SENIOR CIVIL SERVICE
ASSOCIATION
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28 November 2017

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

Dear Chairman,

Thank you for your letter of 25 October 2017 inviting the Senior Civil Service Association to make a submission in respect of Phase 2 of the work of the Public Service Pay Commission. As you are aware, the SCSA represents senior civil servants at the rank of Assistant Secretary, Deputy Secretary, and their equivalent in the Irish civil service, and I have been asked by the Board of the Association to respond to the invitation as follows.

The Association supports the evidence based approach being taken by the Commission in undertaking this new phase of its work. While we are not in possession of detailed statistics and data that would allow us to populate the standard submission template provided to us in any meaningful way, the Association believes that significant recruitment issues do exist in respect of the grades which we represent.

Evidence available to the Association in this respect, including recent reports of the Public Appointments Service and the Top Level Appointments Commission, has already been alluded to in our earlier submission to the PSPC in December last year and indeed by the Commission itself in Chapter Six of its Report published in May last. We understand that both PAS and TLAC, together with the Department of Public Expenditure & Reform, should be in a position to provide detailed data to support the conclusions already drawn in respect of recruitment and retention difficulties at senior levels of the organisation.

Indeed, we believe that these difficulties are not confined to external recruitment but apply also in respect of attracting suitable internal candidates. We further understand that the Department will be in a position to confirm this view.

As stated in the Commission's Report, PAS reported in 2014 that the challenges in filling senior executive roles were mainly due to salaries in the public service not being comparable to those in the private sector. In 2015 and 2016, according to PAS, the situation worsened due to an improvement in the economy.

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This situation is borne out by an independent study commissioned by the SCSA and carried out on our behalf by Mercer, one of the world's largest human resource consultancies. Mercer's study compares remuneration levels for senior civil service grades with remuneration available for corresponding senior executive roles in the private sector and concludes, for example, that the total remuneration of an Assistant Secretary, net of pension levy, is 42% of the remuneration package of the median private sector comparator. We referred in more detail to this Mercer Report in our earlier submission to the PSPC but a copy is enclosed again for ease of reference. It provides further empirical evidence of the differential in remuneration that impacts on recruitment and retention trends.

In a further report prepared earlier this year for the Association and not previously made available to the PSPC, Mercer compared the remuneration of senior Irish civil servants with the remuneration available to their counterparts in a number of other European jurisdictions. A copy of this report is now enclosed and further underlines the stark reality in respect of the remuneration package for senior grades in the Irish Civil Service. Assistant Secretaries, for example, are paid less than their equivalents in each of the other six countries included in the study. A similar conclusion is drawn in respect of Secretaries General, particularly when the figures are adjusted for cost of living differences.

In considering the impact of pay restoration as provided for in the FEMPI legislation of 2015 and the Public Services Stability Agreement 2018 – 2020, it is worth bearing in mind the following. Between 2009 and 2013, the grades of Assistant Secretary and Deputy Secretary incurred reductions in their total remuneration package of between 24.65% and 27.22%. Notwithstanding this, our grades were selectively subjected to a slower rate of pay restoration under the 2015 legislation than that applying to other grades. Even when allowance is made for increases under the PSSA, the Assistant Secretary and Deputy Secretary grades will have a total remuneration package in October 2020 that is between 14% and 18% <u>less</u> than they earned in 2008, 12 years previously.

The SCSA believes, as already reported by the PSPC, that a public service pension is no longer regarded as highly as an incentive for senior levels of the organisation, particularly for external candidates as many applicants already have appropriate pension arrangements in place. However other factors are at play which impact on the attractiveness of senior level pensions for both internal and external candidates.

As we stated in our earlier submission, pension benefits payable to those at the most senior levels of the public service are potentially significantly impacted by changes in 2014 to the Standard Fund Threshold (SFT) regime under which pension benefits are taxed.

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An example, taken from DEPER's own circular on the issue (Ref: P18/065/06 dated 27 June 2014) demonstrates how an Assistant Secretary age 40 with 20 years services on 1 January 2014, and who retires as a Secretary General in 2034 age 60 with 40 years service, will incur a tax liability of €301,090 – more than wiping out the pension lump sum payment of €278,025.

The compulsory nature of public service pensions makes it impossible to avoid such levels of taxation by voluntarily modifying pension contributions as might happen in the private sector. The disincentive created for recruitment, and indeed retention, at the most senior levels of the public service, is significant.

The impact demonstrated above will, admittedly, decline in later years as the proportion of public servants recruited post 2013, and therefore accruing pension entitlements under the new Single Scheme, increases. However, the Single Scheme itself, means that a public service pension is no longer the incentive it might once have been and this no doubt is also a factor impinging on recruitment and retention trends.

The Association is grateful to the PSPC for the opportunity to make this submission and regrets that our views do not lend themselves to inclusion in the standard template you provided. However, we hope that they will be considered and we are both happy and available to discuss any aspect of the foregoing should you wish to do so.

Yours sincerely,

Michael Manley

Michael Manley
Chairman