 9.2	133 18.5	201 28.0	134 18.7	67 9.3	23 3.2	* -	717 100.0%
7 No. %	19 2.7	9 1.2	30 4.1	42 5.9	80 11.1	134 18.7	201 27.9	146 20.3	53 7.4	6 0.8	720 100.0%
8 No. %	5 0.7	6 0.8	15 2.1	21 2.9	19 2.6	58 8.1	169 23.5	244 33.9	151 21.0	31 4.3	719 100.0%
9 No. %	8 1.1	* -	* -	* -	9 1.3	21 2.9	50 7.0	156 21.7	328 45.7	140 19.4	718 100.0%
10 No. %	* -	* -	- -	4 0.6	* -	- -	14 1.9	27 3.8	133 18.5	535 74.4	719 100.0%

Source: Household Budget Survey, 1980.
*These cells contain very small numbers.

Appendix Table 2.10: Equivalent Disposable Income by Equivalent Final Income, 1980

Equivalent Disposable Income	Equivalent Final Income										
	1	2	3	4	5	6	7	8	9	10	Total
1 No.	428	181	69	16	17	2	3	*	-	-	717
%	59.7	25.2	9.6	2.2	2.4	0.3	0.4	*	-	-	100.0%
2 No.	125	231	207	94	45	13	4	*	-	-	721
%	17.3	32.0	28.7	13.0	6.3	1.8	0.6	*	-	-	100.0%
3 No.	64	143	183	208	81	28	10	*	-	-	719
%	8.9	19.9	25.5	28.9	11.3	3.9	1.4	*	-	-	100.0%
4 No.	41	86	131	173	179	83	19	4	-	*	718
%	5.7	12.0	18.3	24.1	24.9	11.6	2.6	0.6	-	*	100.0%
5 No.	21	50	62	126	189	189	68	11	*	-	719
%	2.9	7.0	8.6	17.6	26.3	26.3	9.4	1.5	*	-	100.0%
6 No.	20	14	49	58	128	203	189	48	8	*	718
%	2.8	1.9	6.8	8.1	17.8	28.2	26.3	6.7	1.1	*	100.0%
7 No.	4	11	12	31	51	47	244	189	27	*	719
%	0.6	1.5	1.7	4.3	7.1	20.4	33.9	26.3	3.8	*	100.0%
8 No.	9	*	*	9	24	41	148	318	163	*	718
%	1.3	-	-	1.3	3.3	5.7	20.6	44.3	22.7	*	100.0%
9 No.	6	-	*	*	4	11	28	128	434	105	719
%	0.8	-	-	-	0.6	1.5	3.9	17.8	60.4	14.6	100.0%
10 No.	*	*	-	*	*	-	7	16	83	605	718
%	-	-	-	-	-	-	1.0	2.2	11.5	84.3	100.0%

Source: *Household Budget Survey, 1980.*

*These cells have very small numbers.

Appendix Table 2.11: Equivalent Gross Income by Equivalent Final Income, 1980

Equivalent Gross Income	Equivalent Final Income										
	1	2	3	4	5	6	7	8	9	10	Total
1 No.	413	192	72	18	18	2	*	*	-	-	719
%	57.4	26.7	10.0	2.5	2.5	0.3	*	*	-	-	100.0%
2 No.	128	209	212	107	44	14	4	*	-	-	720
%	17.8	29.0	29.4	14.9	6.1	1.9	0.6	*	-	-	100.0%
3 No.	62	142	163	202	108	26	12	4	-	-	719
%	8.6	19.7	22.7	28.1	15.0	3.6	1.7	0.6	-	-	100.0%
4 No.	48	94	113	167	157	106	24	6	*	*	718
%	6.7	13.1	15.7	23.3	21.9	14.8	3.3	0.8	*	*	100.0%
5 No.	22	44	82	111	186	160	83	22	6	*	717
%	3.1	6.1	11.4	15.5	25.9	22.3	11.6	3.1	0.8	*	100.0%
6 No.	21	18	40	57	118	205	168	72	20	*	721
%	2.9	2.5	5.5	7.9	16.4	28.4	23.3	10.0	2.8	*	100.0%
7 No.	13	12	25	37	53	132	211	181	50	*	717
%	1.8	1.7	3.5	5.2	7.4	18.4	29.4	25.2	7.0	*	100.0%
8 No.	*	4	9	15	23	54	160	251	181	20	719
%	0.6	0.6	1.3	2.1	3.2	7.5	22.3	34.9	25.2	2.8	100.0%
9 No.	9	*	*	*	10	20	42	154	334	145	720
%	1.2	-	-	-	1.3	2.7	5.8	21.4	46.4	20.1	100.0%
10 No.	*	*	0	4	*	0	13	25	126	545	718
%	-	-	-	0.6	-	-	1.8	3.5	17.5	75.9	100.0%

Source: *Household Budget Survey, 1980.*

*These cells have very small numbers.

Appendix Table 2.12: Equivalent Direct Income by Equivalent Disposable Income, 1980

		Equivalent Disposable Income										
Equivalent Direct Income		1	2	3	4	5	6	7	8	9	10	Total
1	No. %	277 38.6	249 34.7	148 20.6	25 3.5	9 1.3	9 1.3	*	-	-	-	718 100.0%
2	No. %	275 38.3	196 27.3	169 23.6	6.5 9.1	9 1.3	*	2 0.3	-	-	-	717 100.0%
3	No. %	155 21.6	184 25.6	108 15.0	133 18.5	88 12.2	34 4.7	13 1.8	*	*	-	719 100.0%
4	No. %	9 1.3	84 11.7	254 35.3	193 26.8	88 12.2	51 7.1	34 4.7	6 0.8	-	-	719 100.0%
5	No. %	*	5 0.7	37 5.2	276 38.5	249 34.7	95 13.2	34 4.7	16 2.2	4 0.6	-	717 100.0%
6	No. %	-	-	*	22 3.1	256 35.7	266 37.1	124 17.3	39 5.4	8 1.1	-	717 100.0%
7	No. %	*	-	-	4 0.6	16 2.2	239 33.2	308 42.8	122 17.0	28 3.9	*	719 100.0%
8	No. %	-	-	-	-	4 0.6	22 3.1	194 26.9	353 49.0	134 18.6	13 1.8	720 100.0%
9	No. %	-	-	-	-	-	*	6 0.8	176 24.5	426 59.3	108 15.0	718 100.0%
10	No. %	-	-	-	-	-	-	*	4 0.6	118 16.4	596 82.9	719 100.0%

Source: Household Budget Survey, 1980.

*These cells have very small numbers.

Appendix Table 3.1: Medical Card Income Guidelines, 1973-1985.1

Category	Nov. 1973		March 1974		Jan. 1975		Aug. 1975		Jan. 1976		June 1977		Jan. 1978		Jan. 1979		Jan. 1980		Jan. 1981		Jan. 1982		Jan. 1983		Jan. 1984		Jan. 1985			
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Average (all income)	16.00	16.65	17.17	18.00	18.39	18.56	19.00	19.50	20.00	20.64	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50
Male (all income)	15.00	14.00	17.00	18.00	18.50	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00	31.50
Female (all income)	17.00	19.00	17.00	18.00	18.50	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00	31.50
Male (under 16)	11.00	12.00	14.75	16.50	17.00	18.50	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50
Female (under 16)	13.00	14.00	16.00	17.50	18.00	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00
Male (over 16)	15.00	17.75	20.25	22.50	23.00	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00	31.50	32.00	32.50	33.00	33.50	34.00	34.50	35.00	35.50	36.00
Female (over 16)	17.00	19.75	22.25	24.50	25.00	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00	31.50	32.00	32.50	33.00	33.50	34.00	34.50	35.00	35.50	36.00	36.50	37.00	37.50	38.00
Male (over 65)	11.00	12.00	14.75	16.50	17.00	18.50	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50
Female (over 65)	13.00	14.00	16.00	17.50	18.00	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50	24.00	24.50	25.00	25.50	26.00	26.50	27.00	27.50	28.00	28.50	29.00	29.50	30.00	30.50	31.00
Male (over 75)	8.00	8.50	9.00	9.50	10.00	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00	15.50	16.00	16.50	17.00	17.50	18.00	18.50	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50
Female (over 75)	9.00	9.50	10.00	10.50	11.00	11.50	12.00	12.50	13.00	13.50	14.00	14.50	15.00	15.50	16.00	16.50	17.00	17.50	18.00	18.50	19.00	19.50	20.00	20.50	21.00	21.50	22.00	22.50	23.00	23.50

1. In January 1973, all Health Boards had different income limits. The Eastern Health Board is taken here as an example.

2. In March 1974, all Health Boards adopted new and similar guidelines.

3. This refers to the rate for those under 60 years in January 1986.

4. In January 1980.

5. The rate for teaching staff may be allowed when income is assessed.

6. Total transportable goods industries average earnings per week by all industrial workers (men, women, youth and full combined), in *Irish Statistics of Population*, referring to March of the year in question.

Appendix Table 3.2: The Distribution of Health Care Expenditure by Social Class, 1973 and 1980.

Social Class	Percentage distribution of health care expenditure		Percentage families at each social class		Percentage distribution of expenditure Percentage families	
	1973	1980	1973	1980	1973	1980
	%		%		%	
Large Proprietor	0.9	2.1	2.2	2.5	0.41	0.84
Small Proprietor	2.4	3.8	4.0	4.2	0.60	0.90
Large Farmer	2.5	3.2	3.4	2.7	0.74	1.19
Medium Farmer	5.7	5.6	5.1	4.8	1.12	1.17
Small Farmer	6.9	5.3	6.0	4.4	1.15	1.20
Marginal Farmer	8.5	4.8	7.5	3.6	1.13	1.33
Higher Professionals	1.6	4.7	4.6	6.0	0.35	0.78
Lower Professionals	2.1	3.2	3.7	4.4	0.57	0.73
Intermediate and Routine Non-manual	7.8	11.1	11.1	14.3	0.70	0.78
Skilled Manual	16.1	15.9	12.9	15.9	1.25	1.00
Service Workers	8.9	9.1	7.9	8.9	1.13	1.02
Semi-skilled Manual	11.2	10.1	8.9	9.3	1.26	1.09
Unskilled Manual	18.4	14.2	13.4	11.5	1.37	1.23
Residual	6.9	6.9	9.2	7.4	0.75	0.93
Total	100.0	100.0	100.0	100.0	1.00	1.00

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 3.3: The Distribution of Health Care Expenditure by Family Cycle Stage, 1973 and 1980

