

31st January 2019

Dear Minister,

I am writing to you with regard to submissions made to the Public Service Pay Commission by the joint employer and RACO on the matter of recruitment and retention of Flying Officers (Pilots) in the Air Corps.

The Commission in its initial examination of these submissions is of the view that there would appear to be compelling reasons to advance consideration of recruitment and retention of Flying Officers in the Air Corps. This letter and appendices set out a number of salient evidential points that support this early consideration; a full examination of Flying Officers will be included in the Commission's next report.

The submissions from both parties agree that there has been an accelerated rate of early departures of Flying Officers from the Air Corps since 2011, and at the end of March 2018 serving numbers were 25% below the establishment number. The evidence available to the Commission at this stage, and included in appendix 1, verifies this and indicates that numbers have continued to decrease since then. What is striking about the submissions which the Commission has received concerning Flying Officers is the level of agreement and many points of common ground between them. Both parties agree that the current retention problem is of such significance, and numbers have depleted to a point, that the provision of essential services by the Air Corps is in jeopardy.

Flying Officers with greater than 12 years' experience have discharged their period of undertaking and can apply to leave the Defence Forces. The joint employer submitted to the Commission that, at the end of March 2018, 34 of the 80 serving Flying Officers had more than 12 years of experience and could potentially apply to leave at any time, with a further 11 having between 10 and 12 years' experience.

Both parties also agree that previous Service Commitment Schemes (SCS) were successful in retaining Flying Officers. In 1997 the first SCS was introduced, with a second scheme in 1999. The most recent scheme ran from 2002 to 2010. Indeed, the joint employer submitted that there is a correlation between the end of the last scheme and the accelerated increase in the number of Flying Officers retiring.

Under the terms of the 2002 scheme, Flying Officers were given the option of committing to serve for an additional 3, 5 or 8 years in return for an annual payment and a terminal bonus on completion of the 5 or 8 year commitments. Details of the 2002 scheme, including the numbers who availed of the scheme and the costs from 2002 to 2010, are set out in appendix 2.

The submissions from both parties accept that while inductions into the Air Corps have increased over the last number of years, the required training period of at least three years and capacity constraints, which limit the total number of inductions in any given year, mean that this increase is a medium term solution and will not help with the current level of vacancies.

As you are aware, the Commission is due to report this year on the Defence Forces, which was identified as having certain recruitment and retention difficulties in its first Report in May 2017. The Department of Defence in a letter to the Department of Public Expenditure and Reform (copy enclosed) has said that it *"believes that it is now essential that a pilot retention scheme is re-introduced"*. The Department also stated that it is prevented from unilaterally introducing a retention scheme, and requested that the Commission accelerate its consideration of the case being made in respect of Flying Officers.

The Commission recommended at section 6.31 of its first Report in May 2017 that, where a recruitment and/or retention difficulty has been identified in particular specialist areas, it would be worthwhile for the parties to examine the various pay devices which were used in the past to address specific recruitment and retention issues. Flying Officers are operating at 25% below the Establishment numbers and it would appear to the Commission that this indicates a very significant retention problem. The Commission therefore refers the parties to its earlier recommendation which states:

“In the past various pay devices were used to address specific recruitment and retention difficulties in particular specialist areas. These included entry above the scale minimum, accelerated incremental progression, allowances in the nature of pay, etc. It may be worthwhile for the parties to examine the use of such devices as part of the response to areas where real recruitment/retention challenges exist rather than attempt to rely solely on ‘a one size fits all’ solution.”

The Commission is satisfied that this recommendation facilitates consideration of the restoration of the Service Commitment Scheme for Flying Officers.

As mentioned earlier, the next report of the Commission will include a detailed examination of Flying Officers, in conjunction with the examination of the other groups who are encompassed in Module 2 of our work programme. As you are aware, this report was initially due to be completed by the end of December 2018. However, the difficulties experienced in obtaining robust and relevant data, which impacted on the timeline for our Module 1 report, continue to be an issue and will of necessity impact on the timeline for the Module 2 report. In the circumstances above, and where the Commission will not reach its final conclusions on these matters until later this year, it would seem prudent for the parties to consider restoration of the Service Commitment Scheme in the context of paragraph 6.31.

