

NESC REPORT NO. 39

**THE WORK OF THE NESC:
1977**

Price: £3.00

**NATIONAL ECONOMIC AND SOCIAL COUNCIL
CONSTITUTION AND TERMS OF REFERENCE**

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 Minister for Finance on their application*. The Council shall have regard, *inter alia*, to:
 - (i) the realisation of the highest possible levels of employment at adequate reward.
 - (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.
2. The Council may consider such matters either on its own initiative or at the request of the Government.
3. Members of the Government shall be entitled to attend the Council's meetings. The Council may at any time present its views to the Government on matters within its terms of reference. Any reports which the Council may produce shall be submitted to the Government and, together with any comments which the Government may then make thereon, shall be laid before each House of the Oireachtas and published.
4. The membership of the Council shall comprise a Chairman appointed by the Government in consultation with the interests represented on the Council,
 - Ten persons nominated by agricultural organisations,
 - Ten persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation.
 - Ten persons nominated by the Irish Congress of Trade Unions,
 - Ten other persons appointed by the Government, and
 - Six persons representing Government Departments comprising one representative each from the Departments of Finance, Agriculture, Industry and Commerce, Labour and Local Government and one person representing the Departments of Health and Social Welfare.Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairman to regulate the numbers attending.
5. The term of office of members shall be for three years renewable. Casual vacancies shall be filled by the Government or by the nominating body as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office and their membership shall then be renewable on the same basis as that of other members.
6. The Council shall have its own Secretariat, subject to the approval of the Minister for Finance* in regard to numbers, remuneration and conditions of service.
7. The Council shall regulate its own procedure.

*On 15 September 1977, the Government announced its decision that the functions relating to the Council would be the responsibility of the Minister for Economic Planning and Development.

NATIONAL ECONOMIC AND SOCIAL COUNCIL

The Work of the NESC: 1977

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**NATIONAL ECONOMIC AND SOCIAL COUNCIL
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Nominated by the Government:

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Mr. L. Connellan	Mr. R. I. Morrison	

Nominated by the Irish Agricultural Organisation Society:

Mr. J. Buttimer	Mr. P. Kelly	Mr. P. Raftery
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Nominated by the Irish Congress of Trade Unions:

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Mr. J. J. Jennings	Mr. P. Murphy	

Nominated by the Irish Farmers' Association:

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NATIONAL ECONOMIC AND SOCIAL COUNCIL

THE WORK OF THE NESC: 1977

I. Introduction¹

1. The main function of the National Economic and Social Council is to advise the Government on the development of the national economy and the achievement of social justice. The Constitution and Terms of Reference of the Council are set out in full in Appendix I.
2. The Council reviewed the first three years of its work in Report No. 32². In this report, the Council describes the work it has done during 1977.
3. The term of office of members of the present Council would normally have ended in November 1976. In the middle of last year, in response to an enquiry from the Chairman of the Council, the Minister for Finance, Mr. Richie Ryan, TD, stated that he was prepared:

“to accept that a December meeting of the Council would be in order—on the understanding that this will enable the Council to complete all the work in progress which it has initiated.”³

Accordingly, the Council had an especially heavy work programme in the latter half of 1976. During the autumn of 1976 there were persistent press reports that the Council would be abolished at the end of that year.

¹A draft of this report was discussed and amended by the Council at its meeting on 15 December 1977. Successive drafts were prepared by Tom Ferris in the Council's Secretariat.

²*The Work of the NESC: 1974-76*, NESC, No. 32, September 1977.

³Letter dated 7 July 1976.

4. On 26 November 1976, the Government Information Services issued the following statement of behalf of the Minister for Finance:

"In accordance with the constitution of the National Economic and Social Council the term of office of its members expires this month. In view of their desire as expressed in the Green Paper 'Economic and Social Development 1976-80' to have discussions with the social partners as part of the process of formulating an economic plan, the Government have decided that the Council, as now constituted, should continue in existence for another year. The Chairman, Government nominees and organisations represented on the Council have been informed of the Government's decision."

Because the Council had concentrated during the second half of 1976 on completing the work that was then in progress, and because the uncertainty about its future was not removed until the end of November 1976, no new work was initiated. The Council, therefore, had to defer consideration of its 1977 work programme until the beginning of 1977.

II. The Council's Work in 1977

5. The Minister for Finance, Mr. Richie Ryan, TD, in the course of his address to the Council on 21 December 1976, suggested that:—

"the Council might consider, in the light of its three years experience, whether any changes might be made in its structure or methods of operation with a view to improving its capacity to fulfil the role envisaged for it by the Government. It would be particularly useful, if such changes were adopted early in 1977 and their operation reviewed towards the end of that year with the objective of assessing whether they had, in fact, enabled the Council to perform its functions more satisfactorily."

The Minister continued by stating that:

". . . the Government are anxious to ascertain the views of the social partners on the issues raised in the Green Paper on *Economic and Social Development, 1976-1980*, so that work on an economic

and social plan can be completed. The Council could play an important role in discussing these issues and influencing the development of the plan.

". . . I do not wish to constrain the Council in any way in their examination of the medium-term problems and issues as raised in the Green Paper, but it seems to me that the Council is particularly well qualified to look at specific problems which it has already examined in the economic and social field—especially those relating to the implications of the growth in population.

". . . In particular, I would wish to see the Council discuss and advise on

(1) measures to promote confidence, enterprise and expansion in industry.

(2) ways to encourage productivity by associating employees more closely with the enterprise and its financial results.

(3) how best to promote co-operation between the public and private sectors so as to maximise growth.

(4) measures to minimise the tax burden by eliminating circular transfers which in many cases involve payments or subsidies that return to taxpayers.

(5) steps to intensify agricultural production.

(6) ways to achieve a proper balance between economic advancement and social progress which is after all dependent upon economic well being.

". . . It seems likely that, in our national circumstances, there will always be insufficient resources to bring the standards of all services up to the level the community would like to provide. It would be helpful if the Council could consider what should be the economic and social priorities in the broad areas of job creation,

wealth creation, health, education and income maintenance in a continuing situation of scarce financial resources."

6. The Council's work in 1977 has been within its terms of reference as amplified in the Statement by the Minister at its meeting on 21 December 1976. At its first meeting of 1977, the Council agreed that priority would be given to those areas to which the Minister for Finance referred in his speech.

III. Structure and Methods of Working

7. The Minister's request that the Council should consider its Structure and Methods of Working was discussed by the Economic and Social Committees and by the Council during January. The Chairman wrote to all members nominated by the Government, and to each organisation represented on the Council, asking for their views on:

"any changes in the Council's structure and methods of working which . . . would enable it to improve its capacity to fulfil the role envisaged for it by the Government."

8. Of the six organisations represented on the Council, four indicated that they were satisfied with the Council's structure, methods of working and performance and one submitted some suggestions for change. No views were submitted by the six Secretaries of Government Departments who were then members of the Council. On their behalf, Mr. M. Ó Murchú, then Secretary of the Department of Finance, stated:

"Any such views expressed by Departmental Secretaries would be taken to represent the views of the six Ministers concerned and as the objective is to have the views of Council members submitted to the Government for consideration, we consider that the submission of views by the Departmental secretaries would not serve a useful purpose."¹

¹This approach was not adopted by Departmental secretaries on other issues discussed by the Council.

Of the nine other members nominated by the Government,² five stated that they were satisfied with the Council's structure, methods of working and performance and the remaining four members submitted some suggestions for change.

9. Some replies drew attention to the implied judgement in the Minister's request—namely, that the Council had not fulfilled the role envisaged for it by the Government. The absence of any statements of the *precise* role envisaged for the Council by the then Government made it difficult to identify the ways in which the Council had failed to meet the Government's expectations. Moreover, it was difficult to identify how these undefined expectations could be met more fully. In some replies from members, the advisory process was broken down into parts—giving advice and receiving it. If the advisory process was judged unsatisfactory, it did not necessarily follow that the fault lay with the giver (the NESC); it could well lie with the receiver (namely the Government).

10. The Council considered the various views on structure and methods of working at its meetings on 23 June and 22 July 1977. There was a broad consensus that no significant changes were required in the structure and methods of working of the Council.

11. The Council believed that its effectiveness had been reduced by uncertainty about its continued existence. This made it very difficult to recruit and retain even a small independent secretariat. In this regard, the organisations represented on the Council reiterated their earlier view³ that the Council should have a continuing existence and that only the members should be appointed for a fixed period. This did not, of course, preclude changes in the structure or composition of the Council, subject to the agreement of the organisations represented on it.

12. As regards the secretariat, the Council believed that provision should be made for an independent secretariat, on contracts of up to

²At present, there are only nine "other persons appointed by the Government"—the vacancy created by the resignation of Mr. A. N. O'Brien was not filled.

³*The Work of the NESC: 1974-76*, NESC, No. 32.

three years, which would continue to function regardless of changes in the membership of the Council. The Council saw this as particularly important in the light of the experience of the full-time members of the non-civil service secretariat⁴ during 1976. They were treated as follows:—

- (a) Towards the end of February 1976, they were informed that the Department of Finance had given sanction for their continuing employment until 31 October 1976:

“when the current term of the present members of the Council expires.”

- (b) In mid-July 1976, following the extension by the Minister for Finance of the tenure of the membership of the Council until 31 December 1976, the Department of Finance sanctioned their retention in the secretariat until 31 December 1976.

- (c) Early in November 1976, following a decision by the Council at its October meeting, the Department of Finance sanctioned the employment of the three full-time members of the non-civil service secretariat until 31 January 1977:

“in order to wind up [the Council’s] tasks. All work should be completed by 31 January 1977, but if earlier completion is possible that should, of course, be sought.”

- (d) On 2 February 1977, the Department of Finance sanctioned the extension of the appointment of the three full-time members of the non-civil service secretariat until 31 December 1977.

In these circumstances, the extreme difficulty of maintaining the minimum secretariat required to service the Council and its Committees is understandable. The difficulties experienced by the secretariat were in no way the fault of the Council nor of the members of the secretariat itself.

⁴Appendix 4 sets out the names of those who worked either part-time or full-time with the secretariat during 1977 including the civil service staff on the secretariat.

13. In an attempt to replace the Secretary of the Economic Policy Committee (who resigned with effect from 31 July 1977), the Chairman, with the approval of the Council, sought, towards the end of June 1977, the secondment of a suitably qualified officer from the Department of Finance. The Chairman also tried to find a suitable replacement from outside the Civil Service. The response to a canvass of the Administrative Officers in the Department of Finance was disappointing—a result which, the Department felt, could reflect absence of a financial inducement. Suitable persons might also have been deterred by the uncertainty about the future of the Council. For whatever reason, no replacement was obtained, and the position in the secretariat remained unfilled. The Department of Economic Planning and Development wrote to other Government Departments and State sponsored bodies in November 1977, following the Government decision that the Council should continue until 31 December 1980, seeking the release on secondment of suitably qualified staff for the Council’s secretariat.

14. The provision of its grant on an annual basis also posed problems for the Council.⁵ These arose mainly because projects initiated in one year were not generally completed until the next. The Council knew only what was available in the year in which the project started and could not obtain any indication of how much would be available in the following year. The Council was not asked to submit a budget for 1977. The Council was informed by the Department of Finance in December 1976 that £60,000 had been granted for 1977. The problems

⁵The Council discussed the question of finance, with regard to its experience in the first three years of operation, in Report No. 32, *The Work of the NESAC: 1974–76*, September 1977 (pages 14 and 15). It was the Council’s view that it should be told in advance the minimum sum that would be made available to it in each year. However, the Council had been informed by the Department of Finance that this would not be possible, because no State body or Government Department is advised of the sums that will be made available to it for more than one year in advance. This follows from the voting of monies on an annual basis by the Dáil. In the view of the Council, if an independent body must submit the individual projects for which funds are sought, and if money is not provided to finance all of them, there is the danger that the Government may seem to be influencing the work that the Council can do. The Department of Finance, however, pointed out that it would be an unusual derogation from financial control as exercised by the Department if funds were made available without reference to the projects for which they had been sought.

of finance could be eased considerably if the Council could be informed in advance of the minimum sum that would be available to it in each of the three years for which it has been established.

15. There have been long delays between the submission of reports by the Council and their release for publication. Long delays could mean that a report when published appeared out of date because more recent statistics had become available since its completion. In the Council's view, it would not be unreasonable to expect its reports to be published not more than six weeks after their submission to the Government.

16. In the past, no Government statements were issued on the occasion of the publication of most of the Council's reports.⁶ It was therefore impossible for the Council to know whether its analyses and advice had been accepted, rejected or merely ignored. In the Council's view, some reaction by Government to each report would be desirable. The Council recognises, however, that it might not always be possible to give the Government's reaction on the occasion of the publication of the report to which it related, if publication was to occur fairly quickly after the report had been submitted.

17. The problems discussed in the foregoing paragraphs were raised with the Office of the Minister for Economic Planning and Development. At its meeting on 22 July 1977, the Council asked the Chairman to write to the Minister for Economic Planning and Development, who had taken over responsibility for the NESC, to emphasise the importance of the following to the effectiveness of its work:

- (a) the length of life of the Council,
- (b) an independent secretariat,
- (c) an assurance of adequate resources for the Council,

⁶Appendix 5 sets out the statements issued by the Government on the publication of Council reports during 1977. The statements issued by the Government in the period 1974 through 1976 are set out in Appendix 5 of NESC Report No. 32, *The Work of the NESC, 1974-76*

- (d) publication of reports within a reasonable period after submissions to the Government,
- and (e) a response by Government to each report.

18. In a reply dated 8 September 1977, Dr Noel Whelan, on behalf of the Minister, stated that:

"... The views and suggestions you have expressed will be taken fully into account in the proposals for the future development of NESC which (the Minister) hopes to submit to the Government very soon

"One of the matters you raise refers mainly to the Minister's own dealings with the NESC and he has asked me to give you a specific reaction to this. It is about the publication of NESC reports.

"The Minister is in full agreement with the desirability of submitting to the Government and of publishing the Council's reports promptly and without undue delay; he believes the suggestion that reports be published within six weeks after submission to the Government is reasonable. There may, of course, be instances where, either because of pressure of business upon the Government or because of the subject matter of a particular report it will not be possible to adhere strictly to this time schedule."

19. The Chairman was informed by the Minister on 23 November 1977 that the Government had decided that, as a general rule, recourse should be had to the secondment of staff as a means of providing the Council with a full-time secretariat. The Department of Economic Planning and Development will facilitate the secondment of suitably qualified staff to the Council—the staff having been recruited in the normal way to their present organisation (including the Civil Service). The Minister stated that the Council would remain free to employ persons on a temporary basis as heretofore, either to prepare reports or to provide part-time assistance.

20. On 2 December 1977, the following statement regarding the future of the National Economic and Social Council was issued by the

Government Information Services on behalf of the Office of the Minister for Economic Planning and Development:⁷

"The Government, having reviewed the role of the National Economic and Social Council, have decided that the Council should continue until 31 December, 1980. The Government are of the view that the Council provide a valuable forum for discussion of the principles relating to the efficient development of the national economy and the achievement of social justice. Much of the work commissioned by the Council has usefully quantified some of the issues involved. While the Council's work has covered many aspects of economic and social development, significant topics still remain which could benefit from examination by the Council in the future. These include appropriate strategies for the expansion of employment in the manufacturing and services sectors of the economy similar to the Council's present examination of the agricultural sector.

"The Government would also like to see a strengthening of the Council's role as adviser on the application of relevant principles for economic and social development. It is appreciated that real difficulties face a representative group in striving for agreed advice on specific applications of principles, even when these principles are generally acceptable. The Council might therefore wish to consider whether the difficulties they face in the provision of agreed advice could be alleviated to some extent were they to put forward, in relation to particular issues, a number of policy options which they thought worthy of further examination by the Government. These options—none of which need necessarily command the agreed support of Council members should nevertheless fall within a range of policy decisions which Council members could regard as acceptable."

21. The developments described in paragraphs 18, 19 and 20 above have resolved some of the difficulties under which the Council had to work during the latter half of 1976 and the first half of 1977.

⁷Members of the Council were informed by the Minister for Economic Planning and Development of the future of the Council in letters dated 29 November 1977.

IV. The Work of the Council during 1977

22. By 31 December 1976 the Council had completed thirty-two reports. Another seven reports were completed during 1977. Of all thirty-nine reports completed, thirty-five had been published by the end of December 1977, two had been approved by the Council and submitted to the Government, one was in the process of being printed for submission to the Government and the final draft of one (this report) was being prepared for printing. A list of all Council reports appears in Table A on the following page. A summary of the reports (excluding this summary report) which were published during 1977 and/or completed by the Council during the year is given in Appendix 6. A summary of the first 31 reports is contained in the earlier review of the Council's work.¹

23. As was pointed out in paragraph 6 above, the Council's work in 1977 was within its terms of reference as amplified in the statement by Mr. Richie Ryan T.D., the Minister for Finance, at the Council meeting on 21 December 1976. In the first instance, the Council prepared its comments on the Green Paper—*Economic and Social Development, 1976–1980*.² In its comments, the Council stated that:

"A national plan should set out a consistent set of policies designed to establish the conditions in which output and employment can grow at the rates necessary to achieve rising employment at increasing standards of living. The articulation and refinement of projections should be only an ancillary part of any new plan."

The Council stated its belief that its work would be more fruitful if a plan or consistent set of policies were available. The plan or set of policies could then be the focus for the Council's discussions.

24. Four reports have been completed by the Council in line with the specific requests from the Minister for Finance in December 1976 (see paragraph 5 above). *Population and Employment Projections 1986: A Reassessment* (NESCS, No. 35, October 1977) was prepared

¹NESCS, No. 32, September 1977 (Appendix 6).

²NESCS, No. 33, July 1977, page 36

against the background of the Minister's belief that "the Council is particularly well qualified to look at specific measures bearing on . . . the implications of the growth in population."³ The implications of the growth in population had been explored in various ways in a number of Council reports.⁴ The Council saw an advantage, however, in drawing together the main threads in one report, while at the same time updating the population and employment projections.

25. In considering "measures to minimise the tax burden by eliminating circular transfers. . . .", the Council commissioned Mr. B. Dowling to prepare a background study of the whole issue. In the discussion of the early drafts of this study in the Economic Policy Committee, it became clear that "circular transfers" was a somewhat elusive concept, to which it would be difficult to give a meaning that was operationally useful. As a result, the emphasis of Mr. Dowling's study changed towards an examination of the ways in which the personal income tax and social welfare codes might be integrated. The consultant's study, together with the Council's comments on the results, are now in the process of being printed. The report will be submitted to the Government, under the title *Integrated Approaches to Personal Income Taxes and Transfers*.

26. Two reports have been completed in relation to the "ways to achieve a proper balance between economic advancement and social progress. . . .". The Council had prepared at an earlier stage a number of reports on the extent to which particular policies had influenced the distribution of resources and opportunities between different groups and categories of people.⁵ More recently—during 1976—the Council had discussed the role and significance of public expenditure, and some of the consequences of its level and rate of growth.⁶ When drafts of these reports were being considered, the possibility of containing the growth in social expenditure, by greater selectivity in the provision of social services, was briefly discussed. For example:

³The Minister for Finance, Mr. Richie Ryan, T.D.: Address to the Council Meeting on 21 December 1976 (page 3).

⁴See, for example, NESC Reports Nos. 5, 7, 14, 18 and 19.

⁵See NESC Reports Nos. 11, 12, 16, 19, 23, 25 and 29.

⁶See NESC Reports Nos. 21 and 26.

