



Mr David Denny
Principal Officer
Remuneration, Industrial Relations and Pensions Division
Department of Public Expenditure and Reform
Merrion Street
Dublin 2

10th August 2016

Dear David,

Thank you for the opportunity to comment on the role and methodology of a Public Service Pay Commission. I am replying in a personal capacity as there has not been a meeting of the Council to consider a response within the timeframe required for a reply.

The efficiency and effectiveness of our entire public service is a major driver of our overall national competitiveness. In this regard, securing, measuring and delivering improvements in public sector productivity levels and services should form an important element of the Commission's work.

The National Competitiveness Council has strongly emphasised the opportunity to create a virtuous circle, in both public and private sectors, in terms of productivity improvements driving enhanced competitiveness, sustainable jobs growth, higher incomes and higher standards of living. It has also emphasised the importance of keeping the cost of living down in order to ensure that wage increases are not eroded.

The Council has highlighted that, while labour cost growth across the economy is modest in recent years, Ireland still faces significant competitiveness challenges and recent gains risk being eroded if costs across the economy rise and if pay increases are not underpinned by productivity. We must also be conscious of the international dimension of competitiveness.

I fully recognise the significant contribution made by the public service in supporting our recovery. A range of important reforms have already been delivered in an era of increased demands and pressure on resources. We must continue to be ambitious in driving reform and further productivity improvements across the public service and delivering improved services for citizens. The momentum of reform achieved over the course of the recession and subsequent recovery, must be maintained, and we must embed an ongoing and continuous process of reform and improvement.

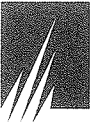
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Productivity is not necessarily about working harder or longer hours, but about working smarter (for example by supporting workers through training, investment in ICT and other measures). In the public sector, the adoption of reforms and innovations that help employees to deliver productivity improvements and, also, deliver real and measurable value to citizens and the consumers of public services, is essential.

As you know, measuring productivity in public services is particularly challenging. However, measurement is vital - not only because the public sector is such a substantial part of the economy, but also because of the importance of the services it provides to citizens and the enterprise sector. There is a need to assess public sector productivity in the context of the outputs and outcomes delivered, relative to the amount of resources used. As well as the central role of the Department of Public Expenditure and Reform, there is a role for each Government Department in evaluating the services and programmes that they provide, and developing measures of productivity to quantify the impact of reforms and improvements.

Given the nature, diversity and complexity of the public sector, assessing public sector productivity levels and growth rates is certainly challenging. However, given that productivity growth represents the only sustainable way to increase living standards, I believe that securing, measuring and delivering real improvements in public sector productivity levels and services must play a central role in the work of the Commission.

Yours sincerely,

Prof Peter Clinch,
Chairman, National Competitiveness Council

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