



**SENIOR CIVIL SERVICE  
ASSOCIATION**  
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**09 December 2016**

**Mr Kevin Duffy  
Chairman  
Public Service Pay Commission  
St Stephen's Green House  
Earlsfort Terrace  
Dublin 2**

**Dear Chairman,**

I am writing to you in connection with the Report to Government which is currently being prepared by the Public Service Pay Commission on public service remuneration policy. I have been asked by the membership of the Senior Civil Service Association to make this submission and to request that our views and supporting documentation be considered by the Commission in the preparation of its Report.

Since the late 1970s, The Senior Civil Service Association (formerly the Association of Assistant Secretaries & Higher Grades) has represented the interests of officers at the rank of Assistant Secretary and Deputy Secretary in the Irish Civil Service. The Association is not a trade union but has been recognised as representing the interests of the Assistant Secretary and Deputy Secretary grades in pay determination discussions and for the purposes of submissions to the relevant review bodies in previous years.

The Association welcomes the establishment of the Public Service Commission and we are pleased to cooperate in any way we can in the conduct of your work and in the preparation of your Report. The Association strongly believes in the need for independent and objective analysis of public service remuneration and for the establishment of a fair, transparent and robust body of evidence on which future pay determination in the public sector can be based. In recent years much of the commentary in regard to public service pay has been uninformed, emotive and anecdotal.

As part of its contribution to an informed and evidenced based approach, the Association has engaged Mercer, the world's largest human resource consultancy firm, to report on the comparison between the remuneration package of the Assistant Secretary Grade and its private sector comparator. For completeness this report also contains a comparison of the Secretary General grade.

The latest Mercer Report is enclosed as part of this submission. It is one of a series that has been prepared for the Association in recent years. Earlier reports conducted in 2009, 2013 and 2015 have all produced similar conclusions suggesting that the significant premium on remuneration enjoyed by comparable senior level executives in the private sector is not a recent phenomenon but rather one which has existed for some time. These earlier reports are available on our website ([www.scsa.ie](http://www.scsa.ie)) and copies can be made available to the Commission if you so require.

The current Mercer comparison is based on roles of a similar size and scope using the Mercer points factor evaluation methodology. This includes a broad range of local companies and subsidiaries of multinational organisations across industry. The private sector comparisons are based on the Mercer Remuneration database for 2016 and take account of all elements of remuneration including pension. The data is aged to December 2016.

The Mercer comparison portrays quite a stark difference between the overall remuneration package paid to Assistant Secretaries and their private sector comparators. In summary, the total remuneration of an Assistant Secretary, net of pension levy, is 42% of the remuneration package of the median private sector comparator. The fact that this differential is rarely, if ever, given coverage by media is not a surprise to members of the Association given the generally pejorative coverage of senior public sector pay. Private sector averages are often quoted which do not reflect the value of remuneration packages of the comparable private sector employees.

For this reason the Association welcomes the independent and advisory role of the Commission. It is our hope and expectation that the factual situation, as reflected in the Mercer Report, will be confirmed by the Commission's own analysis, leading to informed consideration by the Government and, hopefully, a more balanced commentary generally. Should the Commission require any further clarification on the Mercer report we will be glad to provide it.

We appreciate that the Commission is also asked to have regard to other relevant factors including security of tenure, and evidence on recruitment and retention. Security of tenure has its own internationally accepted rationale rooted in the need for an independent civil

service. Valuing security of tenure in a pay determination context is, however, extremely difficult. It would not be unreasonable to expect that any value should be dependent on the state of the economy and the consequent likelihood of redundancy where security of tenure does not apply. An additional factor is that during the downturn, many private sector firms were reported as choosing to reduce pay levels as an alternative to redundancy which is effectively what happened in the public sector.

Previous reviews of higher remuneration in the public sector acknowledged the security of tenure issue but decided not to factor in a “deduction” which would seem to indicate that they did not see it as being a significant factor given the more favourable remuneration packages available to the private sector comparator. This view is supported by experience of the open recruitment process to the most senior grades in the Civil Service, including the Assistant Secretary Grade, through the Top Level Appointments Committee (TLAC). We would draw attention to the following extract from the TLAC 2015 report:

*“Feedback from the executive search process indicates that the remuneration for these posts frequently cannot compete with that on offer in the private sector notwithstanding that senior Civil Service roles have attracted some quality private sector applicants previously due to factors other than the remuneration package.”*

Previous TLAC reports also refer to the “unattractive remuneration packages” and of applications from the private sector as being “not at the level to qualify the candidate for consideration”.

These reports indicate that security of tenure is not perceived as being a particularly attractive element of the public sector “package”.

If the differential in remuneration that currently exists continues, there will over time be potentially very serious repercussions for recruitment and retention trends at the most senior levels of the Irish civil service. The future well-being of the public service is critically dependent on our ability to attract a fair share of the necessary expertise and capability to senior level positions and it is imperative that our pay determination mechanisms can have regard to the need to compete successfully for talent on the open market.

