

Report of the Public Service Benchmarking Body

21 December 2007

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Chairman's Foreword

Upon being invited in early 2006 to act as Chairman of the Public Service Benchmarking Body I quickly appreciated that my newly appointed colleagues to the Body and myself were assuming an onerous challenge to discharge our duties in accordance with our terms of reference. It was also appropriate that we should endeavour to build on and expand where necessary the pioneering work completed in relation to the Irish public service pay policy that is contained in the first Report of the Benchmarking Body published in June 2002.

The 2002 Report had sought to break the mould in public service industrial relations whereby, historically, pay claims of many grades were dependent for their resolution on the principle of cross-sectoral relativity with other public service grades.

The work of our predecessor Body linked pay increases of particular grades with jobs of comparable size in the private sector. Its accepted recommendations have contributed greatly to maintaining industrial harmony in the intervening years.

Against this background, my colleagues and I commenced the task of initiating the process to be adopted, the recruitment of consultants and the commissioning of various specialist reports. The completion of our task was dependent on the ready engagement with the Body of many groups representative of employers and the various unions and associations. Our particular thanks to the representatives of the Public Service Employers, the Public Services Committee of the Irish Congress of Trade Unions, IBEC and ISME for their submissions to us. Their contribution positively assisted us in focussing the debate and defining the issues arising from the terms of reference.

Parallel with this contribution, the Body received written submissions from the trade unions/associations and employer representatives of each of the grades reviewed and this was followed by 41 oral hearings. These hearings not alone allowed for presentations by each of the groups but also afforded the Body the opportunity to question the competing contentions and submissions. The Body acknowledges the endeavour and expertise reflected from all sides in the preparation of submissions and the conduct of the hearings. The co-operation and civilities we received from the many individuals who engaged with us greatly facilitated our work and deliberations.

The processes, hearings and functioning of the Body, which I have briefly referred to, were dependent for their implementation upon its Secretary, Brendan Duffy. Brendan has brought to the Body an accumulated wealth of relevant experience and judgement gained as a dedicated public administrator. His personal qualities of fairness, discretion and thoroughness were available to all, in particular to the members of the Body. We greatly appreciate his work and commitment. Brendan's high standards permeated to those who assisted him. For that we are grateful to the other members of the secretariat. The Project Managers, Al Butler, Jim Dunne, Joe Langan, Annette Murray and Noel Ward contributed greatly to the process as did Tony Walsh who returned to work with SIPTU in March 2007. We are

grateful also to Brian Naughter, Kevin Warren, Deirdre Galvin and John O'Farrell, other members of the secretariat.

We are indebted also to our internal consultant Derek Burn and to Acuvest Limited, our internal advisers on pensions, as well as to the consultants who carried out research on our behalf.

On behalf of all the members of the Body I wish to thank the many members of the public service who participated in whatever capacity in the process. The success of the operation of the job evaluation process is dependent in a material way upon the voluntary involvement of such persons whether directly in the job evaluation process or as an advocate for one's grade or in any other capacity. We commend such persons for their valuable input into the process.

Equally the participation of the 263 companies in the private sector survey was an indispensable part of our work for which we are very grateful.

Finally, on my own behalf I acknowledge the dedicated and substantial contribution of my colleagues. From a diversity of distinguished backgrounds and with many commitments, they each prioritised the work of the Body and individually gave generously and of their best.

A handwritten signature in black ink that reads "Dan O'Keeffe". The signature is written in a cursive, flowing style with a period at the end.

Dan O'Keeffe S.C.,
Chairman,
Public Service Benchmarking Body

21 December 2007.

Executive Summary

The Public Service Benchmarking Body carried out a detailed evaluation of the pay and jobs of 109 grades in the public service in accordance with its terms of reference. With the assistance of consultants, the Body conducted the following exercises:

- examinations of the pay and jobs of the public service grades it was charged with benchmarking and the jobs, pay and reward structures in the private sector. The research methodology adopted in the public service and private sector is described in Chapter 3;
- an examination of the value of public service pensions by comparison with pension arrangements available in the private sector. The outcome of that examination is discussed in Chapter 7; and
- The annual cost of the increases recommended by the Body is in the region of €50 million on full implementation (this represents an average increase of approximately 0.3% in overall pay costs).

Conclusions

The Body reached the following main conclusions:

- the pensions of the public service groups covered by the benchmarking exercise are significantly more valuable than those of private sector groups;
- having regard to actuarial advice received the Body decided that the superior value of public service pensions should be quantified as 12% of salary and that a discount of this amount should be applied in comparing remuneration levels in the public service and the private sector;
- in general public service salaries compare well with the private sector;
- the comparison exercise conducted by the Body combined with a discount of 12% in respect of the value of public service pensions relative to arrangements in the private sector showed that the salaries of only a small number of the public service grades examined were below private sector rates;
- in general, where remuneration was found to be below private sector levels this arose in the case of some of the more senior grades examined; and
- The annual cost of the increases recommended by the Body is in the region of €50 million on full implementation (this represents an average increase of approximately 0.3% in overall pay costs).

The Public Service Benchmarking Body

The Public Service Benchmarking Body was first established under the terms of the *Programme for Prosperity and Fairness*. That Body reported on 30 June 2002. The Public Service Pay Agreement under the *Mid-Term Review of Sustaining Progress* (June 2004) provided that “*The parties have agreed that the Benchmarking Body will commence the next benchmarking review in the second half of 2005 to report in the second half of 2007.*”

The remit of the Body covers public servants in the Civil Service, Local Authorities, Health Sector, Defence Forces, Garda Síochána and the Education Sector. An agreed list of the specific grades (known as List A) which the Body was asked to examine was furnished to the Body by the public service employers and unions/associations. That list is set out at Appendix 1 to the report and amounts to 109 separate grades.

The members of the Public Service Benchmarking Body were Dan O’Keeffe, S.C. (Chairman), Bill Attley, Olive Braiden, John Malone, Tom McKeivitt, Willie Slattery and Professor Brendan Walsh.

Nature of Benchmarking

Benchmarking was defined in the report on the previous exercise as representing an integrated approach to the examination of work and reward. The terms of reference specify that the exercise should be a coherent and broadly based comparison with jobs and pay rates across the economy. In this exercise, as in the previous one, the Body examined the work, pay, benefits and conditions of employment of employees in the public service and the private sector. This was undertaken using well established analytical methods which are described in the report.

In undertaking the comparison between jobs in the public service and the private sector, the Body took full account of a number of considerations specified in the terms of reference.

In undertaking its task, the Body had regard to the reasonable aspirations of public servants for equity of treatment relative to the private sector. In relation to this issue the Body, in accordance with the terms of reference, took into consideration all aspects of the pay and benefits available in the public service and private sector including matters such as perquisites, security of tenure and superannuation benefits. The manner in which this was done is described in the report.

Submissions and Consultation

The Body invited submissions from directly interested parties and from the general public. Advertisements were placed in national newspapers inviting submissions to the Body in connection with the exercise. In addition to the newspaper advertisements, direct approaches seeking submissions were also made to the unions/associations representing the grades to be examined and to the relevant employers.

In addition a series of 41 oral hearings were conducted by the Body with relevant employers and trade unions/associations.

Competitiveness

The terms of reference require the Body to have regard to “*the need to underpin the country’s competitiveness and continued economic prosperity*”. The Body acknowledges the importance of this part of the terms of reference and the relevance of public service pay in this context. On a general level the Body took the view that the public service must not lead the private sector in terms of pay.

The Body also had regard to the effect of any movements in public service pay on the country's economic prosperity.

Public Service Modernisation

The terms of reference note that *“Continued co-operation with change and modernisation has been a feature of previous national agreements and, in the context of Sustaining Progress, detailed Action Plans were agreed in each sector. This reflects the ongoing nature of the work of modernisation of the public service to meet present day needs and future demands. In that context change and modernisation is a continuing requirement of a modern public service. It is, of itself, not a basis for giving an improvement in pay or conditions.”* The Body fully agrees with the statement in the terms of reference that change and modernisation is a continuing requirement of a modern public service and is not, of itself, a basis for an improvement in pay or conditions. Contributions by public servants to modernisation and increased efficiency are to be expected and should be regarded as normal requirements of their jobs, encompassed by their salaries.

Summary of the Methodology adopted by the Body

The main steps in the methodology adopted by the Body can be summarised as follows:

- job evaluation was used to measure the size of jobs in the public service and in the private sector;
- a survey of the private sector was carried out by the Body to establish the pay and benefits applicable to the private sector jobs of comparable size;
- a study was carried out of the value of the superannuation benefits of the public service grades covered by the Body's terms of reference relative to the arrangements applying in the private sector;
- in making comparison between remuneration in the public service and the private sector, a discount was applied to reflect the superior value of pensions in the public service; and
- where, following the application of this discount, the comparison showed the remuneration of a public service grade to be lower than that of a job of similar size in the private sector, an increase has been recommended by the Body.

The steps set out above are described in further detail below and elsewhere in the report.

Job evaluation

Job evaluation was central to the Body's examination of the work of public service grades and the comparison with jobs in the private sector. The terms of reference specify that *“The last exercise gathered large quantities of data and developed a job weighting system used by the Body. In doing its work the Body may draw on the previous work done in this area and use, as it sees fit, the existing database and methodology for comparing jobs.”* In meetings the Body held with the public service employers and the public service unions/associations support was expressed for the job evaluation system used in the last exercise.