TABLE A National Economic and Social Council Publications: 1974-77

Publication Number	Title	Date of Council Decision	Date of Submission to Department of Finance*	Date of Publication
1	Report on the economy in 1973 and the prospects for 1974	14 March 1974	26 March 1974	1 April 1974
2	Comments on Capital Taxation Proposals	20 June 1974	25 June 1974	17 July 1974
3	The Economy in 1974 and Outlook for 1975	4 November 1974	19 November 1974	29 November 1974
4	Regional Policy in Ireland: A Review	3 October 1974	3 December 1974	11 January 1975
5	Population and Employment Projections: 1971-86	24 October 1974	30 December 1974	21 February 1975
6	Comments on the OECD Report on Manpower Policy in Ireland	16 December 1974	5 February 1975	3 July 1975
7	Jobs and Living Standards: Projections and Implications	20 February 1975	22 April 1975	26 June 1975
8	An Approach to Social Policy	20 March 1975	6 May 1975	28 June 1975
9	Report on Inflation	5 June 1975	11 June 1975	20 June 1975
10	Causes and Effects of Inflation in Ireland	5 June 1975	20 June 1975	22 October 1975
11	Income Distribution: A Preliminary Report	22 May 1975	18 July 1975	11 September 1975
12	Educational Expenditure in Ireland	3 July 1975	7 October 1975	22 January 1976
13	Economy in 1975 and Prospects for 1976	25 September 1975	2 October 1975	23 October 1975
14	Population Projections 1971-86: The Implications for Social Planning—Dwelling Needs	23 October 1975	12 January 1976	18 February 1976
15	The Taxation of Farming Profits	22 January 1976	27 January 1976	11 February 1976
16	Some Aspects of Finance for Owner-Occupied Housing	18 December 1975	15 March 1976	4 June 1976
17	Statistics for Social Policy	19 February 1976	23 April 1976	2 September 1976
18	Population Projections 1971-86: The Implications for Education	25 March 1976	26 May 1976	8 July 1976
19	Rural Areas: Social Planning Problems	25 March 1976	10 June 1976	28 July 1976
20	The Future of Public Expenditures in Ireland	27 May 1976	3 June 1976	2 July 1976
21	Report on Public Expenditure	27 May 1976	3 June 1976	2 July 1976
22	Institutional Arrangements for Regional Economic Development	22 April 1976	3 June 1976	16 July 1976
23	Report on Housing Subsidies	22 July 1976	19 October 1976	4 February 1977
24	A Comparative Study of Output, Value-Added and Growth in Irish and Dutch Agriculture	22 July 1976	14 October 1976	2 December 1976
25	Towards a Social Report	22 July 1976	22 October 1976	11 March 1977
26	Prelude to Planning	23 September 1976	29 September 1976	8 October 1976
27	New Farm Operators, 1971 to 1975	21 October 1976	22 December 1976	21 April 1977
28	Service-type Employment and Regional Development	21 October 1976	28 February 1977	14 July 1977
29	Some Major Issues in Health Policy	18 November 1976	21 December 1977	5 July 1977
30	Personal Incomes By County in 1973	18 November 1976	20 April 1977	21 July 1977
31	The Potential for Growth in Irish Tax Revenues	21 October 1976	28 February 1977	15 September 1977
32	The Work of the NESC: 1974-76	21 December 1976	4 February 1977	22 September 1977
33	Comments on Economic and Social Development, 1976-80	21 April 1977	22 April 1977	13 July 1977
34	Alternative Growth Rates in Irish Agriculture	21 April 1977	1 July 1977	20 October 1977
35	Population and Employment Projections 1986: A Reassessment	19 May 1977	22 June 1977	13 October 1977
36	Universality and Selectivity: Strategies in Social Policy	23 June 1977	19 August 1977	—
37	Integrated Approaches to Personal Income Taxes and Transfers	20 October 1977	23 December 1977	—
38	Universality and Selectivity: Social Services in Ireland	17 November 1977	—	—
39	The Work of the NESC: 1977	15 December 1977	—	—

*From the beginning of 1974 to July 1977, Council reports were submitted to the Department of Finance. After July 1977, submissions were made to the Minister for Economic Planning and Development, following the transfer of responsibility for the NESC from the Department of Finance.

"... given the importance of curbing the growth in overall public spending, the objective should be to ensure that the net benefit from public expenditure is concentrated to the maximum extent possible, on those most in need."⁷

27. These brief discussions tended towards a distinction between "universal" and "selective" social services. However, this distinction tended to ignore how social services were financed, who in fact ultimately paid for them and the problems and costs associated with the manner in which they were provided. Moreover, by focussing attention on the basis on which benefits were provided, the distinction diverted attention from the extent to which they were taken up in practice. Because of their diversity and complexity the Council felt that these issues merited further study. The Council therefore commissioned Mr. M. Reddin to prepare a background study of the issues involved. His study, together with brief comments by the Council, has been submitted to the Government as *Universality and Selectivity: Strategies in Social Policy* (NESC, No. 36). Briefly, the report develops a framework for thinking about social policy and discusses issues which are relevant in choosing the strategies by which its objectives might best be pursued by policy makers and administrators.

28. This "pre-policy" exercise has more recently been supplemented by a detailed examination by Ms. E. Fitzgerald of the bases on which social services are provided in Ireland. This second report, *Universality and Selectivity: Social Services in Ireland* (NESC, No. 38), has been completed by the Council and will be submitted to the Government early in 1978. It is the Council's intention to draw the main threads of these two reports together in a short report, which will relate current Irish practice (NESC, No. 38) to the "pre-policy" study (NESC, No. 36) and set out the Council's conclusions and recommendations.

29. With regard to the Minister for Finance's request to advise on "steps to intensify agricultural production", the Council had already in 1975 embarked on an examination of the potential for development in Irish agriculture. The first study—*A Comparative Study of Output*,

⁷NESC, No. 21, paragraph 5.24, page 46

Value-Added and Growth in Irish and Dutch Agriculture—was completed by the Council in July 1976 and published as Report No. 24 in December 1976. The second study—*New Farm Operators, 1971 to 1975*—was completed by the Council in October 1976, submitted to the Government in December 1976 and published in April 1977. The third study—*Alternative Growth Rates in Irish Agriculture*—was completed by the Council in April 1977, submitted to the Government in July 1977, and published in October 1977. At present, the Council is examining a general report on the potential for development in Irish agriculture, and the strategies and policies by which this potential might best be realised. This report will be completed in 1978. In addition the Council is considering a study on *Social Policies for Rural Areas*. (see paragraph 31 below).

30. The Council tackled the question of encouraging "productivity by associating employees more closely with the enterprise and its financial results" in three stages. *First*, the Council set out some general views in *Comments on Economic and Social Development, 1976-1980*⁸. In particular, the Council stated that:

"... At present, productivity (in the sense of output per person employed) is lower in Ireland in almost all economic activities than in any other EEC country. The potential for increases in productivity are therefore very great. The proposals in the Green Paper ... fall short of what is needed to raise productivity in Ireland nearer to European levels in comparable activities ..."

Second, the Council commissioned a study on the implications of the revised population projections for jobs and living standards. This study, which related to 1974 and updated an earlier study,⁹ was published as part of NESC Report No. 35.¹⁰ The study compared Irish productivity (and living standards) with those in other European countries. At best, the comparisons merely give a rough indication of

⁸NESC, No. 33, July 1977 (pages 28 to 30).

⁹*Jobs and Living Standards: Projections and Implications*, NESC, No. 7, June 1975.

¹⁰*Population and Employment Projections 1986—A Reassessment*, NESC, No. 35, October 1977 (Part C)

the differences between Irish productivity and that of other countries. Nevertheless, one conclusion emerged namely:

"... if productivity could be raised towards European levels, and if the growing population could be employed, the associated rate of economic growth in Ireland could be higher than in any other EEC country. The potential is there: the problem is to identify (and do) what needs to be done to realise it."¹¹

Third, the Council commissioned studies from the Irish Management Institute and the Irish Productivity Centre of what needed to be done to raise productivity towards European levels. The Council will complete its examination of these studies in 1978.

31. A number of other projects are at various stages of development. In the area of regional policy, the Regional Policy Committee has been examining urbanisation, location patterns and regional development in Ireland. It is expected that this work will be completed during 1978. On social policy, reference has already been made to a final report on *Universality and Selectivity* (see paragraph 28 above). As was pointed out in paragraph 29 above, the Council is also considering a study on *Social Policies for Rural Areas*, prepared by An Foras Talúntais. This report is a follow-up to an earlier Council report (namely, *Rural Areas: Social Planning Problems*, NESC, No. 19, July 1976). That report was concerned with identifying problems which exist in rural areas and those which are likely to arise in the next decade. To that extent, it was descriptive and not prescriptive. The current study discusses the policies required to deal with the problems identified in the earlier report. The Council will complete its consideration of the study of social policies for rural areas in 1978.

32. The foregoing paragraphs have outlined the work which engaged the Council during 1977. To complete the picture, reference must be made to the projects that the Council found itself unable to initiate in the course of 1977 because of lack of staff. The programme of work, which the Council had set for itself in January 1977 included:

¹¹*ibid.*, page 16.

- (i) Fuller mobilisation of enterprise that exists in the public sector.
- (ii) Appropriate structures and arrangements for the preparation of a plan, its discussion by the social partners and its acceptance by the community.

The Council agreed at its May meeting that as a follow-up to *Population and Employment Projections 1986: A Reassessment*, it would be desirable to study the prospects for the economy over the next two years. In addition, on the publication of the study prepared by Dr. G. E. J. Llewellyn for the Council on "The Potential for Growth in Irish Tax Revenues"¹², the Government requested the Council to examine the report and to comment on it. (The Council was unable to comment on this study, because of the very great pressures on it during the latter half of 1976 (see paragraph 3 above).) The Council did not succeed in its efforts to recruit qualified persons to start these four studies during the year.

V. Council Procedures

33. The Council continued to operate during the year under the procedures adopted in 1974. The detailed work of the Council took place in its three committees—the Economic, Social, and Regional Policy Committees. Each Committee consisted of fifteen members, chosen for their interest and expertise in the particular field of policy, and the composition of each Committee reflected that of the full Council. Professor Ryan continued to chair the Economic Policy Committee, Dr. H. Burke the Social Policy Committee and Mr. J. J. Walsh the Regional Policy Committee. Appendix 2 gives the members and the positions they held on 1 January 1977. Appendix 3 lists the changes that occurred in membership during 1977.¹

¹²Completed by the Council on 21 October 1976, submitted to the Government on 28 February 1977 and published on 15 September 1977.

¹Dr. Whelan was appointed by the Government as a member of the Council, to represent the Office of the Minister for Economic Planning and Development, in September 1977, following the transfer of the functions relating to the NESc from the Minister for Finance. The formal appointment of Dr. Whelan did not take place until December 1977, when the Department of Economic Planning and Development was formally set up.

34. Following the Council's decision on its work programme for 1977, the different Committees decided how the work on particular topics should be organised. When drafts had been prepared by the secretariat or consultants, they were discussed in detail in the relevant Committee. When a Committee had agreed on a draft, this was considered by the full Council. The final draft emerging from the Council's deliberations was forwarded to the Government.

35. Consultants were used in the preparation of sixteen of the thirty-nine reports prepared by the Council up to the end of December 1977. In seven of these sixteen cases the consultants came from outside Ireland. The increasing difficulties experienced by the Council in retaining its already very small secretariat meant that more use had to be made of consultants during 1977 than in previous years. When consultants were used, they were in most cases assisted by the secretariat. The Council wished to acknowledge the assistance given to consultants by Government Departments and other agencies.

36. Up to July 1977, Council reports were forwarded to the Government through the Minister for Finance. Since then, reports have been submitted to the Minister for Economic Planning and Development. The Government on the occasion of the publication of *The Potential for Growth in Irish Tax Revenues* (NESc, No. 31, 15 September 1977) issued the following statement concerning the transfer of ministerial responsibility for the NESc:

"The Government would like to take this opportunity to state that it has been decided that the functions relating to the National Economic and Social Council will be the responsibility of the Minister for Economic Planning and Development. Accordingly, the Council has submitted this report to that Minister. Future Council reports will also be submitted to the Minister for Economic Planning and Development."

37. The number of meetings of the Council and its Committees, together with the average number of members attending from January through December 1977, were as follows:

	Number of meetings	Average attendance	Actual as % of potential attendance
Council	11	23	49%
Economic Policy Committee	9	10	66%
Social Policy Committee	9	8	53%
Regional Policy Committee	9	7	47%

The attendance at Committee meetings included alternates who were not Council members. In the initial period of the life of the Council, alternates for the Committees had also to be Council members. However, in January 1975 a more flexible system was adopted, whereby alternates who were not Council members were free to represent their organisations at Committee meetings but not at meetings of the Council.

38. Under the Constitution and Terms of Reference, members of the Government are entitled to attend the Council's meetings. On one occasion, the Minister for Economic Planning and Development, Professor Martin O'Donoghue, T.D., attended and addressed a meeting of the Council.² On a number of occasions, senior civil servants, other than those who were members of the Council, attended Council meetings when matters relating to their Departments were being discussed.³

APPENDICES

VI. Acknowledgements

39. The Council wishes to acknowledge its gratitude to the Chairman and the members of its secretariat. They have discharged their duties with outstanding skill, efficiency, energy and courtesy. Without their dedicated and enthusiastic support, the Council would not have been able to accomplish such a large volume of work, covering a very wide range of important and complex issues in such a short period of time. The Council also acknowledges the special contribution made to its work by the Chairmen of the Council's Committees.

²The Minister for Economic Planning and Development addressed the Council meeting on 22 July 1977. He was accompanied by the Secretary of his Department, Dr. Noel Whelan.

³As permitted by Article 4 of the Council's Constitution and Terms of Reference.

APPENDIX 1

NATIONAL ECONOMIC AND SOCIAL COUNCIL

Constitution and Terms of Reference

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 Minister for Finance*, on their application. The Council shall have regard, *inter alia*, to:—

- (i) the realisation of the highest possible levels of employment at adequate reward,
- (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.

2. The Council may consider such matters either on its own initiative or at the request of the Government.

3. Members of the Government shall be entitled to attend the Council's meetings. The Council may at any time present its views to the Government, on matters within its terms of reference. Any reports which the

*On 15 September 1977, the Government announced its decision that the functions relating to the Council would be the responsibility of the Minister for Economic Planning and Development.

Council may produce shall be submitted to the Government and, together with any comments which the Government may then make thereon, shall be laid before each House of the Oireachtas and published.

4. The membership of the Council shall comprise a Chairman appointed by the Government in consultation with the interests represented on the Council:

Ten persons nominated by agricultural organisations,

Ten persons nominated by the Confederation of Irish Industry and the Irish Employers' Confederation,

Ten persons nominated by the Irish Congress of Trade Unions,

Ten other persons appointed by the Government, and

Six persons representing Government Departments, comprising one representative each from the Departments of Finance, Agriculture, Industry and Commerce, Labour and Local Government and one person representing the Departments of Health and Social Welfare.

Any other Government Department shall have the right of audience at Council meetings if warranted by the Council's agenda, subject to the right of the Chairman to regulate the numbers attending.

5. The term of office of members shall be for three years renewable. Casual vacancies shall be filled by the Government or by the nominating body, as appropriate. Members filling casual vacancies may hold office until the expiry of the other members' current term of office and their membership shall then be renewable on the same basis as that of other members.

6. The Council shall have its own Secretariat, subject to the approval of the Minister for Finance* in regard to numbers, remuneration and conditions of service.

7. The Council shall regulate its own procedure.

*On 15 September 1977, the Government announced its decision that the functions relating to the Council would be the responsibility of the Minister for Economic Planning and Development.

APPENDIX 2

MEMBERSHIP OF THE COUNCIL: JANUARY 1977¹

Chairman

Professor W. J. L. Ryan, Professor of Political Economy, University of Dublin.

Nominated by the Government

Dr. T. K. Whitaker, Chancellor, The National University of Ireland.

Mr. C. H. Murray, Governor of the Central Bank.

Professor N. J. Gibson, Professor of Economics, New University of Ulster.

Dr. K. Kennedy, Director, Economic and Social Research Institute.

Dr. H. Burke, Lecturer in Social Science, University College, Dublin.

C. MacGabhann Uasal, Bainisteoir Ginearálta, Gaeltarra Éireann Teoranta.

Professor D. Hannan, Research Professor, Economic and Social Research Institute.

Mr. J. Walsh, Chairman, Restrictive Practices Commission; Chairman, National Prices Commission.

Mr. P. Rock, Senior Specialist, Irish Management Institute.

Mr. M. Ó Murchú, Secretary, Department of Finance.

Mr. T. Ó Cearbhaill, Secretary, Department of Labour.

Mr. J. Holloway, Secretary, Department of Industry and Commerce.

Mr. M. Barry, Secretary, Department of Agriculture.

Mr. G. A. Meagher, Secretary, Department of Local Government.

Dr. B. Hensey, Secretary, Department of Health, representing the Departments of Health and Social Welfare.

Nominated by the Confederation of Irish Industry

Mr. J. H. Donovan, President, CII.

¹Members' positions are those held by them on 1 January 1977.

Mr. J. H. D. Ryan, Vice President, CII.

Mr. F. A. Casey, Member of Executive, CII.

Mr. R. I. Morrison, Member of Executive, CII.

Mr. L. Connellan, Director-General, CII.

Nominated by Irish Agricultural Organisation Society

Mr. J. Buttimer, Member, IAOS National Council.

Mr. P. Raftery, Member, IAOS National Council.

Mr. P. Kelly, Director-General, IAOS.

Nominated by the Irish Congress of Trade Unions

Mr. H. O'Sullivan, Member, ICTU Executive.

Mr. A. Barr, Member, ICTU Executive.

Senator M. Mullen, Member, ICTU Executive.

Mr. W. J. Fitzpatrick, Member, ICTU Executive.

Mr. D. Murphy, Member, ICTU Executive.

Mr. J. F. Carroll, Member, ICTU Executive.

Mr. P. Murphy, Member, ICTU Executive.

Mr. D. Larkin, Member, ICTU Executive.

Mr. R. Roberts, General Secretary, ICTU.

Mr. D. Nevin, Assistant General Secretary, ICTU.

Nominated by the Irish Creamery Milk Suppliers' Association.

Mr. P. Hourigan, Council Member, ICMSA.

Mr. T. J. O'Callaghan, Council Member, ICMSA.

Mr. D. Murphy, General Secretary, ICMSA.

Nominated by the Irish Employers' Confederation

Mr. P. Murphy, Chairman, IEC.

Mr. M. Greene, Member of Council, IEC.

Mr. D. J. McAuley, Member of Council, IEC.

Mr. J. J. O'Reilly, Member of Council, IEC.

Mr. A. S. Shiel, Member of Council, IEC.

Nominated by the Irish Farmers' Association

Mr. S. Healy, Secretary General, IFA.

Mr. D. Cashman, Honorary Secretary, IFA.

Mr. P. Dunne, Chairman, Pigs Committee, IFA.

Mr. J. Richards-Orpen, Member of Rates and Taxation Committee, IFA.

APPENDIX 3

CHANGES IN COUNCIL MEMBERSHIP December 1976–December 1977

Date of Change	Members resigning	Members filling Vacancies
31 December 1976	Mr. A. N. O'Brien	—
19 May 1977	Senator M. Mullen (ICTU)	Mr. N. Harris (ICTU)
24 May 1977	Mr. M. J. Barry (Department of Agriculture)	Mr. J. J. O'Mahony (Department of Agriculture)
28 September 1977	Mr. D. Larkin (ICTU)	Mr. P. Cardiff (ICTU)
5 October 1977	Mr. M. Greene (IEC)	Mr. J. J. Jennings (IEC)
17 November 1977	Mr. M. Ó Murchú (Department of Finance)	Mr. T. Ó Cofaigh (Department of Finance)
13 December 1977	—	Dr. N. Whelan ¹

¹Dr. Whelan had represented the Minister for Economic Planning and Development on an *ad hoc* basis from September 1977, until formally appointed in December 1977, when the Department of Economic Planning and Development was formally set up.

APPENDIX 4

SECRETARIAT IN 1977¹

Non-Civil Service: Full Time Members of Secretariat

Mr. T. P. Ferris, Secretary, Economic Policy Committee, January through July 1977.
 Ms C. Keehan, Secretary, Social Policy Committee, January through December 1977.
 Mr. J. Blackwell, Secretary, Regional Policy Committee, January through December 1977.

Non-Civil Service: Occasional/Part-time Members of Secretariat

Ms E. Fitzgerald².
 Mr. A. Somerville²
 Ms P. Walbridge, April through December 1977.

Civil Service Members of Secretariat

Mr. J. Franklin (Executive Officer), January through August 1977.
 Ms E. McCarthy (Executive Officer), August through December 1977.
 Ms P. Grace (Clerical Assistant), January through July 1977.
 Ms M. Ryan (Clerical Assistant), January through December 1977.
 Ms N. Dennehy (Clerical Assistant), August through December 1977.

¹The Secretariat during the period November 1973 to December 1976 is listed in Appendix 4 of NESC, No. 32, *The Work of the NESC: 1974–76* (September 1977—pages 34 and 35).

²Mr Fitzgerald and Mr. Somerville were part-time members of the Secretariat at various stages of 1977

APPENDIX 5

GOVERNMENT STATEMENTS ISSUED WHEN REPORTS WERE PUBLISHED: 1977

Statements were issued on the occasion of the publication of five NESC reports:

- 5.1. Some Major Issues in Health Policy, NESC, No. 29, 5 July 1977.
- 5.2. The Potential for Growth in Irish Tax Revenues, NESC, No. 31, 15 September 1977.
- 5.3. The Work of the NESC: 1974-76, NESC, No. 32, 22 September 1977.
- 5.4. Alternative Growth Rates in Irish Agriculture, NESC, No. 34, 20 October 1977.
- 5.5. Population and Employment Projections 1986: A Reassessment, NESC, No. 35, 13 October 1977.

