# Public service pay – parties aiming to secure deal that delivers stability

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> **The current public service pay talks will fail if the deficit in living standards in 2021 and 2022 is not adequately addressed, the Government has been warned.**

Kevin Callinan, chairman of the Public Services Committee of ICTU, told union affiliates this week that negotiators are "working in good faith" to avoid such an outcome, which "would fundamentally destabilise Building Momentum and make impossible an extension of the agreement into 2023."

Mr Callinan, who is also President of ICTU and general secretary of Fórsa, was updating affiliates on Tuesday, June 14, on the progress of the current pay talks, which had moved into "a more intense phase" he said.

The talks are being facilitated by the Workplace Relations Commission (WRC).

Mr Callinan said they are focussed on two things:

- Addressing the deficit between the modest pay increases set out in the Building Momentum agreement and the current shortfall in living standards caused by unexpectedly high and persistent inflation. This led the PSC to trigger the Building Momentum review clause in March, and the Minister for Public Expenditure and Reform subsequently said that the Government was willing to go beyond the pay terms in Building Momentum.
- Extending the Building Momentum agreement into 2023. This was tabled by the Department of Public Expenditure and Reform (DPER) after the Minister indicated that the Government wanted certainty over the public service pay bill at a time of economic and geopolitical volatility. For this reason, the Minister has said that he would prefer to conclude an agreement in advance of October's Budget, Mr Callinan said. The PSC officers have indicated a willingness to try to achieve this, though the timetable for negotiations and ballots is "challenging."

## "MEDIA SPECULATION"

“Despite some media speculation”, Mr Callinan continued, the talks “are not discussing wider cost-of-living measures or tax and benefit changes”.

Cost of living measures, he explained, have been under discussion in a separate process involving ICTU, Ibec and the Government at the Labour-Employer Economic Forum (LEEF).

The PSC have received an “explicit acceptance” from the Government side that the current public service talks are “entirely separate from the LEEF process, where little concrete progress has so far been made”, Mr Callinan said.

But he observed that the ICTU intends to table specific proposals “in the coming days”.

The Government and employer response “will give us a more informed sense of whether there is any potential to reach agreement on an improved ‘social wage’ in the short- and/or medium-term”, he said.

## GETTING IT PASSED

Nonetheless, while the two sets of engagements are separate, seasoned observers believe that to secure the agreement of union members on whatever emerges on pay from the DPER/PSC pay talks, a ‘sweetener’ in the form of a social wage, or dividend, would help to get a pay deal over the line.

Mr Callinan added that the Congress position is that improvements to the social wage will require “increased short-term and medium-term spending in areas like health, education, childcare, housing and public transport”.

On taxation, he said the unions “do not believe that significant cuts in tax are compatible with this, and Congress is not in any negotiations about tax cuts”.

This was an obvious reference to recent suggestions made by Tánaiste, Leo Varadkar, in favour of modest tax cuts for middle income earners.

However, Congress won’t get to dictate terms on the tax issue, which the Government will preserve as something for it alone to decide, even if income tax relief is put into the broader mix of ‘social’ measures by the Government.

The employers and trade unions will know, that if they are to secure social gains within the separate LEEF social dialogue process, there will have to be elements of that wider package that each of the three main social partners can point to – as well as each embracing the whole. That is simply in the nature of the ‘give and take’ that goes to make up consensus.

## HOW MUCH?

On pay, Mr Callinan told affiliates that while no figures have yet been tabled by either side, “the real-term shortfall between the modest pay increases in the current agreement and current living costs is substantial and could yet grow”.

In 2021, he said, the gap between annualised Building Momentum increases and annualised inflation was 2.15%. “If inflation averages 7% this year – and it could be higher – the 2022 gap would be 6.75%”, he maintains.

The PSC chairman says that while the PSC officers have agreed, “at the Government’s request”, to discuss an extension of Building Momentum into 2023, “we have been equally clear that this cannot be a substitute for addressing the 2021-2022 living standards deficit”.

Under the current Building Momentum agreement, public sector workers secured a one per cent pay increase last year, with a further one per cent due in October of this year.

Forgotten in some coverage, is the fact that they also secured a further one per cent in the form of a local bargaining clause, which most accepted in the form of a one per cent pay rise in February of this year. The local bargaining element, aimed at resolving specific local category or group claims, was also available as a simple 1% increase.

Observers believe, however, that this local bargaining approach won’t be extended beyond the life of Building Momentum.

The government side is sure to be concerned at anything on the pay side that comes even close to the current inflation figures, given the cost that each percentage point entails – up to €240m for each one per cent rise on an ongoing basis.

This is why, as we have seen in a number of private sector pay deals, the option of one-off payments might be considered to help alleviate current inflationary pressures. Such an approach would have benefit of offering immediate relief to workers, while avoiding long-term ongoing costs to the Government.

## UNHERALDED DIVIDEND

Meanwhile, an ongoing benefit secured by the union side has been the restoration of the HRA hours. Implementation is just weeks away.

It was a concession by the government side that had been resisted for years. The cost of restoration, recommended by Kieran Mulvey’s independent Group, comes in at around €180m this year. This will be ongoing.

The hours will restored from July 1, by imposing a maximum 35-hour week for most public servants. Some groups will “get back” two hours, while others like nurses, one and half hours.

But in Health, with the current staff shortfall, there has been agreement to simply pay for the hours until such time as pressures on staffing ease. In itself, this will boost the incomes of those concerned at a time of need.

The same will also apply to the thousands of staff recruited since the HRA hours were introduced in 2013; when they joined their contracted hours were HRA hours, now they will be according to pre-HRA hours – a gain none of them would have expected on recruitment.

This has been a significant bargaining achievement by the trade unions but curiously, one that the Government parties have been slow to claim credit for.

## SOBER OUTLOOK

A public service pay offer can be expected to emerge within the next two weeks or so, with ballots to follow, depending on individual unions.

An aggregate ballot of ICTU affiliates will decide the outcome, with non-Congress unions making their own individual decisions, yet being subject to the collective.

The aggregate outcome has not always been accepted by all affiliates but even if there are exceptions, these usually result in difficulties for the recalcitrant unions and their members.

Separately, the Government is expected to publish the Summer Economic Statement soon. It sets out how much money is available for next year, including how much is available for new spending measures.

Minister for Public Expenditure, Michael McGrath, told the Cabinet recently that he believed there was a basis to proceed with the formal negotiations:

"I recognise that these will be very challenging negotiations given the impact high levels of inflation are having on living standards of workers but also because of the uncertainty in the global economic outlook. My aim in these talks will be to strike the right balance, and seek to achieve a deal that is fair and affordable to both taxpayers generally and public service employees."

He has also said that it "cannot simply fall to the pay issue to address the full spectrum of inflationary pressures". This would appear to suggest that social and taxation measures may be seen as the way to ease the burden on pay bill, when it comes to addressing inflation.

The Government and the trade unions know that the economic outlook is likely to get worse, not better, as the year progresses, due to almost entirely to external factors.

Getting a deal on public service pay that covers this year and next would be very useful for the Government in that context, while a broader 'social package' could assist employers and unions in securing a measure of certainty at this exceptionally uncertain time.