In this exercise, the Body decided to apply the same job evaluation system to evaluate the work of the public service grades and private sector jobs covered by its examination.

The job evaluation system used by the Body involves assessing a job under a number of factors and assigning points scores to the demands of the job under each of the factors. The total of the points

scores under the various factors is taken to be the measure of the job size. Jobs with the same, or approximately the same, points score are considered to be of equal size.

The job evaluation system and the methodology used are described in detail in Chapter 3 of the report.

Survey of the private sector

The Body collected information on a large number of jobs in the private sector and these were evaluated using the Body's job evaluation system for purposes of comparison with public service jobs. A total of 263 private sector companies across the economy participated in the Body's survey. The Body's consultants also collected information on a wide range of pay, benefits and working conditions attaching to the private sector jobs examined.

The totality of the information collected was as follows:

- Annual salary
- Annual bonus
- Car or car allowance
- Medical insurance
- Other regular benefits or payments
- Date of salary review
- % Salary increase at last review
- Overtime
- Pension scheme
- Share options
- Sick pay
- Hours worked
- Annual leave
- Performance pay.

The private sector survey is described in Chapter 3 of the report.

Study of public service pensions

With the assistance of pension advisers, the Body undertook a study of the value of the superannuation benefits of the public service grades covered by the Body's terms of reference relative to the arrangements applying in the private sector. The study concluded that the value of public service pensions was greater than that of the pension arrangements applying in the private sector. In the light of the outcome of the study, and having regard to the actuarial advice received, the Body decided that the higher cost of public service pensions should be assessed as 12% of salary for the grades covered by the benchmarking process.

The study carried out on pensions and the Body's conclusions are described in Chapter 7 of the Body's report. A copy of the report on the study is at Appendix 8.

Comparison between remuneration in the public service and the private sector

In making comparisons between the remuneration of the public service grades covered by the Body's terms of reference and the remuneration of jobs of comparable size in the private sector, the Body first applied a discount to private sector rates to reflect the extent (12%) to which the value of public service pensions exceeded the value of pension arrangements in the private sector.

Following application of the discount, the Body compared the weighted average of the remuneration of the public service grades covered by its terms of reference with the weighted average of the remuneration of jobs of comparable size in the private sector.

The basis for comparison between remuneration in the public service and the private sector and the approach adopted by the Body are set out in detail in Chapter 8 of the report.

Outcome of the comparison between remuneration levels in the public service and the private sector

As already indicated, where the comparison between remuneration levels in the public service and the private sector, on the basis described in the preceding paragraphs, showed that the remuneration of a public service grade was below private sector levels, the Body has recommended an increase. In other cases no increase is recommended.

The comparison exercise conducted by the Body and the resultant recommendations provide for increases for 15 of the 109 grades examined.

The outcome of the comparison exercise is described in Chapter 9 of the report. The recommendations on individual sectors are set out in Chapters 10 to 14 of the report.

Terms of Reference

Introduction

In the second Public Service Pay Agreement under *Sustaining Progress* the parties agreed that the Benchmarking Body would carry out a benchmarking review to report in the second half of 2007. The parties agreed the following terms of reference for the Benchmarking Body.

Timing and scope of the examination

The Public Service Benchmarking Body is asked to examine the pay and jobs of specified grades and to produce a report containing recommendations on the pay rates for these grades in the second half of 2007.

As in the previous benchmarking exercise that took place between 2000 and 2002, the exercise should be a coherent and broadly based comparison with jobs and pay rates across the economy.

As in the previous exercise, the Body will examine the roles, duties and responsibilities of jobs in the public service and in the rest of the economy and not just the pay rates applicable to jobs with similar titles, and superficially similar roles, in the private sector.

Approach

The Body should conduct in-depth and comprehensive research and analysis of pay levels in the private sector on the following basis:

- Overall pay levels in the two sectors as well as pay rates for particular groups (such as clerical/administrative staff and technicians) and other identifiable groupings (such as graduate recruits);
- The overall pattern of pay rates in the private sector and employments across a range of type, size or sector; and
- The way reward systems are structured in the private sector.

As previously, the Body, in reaching its recommendations should have regard to:

- The need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities;
- The need to support ongoing modernisation of the public service;
- The need to ensure equity between the employees in both the public and private sectors; and
- The need to underpin the country's competitiveness and continued economic prosperity.

In this work the Body should have regard to the differences between the public service and the private sector and between the various public service groups within its remit in working conditions, the organisation of work, perquisites, and conditions of employment and other relevant benefits, including security of tenure and superannuation benefits.

The Body should also consider any issues arising from any third party recommendations concerning benchmarking and any group on List A since the Body's first report, including specifically Labour Court Recommendations Nos. 17526 and 17805.

Relativities

As was the case previously the Body should have regard to the agreement made under the *Programme for Prosperity and Fairness* and reiterated in *Sustaining Progress* that cross-sectoral relativities are incompatible with the benchmarking process. Within the sectors internal relativities is a relevant criterion for the Body to take into account but the existence of any traditional or historic relativities should not prevent the Body from recommending what it considers are the appropriate rates of pay for any particular job.

Public Service Modernisation

Continued co-operation with change and modernisation has been a feature of previous national agreements and, in the context of *Sustaining Progress*, detailed Action Plans were agreed in each sector. This reflects the ongoing nature of the work of modernisation of the public service to meet present day needs and future demands. In that context change and modernisation is a continuing requirement of a modern public service. It is, of itself, not a basis for giving an improvement in pay or conditions.

Procedures

Subject to these terms of reference the Benchmarking Body will determine its own procedures but these should provide for relevant employers and trade unions to have the opportunity to make written and oral submissions to the Body.

The last exercise gathered large quantities of data and developed a job weighting system used by the Body. In doing its work the Body may draw on the previous work done in this area and use, as it sees fit, the existing database and methodology for comparing jobs.

The level of detail to be provided by the Body in its report is a matter for the Body itself taking into account any confidentiality constraints and its own judgement on the level of detail that should be provided. However, the Body should seek to ensure the optimum level of transparency consistent with the efficient and effective operation of the benchmarking process, regarding the factors and their import, which the Body took into account in determining the appropriate pay levels.

Implementation

The implementation of the outcome of the benchmarking process is a matter for the parties and will be discussed by them in the context of discussions on whatever arrangements on pay and conditions are put in place on the expiry of the current *Sustaining Progress* pay agreement.

PART 1

Introduction, Context and Approach

Introduction

Establishment of Body

1.1 The first Public Service Benchmarking Body was established under the terms of the *Programme for Prosperity and Fairness*. That Body reported on 30 June 2002. The Public Service Pay Agreement under the *Mid-Term Review of Sustaining Progress* (June 2004) provided that “*The parties have agreed that the Benchmarking Body will commence the next benchmarking review in the second half of 2005 to report in the second half of 2007.*”

1.2 The remit of the Body covers public servants in the Civil Service, Local Authorities, Health Sector, Defence Forces, Garda Síochána and the Education Sector. An agreed list of the specific grades (known as List A) which the Body was asked to examine was furnished to the Body by the public service employers and unions/associations. That list is set out at Appendix 1 to the report and amounts to 109 separate grades. The current salaries of those grades are shown in Appendix 2. In the case of public service grades which the Body was not asked to examine (these are referred to as List B grades), the parties agreed that each of these grades would be linked to a particular grade on List A and that any adjustment to the pay of a List A grade would be applied to the related grade(s) on List B.

1.3 On 13 January 2006, the Minister for Finance announced the appointment of the following Members to the present Body:

Chairman

Mr Dan O’Keeffe S.C., BCL, LL.B., A.C.A.

Members

Mr Bill Attley, former General Secretary of SIPTU,

Ms Olive Braiden, Chair of the Arts Council; former Chair of Justice sector Performance Verification Group,

Mr John Malone, former Secretary General of the Department of Agriculture and Food,

Mr Tom McKeivitt, former Deputy General Secretary of the Public Service Executive Union,

Mr Willie Slattery, Managing Director, State Street International (Ireland) Ltd.,

Professor Brendan Walsh, Emeritus Professor of Economics, UCD.

1.4 The secretariat comprised officials seconded from the civil service and from the public service trade unions.

1.5 In announcing the appointment of the Members of the Body, the Minister for Finance said that “*the first Public Service Benchmarking Body was established under the Programme for Prosperity and Fairness (PPF) to undertake a fundamental examination of the pay of public service employees vis-à-vis*

the private sector. The whole point of the exercise was to move away, permanently, from the traditional approach based on relativities". He also said that "it is important that public service pay is in line with the market – so that we can continue to attract high calibre people who can provide excellent health, education services etc."

1.6 The Minister pointed out that the benchmarking process was never intended as a once-off exercise. The second public service pay agreement under *Sustaining Progress* provided for a further benchmarking review to begin in the second half of 2005 with a report to be made towards the end of 2007. It also provided that *"the parties will review the operation of the first benchmarking exercise and consider ways in which, having regard to the experience gained, the process can be improved and streamlined. The parties consider that the Body should seek to ensure the optimum level of transparency consistent with the efficient and effective operation of the benchmarking process"*.