The statements are reproduced in full in the accompanying appendices.

Appendix 5.1

Issued by the Government Information Services on behalf of the Department of Finance

NESC Report, "Some Major Issues in Health Policy"; 5 July 1977.

1. "The Government welcomes the report of the National Economic and Social Council on 'Some Major Issues in Health Policy' published today.
2. The report examines several aspects of health policy which have been the subject of discussion in recent years and some of which—including the financing of the health services and the anomalies in the rules on eligibility for hospital services—have been under examination recently. The report will be a useful contribution to future public debate on health policy and to public understanding of the issues in this area. It should particularly be of value to the Select Committee of the Dáil which has been established to undertake a general review of the health services."

Appendix 5.2

Issued by the Government Information Services on behalf of the Office of the Minister for Economic Planning and Development.

National Economic and Social Council Report No. 31 "The Potential for Growth in Irish Tax Revenues"; 15 September 1977.

"The Government note the report prepared by Dr. G. E. J. Llewellyn (Assistant Director of Research, Faculty of Economics, University of Cambridge) for the National Economic and Social Council on 'The Potential for Growth in Irish Tax Revenues' and published today. Its subject matter is of special importance to the Government's planning activity for economic and social development and the Government is, accordingly, asking the Council to examine the report and to comment on it."

Appendix 5.3

Issued by the Government Information Services on behalf of the Office of the Minister for Economic Planning and Development.

National Economic and Social Council Report No. 32: "The Work of the NESc: 1974-76"; 22 September 1977.

"The Government has examined the report (No. 32) of the National Economic and Social Council on 'The Work of the NESc: 1974-76'. It notes the wide ranging programme of work undertaken by NESc in this period. It will, in the near future, be taking decisions on the future development of the National Economic and Social Council in the light of proposals to be submitted by the Minister for Economic Planning and Development."

Appendix 5.4

Issued by the Government Information Services on behalf of the Office of the Minister for Economic Planning and Development.

National Economic and Social Council Report No. 34 "Alternative Growth Rates in Irish Agriculture"; 20 October 1977.

"The Government welcome the report of the National Economic and Social Council 'Alternative Rates of Growth in Irish Agriculture' published today as a useful exercise on the implications of high rates of growth in Irish agriculture. The findings of the report on the importance for agriculture-based employment of achieving both high rates of growth in agricultural output and increased processing of this output particularly of milk products, have been noted. The Government's priority is to promote the creation of sustainable jobs. Accordingly, they look forward to the further report, on the potential for development in Irish agriculture and the strategies and policies by which this potential might best be achieved, which the Council plan to complete during the current year."

Appendix 5.5

Issued by the Government Information Services on behalf of the Office of the Minister for Economic Planning and Development.

NESC Report No. 35: "Population and Employment Projections 1986: A Reassessment"; 13 October 1977.

1. "The Government welcome the report of the National Economic and Social Council on 'Population and Employment Projections 1986: A Reassessment'.
2. The report updates earlier work done by the Council on projected increases over the next ten years in population, labour force, employment, productivity and living standards and highlights, in particular, the scale of the job creation necessary and the productivity gap which must be bridged if living standards are to be improved.
3. The Government are keenly aware of the magnitude of the job requirement problem. On assuming office they established a Cabinet Sub-Committee on job creation. This sub-committee have already made recommendations, accepted by the Government, which will lead to the creation of about 5,000 jobs in the current year. In addition, the Minister for Labour, with the approval of the Government, has announced the setting up of an Employment Action Team to consider, urgently, the specific problems of providing work for school leavers and other young people. The Cabinet Sub-Committee are continuing their work and are expected to make further recommendations to the Government for the implementation of measures to provide the additional employment set out by the Government in its election manifesto and thereby reduce the present high level of unemployment.
4. The Government are also facing the problems created by the gap in productivity levels and living standards in this country compared with those prevailing in the other member countries of the European Communities. The narrowing or closing of this gap will require a substantial increase in the level of output and employment and the Government have already declared their commitment to the policies and the action needed to achieve this result."

APPENDIX 6

SUMMARIES OF COUNCIL REPORTS¹

This appendix contains summaries of those Council reports which were:

- (a) published during 1977, and/or
- (b) completed by the Council during 1977.

It should be noted that in enumerating the paragraphs in the summary of each report, the first digit indicates this Appendix 6 and the second two digits the number of the NESC report e.g., Appendix 6.33 summarises NESC Report No. 33.

¹A summary of the first thirty-one reports of the NESC is contained in NESC, No. 32, September 1977 (Appendix 6).

APPENDIX 6.23

REPORT ON HOUSING SUBSIDIES

(NESC, No. 23, Prl. 5675, February 1977)

6.23.1. This report is concerned with the effects of the complex of subsidies, now associated with housing, on the distribution of income.

6.23.2. The report is divided into six chapters. Chapter 2 deals with some problems which arise in the measurement of housing subsidies, and in the estimation of their effects on income distribution. Chapter 3 classifies the various housing subsidies. A wide definition of subsidy is used, i.e., a measure which affects the relative prices of goods and services, or which affects relative incomes.

6.23.3. Chapter 4 presents estimates of the aggregate value of housing subsidies to each tenure group, for each year from 1971-72 to 1975. These estimates indicate the cost of subsidisation to the State, and are summarised for the year 1975 in Table 6.23A. There are three broad tenure groups. First, there are local authority tenants, who numbered 113,000 in 1971. In 1975, the total subsidies to these tenants are estimated to have been £26.2 million. Second, there are owner-occupiers, which numbered 500,000 in 1971. A distinction is drawn between explicit subsidies (grants, and subsidisation of loan interest) and implicit subsidies (e.g. exemption from stamp duty, tax relief, rates remission). Total explicit subsidies to owner-occupiers in 1975 were estimated to be £14.8 million, and total implicit subsidies were estimated to be £30.5 million. In addition, one distinct group of owner-occupiers is comprised of local authority tenants who purchase their dwellings, and their subsidies at the point of sale were estimated to be £21.0 million in 1975.

TABLE 6.23A

State commitment to Housing Subsidies, 1975

Source	£m
Subsidies to local authority tenants	26.2
Tax foregone on rent of tenants in rent-controlled dwellings (a)	3.5
<i>Subsidies to owner-occupiers</i>	
State and local authority grants for new houses	8.7
State and local authority grants for reconstruction and repairs	4.0
Subsidisation of building society loan interest rates	2.1
Cost to Exchequer of stamp duty exemption	4.3
Tax relief on building society loans	7.9
Tax relief on local authority loans	1.5
Tax relief on life assurance loans	3.5
Effect of fixed interest charges on local authority loans	4.3
Rates remission on new and reconstructed houses	6.0
Tax relief on capital gains	3.0
Total subsidies to owner-occupiers (b)	45.3
Subsidies at point of sale to local authority tenants who purchase	21.0
Total subsidies to all households	96.0

Notes: (a) This shows only the tax foregone by the State. Total subsidies to tenants of rent-controlled dwellings, most of which come from landlords, are estimated at £10 million in 1975.

(b) There is an implicit subsidy to owner-occupiers which does not involve a loss to the Exchequer. This arises from the charging of fixed rates of interest on life assurance loans. The value of this subsidy is estimated at £3.3 million in 1975.

6.23.4. Third, there were 97,000 tenants in the private letting sector in 1971, of whom about 50,000 were in rent-controlled accommodation. The estimated aggregate subsidy to tenants in rent-controlled accommodation in 1975 was £10 million; the immediate burden of this fell on private landlords. However, part of the £10 million represented foregone tax revenue which amounted to approximately £3.5 million in 1975.

6.23.5. Chapter 5 discusses household income and expenditure on housing by tenure group in 1973, and expenditure on rents in 1971. Chapter 6 discusses the impact of subsidies on some typical individuals, and shows the present value of certain subsidies.

6.23.6. Chapter 6 contains a discussion of the distributional effects of the subsidies. The technical term "progressive" is used to denote a case where the lower the income of households, the larger the subsidy as a proportion of income; the term "regressive" is used to denote a case where the higher the income of households, the larger the subsidy as a proportion of income. Among the points made on the distributional effects of housing subsidies are the following. First, tenants in the uncontrolled private sector receive no direct subsidies, and spent a higher proportion of income on housing than householders in any other sector. On the whole the effect of this is probably regressive, since average income in the *uncontrolled* private letting sector is not likely to be significantly higher than that of other sectors. Second, the local authority tenant purchase scheme gives a relatively large subsidy to one particular group of householders. To the extent that the tenants who purchase dwellings are those with relatively higher incomes—and this is likely—then the effects of the sales scheme work in a regressive direction. Third, within the owner-occupied sector, many of the subsidies are regressive. Fourth, the local authority differential rents scheme is designed to distribute subsidies in a progressive manner, and this happens to some extent. However, the somewhat arbitrary manner in which *maximum rents* can vary across different dwellings can limit the progressive effects of the differential rents. (The rent paid on a dwelling cannot exceed this maximum rent.)

6.23.7. The following are some of the principal points made in the discussion of policy options. The present range of subsidies should be critically examined with regard to their distributional effects, to determine what modification would help to ensure that those in greatest need enjoy the greatest benefits. Such an examination would be more feasible at present than a radical change to some different approach, such as the introduction of housing allowances. This examination must encompass *all* subsidies, since a change in an individual subsidy could work perversely. Some of the present subsidies would merit special

attention in any critical reassessment. In the local authority rented sector, maximum rents have tended to lag behind economic rents (defined as loan charges plus maintenance and management expenditure). There are a number of different options regarding the setting of maximum rents. The adequacy of the present allowance for maintenance and management expenses must be queried.

6.23.8. The present policy on sales of local authority houses is discussed. One of the aims of the sales scheme is the stimulation of owner-occupation. Consideration should be given to other means of achieving this aim directly—e.g., through additional incentives when tenants move from the local authority sector into owner-occupation, while at the same time retaining the stock of local authority dwellings for the achievement of the aims of local authority housing policy.

6.23.9. In the owner-occupied sector, certain changes are mentioned, which could move the present system in a less regressive direction. This includes policy on tax relief, on local authority loans, and the building societies' composite rate. Finally, there is a reference to some ways of assisting the private letting sector, and for assisting those on the waiting lists for local authority dwellings.

APPENDIX 6.25

TOWARDS A SOCIAL REPORT

(NESC, No. 25, Pri. 5706, March 1977)

6.25.1. The Council has been conscious for some time of the need for a document which would chart social change over the last few decades in this country. This report is an attempt to produce such a document on a pilot basis.

6.25.2. The measurement of social change is complex and difficult. Ideally a social report should:

- measure and evaluate the basic social changes which occur over time, notably changes in the demographic and employment structure;

- measure the coverage and extent of social services offered to meet social needs;

- evaluate the effectiveness of the services provided, both in terms of value for money, and their efficiency in meeting the needs they were established to fulfil;

- review the policy objectives on which the services are based, in order to ensure that these objectives and services respond adequately to changing needs;

- evaluate the public expenditure implications of social policies. In particular, an attempt should be made to assess the extent to which public expenditure costs fall on different income categories, and the general redistributive aspects of fiscal policy and social policy, and should consider the alternative bases for financing social development;

- attempt to evaluate the social consequences of those government policies which are not specifically labelled "social";

- attempt to measure the changes in the quality of life and standards of living enjoyed by the community as a whole and by different social groups within it. This could probably best be done by the development of social indicators, and

- inform the public about the developments in social policies, and in particular in social services.

6.25.3. A social report along these lines could improve public policy making in two ways: it could highlight social problems, and make possible more informed judgments about national priorities. Second, by providing insight into how different measures of national well-being are changing, it might ultimately make possible a better evaluation of what State-sponsored (and financed) programmes are accomplishing.

6.25.4. This report is not a "social report" in this sense. The time, data and resources for such an undertaking are not available to the Council. It attempts only to cover some of the points raised in paragraph 6.25.2. above. Since this is the first attempt at the preparation of a social report in this country, it must be regarded as tentative—as a basis on which future reports might be developed and improved.

6.25.5. The report draws together statistics and policy developments in a number of selected fields. It is divided into 9 sections. The first deals with population trends both nationally, and regionally. The second deals with changes in the structure of employment and related matters. The following six sections examine trends in incomes, as well as trends in each of the main social services—health, education, housing and social welfare services. The period covered by these sections varies somewhat, but attention is focussed mainly on the last fifteen years or so. The final section gives some indication of developments in crime rates. Each of the sections is limited to an examination of the statistical data and the policy developments underlying them. There is no attempt at policy evaluation, either in economic or in social terms. The Council has already stated elsewhere that the responsibility for the assessment of the efficiency and effectiveness of individual programmes can only be done by the Government Departments concerned, who are the only bodies with all the necessary information.

6.25.6. It is the Council's hope that this report will be of value in enabling some overview to be taken of social policies. It is also hoped that those with an interest in social policies and the measurement of their effectiveness will make suggestions as to how future social reports could be improved and developed.

APPENDIX 6.27

NEW FARM OPERATORS, 1971 TO 1975

(NESC, No. 27, Pri. 5832, April 1977)

I. Introduction

6.27.1. This report is presented in two parts. Part I of the report contains the Council's comments. Part II sets out the consultants' report in full. It was prepared by Dr. Seamus Sheehy and Mr. Aidan Cotter of the Department of Applied Agricultural Economics, University College, Dublin.

6.27.2. In February 1975, the Council published¹ projections of the growth in population and the labour force up to 1986. In a subsequent

¹*Population and Employment Projections 1971-86*, NESC, No. 5, February 1975.

report,¹ some of the implications of the projections for employment and living standards were examined. If employment is to be provided in Ireland for the projected expansion in the labour force, then considerable growth is required in output, productivity and investment in the agricultural, industrial and services sectors. In order to assess the growth prospects at a sectoral level, the Council decided to begin by examining the potential for development in agriculture.

6.27.3. This report is the second stage in the study of the potential for growth in the agricultural sector. It provides information about the characteristics of those who are entering farming and of those already in farming who are enlarging their farms. The information is based on the results of a survey of people who assumed or increased management control of land between 1971 and 1975.

II The Study

6.27.4. The purpose of the present study was to assemble information about the characteristics of those who have become farm operators or who have enlarged their farms in recent years. Such information is important, particularly as many of those who are now becoming farm operators will be working and developing the farms of Ireland over the next generation.

6.27.5. The survey undertaken for this study was confined to those who assumed management control of land between 1971 and 1975. Such new farm operators fell into two main categories—the "new operators" who became operators in their own right in the period under review, and "enlarging operators" who were already established in farming but who extended their control over additional land by enlarging their holdings during the period. The sample selected was from within 1½% of all holdings over 5 acres in the State and was based on the location of the enumerators who volunteered to carry out the survey and thus was not a random sample.²

¹*Jobs and Living Standards, Projections and Implications*, NESC, No. 7, June 1975.

²The data sought were such that the enumerators could in general achieve an acceptable degree of accuracy directly from their own or their family's personal knowledge of the townlands being surveyed. The approach adopted was novel insofar as the information collected was provided directly by the enumerators rather than by questioning the new farm operators. The consultants undertook a number of consistency tests to check that the information was reasonably representative and valid.

6.27.6 The survey identified 602 new farm operators among the townlands surveyed. The new farm operators consisted of 423 new operators and 178 enlarging operators. The new operators in turn contain 345 inter-generation operators, such as sons of previous operators and 78 intra-generation operators, such as widows of previous operators. The inter-generation new operators are considered as the portion of the sample representing the new generation of farm operators. Of the enlarging operators, 73 had enlarged their holdings through Land Commission allotments and 105 had expanded their farms by inheritance or open-market purchase.

6.27.7. In the case of inter-generation new operators, inheritance is by far the most important method of acquiring management control with only 1 in every 10 doing so by purchase. As regards enlarging operators, open-market purchase and Land Commission allotments were identified as two main methods of extending management control. The Land Commission is estimated to account for 56% of all enlargements; of the remainder nearly 2 in every 3 are by open-market purchase.

6.27.8 Of the total land purchased on the open market 54% was purchased by people with non-farm occupations (both part-time farmers and non-farmers) and 46% was purchased by full-time farmers. The purchasers who had been farming full-time were mainly farmers enlarging their holdings, but a minority were relatives assisting on farms who were actually establishing themselves as farmers. The proportion of all land in the study acquired by purchase¹ which was acquired by full-time farmers previously having over 100 acres who were enlarging their farms was only 17%. A further 19%, however, was purchased by those new entrants who bought over 100 acres each.

6.27.9. The *average age* of all new operators was 35.7 years. This average age is likely to be lower than the age of succession because it refers to the age of assuming management control rather than the age of acquiring ownership. This average, however, embraces both inter- and intra-generation categories. The inter-generation people are really the new generation and their average age is only 31 years with

¹Other than that bought by people enlarging farms.

57% of them being under 30 years. The age of succession for the new generation of farm operators is not therefore as high as is usually quoted.

6.27.10. Examination of the consultants' results for size of holding indicates a slowing down of the process of enlargement. Data relating to the extent of enlargement by *all* methods show that the smaller holdings have a far higher chance of enlargement than the larger holdings. It must be recognised, however, that an increase in the average size of farms is not in itself a sufficient condition for an increase in farm output.

6.27.11. The consultants found that only half the new operators in the study were farming full time before becoming farm operators in their own right; 26% had not been farming immediately beforehand. The consultants also investigated the *time allocated to farming* of those who had become new operators. Forty-one per cent of the new generation of farm operators in the country are part-time. The figure for those on holdings up to 30 acres is as high as two-thirds. The new generation of farmers is nearly twice as dependent on off-farm employment as the present generation. The consultants highlight the strong tendency for the retention of off-farm employment after acquiring land. Only 20% of those who had off-farm employment before acquiring management control of land relinquished their employment to become full-time farmers. The *educational level* of all new farm operators in general, and of inter-generation new operators in particular, is much higher than that of the present generation of farmers.

6.27.12. The broad change in the use of land associated with the new farm operators was examined omitting the 1975 changes of operator. In general, the change of operator led to improved use, but in about 8% of cases the use actually deteriorated. The use of purchased land and land acquired from the Land Commission improved far more than the use of inherited land; full-time farmers improved more than part-timers; and the better educated farmers improved more than the less well educated farmers.

III. Conclusion

6.27.13. The Council in a recent report listed the main reasons why it would be undesirable if there were to be a low rate of growth in

Irish agriculture in the future. Furthermore, in its *Prelude to Planning*, the Council has emphasised the crucial nature of the contribution that agriculture can make to the growth of the economy. The new generation of farm operators are a critical group in helping to achieve a better growth performance. The extent to which faster growth can be achieved ultimately depends on the ability of the people entering and remaining in the industry. Accordingly, the Council would welcome comments from farming organisations and other interested parties on the implications of the consultants' analysis for the choice of policies and measures to accelerate the growth in Irish agricultural output.

APPENDIX 6.28

SERVICE-TYPE EMPLOYMENT AND REGIONAL DEVELOPMENT

(NESC, No. 28, Prl. 5841, July 1977)

I. Introduction

6.28.1. This report is presented in two parts. Part I of the report contains the Council's comments. Part II sets out the consultants' report in full. It was prepared by Dr. Michael J. Bannon and Mr. James G. Eustace of University College, Dublin and Ms Mary Power of Offaly County Council.

II. The Consultants' Report

6.28.2. The focus of the study is service-type employment. This consists of all types of work in the service sector (e.g., in transport, finance, public administration) together with the "non-production" occupations within the agricultural and industrial sectors (e.g., transport and financial occupations). While there were 459,000 employed in the Service sector in Ireland in 1971, in the same year there were 491,000 in "Service-type" employment.

6.28.3. *Growth of Service Sector Employment:* in most countries, the service sector (the largest component of service-type employment)

has in recent years accounted for an increasing proportion of total employment. In Ireland, between 1961 and 1971, the service sector share increased from 39.5% to 43.5%. Published estimates indicate a continued increase in the share of the service sector up to 1975.

6.28.4. *Service-type Employment in Ireland:* between 1961 and 1971 there was a total increase of 108,700 in employment outside the agricultural sector. Over 50% of this increase occurred in service-type employment, of which almost one-third was in industrial services. By 1971, service-type employment in all sectors accounted for 491,000 jobs or 47% of total employment compared with 434,000 jobs or 41% of employment in 1961.

6.28.5. Within service-type employment in Ireland, employment growth occurred mainly in the industrial, complementary and new services which tend to expand in step with increases in the volume of production and per capita income.