Family Cycle Stage	Percentage distribution of health care expenditure		Percentage families at each cycle stage		Percentage distribution of expenditure Percentage families	
	1973	1980	1973	1980	1973	1980
	%		%		%	
Young and Single	1.6	2.3	3.3	5.9	0.48	0.39
Young Married	1.4	0.8	2.6	2.8	0.54	0.29
Family Formation	10.4	8.7	10.6	12.5	0.98	0.70
Middle Child Rearing	26.8	23.1	18.7	19.0	1.43	1.22
Complete	11.8	10.3	9.0	9.0	1.31	1.14
Early Dispersal	12.1	11.3	11.0	10.2	1.10	1.11
Dispersal	7.4	5.8	7.8	5.7	0.95	1.02
Two Generation Adult	8.3	9.7	8.5	7.2	0.98	1.35
Empty nest — under 65	4.0	3.6	6.9	5.5	0.58	0.65
Empty nest — over 65	8.9	14.8	10.0	11.8	0.89	1.25
Old Single — under 65	3.8	4.0	7.2	6.0	0.53	0.67
Old Single — over 65	3.5	5.6	4.3	4.5	0.61	1.24
Total	100.0	100.0	100.0	100.0	1.00	1.00

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 4.1: The Distribution of Education Expenditures by Social Class Group, 1973, 1980

Social Class Group	% Distribution of Education Expend.		% of Families in Hus. Social Class		% Expenditures % Families	
	1973	1980	1973	1980	1973	1980
	Large Proprietor	3.2	3.5	2.2	2.5	1.45
Small Proprietor	5.7	5.2	4.0	4.2	1.43	1.24
Large Farmer	4.0	4.3	3.4	2.7	1.18	1.59
Medium Farmer	5.5	6.3	5.1	4.8	1.08	1.31
Small Farmer	5.0	4.1	6.0	4.4	0.83	0.93
Marginal Farmer	5.8	3.2	7.5	3.6	0.77	0.89
Higher Professional	6.1	7.4	4.6	6.0	1.33	1.23
Lower Professional	4.7	3.1	3.7	4.4	1.27	0.70
Intermediate Routine Non-Manual	10.5	12.8	11.1	14.3	0.95	0.90
Skilled Manual	15.1	16.9	12.9	15.9	1.17	1.06
Service Worker	8.0	8.5	7.9	8.9	1.01	0.96
Semi-skilled Manual	9.2	11.3	8.9	9.3	1.03	1.22
Unskilled Manual	11.9	9.4	13.4	11.5	0.89	0.82
Residual Worker	5.3	4.0	9.2	7.4	0.58	0.54

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 4.2: The Distribution of Education Expenditures by Family Cycle Stage, 1973, 1980

Family Cycle Stage	% Distribution of education expenditure		% of Families at this cycle stage		Col.1 ÷ Col.2	
	1973	1980	1973	1980		
	Young and single	2.1	1.9	3.3	5.9	0.64
Young Married	0.3	-	2.6	2.8	0.12	-
Family Formation	1.8	2.3	10.6	12.5	0.17	0.18
Middle Child Rearing	40.7	40.1	18.7	19.0	2.18	2.11
Complete	23.6	25.2	9.0	9.0	2.62	2.8
Early Dispersal	22.9	24.9	11.0	10.2	2.08	2.44
Dispersal	7.1	4.0	7.8	5.7	0.91	0.70
Two Gen. Adult	0.3	1.1	8.5	7.2	0.04	0.15
Empty Nest - under 65	0.3	0.1	6.9	5.5	0.04	0.02
Empty Nest - over 65	0.5	0.1	10.0	11.8	0.05	0.01
Old Single - under 65	0.2	0.1	7.2	6.0	0.03	0.02
Old Single - over 65	0.2	0.2	4.3	4.5	0.05	0.04

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 5.1: Equivalent Direct Income Quintiles by Tenure Groups, 1980

Equivalent direct income quintile	Tenure Group						Total
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rental furnished/unfurnished	Rent free	
Lowest	53.1	5.3	6.8	21.1	8.9	2.6	100.0
2nd	58.6	11.8	7.7	14.6	6.3	1.3	100.0
3rd	40.5	26.8	11.6	11.4	6.0	1.6	100.0
4th	34.7	37.3	9.6	6.3	10.3	1.0	100.0
Top	29.7	40.4	4.7	1.6	22.2	1.3	100.0

Source: Household Budget Survey.

Appendix Table 5.2: The Social Class Composition of Household Tenure Groups, 1973

Social class	Tenure Group						
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rented furnished	Other rented unfurnished	Rent free
Large Proprietor	3.4	2.7	0.4	0.2	0.7	1.1	1.3
Small Proprietor	5.3	4.7	2.2	1.6	2.3	3.7	2.5
Large Farmer	7.0	0.7	0.3	-	-	0.2	-
Medium Farmer	10.6	0.4	0.8	-	-	0.2	0.6
Small Farmer	12.4	0.3	1.3	-	-	0.4	-
Marginal Farmer	14.5	0.3	3.7	1.1	-	0.9	2.5
Higher Professional	3.0	18.3	0.9	0.3	6.4	4.3	1.9
Lower Professional	2.7	7.7	2.1	0.8	10.4	6.3	10.7
Intermediate Routine Non-Manual	6.4	27.4	7.8	6.7	28.5	16.0	11.9
Skilled Manual	7.3	17.8	17.6	22.6	12.4	15.1	1.9
Service Workers	4.0	8.9	11.6	12.7	11.7	13.4	7.5
Semi-skilled Manual	4.9	5.7	16.6	16.3	8.1	12.1	13.2
Unskilled Manual	8.7	2.5	27.5	27.1	9.4	12.3	23.3
Residual Worker	9.7	2.4	7.3	10.7	10.1	13.4	22.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Household Budget Survey, 1973.

Appendix Table 5.3: The Social Class Composition of Household Tenure Groups, 1980

Social class	Tenure Group						
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rented furnished	Other rented unfurnished	Rent free
	%						
Large Proprietor	3.1	3.8	0.2	0.2	0.8	2.3	1.4
Small Proprietor	5.6	4.9	3.0	1.2	1.8	1.4	1.9
Large Farmer	5.6	0.9	-	0.1	0.1	0.5	1.3
Medium Farmer	10.3	1.4	-	0.2	0.2	0.5	-
Small Farmer	9.6	0.8	0.2	0.7	-	-	-
Marginal Farmer	8.0	0.1	0.7	0.9	-	-	-
Higher Professional	3.1	15.5	1.5	0.1	5.3	5.7	7.9
Lower Professional	3.4	6.9	1.2	0.1	10.2	2.5	17.7
Intermediate Routine Non-Manual	9.1	24.1	5.8	4.8	35.8	16.3	16.1
Skilled Manual	10.4	20.4	26.6	19.4	13.4	21.7	7.8
Service Workers	6.3	8.1	14.7	14.7	11.6	9.5	8.0
Semi-skilled Manual	6.4	7.7	18.2	16.7	7.6	13.1	8.7
Unskilled Manual	9.6	3.6	21.9	29.0	6.8	14.9	15.5
Residual Worker	9.4	1.6	6.6	11.2	6.4	11.4	12.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Household Budget Survey, 1980.*

Appendix Table 5.4: CSO Equivalent Disposable Income Quintiles by Tenure Group, 1980

Equivalent disposable income quintile	Tenure Group							Total
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rented furnished	Other rented unfurnished	Rent free	
	%							
Lowest	54.6	7.0	6.8	21.6	3.0	4.7	2.4	100.0
2nd	49.1	14.8	10.4	15.7	2.7	5.4	2.0	100.0
3rd	42.9	27.1	9.8	11.5	3.5	4.0	1.0	100.0
4th	35.2	32.0	11.1	4.9	7.1	4.7	1.9	100.0
Top	34.8	37.2	4.2	1.1	17.2	3.4	1.5	100.0

Source: *Household Budget Survey, 1980.*

Appendix Table 5.5: The Family Cycle Composition of Household Tenure Groups, 1973

Family cycle stage	Tenure Group						
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rented furnished	Other rented unfurnished	Rent free
	%						
Young Single	2.3	0.5	1.0	1.2	39.1	2.6	6.2
Young Married	2.3	5.2	1.0	0.7	9.4	2.8	1.2
Family Formation	7.7	22.2	6.5	8.4	17.1	16.3	8.1
Middle Child Rearing	12.2	33.5	20.2	30.7	8.4	18.5	13.0
Complete	8.1	11.5	10.6	12.0	1.7	5.1	6.2
Early Dispersal	11.0	12.2	13.5	12.0	7.0	7.5	6.8
Dispersal	8.4	6.1	10.5	7.3	3.3	7.5	3.7
Two Generation Adult	11.1	2.1	12.5	5.8	3.0	6.6	8.1
Empty Nest — under 65	9.3	2.7	7.5	5.8	5.4	7.7	6.8
Empty Nest — over 65 —	11.7	2.4	9.9	9.3	4.0	16.5	15.6
Old Single — under 65	10.9	1.0	4.7	3.0	4.7	7.9	7.5
Old Single — over 65	5.9	0.1	1.9	3.0	2.0	5.5	11.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: *Household Budget Survey, 1973*

Appendix Table 5.6: The Family Cycle Composition of Household Tenure Groups, 1980

Family cycle stage	Tenure Group						
	Owned outright	Owned with mortgage	Tenant purchase (LA)	Local authority rented	Other rented furnished	Other rented unfurnished	Rent free
	%						
Young Single	2.3	2.0	1.3	0.4	61.2	2.5	6.3
Young Married	1.0	6.0	1.2	0.6	7.4	3.8	2.4
Family Formation	5.9	27.5	3.5	12.1	9.1	19.4	10.3
Middle Child Rearing	11.9	28.3	21.8	35.7	6.3	10.5	14.3
Complete	7.1	13.7	13.3	10.0	1.3	5.1	3.2
Early Dispersal	11.4	10.6	15.8	8.0	1.1	6.7	4.0
Dispersal	7.4	4.2	9.5	2.8	0.3	6.7	2.4
Two Generation Adult	10.7	1.8	11.3	7.4	0.4	5.7	3.2
Empty Nest -- under 65	7.7	2.2	5.3	4.4	2.3	8.3	6.3
Empty Nest -- over 65	18.1	2.2	10.5	10.7	3.6	19.4	15.1
Old Single -- under 65	9.6	1.0	3.5	3.4	4.4	4.4	20.6
Old Single -- over 65	6.9	0.3	2.8	4.4	2.7	7.6	11.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Household Budget Surveys, 1980.

Appendix Table 6.1: The Distribution of Expenditure on Transportation by Equivalent Income Quintiles, 1973

Transportation	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	Total
Total Transportation	4.0	11.3	18.8	26.8	39.1	100.0
Car	3.9	11.2	19.0	27.0	38.8	100.0
Bus	4.0	12.1	17.6	26.4	40.0	100.0
Train	3.9	11.6	15.5	22.1	46.8	100.0

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 6.2: The Distribution of Expenditure on Transportation by Equivalent Income Quintiles, 1980

Transportation Type	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	Total
Total Transportation	8.9	13.0	21.0	26.7	30.4	100.0
Car	9.0	13.0	21.3	26.9	29.8	100.0
Bus	8.0	13.0	20.6	31.5	26.9	100.0
Train	6.4	8.9	12.4	22.9	49.0	100.0

Source: Household Budget Surveys, 1980.