1.7 The Minister said that *"it is too early to tell whether this review will find that increases are warranted for some or all of the public service groups whose pay is being examined. Under the next Benchmarking exercise, the pay rates recommended for public servants will once again reflect movements in private sector wages in the intervening years since the last round. If there is little or no movement in private sector salaries, beyond the standard terms of the national pay agreements on a like for like basis with the public service jobs, then the awards for the public service workers will reflect this."*

Procedures

1.8 The procedures adopted by the Body involved the following main steps:

- Advertisements were placed in national newspapers on 17 May 2006 inviting any persons or organisations wishing to make submissions to the Public Service Benchmarking Body in connection with this exercise to do so in writing by 7 July 2006. In addition to the newspaper advertisements, direct approaches seeking submissions were also made to the unions/associations representing the grades to be examined and the relevant employers. The groups and persons who made written submissions to the Body are listed in Appendix 3. Appendix 4 contains executive summaries of the submissions received on general issues from the public service employers and the Public Services Committee of the Irish Congress of Trade Unions.
- With the assistance of consultants, the Body conducted the following exercises:
 - ❖ examinations of the pay and jobs of the public service grades it was charged with benchmarking and jobs, pay and reward structures in the private sector. The research methodology adopted for the research in the public service and private sector is described in Chapter 3;
 - ❖ an examination of the value of public service pensions by comparison with pension arrangements available in the private sector as described in Chapter 7; and
 - ❖ an econometric study based on data collected as part of the National Employment Survey, 2003, published by the Irish Central Statistics Office (CSO) in May 2006 – see Chapter 3.
- A series of 41 oral hearings were conducted by the Body in the period between September 2006 and January 2007 and in July 2007 with relevant employers and trade unions/associations. Groups which attended oral hearings are listed in Appendix 3.
- Conclusions and recommendations were reached by the Body following deliberations and consideration of the outcome of the examinations carried out by the Body and the information made available during the course of the benchmarking process.
- The Body met on 77 occasions during the benchmarking process.

Factual Information

1.9 The Body was supplied by the parties with a wide range of background information in the following main areas:

- numbers serving in each grade
- salary scales
- allowances payable
- availability of overtime arrangements
- hours of work (contracted length of working week)
- annual leave
- availability of flexible working arrangements
- tenure
- superannuation provisions
- sick leave
- study leave
- family friendly policies
- means of recruitment
- entry requirements
- career structure and promotional outlets
- gender profiles
- age structures

1.10 The Body also sought some supplementary information during the course of the benchmarking exercise. In particular, information was sought on the recruitment and retention of the public service grades covered by our terms of reference. This matter is dealt with in Chapter 5.

Structure of Report

1.11 Part 1 of the report sets out the context to the benchmarking exercise, describes the methodology used by the Body and provides information on the research carried out. Part 2 discusses the considerations and issues which arose in the course of the Body's deliberations and gives the Body's conclusions on the various matters. Part 3 sets out the recommendations made by the Body on pay matters.

Benchmarking Methodology

Introduction

2.1 This chapter gives an outline of the methodology adopted by the Body in conducting the benchmarking exercise. A number of the matters referred to are discussed in greater detail in subsequent chapters of the report.

Background to Benchmarking

2.2 The exercise conducted by the Body is the second benchmarking exercise of its kind. The previous exercise was undertaken in 2000/2002 and was the subject of a report dated 30 June 2002. The background to the adoption of benchmarking as a system of pay determination in Ireland was described in Chapter 2 of the report on the previous benchmarking exercise. In summary the first exercise arose from an agreement under the *Programme for Prosperity and Fairness (PPF)*. The parties to the PPF specifically recognised that “*the traditional approach to pay reviews in the public service, based on analogues and relativities, has given rise to serious difficulties in the past.*” They committed themselves to “*an alternative approach which will be grounded in a coherent and broadly based comparison with jobs and pay rates across the economy*” involving comparison of public service rewards with those in the private sector.

Considerations affecting Benchmarking

2.3 Benchmarking was defined in the report on the previous exercise as representing an integrated approach to the examination of work and reward. The terms of reference specify that the exercise should be a coherent and broadly based comparison with jobs and pay rates across the economy. In this exercise, as in the previous one, the Body examined the work, pay, benefits and conditions of employment of employees in the public service and the private sector. This was undertaken using well established analytical methods which are described in subsequent parts of this report.

2.4 In undertaking the comparison between jobs in the public service and the private sector, the Body took full account of a number of considerations specified in the terms of reference. These included:

- (i) the need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities; the need to support ongoing modernisation of the public service; the need to ensure equity between the employees in both the public and private sectors;
- (ii) the need to underpin the country’s competitiveness and continued economic prosperity;
- (iii) the requirement to have regard to the differences between the public service and the private sector and between the various public service groups within its remit in working conditions,

the organisation of work, perquisites, and conditions of employment and other relevant benefits, including security of tenure and superannuation benefits;

- (iv) the requirement to consider any issues arising from any third party recommendations concerning benchmarking and any group on List A since the Body's first report, including, specifically, Labour Court Recommendations Nos. 17526 and 17805 (the manner in which the Body considered these issues is described in Chapter 12);
- (v) the incompatibility of cross-sectoral relativities and the need for internal consistency and coherence; and
- (vi) the need to ensure the optimum level of transparency consistent with the efficient and effective operation of the benchmarking process, regarding the factors and their import, which the Body took into account in determining the appropriate pay levels.

2.5 The Body had regard to the reasonable aspirations of public servants for equity of treatment relative to the private sector. In relation to this issue the Body, in accordance with the terms of reference, took into consideration all aspects of the pay and benefits available in the public service and private sector including matters such as perquisites, security of tenure and superannuation benefits. The manner in which this was done is described in subsequent parts of the report.

2.6 The Body also took the approach adopted in the previous exercise that the public service should not lead the private sector in setting pay levels. The approach taken by the Body in this regard is set out in detail in Chapter 8.

Methodology

2.7 Job Evaluation: The terms of reference specify that *"The last exercise gathered large quantities of data and developed a job weighting system used by the Body. In doing its work the Body may draw on the previous work done in this area and use, as it sees fit, the existing database and methodology for comparing jobs."* In meetings the Body held with the public service employers and the public service unions/associations support was expressed for the application in the current exercise of the job evaluation system used in the last exercise. The Body agreed with this view and decided to apply the same job evaluation techniques in the present exercise to evaluate the work of public servants and to compare this with the work of employees in the private sector. The job evaluation methodology used is described in detail in Chapter 3.

2.8 Comparison with the private sector: During the course of the benchmarking exercise the Central Statistics Office (CSO) published (in May 2006) the results of a new National Employment Survey (NES) conducted in 2003. The NES was conducted under the Statistics (National Employment Survey) Order, 2003.

2.9 The Body decided to commission a detailed analysis of the NES data. The results of the analysis are discussed in Chapter 3.

2.10 The information from the National Employment Survey, 2003 conducted by the Central Statistics Office proved useful. Information of this kind was not available at the time of the last exercise. Nevertheless, it remained the position, as was the case in the last benchmarking exercise, that there was no single source of information available from public or private salary surveys which was sufficient for the kind of comparison exercise required by the terms of reference. Accordingly, the Body carried out its own salary survey with the assistance of its consultants. A total of 263 private sector companies across the economy participated in the survey covering approximately 36,400 employees and 4,100 jobs. The companies were grouped in size categories as follows:

- 1 – 19 employees
- 20 – 49 employees
- 50 – 99 employees
- 100 – 249 employees
- 250+ employees.

The methodology used in the private sector survey is described in Chapter 3.

2.11 Total reward packages in the Public Service and Private Sector: The Body examined the full range of benefits available to the public service jobs covered by our terms of reference and to jobs of similar size in the private sector. The way in which this was done is described in Chapter 3. In the comparisons made we considered pension arrangements, security of tenure, allowances, annual leave and working hours. The manner and extent to which these were taken into account are described in Chapters 7 and 9. We considered that the value of pension arrangements in the public service had a particular relevance and we commissioned a study on this issue. This is discussed in Chapter 7.

2.12 In examining private sector jobs, we took account of benefits available to some (but not all) employees in the private sector which do not apply to the public service jobs covered by the terms of reference. These include bonus payments, cars, medical insurance, profit sharing and share option schemes.

2.13 Incompatibility of cross-sectoral relativities and the need for internal consistency: As in the case of the last benchmarking exercise, the terms of reference for the present exercise provide that *“cross-sectoral relativities are incompatible with the benchmarking process”*. Equally they state that *“within the sectors internal relativities is a relevant criterion for the Body to take into account”*. They also state that *“the existence of any traditional or historic relativities should not prevent the Body from recommending what it considers are the appropriate rates of pay for any particular job”*.

2.14 Despite the specific provision in the terms of reference, there were some cases where submissions made to us or arguments advanced in oral hearings relied on cross-sectoral relativities or suggested that previously existing relativities should be restored. The Body adhered to its terms of reference and was not influenced by any issues relating to cross-sectoral relativities in reaching its conclusions. On the other hand the Body considered that, as recognised in the terms of reference, internal consistency of the pay of grades within each sector is a relevant consideration.

2.15 Recruitment, Retention and Motivation: The terms of reference require us to have regard to *“The need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities”*. The Body took account of these considerations and sought statistical information from the public service employers on the recruitment and retention of staff. We discuss these issues in Chapter 5.

