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Cliff Taylor: There are two reasons why public servants should grab the pay deal struck this week

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6–8 minutes

Public servants should vote for the pay deal negotiated by their union leaders for two key reasons. One is solidarity with younger colleagues at the sharp end of cost-of-living and housing pressures, who will gain most from the deal. The second is that the agreement was negotiated at what may be the peak of a boom period in the public finances and locks in decent increases up to mid-2029. In an uncertain world, who knows how the economy and the public finances will look in, say, a year or 18 months' time.

Perhaps the deal represents a new recognition of the problems facing younger, generally lower-paid people at the earlier stages of their career – or perhaps it is just that as time goes on the size of the generation either locked out of the housing market or really struggling to pay rent or a mortgage keeps growing. Unions want younger public servants as members. And the Government wants them as voters. The backdrop, meanwhile, is increasingly militant young people internationally.

Protests in Spain, France, Serbia, Brazil and across Asia carry messages for those who might be described as being "inside the tent" about the political power of younger people who feel they are getting a raw deal. Gen Z is on the march. Traditional respect for the institutions of state is creaking as the social contract – offering the next generation a decent shot at a job and a house – is breaking down.

Ireland has its own set of economic circumstances, but younger people face particular problems in the housing market – notably crippling rents and a difficult path towards home ownership. They are entering a jobs market where AI is threatening at least some junior roles. The pay deal will not fix all this, or course, but it at least recognises these pressures by offering significantly more to those in their early years.

The numbers are striking. Someone earning €35,000 would be in line for a rise of about 15 per cent under the 33 months of the deal – starting last June – or 16 per cent including a local bargaining part of the agreement that offers an additional 1 per cent in early 2029.

The gain is greater than the 10.75 per cent average because in five of the nine increases over the years of the deal, lower earners benefit from a minimum cash increase. By the end of the deal, our €35,000 earner is on almost €40,600.

Someone on €45,000, again counting in the 1 per cent for local bargaining, will get a total gain over the two years and 9 months of 13.3 per cent while the €50,000 employee gets 12.4 per cent.

These increases are well ahead of projected inflation from most Irish forecasters, though of course forecasting inflation is near impossible at the moment. The latest surge to an annual rate of 4.3 per cent, largely due to higher fuel prices, shows that the risks from the Gulf in particular have not gone away. A gradual fall in inflation is a reasonable bet but by no means guaranteed.

This bias towards lower-paid, generally younger employees is welcome. This is where cost-of-living pressures hit hardest, via rents in particular, or just coping with high Irish living costs. Given the high numbers who will benefit from above average terms and the fact that many pay at a relatively low marginal tax rate – often 28 per cent – this has an impact on the real cost of the €5.2 billion deal. Increasing pay for higher earners costs more up front, but the exchequer gets more than half of this back through income taxes and PRSI.

Pretending something better might be available if this pay deal is rejected would not be wise. Ireland's plans for increasing public spending – including public pay and, even more importantly, the numbers employed – are based on the corporate tax boom continuing

Irish pay policy has not always favoured those at the start of their career. Big adjustments in public pay after the financial crash affected all public servants, but newer employees suffered some of the hardest hits. Those with pre-2013 public sector pensions remain hugely advantaged – and some were allowed to retire in 2012 on favourable terms – while new-entrant pay scales hit younger public servants harder, though much of this has been subsequently unwound. Recruitment was also stalled.

Those in power at the time argued they had little option – it can be impossible or at least very difficult to negotiate away existing entitlements. But this time the bias is firmly in favour of younger employees, who can legitimately claim that Irish housing policy in particular has all too often listened to the concerns of the settled classes about new developments – and that planning policy has been set up for many years to facilitate this. This week Deloitte forecast that the Government will miss its 2030 target of building 300,000 new homes by between 123,400 and 136,100 homes with many of the same old problems persisting, despite some progress in speeding things up.

[Public sector pay deal: did the Government capitulate or did unions settle for too little?Opens in new window]

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more importantly, the numbers employed – are based on the corporate tax boom continuing. Perhaps it will. But it is conceivable that receipts will start to top out over the next few years, as the big post-2015 boost starts to run out of some steam.

This week it emerged that Apple, one of Ireland's biggest taxpayers, is increasingly using Singapore as a location to report its profits – it saved $2.7 billion (€2.44 billion) by reporting profits there in 2025, compared with $2.6 billion saved in Ireland. US tax expert Brad Setser of the Council on Foreign Relations wrote on X that it appeared that as tax allowances ran down on intellectual property investments made by Apple in Ireland, the company has again changed its tax structure. This shows the danger facing Ireland if big payers move some tax payments to other jurisdictions as tax allowances here run down, or old intellectual property is replaced by newer versions.

The golden goose may keep on giving for a while yet, supporting Ireland's public finances. But the backdrop to this deal – strong economic growth and a big surplus – cannot be guaranteed to continue. It is a good time to be making an agreement with an Irish Government that has some spare cash. And the unions managed to corner the Government side as time ran out before this week's big summits. Public servants should grab the deal.