Appendix Table 6.3: Number of Persons with Free Pension Travel by Equivalent Disposable Income Quintiles, 1980

Quintile	Distribution of Free Pension Travel
	%
Lowest	30.3
2nd	33.3
3rd	16.6
4th	12.7
Highest	7.2
Total	100.0

Source: Household Budget Survey, 1980.

Appendix Table 6.4: Transport Subsidies by Family Cycle Stage, 1973, 1980

Variable	Sum %	Family Cycle Stage (%)											
		Young & Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Dispersal	Two Generation Adult	Empty Nest Under 65	Empty Nest Over 65	Old Single Under 65	Old Single Over 65
Free Travel	100.0	1.7	1.3	5.3	6.1	3.7	3.6	3.7	19.1	1.7	37.0	3.0	13.9
For Liberty	100.0	2.0	0.3	1.4	3.1	3.3	2.6	3.3	16.6	2.0	47.3	3.7	16.2
General Transport	100.0	17.5	2.4	6.0	17.6	11.6	15.3	15.6	5.3	3.5	3.4	2.0	1.9
Subsidy	100.0	32.6	2.7	5.2	16.4	11.5	16.7	10.7	6.4	3.1	0.6	3.3	0.7

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 6.5: Average Expenditure on Transportation by Equivalent Disposable Income Quintiles, 1973

	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	Total Average
Total Transportation	0.98	2.76	4.58	6.53	9.52	4.87
Car	0.82	2.36	4.00	5.68	8.17	4.21
Bus	0.08	0.24	0.36	0.53	0.81	0.41
Train	0.01	0.04	0.06	0.08	0.18	0.08

Source: *Household Budget Survey, 1973.*

Appendix Table 6.6: Average Expenditure on Transportation by Equivalent Disposable Income Quintiles, 1980

	Equivalent Disposable Income Quintiles					
	Bottom	2nd	3rd	4th	Top	Total Average
Total Transportation	8.42	12.4	20.0	25.4	28.9	19.02
Car	7.83	11.2	18.5	23.2	26.0	17.35
Bus	0.34	0.56	0.88	1.35	1.15	0.86
Train	0.08	0.11	0.16	0.29	0.63	0.26

Source: *Household Budget Survey, 1980.*

Appendix Table 6.7: Average Transportation Benefits, 1973 and 1980

	1973 (Current Prices)	1973 (1980 Prices)	1980 (Current Prices)	Real Change 1973-1980 %
	£	£	£	
Total Transportation	4.88	13.33	19.02	+42.7
Car	4.21	11.50	18.21	+58.3
Bus	0.41	1.12	0.86	-23.2
Train	0.08	0.22	0.26	+18.2

Source: *Household Budget Surveys, 1973 and 1980.*

Appendix Table 7.1: Average Income, Taxes and Benefits of Household Classified by Disposable Income, 1973

	Deciles of Equivalent Disposable Income										Total (Average)
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
Average Disposable Income	9.50	15.15	23.02	27.40	32.05	36.67	41.20	44.97	53.54	79.32	36.28
Average Amount Received	1.79	1.98	2.24	2.08	2.00	1.89	1.67	1.42	1.20	0.88	1.72
Health	2.60	2.94	4.00	4.08	3.75	3.73	3.15	2.70	2.34	1.60	3.09
Education	0.48	0.61	0.48	0.58	0.50	0.50	0.32	0.29	0.17	0.05	0.40
Housing	0.02	0.02	0.03	0.04	0.03	0.05	0.05	0.05	0.10	0.11	0.05
Transportation	0.76	0.64	0.42	0.38	0.38	0.38	0.38	0.36	0.36	0.32	0.44
* Other Subsidies											
Average Total Indirect Taxes paid	3.72	3.96	5.66	6.46	7.20	8.11	9.01	9.48	10.03	10.92	7.45
Average Final Income	11.43	17.38	24.53	28.1	31.51	35.11	37.76	40.31	47.68	71.36	34.53
Average Final Income - Average Disposable Income	1.20	1.15	1.07	1.03	0.98	0.96	0.92	0.90	0.89	0.90	0.95

Source: *Household Budget Survey, 1980.*

*Total non-cash benefits less Health, Education, Housing and Transportation.

Appendix Table 7.2: Average Income, Taxes and Benefits of Households Classified by Disposable Income, 1980

	Deciles of Equivalent Disposable Income										Total (Average)
	Bottom	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	
Average Disposable Income	31.41	46.86	60.96	79.80	94.76	110.12	123.94	142.50	160.09	214.17	106.46
Average Amount Received	10.13	10.69	10.79	9.36	8.42	7.75	7.38	6.76	5.81	4.78	8.19
Health	11.17	8.80	9.48	11.63	11.25	10.32	9.13	8.35	6.69	4.36	9.12
Education	2.13	2.11	1.45	1.31	1.06	0.73	0.60	0.34	0.14	0.06	1.00
Housing	0.22	0.17	0.26	0.34	0.48	0.47	0.72	0.92	1.11	1.12	0.58
Transportation	1.92	2.26	2.35	2.03	1.99	1.94	1.92	1.87	1.74	1.68	1.96
* Other Subsidies*											
Average Total Indirect Taxes paid	1.87	1.70	4.25	7.91	12.95	18.80	22.40	31.16	37.99	50.47	18.95
Average Final Income	55.11	69.19	81.04	96.56	105.01	112.53	121.3	129.58	137.59	175.7	108.36
Average Final Income - Average Disposable Income	1.75	1.48	1.33	1.21	1.11	1.02	0.98	0.91	0.86	0.82	1.02

Source: *Household Budget Survey, 1980.*

*Total Non-Cash Benefits less Health, Education, Housing and Transportation.

Appendix Table 7.3: Average Taxes and Benefits of Households Classified by Equivalent Direct Income, 1973

	Deciles of Equivalent Direct Income										Total (average)
	Lowest	2nd	3rd	4th	5th	6th	7th	8th	9th	Highest	
Average Direct Income	0.04	5.62	17.66	26.23	31.53	37.73	43.31	49.42	60.13	88.37	36.00
Cash Benefits	9.84	8.62	6.24	4.41	3.54	2.94	2.39	1.96	1.54	0.73	4.22
Average Direct Tax	0.00	0.23	0.95	1.72	2.67	3.66	4.76	6.15	8.07	11.24	3.94
Average Disposable Income	9.88	14.01	22.95	28.92	32.4	37.01	40.94	45.23	53.6	77.86	36.28
Average Amount Received	1.80	1.94	2.20	2.26	1.97	1.92	1.64	1.40	1.19	0.84	1.72
Health	1.43	2.53	4.36	4.61	4.29	3.96	3.11	2.83	2.20	1.56	3.09
Education	0.61	0.42	0.35	0.58	0.58	0.52	0.36	0.27	0.23	0.04	0.40
Housing	0.01	0.03	0.03	0.03	0.04	0.05	0.05	0.06	0.08	0.12	0.05
Transportation	0.91	0.52	0.42	0.39	0.38	0.37	0.37	0.41	0.36	0.33	0.43
*Other Subsidies											
Average Total Indirect Taxes paid	2.61	4.03	5.50	6.89	7.29	8.09	9.04	9.60	10.36	11.13	7.45
Average Final Income + Average Direct Income	12.03	15.42	24.81	29.90	32.37	35.74	37.47	40.55	47.29	69.62	34.52
Average Final Income + Average Disposable Income	**	2.74	1.40	1.14	1.03	0.95	0.87	0.82	0.79	0.79	0.96
Average Final Income + Average Disposable Income	1.22	1.10	1.08	1.03	1.00	0.97	0.92	0.90	0.88	0.89	0.95

Source: *Household Budget Survey, 1973*.

*Total Non-Cash Benefits less Health Education, Housing and Transportation.

**This figure is not given as the direct income of some of these households is zero.

Appendix Table 7.4: Average Income, Taxes and Benefits of Households Classified by Equivalent Direct Income, 1980

	Deciles of Equivalent Direct Income										Total (average)
	Lowest	2nd	3rd	4th	5th	6th	7th	8th	9th	Highest	
Average Direct Income	0.0	7.35	41.25	75.09	98.37	117.88	139.65	168.13	197.32	266.46	111.15
Cash Benefits	34.88	32.09	23.32	13.60	10.08	9.12	7.29	5.62	4.33	2.29	14.26
Average Direct Tax	0.39	0.25	2.21	6.72	12.00	16.40	22.13	29.87	39.44	60.09	18.95
Average Disposable Income	34.49	39.19	62.36	81.97	96.45	110.6	124.81	143.88	162.21	208.66	106.46
Average Amount Received	10.16	10.97	11.32	9.94	8.44	7.62	6.80	6.51	5.77	4.38	8.19
Health	4.55	6.41	12.14	13.67	13.07	10.89	9.75	9.47	7.34	3.91	9.12
Education	3.02	1.17	1.31	1.37	0.97	0.76	0.56	0.44	0.27	0.07	1.00
Housing	0.14	0.11	0.24	0.41	0.48	0.55	0.61	0.81	1.27	1.20	0.58
Transportation	2.31	2.34	2.21	2.00	1.92	1.85	1.80	1.84	1.75	1.62	1.96
*Other Subsidies											
Average Total Indirect Taxes paid	6.76	8.76	12.13	16.29	18.27	19.53	22.42	24.84	26.32	27.77	18.31
Average Final Income	47.91	51.43	77.45	93.07	103.06	112.74	121.91	138.11	152.29	192.07	109.00
Average Final Income + Average Direct Income	**	7.00	1.88	1.24	1.05	0.96	0.87	0.82	0.77	0.72	0.98
Average Final Income + Average Disposable Income	1.39	1.31	1.24	1.14	1.07	1.02	0.98	0.96	0.94	0.92	1.02

Source: *Household Budget Survey, 1980*.

*Total Non-cash Benefits less Health Education, Housing and Transportation.

