

## **Social Protection and Welfare: *a review of expenditure trends during economic recession and recovery.***

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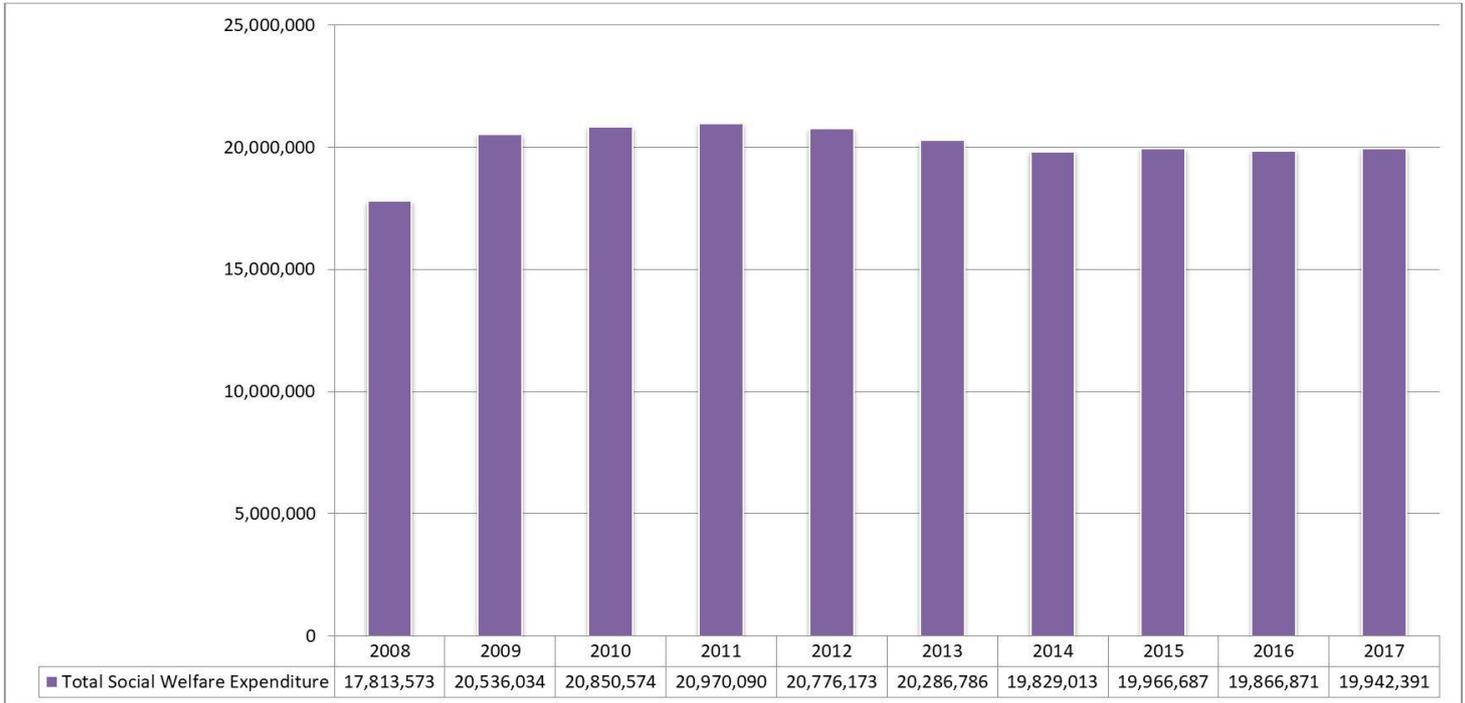
### **Key Point:**

Total social welfare spending amounted to almost €20bn in 2017 in Ireland. The highest spending areas in 2017 included: Pensions (€7bn), Illness, Disability and Caring (€4bn), Working Age Income Supports (€3.6bn) and Child Related Payments (€2.6bn). Notwithstanding the adverse impact of the economic crisis between the years 2008 and 2013, the evidence shows that there was no reduction in total social welfare expenditure during the Great Recession. On the contrary, total social welfare expenditure increased from €18bn in 2008 to a peak of €21bn in 2011: an increase of €3bn, or 17%. Between the years 2008 and 2011, the greatest increases in social welfare expenditure were in the areas of: *Working Age Income Supports* (+€2bn) and *Working Age Employment Supports* (+€700m), *Pensions* (+€1.5bn) and *Illness Disability and Caring* (+€140m). While overall social welfare spending has increased over time, there have been expenditure cuts to some programmes within the social protection system. In 2017, total spending on child benefit amounted to €2bn, €367m less than in 2008.

