Public pay back in play

Talks on a successor to the Lansdowne Road agreement will be no pushover. BERNARD HARBOR takes a look at the challenges.

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WHEN PUBLIC expenditure minister Paschal Donohoe addressed the prestigious *Industrial Relations News* conference in March, he reiterated his Government's commitment to negotiating a new public service pay deal, saying pay rises were the "sign of a normal functioning economy." So far, so reassuring.

But his comments were caveated with warnings about other demands on the public purse, and he followed up with a call for tax cuts a few days later.

The Minister also warned that productivity measures introduced under recent agreements would be maintained. Indeed, he went further, saying new productivity improvements would have to underpin any pay adjustments.

Paschal Donohoe: Pay rises are the sign of a normal functioning economy.

Donohoe made specific reference to the additional hours introduced under the Haddington Road agreement, saying they "remain critical to enabling us to meet increased demand in frontline services, and to improve services to the public generally."

It's no surprise that the Government is taking a firm stand on working time and other issues in advance of negotiations. But it does portend that Donohoe and his department will be no pushover, even if his early determination to see out the Lansdowne Road deal to its September 2018 conclusion wilted in the face of union arguments last December.

Unity

The talks are set to start after the Public Service Pay Commission reports in the spring. For its initial input, the Commission has been charged with the fairly narrow task of addressing "how the unwinding of the Financial Emergency Measures in the Public Service (FEMPI) should proceed."

This neatly matches IMPACT's priority, agreed at last year's biennial delegate conference, which is to secure a pay round and restore incomes through the quickest possible unwinding of the FEMPI legislation, which introduced pay cuts and the pension levy.

Indeed, this is the common denominator linking the priorities of all the unions, and it should provide a focus for unity heading into what will be a difficult negotiation.

That united approach will be underpinned by a determination that the outcome must benefit all public servants.

This demands a more sophisticated approach than the simple removal of FEMPI which, in the absence of other measures, would be of little benefit to those on the lowest incomes. That's because the Lansdowne Road deal has pretty much taken them out of FEMPI territory. ➤

Reacting to Minister Donohoe's comments on productivity, an IMPACT spokesperson said they were further evidence that public servants had made a large and tangible contribution to Ireland's recovery. "We accept the point that any deal must be sustainable, and that there are competing demands on the public purse. Nevertheless, working time will be on our agenda when we enter talks in a couple of months' time," he said.

Recovery

The core issue in the talks will be the timetable and terms for pay restoration, which finally got underway under the 2015 Lansdowne Road agreement. The pay commission was asked to set its analysis of this in the context of factors like public-private pay comparisons, international pay trends, and the value of public service pensions.

Recent stats from the Central Statistics Office are useful on the first of these factors. Published in March, they showed that public service workers now earn slightly less than their private sector counterparts when you take account of the so-called 'pension levy,' and factors such as occupation, education and length of service.

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Many a slip?

Reaching agreement is no foregone conclusion when pay talks get underway, as public servants found to their cost during the economic crash of 2009. BERNARD HARBOR surveys the field and runs an eye over the potential hurdles.

The purse strings

It's over a year since unions voiced the view that the economy and exchequer finances were picking up faster than envisaged when the Lansdowne Road deal was done in 2015. Last December, the Government effectively accepted the argument that pay recovery should be accelerated to reflect this.

The economic indicators – including tax receipts – seemed to be slowing again at the end of last year, but have picked up since. A shock (or even a hiccup) on the economic front, where Brexit looms large, could cool official enthusiasm for a deal. Meanwhile, the price of any deal will be measured against other calls on the public purse, including badly-needed staffing and capital investment in public services.

The politics

Tough lessons were learned in 2009, when a backbench rebellion scuppered a deal that could have avoided the pay cuts. Since then unions have sharpened their political communications, but 'new politics' means we have to convince the opposition as well as the Government. Any deal worth its salt will need support across the Oireachtas, so unions will have to convince a lot of politicians that a deal makes sense for Ireland and not just its public servants. ➤

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But they also showed that public servants earn over 5% more than their private sector counterparts if you ignore the so-called 'pension levy' contribution. And you can be sure that the value of public sector pensions – and the contribution that public servants make towards their retirement income – will be the central bone of contention in the talks.

Employers' body Ibec made much of this in its submission to the pay commission, prompting the ICTU Public Services Committee (PSC) – which coordinates the union voice in talks – to respond. The PSC said public servants contribute 6.5% of gross salary in superannuation contributions, and that the pension levy represents a further 10% or 10.5% contribution, depending on earnings over €28,750 a year.

The PSC, which was finalising a specific submission on pensions as *Work & Life* went to print, also slammed Ibec's assertion that public servants are paid more than their European counterparts. It pointed to union research that shows Irish public servants are in the lower half of EU15 average public earnings, and are paid almost 20% less than the average in northern and central European countries.

The final battleground is likely to be around the state of the public finances or, in industrial relations terms, the employer's 'ability to pay.' Ireland's growth and tax receipts remain strong in spite of international risks like Brexit and Trumponomics'.

If growth sustains, the 'ability to pay' argument is likely to hang instead on the many other calls on the public purse. Some of these – like increased staffing and capital investment in public services – are voiced by unions themselves. All of them are of keen interest to citizens and taxpayers, regardless of what sector they happen to work in.

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While an early change of Government looks unlikely, the Dáil arithmetic means it can't be ruled out altogether. And even a change at the top of Fine Gael (or DPER) could alter the Government's approach or its timetable for talks.

The public

Public opinion matters, not least because politicians track it carefully. Attitudes to pay turned during years of pay stagnation across all sectors. But, while a couple of polls at the end of last year showed general support for public service pay restoration, we all need to tread carefully to sustain that support.

With many other calls on public spending, Ireland's citizens and taxpayers need to be convinced that pay improvements are deserved, and represent value for money. And, bad as the pay cuts and related changes have been, any claim – real or imagined – of public service 'victimhood' goes down very badly with equally hard-pressed private sector workers.

The press

The vitriolic attacks on public servants that were common media fare in the late noughties are largely absent today. But the media aren't about to give us a free run. Expect to read and hear a catalogue of reasons why pay should not move.

Commentators already complain that pay increases are swallowing too much 'fiscal space' and many titles are now pushing for tax cuts rather than investment in public services. Even where there's backing for the latter, it seldom translates into support for pay recovery. Expect to read a lot about the value of public service pensions. And get used to very selective stats around international and public-private pay comparisons.

The players

The acceleration of the €1,000 pay adjustment, which appears in pay packets in April rather than September 2017, was achieved quickly and cleanly because unions were united on their priority and spoke with a single voice. But let's face facts: that kind of discipline among 20 public service unions tends to be the exception rather than the rule.

Since that deal was done in January, various unions have voiced different priorities, with some even suggesting their members should gain much more than the rest. Minister Donohoe recently said groups who "shout loudest," or were "best placed to influence" should not get better treatment than others. That resolve could be tested in May. But if unchecked, disunity and dissonance among the union players could suit employers best.

The pendulum

Time is not on our side. No pay adjustments are budgeted for 2018 right now. And, while a successful outcome will change that, money won't change hands next year unless it's in the Budget estimates next October, just six months after the Public Service Pay Commission publishes its interim report.

That means a deal must be negotiated and accepted by members by the end of a summer during which many groups (special needs assistants, teachers, third level staff and others) are hard to ballot. It's doable. But any delay – caused by political developments, for instance – could put a seriously disruptive spanner in the works.