

Maeve McElwee
Director of Employer Relations
IBEC
84/86 Lower Baggot Street
Dublin 2

16 February 2017

Dear Maeve,

I am writing to you regarding the submission IBEC made to the Public Service Pay Commission which you were good enough to share with us on the 3rd of February. While the overall analysis by IBEC in the submission is noted, my attention has been drawn to an analysis of the public service pay bill which has been included. This relates to the calculation of the level of public service pay increases 2016 -2018 on page 12 of the submission.

As the Commission needs accurate data, and the headline 2017 figure pay increase of 3.7% has been repeated in newspaper articles, I would draw your attention to a number of inaccuracies included in the relevant analysis (Table 1 from your submission is also detailed below for ease of reference) as follows:

Table 1: Public service pay estimates 2016 to 2018

	2016	2017	2018
LRA (€mn)	267	290	287
Garda pay agreement (€mn)	0	50	50
Increment cost, (€mn) Est	150	150	150
Pay acceleration		120	
Total	417	610	487
Employment (Assuming 2% headcount growth avg over past 3 years)	304,000	310,080	316,282
Avg pay increase (€)	1,372	1,968	1,540
Avg wage (€)	51,389	52,761	54,728
Avg wage increase, %	2.7	3.7	2.8

- The average pay figure for 2016 which forms the base of the calculations already includes the €267m allocated for the implementation of the Lansdowne Road Agreement. Adding another €267m represents double counting. The average pay figure is also misleading as it includes employer PRSI and fails to account for the Pension Related Deduction. For information you should also note that the Exchequer pay bill excludes Local Authorities pay, while the Lansdowne Road Agreement allocations and public service numbers used in the IBEC calculation include Local Authorities.

- While not universally employed, incremental scales form part of the basic pay rates for positions in both the public service and areas of the private sector. Surveys on private sector pay, such as the IBEC survey or the IRN survey, report on changes to basic pay rates and do not capture incremental change where it occurs, which involves no change to basic pay rates. Including €150m per annum for increments in your calculations therefore does not compare like with like.

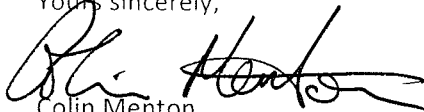
Moreover, increments are not funded with additional exchequer allocations, instead savings from leavers on higher increment points cover the cost of incremental progression at lower levels. Given the outcome to the amalgamation of the 10% reduced pay scales (introduced in 2011) under the Haddington Road Agreement which involved, in most cases, the addition of two lower points to the existing standard pay scale, recruitment at the minimum of the scale is significantly less costly than that at the highest point of the scale. Therefore, the cost of increments is already included in the pay bill base, does not represent an additional cost on top of the existing pay bill, and should not be included as such.

- €50m in respect of the Garda pay in response to the Labour Court Recommendation and €106m included in the Lansdowne Road Agreement for the restoration of teacher supervision and substitution payments are targeted at particular groups within the public service. These do not form part of a wage increase for the general public service. In addition the Garda deal largely comprises of overtime measures while the teacher supervision and substitution cost represents the restoration of a payment suspended as a contribution to reducing the cost of the pay bill under the terms of the Haddington Road Agreement subject to its reinstatement within a defined time frame.
- The calculations of the 2018 pay increase fail to reduce the 2018 Lansdowne Road Agreement allocation by the €120m brought into 2017 – the carry over impact of the additional payment to public servants earning under €65,000 is now 3 months instead of 8 months.
- An additional €50m for Garda pay is also included in 2018. However, no additional cost arises in 2018.

If you have any questions on the above, we are happy to go through the issues raised in more detail. We would be grateful if you could correct the inaccuracies identified, amend the submission to the Public Service Pay Commission and related press material accordingly.

X This correspondence is being copied to the Public Service Pay Commission X

Yours sincerely,



Colin Menton

Assistant Secretary General
Remuneration Industrial Relations and Pension Division
Department of Public Expenditure and Reform