STRONGER TOGETHER
CONGRESS
Irish Congress of Trade Unions

2017

RESPONSE BY THE ICTU PUBLIC SERVICES COMMITTEE TO THE IBEC SUBMISSION TO THE PUBLIC SERVICE PAY COMMISSION

ICTU Public Services Committee response to IBEC submission to the Public Service Pay Commission.

Congress has been provided with a copy of and wishes to comment on the assertions and contentions of IBEC that are portrayed as 'Key findings'.

1. **IBEC claims that low inflation environment means little cost of living pressure.**

The Government's own projections show that we are now exiting the current flat environment into a higher inflation environment.

Inflation (including Government Projections): 2015 – 2021 (%)						
2015	2016	2017	2018	2019	2020	2021
0	(-0.1)	1.3	1.8	1.9	1.9	1.9

While inflation essentially flat-lined in 2015 and 2016, the Government projects that it will rise to nearly 2 percent (the ECB benchmark) within two years, staying slightly elevated out to 2021. The Government's projected inflation increase between 2016 and 2018 (3.1 percent) is higher than the EU Commission's projection for Eurozone inflation (2.8 percent). Ireland may be entering into a higher than average inflation environment.

Between 2017 and 2021, inflation will rise by 9.1 percent cumulatively.

When it comes to the drivers of pay demands Congress agrees that Government must address the underlying issues, such as housing and insurance costs where they arise.

2. **IBEC claims that the existing agreement is already outstripping private sector trends.**

The IBEC submission deliberately confuses the effects of the current pay round with the individual effects of service related increases through the incremental system. The Lansdowne Road Agreement provides for a €1,000 reduction in the pension levy, phased from January 2016 to January 2017 and a €1,000 salary increase in 2017. The 'increase' is simply unwinding the effects of the FEMPI pay cuts in 2010. In order to even out the effects of this a 2.4% increase was applied to salaries up to €24,000 and a 1% increase on salaries up to €31,000.

Pay increases quoted for the private sector are adjustments to the salary scales or ranges applicable in the relevant companies and sectors. Service related advancement for individuals are not factored into the data. A correct like for like comparison between the public service and the private sector should recognise the distinction between increases in the rates, scales or ranges and individual movement based on service and other criteria.

By adding the value of increments to the public service agreement and assuming they are paid to all staff, IBEC distorts the comparison with private sector pay rounds.

3. **IBEC claims that the existing agreement is generous in a historical context.**

The modest scale of the current agreement means that the great bulk of the FEMPI emergency cuts from 2009 and 2010 remain in place. This contrasts with the rest of the economy where, with some exceptions, pay freezes were the norm during the height of the crisis.

4. **IBEC claims that econometric analysis suggests that accounting for other characteristics there is still a public pay premium of around 12%**

This point was addressed in the ICTU Public Services Committee submission to the Pay Commission. The submission recognised that there have been ongoing debates over the differential between public and private sector pay and pointed out that the most recent study is the CSO's '*Specific Analysis of the Public/Private Sector Pay Differential for National Employment Survey 2009 & 2010 Data*'. While this is dated, and it does not include the effects of the pension levy on public servants, it provides a robust comparison that is useful, including factors such as work experience, age, gender, organisational size, etc.

There are significant differences in the differentials depending on the CSO's model specifications. The differential ranges from -3.9 % to 6.3 % for males and for females, from 2.2 % to 12.9 % for females. The differences depend on whether the data is weighted and whether organisational size is taken into account. One specification shows that public sector workers earn less than their private sector counterparts while another shows a public service premium. In the case of females, the premium may reflect a better gender equality pay regime in the public sector as opposed to the private sector. This would be due to stronger career protection and work-life balance options.

5. IBEC claims that new Eurostat data shows that Irish public service workers are still very well paid in a European context

This point was addressed in detail in the ICTU Public Services Committee submission to the Pay Commission. There are a variety of different ways of measuring international comparisons. Our submission to the Pay Commission explained the reasons why health should be excluded from international public service comparisons, because in many countries, health service employees are not counted as general government employees. Excluding health from the comparison, Irish public servants are in the lower half of the EU-15 table, trailing the EU-15 average. Ireland also ranks below the EU-15 average for compensation as a percentage of total government spending and also for compensation per capita. Comparing Ireland with its peer group of northern and central European economies, Irish public administration is almost 20% below average. Using national accounts data, in nominal terms Irish public administration hourly compensation is almost 12% below the EU-15 average. This falls to over 20% below the northern and central European peer group average and when purchasing power parity is applied Ireland falls 22% below the EU-15 average.

This data contradicts the IBEC assertion that Irish public administration has the highest overall pay in Europe with a significant cost of living adjusted premium.

6. IBEC claims that while many Irish public service workers do now make significant pension contributions (If the PRD is included) contributions remain modest when compared to benefits.

The great majority of public servants are members of integrated pension schemes, meaning that almost the first €25,000 of salary is not generally covered by the employers' pension schemes. Under the LRA, the pension levy has been amended so that it ceased to apply to earnings up to €28,750. Above that figure, staff have a total of 16.5% or 17% deducted from their pay under the guise of pension contributions and pension levy. This is excessive by any account. It should also be noted that the pension levy is applied to non-pensionable earnings such as overtime.

Even IBEC recognises that current contributions, inclusive of the pension levy, amount to around 70% of pension outgoings with the state in effect funding the remaining smaller amount.

Ends.