

# FIANNA FÁIL POSITION PAPER ON PUBLIC SECTOR PAY



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## Fianna Fáil position paper on public sector pay

Ireland's public servants are dedicated, committed and conscientious. Fianna Fáil recognises the huge sacrifices that have been asked of them in recent years. Major progress has been made to date in delivering improved public services with fewer resources. This was a process started by the previous Government as part of the Croke Park Agreement.

There have been outrageous attempts to denigrate the role of public servants by certain commentators. The country must not be divided into competing groups of public sector and private sector workers. There is mutual dependence between both groups of employees that must be recognised.

Every family in Ireland has suffered financially in recent years. All have contributed to Ireland's recovery and each section of society should feel the benefit of improved living standards.

The key principles we believe should underpin these negotiations are:

- A commitment to improve the take home pay of public servants in line with general wage improvements in the economy.
- Recognition of the significance of public sector pay to the overall state of the public finances.
- A focus, in the initial stage, on low and middle income earners with a possible combination of a flat rate increase for all workers combined with a percentage increase.
- Reform of the Pension Related Deduction (pension levy) consistent with the long term aim of sustainable public sector pension provision.
- An end to the moratorium on public sector recruitment and a targeted recruitment of additional staff in areas of high need including the health and education sectors
- Equality of treatment for newly recruited staff.
- Independent external verification of the cost of measures agreed and the implementation of targets set under the agreement.
- Formal recognition of the entitlement of former public servants currently in receipt of pensions to be included in the discussions.
- Reform of the Public Service Pension Reduction imposed on pensions in payment.
- Continued enhancement in service delivery and additional public sector reform including implementation of new technology.

As the main opposition party Fianna Fáil is committed to honouring in government an agreement reached with public sector representatives.

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## **(1) Need to improve public sector employees' take home pay**

Public servants and people in the private sector have made huge sacrifices over the last seven years since the economic crisis first began in 2008. The recovery which is to be welcomed should be shared with all in the country. This will include increases in take home pay for public sector workers as was envisaged when the measures were originally introduced.

The central issue is the level of take home pay for public servants. Improvements for public sector workers can be achieved through changes to pay levels, the pension levy, universal social charge, PRSI and PAYE taxes, or a combination of these.

Any party or grouping that is promising full restoration of pay cuts without stating how they will be paid for is simply engaged in auction politics. Realistically public sector trade unions and government should be looking at phasing in any pay improvements over the lifetime of an agreement to be negotiated.

Improvements should be in line with general wage improvements in the economy. Indications from an IBEC survey published in January 2015 are that nearly 60% of private sector companies will increase pay this year and some private sector workers received increases in 2014.

## **(2) Importance of public sector pay to the public finances**

The public sector pay bill is the largest single item of public expenditure. A total of €2.2bn in direct reductions in public sector pay and pensions were imposed between 2009 and 2013. In addition €800m in savings were achieved through reductions in public sector numbers and other changes.

It is simply unrealistic to believe that this can be fully restored in the short term without significant impact on the public finances. The fiscal targets which Ireland has signed up in respect of a balanced budget and reduction in debt levels must be fully honoured.

The Haddington Road agreement is due to expire in June 2016 and any new agreement should be finalised by September 2015. Proper planning requires that changes due for implementation in 2016 are reflected in the estimates on a Department by Department basis in October 2015.

The Financial Emergency Measures in the Public Interest report due at the end of June 2015 should provide the necessary detail for assessing the state of the public finances prior to the conclusion of a pay agreement and talks should not be concluded until this report has been published.

Any pay changes in the public sector have to take place in the context of pay changes in the wider economy. We also need to keep in mind the general European economic situation and learn the lessons of the past. Promises that are made have to be deliverable and factored in to future year estimates. The public will not forgive a party or grouping that makes promises only to break them again after a general election.

## **(3) Focus on low and middle income earners**

A civil service clerical officer on a salary of €700 per week suffered a reduction of €100 a week in weekly net take home pay as a result of successive rounds of pay cuts and tax increases. This represents a significant cut in living standards and has put many families under severe pressure in meeting household bills such as mortgages and childcare.

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To partly alleviate this we are proposing that consideration be given to a flat rate increase combined with a percentage increase for employees as part of these negotiations. This would be of particular benefit to low and middle income public sector staff.

#### **(4) Reform of the Pension Related Deduction**

It is important that public sector pensions are sustainable in to the future. The current annual cost of public sector pensions is approximately €3bn with €1bn raised from superannuation, €1bn from the pension related deduction (commonly referred as the pension levy) and the general exchequer making up the balance.

The current rates which apply are:

First €15,000 of earnings:	exempt
Between €15,000 and €20,000	2.5%
Between €20,000 and €60,000	10%
Above €60,000	10.5%

The gross cost of the levy to an individual public servant is €125 for a salary of €20,000 but rises to €1,125 for a salary of €30,000 and €2,125 at €40,000 and €4,125 at €60,000.

Fianna Fáil believes that the pension levy should be reformed in a manner that is consistent with our stated objective of provided the greatest percentage gain to low and middle income earners.

#### **(5) Moratorium on public sector recruitment**

We need to build a fairer and more caring and inclusive society. In order to achieve this, the moratorium on public sector recruitment should be lifted with a particular focus on the health and education sectors.