We note that for its initial report the Commission is being asked to provide inputs on how the unwinding of the FEMPI legislation should proceed. Neither this Association nor its members have ever sought treatment which is more favourable than that on offer to other grades in the public sector, nor do we do so now. We represent a cohort of the most senior management within the civil service and as such, our members are keenly aware of the consequences the severe economic downturn of recent years has had for the public finances. We have consistently indicated our willingness to play our part on a fair and

equitable basis in implementing the corrective actions undertaken by Government. And as our economic recovery continues and deepens, we also recognise the need to address the harsh impact such actions have had on lower paid employees in particular.

Since 2009, the principal grades represented by this Association have seen a reduction in the overall level of their remuneration of 25% at the top of the Assistant Secretary scale and more than 27% at Deputy Secretary level. On top of this, and unlike many in lower grades, officers at Assistant Secretary level have experienced a complete and unconditional suspension of increment payments. Furthermore, restoration of pay for senior grades is being implemented at a slower pace than for others. This level of reduction in the overall remuneration package for grades represented by this Association, allied to the inequality of treatment in restoration, has undoubtedly impacted on both morale and recruitment trends.

In the light of the stark differences between the remuneration packages of the comparable employees in the private sector, the recruitment issues outlined above and the level of reductions already imposed on the Assistant Secretary and Deputy Secretary Grades we consider that there is a strong case that the unwinding of FEMPI should at the very least be implemented at the same pace as for the generality of Civil Service grades. Given the small numbers in the senior grades represented by this Association, the impact on the state of the national finances is minimal.

The Association also acknowledges that the Terms of Reference of the Commission require it to compare appropriate rates for identifiable groups within the public service with their equivalents in other jurisdictions, particularly where internationally traded skillsets are required, having due regard to differences in living costs. In previous similar reviews, we have alluded to the difficulty in making such international comparisons because of differences not just in the cost of living, but also taxation, the structure of remuneration packages in other jurisdictions and other factors. While the Association is currently considering how best to assist the Commission in the compilation of accurate and up-to-date data in this regard, it is an expensive, complex and time consuming operation that will take further time to examine. Consequently, we would welcome the opportunity to make a further submission in respect of the aspect of the Commission's work at a later but timely date should we have useful data to assist the Commission.

In the meantime we would draw the Commission's attention to the finding in the 2009 Mercer Report, which carried out a comparison with a basket of six other EU countries and which concluded that when adjusted for cost of living differences the remuneration of the Assistant Secretary grade was, at that time, less than that of their counterparts in five of the countries surveyed. Since then the remuneration of Assistant Secretaries has been reduced

and we have no reason to believe that the relative position the remuneration package of Irish Assistant Secretaries would have been improved.

As already alluded to, the Mercer Report factors in the value of pension benefits in the public and private sectors. It is clear that attractive pension benefits are not unusual at a senior executive level in the private sector and are often accompanied by attractive compensation packages in the event of early termination of employment. Previous reviews of senior level remuneration in the public sector, for example by the Review Group on Higher Remuneration in 2007 made a very detailed assessment of the value of public service pensions relative to the private sector and discounted senior level public service salaries by a notional 15% to take account of this pension factor.

It is also important to bear in mind that the introduction of the new Single Public Service Pension Scheme with effect from 1 January 2013 has resulted in very significant changes to the structure of public service pensions which considerably reduce their contribution to the overall package of remuneration on offer to new recruits at a senior level of the public service.

Pension benefits payable to those at the most senior levels of the public service are also potentially hugely impacted in the future by recent changes to the Standard Fund Threshold (SFT) regime under which pension benefits are taxed. Such changes are very likely to have a disproportionate impact on those in the public sector as a result of the compulsory nature of public service pensions which makes it impossible to voluntarily modify pension contributions in the same way as can happen in the private sector. Such anomaly makes it likely that members of this Association will in future years incur a penal and arguably disproportionate tax liability which will severely impact on their pension benefits. The Association is happy to expand on our concerns in this regard should the Commission so wish.

In our view, any computation or allowance which the Commission might make for public service pensions must in the case those senior grades which we represent take account of all these factors.

Furthermore, the Association believes that any system of public service pay determination must make provision for the periodic revision of pensions. In that regard, any break in the parity between pensions and the pay of serving officers in the future would in our view represent a change to the terms of public service pension schemes in respect of existing members of those schemes.

The Association also represents retired civil servants (i.e. those retired from the grades which we represent). Consequently, we also draw attention to the impact of the Public

Service Pension Reduction introduced in 2011 and which applied to all pensions in payment over €12,000 per annum. The impact of the PSPR is being partially ameliorated by changes made on 1 January 2016 and again in 2017 and 2018. In our view, any acceleration in the restoration of pay reductions should also be applied to the restoration of pensions.

In conclusion, I would extend our appreciation for your taking the time to consider this submission and to again underline our preparedness to cooperate in every way possible with the work of the Commission and to expand on any aspect of the foregoing as you may require.

**Yours sincerely,**

A handwritten signature in black ink, appearing to read 'Peter Baldwin', with a stylized flourish at the end.