2.16 Equity: The terms of reference refer to *“The need to ensure equity between the employees in both the public and private sectors”*. The Body considered that this part of the terms of reference required that the approach taken by the Body should be fair to employees in both sectors. On this basis, the Body decided that comparisons between remuneration in the public service and the private sector should take account of the totality of the benefits available in both areas. As already stated, the Body considered that the value of superannuation arrangements in the public service had a particular relevance in this regard.

2.17 Public Service Modernisation: The terms of reference note that *“Continued co-operation with change and modernisation has been a feature of previous national agreements and, in the context of Sustaining Progress, detailed Action Plans were agreed in each sector. This reflects the ongoing nature of the work of modernisation of the public service to meet present day needs and future demands. In that context change and modernisation is a continuing requirement of a modern public service. It is, of itself, not a basis for giving an improvement in pay or conditions.”* The Body has had regard to the need for continuing modernisation and increased efficiency in the public service and its comments on this matter are discussed further in Chapter 6. The Body fully agrees with the statement in the terms of reference that change and modernisation are continuing requirements of a modern public service and are not, of themselves, a basis for an improvement in pay or conditions. Contributions by public servants to modernisation and increased efficiency are to be expected and should be regarded as normal requirements of their jobs, encompassed by their salaries.

2.18 Competitiveness: The terms of reference require the Body to have regard to *“the need to underpin the country’s competitiveness and continued economic prosperity”*. The Body acknowledged the importance of this part of the terms of reference and the relevance of public service pay in this context. On a general level the Body took the view that the public service must not lead the private sector in terms of pay. The Body also had regard to the effect of any movements in public service pay on the country’s economic prosperity. The issue of competitiveness is discussed further in Chapter 4.

2.19 Conclusions of the Body: The Body’s examination required that very large amounts of information contained in memoranda, submissions and the Body’s own research be considered in detail by reference to the considerations set out in the terms of reference. The conclusions set out in this report represent the views formed by the Body following detailed examination of the issues arising. Having delivered its report to the Minister for Finance and to the parties to the benchmarking process, the Body will not comment further on its conclusions or on the detailed matters referred to in the report.

Research by the Body

Introduction

3.1 This chapter describes the manner in which the Body conducted its research into the pay and jobs of the groups covered by the terms of reference and of employees in the private sector.

Requirements of the Terms of Reference

3.2 The Body's terms of reference provide for the following in relation to research:

“The Body should conduct in-depth and comprehensive research and analysis of pay levels in the private sector on the following basis:

- *Overall pay levels in the two sectors as well as pay rates for particular groups (such as clerical/administrative staff and technicians) and other identifiable groupings (such as graduate recruits);*
- *The overall pattern of pay rates in the private sector and employments across a range of type, size or sector; and*
- *The way reward systems are structured in the private sector.*

As previously, the Body, in reaching its recommendations should have regard to:

- *The need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities;*
- *The need to support ongoing modernisation of the public service;*
- *The need to ensure equity between the employees in both the public and private sectors; and*
- *The need to underpin the country's competitiveness and continued economic prosperity.*

In this work the Body should have regard to the differences between the public service and the private sector and between the various public service groups within its remit in working conditions, the organisation of work, perquisites, and conditions of employment and other relevant benefits, including security of tenure and superannuation benefits.”

The terms of reference also state:

“The last exercise gathered large quantities of data and developed a job weighting system used by the Body. In doing its work the Body may draw on the previous work done in this area and use, as it sees fit, the existing database and methodology for comparing jobs.”

3.3 The terms of reference require that the jobs being examined by the Body be analysed in a manner that allows them to be compared with the jobs of private sector employees. As described in subsequent paragraphs of this chapter, this was done by means of a system of job evaluation.

3.4 The public service employers, with the agreement of the relevant unions/associations, provided us with detailed factual information on the salaries and terms and conditions of employment of all the public service groups covered by our examination. The Body conducted its own survey to collect information on the pay and jobs of employees in the private sector.

Job Evaluation of Public Service Grades

3.5 Job evaluation is a method of assessing the overall size of a job by reference to its various components. It is an approach to assessing the relative sizes of jobs, based on the demands and requirements of those jobs. Job evaluation is about examining work, it is about jobs and not the individuals doing those jobs. Since the measurement of a job in an analytical job evaluation scheme is based on overall job size by reference to factors which are regarded as applying to all jobs (levels of responsibility, educational requirements etc.), comparison can be made between jobs which are different in nature. The job evaluation system used by the Body, which is described in detail in subsequent paragraphs of this chapter, measures a job by assigning a points score under each factor to represent the extent to which the demands of the job reflect the particular factor. The overall job size is represented by the sum of the points scores for each of the factors that are weighted in the job evaluation exercise.

3.6 Job evaluation was central to our examination of the work of public service grades and the comparison with jobs in the private sector. Any comparison between jobs in the public service and the private sector must be done in a systematic way. Job evaluation allows comparisons to be made between jobs which are determined to be of equal size in terms of the overall demands made on a job holder under a range of factors. Accordingly, although public service and private sector jobs being examined may be different in nature, the overall demands of the jobs can be compared.

3.7 A frequent misconception about job evaluation is that it is not possible to compare public service and private sector jobs because a number of jobs in the public service are unique to that sector and do not exist in the private sector. It is clearly the case that many public service jobs have no direct counterparts in the private sector (e.g. defence forces, police). Therefore, public service/private sector comparisons must involve examination of jobs which are dissimilar in the nature of their content, but of similar size in terms of being rated as equivalent under an analytical job evaluation scheme. Job evaluation is a recognised technique which allows this to be done and is the normal manner of making comparisons of this kind.

3.8 Job evaluation systems are also used in other administrations (e.g. UK, Canada, New Zealand, USA) in comparing public service and private sector jobs although no country has been identified which benchmarks, in one exercise, the range of jobs covered by the Public Service Benchmarking Body. For instance, in Canada, executive positions in the public service are benchmarked against private sector jobs and in the UK there are separate review bodies which examine the pay rates for various groupings. The use of job evaluation as a basis for measuring job size is firmly established in European law, as reflected in decisions by Member States and by the European Court mainly in the area of equal pay.

3.9 There are several different methods of job evaluation. The report on the previous benchmarking exercise described the different methods and the following paragraphs summarise the descriptions given.

3.10 Job evaluation methods can be categorised as either non-analytical or analytical. Non-analytical methods are based on an assessment of the whole job and include Job Ranking, Paired Comparisons and Job Classification. On the other hand analytical methods are based on breaking the job down into a number of parts, and examining each part separately.

3.11 **Job Ranking** is the simplest job evaluation method of all. Each job is considered as a whole, rather than broken down into a number of factors. A job description is usually prepared and jobs are placed in rank order of importance to the organisation. A committee or panel of employees at various levels who are affected by the outcome of the evaluation procedure may carry out ranking. **Paired Comparisons** are an extension of whole job ranking. Each job is compared with every other job in turn. If one job is considered to be bigger than another it is given two points. If both are thought to be equal, they are each given one point. If a job is thought to be smaller than another no points are given. When all comparisons are completed the score for each job is totalled and a rank order is produced. In **Job Classification** the grade structure is decided first and jobs are slotted into the grades.

3.12 In analytical methods such as **Points Rating**, jobs are analysed under a number of factors, e.g. skills, knowledge, responsibility, environment. They are given a score under each factor and these factor scores are added to give a total score for each job.

3.13 Having examined the range of possible evaluation methods that it might be possible to apply to the benchmarking process, the previous Benchmarking Body concluded that only an analytical method based on points ratings would be adequate to meet the challenges of its principal objective to ensure the maximum degree of consistency and fairness in the measurement of the public service posts covered by its terms of reference. This decision is supported by the following views expressed by the Chartered Institute of Personnel and Development in relation to analytical schemes in its Factsheet on Job Evaluation (December 2005):

“These offer greater objectivity in assessment as the jobs are broken down in detail, and are the ones most often used by organisations” and “the use of an analytical scheme offers a better defence if a claim is made to an employment tribunal for equal pay for work of equal value”.

3.14 A major strength of the previous benchmarking study was that an analytical and factor points job evaluation scheme was developed specifically to suit the requirements of the task. The report on the last benchmarking exercise describes how the job evaluation system was designed.

3.15 The development of that job evaluation system was directed and co-ordinated by the Body’s internal consultant, Mr Derek Burn, with the assistance of a team from the Body’s secretariat. The resulting scheme, its design and application were endorsed by nine major Irish and international consultancy companies with extensive experience in the design of job evaluation schemes. This degree of acceptance from such a wide cross-section of consultancies with expertise in job worth comparison demonstrated the robustness of the scheme. Furthermore, the job evaluation system proved acceptable to a wide range of public service unions and employers and there was general support in the submissions we received from the parties for its continuation in the present exercise.

3.16 On this occasion, our internal consultant, Mr Derek Burn, was asked to audit the job evaluation system to ensure that it remained the most suitable system for use in the benchmarking exercise. His audit confirmed the continued suitability of the system and on this basis we were satisfied that the system should continue to be used.