6.28.6. *Growth in White-Collar Employment:* the term *white-collar* refers to occupations such as those in professional, technical and administrative work. In 1971, white-collar employment was 334,200 or 32% of total employment (compared with 26% in 1961). Most of the increase in service-type employment occurred in white-collar jobs. White-collar employment increased by 60,000 between 1961 and 1971, and accounted for 55% of the 108,700 jobs gained outside agriculture between 1961 and 1971.

6.28.7. *Expansion of Office Employment:* in 1971 there were 170,000 persons in office employment. Most of the growth in white-collar employment in Ireland, as elsewhere, is due to the expansion of office occupations. In the Republic of Ireland, office employment has grown from 12% of the gainfully occupied population in 1961 to 16% in 1971. There was an increase of 46,000 office jobs between 1961 and 1971. Within office occupations, the higher level categories (i.e., broadly the professional and administrative jobs) expanded more rapidly than did the clerical jobs. Most of the growth of office employment occurred outside public administration and defence.

6.28.8. *Location of Occupations:* in the period 1961–71, there was an increasing concentration of white-collar occupations in the East region: in 1971, 49% of the 334,000 white-collar jobs were located there. In the same year, this region accounted for 59% of all office employment. The higher-level (e.g. professional) office occupations have tended increasingly to be located in that region.

6.28.9. *Projected trends, 1974–86:* past trends in white-collar employment, based on the 1961–71 decade, would result in an estimated 118,000 further jobs in 1986, of which about 105,000 or 89% would be in office occupations.

6.28.10. The concentration of white-collar employment in the East region would increase, since its share of the total would rise from 49% in 1971 to 52% in 1986. Within all of the regions, office occupations would increase as a proportion of white-collar occupations between 1971 and 1986. The proportion of professional, technical, administrative and executive occupations in the East region is projected to increase by 1986 to 52%, the proportion in the Mid-West to remain constant at some 8%, and the proportion in the remaining regions is projected to decline.

6.28.11. *Communications and Location:* complex decision-making, which involves interactions between decision-makers, is principally confined to the relatively large urban centres. Smaller urban centres are dominated by routine communications. Many European governments are currently attempting to relocate complex Public Service work in an effort to foster regional development and attract private sector decision-making to regional centres. This work requires a large volume of communications. In Ireland, relocations have tended to involve routine work, while decision-making and higher level jobs have continued to be concentrated in Dublin. The small content of higher-order white-collar work, especially that engaged in decision-making, in centres outside the East region adversely affects the innovative capacity and development potential of the other regions.

6.28.12. *Summary of Consultants' Recommendations:* the consultants list a number of strategies to reduce the degree of concentration of

offices in the East region, and to promote office activities in those regions where there is a dearth of office jobs at present. Any combination of the different strategies could be used. These alternative strategies include the attraction to Ireland of a greater share of the technical and managerial functions of foreign manufacturing concerns which wish to set up in Ireland, and the delegation of authority to regional units of central agencies.

6.28.13. These strategies could be implemented by an agency responsible for the location of office activities. This agency could take a number of different forms: the consultants recommend an Office Executive, which would operate within the Industrial Development Authority. The consultants recommend that, within the context of existing agencies, the Industrial Development Authority have regard to office employment creation (as well as employment in goods production). The Office Executive should have responsibility, among other things, for assisting in, and advising on, public sector office relocation, and attracting, to selected centres within Ireland, part of the white-collar work of overseas organisations.

6.28.14. In the short-term, relatively few office centres could be developed outside Dublin. Widespread dispersal would be very costly and would be unlikely to encourage the transfer and relocation of higher-level work. The consultants suggest that relocation in the public sector might serve to encourage relocation in the private sector. But they emphasise the importance of providing adequate infrastructural services particularly in communications, in any centre to which relocation is envisaged.

6.28.15. In order to stimulate the expansion of office employment in selected centres, the consultants suggest a number of possible incentives.

III. Conclusions of the Council

6.28.16. In its conclusions, the Council states that a sustained growth in white-collar employment can be expected only in urban centres which are, by Irish standards, of substantial size. The Council concludes that, while Ireland is a relatively small country, there are a number of reasons why an increase in office work in regional centres

would be desirable. First, it is Government policy to pursue the development of the regions. Second, there is the example of other relatively small countries which have pursued policies of office development in the regions. Third, there is the great urban imbalance between Dublin and other areas. At the same time there is a mismatch between job opportunities and labour availability in the country. Most of the job opportunities in white-collar and in office jobs have been occurring in the East region, but there is a wide gap between job creation in manufacturing industry and the appropriate labour supply in this region, while white-collar job opportunities are limited in other regions.

6.28.17. Despite its importance in the context of regional development, service-type employment cannot be promoted in isolation from other aspects of regional policy. The Council therefore recommends that the study of the role of service-type employment in regional development should be referred to the Central Committee for Regional Economic Development which it had proposed in Report No. 22, for consideration in the context of regional development as a whole.

APPENDIX 6.29

SOME MAJOR ISSUES IN HEALTH POLICY

(NESC, No. 29, Pri. 5821, July 1977)

6.29.1. This report was originally planned as part of the series on the social policy implications of the population projections published by the Council in 1975¹. It soon became clear, however, that considerations other than the projected growth in population were more important in determining the future development of health policy and health services. The Council commissioned Mr. A. J. Culyer and Mr. A. K. Maynard of the University of York to examine some of the major issues in health policy in this country. Their study is set out in full in Part II of the report, and the Council comments in Part I.

6.29.2. Expenditure on health constitutes one of the largest components of public spending. In its *Report on Public Expenditure*², the

¹NESC, No. 5: *Population and Employment Projections 1971-86*.

²NESC, No. 21.

Council has already set out its views on public expenditure as a whole, and the difficulties of attempting to curb its growth. The discussion of health policy which follows must be seen in the context of those views. In the paragraphs which follow, the Council indicates those questions raised by the consultants to which in its view most attention should be given. These are not set out in any order of priority—indeed, given the links between them, these issues must of necessity be examined together.

I. The Main Issues

(i) Planning

6.29.3. The consultants emphasise in their report the need for planning in the health services, so that these will be developed rationally and efficiently. The Council regards planning for the future development of all services as fundamental to ordered progress and to the efficient and equitable use of public resources. The fact that growth in expenditure on health services may have to be constrained over the next few years is not an argument against planning now. Indeed, the best time to plan is when resources are scarce, because this will ensure that when resources become less scarce they will be used more efficiently and effectively.

(ii) Eligibility

6.29.4. At present, about 35% of the population are covered by the General Medical Services Scheme, and about 50% by the limited eligibility scheme, with the remaining 15% of the population responsible for the full cost of most of any medical treatment they require. The main problem with the present system is the complex nature of the limited eligibility scheme. There are eight categories of people who can claim limited eligibility and the complexity of the rules leads to confusion for many people regarding their entitlement. It also seems likely that the rules (because of their complexity) are not administered uniformly throughout the country. The first and most immediate task regarding limited eligibility is the simplification and clarification of its criteria and procedures.

6.29.5. The second and more long-term task is to determine the future nature and coverage of eligibility. There is likely to be an in-

creasing demand over the next decade for health services which are free of charge for everyone at the point of utilization. The extension of the present limited eligibility scheme to the entire population is already the stated aim of the Government. It is desirable that this aim be achieved as soon as feasible, given constraints on the availability of resources.

(iii) *Sources of Finance*

6.29.6. A second major issue which must be resolved about the health services is the method of financing them. This will be a problem for future resolution, regardless of whether the health services are extended or developed in any significant sense. There are a number of alternative methods of financing health care. One is a compulsory system, covering the whole population, which would be financed by special contributions; the other major alternative is finance through general taxation. The Council believes that a combination of both could provide a workable and equitable alternative to either of the above schemes.

6.29.7. The "mixed" method of financing the health services does not preclude the possibility of imposing charges for some services at the point of use. However, the introduction of charges for specific services raises complex issues that merit detailed examination. The Council would have reservations about the introduction of such charges, and recommends full and careful consideration of all the issues prior to any decision being taken to introduce them. Neither should the method of financing outlined above preclude the possibility of voluntary health insurance being continued. However, if progress were made towards making basic health services universally available, it would be desirable to examine whether the subsidisation implicit in allowing premia paid to VHI for additional services to be deductible for income tax purposes would still be justified.

(iv) *Control of Expenditure*

6.29.8. Whatever scheme is adopted for financing the health services in the future, the problem of controlling expenditure on the health services will remain. The continuing constraints on public expenditure will mean that the demand for resources will always be greater than

their supply. If resources are scarce, some form of rationing is unavoidable. It will therefore be necessary to impose some ceilings on expenditure. The fairest and most effective way in which to do this is to have clearly defined priorities which are strictly adhered to.

6.29.9. The medical profession plays a key role in determining the demand for resources for use in the health services, and in rationing whatever volume of resources is available to these services. In considering ways in which health care costs might be contained, attention must therefore be given to the problem of monitoring the methods used by the profession and the demands it makes.

(v) *Community Involvement*

6.29.10. The views of the community at large on social priorities in health care must be taken into account. Some progress has been made already towards this through the establishment of health boards. As these have now been in existence for over five years it would be appropriate to review their operation in order to establish the extent to which they fulfil the role of representing the community within the health service system. The Council also recommends that during the course of the current review of the role and functions of the National Health Council, the ways in which this body could be developed to involve the community in the control and allocation of resources should be considered.

(vi) *Regional Inequity*

6.29.11. The main concern in considering the problem of geographical inequity must be that no-one is denied the health care which he or she needs simply because of their place of residence.

II. Conclusion

6.29.12. The issues raised in this report are of great importance in planning the future shape of the health services in this country. Present economic circumstances place severe constraints on the possibility of implementing major changes in the immediate future. Nevertheless, the appropriate discussions and planning should take place now, so that when resources become more readily available, they will be spent in the most effective manner. Finally, it is the Council's hope that the

publication of this report will provoke constructive debate and discussion, and that the required research will be undertaken, so that future decisions about health policy will have a firm and rational foundation.

III. Summary of the Consultants' Report

6.29.13. The object of the consultants' study was to review both general international trends in health care delivery and spending, and some of the principal trends in Ireland, in order to identify the kinds of problems which could face Irish health care services in the 1980s.

6.29.14. Estimates of future health needs based solely on demographic forecasts are overlaid by a whole set of other variables of a technical, social and political nature. These cannot be quantified nor accurately predicted but they must at least be identified so that the main issues can be spotted before a crisis develops. The major trends which the consultants identified on an international level, and which increasingly apply in this country, were the growing popular demand for universal services free at the point of use, a desire to experiment with new methods of financing the health services and paying doctors, an increasing concern about the effectiveness of medical treatment, and concern about the cost effectiveness of medical procedures.

6.29.15. The consultants paid particular attention to the role of doctors, not only to the influence on their behaviour of the methods used to remunerate them, but also to their role in determining the supply of and demand for medical services. The study argues that, in essence, the rationing of scarce resources has been left to physicians, who at the same time have no clear mandate from society as to how that rationing function should be discharged. This phenomenon is true on an international scale, and not merely in Ireland.

6.29.16. The second chapter of the study relates the position in Ireland to that in other members of the EEC. Population trends in this country differ from those in the rest of the EEC, although there are some indications that the situation here is changing. In terms of expenditure on health as a percentage of GNP, Ireland probably spent at least as much as the UK in 1971-72. With regard to the provision of

the services, the study shows that this country has a high bed stock, and a low physician stock in comparison with the EEC, and that the coverage provided here appears to be less comprehensive than that provided elsewhere in the Community. The consultants conclude that during the next decade, there is likely to be increasing pressure in Ireland to emulate EEC trends by moving towards more comprehensive coverage.

6.29.17. The third chapter describes the present system of health care in Ireland. The categories of full and limited eligibility are examined. The consultants conclude that the criteria used to determine eligibility are complex and that they may consume considerable resources in their implementation. They also describe the system of expenditure on health and the sources of finance. Finally, they examine the stocks and distribution of hospital beds, doctors and other medical personnel, and conclude that, as in many other European countries, the geographical distribution of health care is somewhat uneven.

6.29.18. The study then examines the problems and pitfalls of forecasting population and the implications for health services. The starting point used was the population projections made by Professor Walsh at the request of the Council. No detailed projections or forecasts are made, because of the "imponderables" which exist, particularly with regard to medical manpower requirements. The main difficulty is that there is a lack of analysis of the cost of medical procedures, and a consequent lack of understanding of the potential for substituting less skilled (and less costly) manpower and capital for physicians. The usual difficulties of forecasting are compounded in this country by a system of care which the consultants think is likely to undergo fundamental and radical change in the 1980s, bringing it more into line with other developed countries in Europe.

6.29.19. The study then discusses the dilemma facing both the Irish community as a whole and policy makers in particular in the evaluation of health services. Increasing public expenditure and greater public awareness will lead to growing public intervention in the planning, regulation and monitoring of the health services. This will involve new

thinking in Ireland, both in terms of financial and organisational arrangements. If the newly emerging relationships between the State, the public and the medical profession are to preserve the best of the present arrangements and provide efficiently and effectively for new needs and attitudes, then joint thinking about the future patterns of health care delivery is urgently required.

6.29.20. The third chapter of the study sets out the choices which must be made in order to cope with the new demands on the health services, which will arise from changing social attitudes, demographic changes, economic growth and advances in medical technology. The choices are presented as a series of questions:

- (a) If a comprehensive system of health care is to be introduced, how should it be financed?
- (b) What range of benefits should be included in a comprehensive system?
- (c) What role will remain for private insurance and private practice in a comprehensive system?
- (d) How will the Government set about allocating resources so that the maximum amount of "need" is met?
- (e) How will equity in the health services be defined?
- (f) How will the technical efficiency of the health service be evaluated on a continuing basis?
- (g) How will the monitoring of the medical profession be carried out?
- (h) How best can the community be involved in the management and monitoring of the health care system?

6.29.21. Answers will be found to none of these questions unless the objectives of the health services are clearly specified. Even then, the answers must be sought through the joint involvement of the State, the public and professions. It is only in this way that solutions which are technically and economically feasible, and which at the same time contribute to the fundamental objective of the health services, can be found.

APPENDIX 6.30

PERSONAL INCOMES BY COUNTY IN 1973

(NESC, No. 30, Prl. 5933, July 1977)

I Introduction.

6.30.1. This report is presented in two parts. Part I of the report contains the Council's comments. Part II sets out, in full, the report prepared by Dr. Miceal Ross and Mr. Roderick Jones assisted by Mr. Eoin O'Malley, of The Economic and Social Research Institute, Dublin.

6.30.2. The data on county incomes show a steady growth in real income per head between 1960 and 1973. The recession of 1974-75 will have had a different impact as between counties. For example, all the indications are that, in the manufacturing sector, the East and North-East regions have been more affected by the downturn in activity than have other regions. Furthermore, much of the increase in agricultural incomes in 1973 is attributable to high cattle prices; cattle prices fell sharply in 1974 but recovered in 1975. The income data for 1973 cannot therefore be taken as giving an accurate picture of the relationship between the incomes in different counties at the present time. In 1973 there was a relatively high level of activity, and that year represents a peak in the most recent economic cycle.

II. The Authors' Report

6.30.3. Chapter 1 discusses the nature of county income estimates. The *personal income* of a county gives an approximate measure of the purchasing power of those residing in it. It includes payments received from outside the county for services which are provided by residents of that county but which are used elsewhere, and it includes transfers from the Central Government.

6.30.4. Chapter 2 summarises the trends in incomes since 1960, shows the rankings of counties by per capita income, and mentions some of the underlying forces behind the shifts of income which have occurred.

6.30.5. Chapter 3 contains the estimates of personal income by county for 1973, together with revised data for personal incomes in 1969. The estimates are given in some detail, including a breakdown of income by source. There is a discussion of the trends in the share of income accounted for by incomes in agriculture, industry and other sectors.

6.30.6. Based on population data, there are estimates of per capita income of the counties in 1973. In order to compare incomes in 1973 with those of other years, the estimates of income per capita are deflated by the rise in the Consumer Price Index in order to express them at 1969 prices. These estimates are given together with revised estimates for 1969 and estimates for 1960 and 1965, all at 1969 prices.

6.30.7. Chapters 3 and 4 analyse the changes in real income by source since 1960—income from agriculture, from industry, from other non-agricultural sources and from transfers. Data on the remuneration of employees in industry and on remuneration in other sectors are then discussed. This is followed by a comparison between data on employee income from the Household Budget Survey 1973, and on income from Revenue Commissioners' data. Finally, the authors examine transfers and other income.

III. Council's Conclusions

6.30.8. The estimates show that personal incomes per capita increased significantly in all counties, in real terms, between 1969 and 1973. The growth rate over 1969–73 was significantly higher than that recorded for 1965–69 or for 1960–65.

6.30.9. There is a persuasive case that the rise in agricultural incomes resulted in some lessening in relative disparities in incomes per head between counties up to 1973.

6.30.10. There is great variability among counties with regard to the proportion of income obtained from current transfers.

6.30.11. If the ranking of counties by income per capita in 1973 is compared with that in 1960, one feature is the extent to which the ranking of most counties remains relatively unchanged.

6.30.12. *Spread of income between counties:* the highest income per capita in 1973 was in Dublin, namely, £976, and the lowest was in Leitrim with £584. Over 1969–73, the *absolute* increase in income per head in Dublin was less in most other counties, and the *proportionate* increase in income in Dublin in 1969–73 was lower than in any other county. This is in contrast to the experience of the preceding period 1965–69. To some extent, the trend over 1960–73 has been that counties with the highest levels of real income had percentage increases in income which were lower than in other counties. The tentative conclusion is that there has been a tendency for the relative spread of incomes among counties to become narrower between 1969 and 1973.

6.30.13. *Income by region:* the ranking of income per capita by region has not changed between 1960 and 1973. The highest per capita income remains in the East region, and the two lowest in the Donegal and the North West regions. For all regions, there was about the same rate of increase in real personal income per head between 1960 and 1965 as there was between 1965 and 1969, and subsequently this rate of growth increased noticeably between 1969 and 1973. However, in the East region the growth rate between 1969 and 1973 was only fractionally above that in 1965–69. Between 1969 and 1973 there was a reduction in the *relative* disparities in real income per head between the East region and the other regions.

APPENDIX 6.31

THE POTENTIAL FOR GROWTH IN IRISH TAX REVENUES

(NESC, No. 31, Prl. 5840, September 1977)

I. Introduction

6.31.1. In 1974, the Council decided that the potential for growth in tax revenues merited deeper study. The Council therefore commissioned Dr. G. E. J. Llewellyn, Assistant Director of Research, Faculty of Economics, University of Cambridge, to prepare a background study to assist the Council in its deliberations.

6.31.2. The Council's report entitled *Prelude to Planning*, which has already been published, draws on Dr. Llewellyn's analysis and conclusions in its discussion of the potential for growth in the Irish economy and of the structural changes that are likely to accompany faster economic growth.

6.31.3. In accordance with its normal practice, the Council, having examined Dr. Llewellyn's study, would have drawn conclusions and made recommendations on the scope for increasing tax revenues by raising tax rates and/or widening the tax base. However, the Council will not be able to do so, given the pressure of other work during the short time available between now and the expiration of the term of office of its members on 31 December 1976.

II. Background to the Study

6.31.4. The question of the potential for growth in tax revenues is an issue which is of general concern to the majority of Western Governments. The pressure on Governments rapidly to increase expenditure on the provision of goods and services has resulted in the growth in the proportion of the total supply of goods and services, measured in *constant* prices, that has been pre-empted by Government in about half of the OECD countries. The increasing relative price of most items of Government expenditure has meant that when Government expenditure in *current* prices is considered, the share in GNP rose in *all* of the OECD countries, so that a secularly-increasing proportion of all incomes had to be taken by Governments as tax—whether by social security taxes, personal income taxes, direct taxes on corporations, indirect taxes or whatever. While the proportion of Irish GNP that has been taken as tax has risen over time, the proportion is not particularly high, judged by the standards of other OECD countries.

6.31.5. In addition to the secular influences that in all OECD countries have increased the *current* price share of GNP that has been taken in tax, two essentially short or medium term phenomena have recently been responsible in most OECD countries for a sharp increase in Government expenditure. This increase has not for the most part, been

accompanied by a corresponding increase in tax revenues. The influences are (a) the increase in oil prices and (b) the increase in payments to the unemployed.

6.31.6. The consultant's examination of the likely evolution of the main components of Irish tax revenues is undertaken against the background of the existing tax base and tax rates, and on the assumption that GNP continues to grow in the future at a rate fairly close to that achieved in the past. The examination was undertaken with a number of caveats in mind: *first*, that any definition of what constitutes public expenditure or public sector receipts is necessarily arbitrary and, because of that, is likely to be ambiguous; *second*, policy decisions should be taken with reference to both sides of the public sector accounts; and *third*, the principal concern of the policy-maker in Government should be the net effect of his actions on the economy—whether they impinge directly on taxation or expenditure should in general be a matter of subsidiary interest.

