Revised ‘Building Momentum’ a favourable deal in wider context

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Building Momentum, as amended in this week’s WRC proposed deal, offers public servants an advantageous pay agreement amidst challenging circumstances. It avoids “chasing inflation” yet boosts pay into 2023 despite economic uncertainty on the horizon.

Bridging legitimate pressures for greater public service pay increases with what the Government is prepared to pay in an inflationary environment is not an easy feat. Yet, that is what the WRC appears to have managed this week, with the proposed new Building Momentum agreement, 2021 -2023.

In the context of the wider economy – particularly in light of uncertainties beyond 2022 – it is reasonable to assess the pay terms as a good deal for public servants.

The restoration of pre 2013 hours can still be capitalised on

Unions have got an improved offer on the extra 5% offered last June, while the Government have pay certainty to the end of 2023, and did not have to revise pay for the 2021 calendar year.

The deal can be framed in a way that comprehends the current cost of living pressures, but taken over its total duration, it is not out of sync with private sector pay. Having a distortion effect on the private sector is something the government was keen to avoid.

The new proposal is a revision of the existing Building Momentum agreement, which had covered January 2021 to December 2022. The new agreement proposes to extend that duration by 12 months, to December 2023. The pay proposals cover the entirety of the three years, 2021 to 2023; reports of it being a 16-month deal are inaccurate.

The pay increases compare well for the current period (at least 5% in rises for the 2022 year) but, over the course of its three years – including 2021, for most of which inflation was negligible – it averages out at just over the 3% per annum mark, similar to the private sector pay trends, at least in the first half of 2022.

Matching the current rate of inflation (9.1%) on a per annum basis is a non-runner. The lessons on chasing inflation are clear and DPER Minister Michael McGrath has been firm all along in saying such an inflation-matching deal would not be achievable.

At the same rate, pumping an extra €1.6bn into the deal runs counter to trying to cool down inflation. But economic arguments on tackling inflation are more academic in the context of public servants seeking pay rises during a cost-of-living squeeze not witnessed for several decades.

LEEF AND HRA HOURS

While it is separate to the new deal, any other possible benefits to public servants which may emerge from Budget 2023, and the Labour Employer Economic Forum (LEEF) are considered by unions to be very important, in gaining acceptance of the revised BM deal.

ICTU is holding on tightly to promises from the Government on this, signalling any such extra measures that help workers retain more of their income could be crucial in getting the deal over the line.

Neither is the restoration of pre-Haddington Road working hours acknowledged in the new agreement. The reduction in the working week – by 2 hours for most public servants – is something which may not be visible as a pay increase on payslips but is nevertheless costing the Government nearly €180m.

The reversion to working hours public and civil servants had before 2013 followed a commitment built into the original Building Momentum agreement to reassess this issue.

This restoration of pre-2013 hours – which is certainly a boon for entrants to the public service since the Haddington Road Agreement – can still be capitalised upon, to demonstrate the overall benefit of the revised agreement.

IRN understands that the reduction in working hours, since July 1, has been particularly well received by nurses, which may go some way to gain their agreement to the new deal.

THE PATH AHEAD

The pay focus for many public servants is naturally fixed on the current high inflation mark, ahead of what is expected to be a costly winter.

However, there is little economic optimism for 2023. In economic commentary the question being asked is not if there will be a recession, but how deep a recession might be.

In that circumstance, the new deal offers at least 3.5% in pay increases for 2023, which is something that may not be appreciable now but will certainly have a positive impact if there is to be a downturn next year.

It is not uncommon for media reporting on a deal of this kind to follow a line the negotiators of the deal would want to avoid. It could just as easily be pitched as too generous (pitting public v private sectors) or not generous enough, because it falls short of a temporary, headline inflation rate.

So far, the deal has not attracted considerable criticism – but it is still early days. As always, there is a job for public service unions to get the deal over the line.