**This figure is not given as the direct income of some of these households is zero.

Appendix Table 7.5: The Distribution of Income, Transfers, Subsidies by Social Class, 1973

Income Concept	Higher				Inter-				Semi-					
	Sum \$	Large Proprietor	Small Proprietor	Marginal Farmer	Medium Farmer	Small Farmer	Large Farmer	Professional	Lower Routine	Inter-mediate	Higher Professional	Lower Routine	Semi-Skilled Manual	Residual Worker
Direct Income														
1a) Investments	100.0	17.0	8.3	1.9	2.0	3.2	4.5	15.3	6.0	15.9	3.5	4.7	2.4	1.8
1b) Private Pension	100.0	0.6	0.6	1.1	0.8	1.4	1.2	18.8	14.8	25.2	6.6	10.1	5.6	7.7
1c) All Earned Income	100.0	4.7	4.3	6.0	6.4	4.8	3.8	9.3	5.7	14.0	13.7	7.7	8.1	9.3
Cash Transfers														
1a) Children's Allowance	100.0	2.9	5.2	3.2	5.1	4.8	5.0	5.6	3.6	10.3	17.3	6.8	10.7	14.7
1b) Old Age	100.0	0.8	1.0	2.4	4.5	6.9	10.7	0.6	0.6	7.2	9.9	7.8	7.5	23.7
1c) Widows & Orphans	100.0	0.3	2.9	0.6	2.1	3.8	6.2	1.2	2.7	11.0	9.6	6.3	7.2	9.5
1d) Unemployment	100.0	-	0.4	1.2	2.7	8.6	22.4	0.3	0.2	4.9	11.1	4.8	11.0	28.8
1e) Education Grants	100.0	1.4	4.9	1.5	3.2	-	-	7.2	8.6	23.2	5.4	5.4	5.3	0.7
1f) All Cash Transfers	100.0	0.8	1.8	1.6	3.3	5.7	11.8	1.5	1.4	7.9	11.5	7.2	9.4	21.5
Direct Tax														
1a) Income Tax	100.0	3.1	2.7	0.9	1.4	1.3	1.8	16.7	9.4	20.1	16.3	8.2	8.2	8.8
1b) Social Insurance	100.0	0.8	1.8	1.4	2.6	3.0	3.4	1.8	2.5	11.0	22.9	12.8	15.1	20.0
1c) All Direct Tax	100.0	2.6	2.5	1.0	1.6	1.7	2.1	13.6	8.0	18.2	17.7	9.2	9.2	11.2
Indirect Subsidies														
1a) Health	100.0	0.9	2.4	2.5	5.7	6.9	8.5	1.6	2.1	7.8	16.1	8.9	11.2	18.4
1b) Education	100.0	3.2	5.7	4.0	5.5	5.0	5.8	6.1	4.7	10.5	15.1	8.0	9.2	11.9
1c) Housing	100.0	0.3	0.9	-	-	-	0.2	0.5	0.3	7.5	31.8	11.5	17.6	24.5
1d) All Subsidies (non-cash)	100.0	2.2	4.2	3.2	5.1	5.2	6.2	4.2	3.5	9.5	16.3	8.4	10.3	14.9
Indirect Tax														
1a) Value Added*	100.0													
1b) Fiscal & Excise*	100.0													
1c) All Indirect Tax	100.0	3.5	5.5	4.0	4.8	4.7	4.5	7.6	4.8	13.1	15.0	8.4	9.1	11.7
% of Families of each Social Class														
No. of Families in each Social Class	7620	166	307	261	392	491	572	353	283	846	983	602	675	1020

Source: Household Budget Survey, 1973.

Appendix Table 7.6: The Distribution of Income, Transfers, Subsidies by Social Class, 1980

Income Concept	Higher				Inter-				Semi-					
	Sum \$	Large Proprietor	Small Proprietor	Medium Farmer	Large Farmer	Small Farmer	Large Farmer	Professional	Lower Routine	Inter-mediate	Higher Professional	Lower Routine	Semi-Skilled Manual	Residual Worker
Direct Income														
1a) Investments	100.0	21.1	6.3	4.7	5.6	2.7	1.0	14.4	6.4	16.3	5.3	4.4	2.2	2.4
1b) Private Pension	100.0	0.4	0.8	0.6	0.5	1.0	0.4	16.7	14.9	29.6	8.9	8.3	3.7	4.9
1c) All Earned Income	100.0	4.4	5.1	3.1	4.5	3.1	1.5	11.6	6.0	18.4	16.9	8.3	3.7	6.4
Cash Transfers														
1a) Children's Allowance	100.0	3.3	5.3	3.7	5.5	3.4	2.5	7.4	3.2	12.1	19.3	9.4	12.3	10.6
1b) Old Age	100.0	0.4	1.6	2.7	5.0	6.3	6.9	0.9	1.1	9.3	13.7	10.8	8.6	21.7
1c) Widows & Orphans	100.0	1.4	1.8	1.5	3.7	5.0	3.6	2.2	1.7	11.7	7.2	5.5	4.9	7.2
1d) Unemployment	100.0	0.1	0.6	1.3	2.9	6.2	11.1	0.8	1.0	7.5	18.1	6.2	11.9	30.3
1e) Education Grants	100.0	3.1	1.1	3.7	3.8	5.4	4.7	10.2	5.5	23.8	3.9	2.8	1.2	4.1
1f) All Cash Transfers	100.0	0.8	1.7	2.0	3.9	5.1	6.8	2.0	1.6	8.9	15.5	9.0	10.8	20.3
Direct Tax														
1a) Income Tax	100.0	4.5	3.1	0.9	1.4	1.4	0.5	16.8	7.4	22.3	18.6	8.2	8.2	5.5
1b) Social Insurance	100.0	1.5	1.8	1.1	2.3	2.1	0.8	10.0	4.2	20.0	23.6	10.6	12.0	8.9
1c) All Direct Tax	100.0	4.1	2.9	0.9	1.5	1.5	0.6	15.8	6.9	21.9	19.3	8.5	8.7	6.0
Indirect Subsidies														
1a) Health	100.0	2.1	3.8	3.2	5.6	5.3	4.8	4.7	3.2	11.1	15.9	9.1	10.1	14.2
1b) Education	100.0	3.5	5.2	4.3	6.3	4.1	3.2	7.4	3.1	12.8	16.9	8.5	11.3	9.4
1c) Housing	100.0	0.3	1.1	0.1	0.2	0.9	1.0	0.3	0.1	4.9	18.1	13.6	16.7	30.7
1d) All Subsidies (non-cash)	100.0	2.7	4.3	3.5	5.5	4.3	3.8	5.9	3.1	12.2	16.5	9.0	10.8	12.5
Indirect Tax														
1a) Value Added	100.0	4.0	4.8	2.8	5.0	3.6	2.1	10.0	5.6	17.2	17.4	8.4	9.0	7.3
1b) Fiscal & Excise	100.0	3.8	4.9	3.0	5.3	3.8	2.5	7.7	5.2	15.4	17.4	9.3	10.0	9.2
1c) All Indirect Tax	100.0	3.9	4.9	3.0	5.3	3.8	2.3	8.6	5.3	16.1	17.4	0.9	9.6	8.5
% of Families of each Social Class														
No. of Families in each Social Class	7084	177	298	190	340	311	256	428	310	1015	1129	632	698	816

Source: Household Budget Survey, 1980.

Appendix Table 7.7: The Distribution of Income, Transfers, Subsidies and Taxes by Family Cycle, 1973

Income Concept	Sum \$	Young		Family		Middle		Early		Two		Empty		Old	
		Single	Married	Formation	Child Rearing	Complete	Dispersal	Generation Adult	Next Under 65	Over 65	Next Under 65	Over 65	Next Under 65	Over 65	
Direct Income															
(a) Investments	100.0	3.5	1.0	4.1	14.2	6.1	6.8	6.1	7.0	13.8	22.6	7.1	7.7		
(b) Private Pension	100.0	0.2	2.0	1.9	3.2	7.0	7.0	8.6	14.3	6.1	45.9	2.5	6.6		
(c) All Earned Income	100.0	3.5	3.1	11.4	22.4	11.4	14.5	10.1	8.4	5.0	4.4	4.3	1.6		
Cash Transfers															
(a) Children's Allowances	100.0	0.1	-	10.9	50.0	19.4	9.6	0.4	-	0.1	0.1	0.1	0.2		
(b) Old Age	100.0	1.5	0.9	5.4	6.4	4.1	5.2	5.7	18.6	1.6	33.8	2.9	13.9		
(c) Widows & Orphans	100.0	2.4	0.4	4.6	9.9	8.5	13.2	13.3	16.0	13.6	15.8	1.9	0.5		
(d) Unemployment	100.0	0.8	1.2	7.8	29.8	14.1	13.2	8.1	9.5	5.7	2.4	6.9	1.6		
(e) Education Grants	100.0	32.5	4.2	-	11.5	7.3	16.1	20.9	-	2.6	4.6	-	-		
(f) All Cash Transfers	100.0	1.3	0.8	6.4	22.7	10.2	10.1	7.3	11.8	5.2	14.2	4.5	5.5		
Direct Tax															
(a) Income Tax	100.0	5.3	4.5	12.2	17.2	9.7	15.3	13.0	9.2	5.4	3.1	4.2	0.9		
(b) Social Insurance	100.0	4.2	2.8	8.7	20.6	12.9	18.2	14.7	8.7	3.5	1.4	3.7	0.7		
(c) All Direct Tax	100.0	5.1	4.1	11.5	17.9	10.3	15.9	13.4	9.1	5.0	2.8	4.1	0.8		
Indirect Subsidies															
(a) Health	100.0	1.6	1.4	10.4	26.8	11.8	12.1	7.4	8.3	4.0	8.9	3.8	3.5		
(b) Education	100.0	2.1	0.3	1.8	40.7	23.6	22.9	7.1	0.3	0.3	0.5	0.2	0.2		
(c) Housing	100.0	0.9	0.6	10.5	36.2	12.1	11.6	5.3	5.0	9.4	4.8	2.6	1.0		
(d) All Subsidies (non-cash)	100.0	2.0	0.8	5.5	34.3	18.1	17.8	7.1	3.6	2.4	4.7	1.9	1.8		
Indirect Tax															
(a) Value Added	100.0	2.9	2.9	12.8	23.2	11.6	15.0	10.4	7.9	4.5	3.9	3.4	1.3		
(b) Fiscal & Excise	100.0	3.5	3.1	11.2	21.0	10.7	14.5	11.4	9.5	5.1	4.2	4.3	1.5		
(c) All Indirect Taxes	100.0	3.6	3.1	11.9	21.8	10.8	14.4	10.5	8.6	5.2	4.6	4.0	1.5		
\$ of Families at each Cycle Stage	100.0	3.3	2.6	10.6	18.7	9.0	11.0	7.8	8.5	6.9	10.0	7.2	4.3		
No. of Families at each Cycle Stage	7605	254	201	812	1434	688	846	595	660	531	770	555	328		

Source: Household Budget Survey, 1973.