### **Social Welfare Expenditure Trends, 2008-2017**

Figure 1 shows social welfare expenditure between the years 2008 and 2017. Despite the fiscal crisis of the Irish state during the Great Recession, there was no clear retrenchment in overall social welfare spending. Total social welfare expenditure during recessionary times increased from €18bn in 2008 to a peak of €21bn in 2011: an increase of €3bn, or 17%. With negative inflation, as measured by the Consumer Prices Index (CPI), of -1.4% between 2008 and 2011, this meant that total spending increased in real terms by 19%. During the economic recovery, between the years 2012 and 2017, there was a slight decrease in social welfare spending: from €21bn in 2011 to €20bn in 2017, and this decline amounted to 6% in real terms.

**Figure 1: Total Social Welfare Expenditure 2008-2017**

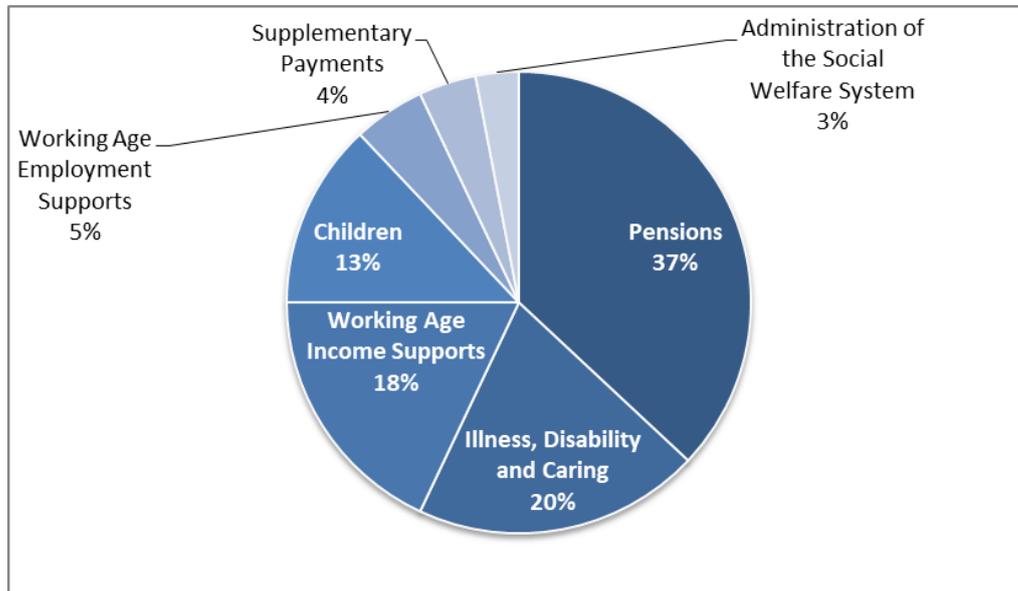


Source: Department of Employment Affairs and Social Protection (DEASP) (2019)

### Trends in Social Welfare Spending by Programme Area

Figure 2 shows social welfare spending by programme in 2017. Total social welfare expenditure amounted to almost €20bn in 2017, representing 26% of General Government expenditure. The largest areas of expenditure by programme group were Pensions (37%), Illness, Disability and Caring (20%), Working Age Income Supports (18%) and Children (13%). The lowest areas of expenditure by programme group were Working Age Employment Supports (5%), Supplementary Payments (4%) and Administration of the Social Welfare System (3%).

**Figure 2: Social Welfare Expenditure by Programme in 2017**



Source: DEASP (2017)

Table 1 shows a breakdown of social welfare spending by programme group between the years 2008 and 2017. Overall, social welfare spending increased during the Great Recession, with only marginal decreases in spending being implemented during the years of economic recovery. The increased funding allocated to employment supports, education and training suggests a greater public policy emphasis on labour market activation during the recession, but also reflects the transfer of funding of some large programmes, such as Community Employment, into the social welfare budget. While overall social welfare spending has increased overtime, there have been expenditure cuts to some specific programmes within the social protection system (i.e. Child Related Payments).

