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Public sector pay increases will reduce Budget 2027 funding Chambers warns

Daniel Murray

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Jack Chambers, minister for public expenditure. Picture: PA

Any increase in public sector pay will reduce available funds for Budget 2027, public expenditure minister Jack Chambers has warned.

Chambers was speaking as the public sector pay deal timed out on Wednesday without a successor deal agreed.

Initial exploratory [discussions broke down within 48 hours](#), with union reps and department officials at odds over the framework of fresh negotiations.

Unions want a public pay framework in which civil servant wages would be [indexed to inflation annually](#), with additional top-ups to keep civil servant pay ahead of price growth.

While Chambers said on Wednesday nothing was off the table, he also warned any pay agreement had to be sustainable.

He said with the government now committed to a five-year spending growth strategy under new EU fiscal rules, any increased pay requirements for 2027 would come directly out of the upcoming budget.

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“We're just under 100 days out for Budget 2027 and it's important we're able to accommodate a public sector pay agreement in the context of the other decisions we have to make,” Chambers said.

“Any additional increase in public sector pay has to be accommodated within the fiscal parameters that we've set in the medium-term fiscal and structural plan.

“That's why trying to build an agreement and build consensus around an agreement between now and early October is critical to providing that forward planning, which is really important in the context of the 400,000 plus public servants who work in the state.”

Pre-conditions

Asked what kind of deal he would like to see, whether a short-term deal or a multi-year framework, Chambers said there should be no pre-conditions for negotiations with unions, but that cost would be a determining factor.

“We won't be agreeing a public sector pay agreement at any cost. We have fiscal parameters which matter,” he said.

“We've had significant growth in public sector numbers over the last five years – 70,000 additional people working in the public service – and we have accommodated significant pay agreements.

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“My own officials are ready and willing to engage, and I hope to see that engagement continue over the next month.”

Union negotiators are insistent that a new pay increase formula must form the basis of negotiations from the off, hence the current stalemate.

Trade unions will argue their case on two grounds – the first being “profound uncertainty” faced by workers due to war in the Middle East and technological advances.

Public servants are still paying “significant catch-up” in terms of losses incurred in the inflationary crisis of 2022/2023, Kevin Callinan, general secretary of Forsa told the Business Post at the weekend.

Higher inflationary forecasts have also set off fresh concerns about wages.