Appendix Table 7.8: The Distribution of Income, Transfers, Subsidies and Taxes by Family Cycle, 1980

Income Concept	Sum (\$)	FAMILY CYCLE STAGE											
		Young Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Two Gen. Adult	Empty Next Under 65	Empty Next Over 65	Old Next Under 65	Old Next Over 65	
Direct Income													
(a) Investments	100.0	3.9	0.6	4.4	12.9	7.7	10.7	7.7	5.4	8.3	16.8	6.3	10.9
(b) Private Pension	100.0	0.1	0.1	0.1	2.0	0.9	3.8	9.3	12.6	8.4	46.6	2.1	5.5
(c) All Earned Income	100.0	6.9	3.5	13.6	21.7	12.1	16.4	8.4	7.6	4.0	2.1	3.3	1.1
Cash Transfers													
(a) Children's Allow.	100.0	0.1	-	13.9	50.9	19.1	12.5	0.8	1.3	0.1	-	-	0.1
(b) Old Age	100.0	2.3	0.3	1.8	3.7	2.0	3.6	4.7	15.7	1.2	45.8	3.0	15.7
(c) Widows & Orphans	100.0	3.3	0.4	1.3	6.9	4.3	16.4	12.7	11.6	11.9	18.3	2.3	1.0
(d) Unemployment	100.0	1.7	1.2	11.1	35.3	12.1	12.3	5.3	9.7	4.7	0.8	4.5	0.9
(e) Ed. Grants	100.0	34.2	-	-	9.6	9.2	12.3	21.8	1.9	-	-	3.1	-
(f) All Cash Transfers	100.0	2.0	0.6	6.2	15.9	7.9	10.1	3.9	12.4	4.2	15.4	3.8	8.7
Direct Tax													
(a) Income Tax	100.0	9.4	3.3	12.1	17.6	12.3	14.1	9.8	8.7	4.6	1.7	2.1	0.3
(b) Social Insurance	100.0	7.4	4.9	14.4	27.3	13.4	14.0	9.6	7.3	3.8	3.7	2.6	2.4
(c) All Direct Tax	100.0	9.1	5.2	17.3	18.2	11.8	14.1	9.8	8.1	4.4	1.9	3.0	0.6
Indirect Subsidies													
(a) Health	100.0	2.3	0.4	8.6	27.9	10.2	11.2	3.8	9.6	3.0	14.7	4.0	3.3
(b) Education	100.0	1.9	-	2.3	39.9	23.1	24.8	4.0	1.1	0.1	0.1	7.1	0.2
(c) Housing	100.0	0.5	0.5	5.1	34.2	10.1	9.8	3.4	8.6	4.3	11.3	3.7	4.1
(d) All Subsidies (non-cash)	100.0	2.6	0.4	3.9	30.4	4.7	17.3	3.0	5.6	2.0	7.9	7.2	7.0
Indirect Tax													
(a) Value Added	100.0	6.0	4.3	13.3	22.1	11.5	13.4	8.1	8.5	3.6	4.2	2.9	1.3
(b) Fiscal & Excise	100.0	6.1	3.3	12.9	21.5	10.9	12.5	8.1	9.2	4.3	4.9	2.0	1.6
(c) All Indirect Tax	100.0	6.0	3.8	13.1	21.7	11.7	12.8	8.4	8.9	4.0	4.6	2.6	1.7
\$ of Families at each Cycle Stage	1000	3.9	2.7	12.4	18.8	8.9	10.1	5.7	1.1	3.4	11.7	3.5	4.3
No. of Families at each Cycle Stage	2185	422	197	852	1577	641	127	427	511	184	643	424	310

Source: Household Budget Survey, 1980.

Appendix Table 7.9: The Distribution of Individual Family Cycle Categories by Quintiles of Equivalent Direct Income, 1973 and 1980

Equivalent Direct Income Quintile	1973										
	Young and Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Dispersal	Two Generation Adult	Empty Nest Under 65	Old Single Under 65	Old Single Over 65
Bottom	4.1	5.1	6.7	12.2	9.7	9.5	8.4	20.6	28.8	29.0	61.2
2nd	10.5	5.8	13.7	29.2	28.7	20.2	16.4	20.0	15.5	18.2	16.7
3rd	8.5	12.3	24.4	27.1	28.2	25.2	20.0	16.6	15.9	9.1	7.6
4th	19.4	24.9	31.7	19.9	19.3	25.6	25.6	22.0	15.2	8.1	5.7
Top	57.5	51.9	23.5	11.7	14.1	19.3	29.5	20.9	24.6	7.7	8.8
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of h/holds	254	201	812	1434	688	846	595	650	531	770	328

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1980												
Equivalent Direct Income Quintile	1973										Old Single Over 65	
	Young and Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Dispersal	Two Generation Adult	Empty Nest Under 65	Old Single Under 65		
Bottom	5.8	4.4	9.4	14.4	8.4	10.2	7.4	18.7	27.2	56.8	26.4	52.4
2nd	7.4	2.9	11.8	26.1	24.1	20.1	15.9	21.5	17.7	24.9	22.3	25.4
3rd	7.5	6.8	25.6	29.1	28.1	22.3	19.0	21.1	18.0	8.1	15.4	9.6
4th	13.6	23.2	31.3	19.4	27.5	29.5	27.3	20.7	13.7	5.0	14.3	5.9
Top	65.7	62.7	22.0	10.9	12.1	17.9	30.4	18.0	23.4	5.3	21.5	6.5
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of h/holds	422	197	892	1352	641	727	407	511	389	843	424	320

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.10: The Distribution of Individual Family Cycle Categories by Quintiles of Equivalent Direct Income, 1973 and 1980

Equivalent Gross Income Quintiles	1973											
	Young and Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Dispersal	Two Generation Adult	Empty Nest Under 65	Old Single Under 65	Old Single Over 65	
Bottom	5.5	5.4	7.8	15.8	13.6	12.0	9.1	16.7	25.8	49.3	31.6	50.3
2nd	8.3	4.8	14.4	28.4	28.3	20.0	12.7	18.2	18.3	20.6	15.6	24.2
3rd	10.2	15.3	25.4	25.7	26.3	23.7	20.2	16.8	15.7	12.7	12.7	10.1
4th	18.0	24.4	29.6	18.6	18.5	25.1	28.9	23.9	15.7	9.4	15.6	7.4
Top	58.3	50.1	22.8	11.5	13.3	19.2	29.2	24.4	24.4	7.9	24.6	8.0
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of households	254	201	812	1434	688	846	595	650	531	770	555	328

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1980												
Equivalent Gross Income Quintiles	1973										Old Single Over 65	
	Young and Single	Young Married	Family Formation	Middle Child Rearing	Complete	Early Dispersal	Dispersal	Two Generation Adult	Empty Nest Under 65	Old Single Under 65		
Bottom	6.4	4.5	10.4	20.2	15.0	15.5	9.3	17.1	27.2	38.4	33.2	39.0
2nd	5.3	1.9	14.1	24.4	21.2	15.5	10.5	17.9	16.1	38.0	16.4	33.9
3rd	8.1	11.6	25.9	26.9	25.5	23.6	18.2	17.8	19.1	11.9	14.2	12.6
4th	16.0	19.5	28.2	18.0	26.1	28.5	30.7	26.4	12.3	6.6	14.3	8.7
Top	64.1	62.5	21.3	10.4	12.1	16.9	31.4	20.9	25.2	5.1	22.1	5.8
Total (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
No. of Households	422	197	892	1352	641	727	407	511	389	843	424	320

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.11: The Distribution of Equivalent Direct Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Direct Income Quintiles	1973													
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Service Workers	Semi-Skilled Manual	Unskilled Manual	Residual Workers	
Bottom	3.3	4.9	9.2	8.2	17.0	40.0	1.1	1.5	6.6	10.1	10.2	14.2	31.3	67.1
2nd	11.7	29.0	13.3	22.5	27.7	34.5	3.1	5.5	10.7	18.8	22.5	23.8	24.8	15.2
3rd	11.9	22.1	15.3	19.8	29.9	12.7	5.9	12.3	18.3	28.5	27.4	30.5	21.0	6.5
4th	18.5	25.9	18.5	23.5	14.6	8.0	24.3	26.8	29.6	25.9	25.9	21.4	15.9	6.1
Top	54.7	18.0	43.4	25.9	10.6	4.7	65.6	53.8	34.7	16.8	13.9	10.0	7.1	4.9
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	392	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	2.7	1.6	18.4	17.6	20.0	30.0	0.8	4.0	6.1	16.8	16.4	16.6	42.0	99.7
2nd	9.5	33.6	26.9	30.2	38.7	52.4	3.6	6.2	9.7	15.5	20.5	23.6	21.6	22.0
3rd	21.0	24.5	18.5	23.2	22.8	8.8	7.7	10.3	19.6	25.8	27.2	25.5	21.0	6.0
4th	25.5	23.8	19.6	16.4	13.1	7.9	30.0	31.4	27.5	23.2	20.9	22.6	9.9	6.5
Top	41.5	16.5	16.6	12.7	5.3	1.0	57.9	48.2	37.2	18.6	15.0	11.7	5.5	3.5
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	658	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.12: The Distribution of Equivalent Gross Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Gross Income Quintiles	1973													
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Service Workers	Semi-Skilled Manual	Unskilled Manual	Residual Workers	
Bottom	6.6	12.1	13.4	16.5	21.8	36.1	1.4	1.9	6.3	10.7	11.0	14.8	30.2	58.0
2nd	8.0	25.3	11.7	15.2	25.3	32.6	4.0	6.3	10.9	20.4	22.9	25.6	24.4	19.8
3rd	13.9	23.3	15.1	19.4	26.3	15.2	5.2	11.0	18.6	27.7	26.2	28.4	21.0	10.5
4th	16.8	22.1	17.5	22.8	16.4	10.7	24.8	27.8	29.7	24.2	25.5	20.4	17.0	6.6
Top	54.7	17.4	42.4	26.0	10.2	5.3	64.6	53.0	34.5	16.8	14.4	10.7	7.3	5.1
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	392	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	6.3	12.1	30.4	29.3	32.9	35.8	1.1	4.1	5.3	14.8	14.5	17.5	34.4	50.5
2nd	16.5	25.4	13.9	17.0	26.4	39.4	4.1	6.9	10.7	19.2	25.5	23.5	27.5	26.9
3rd	20.9	24.7	18.1	22.1	21.0	13.7	7.5	14.2	19.8	24.7	23.7	24.9	21.1	11.9
4th	22.0	20.9	21.1	19.3	12.9	8.4	29.3	27.9	27.5	22.9	21.9	21.8	11.4	6.5
Top	40.4	16.9	16.6	12.3	6.7	2.6	57.8	47.0	36.8	18.4	14.2	12.2	5.5	4.3
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	658	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.13: The Distribution of Equivalent Disposable Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Disposable Income Quintiles	1973										Unskilled Manual	Residual Workers		
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Manual			Service Workers	Semi-Skilled Manual
Bottom	7.5	13.9	13.8	15.6	20.5	34.7	1.7	1.9	6.9	11.4	12.1	15.1	30.6	55.6
2nd	9.5	20.6	9.2	13.5	22.4	31.7	4.1	7.0	11.3	21.1	23.6	28.0	25.7	21.0
3rd	12.4	22.3	13.0	15.7	25.3	16.5	3.6	11.3	19.7	29.0	27.8	27.8	20.8	9.9
4th	14.8	22.8	15.6	21.7	20.8	9.8	28.4	25.8	29.6	24.1	23.6	20.3	17.0	7.5
Top	55.9	20.5	48.5	33.6	11.0	7.3	62.1	54.0	32.4	14.3	12.9	8.8	9.8	6.0
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	392	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	6.3	12.7	31.3	28.9	32.3	34.3	0.9	4.4	5.8	15.3	15.0	19.7	34.6	45.6
2nd	8.8	21.4	13.0	15.9	20.6	36.0	5.1	6.8	10.9	21.0	26.9	23.0	28.1	28.3
3rd	18.6	23.3	13.4	17.7	22.9	16.5	10.9	15.6	19.8	24.5	25.1	24.3	20.4	12.8
4th	22.4	22.0	16.6	18.7	13.6	8.0	29.8	22.8	29.8	23.2	18.2	22.2	11.7	8.7
Top	43.9	20.5	25.6	18.8	10.5	5.3	53.3	50.3	33.6	15.9	14.8	10.8	5.2	4.8
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	658	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.14: The Distribution of Equivalent Final Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Final Income Quintiles	1973										Unskilled Manual	Residual Workers		
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Manual			Service Workers	Semi-Skilled Manual
Bottom	15.0	22.6	16.5	18.7	25.7	38.8	4.2	4.6	10.1	12.1	14.7	15.6	27.1	31.2
2nd	8.8	20.4	8.7	10.5	16.0	24.6	3.5	5.1	12.7	17.9	22.2	28.3	28.7	31.4
3rd	5.8	18.9	9.3	9.9	25.4	17.0	9.5	11.8	19.9	30.0	25.5	25.8	22.4	14.2
4th	13.9	19.4	14.8	23.5	20.3	10.7	21.3	28.6	27.3	27.7	26.2	21.2	15.5	7.6
Top	56.5	18.8	50.6	37.2	12.7	8.8	61.3	49.8	30.1	12.4	11.3	8.9	6.4	9.6
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	397	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	12.1	20.2	34.8	33.4	35.5	34.2	4.8	8.2	8.5	17.2	16.2	18.3	30.0	26.0
2nd	9.9	18.6	7.0	13.6	15.8	39.7	3.3	8.1	10.5	23.5	25.4	24.5	30.1	33.4
3rd	14.8	20.3	15.0	13.4	22.0	18.0	9.3	15.1	19.3	22.7	25.6	25.0	21.6	19.6
4th	21.6	19.3	14.4	19.8	15.7	10.2	28.7	21.7	28.5	21.4	20.2	22.1	12.5	13.3
Top	41.5	21.7	28.9	19.9	11.0	6.9	53.9	46.9	33.2	15.4	12.5	10.2	5.8	7.9
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	658	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.15: Income Inequality in the Republic of Ireland and United Kingdom, 1973 and 1980

