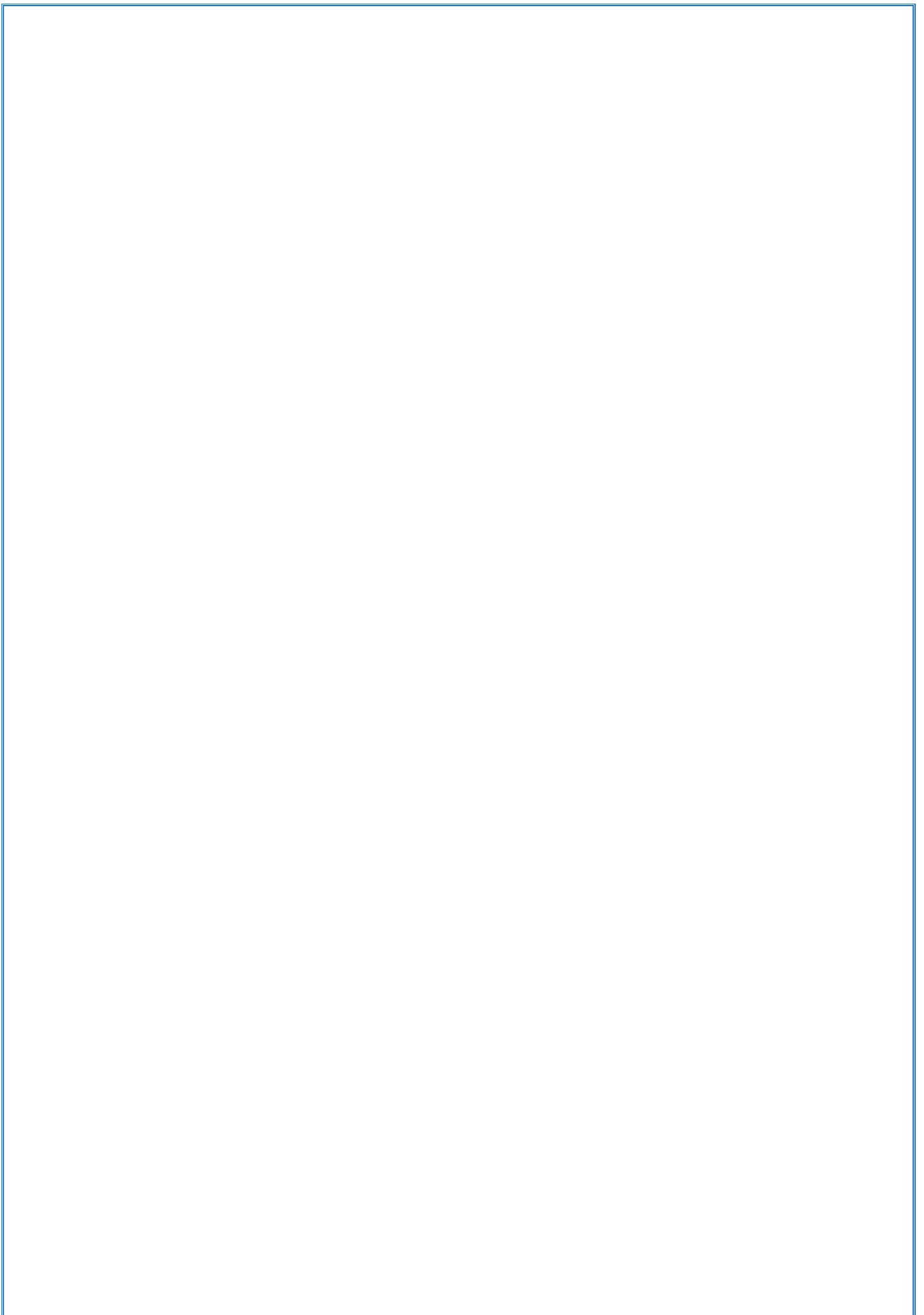




**Submission of the Public Services  
Committee of the Irish Congress of  
Trade Unions to the Minister for  
Public Expenditure and Reform on the  
role and methodology of the Public  
Service Pay Commission**



## **Introduction**

1. The Public Services Committee, (PSC), of the Irish Congress of Trade Unions, (ICTU), comprises twenty unions representing the overwhelming majority of the 300,000 workers in the Public Service.
2. On behalf of the 300,000 or so people concerned, the PSC welcomes the opportunity to make an input into the public consultation on the role and methodology of the Public Service Pay Commission, (PSPC).
3. The PSPC in its work needs to focus on a 'fair comparison' approach to the pay of Public Servants by appropriate reference to workers in the private sector doing equivalent work or work of equivalent value. This approach will help with the recruitment, retention and motivation of quality staff. The Public Service needs to be able to recruit, to motivate and to retain its share of the 'brightest and best' if public services are to be delivered to a standard that citizens are entitled to expect. Initial starting pay is an issue in respect of recruitment. Serving Public Servants, who have suffered two, and in some cases three, pay cuts are understandably aggrieved and, often, de-motivated. Unless staff feel that they are being treated fairly, this will continue. The end of FEMPI legislation will help to restore motivation. With an improving labour market, this will be essential in providing the assistance that will be necessary to facilitate recruitment and retention.
4. The PSC believes that the proposed Commission has the potential to facilitate the speedy and orderly repeal of the Financial Emergency in the Public Interest (FEMPI) legislation and can also help to identify, and to assist, in addressing many of the issues regarding Public Service pay. The PSPC needs also to be cognisant of the Public Service's responsibility, as an employer, to pay fair levels of remuneration.