III. The Study

6.31.7. There are three distinct ways in which real tax revenues can increase over time. The first two assume (given real income per head) that real tax revenue can be increased either by increasing tax rates on the existing tax base, or by widening the tax base to include additional items. The first two ways of increasing real tax revenues are considered in Chapters 2 and 3. The third way in which real tax revenue can increase is through an increase in the size of the real tax base—in short, through economic growth. The prospects for economic growth in Ireland are therefore considered in Chapters 4, 5 and 6.

6.31.8. Chapter 2 examines the evolution of the Irish tax system over the post-war period. It shows that while the dependence on specific duties on the four "old faithfuls" (tobacco, beer, spirits and oil) has been much reduced, nevertheless the dependence is still fairly substantial. The other taxes which are shown to be quantitatively important are income tax, VAT and Rates. As regards the elasticity of tax revenue with regard to real income, the consultant estimated that total public sector receipts are likely to increase secularly

more than in proportion to the growth in national income, with indexed tax rates and unchanged coverage.¹ While there will inevitably be some error in each of the individual elasticities² estimated, there is a high probability that these errors will at least in part cancel one another out. On the basis of the evidence of Chapter 2, it would seem that given indexed tax rates and the present coverage, tax revenues are most unlikely to increase substantially faster than national income. This conclusion is somewhat sensitive to the assumption made about the growth of oil consumption in relation to national income.

6.31.9. Chapter 3 considers the ways in which the tax revenues could be increased by increasing the rates on the existing tax base, or widening the tax base to take in more items of expenditure. It is argued that to increase the rates of the specific duties relative to other duties would be to increase the relative dependence of the tax system on the four "old faithfuls" which, representing as it does a substantial narrowing of the tax base would almost certainly be a retrograde step. In the consultant's view, a better, more general, proposition would be to increase income tax rates, or to increase the VAT rate. The tax base could be widened in a number of ways, but quantitatively the most important would appear to be a payroll tax, or a decrease in the number of items exempt from VAT. He emphasised, however, that neither increasing tax rates nor widening the tax base represents a painless way of increasing real tax revenue. For a given level of national income, each represents an absolute reduction in the real post-tax income of the private sector, and may well meet with resistance. Any Government wishing to increase its real expenditure, and hence to increase its real taxation revenues, may therefore seek to do this by increasing the size of the tax base through economic growth. The second part of the report considers the potential that the Irish economy has for economic growth in the future: this turns out to be immense.

¹The elasticity being approximately 1.10.

²The individual elasticities (income tax, social security contributions, corporation tax, beer, oil, spirits, tobacco, motor vehicles licences, VAT, rates, stamp duty, estate duty and other) were estimated on the assumption that nominal tax rates on specific duty items are increased in line with the average rate of inflation (as measured by, for example, the domestic expenditure deflator) and that tax allowances and the higher income tax rate bands are similarly varied.

6.31.10. Chapter 4 examines the way in which the various sectors of the Irish economy are likely, on international evidence, to evolve relative to one another, and hence affect the evolution of the various tax bases. The policies that could accelerate the Irish growth rates, and the changes that are likely to be associated with the higher growth rate that is required, are more likely to be found in the experience of other countries which have grown faster than Ireland or which have reached a higher stage of development. In the OECD countries, almost all of the output of physical goods is produced by agriculture and manufacturing industry. In the post-war period in these countries agricultural output has grown relatively slowly, and the Irish growth rate was somewhat below the average. In the post-war period the output of manufacturing industry grew at a much higher rate than that of agriculture in all OECD countries, including Ireland.

6.31.11. Dr. Llewellyn's study shows that in other OECD countries there has been a close correspondence between the growth of goods output (that is, of agricultural and manufacturing output) and the growth in the major components of the services sector;¹ good indicators exist for measuring the rate of growth of output in commerce, transport and communication, and construction in most OECD countries,² and reasonably satisfactory data exist for Ireland³. The Irish pattern of structural change has been substantially in line with what would have been expected on the basis of the behaviour of the other OECD countries, when taken in conjunction with the rate of growth of the Irish economy, and the consultant concludes that it would seem reasonable to expect that the Irish economy will continue to conform quite closely with the

¹The output of the services sector is usually classified into commerce, transport and communication, construction, public utilities, private services and public services.

²In almost all OECD countries, agriculture, manufacturing industry, commerce, transport and communication and construction account for 75% or more of total civilian employment. The remaining sectors are private and public services. The sub-sectors cover a very wide variety of different activities and this makes it very difficult to measure their output and the rate at which it has grown. In practice, as Dr. Llewellyn states, the measurement of the growth in output is inextricably mixed up with the concept and measurement of productivity.

³Interestingly these indicators have never been used to compile a set of accounts for GDP by sector of origin in constant prices. This exercise has been undertaken by the Consultant, in Appendix Table 2 of the Report.

growth patterns exhibited by itself and other OECD countries as it grows in the future. Any projection or growth stratagem which presupposed a substantially different structural evolution would, in the light of this argument, need to be subjected to some scrutiny.

6.31.12. Chapter 5 considers the relative contributions to the growth in output in the different sectors that might be expected from increased employment and rising productivity. In particular, the labour requirement that the various major sectors are likely to experience if rapid growth is achieved is considered. This is clearly a matter for speculation, particularly to the extent that the concern is to achieve rates of growth that the Irish economy has not experienced in the past. Nevertheless, it would appear that, on the basis of a plausible set of relationships between output and employment that were derived from cross-country relationships, there is enormous scope for growth in the Irish economy as far as the labour supply side is concerned. Indeed it would appear that only in Japan, of all the OECD countries, was there greater potential on the supply side over the post-war period to date, and the position looks as if it will be similar over the next decade at least.

6.31.13. The evidence of the cross-country data, presented in Chapter 5, suggests that some sectors may well need employment growth if they are to achieve rapid output growth: this would seem to apply to manufacturing and transport and communication, where given normal investment levels employment typically grows at about six tenths of the rate of growth of output. In commerce, output generally grows at about the same rate as manufacturing, and so does productivity, implying in turn that employment needs to grow at about the same rate in commerce as in manufacturing. In "Other Services", both public and private, the rate of output growth cannot be measured with much meaning, and so it is not possible to talk of employment growth in relation to output growth. But typically this sector expands employment, at something like 2½% per year on average, in most OECD countries. In Ireland, the rate has in the past been somewhat more modest. Agriculture, however, typically loses labour, and this is as true of Ireland as of any other OECD country—employment declined in agriculture in Ireland at 2.5% per year in the first part of the post-war

period, and even faster, at 3.2% per year, in the second part. The relationship between output and employment in the remaining sectors (Construction, the Public Utilities and Mining and Quarrying) is less clear, but these sectors are relatively small employers: in Ireland in 1973 they accounted for less than 9% of total employment.

6.31.14. The employment-output relationships for manufacturing, transport and communication, and commerce sectors, which together accounted for 40% of total employment and 36% of total GDP in Ireland in 1973, suggests that typically employment grows at about six tenths of the rate of growth of output, given customary investment levels. In turn, this implies that typically productivity in these sectors grows at about four tenths of the rate of growth of output. According to Dr. Llewellyn, it is not possible to be sure, and therefore not wise to assert, that these relationships will persist into the future, but they may, and to the extent that they do the implication is that in Ireland, as in other countries, the faster output grows in these sectors, the faster too will productivity grow. This in turn implies an increase in the tax base *per capita*, and as such represents the one painless way by which a Government can increase its tax revenue *per capita*.

6.31.15. Dr. Llewellyn emphasises that there are more necessary conditions for growth than a ready supply of labour. In particular, he emphasises the importance of capital in general, and technology embodied in necessarily-imported capital in particular, as well as such requirements as entrepreneurship, educational standards, adaptiveness and knowledge of markets. Further, there is strong evidence that a rapid growth of exports has to accompany rapid economic growth, if only to finance the imports that necessarily grow rapidly in a quickly-growing economy. For all these reasons, overseas investment in Ireland looks to be an extremely attractive proposition. In Dr. Llewellyn's view, such investment supplying simultaneously capital goods and technology, plus knowledge of and access to vital overseas markets could, if it were forthcoming in sufficient quantity for long enough set Ireland off on a rate of economic growth that could be towards the top of the international league. This ought to be easier to achieve than in large countries, which in order to grow fast generally have to establish, or increase the size of, their capital goods industries. Dr. Llewellyn

emphasises that all this is speculative. It is necessarily so, if only because what is being discussed is the possibility of a more rapid rate of economic growth than Ireland has ever seen. Further, it is speculative because Ireland is virtually unique in the OECD world in being a small country with an apparently enormous supply-side potential for growth; there is therefore no appropriate parallel case to which to appeal.

6.31.16. The main conclusions of Dr. Llewellyn's study are that there is only limited scope for increasing tax revenues by raising tax rates and by widening the existing tax base; any substantial growth in tax revenue is dependent on faster growth in national income and output.

APPENDIX 6.32

THE WORK OF THE NESC: 1974-76

(NESC, No. 32, Pri. 5893, September 1977)

I. The Establishment of the NESC

6.32.1. In June 1973, the Minister for Labour, Mr Michael O'Leary, T.D., announced that the Government had decided to proceed with the information of a National Economic Council. On 5 November 1973, the Minister for Finance, Mr. Richie Ryan, T.D., issued a statement regarding the formation of the National Economic and Social Council. The inaugural meeting of the Council took place on 28 November 1973 and was addressed by the Minister for Finance.

6.32.2. In June 1976, the Chairman on behalf of the Council wrote to the Minister for Finance stating that it would be desirable that the present membership should complete the work which it had initiated, but that this could be done only if the term of office of members were extended until 31 December 1976. In his reply the Minister stated that he was prepared "to accept that a December meeting of the Council would be in order—on the understanding that this will enable the Council to complete all the work in progress which it has initiated". During the autumn of 1976 there were persistent press reports that the Council would be abolished at the end of the year

6.32.3. On 26 November 1976, the Government Information Services issued the following statement on behalf of the Minister for Finance:

"In accordance with the constitution of the National Economic and Social Council the term of office of its members expires this month. In view of their desire as expressed in the Green Paper 'Economic and Social Development 1976-80' to have discussions with the social partners as part of the process of formulating an economic plan, the Government have decided that the Council, as now constituted, should continue in existence for another year. The Chairman, Government nominees and organisations represented on the Council have been informed of the Government's decision".

6.32.4. The organisations represented on the Council wish to state that they consider that the Council has a continuing existence and that only the members are appointed for a fixed period. This does not preclude changes in the structure or composition of the Council, subject to the agreement of the organisations represented on it.

II. Council Procedures

6.32.5. Three Committees of the Council were established—the Economic, Social and Regional Policy Committees. Each Committee consisted of fifteen members. The Council decided that Professor Ryan should chair the Economic Policy Committee, Dr. H. Burke the Social Policy Committee and Professor N. Gibson the Regional Policy Committee.¹ The Council decided that it would best be served by a small secretariat recruited on secondment from other organisations. The Department of Finance seconded a junior officer and two typists. In addition, there have never been more than four full-time members of the secretariat, whose duties included serving the Council's Committees, working with consultants, drafting reports (or Council comments on work done by consultants), and preparing the final drafts of reports (following meetings of the Council) for submission to the Government.

¹In July 1975, on his appointment as Pro-Vice-Chancellor of the New University of Ulster, Professor Gibson resigned from the Chairmanship of the Regional Policy Committee and was replaced by Mr. J. J. Walsh.

6.32.6. The detailed work of the Council took place in its Committees. With three exceptions,² all the work which resulted in Reports was initiated at one or other of the Council's three Committees. When the subject or topic had been approved by the Council, the relevant Committee decided how the work should be organised. When drafts had been prepared by the secretariat or consultants, they were discussed in detail in the relevant Committee. When a Committee had agreed on a draft, this was considered by the full Council. The final draft emerging from the Council's deliberations was forwarded to the Government through the Minister for Finance.

6.32.7. At the beginning of its work, the Council planned to meet every two months. It was envisaged that each of the three Committees would meet monthly. However, the volume of work initiated in the Committees meant that more frequent meetings were required.

6.32.8. Under the Constitution and Terms of Reference, members of the Government are entitled to attend the Council's meetings. On four occasions the Minister for Finance, Mr. Richie Ryan, T.D., attended and addressed meetings of the Council. On a number of occasions, senior civil servants, other than those who were members of the Council, attended Council meetings when matters relating to their Departments were being discussed.

III. Finance

6.32.9. The Council's activities were financed in two ways. *First*, a grant was made available each year by the Department of Finance to cover the salaries of the non-Civil Service members of the secretariat, fees payable to consultants, expenses incurred by members, rent of rooms for Council meetings and other items arising from the day-to-day working of the Council and its secretariat. *Second*, the Department of Finance paid the salaries of the Civil Service members of the secretariat and the rent for offices occupied by the secretariat, and met the cost

²The exceptions were in the case of reports prepared at the request of Government or Ministers (*Comments on Capital Taxation Proposals*, No. 2, July 1974, *Comments on the OECD Report on Manpower Policy in Ireland*, No. 6, July 1975 and *The Taxation of Farming Profits*, No. 15, February 1976).

of telephone accounts, postage, stationery and the printing of reports. During 1974 and 1975, the Council could not engage consultants without the express approval of the Department of Finance. At the beginning of 1976, greater freedom was given to the Council.

6.32.10. The provision of the grant on an annual basis posed problems for the Council. Those arose mainly because projects initiated in one financial year were not generally completed until the next, but the Council knew only what was available in the year in which the project started and could not obtain any indication of how much would be made available in the following year. These problems would have been eased considerably if the Council had been told in advance the minimum sum that would be made available to it in each year. However, the Council has been informed by the Department of Finance that this would not be possible, because at present no State body or Government Department is advised of the sums that will be made available to it for more than one year in advance. This follows from the voting of money on an annual basis by the Dáil. In the view of the Council, if an independent body must submit the individual projects for which funds are sought, and if money is not provided to finance all of them, there is the danger that the Government may seem to be influencing the work that the Council can do. The Department of Finance, however, has pointed out that it would be an unusual derogation from financial control as exercised by the Department if funds were made available without reference to the projects for which they had been sought.

IV. Publications

6.32.11. By 31 December 1976, the Council had completed 32 reports. Of these 24 had been published, 4 had been approved by the Council and submitted to the Government and 4 were in process of being printed for submission to the Government. The Council's publications (excluding this summary report) can be classified under six main headings:

- (a) Reports prepared at the request of Government or Ministers
- (b) Reports on the Economic Situation

- (c) Reports on longer term problems of Economic and Social Development
- (d) Reports on Social Policy
- (e) Reports on Regional Policy
- (f) Reports on Agricultural Development.

It takes time to prepare reports, relatively few reports were therefore presented in 1974. The Council's work gained momentum through 1975 and 1976. Statements were issued by the Government on the occasion of the publication of some of those reports.

6.32.12. In its work, the Council has tried to achieve a balance between reports dealing with short-term issues in economic and social policy and reports aimed at creating a framework for economic and social development in the longer-term. These latter reports were prepared as a result of the emphasis placed by the Minister for Finance, in his statement at the inaugural meeting, on the desirability of examining the long-term aspects of the principles applicable to the efficient development of the national economy and the achievement of social justice.

6.32.13. The terms of reference were wider than those of the NIEC in that they included agricultural, social and regional development. These are areas of critical importance to the future welfare of the Irish community. Unfortunately, in the time and with the data available, the Council has not been able to do as much work in these fields as it would have wished. In particular, it has not yet been possible to prepare the general report on the potential for development in Irish agriculture and the strategies and policies by which the potential might best be realised.

6.32.14. The Council would regard the eleven reports which it has prepared on various aspects of social policy as representing little more than a first step into an area which has received too little attention. It is the Council's view that the best time to think about social development is when funds are scarce, because this will ensure that the funds available are more likely to be widely and effectively spent.

6.32.15. The Council has prepared five reports on various important aspects of regional policy. The Council plans to prepare a general report defining the aims of regional policy and assessing the measures by which they could more effectively be realised. As a first step, the Regional Policy Committee set up a sub-committee in the middle of 1976 to prepare a preliminary draft of a general report, but it was not possible to complete this work for discussion in the Regional Policy Committee in 1976. This general report will be completed during 1977.

6.32.16. It is not the intention of the Council to attempt any detailed evaluation of the impact of its reports on Government policy and public opinion. It is particularly difficult to assess the effects on policy, because no Government statements were issued on the occasion of many of the majority of the Council's reports. It is therefore impossible to know whether the analysis and advice were accepted, rejected or merely ignored. Nevertheless, the Council believes that the reports it has submitted to the Government have contributed to a clearer understanding of basic economic and social problems and have helped to create the framework within which economic and social planning could be reintroduced. It will continue to be the Council's concern to achieve a fuller understanding of Irish economic and social problems and of how they could be resolved or eased, and to develop the framework within which a new economic and social plan could be formulated.

6.32.17. There are some indications that some of the reports may have influenced Government thinking and policy. Most of the detailed measures put forward in the *Report on Inflation* were incorporated in the June 1975 Budget; the main exception was that relating to the payment of no increase in the second phase of the 1975 National Agreement. The policy options for 1976 were examined in the *Economy in 1975 and Prospects for 1976*. During the past year, Government objectives seem to have corresponded closely to the main conclusions of that report. Experience would suggest, however, that some time could elapse before a report has its full impact on opinion and policy. This happened, for example, with *Population and Employment Projections: 1971-86* (NESC, No. 5, February 1975), a report which set

out the context and goals for any new economic and social plan. ¹

6.32.18. The Council would wish to emphasise one problem which has made its work more onerous. In almost every field identified by its Committees for study, either background studies were not available, or if they had been prepared in Government Departments were not made available, to the Council. The Council had therefore to make arrangements for such studies to be made, since analysis cannot be done nor advice given in a vacuum. The exceptions were *Comments on Capital Taxation Proposals* and *Comments on the OECD Report on Manpower Policy in Ireland* (Nos. 2 and 6 respectively). For the study that the Council was requested to make on the taxation on farming profits, the report of an interdepartmental committee was made available on the strict understanding that it should be available only to the consultants employed by the Council, and that it could not be quoted in their study. For the study of the future of tax revenues, a study made in the Department of Finance was made available on similar conditions to the consultants engaged by the Council.

6.32.19. The Council feels it necessary to comment on two issues relating to its work which have been raised mainly in Government statement on the occasion of the publication of Council reports or in statements by Ministers. These issues are the fact that not all reports presented by the Council have been unanimous, and the use which the Council has made of "outside" consultants.

V. The Issue of Consensus

6.32.20. The Council's function is to advise the Government on major social and economic issues, and the Council accepts that this places upon it the obligation to strive towards agreement on any advice which it gives to the Government. All but seven of the reports

¹ Other reports which would fall into this category are: *Jobs and Living Standards* (No. 7, June 1975) *An Approach to Social Policy* (No. 8, June 1975), *Rural Areas: Social Planning Problems* (No. 19, July 1976), *Report on Public Expenditure*, (No. 21, July 1976), *Report on Housing Subsidies* (No. 23), *A Comparative Study of Output, Value-Added and Growth in Irish and Dutch Agriculture* (No. 24, December 1976), *Prelude to Planning* (No. 26, October 1976) and *Some Major Issues in Health Policy* (No. 29).

prepared by the Council have been unanimous. These seven reports dealt with issues of major and immediate importance. In the statements issued by the Government Information Services on the occasion of the publication of three of these reports, the fact that no unanimous recommendations were made was noted. The difficulties in reaching consensus are not, of course, peculiar to the Council.

6.32.21. It is the view of the Council that if consensus is treated as a dominant requirement, the unanimous recommendation to which representatives of major interests can all subscribe may at times be so general and vague as to give Government no clear guide to action, or civil servants no precise statements by reference to which the advice they could give to their Ministers should be formulated. When real and immediate issues (such as capital taxation, the taxation of farming profits, the control of incomes, inflation, or which particular public expenditure should be cut or curbed) are faced and discussed in depth, there will not generally be consensus but rather a clearer statement of the differences.