The job evaluation system designed by the PSBB

3.17 As indicated in the report of the previous benchmarking exercise, the factors selected and developed for the Body's job evaluation scheme were:

- (i) Knowledge and Skills;
 - Education
 - Experience
 - Breadth and Depth of Knowledge/Application of skills
- (ii) Judgement;
 - Precedent and Practice
 - Variety of Problems
 - Creativity and Complexity
- (iii) Leadership and Teamwork;
- (iv) Accountability and Responsibility;
 - Making Decisions
 - Responsibility for Resources
 - Job Impact
- (v) Interpersonal/Communication Skills;
- (vi) Physical Demands and Co-ordination;
 - Strength and Stamina
 - Co-ordination and Dexterity
- (vii) Conditions and Emotional Demands;
 - Working Environment
 - Emotional Demands

Gender proofing

3.18 Job evaluation is a valuable tool for achieving fairness, consistency and transparency in organisations' pay and grading arrangements. However, safeguards are necessary in the course of scheme design and development to ensure that gender bias is excluded. Design and development of the PSBB scheme has from the outset been undertaken with a strong concern for the avoidance of gender bias and a wish to reflect best practice as identified by independent job evaluation experts.

3.19 In the first benchmarking exercise, wide ranging research was undertaken at a preliminary stage of scheme design to identify best practice approaches to job evaluation schemes and to ensure that the potential for gender bias was excluded. The factors used in the job evaluation system and the weighting assigned to them were developed with the assistance of nine major Irish and international consultancy companies as referred to in paragraph 3.15.

3.20 In particular, those nine independent consultancies were asked to:

- give their views on best practice scheme design in the light of their wide experience across all sectors of the economy;
- consider the appropriateness of the factors, factor definitions and weightings to be used given the range of jobs to be evaluated; and
- provide assurance that the potential for gender bias was excluded.

3.21 The factors and weightings selected were endorsed by the consultants as being free from gender bias, and in keeping with best practice in a modern organisational setting.

3.22 The report of the previous benchmarking exercise (paragraph 3.15) referred to the importance of excluding any possibility of gender bias in the job evaluation system and the steps that were taken in this regard. We decided that great care should be taken to verify that the job evaluation system remained free of any element of gender discrimination or possible areas of bias. Accordingly, as part of the present exercise, the Body's internal consultant, Mr Derek Burn, was asked to review the scheme to confirm that it continued to be fully proofed against any areas of discrimination.

3.23 Mr Burn is a specialist consultant in job evaluation, pay and grading. He is a member of the panel of Independent Experts designated by the UK Advisory, Conciliation and Arbitration Service (ACAS) who specialise in job evaluation and equal pay, advising Tribunals on "equal value" cases. He has also worked with the UK Equal Opportunities Commission on the development of gender proofing of job evaluation factors and is the Director of a long established remuneration consultancy. As advisor and auditor of job evaluation practice with the PSBB, Mr Burn has worked with the secretariat, members of the Body and the external consultants, to ensure that, at every stage of its development and application, the job evaluation scheme used by the PSBB is free of gender bias.

3.24 The review by our internal consultant confirmed that the job evaluation system remained free of bias.

3.25 We also sought assurance that the private sector survey contained no elements of gender bias. This matter is referred to in paragraphs 3.52 to 3.55.

Methodology

3.26 The methodology adopted by the PSBB in the evaluation of public service grades was generally the same as applied in the last benchmarking exercise. This methodology was described in the report on the last exercise but we think it is important to describe this again to ensure that there is a full understanding of the approach taken on this occasion. As a further step in explaining the process, at the outset of every oral hearing the Chairman of the PSBB described the nature of the job evaluation exercise being undertaken by the Body to ensure that it was fully understood by the parties concerned.

Job evaluation questionnaire for public service jobs

3.27 In order to evaluate any job, information about the duties, skills and responsibilities involved must be obtained. The Body developed a job evaluation questionnaire with the specific objectives of:

- (i) obtaining comprehensive information;
- (ii) streamlining the information collection process;
- (iii) facilitating participation in the process by jobholders; and
- (iv) providing consistency of treatment across all sectors of the public service.

A copy of the questionnaire is attached as Appendix 5.

3.28 The Body's job evaluation questionnaire and its use by the consultants appointed to undertake the research into public service jobs incorporated a number of features designed to ensure that it could be applied in an equitable and consistent manner throughout the public service. These features were:

- (i) the integration of detailed notes into the questionnaire giving guidance on its completion to jobholders;
- (ii) the availability of members of the secretariat to facilitate the completion of the questionnaire by providing guidance and assistance to jobholders with any difficulties; and
- (iii) the provision of sample copies of the questionnaire to each trade union/association in order to ensure that sample copies were made available to individual jobholders in advance of their formal completion and submission to the Body's consultants.

3.29 A sampling frame was drawn up to select employees to complete the job evaluation questionnaires and to ensure that the individuals selected were representative of the grade. For grades with small numbers employed it was necessary to select a greater percentage sample than for posts with large numbers employed. The sampling frame applied is set out in Figure 3.1.

Figure 3.1: Sampling Frame – Public Service

Number of employees in grade (whole-time equivalents)	Sample size
0 – 9	5 (persons)
10 – 49	5 (persons)
50 – 99	10%
100 – 249	8%
250 – 499	6%
500 – 999	3.5%
1,000 – 2,499	2%
2,500 – 4,999	2% with a maximum of 60 (persons)
5,000 and over	Maximum of 75 (persons)

This sampling frame resulted in approximately 2,500 public servants completing job evaluation questionnaires designed by the Body. The questionnaires were completed at facilitation sessions in locations throughout the country. The completion of the questionnaires in each location was facilitated by the secretariat of the Body. The questionnaire allowed individual jobholders to describe their jobs and to draw attention to features of the jobs which they regarded as important to the job evaluation exercise. There was also the opportunity to provide any additional information considered relevant and a number of persons availed of this.

3.30 Rigorous auditing and quality assurance procedures were built into the job evaluation process to ensure there would be an optimum degree of consistency in the application of the scheme across all parts of the public service.

3.31 The auditing and quality assurance of the job evaluation process operated at several levels:

- (i) a line supervisor validated the information contained in the questionnaires completed by jobholders;
- (ii) professional job analysts, who constituted the Body's consultants, then evaluated the questionnaires;
- (iii) before undertaking any evaluations, consultants were given training in interpretation of the PSBB scheme by the Body's internal consultant to ensure a uniform understanding of how it was to be applied;

- (iv) detailed one-to-one interviews were then undertaken with samples of those who completed the questionnaires to refine and confirm the consultants' understanding of the information set out in the completed questionnaires – this also operated as a check on the soundness and quality of the evaluations carried out by the consultants;
- (v) each of the individual consultancies operated their own internal consistency and quality assurance techniques (subject to further review for consistency by the Body's internal audit team);
- (vi) cross-checking, whereby analysts from one consultancy may independently evaluate samples of the evaluation scores of another, was undertaken to ensure high quality results; and
- (vii) the evaluations of consultants were subject to detailed audits by an audit team established by the PSBB.

3.32 The audit team referred to above comprised the Body's internal consultants, assisted by members of the secretariat. Their specific role was to check for consistency across all parts of the public service.

Research into the Public Service

3.33 Because of the scale of the exercise, it was necessary to divide the public service research into six distinct projects. No inference should be drawn from this division of the public service research. The division was made for administrative and logistical purposes in a situation where a number of consultancy companies were engaged and the same approach was taken to each of the six projects.

3.34 The six projects identified by the Body were:

Project Number	Project Title	Number of Grades	Numbers serving in Grades*
1	Clerical Grades	3	22,027
2	Management and Supervisory Grades	28	18,633
3	Nursing, Medical and Dental Grades	13	33,812
4	Health, Engineering, Technical and Chef Grades	34	11,312
5	Teachers, Lecturers and certain other Education Grades	20	49,017
6	Garda, Prison Service and Military	11	15,669
	Totals	109	150,470

* Set out in the Factual Information supplied to the Body.

3.35 The numbers involved in the job evaluation process had to be sufficiently large and balanced to ensure that each grade could be properly represented and that the sample would be statistically valid. As indicated in the report of the last benchmarking exercise, because the exercise was the first of its kind, the sample sizes used were in excess of those used by agencies doing similar work in other jurisdictions. In the light of the experience of the last exercise, somewhat reduced sample sizes could be used on this occasion, although the samples used were still large. The Body was advised by a statistician, assigned to the secretariat from the CSO, on the size of samples required for each of the grades to be benchmarked.

3.36 Rigorous sampling methodology was used to ensure that jobholders were chosen on a representative and random basis in the workplace. This method ensured that the jobholders selected

to complete the Body’s job evaluation questionnaire for each of the benchmarked grades were fully representative of the range of work undertaken by all persons serving in those grades.

3.37 An overall total of 2,498 jobholders completed the Body’s job evaluation questionnaire and 337 of those jobholders underwent the comprehensive one-to-one interview with the Body’s consultants. Details, on a project basis across the public service, of the numbers of jobs evaluated and jobholders interviewed are set out below. This information is provided on an individual grade basis in Appendix 7.

Project Number	Project Title	Number of Grades	Numbers serving in Grades*	Numbers Facilitated	Numbers Interviewed
1	Clerical Grades	3	22,027	212	23
2	Management and Supervisory Grades	28	18,633	507	71
3	Nursing, Medical and Dental Grades	13	33,812	434	54
4	Health, Engineering, Technical and Chef Grades	34	11,312	507	75
5	Teachers, Lecturers and certain other Education Grades	20	49,017	545	74
6	Garda, Prison Service and Military	11	15,669	293	40
	Totals	109	150,470	2,498	337

* Set out in the Factual Information supplied to the Body.