## **Composition of PSPC**

5. There is consensus across the State on one issue, at least, i.e. that the matter of Public Service pay is an important one with fiscal, economic, social and political impacts. Therefore, it is essential that a body being established to examine such a complex and far-reaching issue should have the competence among its membership to do so in a manner that commands general respect. In the view of the PSC, it is absolutely vital that the PSPC is chaired by a person with in-depth knowledge of industrial relations, proven independence and well established public credibility. The output of the Commission will have to be established on well-grounded facts that can be explained and justified by a Chairperson of the stature and qualities described above.
6. The PSC notes the intention that the Public Appointments Service (PAS) will be utilised to appoint other members of the Commission through the state boards appointment system. In our view, it is of considerable importance that the members of the Commission have a mix of background and skills to meet the requirements of the task being set for the Commission. In this regard, the board of the Workplace Relations Commission is a useful template. In that case, while all the members of the board are appointed in the manner proposed for the PSPC, some members are required to have a union background, some are required to have an employer's background and some are required to have an extensive knowledge of equality and employment law. In the case of the PSPC the first two categories are self-evidently vital to the proper performance of the Commission and the 'third' category of skills required might, in this case, be for independent inputs from academia and/or the financial world.
7. It is our view that if the Commission is to enjoy credibility, all stakeholders including Government, tax payers and Public Service workers must have confidence in the membership of the body. We believe that a body made up as suggested above will meet this test.

## **Initial Report**

8. The FEMPI legislation is, by definition, designed to deal with ‘emergency’ circumstances. As our economic and fiscal ‘emergency’ is over, we believe that such draconian legislation no longer has any purpose. We welcome the stated intention that the PSpC will provide an initial report to Government early in Quarter 2 of 2017. The purpose of this initial report has to be to chart a road map to an alternative to FEMPI legislation. We believe that the PSpC has a huge role in this initial activity by providing assistance in identifying and signposting issues that arise upon the repeal of FEMPI legislation.

## **Interaction with collective bargaining**

9. We welcome the fact that the PSPC is not being proposed as an alternative to, or substitute for, collective bargaining for which there are well established mechanisms in the Public Service. We agree with the proposition that direct negotiations between employee representatives and the Government, as employer, will continue. In particular, pay rounds must continue to be dealt with through collective bargaining.
10. In this context the PSPC could be useful in examining and making recommendations in respect of skilled, progressive development, productivity, sustainability, quality of services and quality of employment.
11. We see a role for the PSPC in assisting with the establishment of a Public Service wide job evaluation system that would examine and recommend on cases where it is contended that posts are graded incorrectly.
12. Furthermore, in the longer term we welcome the PSPC as providing an opportunity to engage in background analysis and comparisons for agreed groups as an adjunct to pay rounds established through collective bargaining. Such analysis could prove valuable if it occurs from time to time and takes into account factors such as labour market issues, productivity and other, significant, changes.
13. It is our view that significant change and 'modernisation' are factors to be dealt with through collective bargaining, not least because the exact impact and meaning varies greatly across the Public Service.

## Comparisons with good employment in the wider economy

14. Employment in the public service should not be based on the lowest common denominator in the labour market. It should also reflect society's expectation of decency and social progress. It forms part of the debate about what kind of employment and security we want our children to enjoy.
15. The traditional basis for determining pay in the Public Service is that of fair comparison with the private sector. This ensures that Public Servants are paid in line with those in the private sector doing equivalent work or work of equivalent value. This is 'fair' for Public Servants and 'fair' to the taxpayer who fund public services. This process of comparison has never been absolute. It has always been tempered to avoid the excesses of the private sector, which have seen ever widening, and increasingly unjustifiable, gaps between the incomes of the lowest and highest paid. No Public Servant would wish to see this situation replicated in its entirety without suitable modification to reflect the role of the Public Service in serving the needs of citizens on the basis of equity and fairness. In the case of low paid Public Service workers, the PSC would need to be cognisant of comparisons with sections of the private sector where remuneration levels are unjustifiably low.
16. The principles for fair comparison between public and private employment benefits are well established. In summary, such comparisons should be with a representative cross sample of large employers (the Public Service itself, being a large employer) in the middle to upper quartile of employment benefits. The traditional point of comparison, (abandoned inexplicably in the report of the Public Service Benchmarking Body in 2007), is the mid-point of relevant pay scales. In cases of individual grades or categories, the comparisons are not with some crude average across the entire private sector but, rather, with workers in the employments described above who do equivalent work or work of an equivalent value.
17. If the PSC is to be seen to be 'fair' in its comparisons, it is vital that the pay of Public Servants is not compared to some crude average of all pay in the private sector but, rather, that comparisons are made on a true 'like for like' basis. Thus e.g. an Engineer in the Public Service needs to be compared with Engineers in large employers in the middle to upper quartile of employment benefits and not to an average pay rate across the private sector, calculated simply by dividing earnings in the entire sector by the number of employees in the sector. Likewise for managers, other professionals etc. To engage in comparisons with a crude average in the private sector is not just absurd, it is harmful to public discourse as it creates a false narrative about comparative pay arrangements. Potentially, it also generates problems for recruitment and retention.

