

Social Spending in Ireland and the EU

Eurostat has [published figures](#) showing social protection expenditure in 2010 for the EU27 and five other European countries.

Social protection expenditure includes not only social welfare payments but also public spending on health and education. The figures are shown in purchasing power standard (PPS) per head of population. PPS is an artificial reference currency unit that eliminates price differences between countries.

The data shows that PPS social protection spending per head in Ireland was 129 per cent of the EU average. Excluding Luxembourg where expenditure per head may be overestimated since a significant proportion of benefits are paid to persons outside the country, Ireland comes in at joint 4th highest with Sweden. We are behind the Netherlands (145 per cent), Denmark (143 per cent) and Austria (130 per cent) and significantly ahead of the UK at 107 per cent.

The structure of the population has a big impact on public spending particularly on pensions, health and education. Ireland has an unusual population structure by European standards. We have the 6th “youngest” population out of the OECD countries and the youngest in the EU- with 11.1 per cent of the population aged over 65 as compared with an OECD average of 14.9 per cent. In Europe the two “oldest” populations are Germany and Italy with over 65s making up respectively 20.5 per cent and 20.4 per cent of the population. To get meaningful comparisons we need to take these differences into account.

The structure of our population also affects spending at the other end of our age spectrum. Old age spending in Ireland (after making an adjustment for our different demographic structure) in 2010 was 8.3 per cent of GNP. This puts us in 10th position of 25 countries according to the Eurostat data. The relatively low position here is at least partly because the State pension in Ireland is not pay-related as it is in some other countries which do not have the same degree of supplementary private pensions as we have in Ireland.

What about other areas of social spending? Spending on unemployment as a percentage of GNP in Ireland was 4.4 per cent of GNP. This put us in first place of 33 countries in the Eurostat data. This is mainly because in 2010 (November) we had the 6th highest rate of unemployment in the EU 27 though our spending was higher than Spain (3.6 per cent of their GDP) where the unemployment rate was about 50 per cent higher than in Ireland.

The age structure of the population should also be an important determinant of health spending. Older people use the health services more. According to the 2012 OECD Health at a Glance, the percentage of adults in Ireland stating that their health was good or very good

was 83 per cent. This was the highest percentage in Europe and compares with an average of 67 per cent for the EU 27. Despite its subjective nature, indicators of perceived general health have been found to be a good predictor of people's future health care use and mortality. So it appears that we have one of the healthiest populations in Europe mainly, perhaps because we are — on average — younger.

If we adjust the Eurostat data for the proportion of the population over 65, we had the highest public health spending as a percentage of GNP in Europe by a distance — and over 50 per cent above the EU 27 average. An analysis by my colleague in Publicpolicy.ie, Paul Redmond shows that the costs of the Irish health system are astonishing. Redmond concludes that we have the most expensive health system in the European Union, and the third most expensive in the world.

The OECD ranks the Irish health system 28th out of 28 in terms of productivity.

It has measured the potential impact of a range of structural reforms that can impact directly upon productivity and can directly improve national fiscal positions while maintaining current outcomes. This analysis suggests that Ireland could save up to 0.25 per cent of GDP through educational reform (Education is ranked 3rd out of 24 for productivity, and more significantly, 4.8 per cent of GDP through reform of the health care system.

While the figure of 4.8 per cent of GDP looks implausibly high, it is clear on the basis of what is achieved in other countries, there is considerable scope for improving the efficiency of the health service without impacting adversely on frontline services. There are also shorter-term, spending management problems in health. The IMF has attributed the overrun in health expenditure to factors including

“an inability to meet budgetary targets on hospital activity, under-collection of income from private health insurers “.

The IMF have clearly identified the opportunities and challenges in the health area. They note that despite spending significantly more than the OECD average on health, our performance is around the OECD average. They conclude that

“the spending pressures in health during 2012 appear to have structural roots. —potential reforms could include new working models to minimise premium and overtime payments, greater use of primary care than hospital stays and substantially increasing the currently low share of generic drug use.”

Many of the issues that need to be dealt with have been on the table for many years. For example, development of the primary care network was identified as an important priority in the 2001 [“Quality and Fairness : A Health System for You”](#). The strategy is clear but

questions remain about the capacity to implement the change required and deliver the benefits that remain to be realised. The priority should be a focus on health costs. Delivering in this area is essential as our ageing population will put increasing pressure on spending.

Donal de Buitleir was a non-executive director of the HSE from 2005 to 2009.

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