

**Opening statement to the Public Accounts Committee****By the officers of the ICTU Public Accounts Committee****31st October 2012****Review of Public Service Allowances**

First we would like to thank you for the invitation to address the Public Accounts Committee and to say that, as always, ICTU's Public Services Committee is very happy to assist the Committee in any way we can.

We want to start by saying that, while all potential savings in public expenditure are important, those that the Department of Public Expenditure and Reform (DPER) seeks to achieve from its review of allowances is relatively small in relation to the overall savings and reforms being delivered by public servants and their unions under the Public Service Agreement. The Implementation Body for the Public Service Agreement reports that the agreement has achieved annual recurring savings of almost €1.5 billion in its first two years and is on track to achieve recurring annual savings of €3.8 billion gross - or €3.3 billion net of additional pension costs - by 2015. Although it is not the direct subject of this particular hearing of the committee, we would be happy to comment on recent erroneous media reports that questioned the veracity of these verified savings being delivered under the Public Service Agreement.

Background to allowances

Almost all public servants are on pay scales that reflect the agreed rate for the job, minus the 2010 pay cuts and the so-called 'pension levy', which together have reduced pay by an average of around 14%.

Where allowances or premium payments are paid on top of these rates, they were usually introduced - sometimes many years ago - to reflect additional skills, qualifications or responsibilities over and above the normal requirements of the job.

In other cases, large groups of staff with a relatively small number of grades, have seen allowances introduced over the years to reflect the wide range of duties and specialisms within that group and to confine rewards for additional duties and responsibilities to the staff that carry them out without the need for promotions or the creation of new grades.

Among certain groups of staff, various allowances are pensionable and/or have come to account for a significant proportion of income. In many such cases, the allowances have come to be considered, by both staff and management, as 'core pay'.

In some cases, allowances are themselves used by management to avoid costs. For instance, 'acting up' allowances are sometimes paid to staff who take on the duties and responsibilities of a vacant higher grade post. Over the years, this has frequently been used as an alternative to promotion, which would result in a higher salary and pension commitment.

The cost of allowances is falling as public service staff numbers continue to decline,

DPER review of allowances

The Department of Public Expenditure and Reform (DPER) announced the outcome of its review of public service allowances on 18th September 2012 and made a further statement in October 2012.

The review had initially been established by the department, as a management review, in December 2011. It has not been conducted under the processes of the Public Service Agreement. Neither the ICTU Public Services Committee nor any individual trade union made submissions to, or were invited to make submissions to, the review process. There was no negotiation with unions on the review's content, objectives, timetable or terms of reference.

Rather, the DPER instructed Government departments and offices to report on the allowances they pay, and make a business case for those they believed should continue to be paid to "new beneficiaries" – staff who were newly hired, promoted or assigned to duties that hitherto attracted an allowance.

The publically-stated objective of the review was to facilitate a 10% reduction in spending on allowances and premium payments by 2014. Our understanding was that the intention of the review was to lead to the abolition of certain allowances, particularly to new beneficiaries, in order to help meet this target.

From the end of January 2012, no allowances were paid to new beneficiaries, pending the outcome of the review.

The review was not supposed to end all allowances and premium payments. The letter to departments and agencies, from the DPER secretary general, which announced the review, said the Minister believed that allowances which reflect "work of additional value", or the "arduous nature or unsocial hours" of certain duties and posts remain "valid, appropriate and cost effective." But it said others might have been overtaken by

developments in qualifications, duties, skills and "normal flexibilities now expected or required in public service employment."

At the outset of the review, the ICTU Public Services Committee was informed that the review would identify three types of allowance or premium payment:

- Allowances that would discontinue because the business case was not made or was deemed too weak
- Those that would continue because the DPER accepted the business case
- Those for which more information was required from departmental management before a final decision was made.

We were also told that any changes would respect the Public Service Agreement and that there would be full consultation with staff representatives at central and sectoral level. In a letter to the Public Services Committee, DPER officials stressed that "any initiatives which would arise should be advanced in compliance with the terms of the Croke Park Agreement and having regard to the primary commitments given by the Government under the agreement."

We took that to mean that, while unions would have no part to play in the review itself, they would be able to contest any decision to discontinue an allowance through the arbitration procedures of the Public Service Agreement. These processes are time-limited and binding on all parties. In such a situation, our expectation was that the independent arbitrators would have to consider whether the abolition or amendment of an allowance was permitted under the agreement. Although this has not yet been tested, our expectation was that the outcome of adjudication would largely depend on:

- Whether the abolition of an allowance would be cost-saving;
- Whether the purpose for which the allowance was introduced continued;
- Whether it forms a significant element of the overall remuneration of the beneficiary; and
- Whether it can be defined as 'core pay', in which case it is protected by the Croke Park agreement.

Our initial understanding was that the intention of the review was to facilitate the permanent cessation of certain allowances for new beneficiaries only. However, the Minister for Public Expenditure and Reform made a number of statements in 2012 that suggested that some allowances currently paid to existing staff might also be affected.

The 18th September announcement included the cessation of one allowance for existing staff, and the further review of the continued payment to existing staff of a large number of others. The DPER statement on the outcome of its review listed allowances under three headings (which differed from its original letter to departments and offices):

1. Allowances to be abolished for new beneficiaries (new entrants, promoted staff, and staff newly assigned to the relevant duty)

2. Allowances to be approved for new beneficiaries, but which will be subject to review and/or moderation
3. Allowances to be approved for new beneficiaries (as well as existing staff).

The DPER statement of October 2012 further underlined the Government's intention to cease paying certain allowances to staff who currently receive them.

Distinction between allowances, overtime and premium payments

It is worth adding that the grouping together of 'allowances,' 'overtime' and 'premium payments' has confused public understanding of what was under review and what the review set out to achieve. In fact, it has been a review of allowances, not a review of overtime or premium payments, which are additional payments received by some public service grades (sometimes at higher rates than basic pay) for working additional time over and above contracted hours. While there are many examples where the Public Service Agreement has successfully been used to reduce the incidence and cost of overtime and premium payments, usually through the revision of rosters and extension of working time, this was not actually part of the DPER review of allowances.

October 2012 announcement

In October 2012, Government departments and offices were instructed by the Department of Public Expenditure and Reform (DPER) to open talks with unions about the abolition of some allowances currently paid to existing public servants. The 88 named allowances were drawn from a list of over 100, which were abolished for new beneficiaries when the Government announced the outcome of its review of allowances on 18th September. The DPER set 28th February 2013 as the deadline for talks to conclude.

The October 2012 instruction to open talks with unions represented the first proposed involvement of trade unions in the process. In some cases, talks between the individual employers and unions concerned have now commenced through the appropriate industrial relations machinery.

Committee members will be aware that the Payment of Wages Act, which protects all employees regardless of which sector they work in, prevents employers from making unilateral deductions from wages that are "properly payable." This includes allowances, unless the basis for payment had disappeared or an industrial relations process has concluded that the allowance is no longer justified.

The ICTU Public Services Committee is not directly involved in these talks as they are a matter for the individual employers and unions concerned. For this reason, we are not in a

position to engage with the Public Accounts Committee on the arguments for and against specific allowances.

The DPER has also indicated its desire for a 'fast-track' process, not least because of fears that adjudications on allowances would represent a huge additional workload for the already-stretched adjudication institutions, particularly the Labour Relations Commission and Labour Court. Unions have said they will consider a 'fast track' process when the details are tabled.

ENDS