3.38 Three consultancy companies were selected by the Body to undertake the evaluation of public service grades. The companies and the related projects were: Hay Group (Ireland) Limited (Projects 4 and 5), Jenny Smyth and Associates (Project 3) and Mercer Human Resource Consulting (Projects 1, 2 and 6).

3.39 The job evaluation questionnaires were completed by jobholders on a confidential basis. The Body emphasised at all stages of the process that the responses to the questionnaires would not be divulged to any third party, in part or in their entirety. The evaluations of the data remained confidential throughout the process.

3.40 After completion of the questionnaires, the consultants were required to evaluate the questionnaires according to the Body’s scoring framework. Jobholders’ responses were assessed in an objective and analytical manner which was consistent both within and across all grades in the different parts of the public service. The questionnaires and evaluations, following the consultants’ own internal consistency checking, were transmitted to the Body for audit checks by the Body’s internal audit team.

3.41 The consultants subsequently interviewed a sample of jobholders who had completed the job evaluation questionnaires. An average of about 13% of the jobholders in each grade who completed questionnaires were selected for the interviews which were held on a one-to-one basis. The number of jobholders in any particular grade who were interviewed depended upon the overall numbers of persons serving in that grade.

Private Sector Research

3.42 The terms of reference of the Body specify that it should examine “*The overall pattern of pay rates in the private sector and employment across a range of type, size or sector*”. The Body decided

therefore that data to be collected on the private sector must be representative of the economy as a whole and have a broad geographical spread.

3.43 To ensure that best practice was followed and that there was absolute consistency between the evaluation of jobs in the public service and private sector, private sector job descriptions, endorsed by the management of the companies participating in the survey, were evaluated against the Body's job evaluation scheme. This enabled a consistent comparison to be made between public service and private sector jobs. The manner in which the private sector survey was conducted is described in detail in the following paragraphs.

3.44 In addition to collecting information on jobs for evaluation purposes, the Body's consultants also collected information on a wide range of pay, benefits and working conditions attaching to the private sector jobs. The totality of the information collected was as follows:

- Annual salary
- Annual bonus
- Car or car allowance
- Medical insurance
- Other regular benefits or payments
- Date of salary review
- % Salary increase at last review
- Overtime
- Pension scheme
- Share options
- Sick pay
- Hours worked
- Annual leave
- Performance pay.

The questionnaire form used to collect this information and the guidelines for completion are attached in Appendix 6.

3.45 A sample of private sector companies was drawn up by reference to the employment data collected by the Central Statistics Office (CSO) in the Manufacturing, Services and Distribution, Financial Services and the Construction sectors. The Body, with the assistance of a statistician assigned to the secretariat from the CSO, identified the number of companies required to provide an appropriate overall distribution by sector, sub-sector and size. In doing this, the Body was also assisted considerably by the Irish Business and Employers Confederation (IBEC), the Services, Industrial, Professional and Technical Union (SIPTU), the Construction Industry Federation (CIF), the Irish Hotels Federation (IHF), the Irish Auctioneers & Valuers Institute (IAVI), RGDATA and its own consultants.

3.46 A total of 263 private sector companies employing 65,508 persons participated in the survey. Data was collected for 36,364 employees in 4,078 jobs which provided matches for the public service jobs being examined. The companies were grouped in size categories of 1 – 19 employees, 20 – 49 employees, 50 – 99 employees, 100 – 249 employees and 250+ employees. The following tables display a range of company characteristics by company size:

Table 3.1: Company Sector

Sector	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
Manufacturing	5	8	26	21	10	70
Services and Distribution	49	21	41	28	19	158
Financial Services	1	0	2	3	5	11
Construction	9	4	6	4	1	24
Total	64	33	75	56	35	263

Table 3.2: Geographic Spread

Location	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
Dublin (exclusively)	36	15	30	25	11	117
Cork	3	4	9	5	2	23
Galway	7	4	4	2	1	18
Limerick	3	1	3	3	0	10
Other	15	9	29	21	21	95
Totals	64	33	75	56	35	263

Table 3.3: Financial Turnover

€m	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
Less than 1	20	1	0	0	0	21
1.0 – 9.99	33	23	23	9	0	88
10 – 24.99	2	5	24	8	2	41
25 – 49.99	1	3	5	13	6	28
50 – 99.99	2	0	7	12	3	24
100 – 249	4	0	5	3	10	22
250 – 499	0	0	3	2	3	8
500 – 999	0	0	2	2	1	5
1,000 +	0	0	0	2	3	5
Not Available	2	1	6	5	7	21
Totals	64	33	75	56	35	263

Table 3.4: Type of Pension Scheme

Type of Scheme	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
Defined Benefit	5	4	14	20	17	60
Defined Contribution	19	8	31	20	12	90
DB/DC	0	0	0	0	2	2
PRSA	28	10	20	13	3	74
None	12	11	10	3	1	37
Totals	64	33	75	56	35	263

Table 3.5: Annual Leave

Days	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
20/21	43	26	49	37	16	171
22/23	11	3	9	11	7	41
24/25	9	4	11	3	9	36
26/27	0	0	1	5	3	9
28/29	1	0	3	0	0	4
30/31	0	0	2	0	0	2
Totals	64	33	75	56	35	263

Table 3.6: Hours of work per week

Hours	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
30 – 32.9	1	0	1	1	0	3
33 – 35.9	5	5	6	3	8	27
36 – 38.9	24	7	20	15	12	78
39 – 41.9	28	20	46	37	15	146
42 – 44.9	1	1	1	0	0	3
45 +	5	0	1	0	0	6
Totals	64	33	75	56	35	263

Table 3.7: Share Option/Save Scheme

	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
No	63	32	66	47	18	226
Yes	1	1	9	9	17	37
Totals	64	33	75	56	35	263

Table 3.8: Sick Pay Scheme

	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
No	20	15	24	12	3	74
Yes	44	18	51	44	32	189
Totals	64	33	75	56	35	263

Table 3.9: Performance-Related Pay System

	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
No	43	19	38	27	7	134
Yes	21	14	37	29	28	129
Totals	64	33	75	56	35	263
Consolidated into Base Pay	6	0	4	4	5	19
Paid as non – consolidated	15	13	33	21	19	101
Both	0	1	0	4	4	9

Table 3.10: Percentage of base pay as bonus for “satisfactory” performance

Percentage	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
0	43	19	38	27	7	134
0.1 – 2.49	1	0	0	4	0	5
2.5 – 4.99	3	3	6	5	8	25
5.0 – 9.99	7	6	16	12	12	53
10 – 14.99	7	2	10	5	5	29
15 +	3	3	5	3	3	17
Totals	64	33	75	56	35	263

Table 3.11: Overtime rates

Rates	1-19 employees	20-49 employees	50-99 employees	100-249 employees	250+ employees	Totals
1.00 Time	1	0	2	0	0	3
1.25 Time	0	0	2	1	1	4
1.33 Time	1	1	0	0	0	2
1.50 Time	17	16	46	33	29	141
2.00 Time	0	0	0	2	0	2
Time in Lieu	6	4	2	6	0	18
Not Applicable	39	12	23	14	5	93
Totals	64	33	75	56	35	263

3.47 As already indicated, in order to compare the jobs in the private sector with those in the public service, the Body evaluated the private sector jobs using its own job evaluation scheme. To undertake this evaluation, the Body’s internal consultant prepared 270 core job capsules. The job capsules were descriptions of a range of typical jobs found in private sector employments. They covered the full range of work, including the professions, found in the private sector and were grouped in “job families” to reflect the different levels of responsibility in similar functions at particular levels of an organisation and, thus, typical career progression in these particular functions. The “job families” were as follows:

Job Families in the Private Sector

- Bio-Technology
- Call Centre
- Catering
- Clerical/Secretarial
- Computing
- Construction
- Engineering
- Engineering Production
- Finance & Accounting
- Hotels
- Human Resources

- Insurance
- Logistics
- Maintenance
- Marketing
- Media & Broadcasting
- Nursing
- Office Management
- Operations
- Professional Services
- Publishing, Advertising and PR
- Retail
- Retail Banking
- Sales
- Solicitors
- Teaching
- Telecommunications

3.48 Each of the companies selected by the Body was asked to identify actual jobs at all levels in their company which were similar to one or more of the capsules. Where jobs in private sector companies were significantly different in size, the companies were asked to provide information to consultants to allow new job capsules to be prepared and evaluated.

3.49 The consultants appointed by the Body to undertake the public service survey and the private sector research visited all of the selected 263 companies. Each relevant job within the selected companies was evaluated in consultation with a manager who was familiar with the work of the jobholder.

3.50 In addition to collecting information on the jobs for evaluation purposes, the Body's consultants also collected information on the full range of pay, benefits and conditions attaching to the private sector jobs.

3.51 All of this information was examined by the Body's audit team who tested it to ensure that it was comprehensive and reliable.

Gender proofing of the private sector survey

3.52 The Body has at all times recognised that care needs to be taken in making public/private sector pay comparisons so that gender or other forms of bias are not unwittingly introduced to public sector pay practice. As indicated in paragraph 3.25, we sought assurance from our internal consultant that the private sector survey contained no elements of gender bias.

3.53 In undertaking the private sector survey, private sector jobs were given evaluation scores using the PSBB scheme to achieve accuracy in job matching. The private sector survey was developed in order to match public service jobs with private sector jobs of comparable size in a fair and accurate

manner. The survey data was representative of the Manufacturing, Services and Distribution, Financial Services and the Construction sectors.