Yours sincerely



Kevin Duffy

Chairman

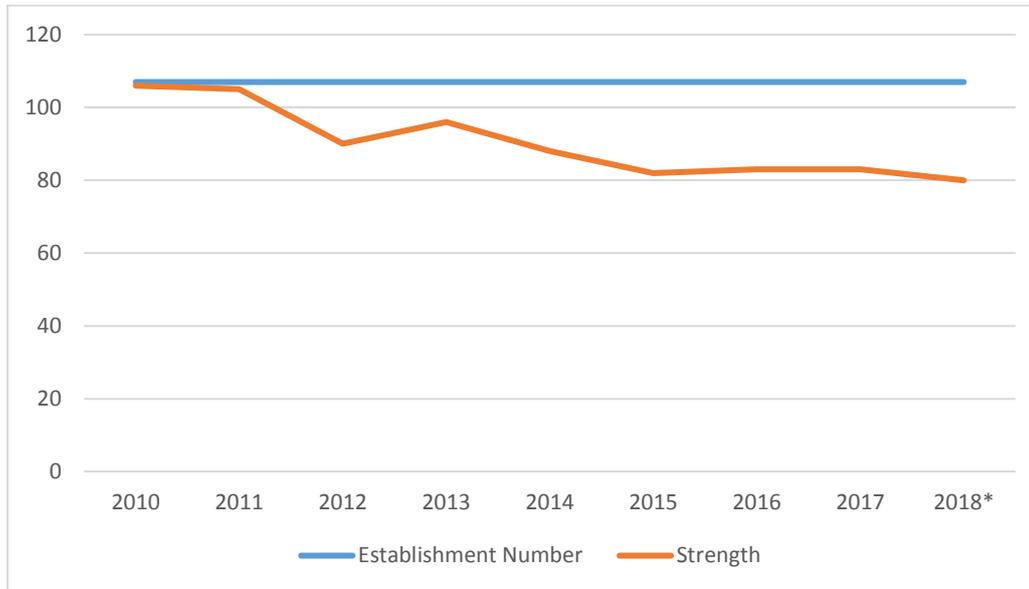
Public Service Pay Commission

Appendix 1 - Data analysis

Establishment and Serving Numbers

Flying Officers have an establishment number of 107. While the overall Defence Force establishment number has been reduced since 2011 the Flying Officer establishment has remained the same. Since 2010 Flying Officers have been operating at below this number and at the end of March 2018 Flying Officers were 27 pilots or 25% below this number.

Figure 1: Actual Establishment and Serving Numbers, 2010 to 2018



*End March Serving Numbers. The Dept. of Defence have estimated an end year strength of 79

Source: Department of Defence

Flying Officer Strength Trend to date and projection to 2022

Table 1 sets out both actual and projected retirements from 2010 to 2022. From 2010 to 2018 there were 65 retirements, three of which were on age grounds. The Department of Defence estimates that if departures continue at the current rate, by 2022, the end year strength will be 78 (29 below the establishment number).

Table 1: Flying Officer Strength Trend to date and projection to 2022

Year	Flying Officer Establishment Number	Start of Year Strength	Retirement (age grounds)	VR	Commission/Yet to be Commissioned	End of Year Strength
2010	107	106	0	2	3	105
2011	107	105	0	10	1	96
2012	107	90	0	3	3	90
2013	107	96	0	8	0	88
2014	107	88	1	8	3	82
2015	107	82	0	6	5	83

2016	107	83	1	8	9	83
2017	107	83	1	7	4	79
2018	107	79	0	10	7	76
2019	107	76	0	8	9	77
2020	107	77	0	7	7	77
2021	107	77	0	8	8	77
2022	107	77	0	7	8	78

Source: Department of Defence

Flying Officers Years of Experience

Flying Officers with greater than 12 years' experience have discharged their period of undertaking and can apply to leave the Defence Forces. Table 2 sets out the years of experience for Flying Officers at the end of March 2018. At this time there were 34 Flying Officers with more than 12 years of experience who could potentially leave at any time, with a further 11 having between 10 and 12 years' experience.