In the health sector there is still excessive dependence on the use of agency staff. Hiring staff on this basis is expensive and undermines consistency in patient care. The escalation of the bill for agency staff must be reversed and the cost substantially reduced through direct hiring of staff as determined by patient need. This will both save money and improve the quality of care provided.

In the wake of an alarming increase in waiting lists, there is also a need for an initiative to reduce the current waiting times along the lines of the original National Treatment Purchase Fund.

The issue of overcrowded classes at primary level must also be addressed by means of a reduction in the Pupil / Teacher Ratio. There is also a need to reverse the cuts to guidance counselling. Each of these aims will require the recruitment of additional staff numbers within the public sector.

#### **(6) Equality of treatment for newly recruited staff**

Newly recruited public servants are at a disadvantage relative to staff recruited before 2011. This cannot be justified and may lead to long term difficulties within the public service.

The problem is particularly acute in the nursing sector. Over the past three years the starting salary for graduate nurses and midwives has been slashed from €28,539 to

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€22,000. This two-tier system has already severely damaged morale and has led to graduate nurses showing their dissatisfaction with the situation by leaving the country. It is unfair and unrealistic for the Minister for Health to believe that young graduates will stay in Ireland to work alongside colleagues in a health system which is bursting at its seams for only 80% of the approved rate.

We believe that equality of treatment for public servants is an important principle and should be fully restored.

### **(7) External verification of agreed measures and achievement of targets**

The Croke Park Agreement review committee independently verified savings under that agreement. There was no equivalent mechanism under the Haddington Road Agreement.

The Croke Park Agreement process gave public confidence and transparency as opposed to Ministers making claims as to what they had achieved as was the case under the Haddington Road Agreement.

It is important that this process be reinstated to cover the impact of measures agreed relating to the public service in the interests of the public sector itself.

The possibility in the Labour Relations Commission engaging an external body to independently verify the costs contained in any new agreement should be examined. In addition the Departmental Accounting Officers (Secretary General) must be required to certify the costs for their Department and agencies under their remit as part of this process. Accountability, transparency and openness are essential for the reputation and independence of the public service.

### **(8) Treatment of public sector pensioners**

The Haddington Road Agreement included a clause stating: “The Parties note that the Government intends to align the reductions in public service pensions in payment with the reductions applied to serving staff. The Parties note that this measure will apply to pensions in payment greater than €32,500 only”

We believe that it was not appropriate to include this provision in the agreement as public service pensions in payment were not the subject of discussion during the talks and the persons to whom the provision applied were not themselves party to the discussions. If the Government wishes to make an alteration to the arrangements for the payment of public service pensions it is appropriate for the persons affected to be included in the talks.

We believe that the Government should engage with representatives of retired public servants in these negotiations.

### **(9) Further public sector reform is needed**

There have been substantial savings on payroll and many non-payroll items such as procurement, eliminating duplication, wasteful practices and better organisation of services and staff. Public servants are to be congratulated for their dedication in implementing these measures.

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Change is the new normal and the public service cannot stand still. Ongoing reform is needed in how services are delivered. This will include the implementation of new technology and the roll out of more services online. This should be done in a way that does not negatively impact on the work life balance of public service staff.

The key areas to monitor will be hospital waiting lists, A&E queues, the time taken to process social welfare applications and appeals, delays in granting home care packages for the elderly, class sizes and the ongoing delivering of services by Local Authorities. The spirit of co-operation which has been evident under both recent agreements can ensure continued improvements in all of these areas.

While much emphasis has been placed on managerial and leadership skills, the skills base itself within the public sector needs to be continually broadened. A mechanism is required to share best practice across the public sector. Revenue is an example of a public body which has successfully transformed itself over the years and much of its experience would be valuable to other agencies.

### **(10) Restoration of frontline services**

While an agreement with public sector representatives will be very important for the future of the public sector there is an onus on the government to bring forward detailed proposals as to how it plans to restore services. All families contribute to the cost of services through their taxes and it is imperative that all families see the benefit of improved access to services. 85% of employees in the State work in the private sector and 15% in the public sector. However it is imperative that as a society we resist attempts to divide people on basis of those who work in the public service and those who work in the private sector. Investment in public services is good for all of society.

### **(11) Opening of budgetary process**

In the course of the Spring Statement process the government invited contributions to the debate on tax, expenditure from all sectors of society. They should now demonstrate their sincerity in this regard by allowing a much wider range of voices to be heard in setting policy in relation to budgetary matters. All interested parties in the public and private sector should contribute to the process.

These budgetary discussions should also examine the need to simplify the tax system. Employees currently face at least 3 separate deductions from their pay: income tax, PRSI and USC. Public sector workers additionally pay superannuation and the pension levy. Each has a different entry point as which you start paying the tax. Many employees complain of the confusing nature of their pay slip and the difficulty in fully understanding tax changes on their take home pay

The work of the Low Pay Commission will also have a significant impact on the livelihoods of thousands of families throughout the country and must be seen as part of an integrated process of raising living standards in combination with budgetary measures and the outcome of public sector pay discussions.

Fianna Fáil are inviting interested parties to contact us in relation to this position paper as part of a wider consultation process we are engaging in on public sector reform. This will culminate in the publication of a comprehensive document on this subject in the near future.

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