3.54 Comparisons between job size and remuneration levels were made in a manner that ensured that the information gained reflected the demands/responsibilities of the job and not the gender of the job holder. The published CSO, Quarter 1, 2007 *Quarterly National Household Survey* verifies that there has been no concentration on predominantly female jobs built into the PSBB survey. The National Household Survey gives the gender breakdown of employment in each sector for the period December 2006 to February 2007 (the period during which the PSBB private sector survey was conducted). Male employment was greater than female employment in all sectors except Hotels and Restaurants where the total male employment was 50,400 while the total female employment was 69,700.

3.55 On the basis of the CSO survey data and the careful design, application and interpretation of the PSBB private sector survey, our internal consultant concluded that there was no gender bias in the private sector jobs examined by the PSBB.

Econometric study of earnings based on the National Employment Survey

3.56 As stated in Chapter 2, during the course of the benchmarking exercise the Central Statistics Office (CSO) published (in May 2006) the results of a new National Employment Survey (NES) conducted in 2003. The NES was conducted under the Statistics (National Employment Survey) Order, 2003. There was a legal obligation on those sampled to complete the questionnaire. Responses were obtained from approximately 50,000 individuals. As already indicated, information of this kind was not available at the time of the last benchmarking exercise. The survey was conducted at a time in 2003 before any part of the increases arising under the first benchmarking exercise was actually applied. However, the first phase of the increases (25% of the overall increase) was backdated and applied subsequently, with effect from 1 December 2001, on ratification of the *Sustaining Progress Agreement*.

3.57 The preface to the NES Report stated:

[The NES] *“is a new survey designed to provide integrated information on a range of workplace questions. This report provides more detailed comparisons than previously available of the factors that influence individual employee earnings . . . The survey provides a more detailed analysis of earnings than the CSO’s quarterly releases . . .”*

Among the variables for which the NES collected information are the following:

For individual jobholders:

- earnings (hourly and annual, including bonuses, commissions, benefit-in-kind, shift allowances, sick pay, overtime allowances);
- age;
- gender;
- educational attainment;
- job tenure (length of service);
- occupation;
- full/part-time status and hours worked;
- shift working; and
- annual and other leave.

For the business/employer:

- ownership and legal form of business;
- adherence to pay agreements;
- market for company's output;
- employee benefits (including pension schemes, career breaks, work-sharing);
- economic sector;
- location (region of the country); and
- size – total numbers employed.

3.58 Unlike job evaluation, the NES does not allow comparisons to be made between public service and private sector jobs on a like-for-like basis and it cannot be assumed that the earnings data for the public service and the private sector relate to comparable jobs. For this reason, the results of the job evaluation exercise were the primary consideration in the Body's examination of public service and private sector jobs. Nevertheless, the NES is a rich source of data on patterns of earnings in the public service and the private sector.

3.59 When the NES was published in May 2006, there were suggestions in some areas, based on a crude comparison of public/private sector earnings, that the survey results showed that public servants earned approximately 40% more than their counterparts in the private sector. This showed a fundamental misunderstanding of the results of the NES and took no account of the extent to which the differential in earnings was attributable to differences between the public service and private sector in matters such as the age-education-occupation mix of employment in the two sectors. A full analysis of the earnings data taking account of these differences was not possible on the basis of tables published in the NES and more detailed analysis was required.

3.60 The Body decided to commission consultants Ernst and Young, in association with Dr Anthony Murphy, University of Oxford, to conduct a detailed analysis of the NES data. This was possible due to the co-operation of the Director General of the Central Statistics Office who agreed to make the detailed anonymised data of the NES available to the Body subject to safeguards on the confidentiality of the information. The Body wishes to express its thanks to the Director General and other staff of the Central Statistics Office for their considerable assistance with this project.

3.61 The study commissioned by the Body used the NES anonymised micro dataset of 50,200 responses, which contains an array of variables on each jobholder (age, gender, education etc.) and the general features of his/her job (firm size, sector, broad description of occupation etc.). The study analysed the relevant elements of the NES data to isolate the effects of sector of employment on earnings. This analysis applied appropriate methodologies to separate differences in earnings between sectors into (i) the components that can be explained by differences in jobholders' characteristics combined with differences in the composition of the workforces in different sectors including the factors referred to below and (ii) any remaining component attributable to differences between sectors.

3.62 The terms of reference for the study specified that in considering the differences between the public service and the private sector, the analysis should make allowance for the following factors in reaching its conclusions:

- different compositions of the workforces in the public service and the private sector;
- differences between the two workforces in age, education and length of service;

- differences in the response rate to the survey in the two sectors, including the response rates at higher management levels in the public service and the private sector;
- differences attributable to gender; and
- inclusion or non-inclusion of annual bonus payments, profit sharing, share options and other benefits-in-kind in the CSO survey.

3.63 The report of the consultants is available on the website of the PSBB (www.benchmarking.gov.ie).

Principal findings of the econometric study

3.64 The principal findings of the econometric study are set out in the executive summary of the study and in Section 4 of the report on the study. These findings indicate that, when account is taken of the characteristics of public service jobs, there is no basis for any suggestion (see paragraph 3.59 above) to the effect that public servants earned in the region of 40% more than employees in the private sector. As stated in paragraph 4.2.1 of the report on the study *“The estimated public service premium in weekly earnings is substantially smaller than the raw or headline premium in both hourly and weekly earnings which is widely reported”*. Significant findings of the study are:

- in the “all employees” category, those in the public service earn in the order of 8% to 10% more in weekly earnings than those in the private sector having accounted for the impact of jobholder and industry characteristics (e.g. age, gender, education, occupation);
- the public service premium is in the range of 5% to 7% for males and 10% to 13% for females;
- in the case of the category “full-time, permanent employees, aged 25 to 59”, which the consultants regarded as more relevant to the PSBB, the premium is 2% to 6% for males and 10% to 15% for females;
- the public sector premium varies by occupation;
- some occupations do not command a premium at all or have an inconsequential one or are below the private sector (see figures 4.1(a) and 4.1(b) of Section 4 of the report on the econometric study); and
- there is little or no public service premium if comparison is made with private sector employees in large establishments (250+ employees). While such establishments account for only about a quarter of private sector employment, they account for a significant majority of public service employment.

General

3.65 The econometric study proved helpful to the Body in its deliberations. However, as already stated, the terms of reference of the Body require it to examine *“pay and jobs of specified grades”*. Therefore, it is necessary to look beyond the broad occupational classifications used in the NES and to compare the jobs of specific grades in the public service with jobs of comparable size in the private sector. As indicated in the earlier part of this chapter, job evaluation is the accepted manner of making comparisons of this kind. Accordingly, as already stated, the outcome of the job evaluation exercise commissioned by the Body has been the primary consideration in the Body’s examination of public service and private sector jobs.

PART 2

Considerations and Issues

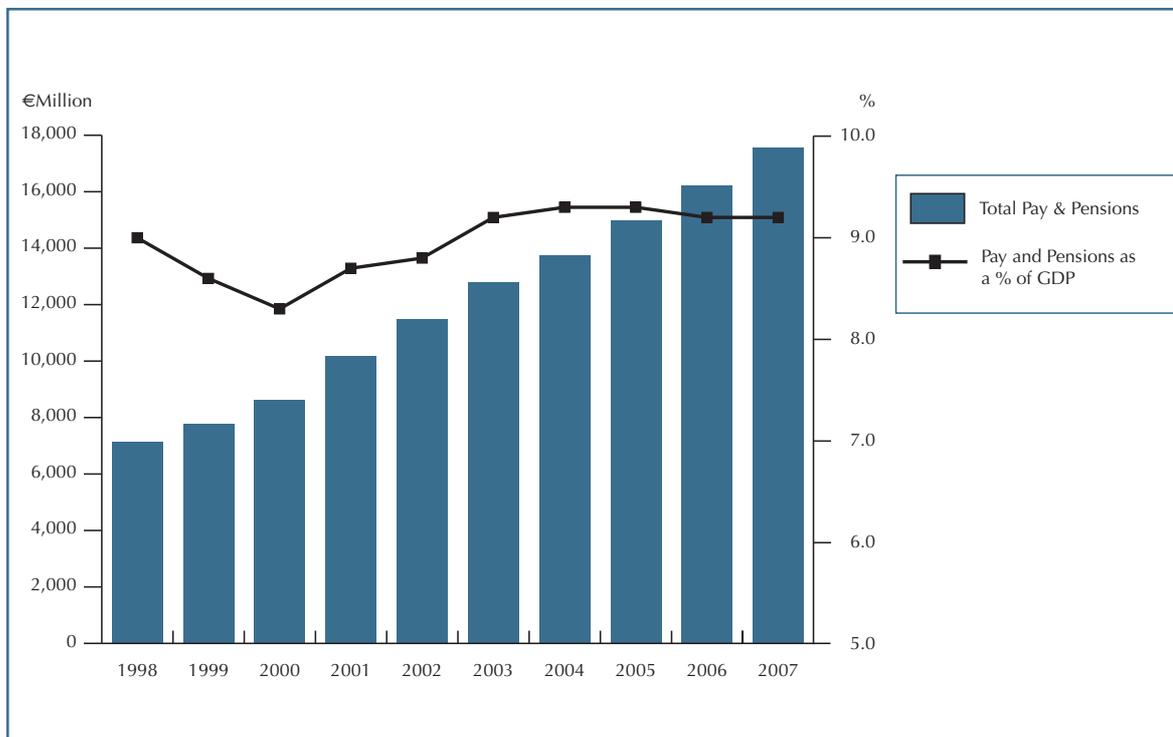
Economic Background and Competitiveness

General background

4.1 Our terms of reference require us to take account of “*The need to underpin the country’s competitiveness and continued economic prosperity*”. We gave full attention to this consideration in arriving at our recommendations. This issue was also addressed in the submissions we received from the public service employers and the Public Services Committee (PSC) of ICTU as well as in submissions from other parties.