There are 20 unions representing public and civil servants and it is expected that most, if not all unions will put the terms to a ballot of members. Whether or not union ballots will carry a recommendation for acceptance is the choice of each union, but the new agreement was constructed by the WRC on the basis that it "is being recommended by all parties for acceptance."

INDUSTRIAL ACTION

It is a fact that most of the major public service unions were conducting ballots for industrial action in response to the failure to reach an agreement during the summer.

Industrial action ballots are expected to be suspended for now, to allow consideration of the new deal. A rejection of the deal would spring back the prospect of strikes. Yet public sector industrial action may be less likely as winter gets nearer, and the true extent of the acute energy crisis hits home.

What any industrial action could achieve is another matter. It is understood that the money available for the new BM deal is the maximum that is going to be offered; it was up to the PSC and DPER to negotiate how it would be distributed.

When each union has a decision on the agreement, it will be counted and weighted (according to number of public servants each union represents) as part of an overall PSC result, expected to be confirmed on October 7.

It is still the case that the three largest unions, in terms of membership in the public service, can carry the deal over the line through this weighting mechanism.

There are logistical reasons for taking this time to decide on the deal, but it also gives unions the space to consider any extra cost-relief measures the Government will implement, from the Budget, or from LEEF.

LOW PAY FOCUS

In keeping with recent public service agreements, the proposed new BM retains the greater benefit approach to lower paid public and civil servants.

Clerical officers, for example, whose salary scale starts at around €25,325, would stand to benefit by much more than the headline figures, in percentage terms, as the October increases (2021, 2022 and 2023) offer a percentage-based increase, or a monetary amount – whichever is the greater.

The monetary amounts work out at roughly double the percentage-based increases that are applied for higher earners. Public servants on salaries above €50,000 get a 1% rise in

October 2022, but those on salaries below €50,000 get the €500 increase, as that amount is worth more than 1%.

Getting the €500 would roughly mean a 2% rise in pay for a clerical officer. It means that, for the lower paid, the increases in October of each year of the agreement would equate to pay rises at or near 2%, 2% and 3%. This arrives a total pay increase of between 12% and 13% over the three years for the lower paid.

DPER provides the following table to demonstrate the extra benefit of the new deal to those earning €27,500.

	Benefit from Existing Deal	Benefit from Proposed Additional Measures	Total Benefit
Headline benefits	3.00%	6.50%	9.50%
Benefit for Lower Paid (€27,500)	4.70%	7.80%	2.50%

FURTHER TALKS IN 2023

The new deal also touches upon a "broader review of public service pay", referencing a recommendation of the Public Service Pay Commission 2018-2019 in this regard.

While the sectoral bargaining fund approach was set up under BM, to address outstanding issues that are sector specific, it has had somewhat of a complicated response to date. Most unions have, instead, opted for the straightforward 1% pay increase, payable from February 2022.

The deal now states that the parties agree to an initial exploratory engagement on this broader review in early 2023 "with a view to informing negotiations on a successor public service agreement."

This suggests that a broader review of public service pay could not be dealt with in the recent talks and now has to be parked until 2023.

The revised BM also reaffirms the disputes procedure of the agreement (Chapter 5), but which was clarified in February 2022. There have been a number of disputes since the start of 2021 which have tested the disputes procedure, particularly where there has been disagreement as to which dispute channel is to be utilised.

TEXT OF NEW PROPOSAL

Below is the full text of the proposed review of *Building Momentum Agreement, 2021-2023*, which is read in conjunction with the original text that was agreed in 2020.

"Further to the request of the Building Momentum agreement in accordance with section 5.7 of the Agreement, and following extensive engagement with the parties, the Workplace Relations Commission makes the following proposal on the basis that it is being recommended by all parties for acceptance. In the event of its rejection, this proposal will be deemed to be withdrawn and without status.

1. Review of Building Momentum

1.1 A review of Building Momentum was conducted in accordance with Section 5.7 of the Agreement in acknowledgement of changes to the underlying assumptions of the Agreement regarding inflation.