	Share of Highest 20%	Share of Lowest 40%	Ratio of Highest 20% to Lowest 40%	Gini Coefficient
	%	%		
Ireland 1973				
Direct Income	47.0	11.0	4.3	45.5
Gross Income	43.4	15.8	2.7	38.7
Disposable Income	42.6	16.5	2.6	37.6
Final Income	43.1	15.7	2.7	38.7
United Kingdom 1973				
Direct Income	44.5	11.7	3.8	43.4
Gross Income	40.3	17.5	2.3	35.0
Disposable Income	39.3	18.7	2.1	33.3
Final Income	38.8	19.3	2.0	32.3
Ireland 1980				
Direct Income	48.0	9.1	5.3	47.6
Gross Income	43.8	15.2	2.9	39.3
Disposable Income	41.9	16.9	2.5	36.7
Final Income	41.3	17.6	2.3	35.5
United Kingdom 1980				
Direct Income	45.5	9.0	5.1	45.9
Gross Income	40.8	16.5	2.5	35.9
Disposable Income	39.2	18.4	2.1	33.1
Final Income	38.8	19.1	2.0	32.3

Sources: Ireland: *Unpublished data from Household Budget Surveys 1973 and 1980.*
 UK 1973: *Nolan, 1981, Table 3.*
 UK 1980: *Central Statistical Office, 1982, Table R, 3(a), and 6.*

Appendix Table 7.16

Characteristics of Household in 1973 by Quintiles of (a) Equivalent Direct and (b) Equivalent Disposable Income (parentheses contain, where appropriate, the average number of persons per household)

Quintile Share of %	Quintiles of Equivalent Direct Income					All	Average Number
	Bottom	2nd	3rd	4th	Top		
Children	12.6 (0.85)	29.3 (1.92)	26.6 (1.75)	19.4 (1.27)	12.2 (0.80)	100.0	1.31
Adults	15.2 (2.05)	21.6 (2.91)	22.2 (2.98)	21.7 (2.92)	19.4 (2.61)	100.0	2.70
Gainfully Employed	6.2 (0.38)	18.9 (1.16)	22.6 (1.39)	25.6 (1.57)	26.8 (1.65)	100.0	1.23
Child-Rearing Households	10.8	26.6	26.8	21.4	14.4	100.0	38.4%
Elderly Households	58.1	17.8	8.7	7.4	8.1	100.0	14.2%
	Quintiles of Equivalent Disposable Income					All	
	Bottom	2nd	3rd	4th	Top		
Children	17.4 (1.14)	26.9 (1.76)	24.3 (1.59)	18.5 (1.22)	12.9 (0.85)	100.0	
Adults	16.5 (2.22)	20.8 (2.80)	22.0 (2.96)	21.6 (2.91)	19.3 (2.60)	100.0	
Gainfully Employed	8.5 (0.53)	17.6 (1.08)	22.6 (1.39)	25.3 (1.56)	26.0 (1.60)	100.0	
Child-Rearing Households	15.1	25.5	24.6	20.4	14.5	100.0	
Elderly Households	48.1	21.0	13.6	8.1	9.2	100.0	

Source: *Household Budget Survey, 1973.*

Appendix Table 7.17: The Distribution of Income, Cash Transfers, Taxes, and Subsidies by Quintiles of Equivalent Disposable Household Income in 1973

Quintile Share of:	Average Value, as % of Annual Gross Income (\bar{X} = 2,091)						
	Bottom	2nd	3rd	4th	Top	All	
1. Indirect Subsidies							
(a) Health	22.0	25.2	22.7	18.0	12.2	100.0	4.3
(b) Education	17.9	26.2	24.2	18.9	12.7	100.0	7.7
(c) Housing	27.6	26.6	25.2	15.2	5.4	100.0	1.0
(d) All Subsidies	20.8	25.2	23.2	18.3	12.5	100.0	14.2
2. Indirect Taxes							
(a) Value Added	10.2	16.2	20.2	24.8	28.7	100.0	5.5
(b) Fiscal and Excise	10.2	16.6	21.2	25.0	26.9	100.0	9.8
(c) All Indirect Taxes	10.3	16.3	20.5	27.8	28.1	100.0	18.5

Source: *Household Budget Survey, 1973.*

Appendix Table 7.18: Characteristics of Households in 1980 by Quintiles of (a) Equivalent Direct and (b) Equivalent Disposable Income (parentheses contain, where appropriate, the average number of persons per household)

Quintile Share of (%)	Quintiles of Equivalent Direct Income						Average Number
	Bottom	2nd	3rd	4th	Top	All	
Children	13.9 (1.17)	26.1 (1.61)	27.4 (1.69)	20.9 (1.29)	11.7 (0.72)	100.0	1.23
Adults	15.4 (1.92)	21.2 (2.63)	21.8 (2.71)	22.2 (2.77)	19.3 (2.40)	100.0	2.49
Gainfully Employed	4.3 (.23)	17.0 (.94)	22.6 (1.24)	26.8 (1.47)	29.3 (1.61)	100.0	1.10
Child-Rearing Households	11.9	24.0	27.0	24.0	13.1	100.0	37.9%
Elderly Households	55.6	25.0	8.6	5.2	5.6	100.0	16.2%
Quintiles of Equivalent Disposable Income							
	Bottom	2nd	3rd	4th	Top	All	
Children	21.9 (1.35)	23.9 (1.47)	24.1 (1.48)	19.0 (1.17)	11.2 (0.69)	100.0	
Adults	17.5 (2.18)	19.5 (2.43)	21.7 (2.70)	22.1 (2.75)	19.2 (2.39)	100.0	
Gainfully Employed	8.7 (.48)	14.4 (.79)	21.7 (1.19)	26.5 (1.45)	28.8 (1.58)	100.0	
Child-Rearing Households	18.9	22.4	25.0	21.5	12.2	100.0	
Elderly Households	35.1	36.0	14.0	7.9	6.9	100.0	

Source: *Household Budget Survey, 1980.*

Appendix Table 7.19: The Distribution of Incomes, Cash, Transfers, Taxes, and Subsidies by Quintiles of Equivalent Disposable Household Income in 1980*

Quintile Share of	1980					Average as % of Annual Gross Inc. (x = 16,521)
	Bottom	2nd	3rd	4th	Top	
1. Indirect Subsidies						
(a) Health	25.4	24.6	19.8	17.3	12.9	100.0
(b) Education	21.9	23.1	23.7	19.2	12.1	100.0
(c) Housing	42.7	27.8	18.0	9.5	2.1	100.0
(d) All Subsidies	26.8	23.5	21.3	18.2	13.2	100.0
2. Indirect Taxes						
(a) Value Added	9.8	13.4	20.6	25.9	30.3	100.0
(b) Fiscal and Excise	10.8	15.3	21.1	24.9	28.0	100.0
(c) All Indirect Taxes	10.5	14.6	20.9	15.3	28.7	100.0

Source: Household Budget Survey, 1980.

Appendix Table 7.20: GDP at 1975 prices and 1975 Purchasing Power Parities, Welfare Effort and Taxation of Various EEC countries USA and Japan, 1973 and 1980

Country	1973			1980		
	Real GDP per capita at 1975 prices and 1975 purchasing power parities	Social Welfare Effort as % GDP	Taxation as % GDP	Real GNP per capita at 1975 prices and 1975 purchasing power parities	Social Welfare Effort as % GDP	Taxation as % GDP
Germany	4,653	26.3	36.3	5,516	30.8	37.8
France	4,538	n.a.	35.7	5,326	28.3	42.5
Italy	3,646	24.2	26.3	4,253	26.9	33.2
Netherlands	4,372	31.8	41.6	5,108	35.5	45.7
Belgium	4,393	27.8	38.0	5,151	38.2	44.7
Luxembourg	5,430	n.a.	33.1	5,761	n.a.	40.4
UK	4,226	19.3	31.7	4,500	22.0	36.0
Ireland	2,594	18.8	31.2	3,027	25.6	35.9
Denmark	4,869	27.4	42.4	5,336	n.a.	45.5
Greece	2,324	9.6	23.2	2,719	13.4	28.6
Spain	3,136	n.a.	19.0	3,438	n.a.	24.1
Portugal	1,945	n.a.	22.0	2,344	n.a.	29.3
USA	6,195	17.3	29.3	6,656	20.7	30.4
Japan	4,133	10.7	22.5	4,975	16.9	25.9

References: Real GDP Per Capita at 1975 Prices and 1975 Purchasing Power Parities, taken from Eurostat (1983).

National Accounts ESA-Aggregates 1960-1981.

Social Welfare Effort as % of GDP, taken from Social Expenditure, 1960-1990, Problems of Growth and Control,

OECD, Paris 1985, Annex C.

Taxation of % of GDP, Revenue Statistics of OECD Member Countries, 1965-1983, OECD, Paris 1984.

n.a. Not available.