6.32.22. It could be argued that the differences of view on major issues within the Council reflect those in Irish society. But it would be too simplistic to expect that such differences might be resolved by the use of technical expertise of an economic and quantitative kind. What such technical analysis can do, and what it has tried to do, is to inform different interest groups and attempt to help them to evaluate what the long-term consequences of particular policy measures might be, so that choices might be more rationally made between the long-term interests and short-term gains of particular strategies. Moreover, it is not by any means clear that differences in beliefs, ideologies and interests can be resolved and consensus reached by discussion in representative bodies such as the Council. To the extent that such discussions succeed in getting to grips with the basic issues, differences and divisions are exposed, articulated and possibly re-inforced rather than reconciled. While the exposures and articulation of unreasonable viewpoints may not change them it could detract from their support. However, in the last resort such differences may be resolved, or the action that is appropriate to the circumstances taken despite them, only by a political process or procedure. This is a responsibility which in a democracy must properly be borne by the Government alone.

VI. Use of Consultants

6.32.23. The number of full-time staff in the Council's secretariat was kept small. At no time were there more than four people engaged on drafting reports—indeed, for most of the three years 1974–76, there were only three. In almost every field studied by the Council, no published background studies were available. The Council had therefore to make arrangements, within the limits of the funds available to it, for such studies to be made, since advice cannot be given in a vacuum. In many cases the work of the secretariat was supplemented by the use of persons with special knowledge of particular fields. These generally worked on a part-time basis in and with the secretariat.

6.32.24. Consultants were used in the preparation of twelve of the thirty-two reports prepared by the Council during 1974–76; in six of these twelve cases the consultants came from outside Ireland. When consultants were used, they were in most cases assisted by the secretariat. The Council wishes to acknowledge the assistance given to consultants by Government Departments and other agencies.

6.32.25. The Council has been criticised for using consultants—especially for using consultants residing outside Ireland. The use of consultants meant that first-rate expertise could be brought to bear on specialised problems, and this enabled the Council and its very small secretariat to accomplish a vast amount of work at minimal cost to the Exchequer. The alternative would have been to employ a much larger secretariat—large enough to include persons with specialised knowledge in all the fields covered by the Council's work. This would not have been practicable, nor would it have been economic.

APPENDIX 6.33

COMMENTS ON ECONOMIC AND SOCIAL DEVELOPMENT, 1977–1980

(NESC, No. 33, Prl. 6221, July 1977)

I. Introduction

6.33.1. The Minister for Finance, Mr. Richie Ryan, T.D., in the course of his address to the Council on 21 December 1976, stated, with regard

to the *Green Paper*, that "the Council's views would be helpful—the earlier the better". The following comments are based on submissions received from Council members, on discussions in the Economic and Social Policy Committees at their meetings on 1 March and 24 February respectively, and on discussions at Council meetings on 24 March and 21 April 1977.

6.33.2 Sections II, III and IV deal with Chapters 1, 2 and 3 of the *Green Paper* respectively. Section V deals with the final section of the *Green Paper*: Some Issues for Consideration by the Social Partners. In Section VI the Council's conclusions are given.

II. The Present Economic Situation and its Causes

6.33.3. The two major problems facing the economy are unemployment and inflation. In Chapter 1 of the *Green Paper* the dimensions of those problems are described. The Council agrees that unemployment and inflation are the two main problems facing the economy. These problems have been discussed in the context of the current economic situation in a number of Council reports—for example, *Report on Inflation* (No. 9, June 1975), *The Economy in 1975 and Prospects for 1976* (No. 13, October 1975), *Report on Public Expenditure* (No. 21, July 1976) and *Prelude to Planning* (No. 26, October 1976).

6.33.4. Following its description of the present economic situation and its causes, the *Green Paper* concludes that:—"the recession has been a powerful force aggravating the basic problems of the Irish economy. But these problems predated it and a return to more normal international conditions will not, of itself, resolve them." The Council is in general agreement with the causes of present economic problems given in the *Green Paper*. A small open economy cannot escape the effects of international developments. World recession (or recovery) and increases in world prices must therefore be taken as data. They cannot be influenced by any policies applied in this country. To the extent that Irish goods are not competitive, the freeing of trade may adversely affect domestic output and employment. The number of persons who will be seeking work between now and the early 1990s may also be regarded as a datum, because all those who will reach working age over this period have already been born.

6.33.5. It is the view of the Council that both these causes of present problems—the rapid growth in public expenditure relative to GNP and the faster growth in money incomes than in national production—merited more analysis than they were accorded in the *Green Paper*. It is easy to raise public expenditure. It is possible to curb its growth in a single year or even in two successive years. To restrain its growth over a larger period, however, is much harder and may require difficult political decisions and new administrative arrangements. The same is true of the growth in money incomes. The rates of growth in public expenditure and in money income are inter-related.¹

III. Prospective Situation if Existing Trends were to Continue

6.33.6. The situation "towards which the economy would tend . . . if action were not taken to redirect it" is discussed in Chapter 2 of the *Green Paper*. The discussion is based on certain assumptions about the prospective international situation and the growth rates in public expenditure and money incomes. The *Green Paper* makes three assumptions about international developments:

- a relatively faster rate of growth in world trade to 1980.
- a reduction in the rate of inflation in all of the main industrialised countries. . . .
- slow progress in reducing unemployment.

The extent to which the Irish economy will be able to take advantage of the recovery in the world economy will depend in large part on what happens to money incomes and public expenditure. On the assumption that past trends would continue, the *Green Paper* projects a public sector deficit of 21% of GNP in 1980, compared with 16% in 1975. After a brief examination of the possibility of financing a public sector deficit of the order of 21% of GNP in 1980, from domestic savings, foreign borrowing or increased taxation, the *Green Paper* concludes that it:

" . . . could not be financed by recourse to internal or external sources. A reduction in the borrowing requirement to 12% of GNP,

¹The inter-relationships between the growth in public expenditure, in money incomes and in national output were analysed in *Preludeto Planning* (NESC, Report No. 26).

still a relatively high level of borrowing, would, for example, require a cut of some two-thirds in the real rate of growth of public expenditure to 1980. When allowance is made for the growth in interest charges as a result of continued borrowing, there could be little if any growth in non-debt expenditure."

6.33.7. The *Green Paper* concludes that:

" . . . the key features of the projection of existing trends are continuing high inflation, mounting balance of payments deficits, drastic cuts in public expenditure, an unacceptable level of taxation, an impossible borrowing requirement and growing unemployment—in short an intolerable situation."

The economy could not for long continue on this course. It would be necessary to apply drastic measures. As a result:

"The more likely outlook would be of some transient growth for a short period, ending well before 1980, followed by a period of severe economic restrictions and very serious financial difficulties, where there would be little or no growth and the rise in unemployment would be even greater than the 15,000 or more suggested by this scenario."

The Council broadly concurs with the conclusion in the *Green Paper* about the general direction in which the continuation of recent trends could lead the economy. The crucial problem in planning is to identify, formulate and apply the policies that will divert the economy's path from the apocalypse.

IV. Possibilities and Requirements for Growth to 1980

6.33.8. The *Green Paper* then assesses the growth potential of the economy over 1977–80 "on the assumptions that cost competitiveness can be maintained and that public policies can be reoriented to support increased investment". The salient features of the projections for 1977–80, which "are capable of realisation, *provided those fundamental assumptions are met*, are an annual average growth rate of:

—6% in real GNP;

- 9% in the gross output of manufacturing industry with an increase in employment of 50,000;
- 15% in manufacturing exports;
- 6% in gross agricultural output and 4.7% in the sectoral product of agriculture, with the agricultural labour force declining by 3,500 a year;
- about 4% in the output of the building and construction sector;
- about 5% in output in the services sector, with employment rising by just over 5,000 a year;
- not more than 7% in consumer prices *over the period as a whole*, thereby implying a decline from the present rate of price rise to about 5% by 1980."

6.33.9. The two crucial questions in Chapter 3 are:

- (a) the realism of "the assumptions that cost competitiveness can be maintained and that public policies can be reoriented to support increased investments";
- (b) the realism of the projections which are based on the assumption that the assumptions in (a) above about the maintenance of competitiveness and curbing the growth and changing the composition of public expenditure are met.

6.33.10. Not enough information is given in the *Green Paper* to enable the Council to make any analysis of the realism of the projections set out in it. For example, without more information on the assumptions made about increases in the prices of exports and import substitutes in the *Green Paper*, it is difficult to assess the realism of the projected rise in consumer prices during 1977–80.

6.33.11. The projections of employment and productivity growth for industry and services during 1977–80 are at variance with past trends. It may be that there are special reasons which explain apparent anomalies in the projections. However, until more information is made available on how the projections were arrived at, the Council remains sceptical of their realism.

6.33.12. The projections in the *Green Paper* give annual average growth rates for the period 1977–80. No indication is given of the projected growth *path*. However, it is the view of the Council that pre-occupation with projections would be unprofitable and unproductive. Projections are merely exploratory arithmetic. They describe one of an infinite number of potentially consistent pictures of the economy at some future date—pictures that could describe the reality on the assumption that certain specified conditions are met. But no matter how they are revised the projections based "on the assumptions that cost competitiveness can be maintained and that public policies can be reoriented to support increased investment" will show higher rates of growth in output and employment and a slower rate of inflation than projections based on the assumptions that recent trends will continue into the future.

6.33.13. The major weakness in the *Green Paper* does not lie in its projections. Nor does it lie in any confusion about the problems that must be resolved if a better economic future is to be assured: these are correctly identified as excessive growth rates in money incomes and in public expenditure. The major weakness lies in the fact that no policies have as yet been put forward by the Government to resolve these problems—to restrain the growth in incomes and public spending and so improve competitiveness by reducing the domestic contribution to inflation.

6.33.14. The *Green Paper* states at the beginning of Chapter 3:

"It will require considerable restraint in income growth over the intervening period (i.e. the years to 1980) and the policy measures and institutional arrangements needed are discussed further below."

But these matters are not discussed further. Later in Chapter 3, no policy measures or institutional arrangements are presented; the requirement is merely re-stated.

6.33.15. The problem of curbing the growth of public expenditure is treated in a not dissimilar way. The relationship between the level of public expenditure and the manner in which it is financed and the

growth in money incomes is largely ignored. It is *assumed* that pay restraint is achieved and that public policies are reoriented to support increased investment. On these assumptions a growth rate of nearly 6% a year in real national output is projected for 1977–80. But a growth rate of 6% a year will significantly ease the problem whose solution was assumed to begin with. Problems cannot be removed by assuming that they have been resolved. The “policy measures and institutional arrangements” by which the problems could be eased or resolved must be spelt out. This is not done in the *Green Paper*.

V. Some Issues for Consideration by the Social Partners

6.33.16. The Council agrees that there is very limited scope for growth in real current public spending over the next three to four years, and that a change in its composition is necessary. Following its studies in the field of public expenditure, the Council would not under-estimate the difficulties of achieving these objectives. If the level of real current public expenditure is contained near its present level, the margin for change in the short-term is limited because by far the greater part is unavoidable because of past decisions. The constraint on the total means that some expenditure heads can rise in real terms, beyond what the uncommitted margin would permit, only to the extent that others are reduced.

6.33.17. The *Green Paper* states that:

“The shift in public spending policies must be accompanied by other policy changes designed to stimulate rapid growth.”

The following proposals to stimulate economic growth are given in outline:

- A. Measures to create new confidence and to stimulate enterprise and expansion in the private sector.
- B. Measures to mobilise more fully enterprise in the public sector.
- C. Measures to promote productivity by associating employees more closely with the enterprise and its financial results.
- D. Measures to intensify agricultural production.

- E. Measures to minimise the tax burden by eliminating circular transfers.
- F. Measures to reform the public service.
- G. Measures to improve the infrastructure for economic development.
- H. Measures to improve social justice.

These are discussed briefly by the Council. It is assumed that any additional expenditure which these proposals might involve will be consistent with the constraints on the growth of total public expenditure implicit in the *Green Paper*.

6.33.18. As regards A, the Council agrees that a plan should be prepared and published as a matter of urgency. In its *Prelude to Planning* (Report No. 26), the Council described the potential for rapid growth that exists in the Irish economy. The prime objective of economic policy must be to raise the level of employment.¹ The description of a policy objective, with a spelling out of the beneficial consequences that will follow if it is achieved, is not enough. Objectives which are otherwise feasible can be achieved only to the extent that the Government and the Community are committed to them—that there is a willingness to accord priority to the national interest over sectoral interests. Specific policies and measures will not evoke the responses needed to achieve the desired results. The Council agrees that an environment which is favourable to enterprise will encourage faster growth in output and employment.

6.33.19. As regards B, the Council notes that consideration will be given to establishing an Industrial Development Corporation, and would like to be given the opportunity of commenting on this proposal when further details are available about its possible range of activities.

¹The rate at which employment can be raised depends on the success with which the output of the exposed market activities can compete in external markets and with imported goods in the home market. The main obstacles to the expansion of the key activities are the fact that real income which is demanded is too high relative to productivity, and the tax burden needed to finance the level of public expenditure and to help to reduce the current budget deficit is generally judged excessive.

6.33.20. As regards C, the Council favours the proposal to encourage planned changeovers to co-operative enterprises, where this would save firms facing adaptation problems and financial difficulties, provided these enterprises are not given preferential treatment as compared with enterprises organised in other ways. The Council cannot offer any detailed comments until more information is made available about the proposed level and degree of worker participation and about the mechanism and extent of profit-sharing. In the Council's view, new institutions should be established only after the problems which it is their function to resolve have been carefully and fully analysed. New institutions are not an appropriate mechanism for identifying and analysing the problems to whose resolution they will have to contribute.

6.33.21. As regards agricultural development, the Council agrees that steps to intensify agricultural production and to raise agricultural incomes are desirable. It cannot make any fuller comment until more information is made available about the specific steps which it is proposed to take. As regards circular transfers, the Council has commissioned an expert study of the whole issue and plans to present a report in the autumn of this year. When the expert study has been completed, the Council will be in a better position to comment on the results of the thorough examination of circular transfers which is now being made in the relevant Government Departments. As regards public service reform, the Council cannot over-emphasise the importance of pushing ahead as rapidly as possible in the areas mentioned in the Green Paper.

6.33.22. The Council agrees that steps to secure adequate provision of the infrastructure for economic development are necessary. The Council will be able to comment more fully when details of the proposed steps are made available to it. The places in which the existing infrastructure will have to be improved, or new infrastructure provided, will depend on the location of new economic activities. In turn, this will depend on regional policy. The Council notes that the Green Paper contains no reference to regional policy. Finally the Council agrees with the statements and proposals regarding social justice.

VI. Conclusions

6.33.23. The Council agrees with the Green Paper's diagnosis of the basic problem that must be resolved if progress is to be achieved towards raising the level of employment at an acceptable rate. The Council also agrees with the Green Paper's prognosis of what will happen if these problems are not resolved and if past trends continue.

6.33.24. A national plan should set out a consistent set of policies designed to establish the conditions in which output and employment can grow at the rates necessary to achieve rising employment at increasing standard of living. At this juncture, the scarce skills of policy-makers should be devoted to formulating policies and spelling out policy options rather than to exercises in the illustrative arithmetic of macro-economics.

6.33.25. The new plan should not therefore assume that basic problems were solved and then project the kind of future that could lie ahead. In its detailed chapters it should not merely describe what had happened in the recent past to various economic sectors and areas of social activities, and then discuss in general terms the main policy issues for the immediate future.

6.33.26. In the preparation of any plan for economic and social development there should be the fullest possible consultations with those expected to contribute towards achieving its objectives. These consultations should include all productive sectors—agriculture, as well as trade unions and industrial managers and employers.

APPENDIX 6.34

ALTERNATIVE GROWTH RATES IN IRISH AGRICULTURE

(NESC, No. 34, Pri. 6236, October 1977)

I- Introduction

6.34.1. This report is presented in two parts. Part I of the report contains the Council's comments. Part II sets out the consultants' study in

full. It was prepared by Dr. John A. Murphy, Dr. John J. O'Connell and Dr. Seamus J. Sheehy, Department of Applied Agricultural Economics, University College, Dublin.

6.34.2. In February 1975, the Council published¹ projections of the growth in population and the labour force up to 1986. In a subsequent report², some of the implications of the projections for employment and living standards were examined. If employment is to be provided in Ireland for the projected expansion in the labour force, then considerable growth is required in output, productivity and investment in the agricultural, industrial and services sectors. In order to assess the growth prospects at a sectoral level, the Council decided to begin by examining the potential for development in agriculture.

6.34.3. This report is the third stage in the study of the potential for growth in the agricultural sector³. It attempts to quantify some of the important implications of alternative rates of growth in agriculture. The Council plans to complete during 1977 a general report on the potential for development in Irish agriculture and the strategies and policies by which this potential might best be realised.

II. The Present Study

(a) Background

6.34.4. This report is concerned with quantifying some of the important implications of alternative rates of growth in Irish agriculture. In particular, the implications for employment and the Balance of Payments are examined. The growth rates chosen by the consultants are not forecasts of what will happen by 1985. Instead, they show what growth is required in the different sub-sectors of agriculture if the overall agricultural growth rates—the "low" and the "high"—were to be realised. To that extent the study is purely a technical exercise and no judgement

¹Population and Employment Projections: 1971–86, NESc, No. 5, February 1975.

²Jobs and Living Standards: Projections and Implications, NESc, No. 7, June 1975.

³The first two stages of the study, which have been completed by the Council, are *A Comparative Study of Output, Value-Added and Growth in Irish and Dutch Agriculture*, No. 24, December 1976, and *New Farm Operators, 1971 to 1975*, No. 27, April 1977.

is implied as to the likelihood (or otherwise) of the growth rates selected being achieved.

6.34.5. The "high" growth rate chosen by the consultants is not an impossible target for the agricultural sector. It is a rate which if achieved over the eleven year period of the study would be a most uncommon international achievement. Over a short period, at least, such a rate has been approached, as was pointed out by the Council in a recent report¹—the growth in the agricultural sector in Ireland during the period 1971–75 actually exceeded 5% per annum on average. However, this figure reflects special factors at work in 1975, and is not strictly comparable with the projected rate of 5½ per cent, which is based on assumptions specified by the consultants. On the basis of comparisons with other European countries, it can be shown, however, that there is a lot of leeway to be made up—in terms of both output and productivity.

(b) Alternative Growth Projections

6.34.6. The consultants' analysis relates to a period of eleven years, from 1974 to 1985—a period sufficiently long to identify the implications of alternative expansion paths and yet short enough to permit realistic assumptions regarding market and technological developments². As regards availability of resources, the consultants assume that labour and capital are not constraining factors. Insofar as they do prove to be constraining factors, the employment estimates may have an upward bias to the extent that jobs created in agriculture may be partly (or entirely) offset by job losses in industries competing for scarce capital.

6.34.7. The consultants present in considerable detail the production patterns of the crop and livestock sectors of Irish agriculture. Alternative production patterns are specified for the "low" and "high" growth paths examined. The growth paths point to annual growth rates in Gross Agricultural Output of 3.0% ("low") and 5½% ("high") between 1974 and 1985. In terms of Net Agricultural Output, the annual average

¹*A Comparative Study of Output, Value-Added and Growth in Irish and Dutch Agriculture* (NESc, No. 24, December 1976—page 10).

²The notation 1974 and 1985 is used to denote the average of the three-year periods 1973/74/75 and 1984/85/86 respectively.

growth rates are 2.0% ("low") and 3.7% ("high") respectively. The "high" growth rate could be achieved by many different combinations of enterprises—the consultants selected two of many possibilities. The difference between the two paths chosen is that one assumes no calf exports and the other assumes a certain level of calf exports, which would be replaced by additional cows and cereal production on the land released. In fact, the differences in the output mix between the two "high" growth scenarios were not large enough to necessitate detailed investigation of their separate employment consequences.

6.34.8. On the basis of their assumptions, the consultants project, under the "low" growth path:

- a rise in acreage under feeding barley.
- a decline in acreage under wheat, oats and potatoes.
- a rise in milk and cattle output.
- little change in pig and sheep output.

Under the "high" growth path, assuming no calf exports, the consultants project:

- an average annual increase of 100,000 cows.
- an average annual increase of 30 gallons in milk yields.
- an average annual increase of 6,000 sows.
- an average annual increase of 30,000 acres in feeding barley.
- an arrest of the decline in wheat acreage.
- more intensive beef production systems.

6.34.9. Under the alternative "high" growth path, the consultants examine the use to which surplus capacity might be put in 1985, if the export of calves is assumed. They conclude that calf exports need not depress output. Despite considerable apprehension in recent years at the initiation of live calf exports, the results of the consultants' study show that such a development would make little difference to the agricultural economy if the land released by calf exports were suitably allocated to other enterprises. Indeed, the projections for 1985 point to a marginally higher volume of Gross Agricultural Output under this alternative "high" growth path.

