

Pascal Donohoe TD,  
Minister for Public Expenditure & Reform  
Department of Public Expenditure & Reform  
Merrion Street  
Dublin 2

23 August 2016

By e-mail and post

**Re: Ibec response to request for views on the establishment of Public Service Pay Commission**

Dear Minister

Ibec welcomes the opportunity to submit the views of Irish business to the Department of Public Expenditure and Reform on the establishment of the Public Service Pay Commission. This commitment was made in the Programme for Partnership Government to establish an independent advisory body to “examine pay levels across the public service, including entry levels of pay”.

Public sector workers have made a central contribution to Ireland’s recovery through pay reductions, productivity and an ongoing commitment to the delivery of public services. When economic circumstances warrant it is appropriate that pay rates are revised. Working with existing resolution mechanisms, stakeholder buy-in to an open and transparent public sector remuneration process should result in a positive industrial relations climate over the coming years. Yet, establishing a Public Sector Pay Commission must not signal a return to the benchmarking process of old.

**1. Composition of the Public Sector Pay Commission**

Careful consideration should be given to the composition and role of the new body. In line with international best practice, membership should be balanced between sectoral interests and private sector expertise. The Commission’s chairperson must have demonstrable experience in public service remuneration policy and be recruited from outside of Ireland. All appointments to the new body must be made through [Stateboards.ie](http://Stateboards.ie) portal.

## **2. Ensure its advice is independent**

The Public Sector Pay Commission is to advise Government on public sector pay policy. It is expected to provide an initial report to Government by mid-2017. However, for it to fulfil the role of an advisory body, the Commission must be truly independent. This goes beyond transparent recruitment of Commission members and appointing an international chairperson. Government must also give the new body a professional secretariat, along with adequate resources to conduct research and analysis. The secretariat must be housed outside of existing departmental structures. By being separate and independent, the secretariat would have an appearance of impartiality. There should be open and competitive recruitment for all roles in the secretariat.

## **3. Review the performance of the Public Sector Pay Commission**

Establishment of the Public Sector Pay Commission should be accompanied by a sunset clause or mandatory review period. For the new body to remain effective, Government needs to allow for a designated period to conduct an ex-post evaluation. We must remove any reluctance to monitoring the effectiveness of this advisory body and take corrective measures when required. The new Commission should not be a permanent, standing body without adequate evidence of its ability to function properly and independently.

## **4. Having the right methodology**

The Public Sector Pay Commission is to provide analysis on pay levels for staff groupings across the public sector; compare public service and private sector pay rates; and assess public sector pay rates in Ireland with international equivalents. It is important that we get the methodology for these three over-arching areas right. The methodology used should include but not be limited to the following:

- Pay level assessments must address issues such as grade, function, location, length of service/experience, specialist skills etc.
- Specific sectoral approaches (e.g. health, education etc) should be adopted and avoid a one-size-fits-all approach to public service pay policy.
- The broadest possible comparators with the private sector should be used and insulate decisions from short-term spikes in private sector pay.
- Analysis of private sector pay rates must reflect the economy as a whole (e.g. MNC, SME etc), geographically spread across the country.
- Conduct a comprehensive qualification of all pay and non-pay benefits within the public service (e.g. total pension package, full leave entitlement, working hours, job security, incidence and value of variable pay, car parking etc).

- Account for international trends, approaches and methodologies in addressing public sector pay policies.

All research analysis undertaken by the Public Sector Pay Commission including any commissioned work should be made publicly available. Specific views should be sought from all stakeholders on the draft methodology of the Public Sector Pay Commission prior to it commencing work. The draft methodology should be published and Government should allow time for a short consultation. Greater engagement between public and private stakeholders on the methodology will generate better policy outcomes and supports accountability. Conducting due diligence at the start should benefit the ultimate performance of the new advisory body.

#### **5. Focus on pay alone will be a missed opportunity**

Historically public sector pay policy has focused solely on the provision of services from the point of the provider. The politics of provision often loses sight of the actual services to be provided and those that rely on them. These two perspectives should not be confused. Increasing input costs (e.g. pay) will not improve service provision for the service user. Quite simply, pay does not equal improved effectiveness. It is important that the new public sector pay agreement delivers the necessary and very significant transformation of work practices that are still required. Reform fatigue must be overcome. The Public Sector Pay Commission's methodology should extend to include performance management and related pay, customer focus, engagement with transformation initiatives, redundancy, staff transfer and working hours. Government can use such data prepared by this independent body for monitoring performance and productivity

#### **6. Need to address staff recruitment and retention issues**

Give the Public Sector Pay Commission the flexibility to prioritise adjusting pay rates in particular areas of the public sector where skills shortages are leading to severe recruitment and retention problems. Money spent on across-the-board pay awards is money that is not going on recruiting new staff, retention of specific skills within the public sector or on much-needed public investment. It is crucial that all decisions are informed by the broad needs of the country. This approach would be more responsive to wider labour market trends. An effective mechanism to appropriately assess the market value of jobs in the public sector is to increase external recruitment.

I look forward to hearing from you in due course.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Maeve McElwee', with a long horizontal flourish extending to the right.

Maeve McElwee

Director of Employer Relations