Appendix Table 7.21: Comparison of Shares of Social Expenditure as % of GDP in Ireland with Certain OECD Countries

Country		Total Government Expenditure		Total Social Expenditure		Education Expenditure		Health Expenditure		Unemployment Compensation		Pensions		Other Social Expenditure	
		1973	1980	1973	1980	1973	1980	1973	1980	1973	1980	1973	1980	1973	1980
Austria		38.6	47.2	21.7	27.1	3.0	3.0	3.4	3.4	0.2	0.2	11.4	11.4	3.8	3.8
		47.2	47.2	27.1	27.1	3.8	3.8	4.5	4.5	0.4	0.4	13.5	13.5	4.8	4.8
France		38.2	46.0	D.A.	28.3	D.A.	D.A.	4.6	4.6	0.4	0.4	8.7	8.7	3.5	3.5
		46.0	46.0	D.A.	28.3	5.7	5.7	6.1	6.1	1.5	1.5	11.5	11.5	3.4	3.4
Ireland		38.2	49.0	18.8	25.6	5.4	6.5	5.3	8.4	1.3	2.0	3.5	3.5	3.3	3.3
		49.0	49.0	25.6	25.6	6.5	6.5	8.4	8.4	2.0	2.0	4.7	4.7	4.1	4.1
Japan		19.1	30.1	10.7	16.9	4.0	5.0	3.1	4.6	0.3	0.4	1.5	1.5	1.7	1.7
		30.1	30.1	16.9	16.9	5.0	5.0	4.6	4.6	0.4	0.4	4.4	4.4	2.5	2.5
Netherlands		43.9	56.9	31.8	35.5	6.7	7.2	5.1	6.5	0.4	0.6	9.4	9.4	10.1	10.1
		56.9	56.9	35.5	35.5	7.2	7.2	6.5	6.5	0.6	0.6	12.8	12.8	8.4	8.4
Norway		44.6	48.8	26.7	27.2	6.6	6.3	5.8	6.5	0.1	0.2	7.9	7.9	5.3	5.3
		48.8	48.8	27.2	27.2	6.3	6.3	6.5	6.5	0.2	0.2	7.9	7.9	6.3	6.3
Sweden		44.8	61.0	24.2	32.5	5.8	6.5	6.4	8.8	0.3	0.4	7.2	7.2	4.8	4.8
		61.0	61.0	32.5	32.5	6.5	6.5	8.8	8.8	0.4	0.4	11.0	11.0	5.7	5.7
Switzerland		24.5	D.A.	15.9	D.A.	5.0	D.A.	3.8	D.A.	-	0.1	6.3	6.3	0.9	0.9
		D.A.	D.A.	D.A.	D.A.	D.A.	D.A.	D.A.	D.A.	0.1	0.1	8.0	8.0	0.9	0.9
UK		39.3	44.4	19.3	22.0	5.8	5.6	4.1	5.2	0.4	0.9	5.7	5.7	3.3	3.3
		44.4	44.4	22.0	22.0	5.6	5.6	5.2	5.2	0.9	0.9	6.7	6.7	3.6	3.6
USA		32.1	35.4	17.3	20.7	5.7	5.7	3.0	4.1	0.4	0.6	6.2	6.2	2.1	2.1
		35.4	35.4	20.7	20.7	5.7	5.7	4.1	4.1	0.6	0.6	7.2	7.2	3.2	3.2

Source: Social Expenditure 1960-1990: Problems of Growth and Control, OECD, Paris, 1985, Annex C.

Appendix Table 7.22: The Structure of Tax Revenue: Selected OECD Countries 1965, 1975, 1982*

Tax Category	Ireland		U.K.		Germany		Holland		Norway		Italy		Greece		Spain		
	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	
Income Tax	16.7	24.2	28.0	36.0	28.0	36.0	27.1	33.9	39.7	31.6	28.2	11.0	16.3	7.3	9.2	14.3	14.6
Personal	9.1	4.6	7.0	4.2	7.8	4.4	8.0	7.7	3.6	2.9	16.5	6.9	6.3	1.9	3.5	9.2	6.9
Corporate	3.3	6.2	14.4	18.3	14.4	18.3	12.6	17.6	10.2	18.6	16.3	36.9	37.2	24.9	27.2	21.7	20.4
Employer Social Security	3.2	6.6	11.6	16.0	11.6	16.0	16.2	16.4	4.9	5.4	34.2	34.2	24.9	24.9	14.7	6.6	
Employee Social Security	1.9	1.1	2.0	0.8	0.2	0.1	1.0	0.4	0.3	0.2	0.1	0.9	0.2	0.9	1.0	1.0	0.6
Tax on Inheritance	13.2	8.6	14.6	11.9	12.2	6.6	3.9	2.2	2.8	2.1	1.7	4.3	3.1	9.4	8.0	5.4	5.6
Tax on Property	52.6	46.5	33.0	25.4	33.0	25.4	24.6	20.9	41.0	37.6	34.6	39.6	29.4	62.2	48.3	45.1	45.8
Tax on Goods & Services	20.0	32.1	30.6	35.7	31.6	36.0	33.7	40.6	33.2	44.6	47.6	27.3	28.0	20.6	24.6	14.7	12.6
Tax & - % of GDP	20.0	32.1	30.6	35.7	31.6	36.0	33.7	40.6	33.2	44.6	47.6	27.3	28.0	20.6	24.6	14.7	12.6

* Totals exclude receipts from payroll taxes and assorted taxes not assigned to OECD countries.

Source: Revenue Statistics of OECD Member Countries, 1965-1983, Paris, Organisation for Economic Co-operation and Development, 1985.

Appendix Table 7.13: The Distribution of Equivalent Disposable Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Disposable Income Quintiles	1973													
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Service Workers	Semi-Skilled Manual	Unskilled Manual	Residual Workers	
Bottom	7.5	13.9	13.8	15.6	20.5	34.7	1.7	1.9	6.9	11.4	12.1	15.1	30.6	55.6
2nd	9.5	20.6	9.2	13.5	22.4	31.7	4.1	7.0	11.3	21.1	23.6	28.0	25.7	21.0
3rd	12.4	22.3	13.0	15.7	25.3	16.5	3.8	11.3	19.7	29.0	27.8	27.8	20.8	9.9
4th	14.8	22.8	15.6	21.7	20.8	9.8	28.4	25.8	29.6	24.1	23.6	20.3	17.0	7.5
Top	55.9	20.5	48.5	33.6	11.0	7.3	62.1	54.0	32.4	14.3	12.9	8.8	5.8	6.0
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	392	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	6.3	12.7	31.3	28.9	32.3	34.3	0.9	4.4	5.8	15.3	15.0	19.7	34.6	45.6
2nd	8.8	21.4	13.0	15.9	20.6	36.0	5.1	6.8	10.9	21.0	26.9	23.0	28.1	28.3
3rd	18.6	23.3	13.4	17.7	22.9	16.5	10.9	15.6	19.8	24.5	25.1	24.3	20.4	12.8
4th	22.4	22.0	16.6	18.7	13.6	8.0	29.8	22.8	29.8	23.2	18.2	22.2	11.7	8.7
Top	43.9	20.5	25.6	18.8	10.5	5.3	53.3	50.3	33.6	15.9	14.8	10.8	5.2	4.8
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	698	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.14: The Distribution of Equivalent Final Income Quintiles by Social Class, 1973, 1980

1973

Equivalent Final Income Quintiles	1973													
	Large Proprietor	Small Proprietor	Large Farmer	Medium Farmer	Small Farmer	Marginal Farmer	Higher Professional	Lower Professional	Intermediate, Routine, Non-Manual	Skilled Service Workers	Semi-Skilled Manual	Unskilled Manual	Residual Workers	
Bottom	15.0	22.6	16.5	18.7	25.7	38.8	4.2	4.6	10.1	12.1	14.7	15.6	27.1	35.2
2nd	8.8	20.4	8.7	10.5	16.0	24.6	3.5	5.1	12.7	17.9	22.2	28.3	28.7	33.4
3rd	5.8	18.9	9.3	9.9	25.4	17.0	9.5	11.8	19.9	30.0	25.5	25.8	22.4	14.2
4th	13.9	19.4	14.8	23.5	20.3	10.7	21.3	28.6	27.3	27.7	26.2	21.2	15.5	7.6
Top	56.5	18.8	50.6	37.2	12.7	8.8	61.3	49.8	30.1	12.4	11.3	8.9	6.4	9.6
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	166	307	261	392	461	572	353	283	846	983	602	675	1,020	699

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1980

Bottom	12.1	20.2	34.8	33.4	35.5	34.2	4.8	8.2	8.5	17.2	16.2	18.3	30.0	26.0
2nd	9.9	18.6	7.0	13.6	15.8	39.7	3.3	8.1	10.5	23.5	25.4	24.5	30.1	33.4
3rd	14.8	20.3	15.0	13.4	22.0	18.0	9.3	15.1	19.3	22.7	25.6	25.0	21.6	19.6
4th	21.6	19.3	14.4	19.8	15.7	10.2	28.7	21.7	28.5	21.4	20.2	22.1	12.5	13.3
Top	41.5	21.7	28.9	19.9	11.0	6.9	53.9	46.9	33.2	15.4	12.5	10.2	5.8	7.9
Total (\$)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Number of Households	177	298	190	340	311	256	428	310	1,015	1,129	632	698	816	524

Source: Household Budget Surveys, 1973 and 1980.

Appendix Table 7.15: Income Inequality in the Republic of Ireland and United Kingdom, 1973 and 1980

	Share of Highest 20%	Share of Lowest 40%	Ratio of Highest 20% to Lowest 40%	Gini Coefficient
	%	%		
Ireland 1973				
Direct Income	47.0	11.0	4.3	45.5
Gross Income	43.4	15.8	2.7	38.7
Disposable Income	42.6	16.5	2.6	37.6
Final Income	43.1	15.7	2.7	38.7
United Kingdom 1973				
Direct Income	44.5	11.7	3.8	43.4
Gross Income	40.3	17.5	2.3	35.0
Disposable Income	39.3	18.7	2.1	33.3
Final Income	38.8	19.3	2.0	32.3
Ireland 1980				
Direct Income	48.0	9.1	5.3	47.6
Gross Income	43.8	15.2	2.9	39.3
Disposable Income	41.9	16.9	2.5	36.7
Final Income	41.3	17.6	2.3	35.5
United Kingdom 1980				
Direct Income	45.5	9.0	5.1	45.9
Gross Income	40.8	16.5	2.5	35.9
Disposable Income	39.2	18.4	2.1	33.1
Final Income	38.8	19.1	2.0	32.3

Sources: Ireland: *Unpublished data from Household Budget Surveys 1973 and 1980.*
 UK 1973: *Nolan, 1981, Table 3.*
 UK 1980: *Central Statistical Office, 1982, Table R, 3(a), and 6.*

Appendix Table 7.16

Characteristics of Household in 1973 by Quintiles of (a) Equivalent Direct and (b) Equivalent Disposable Income (parentheses contain, where appropriate, the average number of persons per household)