(c) *Employment/Productivity Projections*

6.34.10. The consultants examined the likely employment implications for the alternative growth paths. They project a continued downward trend in on-farm employment. However, the annual rate of decline is projected at only 1.5% under the "high" and 2.1% under the "low" growth path. These rates of decline are less severe than those projected by Professor B. Walsh in *Population and Employment Projections: 1971–86*. In this report, the consultants have estimated that 15,000 more people would be retained in farm employment in 1985 under the "high" growth path, than under the "low" growth path.

6.34.11. The other area examined was industries where employment is directly influenced by changes in the output projected in the study. The information gathered provided the basis for estimates of changes in productivity and employment. Direct employment projections were made for the industries selected on the basis of the "low" and "high" growth paths. The implications for employment of the two variations of the "high" growth path were not examined separately because of the negligible difference between their outputs by 1985.

6.34.12. In addition to examining the employment effects of different volumes of throughput, data from their survey enabled the consultants to examine the employment effects in relation to the intensity of processing in the different industries. Under the combination of different assumptions regarding growth in agricultural output, intensity of processing and whether or not live cattle are exported, the consultants provide twelve different projections for employment in the industries associated with agriculture. The actual range of projected change in *direct* in-factory employment in the period 1974 to 1985 is from a minimum increase of 570 jobs to a maximum of 24,000 jobs under the most favourable assumptions.

6.34.13. To the extent that *direct* employment in agriculture would be increased because of a faster growth in agricultural output and income, it is probable that employment in other sectors would also increase. It is not possible, however, to give any firm estimate of the number of these jobs. In their study, the consultants, in the absence of empirical evidence of the induced effect of changes in direct employment, apply for

illustrative purposes an arbitrary multiplier of 2 to the *direct* employment projections. This means that for each new *direct* job, an additional *indirect* and *induced* job is assumed to be maintained in other activities.

(d) The Balance of Payment Effects

6.34.14. The consultants in estimating the impact on the Balance of Payments of the alternative growth strategies, first projected the domestic market requirements, and then derived the surplus available for export as a residual. Import requirements were then deducted to give the net Balance of Payments' position. Using 1974 net trade as a yardstick, the consultants estimated a net trade gain of £165 million under "low" growth model and £376 million under the "high" growth model.

(e) Consultants' Conclusions

6.34.15. The contribution of agriculture to national employment has been shown to be heavily dependent on its rate of growth. On the basis of the growth rate over the past 15 years, the consultants' study indicates that agriculture would continue to lose jobs on farms even though the substantial improvement in the incomes of the on-farm workforce since 1971 has slowed the rate of decline. Further, the historic growth rate is estimated to yield very few new in-factory jobs to offset the loss of on-farm jobs, unless the intensity of processing improved considerably over its present level. A rapid rate of growth in agriculture on the other hand could, according to the consultants make a significant contribution to national employment—particularly if it could be augmented by more intensive processing.

APPENDIX 6.35

POPULATION AND EMPLOYMENT PROJECTIONS 1986— A REASSESSMENT

(NESC, No. 35, Pri. 6340, October 1977)

6.35.1. This report is presented in three parts. In Part A, the revised population projections to 1986 and their implications for jobs and living standards are summarised. An attempt is made to place these

projections in perspective. Part B contains details of Professor Brendan Walsh's revised projections and discusses the reasons for the differences between them and the earlier projections given in *Population and Employment Projections: 1971–86*. Part C examines the implications of the revised projections for jobs and living standards. This part was prepared by Mr. T. P. Ferris and Mr. Andrew Somerville.

Part A

6.35.2. The revised projections prepared by Professor Walsh show that over the eleven years from 1975 to 1986 a *net* increase in employment outside agriculture of 199,000 to 252,000 would be required—an average of 18,000 to 23,000 a year.¹ However, if 5,000 redundancies a year were assumed over the eleven years to 1986 the number of new jobs required would lie in the range 254,000 to 307,000—or 23,000 to 28,000 a year. In addition, if an unemployment rate of 4% were really being approached, it is very likely that even more new jobs would be required.² Virtually all of the increase in the numbers who will be seeking work between 1975 and 1986 will occur in the age group 15–44.

6.35.3. The rate at which national output can grow depends on the availability of productive resources and the efficiency with which they are used. People are the most important productive resource and the population projections indicate that there could be significant increases in the numbers seeking work over the next ten years. At the same time, there is considerable scope for improving the efficiency with which resources are used. If productivity could be raised towards European levels, and if the growing population could be employed, the associated rate of economic growth in Ireland could be higher than in any other EEC country. The potential is there: the problem is to identify (and do) what needs to be done to realise it.

6.35.4. If population and employment projections had been made, on similar assumptions about emigration and unemployment, at any time

¹Assuming an unemployment rate of 4 per cent in 1986.

²More people could leave agriculture than is assumed in Professor Walsh's projections, the participation rate for married women could rise to a higher level than he has assumed, and more emigrants might be attracted back to Ireland.

since the establishment of the State, they would have shown much the same figures for new jobs required as the 1974 and 1977 projections. If Irish productivity in the main sectors of economic activity had been compared with that in other west European countries, the differences would have been even greater than those suggested by recent studies. The present population and employment projections do not therefore identify a new problem. They are merely attempts to quantify for the future the dimensions of a problem that has existed in this country for the last 150 years and more.

6.35.5. If past trends continue into the future, the rise in employment will fall far short of the required rate. If, in addition, the future is at all similar to the past, many will have to emigrate to find work, some will stay in Ireland and raise the numbers unemployed, and participation rates will fall. By 1986, employment outside agriculture might be 80,000 to 100,000 higher than in 1976, or about one-third of the increase required. In the past, this sort of outcome has never been acceptable in prospect, but in retrospect it generally seems to have been regarded as tolerable.

6.35.6. However, the future may not be similar to the past. Over the next five years or so, it may be more difficult for Irish people to find jobs outside Ireland than it was in the 1950s and 1960s. Job opportunities may be more numerous after 1980 but they could occur mainly in the continental EEC countries. The employment projections assumed a rather slow decline in the numbers engaged in agriculture. This makes it less likely that the numbers seeking work outside agriculture could be reduced significantly by still fewer leaving agriculture. The scope for further significant reductions in participation rates, over and above those assumed in the latest projections, is probably small. Unemployment is already at a high level: even a continuation of the present level could have serious social and political implications.

6.35.7. The "solutions" that emerged in the past may not therefore be available in future. The major objective of policy must therefore be to improve on past performance in creating employment.³ In previous

³In the Green Paper on *Economic and Social Development, 1976-1980*, the Government identified two major domestic obstacles in the way of solving the employment problems: a rate of increase in incomes that is too high if enough new jobs are to be provided; and the scale and method of financing public expenditure.

reports—and mainly in its *Prelude to Planning* (No. 26)—the Council analysed these problems and discussed the main policy options available to resolve them.

6.35.8. The Council believe that full employment with "reasonable" rates of reward to labour and capital is not an unattainable objective. It may be difficult to reach it by 1986 but significant progress towards achieving it can be made by that date. But there will be little progress towards full employment unless the community wills its achievement and accepts the policies that will achieve it. The formulation of the appropriate policies for the evolution of incomes, and the growth in efficiency and in investment is now a matter of the utmost urgency.

Part B

6.35.9. The main results of Professor Walsh's work, which incorporated the recent population projections presented by W. Keating, are as follows:

Summary of Projections 1975-86

	1975 (actual in millions)	1986 (Projected)			
		"Low" Estimates		"High" Estimates	
		Projec- tion in millions	Annual Average change in millions	Projec- tion in millions	Annual Average change in millions
Total Population	3.127	3.486	+ 0.033	3.514	+ 0.035
Total Labour Force	1.140	1.242	+ 0.009	1.312	+ 0.016
Total Employment	1.050	1.180	+ 0.012	1.246	+ 0.018
<i>Sectoral Distribution</i>					
Agricultural employment	0.252	0.195	- 0.005	0.210	- 0.004
Non-Agricultural employment	0.798	0.985	+ 0.017	1.036	+ 0.022

6.35.10. In the first part of his re-examination of his earlier projections, Professor Walsh isolates the assumptions in his earlier study⁴ which still stand and those which require modification. As regards migration, zero balance or a slight net outflow remains a reasonable working assumption for the immediate future. Since 1971, however, the decline in the fertility of marriage has been more rapid than in the previous intercensal period. The fall in marriage fertility since 1971 has been at a rate which, if continued to 1986, would lead to substantially fewer children in the population than expected on the basis of the extrapolation of 1966-71 trends.

6.35.11. As regards the age structure of the population, Professor Walsh states that the most important discrepancy between his earlier projections and more recent evidence lies in the larger numbers in the 15-44 age group (cf. NESC, No. 5). The excess is partly offset by a "deficit" in the 45-64 age group. The result is that in NESC Report No. 5, the projected population aged 15-64 was some 30,000 larger than now appears likely to materialise in 1986, if recent migration patterns persist in the immediate future.

6.35.12. As regards the labour force projections, Professor Walsh emphasises that the assumptions to be made regarding labour force participation rates and the rates of decline in the agriculture labour force are not clear-cut.⁵ From his projections, it is clear, however, that regardless of the assumptions made about participation rates, the supply of younger workers (aged 15-44) will grow very rapidly over the decade. At an overall level, the total labour force is projected to increase by between 102,000 and 172,000 from the 1975 base of 1,140,000.

6.35.13. In projecting the number of additional new jobs required, Professor Walsh assumed that 5% unemployment corresponds to "full employment" in Irish conditions. When allowance is made for the reduction in unemployment from 8% in 1975 to 5% in 1986, an increase of between 130,000 and 200,000 in total employment is required

⁴NESC, No. 5, February 1975.

⁵Because of the uncertainties surrounding the participation rates, Professor Walsh presents a range of labour force projections.

between 1975 and 1986. Within the global projections, there is considerable variation in the rate of change between different age groups and between males and females.

6.35.14. Professor Walsh cites two estimates for the loss of employment in the agricultural sector. Both estimates project a slow-down in the rate of decline by comparison with the earlier projections. The combination of the *total employment* projections with the *agricultural employment* projections provide a range of non-agricultural employment projections. Professor Walsh emphasises that some of these combinations are more plausible than others.

6.35.15. In conclusion, Professor Walsh emphasises that the projections set out in his report are tentative. It is obvious, however, that the target of reducing the unemployment rate to 5% will be very difficult to achieve by 1986. According to Professor Walsh, the ambitious targets for agricultural and non-agricultural employment may, or may not, be attained. To the extent that the targets are not fully attained, the shortfall may be taken up by a combination of increased emigration, high (or higher) unemployment, lower labour force participation rates and greater absorption of young people into the agricultural labour force.

Part C

6.35.16. This part of the report compares Irish living standards and productivity in 1974 with other European countries. In addition, it examines some of the implications of the population projections for employment and living standards up to 1986. The problems of providing new jobs and raising living standards are inseparable.

6.35.17. In this study, the cross-country comparisons are restricted to the small Continental EEC countries (described as "Benedelux"⁶) and the United Kingdom, and are made in terms of "output per head of

⁶Two sets of figures were derived for "Benedelux" by converting output to £s—*first*, through the use of official exchange rates, and *second* using a common set of "international prices" or purchasing power parities.

population" (i.e. living standards) and "output per person at work" (i.e. productivity). Output was disaggregated into three sectors—agriculture, industry and services.

6.35.18. It must be emphasised that, at best, the comparisons merely give a rough indication of the differences between Irish living standards (and productivity) and those of other countries. Such comparisons have to be treated with caution because of differences in economic structures, social and political organisations and more particularly in the definitions used in compiling statistics. As regards comparisons between cross-country data for 1971⁷ and 1974, it must again be emphasised that the results have to be treated with caution.

6.35.19. From the inter-country comparisons, it is clear that Ireland is worse off than its neighbours in terms of living standards, overall productivity and productivity in the main sectors. Part of the explanation for the differences in living standards lies in population structure. Certain incomparabilities have to be accepted in examining the sectoral productivity data, however, because conventions differ by country. But even when allowance is made for this, and for differences between the countries in the composition of activities within each sector, productivity in Ireland appears to be significantly lower in each sector than in the smaller EEC countries. It would seem that the biggest productivity gap occurs in the agricultural sector.

6.35.20. The factors which were identified as contributing to the gap in material living standards between Ireland and the smaller EEC countries, using 1971 data, continued to be relevant in 1974. They are:—

- the relatively high proportion of the Irish workforce in agriculture;
- the relatively low productivity in each sector; and
- the relatively high ratio of dependants to total population in Ireland.

⁷Similar comparisons were made for 1971 in *Jobs and Living Standards: Projections and Implications* (NESC, No. 7, June 1975) embracing the same European countries and using the same broad methodology and the same statistical sources.

6.35.21. The main general conclusion that can be drawn from the comparisons of 1971 and 1974 data is that material living standards and productivity in 1974 are still substantially higher in the other countries covered by the study than in Ireland. As regards comparisons with Britain and Northern Ireland, Ireland's position seems to have improved slightly in terms of living standards and overall productivity between 1971 and 1974. At the sectoral level, Ireland's agricultural productivity also showed some improvement. However, in terms of comparisons with the continental EEC countries, between 1971 and 1974 the gaps in living standards and in overall and sectoral productivity got somewhat wider.

6.35.22. The examination of the implications of achieving by 1986 either full employment at European levels of output per head, or full employment at European levels of productivity, is in essence an exercise in illustrative arithmetic⁸ incorporating only a limited input of assumptions regarding economic behaviour. The various exercises treat the population and employment projections as if they were independent of the growth of GDP. The derived figures for growth in GDP (and productivity) are based on the assumption that population and employment projections would not be incompatible with the growth rates in living standards.

6.35.23. Since 1971 Ireland's output per head has only shown a marginal improvement compared with the UK and has worsened in comparison with the smaller EEC countries. Consequently, the attainment of European levels of productivity by 1986 has become more difficult since NESC Report No. 7 was prepared. The average growth rates of GDP required over the years 1974 to 1986 if Irish GDP per head of population, or per person employed, were to reach European levels by 1986 are quite formidable.

6.35.24. In an exercise of this kind the figures should not be interpreted as more than indicators of orders of magnitude. In order to achieve

⁸For the purpose of the illustrative arithmetic, the low Irish population and labour force projections for 1986 set out in the summary table (paragraph 6.35.9) have been used. In addition, an unemployment rate of 4% in 1986 is assumed. The growth rates of output, employment and population assumed for the other countries are based on projections made by the EEC.

British levels of *output per head*, an annual average growth rate of the order of 9% would be required between 1974 and 1986. The corresponding figure taking Benedelux as the basis of comparison is around 11%.^a As might be expected, Northern Ireland was closest to Ireland, in terms of both output per head and productivity in 1974. In order to close either gap by reference to Northern Ireland, a growth rate of 4% to 5% would be required in labour productivity, equivalent to about 6% in total output.

6.35.25. The implications for Irish living standards under two different growth rates for Ireland—4½% and 6%—are examined in the context of the smaller EEC countries. Growth over the period 1974–86 at the rate projected by the EEC for 1976–80 would, with a 6% Irish growth rate, imply a relative improvement in Irish levels of output per head compared with the other countries examined. However, under the lower Irish growth rate (4½%), living standards in Ireland would fall relative to the other countries. Again, only under a 6% growth rate would any relative improvement in Irish productivity occur by 1986. If, however, a sustained growth rate of 6% were achieved in Ireland, then, under the assumptions made, the level of Irish productivity would exceed that of Northern Ireland by 1986.

APPENDIX 6.36

UNIVERSALITY AND SELECTIVITY: STRATEGIES IN SOCIAL POLICY

(NESC, No. 36, Pri. 6416, 1978)

6.36.1. This report is the first of three in which the Council will consider the policy implications of universality and selectivity in Irish social services. Part I contains the Council's comments, and Part II contains the study commissioned by the Council from Mr. Mike Reddin, of the London School of Economics and Political Science. A second report, examining the basis on which social services in Ireland are provided, is currently in progress. When this second study has been

^aAssuming that British GDP grows at 4% per annum and Benedelux by 4½% per annum over the period.

completed, it is the Council's intention to prepare a brief report relating current Irish practice to the present study, and setting out its conclusions and recommendations.

6.36.2. During 1976, in two reports the Council discussed the role and significance of public expenditure, and some of the consequences of its level and rate of growth. When drafts of these reports were being considered, the possibility of containing the growth in social expenditures, by greater selectivity in the provision of social services, was briefly discussed. These brief discussions tended towards a distinction between "universal" and "selective" social services. In their simplest terms, universal benefits are payable without a means test to anyone falling within a given category (for example, the retired, the widowed, the sick or children in their entitlement to primary education). At the other end of the spectrum, selective benefits are those restricted to particular groups, who are generally identified by reference to their financial circumstances. Interest in selectivity is often associated with concern about the level and rate of growth of public expenditures.

6.36.3. On further reflection, it was felt that this dichotomy between "universality" and "selectivity" might be too superficial to be useful as a guide to policy. Since the terms are often used without their meaning or the context to which they relate being defined, they may confuse rather than clarify the issues involved. Because of their diversity and complexity, the Council felt that the issues involved merited further study. In Ireland as elsewhere in recent years, there has been some debate between "universalists" and "selectivists", and there are indications that this discussion could develop further.

6.36.4. Not all Council members agree with all of Mr. Reddin's judgements and conclusions. Nevertheless, the Council decided that the study should be published at this stage for two reasons. First, it is desirable that the issues involved in the provision, finance and use of social services should be described and discussed so that they can be more widely debated. Second, when changes in social services are being discussed, it is desirable to have available a more comprehensive analysis of all the implications of the different ways in which they might be available. At the very least, this will make it somewhat easier for

both the public and policy-makers to see individual changes in a wider context and assess their full implications.

6.36.5. It is clear that any assessment of the relative merits of universal and selective strategies and services must, at the very least, have four dimensions. First, what benefits are provided, to whom they are directed and the extent to which they are used by those for whom they are provided? Second, who pays, how they pay and the distributional, incentive, and other effects of the way in which the cost is met? Third, there is the dimension of time: for how long are the services to be paid and the benefits received, and what changes are likely as time passes in the composition of those who pay and of those who might benefit? In all these questions it is very difficult to distinguish the apparent and immediate effects, of payments and benefits from their "true" or "ultimate" incidence. Fourth, it is not possible to assess all the things that are relevant without reference to the values of the community: how do those who pay regard and judge those who benefit, and how do those who stand to benefit regard and judge those who pay?

6.36.6. The Council regards Mr. Reddin's study as a "pre-policy" study. It does not provide a detailed blueprint for particular changes in policy or practice. Rather it develops a framework for thinking about social policy and discusses the issues which are relevant in choosing the strategies by which its objectives might best be pursued by policy-makers and administrators.

6.36.7. Mr. Reddin's study takes as a starting point a "narrow" interpretation of the terms universality and selectivity and then devotes its energies to broadening them step by step. At their simplest, universal benefits or services are usually designated as those which provide for a category of citizens without any direct regard to their incomes. Typically such programmes are financed collectively and most often administered by governmental agencies. They may well discriminate between citizens on grounds of their needs but not on grounds of their means. Selective benefits or services on the other hand are usually characterised as offered only to individuals who demonstrate that they are "needy"—almost invariably a need described in terms of lack of means. Thus some form of means-testing is usually evident in association with selective

provisions. Selective strategies as a whole tend to be posed in the context of private market arrangements for the majority of citizens with the provision of selective public services for a minority of poor people. In practice, these generalised characteristics tend to become exceedingly blurred at the edges.

6.36.8. Mr. Reddin argues that any policy or strategy designation such as "universal" or "selective" is only useful if it summarises both the systems of finance and the patterns and duration of use of benefits and services. Categorisations based on conspicuous characteristics—like means-tests or their absence—were found decidedly unhelpful. It became necessary to explore the sources of social service revenues (and their "true" incidence), the utilisation patterns of social services—both universal and selective—and to embark on a wider debate about the acceptability of benefits to recipient and taxpayer.

6.36.9. Chapter one defines the terms and charts the boundaries of the discussion. It examines by way of illustration the "selectivising" impact of tax systems on universal benefits and the selective availability and the use of apparently universal services. It stresses the variety of forms which may arise and the dangers of generalising from one pattern of benefit utilisation to others.

6.36.10. Chapter Two attempts to chart some of the stated aims of universal or selective strategies; the concern to allocate scarce resources efficiently—and the simplistic concept of efficiency that this frequently evokes. From the outset the argument seeks to chart the relative position of recipient and non-recipient, poor and non-poor, in response to both the receipt and finance of benefit and service systems. In particular it notes the emergence of the average earner as taxpayer—and the sense of citizenship and membership of society which this may entail—and the associated potential for isolation of the non-tax pay "non-citizen". It further examines the "symbolic" adoption of social welfare policies, the extent to which general public and policy maker may be in dissent and how these dissensions may be concealed within universal or selective programmes. The Chapter concludes with an examination of two major and recurrent themes of the universal/selective debate—namely, those relating to the state of dependency which may be induced by social

welfare provisions and the associated anxieties about effects on the incentive to work.