**Peter Baldwin**  
**Chairman**

# COMPARISON OF REMUNERATION SENIOR CIVIL SERVICE ASSOCIATION

6 December 2016

**Patrick Robertson**  
**Patricia Lane**  
Dublin



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# COMPARISON WITH THE IRISH PRIVATE SECTOR ASSISTANT SECRETARY

Pay element	2016 Irish Private Sector			Assistant Secretary	
	Lower Quartile	Median	Upper Quartile	Bottom of Scale	Top of Scale
Base salary (€)	180,486	222,277	270,632	119,572	136,496
Pension Levy (€)				-9,380	-11,157
Performance Award / Bonus	23,283	57,792	92,015		
Pension (DB) (€)	27,253	43,122	57,103	38,202	43,608
Pension (DC) (€)	14,836	27,229	43,030		
Car/Allowance (€)	12,000	16,800	19,600		
LTIs (€)	12,093	32,230	70,094		
Other Benefits (€)	4,963	6,001	6,766		
Total Remuneration (€)	281,558	377,871	492,549	148,394	168,947

Source: Private sector data from the Mercer 2016 Remuneration Database. See Appendix 1 for methodology.

# COMPARISON WITH THE 2015 IRISH PRIVATE SECTOR MID POINT OF SCALE - ASSISTANT SECRETARY GRADE TO MARKET

Comparison with Irish private sector 2016 remuneration	% of Lower Quartile*	% of Median*
Assistant Secretary base salary compared to private sector base salary.	71%	58%
Assistant Secretary base salary (net of pensions levy) compared to private sector base salary.	65%	53%
Assistant Secretary total remuneration compared to private sector total remuneration.	60%	45%
Assistant Secretary total remuneration (net of pension levy) compared to private sector total remuneration.	56%	42%

Source: Private sector data from the Mercer 2016 Remuneration Database.

\* Note: Assistant Secretary **scale mid point** used for comparison (see appendix).

# COMPARISON WITH THE 2015 IRISH PRIVATE SECTOR TOP OF SCALE - ASSISTANT SECRETARY GRADE TO MARKET

Comparison with Irish private sector 2016 remuneration	% of Lower Quartile*	% of Median*
Assistant Secretary base salary compared to private sector base salary.	76%	61%
Assistant Secretary base salary (net of pensions levy) compared to private sector base salary.	69%	56%
Assistant Secretary total remuneration compared to private sector total remuneration.	64%	48%
Assistant Secretary total remuneration (net of pension levy) compared to private sector total remuneration.	60%	45%

Source: Private sector data from the Mercer 2016 Remuneration Database.

\* Note: Assistant Secretary **top of scale** used for comparison (see appendix).

# COMPARISON WITH THE IRISH PRIVATE SECTOR SECRETARY GENERAL

Pay element	2016 Irish Private Sector			Secretary General II
	Lower Quartile	Median	Upper Quartile	
Base salary (€)	262,812	324,460	408,819	176,350
Pension Levy (€)				-15,342
Performance Award / Bonus	68,331	126,539	196,233	
Pension (DB) (€)	44,678	64,892	94,028	56,432
Pension (DC) (€)	22,602	40,557	65,411	
Car/Allowance (€)	15,000	19,500	22,600	
LTI (€)	39,422	87,604	208,498	
Other Benefits (€)	5,256	8,111	11,651	
Total Remuneration (€)	436,269	613,229	789,021	217,440

Source: Private sector data from the Mercer 2016 Remuneration Database. See Appendix 1 for methodology.

# PAY DIFFERENTIAL

- The table below shows the differential between the base pay levels of the Chief Executive and their direct reports in the Irish private sector

	<b>Function Head as a percentage of CEO Salary</b>
	<b>Irish Private Sector</b>
Next Most Senior Director, Typically Finance	65-75%
Other Directors	55-70%

- Typically, the differential is greater in the quoted Irish companies compared to the subsidiaries of multinationals or the Irish non-quoted companies.
- The table below presents the base pay differentials for the Assistant Secretary and Secretary General.

	<b>Percentage of Secretary General II Salary</b>
Assistant Secretary (Scale minimum)	68%
Assistant Secretary (Scale Mid Point)	73%
Assistant Secretary (Scale maximum)	77%

# APPENDIX 1 - METHODOLOGY

## **Irish Private Sector Data**

- The private sector comparisons are based on the Mercer Remuneration database for 2016. This includes a broad range of local companies and subsidiaries of multinational organisations across industry.
- The comparison is based on roles of a similar size and scope using the Mercer points factor evaluation methodology (IPE). Each element of compensation is valued separately using our consistent valuation methodology. As each element is valued separately the totals do not necessarily add up.
- For the private sector, the data is aged to December 2016.

## **Assistant Secretary and Secretary General II Data**

- The pay scales applying to the majority of existing staff have been used in this Report. A comparison with the Secretary General Grade II is provided.
- For the Assistant Secretary data, comparisons are shown for both the scale mid point (average between the range minimum and range maximum) and the top of the scale with the market median and lower quartile.

**MAKE**  **MERCER**  
**TOMORROW,**  
**TODAY**