Quintile Share of %	Quintiles of Equivalent Direct Income						Average Number
	Bottom	2nd	3rd	4th	Top	All	
Children	12.6 (0.83)	29.3 (1.92)	26.6 (1.75)	19.4 (1.27)	12.2 (0.80)	100.0	1.31
Adults	15.2 (2.05)	21.6 (2.91)	22.2 (2.98)	21.7 (2.92)	19.4 (2.61)	100.0	2.70
Gainfully Employed	6.2 (0.38)	18.9 (1.16)	22.6 (1.39)	25.6 (1.57)	26.8 (1.65)	100.0	1.23
Child-Rearing Households	10.8	26.6	26.8	21.4	14.4	100.0	38.4%
Elderly Households	58.1	17.8	8.7	7.4	8.1	100.0	14.2%
	Quintiles of Equivalent Disposable Income						
	Bottom	2nd	3rd	4th	Top	All	
Children	17.4 (1.14)	26.9 (1.76)	24.3 (1.59)	18.5 (1.22)	12.9 (0.85)	100.0	
Adults	16.5 (2.22)	20.8 (2.80)	22.0 (2.96)	21.6 (2.91)	19.3 (2.60)	100.0	
Gainfully Employed	8.5 (0.53)	17.6 (1.08)	22.6 (1.39)	25.3 (1.56)	26.0 (1.60)	100.0	
Child-Rearing Households	15.1	25.5	24.6	20.4	14.5	100.0	
Elderly Households	48.1	21.0	13.6	8.1	9.2	100.0	

Source: *Household Budget Survey, 1973.*

Appendix Table 7.17: The Distribution of Income, Cash Transfers, Taxes, and Subsidies by Quintiles of Equivalent Disposable Household Income in 1973

Quintile Share of:	Average Value as % of Annual Gross Income (X = 2,091)					
	Bottom	2nd	3rd	4th	Top	All
1. Indirect Subsidies						
(a) Health	22.0	25.2	22.7	18.0	12.2	100.0
(b) Education	17.9	26.2	24.2	18.9	12.7	100.0
(c) Housing	27.6	26.6	25.2	15.2	5.4	100.0
(d) All Subsidies	20.6	25.2	23.2	18.3	12.5	100.0
2. Indirect Taxes						
(a) Value Added	10.2	16.2	20.2	24.8	28.7	100.0
(b) Fiscal and Excise	10.2	16.6	21.2	25.0	26.9	100.0
(c) All Indirect Taxes	10.3	16.3	20.5	27.8	28.1	100.0

Source: Household Budget Survey, 1973.

Appendix Table 7.18: Characteristics of Households in 1980 by Quintiles of (a) Equivalent Direct and (b) Equivalent Disposable Income (parentheses contain, where appropriate, the average number of persons per household)

Quintile Share of (Z)	Quintiles of Equivalent Direct Income						Average Number
	Bottom	2nd	3rd	4th	Top	All	
Children	13.9 (1.17)	26.1 (1.61)	27.4 (1.69)	20.9 (1.29)	11.7 (0.72)	100.0	1.23
Adults	15.4 (1.92)	21.2 (2.63)	21.8 (2.71)	22.2 (2.77)	19.3 (2.40)	100.0	2.49
Gainfully Employed	4.3 (.23)	17.0 (.94)	22.6 (1.24)	26.8 (1.47)	29.3 (1.61)	100.0	1.10
Child-Rearing Households	11.9	24.0	27.0	24.0	13.1	100.0	37.9%
Elderly Households	55.6	25.0	8.6	5.2	5.6	100.0	16.2%
	Quintiles of Equivalent Disposable Income						
	Bottom	2nd	3rd	4th	Top	All	
Children	21.9 (1.35)	23.9 (1.47)	24.1 (1.48)	19.0 (1.17)	11.2 (0.69)	100.0	
Adults	17.5 (2.18)	19.5 (2.43)	21.7 (2.70)	22.1 (2.75)	19.2 (2.39)	100.0	
Gainfully Employed	8.7 (.48)	14.4 (.79)	21.7 (1.19)	26.5 (1.45)	28.8 (1.58)	100.0	
Child-Rearing Households	18.9	22.4	25.0	21.5	12.2	100.0	
Elderly Households	35.1	36.0	14.0	7.9	6.9	100.0	

Source: Household Budget Survey, 1980.

Appendix Table 7.19: The Distribution of Incomes, Cash, Transfers, Taxes, and Subsidies by Quintiles of Equivalent Disposable Household Income in 1980*

Quintile Share of	Average as % of Annual Gross Income (\bar{x} = £6,521)				
	Bottom	2nd	3rd	4th	Top
1. Indirect Subsidies					
(a) Health	25.4	24.6	19.8	17.3	12.9
(b) Education	21.9	23.1	23.7	19.2	12.1
(c) Housing	42.7	27.8	18.0	9.5	2.1
(d) All Subsidies	26.8	23.5	21.3	18.2	13.2
2. Indirect Taxes					
(a) Value Added	9.8	13.4	20.6	25.9	30.3
(b) Fiscal and Excise	10.8	15.3	21.1	24.9	28.0
(c) All Indirect Taxes	10.5	14.6	20.9	15.3	28.7

Source: Household Budget Survey, 1980.

Appendix Table 7.20: GDP at 1975 prices and 1975 Purchasing Power Parities, Welfare Effort and Taxation of Various EEC countries, USA and Japan, 1973 and 1980

Country	1973			1980		
	Real GDP per capita at 1975 prices and 1975 purchasing power parities	Social Welfare Effort as % GDP	Taxation as % GDP	Real GNP per capita at 1975 prices and 1975 purchasing power parities	Social Welfare Effort as % GDP	Taxation as % GDP
Germany	4,653	26.3	36.3	5,516	30.8	37.8
France	4,538	n.a.	35.7	5,326	28.3	42.5
Italy	3,646	24.2	26.3	4,253	26.9	33.2
Netherlands	4,372	31.8	41.6	5,108	35.5	45.7
Belgium	4,393	27.8	38.0	5,151	38.2	44.7
Luxembourg	5,430	n.a.	33.1	5,761	n.a.	40.4
UK	4,226	19.3	31.7	4,500	22.0	36.0
Ireland	2,594	18.8	31.2	3,027	25.6	35.9
Denmark	4,869	27.4	42.4	5,336	n.a.	45.5
Greece	2,324	9.6	23.2	2,719	13.4	28.6
Spain	3,136	n.a.	19.0	3,438	n.a.	24.1
Portugal	1,945	n.a.	22.0	2,344	n.a.	29.3
USA	6,195	17.3	29.3	6,656	20.7	30.4
Japan	4,133	10.7	22.5	4,975	16.9	25.9

References: Real GDP Per Capita at 1975 Prices and 1975 Purchasing Power Parities, taken from Eurostat (1983).

National Accounts ESA-Aggregates 1960-1981.

Social Welfare Effort as % of GDP, taken from Social Expenditure, 1960-1990, Problems of Growth and Control,

OECD, Paris 1985, Annex C.

Taxation of % of GDP, Revenue Statistics of OECD Member Countries, 1965-1983, OECD, Paris 1984.

n.a. Not available.

Appendix Table 7.21: Comparison of Shares of Social Expenditure as % of GDP in Ireland with Certain OECD Countries

Country		Total Government Expenditure		Total Social Expenditure	Education Expenditure		Health Expenditure	Unemployment Compensation		Pensions		Other Social Expenditure
		1973	1980	1973	1973	1980	1973	1980	1973	1980	1973	1980
Austria	1973	38.6	21.7	3.0	3.4	0.2	11.4	3.8				3.8
	1980	47.2	27.1	3.8	4.5	0.4	13.5	4.8				4.8
France	1973	38.2	n.a.	n.a.	4.6	0.4	8.7	3.5				3.5
	1980	46.0	28.3	5.7	6.1	1.5	11.5	3.4				3.4
Ireland	1973	38.2	18.8	5.4	5.3	1.3	3.5	3.3				3.3
	1980	49.0	25.6	6.5	8.4	2.0	4.7	4.1				4.1
Japan	1973	19.1	10.7	4.0	3.1	0.3	1.5	1.7				1.7
	1980	30.1	16.9	5.0	4.6	0.4	4.4	2.5				2.5
Netherlands	1973	43.9	31.8	6.7	5.1	0.4	9.4	10.1				10.1
	1980	56.9	35.5	7.2	6.5	0.6	12.8	8.4				8.4
Norway	1973	44.6	25.7	6.6	5.8	0.1	7.9	5.3				5.3
	1980	48.8	27.2	6.3	6.5	0.2	7.9	6.3				6.3
Sweden	1973	44.8	24.2	5.8	6.4	0.3	7.2	4.8				4.8
	1980	61.0	32.5	6.5	8.8	0.4	11.0	5.7				5.7
Switzerland	1973	24.5	15.9	5.0	3.8	-	6.3	0.9				0.9
	1980	n.a.	n.a.	n.a.	n.a.	0.1	8.0	0.9				0.9
UK	1973	39.3	19.3	5.8	4.1	0.4	5.7	3.3				3.3
	1980	44.4	22.0	5.6	5.2	0.9	6.7	3.6				3.6
USA	1973	32.1	17.3	5.7	3.0	0.4	6.2	2.1				2.1
	1980	35.4	20.7	5.7	4.1	0.6	7.2	3.2				3.2

Source: Social Expenditure 1960-1990: Problems of Growth and Control, OECD, Paris, 1985, Annex C.

Appendix Table 7.22: The Structure of Tax Revenue: Selected OECD Countries 1965, 1975, 1982*

Tax Category	Ireland		U.K.		Germany		Holland		Norway		Italy		Greece		Spain	
	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975	1965	1975
Income Tax Personal	16.7	24.2	28.8	38.2	26.0	30.0	27.8	27.1	23.9	39.7	31.6	26.9	11.0	15.2	24.4	14.3
Income Tax Corporate	9.1	4.8	7.0	6.2	7.8	4.4	6.1	7.7	6.5	3.8	2.9	18.5	6.9	6.3	6.0	9.2
Employer Social Security	3.3	8.2	4.5	10.3	14.4	12.3	19.4	17.7	17.6	10.2	12.5	13.3	34.2	36.9	37.2	21.7
Employee Social Security	3.2	5.5	5.4	7.2	11.8	15.0	16.1	16.4	18.0	-	4.9	8.4	34.2	36.9	37.2	21.7
Tax on Inheritance	1.9	1.1	0.3	0.8	0.2	0.1	0.9	0.4	0.4	0.3	0.2	.01	0.9	0.2	0.2	1.0
Tax on Property	13.2	8.6	3.4	14.6	5.8	3.8	3.1	2.2	3.2	2.8	2.1	1.7	6.3	3.1	2.8	5.4
Tax on Goods & Services	35.6	46.5	46.0	33.0	33.0	26.7	26.5	23.9	24.0	41.0	37.6	34.6	38.5	22.4	16.5	40.8
Tax as % of GDP	26.0	22.1	33.6	30.6	35.7	38.4	31.6	35.0	37.2	33.7	43.6	45.5	27.0	28.0	34.3	14.7

* Total exclude receipts from payroll taxes and asset taxes not common to OECD countries.

Source: Revenue Statistics of OECD Member Countries 1965-1983. Paris: Organisation for Economic Cooperation and Development, 1985.

NOTE: The date on the front cover of the report refers to the date the report was submitted to the Government. The dates listed here are the dates of publication.

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