Table 2: Flying Officers Years of Experience, March 2018

Rank	No.	<6	>6 <8	>8 <10	>10 <12	Total <12 (In Contract)	Total > 12 (Out of Contact).
Brigadier-General	1					0	1
Colonel	2					0	2
Lt Colonel	8					0	5
Commandant	16					0	15
Captain	32	1	4	9	11	25	10
2/Lt & Lt	21	21				21	0
Total	80					46	34

Source: Department of Defence

Appendix 2 – Service Commitment Scheme

In 1997 the first SCS was introduced, with a second scheme in 1999. The most recent scheme commenced in 2002 and ran to 2010.

Overview of the 2002 Scheme

- a. The Department of Finance gave sanction for a revised scheme to be introduced from 1st August 2002. It was initially to be reviewed in 2004.
- b. The terms of eligibility were as follows:
 - i. All applicants had to have completed the entire period of the basic Flying Officer "Wings" undertaking as applicable in their individual case.

- ii. Officers of Captain and Commandant rank had to have been currently operationally rated on an Air Corps twin-engine aircraft.
 - iii. Officers of Lt. Colonel and Colonel rank had to have been currently operationally rated on an Air Corps aircraft.
 - iv. Participants had to have retained the relevant rating throughout their period of service commitment other than in the most exceptional circumstances.
 - v. The Chief of Air Staff Operations had to personally certify that each individual applicant satisfied all the criteria above.
- c. Under the 2002 scheme, Flying Officers were given the option of committing to serve for either 3, 5 or 8 years in return for an agreed annual payment and a terminal bonus on completion of the 5 or 8 year commitment. The gratuities available were designed to strike a fair and reasonable balance between the demands of the external commercial environment and the need to exercise responsibility in relation to public service pay. The gratuities were subjected to both rises and reductions in public service pay.
- d. The annual payments under the 2002 scheme were as follows:
- i. €18,000 for the ranks of Lieutenant-Colonel, Commandant and Captain; and,
 - ii. €9,000 for the rank of Colonel
 - iii. A terminal bonus was based on the number of years commitment served and the profile of the commitment undertaken but was **not** payable at the end of a three year period of commitment.

Year of entry to the Scheme	Length of commitment & Possible Variations/Extensions	Terminal Bonus (* Represents the full rate of payment)
2002	3	NIL
2002	5	€18,000
2002	8	€30,000
2002	3 + 2	NIL + €12,480*
2002	3 + 2 + 3	NIL + €12,480* + €8,320*
2002	5 + 3	€18,720* + €8,320*
2003	7	€25,000

- e. In subsequent years the maximum available commitment reduced by one year for each subsequent annual class with an overall scheme termination date of 2010.
- f. Each participating Flying Officer in the 2002-2010 Service Commitment Scheme who did not initially opt for the maximum period of commitment (e.g. 8 years for 2002 entrants and 7 years for 2003 entrants) was invited to extend the period of their initial commitment before they entered into the final year of that commitment. Individuals who took up this invitation to so

extend prior to the commencement of the last 12 months of their original period of commitment received the full value of the additional Terminal Bonus indicated. However, those individuals who decided to extend their commitment only within the period of the last 12 months of their original period of commitment were eligible to receive only 50% of the additional terminal bonus indicated.

Year	No. of Flying Officers	Total Gross Payment
2002	23	€468,768
2003	27	€517,322
2004	28	€587,677
2005	30	€659,892
2006	29	€618,244
2007	29	€529,214
2008	23	€579,634*
2009	22	€514,448
2010	22	€607,616
TOTAL		€5,082,819

* The total amount paid in 2008 includes some amounts due in respect of 2007 that were actually paid in 2008.

- g. Rates of increases and decreases to public service general pay were applied to both annual and terminal bonus payments under the 2002-2010 Service Commitment Scheme.
- h. The commitments under the scheme expired in 2010 and the scheme was discontinued. The needs of the Defence organisation, in the context of the prevailing economic climate, were a key factor in assessing and determining whether or not the scheme continued beyond 2010.