In 2017, *Pensions* accounted for the largest share of social welfare expenditure. Since 2008, there has been a steady rise in pension expenditure: increasing from €5.5bn in 2008 to €7bn in 2017 (+€1.5bn). The contributory state pension accounted for the greatest share of total pensions' expenditure, amounting to €5bn in 2017. This represented an increase of €2bn on 2008. The non-contributory state pension increased marginally during these years: increasing from €973m in 2008 to €995m in 2017 (+€22m).

*Illness, Disability and Caring* spending represented the second largest area of social welfare expenditure in 2017. This area of expenditure has risen steadily between the years 2008 and 2017: increasing from €3bn in 2008 to €4bn in 2017. Within this domain of social welfare spending, the Disability Allowance accounted for the greatest share of total expenditure. Expenditure allocated to the Disability Allowance programme increased by €417m between the years 2008 and 2017. Moreover, social welfare spending on carers allowance also accounted for a significant share of total social welfare spending: increasing from €450m in 2008 to €729m in 2017 (+€279m). While

expenditure on illness benefit also increased during recessionary times, reaching a peak of €875m in 2011, there has been a fall in this spending area in more recent years: decreasing to €599m in 2017 (- €276m). Social welfare spending allocated to the Carers Allowance and Disablement Allowance programmes fell slightly between the years 2008 and 2011. However, both of these social welfare programmes have experienced a slight increase in funding since 2014.

The *Working Age Income Support* expenditure allocation also accounts for a large share of total social welfare expenditure in 2017. Expenditure in this area increased substantially with the dramatic increase in unemployment during the Recession: increasing from €4bn in 2008 to €6bn in 2011 (+€2bn). The greatest spending was allocated to the Job Seeker Allowance programme: increasing from €1bn in 2008 to €3bn in 2011 (+€2bn). In response to economic recovery and decreasing levels of unemployment, total spending allocated to this programme dropped to just over €2bn in 2017: representing a decrease of €820m, or 30%, on 2014. Similarly, the Redundancy and Insolvency Payments Programme also experienced a dramatic fall in the level of funding allocated: decreasing from €326m in 2014 to €29m in 2017 (-€297m). In terms of the Jobs Seekers Benefit programme, this area of the social welfare system experienced a dramatic fall in the level of spending allocated: decreasing from €927m in 2011 to €340m in 2017 (-€587m).

The income support provided by One Parent Family Payment increased marginally during recessionary times: rising by €22m between the years 2008 and 2011. In 2017, the total expenditure allocated to this programme amounted to almost €500m: representing a spending decrease of 50% on 2011. Similarly, the proportion of expenditure allocated to the Basic Supplementary Welfare Allowance programme dropped significantly between the years 2011 and 2017, decreasing from almost €170m in 2011 to €97m in 2017 (-€73m).

Total spending on the *Child Related Payments* programme fell by €400m, or 15% between the years 2008 and 2014: decreasing from €2.7bn in 2008 to €2.3bn in 2014. In 2017, total spending in this area amounted to €2.6bn, an increase of by €300m on 2014. Child Benefit accounts for the greatest share of expenditure within this programme area amounting to just over €2bn in 2017, although, here, spending fell by €367m between 2008 and 2017. While Child Benefit spending decreased during the recession, the expenditure allocated to Family Income Supplement grew steadily: with total spending increasing by €245m since 2008.

In advancing policies of labour market activation, expenditure on *Working Age Employment Supports* increased steadily during the recession and its aftermath: with total spending in this area increasing from €160m in 2008 to €1bn in 2014 (+€840m). More specifically, the expenditure allocated to Back to Education Allowance and Back to Work Allowance increased sharply during the recession: with a combined increase of €165m between the years 2008 and 2011. Since 2011 total spending on these programmes fell by almost €110m: decreasing from €316m in 2011 to €209m in 2017.

The Community Employment Programme also accounts for a sizeable share of total expenditure, amounting to €350m in 2017.

