



02 July 2026

To: Each Branch Secretary

Re: Public Service Agreement

Dear colleague,

As you know, the Public Service Agreement 2024 - 26 expired earlier this week and I want to update you on developments and to provide some context.

Rather late in the day, the Public Expenditure minister briefed the Cabinet on 16 June 2026 opening the way for exploratory talks. The Officers of the ICTU Public Services Committee met his officials that evening and again two days later. At the conclusion of the second meeting we advised DPENDR officials that we did not believe that there was a basis for the commencement of formal negotiations.

The officials had indicated to us that the government's preference was for a multi - annual agreement and that they wanted to approach matters in the same way as on previous occasions. In response we said that, while we were open to a multi-annual agreement, it would be necessary to consider how pay would be addressed at the beginning rather than at the end of a process, as this has taken several weeks in the past. We wanted to establish if it would be possible to provide certainty, or as much certainty as possible, in relation to this crucial aspect of pay.

Our concern is based on previous experience where we have spent lengthy periods, including at the Workplace Relations Commission, arguing over text on various topics without talking about pay. When it eventually came to deal with pay, the government officials tabled offers that fell well short of inflation projections. So, a different approach is required this time.

We argued that a pay increase would be required to cover the period from July to December this year. Although we didn't specify what the nature of that increase should be, we pointed out that inflation was running at 3.6% for May, more than wiping out the benefit of the 1% increases in February and June.

Looking at the experience over the five years from 2021 to 2025 inclusive, covered by a combination of the Building Momentum agreement (as reviewed) and the first two years of the Public Service Agreement 2024 - 26, the pay of a civil or public servant on average earnings has grown at a rate significantly behind the increase in prices.

See table below:

Building Momentum (as reviewed 2021 – 23) Total increases 8.5% (1% sectoral bargaining not included)
Public Service Agreement 2024 - 25 only. Total increases 7.25% (1% local bargaining not included)
Total increases 15.75% (cumulative increase 16.89%)

The sectoral bargaining fund under Building Momentum was intended to address legacy issues affecting grades, groups and categories of workers that had developed over the austerity years. The local bargaining process under the Public Service Agreement was agreed as a new way to deal with grade claims while still managing the cost over a number of years. As many members will know, most groups are awaiting outcomes to this process that should have been implemented on 01 September last year.

The most common way to express the historical rate of annual inflation is to average it over the year in question. This isn't entirely satisfactory for comparative purposes with pay as the level of pay increases during the year in question aren't averaged. In other words, unless the pay increase was in place for the full year the comparison is flawed. In addition, while it is customary to measure wage growth against inflation, members will appreciate that take home pay does not grow to the same extent as the headline increase because all extra earnings attract tax at the marginal rate as well as other deductions. Nonetheless, price movement over the five years is set out below:

Average annual rate of inflation	
2021	2.4%
2022	7.8%
2023	6.3%
2024	2.1%
2025	2.2%

The total for the five years is 20.8% (cumulative increase is 22.44%)

For comparative purposes the annual increase in December for each of the years was as follows:

2021	5.5%
2022	8.2%
2023	4.6%
2024	1.4%
2025	2.8%

Total increases 22.5% (cumulative increase is 24.46%)

The Minister and his officials have referred to the fact that those on lower earnings have done significantly better under these agreements. This approach was championed by the union side in the Building Momentum talks and completely opposed by the government officials until almost the very end of negotiations. While its inclusion was a positive development, the gains have been overstated by the Minister and his officials. This is because the National Minimum Wage has increased at a greater rate over the period involved and it is likely that there are now more public servants being paid at a level at or below a full-time worker on minimum wage than was the case in 2020.

National Minimum Wage (set at €10.10 in 2020) increases	
1.1.21	0.99%
1.1.22	2.94%
1.1.23	7.62%
1.1.24	12.39%
1.1.25	6.30%
1.1.26	4.81%

2021-25 increase is 29.24% (cumulative increase is 33.66%)

2021-26 increase is 34.05% (cumulative increase is 40.10%)

Of course, prioritising those on lower earnings recognised the reality that they were experiencing the greatest impact of the cost-of-living crisis. So, it was entirely appropriate.

The introduction of the household energy credit went some way to bridge the gap between wages and prices for many workers but the decision in the last October's Budget to cease it meant that the consequences would have to be addressed in wage bargaining as I said at the time.

The economist, John Fitzgerald, in an Irish Times article on 15 June 2026 drew attention to the fact that the '*public sector pay premium*' has fallen from a Celtic Tiger high of 50% to 40% post-crash in 2014, and to 30% by 2021. It is extremely likely that the gap that exists between public service rate of pay and prices in the period since then will have done nothing to reverse that trend.

The current economic and geopolitical volatility makes forecasting price movements over the coming years difficult. The Central Bank in its quarterly bulletin on 18 June 2026 revised upwards its projections for inflation but even then, kept open the possibility of a '*severe scenario*' with much higher rates. So that is why we have argued that, if there is to be a multi-annual agreement in line with the government's preference, a formula must be found to ensure that wages can't fall further behind while also providing a way to address losses incurred in recent years in a sustainable way over a period of time.

It seems clear that the approach of the Finance and Public Expenditure ministers is to use the October Budget to introduce tax changes that will apply across the economy.

The first thing they will need to do is address the situation that they themselves created last year by failing to index tax band and allowances. However, whatever measures are announced will not replace the need for wage improvements.

The public statements by the Public Expenditure minister to the effect that “*everything is on the table*” is at odds with our experience in the exploratory talks. His attempt to characterise our approach as setting “preconditions” masks a failure to acknowledge the real problem we are calling out. If the problem isn’t recognised it is difficult to see how formal negotiations can succeed.

The importance of providing certainty doesn’t just extend to cost of living. It would be desirable, if possible, to come to an agreed approach on issues like local bargaining, outsourcing, remote working, and artificial intelligence. But designing an approach to pay is paramount if progress is likely to be achieved. We have made it clear to the DPENDR officials that we will be available to talk if they have something to say to us on this question.

In the meantime, we must prepare for the possibility that there will not be an agreement for an indefinite period. In my ICTU Public Services Committee capacity, I am due to chair a meeting of the 19 affiliated unions tomorrow afternoon to consider next steps. I will contact you again in due course to advise you of the outcome.

Yours sincerely,



Kevin Callinan
General Secretary