1.2 The parties have noted that inflationary pressures have evolved over the period of the Agreement in a manner that was not anticipated in late 2020. The parties also recognise the high level of economic uncertainty which forms the backdrop to this Review Agreement.

1.3 The parties agree to re-affirm the text and commitments of Building Momentum (and previous public service agreements) save where varied by the provisions of this review Agreement.

1.4 The parties agree to an extension in the terms of the existing public service agreement, Building Momentum, by 12 months to 31 December 2023.

2.Commitment to delivery

2.1 Building Momentum was agreed in an unprecedented time, in a landscape that was dominated by the challenges of Brexit and the Covid-19 public health emergency. The Covid-19 pandemic saw an extraordinary display of commitment, flexibility, hard work and agility in service provision across the range of civil and public services. Building Momentum reflects a commitment to harness this momentum for change to meet immediate and future challenges.

2.2 Chapter 1 of Building Momentum and the appendix includes a comprehensive agenda for reform and delivery of quality public services.

2.3 Owing to the commendable effort and commitment of public servants throughout the system, significant progress has already been made in delivery on key productivity and reform measures across all sectors. The progress made in this regard has been reflected in periodic reports on sectoral reform action plans.

2.4 The parties agree that the efforts to deliver on this extensive reform agenda will continue. The agility demonstrated by the public service in response to the Covid-19 pandemic will continue as the crisis subsides; and the need to address issues arising from Brexit remains. The conflict in Ukraine brings fresh challenges that can also be addressed within the framework of the existing reform agenda.

2.5 The enabling reform agenda outlined in Building Momentum will, therefore, continue to drive improvements in service delivery for the citizen. As inflationary pressures create a cost of living challenge for all citizens, the public service will need to be responsive, adaptable and progressive in order to support our citizens in meeting that challenge.

2.6 Accordingly, the parties reaffirm their commitment to the productivity and reform agenda and commitments set out in Section 1 of the Building Momentum agreement.

2.7 There will also be engagement between the parties on the implementation of the McLoughlin Report with a view to commencing implementation from December 1st 2022, on a cost neutral basis. In addition, in line with Labour Court Recommendations LCR21900, LCR21901 and LCR22075 and, more recently, the Report of the Expert Review Body on Nursing and Midwifery, the parties agree that Recommendation 38 of that review be immediately implemented in full.

3. Pay

3.1 The following pay adjustments will apply in addition to the existing pay terms in Building Momentum:

- An increase in annualised basic salaries for public servants of 3% on 2 February 2022. Section 3.1.4. of the existing Agreement will apply in respect of this adjustment.
- An increase in annualised basic salaries for public servants of 2% on 1 March 2023.
- An increase in annualised basic salaries for public servants of 1.5% or €750, whichever is greater, on 1 October 2023.

3.2 These adjustments are in acknowledgement of the fact that higher than anticipated rates of inflation have emerged since mid-2021, the current projections for inflation in 2022 and 2023, and the particular impact of cost of living pressures for those on lowest incomes.

3.3 The Public Service Pay Commission in the context of its reports on recruitment and retention issues in the public service over 2018 and 2019 recommended that the parties should consider putting arrangements in place, at an appropriate time, and without compromising the stability of the public service pay bill, by which a broader review of public service pay could be progressed. A sectoral bargaining fund was established under Building Momentum, to provide a mechanism (as set out in section 2.1.1) to address some outstanding adjudications, commitments, recommendations, awards and claims. In order to build on this process, the parties agree than an initial exploratory engagement on the potential options for a future approach to such issues will take place in early 2023 with a view to informing negotiations on a successor public service agreement.

4. Resolving disagreements and ensuring industrial peace

4.1 The parties reaffirm their commitment to the provisions of Chapter 5 of Building Momentum as clarified in February 2022 and to utilising the dispute resolution procedures.

4.2 As stated in section 5.5.4 of the Agreement the benefits of the Agreement as amended by the Review Agreement, will be confined to those employees represented by unions in membership of the Irish Congress of Trade Unions or other unions or representative associations which have notified the WRC of their intention to comply with the Agreement.