**Table 1: Social Welfare Expenditure by Programme, 2008-2017**

<b>Social Welfare Programmes</b>	<b>2008</b>	<b>2011</b>	<b>2014</b>	<b>2017</b>
<b>Pensions</b>	<b>5,507,635</b>	<b>6,092,188</b>	<b>6,595,510</b>	<b>7,386,723</b>
<i>of which contains:</i>				
<i>State Pension (Non-Contributory)</i>	<i>972,765</i>	<i>971,769</i>	<i>954,411</i>	<i>994,740</i>
<i>State Pension (Contributory)</i>	<i>3,117,855</i>	<i>3,622,746</i>	<i>4,185,233</i>	<i>4,915,853</i>
<b>Illness, Disability and Caring</b>	<b>3,293,106</b>	<b>3,443,120</b>	<b>3,435,932</b>	<b>3,962,215</b>
<i>of which contains:</i>				
<i>Disability Allowance</i>	<i>1,052,660</i>	<i>1,089,178</i>	<i>1,238,310</i>	<i>1,469,440</i>
<i>Carers Allowance</i>	<i>450,260</i>	<i>507,193</i>	<i>559,325</i>	<i>729,449</i>
<i>Carers Benefit</i>	<i>33,666</i>	<i>24,474</i>	<i>23,652</i>	<i>36,377</i>
<i>Disablement Benefit</i>	<i>84,443</i>	<i>77,460</i>	<i>76,622</i>	<i>76,804</i>
<i>Illness Benefit</i>	<i>852,305</i>	<i>875,549</i>	<i>625,975</i>	<i>599,369</i>
<b>Working Age Income Supports</b>	<b>4,393,296</b>	<b>6,182,498</b>	<b>4,930,007</b>	<b>3,598,328</b>
<i>of which contains:</i>				
<i>Basic Supplementary Welfare Allowance</i>	<i>184,477</i>	<i>168,848</i>	<i>81,718</i>	<i>97,218</i>
<i>Jobseeker's Allowance</i>	<i>1,158,851</i>	<i>2,974,987</i>	<i>2,923,291</i>	<i>2,103,451</i>
<i>One Parent Family Payment</i>	<i>1,067,158</i>	<i>1,088,897</i>	<i>867,307</i>	<i>497,647</i>
<i>Jobseeker's Benefit</i>	<i>928,844</i>	<i>926,900</i>	<i>420,398</i>	<i>340,458</i>
<i>Redundancy and Insolvency Payments</i>	<i>202,264</i>	<i>326,184</i>	<i>77,982</i>	<i>29,349</i>
<b>Child Related Payments</b>	<b>2,733,912</b>	<b>2,429,813</b>	<b>2,281,403</b>	<b>2,621,328</b>
<i>of which contains:</i>				
<i>Child Benefit</i>	<i>2,453,957</i>	<i>2,076,338</i>	<i>1,902,353</i>	<i>2,086,390</i>
<i>Family Income Supplement</i>	<i>170,309</i>	<i>204,543</i>	<i>297,907</i>	<i>414,630</i>
<b>Working Age Employment Supports</b>	<b>160,531</b>	<b>862,395</b>	<b>1,035,350</b>	<b>920,523</b>
<i>of which contains:</i>				
<i>Community Employment Programme</i>	<i>-</i>	<i>349,396</i>	<i>359,474</i>	<i>350,489</i>
<i>Back to Education Allowance</i>	<i>77,136</i>	<i>201,159</i>	<i>162,450</i>	<i>93,860</i>
<i>Back to Work Allowance</i>	<i>73,169</i>	<i>114,582</i>	<i>118,825</i>	<i>115,171</i>
<b>Supplementary Payments, Agencies and Miscellaneous Services</b>	<b>1,145,278</b>	<b>1,329,736</b>	<b>933,293</b>	<b>835,594</b>
<b>Administration</b>	<b>579,815</b>	<b>630,340</b>	<b>617,515</b>	<b>617,680</b>
<b>Total</b>	<b>17,813,573</b>	<b>20,970,090</b>	<b>19,829,013</b>	<b>19,942,391</b>

Source: DEASP (2019)

Social welfare spending on *Supplementary Payments, Agencies and Miscellaneous Services* amounted to €835m in 2017, decreasing by €95m on 2014 and €310m on 2008. Spending in this area grew significantly during the recession: increasing from €1.1bn in 2008 to €1.3bn in 2011 (+€200m). Spending on *Administration* increased from €580m in 2008 to €630m in 2011 and then fell to €618m in 2017.

## References

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