18. Therefore, it is essential that the PSPC conduct detailed research on earnings in the private sector. It has to be acknowledged that such information is likely to be forthcoming only on the basis of confidentiality, as private sector employers are wary of publicising such information. This will, undoubtedly, generate difficulties in terms of transparency that may have to be an unintended consequence of the need to ensure accuracy and fairness. The priority ought to be to make fair comparison with the various grades/categories in the Public Service. Under no circumstances could it be deemed acceptable for comparison to be made with the deplorable practices in some parts of the private sector.

## Pensions

19. It is recognised that, in looking at employment benefits, the PSpC will have regard to pension comparisons. In doing so, the Commission will need to have regard to the huge changes in the Public Service superannuation arrangements. In particular, all staff appointed since 2004 have a raised minimum retirement age of 65 years. Staff appointed since 2013 are part of a career average scheme, rather than final salary scheme, with an effective minimum retirement age of 68.
20. In the Civil Service alone, 17% of staff are post 2004 employees and 10% of staff are covered by the 2013 'career average scheme'. While we do not have figures for all other parts of the Public Service, it is likely that the percentage is significantly higher in Health and Education given the scale of staff turnover and essential recruitment in certain professions, while a moratorium applied in the Civil Service.
21. A 12% discount, as applied by the 2007 Benchmarking Body, is excessive in light of these figures.

## Tenure

22. The recent economic crisis displayed the fragility of the traditionally understood job security of Public Servants. In order to protect Public Servants from the threat to their employment, it was necessary for the PSC to negotiate agreements on a 'concession bargaining' basis in return for continuing job security. The Agreements required acquiescence to cuts to income imposed through FEMPI plus major concessions in respect of terms and conditions of employment, including additional working time, reduced overtime and premium payments. It is, therefore, inconceivable that the Commission would discount for tenure in any comparison with the private sector.
23. Unfortunately, the crisis highlighted also that large numbers of Public Servants on temporary and fixed term contracts did not enjoy any security of tenure and the significant numbers involved highlight the fact that tenure is a considerably less significant factor in any external comparison than it was in the past.

## Allowances

24. The unilateral abolition and variation of well-established allowances in 2012 amounted to a cut in the remuneration of staff engaged since then. In the case of allowances that were paid to all members of a grade or category, the effect was to reduce further the income of all new entrants. In view of the position outlined on the resolution of the Firefighters' issue, it is to be hoped that this matter will be resolved in the context of the Lansdowne Road Agreement and will not require the attention of the Commission. That settlement has charted a path to the broader resolution of this matter. However, if, for any reason, the issue remains 'live', we could see a role for the PSPC in addressing it.

## **New Entrants' Pay**

25. The unilateral imposition of a 10% cut to the pay scales of all new entrants after 2010 was resolved, in most cases, following the Haddington Road Agreement in 2013 by the restoration of the cut to pay scales, while lengthening the scales by the addition of points at the bottom of the scales. However, even this solution has created unacceptably low starting salaries for some grades and difficulties in the recruitment of certain grades and categories. There is a role for the PSPC in looking at the labour market consequences of the lower entry pay itself and the excessive rigidity in determining entry pay, both of which can act as inhibitors in recruitment/retention.

## **Definition of Remuneration**

26. The PSC is of the view that all disimprovements in terms and conditions of employment for Public Servants in recent years must be capable of discussion in the collective bargaining process. In examining the comparative position of Public Servants, the PSC may have a useful role in assisting with any such discussions.

## **Conclusion**

27. This submission is intended to deal only with issues related to the role and methodology of the proposed Commission. The PSC reserves the right to make further submissions on any matter to be considered by the Commission. In addition, it is noted that stakeholders are to be invited to make submissions to the Commission. It can be assumed that individual unions and groups of unions will make such submissions. The well-established practice is for bodies such as the PSC to invite submissions from unions with recognition for relevant grades and from their employer counterparts. The PSC urges strongly that this agreed practice be maintained in this instance.

