Public service pay talks expected to resume at WRC

ANDY PRENDERGAST

Public service pay talks may reconvene at the WRC soon – though a formal invitation has yet to be received by the parties – following Tánaiste Leo Varadkar's comments midweek, that the Government is prepared to make a "further offer."

Last Friday, public service pay talks at the WRC paused, following the union side's rejection of the Government's offer involving phased increases totalling 5% – on top of the total 3% due under the current Building Momentum (BM) agreement – to the end of 2023.

The offer was rejected by the public services committee (PSC) of ICTU as it fell "well short of inflation", according to the unions' lead negotiator, Kevin Callinan.

Earlier in the week, Tánaiste Leo Varadkar said that while he is not involved in the public service talks, the government "must be able to find a landing zone."

Then, on Wednesday, Tánaiste Leo Varadkar (speaking on Morning Ireland) signalled that the Government wanted to re-engage and is prepared to make "a further offer" to get pay talks back in motion. He later expressed confidence to his party members that a new deal can be agreed.

Yet the government minister responsible for the public service, Michael McGrath, did not make such overtures, at least by Thursday of this week.

Nevertheless, if DPER can re-engage on different parameters than where they left off as pay talks halted last week, then formal invites by WRC director general Liam Kelly to the parties to re-engage at the WRC are expected to follow. As of the morning of Thursday the 23rd, no return date to the WRC has been agreed.

TENSE TIME

While what was offered by DPER last week – which, for 2022 alone would amount to 4.5% – is viewed by some as being a comparatively good offer *(see* *News Analysis in this issue**)*, it is also the case that in the current, highly-charged environment the parties find themselves in – with the cost of living dominating the airwaves – the rejection of a first offer may not come as a surprise.

This is particularly so, as the current level of inflation (8.25%) – which is assumed to not yet have peaked – is still numerically higher than the 5% 'top up' offered by DPER (if not factoring the existing and planned increases of BM).

Neither have PSC negotiators forgotten the negative reception to the first set of public service agreement proposals in 2013, the ill-fated 'Croke Park 2' deal. While those talks were conducted in the context of the financial emergency, it was also a tense time politically, just as it is now, nine years later.

Yet, the danger of 'chasing inflation' is apparent, with Government ministers and Taoiseach Micheál Martin expressing the need for restraint, at the National Economic Dialogue in Dublin Castle this week.

The Taoiseach said the Government "is determined to strike the right balance and to achieve a deal that is fair and affordable to both taxpayers generally and public service employees", yet resources "are not limitless."

Finance Minister Paschal Donohoe stressed the increase in borrowing costs, with the public debt currently standing at around €230bn, making Ireland one of the most indebted countries in the world. The current public service pay bill is around €24bn.

The ESRI, in its summer 2022 economic commentary, says that current expenditure "in areas such as public sector pay must be carefully considered", in light of inflationary pressures, and that fiscal policy "will have to be particularly prudent over the coming years."

It forecasts annual average wage growth of 3.5% in 2022, and 4.5% in 2023, but because of inflation, "real" wage rates are set to decline in 2022. If unemployment falls below 4%, it could result "in a further escalation in wage rates."

SOCIAL WAGE

While it has traditionally been the case that public service pay would follow, rather than influence pay trends in the private sector, if a landmark public service pay deal, at or very near to the level of inflation was to be agreed, it could turn that table.

This is something employers in the private sector would dread, and possibly complicate an attempt to reach a consensus on pay matters at peak social partner level (if such a path is to be taken).

Discussions at the social partner body, LEEF, have been focused so far on short-term to medium-term issues in health, education, childcare, housing and public transport – all part of a "social wage."

The Tánaiste also expressed his wish for tripartism/social dialogue to continue, noting how effective it was during the pandemic, but that such dialogue "need not be exceptional."

However, it seems that whatever could be agreed at LEEF this summer may not be synchronised with a vote on a new public service agreement proposal, which could have released some pressure off having to meet an inflation-matching pay increase across the public service.

It also remains the case that benefits to public servants from the restoration of pre-2013 public service working hours, to a new maximum of 35 per week – particularly for workers who joined the public service since 2013 – do not appear to have been “counted” in the context of a new deal.