6.36.11. Chapter Three considers various aspects of the universalist approach. Attention is drawn both to some of the "positive" aims of universal strategies and the areas in which they have been used in default of alternatives. Particular concern is expressed over assumptions made about the "universality" of utilisation within universal services, and notes the ways in which individual citizens' competence as consumers often produce patterns of use far from "universal" or "equal".

6.36.12. Chapter Four examines those particular components of policies and strategies which make them "acceptable" to both potential service clientele and a wider public of taxpayers. It examines the extent to which benefits are made acceptable by their association with "desirable social objectives" or by their acceptability to the "significant others" in our lives who may set standards for us. The impact of benefit generosity on their acceptability is also discussed as is the distinct problem of claims made for others (such as dependent children).

6.36.13. In Chapter Five an attempt is made to break down into their component parts the various barriers which are argued to prevent people claiming means-tested benefits. This involves problems of identification—by agencies of their potential clients, and by the poor themselves. The potential impact of information and publicity on benefit uptake is also discussed.

6.36.14. Chapter Six links the issues discussed in previous chapters with the presumed significance of stigma in determining the use of social services, particularly within income-selective systems. It tries to set the discussion in the context of the relations between poor and non-poor in a welfare society and argues against any automatic assumption that stigma is either pervasive or significant; it does however argue that stigma is far from being an independent variable in any explanation.

6.36.15. Chapter Seven links together three issues—incidence, evaluation, vulnerability. It is argued that there are real problems in measuring incidence and in evaluating the outcomes of social policies;

this is significant in determining the political vulnerability of social policies. The chapter concludes by asking whether systems which are conspicuous and clear in their operation and impact have any inherent advantages or disadvantages over those whose workings are discreet or simply unknown.

6.36.16. Chapter Eight returns to examine an earlier problem: what policy options can be used which are at once "discriminatory" and are still "acceptable." Consideration is given to the general problems of positive discrimination (in favour of the needy), of negative discrimination (in restraining the inefficient consumption of resources of the non-needy), and the issue of fiscal selectivity through the tax system. Finally, the area selectivities of territorial redistributions are considered—again distinguishing between the impact of resources as distributed and their further "selectivisation" via utilisation.

6.36.17. Chapter Nine critically examines some of the range and variety of potential income-selective approaches. It considers passport and common claims systems, a proposed General Eligibility Test and all the associated problems of "poverty traps" and the like: it briefly explores the potential of a negative income tax approach to some of these problems. In so doing it asks what such systems seek to replace and in particular how distinct the boundary is presumed to be between poor and non-poor.

6.36.18. Chapter Ten sets down broad conclusions against which specific policy proposals might be checked. It reiterates the sense of ignorance which surrounds our understanding of human economic and social behaviour, and further notes our reluctance at seeking to establish what popular opinion is on many central issues—our concepts of fairness, our concern with work and "dependency". It urges that to ignore what people think is at very least short-sighted. In particular concern is expressed that the degree of civic understanding of literacy in a society may go a long way to determine its "welfare relationship"—for good or ill. Titmuss' advocacy of a "joint approach" is noted—that is operating selectivity (on the basis of needs and means) within a universalist framework. While this formulation leaves unresolved the problem of the poor whose sole need is their lack of means, its is a useful

starting point for an examination of the equation of "need" with "lack of means". The use of universal benefit systems to identify clients is further explored in this context of "universal framework".

6.36.19. Fear of the "expense" of universal systems is then assessed (particularly in contrast with assumptions about the alternative expense of non-universal solutions), and the wider issues of costs of administration and of compliance are pursued. Specifically, attention is directed to the costs of pursuing policies of high uptake, of drawing in non-user clientèle. Finally, the chapter notes that the capacity of selectivised, systems via the ways they are financed and subsequent to their provision (for instance, by taxing benefits) may be severely, practically, limited by the degree of coverage of tax systems, particularly income taxes. In conclusion, the study notes the dilemmas of trying to run incomes-selective schemes within a competitive wage economy—where the rewards of "welfare" are in inverse proportion to the rewards of the market. Such dilemmas may be more than philosophical—do they encourage the concealment of resources, the evasion of taxes? And what are they constantly asserting to the poor and the non-poor but messages of exclusion? Not least how far does the entire income-based approach presume that it is the individual who determines his poverty or affluence at any one point in time? The concluding call for the continued use of both strategies is therefore not an attempt to avoid commitment or to avoid giving offence; rather an acknowledgement of their diversity and potential under specified conditions.

APPENDIX 6.37

INTEGRATED APPROACHES TO PERSONAL INCOME TAXES AND TRANSFERS

(NESC, No. 37, Prl. 6684, 1978)

6.37.1. In Ireland, two kinds of direct taxation are levied on persons— income tax and social welfare contributions. Incomes are provided or augmented for those judged in need by a variety of social welfare payments. These codes have evolved separately, with no obvious link between them.

6.37.2. The present income tax and social welfare codes, even when pay-related benefits and redundancy payments are excluded from consideration, can give rise to a number of problems. For example, the effective tax rate for persons taking up low-paid employment, especially those with large families, can be relatively high. This high effective tax rate is the result of a number of factors, including the following:—

- flat rate social welfare contributions;
- the fall that has occurred in the real value of personal tax-free allowances;
- the relatively high marginal tax rates that are a part of the income tax code;
- the real increases that have occurred in the levels of social welfare benefits and assistance, and
- the absence of any mechanism for transferring purchasing power to workers on low incomes.

6.37.3. As well as creating situations in which some could be no better (or even worse) off as a result of the head of the household taking a job, the present income tax and transfer codes raise other issues. Little is known of the extent to which they achieve a more equitable distribution of purchasing power among persons or succeed in protecting those without jobs or incomes from poverty. Moreover, both codes are complex and not capable of being easily understood by the population at large.

6.37.4. The Council commissioned Mr. Brendan Dowling of the Economic and Social Research Institute to examine ways in which the system of direct taxation and income transfers might be integrated while resolving these problems and avoiding additional cost to the Exchequer. Mr. Dowling's study is set out in full in Part II of the report.

6.37.5. Mr. Dowling examines three approaches towards integration of the income tax and social welfare codes, namely:—

- a non-refundable tax credit scheme;
- a refundable tax credit scheme;
- an individual grant and tax scheme.

These represent progressively closer approaches to the integration of the two codes.

6.37.6. The *non-refundable tax credit scheme* would replace the present tax-free allowances and deductions for mortgage interest, superannuation, VHI contributions, etc. by tax credits, substitute a 5% tax on all income earners (including the self-employed) for the present social insurance contributions by employees, and reduce the higher income tax rates. In this scheme, all the changes are concentrated in the direct tax code, with the social welfare code remaining unchanged. Mr. Dowling estimates that the changes proposed would not involve any additional cost to the Exchequer.

6.37.7. In this first scheme, there would be no change in the administration of social welfare payments and the changes proposed in the collection of income and social welfare taxation should not create any severe administration problems. However, the scheme would not help low income families outside the tax net (except marginally by the introduction of income-related social welfare contributions), and it would not reduce the high effective tax rates of low income families returning to employment.

6.37.8. The refundable tax credit scheme is a development of the first. In this second scheme, tax credits are increased and become refundable (that is, those with tax liabilities less than their allowable tax credits receive a refund equal to the difference) and short-term; social benefits become taxable (but no tax would be paid by persons in receipt of benefit alone). The refunds of unused tax credits would be confined to regulation for social welfare benefits. Tax rates would have to be at higher levels than in the first scheme in order to finance the refunds of "unused" tax credits and the higher level of tax credits. However, Mr. Dowling estimates that despite the higher tax rates, the refundable tax credit scheme would cost between £50 and £55 million more each year than the present arrangements.

6.37.9. The main advantage of the integration of the income tax and social insurance codes within the refundable tax credit scheme is that it reduces the effective "marginal tax rate" on income from low-paid

employment, particularly for families with dependent children. Its main disadvantages relate to the treatment of the self-employed and those on social assistance. The self-employed would be left in a somewhat anomalous position, being entitled to tax credits but not to refunds of tax credits. Those receiving social assistance could still suffer high marginal tax rates on moving into employment, though these would be lower than under the present system.

6.37.10. In the third scheme an attempt is made to integrate fully the existing direct tax and social welfare codes. Tax-free allowances, deductions for debt interest, superannuation, VHI contributions, etc. and social welfare and assistance payments are abolished. In broad terms, all persons would receive a cash grant, the size of which would depend on age and employment status. These tax grants would be non-taxable. All income would be subject to direct tax at a standard rate, with a rather higher rate being applied to incomes from self-employment.

6.37.11. In its simplest terms, then, this third scheme would give everybody social welfare payments and tax all incomes at a standard rate. Mr. Dowling estimates that even if all farming incomes were brought within the tax net that it would cost the Exchequer about £83 million more each year than the present arrangements. It would largely avoid or resolve all the problems associated with the existing direct tax and social welfare codes and with the first two schemes he proposes.

6.37.12. It can be seen that the three approaches to integration of the direct tax and social welfare codes examined by Mr. Dowling have two characteristics in common. First, in all of them the existing income tax allowances are replaced by tax credits that have a fixed value in money terms. Second, flat rate social welfare contributions are replaced by income-related contributions which are incorporated in the tax codes. The first two schemes have a third characteristic in common, namely, permitted deductions from income for tax purposes (for example, for superannuation, VHI and life assurance contributions or for mortgage interest) are limited, thus extending the tax base; in the third scheme, no relief would be given in respect of such payments.

6.37.13. In all three schemes, an attempt has been made to ensure that, as far as possible, no one would lose significantly by a move from the present arrangements to any of the schemes outlined. Apart from the first scheme this makes it impossible to avoid an increase in cost to the Exchequer. As noted above, the second and third schemes would impose additional costs of £50–55 million and £83 million respectively on the Exchequer.

6.37.14. The Council, in general, accepts Mr. Dowling's analysis of the undesirable consequences that can result from the present income tax and social welfare codes. These consequences could become more serious if the two codes were to continue their separate evolution. It is therefore important that the progressive integration of the present system of direct taxation with the arrangements for income maintenance should be examined. In the Council's view, Mr. Dowling has presented a framework within which discussion (and indeed action) about the relationship between income tax and social welfare could develop fruitfully. These issues have been discussed in many western countries for some time (though as yet without action). It is of the utmost importance that they should be discussed seriously here in Ireland.

6.37.15. Any move towards integrating direct taxation with the arrangements for income maintenance will pose formidable political problems. These are inescapable if the implications of integration for public expenditure are to be kept within reasonable bounds. These problems could be avoided only if none (or very few) were made worse off, and all (or almost everyone) were made better off, as a result of the change. But this situation could be achieved only at excessive cost to the Exchequer. To ensure that the wider debate is as informed as possible, it is very important that the relevant Government Departments should make estimates of the costs involved in the different schemes, because they have much more detailed information at their disposal than had Mr. Dowling when he was making his estimates.

6.37.16. It is also important that the relevant Departments should study in detail the administrative implications of any attempts to integrate the direct tax code with arrangements for income maintenance. While Mr. Dowling has not ignored the problems that could arise in administering his proposals, the Council feels that he may have tended

towards under-estimation of the administrative difficulties that could arise in practice. As well as the cost of any moves towards integration and their administrative implications, there are other problems that would have to be studied in greater detail.

6.37.17. Despite the question to which they give rise, it is the view of the Council that the schemes described in Part II provide a useful basis for discussing the general direction that attempts to integrate the direct taxation and social welfare codes should take. Full integration of the two codes would bring to the surface some of the major issues regarding income taxation and income redistribution which the complexities of the present separate schemes may tend to obscure. As the debate on integration develops, the community would therefore be forced to face, more effectively than at present, the questions of how much redistribution is desired and how much it is prepared to pay for such redistribution. Integration would not merely be a mechanism for doing existing things differently—it could make possible the pursuit and achievement of new and different objectives, and could therefore create a powerful mechanism for bringing about social change. How much social change could be effected would, of course, continue to depend on the amount of resources which the community is prepared to surrender for this purpose.

6.37.18. At the same time, too much must not be expected of any integrated approach, no matter how far reaching it may be. There will always be people who, despite reasonable prudence and foresight, suffer hardship or tragedy that they cannot (and cannot be expected to) cope with on their own. An integrated scheme should not be so inflexible that it prevents a quick response to the needs of such people, if only on a temporary basis.

APPENDIX 6.38

UNIVERSALITY AND SELECTIVITY: SOCIAL SERVICES IN IRELAND

(NESC, No. 38, Prl. 6802, 1978)

I. Council's Comments

6.38.1. This report is the second of three in which the Council considers the policy implications of universality and selectivity in Irish

social services. Part I contains the Council's comments and Part II examines the basis on which social services in Ireland are provided. While the first report (No. 36) comprised a background study of the issues involved, this report examines in detail the universal and selective aspects of Irish social services. Not only does it describe the availability and distribution of services, but also such aspects as take-up rate, selection procedures, methods of financing, and the costs and problems of providing the various services. The analysis illustrates the difficulty of attempting to classify a service or benefit as "universal" or "selective" unless both the systems of financing and the patterns and duration of use are taken into account. No policy conclusions are drawn, nor recommendations put forward in this study, as these are reserved for the third and final report.

II. The Study

6.38.2. It is too simplistic to characterise Irish social services as being "universal" or "selective", particularly where "selective" is taken as synonymous with means-testing. The way services are financed and used, the relative generosity of services, and the proportion of the population which they reach, are as important as their formal organisation in determining their impact. However, because of the relatively limited finance available for social services at our present stage of economic development, the general orientation of services has been selective. Relatively few services have been provided for everyone free of charge—the principal ones being primary and post-primary education, children's allowances, child health services, certain other preventive health services, and free travel for people over 66. The remaining social services have varying tests of eligibility—based on social insurance, for social welfare payments, and some health services, based on formal means tests, as in social assistance; based on informal means tests, as in say the free school books scheme; and based on conditions such as age, illness, unemployment, living alone or overcrowding, which may be applied in addition to insurance or means tests.

(a) Eligibility

6.38.3. The eligibility conditions for a service largely determine who will receive the service. In the report, some of the desirable attributes

of procedures to select those eligible for a service are discussed. These are, the provision of adequate information and publicity; the setting of clear and explicit conditions; certainty as to the outcome of applications, and a limiting of discretionary provision; flexibility in dealing with unusual cases; sympathetic and courteous administration; fairness in setting eligibility conditions applying to different groups, and an absence of unjustified variation in the conditions for each; absence of undue administration costs or complications; a consciousness of the combined effects of different services; provision for appeals and redress. It is recognised that there may be some inherent conflict between some of the desirable attributes, for example, between providing certainty of entitlement, being accountable for the public money being spent on the service, and being flexible with hard cases. There can be conflict between providing conditions which are fair to everyone, and making the scheme easy to understand and simple to administer.

(b) Means-testing

6.38.4. In order to concentrate available funds on those with the lowest incomes, means-testing is the most widely used mechanism for regulating the provision of social services. However, the way in which means is assessed, in addition to the actual means limits used, can vary widely from one service to another.

6.38.5. Most means tests are based on the individual income of a single person, and the joint income of a married couple. The main exception is limited eligibility for health services where a working wife can qualify in her own right, irrespective of her husband's income. Most means limits are relaxed somewhat where there are dependants, the main exception again being the means limit for limited eligibility. The age up to which a child is considered his parents dependant varies from one service to another.

6.38.6. For many services, earnings are taken as gross taxable earnings in the last tax year. Current earnings, less special deductions in each case, are used for assessing means for medical cards, and for differential rents. The reference date for the means test for limited eligibility is

different for the retired and self-employed (earnings in the last tax year), for those in continuous employment (earnings at July 1976 or any any later date, subject to satisfying the carryover conditions), and recently employed (current earnings). For people receiving a means-tested income maintenance payment, the amount of any current earnings which are disregarded as means varies from one service to another, according to whether it is a widow's pension, a blind pension, or an old age pension.

6.38.7. Generally speaking, expenses are not allowable as a deduction from income in arriving at a net means figure. The main exceptions are the means tests for medical cards, and for differential rents. A particular problem arises with the variability in housing costs for similar standard accommodation. For example, the same means test for unemployment assistance of £10.70 a week applies to an owner-occupier, to a person paying a nominal—5p a week—local authority rent, and to a person paying £8 a week for a flat.

6.38.8. The value of any free board and lodging received is assessed as means for unemployment assistance, single women's allowance, and supplementary welfare allowance, but not for any other services such as old age pensions.

6.38.9. The treatment of means in the form of capital also varies. For most services, it is ignored; for social welfare, different formulae for assessment are used, varying for example for old age pensioners, widow pensioners, and recipients of unemployment assistance.

6.38.10. Means from farming is notionally assessed except for medical cards, and for social welfare benefits where it is assessed factually. The assumed income per £1 valuation varies from £20 up to £70, for different services, compared with an estimated average actual income of £77.50 per £1 valuation in 1976.

6.38.11. Means-tested income maintenance payments, which have different means limits, different ways of disregarding an initial means sum, and different ways of reducing the benefit paid in line with a recipient's means, place an effective ceiling on the total income a

recipient may have. This overall ceiling varies from £18.35 a week for a widow or a single old age pensioner, down to £10.70 a week, for an unemployment assistance recipient,

(c) *Non-means selectivity*

6.38.12. Social services may be focussed on particular groups without using means tests, and within the social services there are differences in eligibility for services and in their impact, which are not directly related to income. For example, in social welfare services, there are usually conditions to be satisfied relating to matters such as age, widowhood, desertion or unemployment. Within these categories, provision for old age and widowhood is more generous than provision for unemployment. There are differences in some of the social services available in different parts of the country, and in the importance of social service spending to different areas.

(d) *The utilisation of social services*

6.38.13. This is not a question which has received a great deal of attention in this country. It is generally believed that take-up is high for the main services such as social welfare services, and medical cards. In many cases, finance would not be available to meet an expansion in demand which would be generated by improved take-up, so it is not a question which has been actively pursued. The report gathers together evidence on utilisation of different services, showing a number of areas—post primary—education, free electricity, supplementary welfare allowance, single women's allowance—where the social services appear to have been underutilised.

(e) *Finance*

6.38.14. Most of the estimated £1,400 million to be spent on social services in 1977 is financed out of general taxation, or general borrowing. The remainder comes from sources such as social insurance contributions (£165 million), health contributions (£12.5 million) and local authority rents (£8 million in 1975). While social services are now almost entirely financed from central government, nevertheless, there remain local variations in the services which may be provided, dating back to the local financing of a number of these services. While

attention is usually concentrated on direct spending on social services, the hidden transfers which are effected by income tax allowances and exemptions must also be taken into account. Comparing the relative generosity of different services e.g. the subsidy towards third level education, and social welfare pensions, shows that social spending is not unambiguously oriented towards the lower income groups.

(f) Administration

6.38.15. There has been an expansion of information services in recent years, with more information centres, and better designed literature. But publicity has concentrated on literary means and more use of radio and TV could be effective. Outside social welfare, appeals procedures are informal requests for review of the case rather than formal. For social welfare, the appeal system has an important role in securing uniformity of treatment, and the relatively high success rate of appeals shows how necessary the appeals procedure is.

(g) The services in detail.

6.38.16. This part of the report examines social services one by one under common headings, such as eligibility, numbers availing of the service, and cost. Comment is made at some length on particular aspects of individual services. The services are grouped in chapters dealing with Income Maintenance, Health and Community Welfare Services, Housing, Education and Other Social Services, covering the social welfare fringe benefits, and such miscellaneous services as free legal aid, and tax relief for disabled motorists. Because of the detail involved in describing and commenting on each individual social service, it is not possible to present a summary of this material. The analysis shows a number of anomalies and inconsistencies in treatment, and it illustrates the range and complexity of Irish social services. Because of the terms of reference, no recommendations are made even on matters of detail; these have been left to a third Council report on the issues of universality and selectivity.

(h) Some concluding comments

6.38.17. It is difficult to draw overall conclusions, as many of the comments made in the report are specific to individual services, and

lose much of their relevance if they are made more general. The factual information presented in this report does however support the thesis that "universal" and "selective" are over-simplified terms. For example the proportion of the relevant age group receiving "selective" "old age" pensions is higher than the proportion of older teenagers receiving "universal" free post-primary education. The problem of managing with limited finance is the one which over-shadows the whole provision of social services in Ireland at present, and one which is central to the whole policy debate.

