Public Sector Pay -- A Time for Pause and Analysis in the Face of Rising Debt

In September the Public Sector Unions and Senior Public Servants from Department of Public Expenditure and Reform (DEPER) and the Department of Finance will commence discussions on a successor agreement to the Public Service Stability Agreement. (PSSA)

This forthcoming engagement on 'Public Sector Pay' should commence with an initial focus on :

- a shared analysis and understanding of the critical condition of our public finances.
- a full assessment of the extent of delivery of existing commitments on productivity and change, which were included in previous agreements.
- an examination of whether all existing pay and benefits obligations can be met including the proposed 2% pay adjustment from the 1st October 2020.
- a resolve to address the situation on future public sector pay determination including disputes in essential services.

The Government will have limited resources available to it and must ensure spending is prioritised and all taxpayers receive value for money. In our view at Stratis, any agreement that emerges should enable essential budgetary and structural changes to take place in an effective way, including the number of people employed in the roles they perform and how (and where) they are deployed.

Additional borrowing by Government to support existing pay levels may be justified on a very temporary basis, but borrowing to pay for further wage increases is not justifiable particularly when there are much more pressing demands on public finances.

Proposed Pay Increases Are Not Aligned with Current Fiscal Reality

Public sector pay makes up the vast bulk of current public expenditure and is a major determinant of business and personal taxation levels. Government Debt is high in historical and international terms and will rise further in 2020/21 as Ireland runs a current budget deficit and as GDP is likely to fall. On a per capita basis, our public debt is currently the third highest in the developed world.

The public service pay bill has increased from €16.5 billion in 2017 to €19.7 billion in 2020. This is an increase of €3.2 billion, almost 20% over the lifetime of the PSSA and is unsustainable. While it is acknowledged that much of this is accounted for by additional recruitment, the public sector pay bill is set to rise by €330m in 2021, even before talks on a new pay deal commence.

Given the ESRI forecast deficit in Government finances of €27.5bn for 2020, and the impact on overall debt levels, any new agreement with the public service unions, that requires pay increases at it's core, will prove very difficult.

Any private sector employer faced with a similar set of financial projections would be looking to implement wage reductions and/or redundancies. Pay increases would not be on the agenda for the foreseeable future and private sector unions would likely be agreeable to a temporary pay pause or reduction, in return for commitments on employment security and a mechanism to engage on future pay restoration.

A further relevant factor is that inflation is currently negative and there is no justification for pay increases on a 'cost of living basis'. Against this backdrop the proposed October 1st increase should be set aside while the full impact of the Pandemic on Public Finances is established.

Audit Delivery of Existing Commitments

Previous Public Sector pay agreements contain many clauses on organisational transformation and change. These include commitments on normalising weekend working, more open recruitment, productivity measures set out in the 2013 Lansdowne Road agreement continue to apply during PSSA, the introduction of time recording systems, industrial action being ruled out in situations where the employer is abiding by the agreement, etc etc

Other employee / union protections around outsourcing, no compulsory redundancy, work-life balance arrangements, minimising the use of agency staff etc are jealously guarded and employers are regularly reminded of their obligations in these arenas.

Any objective observer of IR in the Public Sector over the past 10 years will accept that there is a need to examine the extent to which there has been delivery on clauses previously agreed or whether they are just being repeated in subsequent agreements. There may be a view that if a change is not implemented within the currency of an agreement then the commitment lapses. This is clearly an untenable position but it has not been properly challenged by Employers. Some Managers must also take responsibility for not fully using the clauses within existing agreements to effect essential change.

Our view is that before any discussions on a replacement agreement commence that there should be a full and independent audit of all pre-existing commitments and the extent of their delivery. A simple change implementation mechanism should also be set out in any new agreement that provides for local engagement within a clear time-bound process that concludes with a binding outcome on the parties.

For example the Health Sector will face major capacity constraints in a Covid context and this will require new and imaginative approaches to the deployment of staff including more having to work on a 24/ 7 basis to ensure that patient throughput is managed. It is encouraging to see, as reported in IRN, HSE Human Resources informing health unions that while management acknowledges the importance of "timely" consultation with staff representatives on proposed changes, "this does not confer a 'right to veto', in respect of proposed changes that are already agreed and paid for".

Independence and Transparency in Public Sector Pay Determination

A new Public Service Pay Commission (PSPC) model should be adopted with a statutory remit to ensure independence in determining all elements of public sector remuneration. This would involve considering the job content of particular grades, the context (including both fiscal and economic) for setting the appropriate level of pay for groups or categories of workers based on appropriate criteria, comparing public service and private sector remuneration in their totality and assessing public sector remuneration in Ireland with international equivalents.

An independent Commission could also recommend proposed increases, scrutinise delivery of agreed reforms, provide verification of implementation before any conditional payments are made and ensure transparency of benefits by job category and on all aspects of remuneration across the Public Sector. A PSPC could also act as an 'Oversight Body' to ensure compliance with the provisions of the agreements including issues of implementation and interpretation.

Public Servants are entitled to be treated fairly and equitably when it comes to all elements of remuneration. The public service does an incredibly important job, as we have witnessed during the Covid-19 crisis, and we all have a vested interest in ensuring that value for money is delivered and that senior public sector managers have the autonomy to reform their organisations in line with strategic priorities. Senior Public Sector Managers must also be equipped with effective mechanisms to deal with poor performance, excessive absence and behaviour that undermines the maintenance of standards across their organisations.

There has to be a clear mechanism through which all elements of remuneration are identified and any proposed Union agreements with individual Public Sector organisations should be submitted for review by the 'Oversight Body' before being approved. Furthermore, a special Workplace Audit Unit should be established to ensure that areas of the Public Sector are deploying their people resources in the most efficient and effective way possible. This would ensure that payroll budgets are analysed and accounted for and improvements and action plans are developed and reviewed.

Public Sector Unions have acted very responsibly in the past when it comes to dealing with major crises in Public Finances. But there is a gap between commitments to effect organisation changes in principle and active support for their implementation in practice. There are examples of Unions seeking further concessions in return for full implementation of changes that have already been negotiated. They have also been successful in leveraging off agreements for essential workers and then seeking similar treatment for other colleagues across the Public Sector.

One has to ask in whose interests the current system best serves? It is our view that Government needs to establish an independent body to research best international practice and recommend a new and sustainable model of Public Sector Pay Determination.

Finally, as Stratis has long since been pointing out, the WRC Code of Practice on Disputes Procedures in Essential Services exists in name only and is being totally ignored. A special mechanism to deal with remuneration and dispute resolution in essential services is required that provides commitments on job security and fair remuneration in return for a removal of the threat of industrial action. This could also be addressed as part of the review identified above.

If you would like to talk to us about any of the above issues or about engaging your people through the period ahead, please get in touch with me at liam.doherty@stratis.ie or any one of our Partners.

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