

# Unions believe “review” needed to stabilise public service deal

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**The Minister for Public Expenditure and Reform has hinted that the Government will respond to public service union leaders’ concerns regarding inflation in the context of talks on a new agreement - rather than accede to calls for a formal “review” of the current agreement, Building Momentum.**

The Minister made his comments in an RTE interview when asked about comments by trade union leaders that they would seek to invoke the review clause in the agreement because of current inflationary pressures.

Michael McGrath noted that the BM agreement is in place and that and the work of negotiating a successor would only begin "in the months ahead".

## *Exploratory talks might be enough for union leaders*

"I acknowledge that the current pay agreement was negotiated in a very different environment, an environment of low inflation, and public sector workers - like all other workers in the country - are living with the daily reality of the level of inflation that is currently there," he told RTE.

He added that they would “reflect on what the unions said today and consider the issues carefully.”

With the invasion of Ukraine and the fall-out for Ireland, and the EU, foremost on the minds of the Government, union leaders know their immediate concerns are not the first items on Ministerial in-trays at this time. But when union conferences come around in April and May, they may be more likely to get a response.

While it is highly doubtful they will secure a re-opening of the terms of the current agreement, what they need is re-assurance that the process that has produced successive agreements, dating back to 2010, can ultimately deliver – for both parties.

The unions, with members expressing anxiety to branches about the challenging spike in energy prices in particular, may be placated by a signal from Government that the ‘HRA hours’ report will be implemented on July 1, as recommended by the Kieran Mulvey chaired Independent Body.

Were the Government to go beyond honouring this recommendation, and offer a pay rise, then it would be sure to come under fire from employers and commentators.

Inflation won't necessarily be tackled by pay rises, which may only fuel further price pressures, rather than "catch up" with higher consumer prices. The war in Ukraine has raised the spectre of the 1970s and 1980s. Before Russia's invasion, what we were experiencing was a post-Covid energy hike with supply chain problems, resulting in a rise in prices that looked more likely that not to cool off sometime next year.

Now, to put it mildly, the picture is fraught with great uncertainty, with recession possibly replacing growth as being a realistic fear as the year progresses, unless there is a credible negotiation that ends the conflict.

### **"PRIOR ENGAGEMENT"**

The clause (5.7) that the trade unions cite in regard to a "review" of BM, says that the parties "affirm that public service pay and pensions and any related issues shall not be revisited over the lifetime of this Agreement, save where the assumptions underlying this Agreement need to be revisited".

But it goes on to state that in such circumstances, "the parties commit to prior engagement".

In other words, an initial engagement is needed to discuss the question of a review, which – presumably – both parties would have to assent to.

Were there to be a review, the unions would raise the inflation issue, but equally the government side could raise the war and the recessionary risk it poses.

The spectre of stagflation in 1970s and 1980s must haunt governments generally these days. Efforts to "chase" inflation are worrying at a time when the growth projections of a few weeks ago have been put in serious doubt.

Better to pause and perhaps give the public service unions something to which the administration is already committed, a restoration of the HRA hours, as recommended formally by an independent body, and accounted for, in large part, in Budget 2022. That alone, plus an invitation to exploratory talks, might be enough for union leaders who could, in turn, use it to assuage their members.

### **JOINT CALLS**

The calls made by both Kevin Callinan of Fórsa and John King of SIPTU for "invoking" the review clause were made on the same day.

Kevin Callinan, Fórsa general secretary – who chairs the public services committee of ICTU – said that high inflation and the strong public finances "were grounds for a review of the agreement's pay terms", which he said would see "maximum pay increases of just 1.2% in 2022".

(The BM agreement allows for two basic increases of one per cent each over the 24 months of the agreement, plus a further one per cent under a new sectoral bargaining clause, which most union members have taken as a straight pay rise.)

Mr Callinan cited Clause 5.7 of BM, which he noted says the agreement's pay terms cannot be revisited during the lifetime of the agreement unless "the assumptions underlying this agreement need to be revisited." The union leader claims the parties "must engage in such circumstances".

John King, SIPTU deputy general secretary (public services) said that following consultation with union representatives, "it is clear that our members want an urgent review of Building Momentum".

Mr Callinan referred to the latest CSO statement, which reported that, "at 5.6% for the year to February, inflation is at its highest level for 21 years".

"It's also clear that the cost of living is on an upward trajectory, despite earlier hopes that prices would stabilise and fall. There was no assumption of the high and sustained cost-of-living increases in play when the agreement was negotiated in late 2020", he said.

"Meanwhile, the public finances are in surplus", the Fórsa leader said, "and both the unemployment rate and the projected deficit are much lower than anticipated at the time Building Momentum was negotiated and accepted by public servants in ballots".

## **RAISED WITHIN LEEF**

Mr Callinan said he had raised these issues well over a month ago at the Labour-Employer Economic Forum (LEEF): "I identified three urgent actions – including a confirmation that talks on a successor to Building Momentum would open in May – which are required to stabilise the agreement against the background of these radically-changed economic circumstances."

Mr King, meanwhile, explained that in voting for the agreement, SIPTU members accepted modest pay increases and "some further progress on the restoration of austerity cutbacks imposed in 2013".

"They also endorsed Building Momentum at the height of the unprecedented public health emergency caused by Covid-19 pandemic, amid all the uncertainties that crisis created for the public finances, but which are now largely and thankfully behind us," he said.

Given the positive projections for economic growth and the public finances, he said that "as we emerge from the pandemic, and notwithstanding the destabilising effect of the war in Ukraine, our members in the public service are seeking early discussions with the Government on the erosion of their living standards".

He added that any discussions during such a review and on a new public service agreement, “will have to take full account of the rate of inflation and the escalating costs of living”.

## **DARKENING SKIES**

While the invasion of Ukraine was mentioned in just one of the statements (by Mr King), this seismic event is set to influence all government decisions this year. The unknown number of refugees, the further impact of the war on the economy, possible fuel shortages, as well as further huge price rises in the short to medium term, all make decision-making on expenditure a fraught exercise.

The union leaders who called for the invoking of the review clause in the public service pay agreement will, of course, appreciate these external factors pressing on the Government. What they need in the short term are confidence building measures, like the “sweetener” that implementation of the HRA hours restoration could provide.

The unions – most of them – also know that being inside the tent is better than being left outside.

Securing outline talks in May, ahead of meatier negotiations at a later stage, may be the best that can be achieved in the current ever-darkening climate.