4.2 A central determinant of Government spending is public service pay. In turn spending is a major factor in dictating Government tax policy and ultimately this can impact on the private sector and on competitiveness through the tax burden. Control of the public service paybill has been a priority for the Government and one aim is to ensure an orderly evolution of the pay element of the public finances. Figure 4.1 shows that the pay and pensions bill as a percentage of GDP has stabilised at just over 9% of GDP in recent years.

Figure 4.1: Public Sector Pay and Pensions 1998-2007



Source: Department of Finance, Analysis of Exchequer Pay and Pensions Bill.

4.3 The public service is the biggest employer in the State. The Irish public service includes the Health Sector; the Education Sector; the Civil Service; Local Authorities; the Defence Forces; the Garda Síochána and the non-commercial state bodies. Total public service employment, measured in whole-time equivalents stood at over 300,000 in 2007 (figure 4.2). The two largest sectors in the public service are the Health and Education sectors. These are also the two most rapidly expanding sectors in the current decade.

Figure 4.2: Public Service Employment 2001-2007

Sector	(Whole-time Equivalents)		
	2001	2007	% Increase 2001-2007
Health	81,513	107,500	31.9
Education	67,845	85,777	26.4
Civil Service	34,068	37,200	9.2
Security	24,439	25,484	4.3
Non-commercial state bodies	10,388	12,013	15.6
Exchequer Funded	218,253	267,974	22.8
Local Authorities	29,090	34,567	18.8
Total Public Service	247,343	302,541	22.3

Source: Department of Finance, Analysis of Exchequer Pay and Pensions Bill.

Figure 4.3: Sectoral Breakdown of Exchequer Funded Public Service Numbers 2007

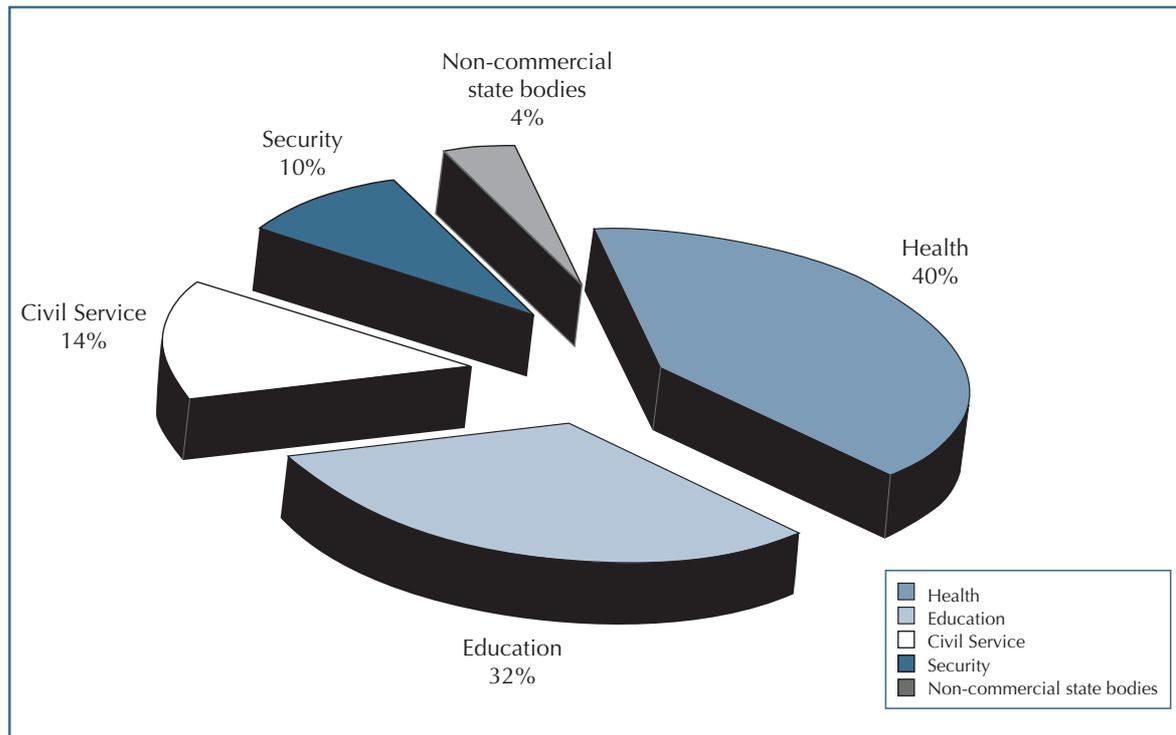
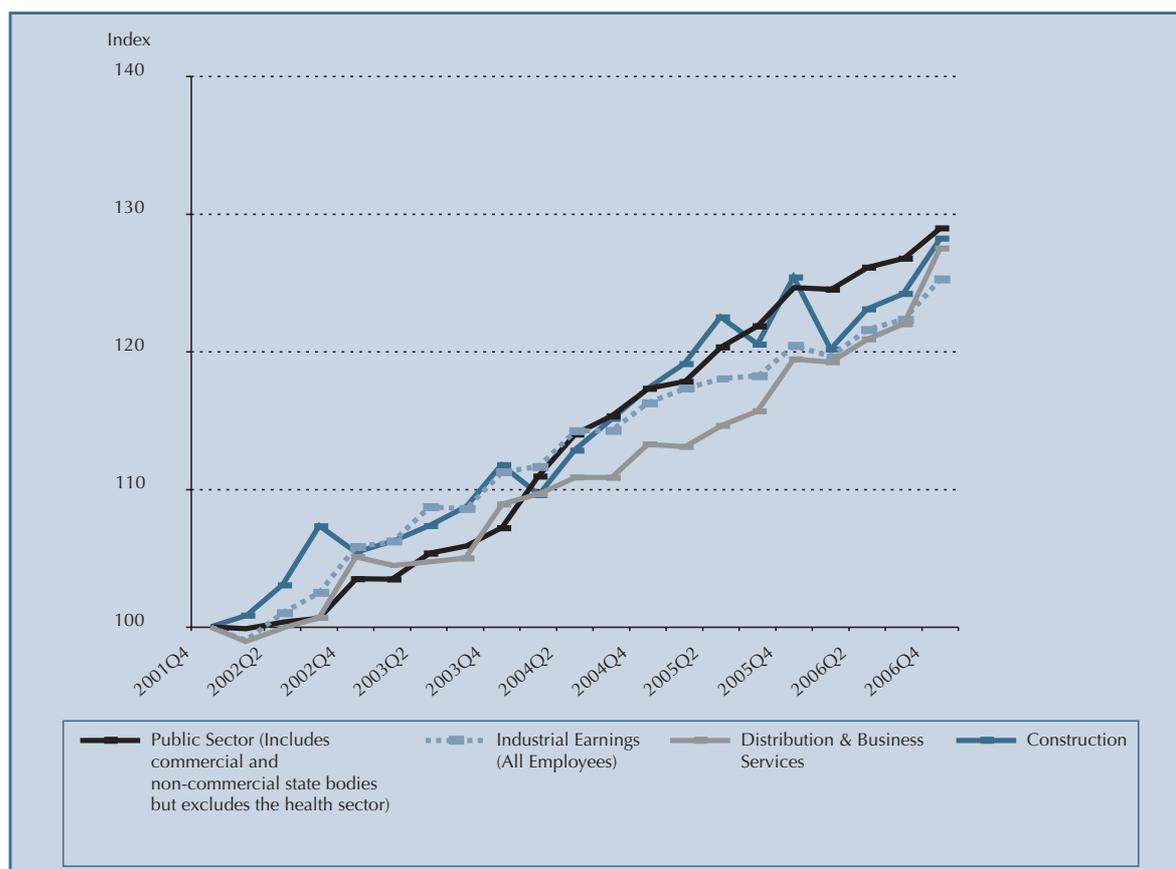


Figure 4.4: Pay Trends by Sector (quarterly data)



Source: CSO Database Direct

Figure 4.4 shows the progression of pay in the principal sectors of the economy indexed to a common base of Quarter 4, 2001 = 100. The range of rates of pay increases has been narrow over this period. Over the entire period the cumulative increases were:

- 25.3% for the Industrial sector;
- 27.5% for Distribution and Business Services;
- 28.2% for the Construction sector;
- 29.0% for the Public Sector (includes commercial and non-commercial state bodies but excludes the health sector).

The effects of the increases from the first Public Service Benchmarking exercise are reflected in these figures.

4.4 The position in relation to public service pay can be summarised as:

- the net paybill in 2007 (pay and pensions spending after offsetting any receipts from pension contributions) will be €17,542m, an increase of 8.2% over 2006;
- 66% of the increase is accounted for by the increases paid under *Sustaining Progress and Towards 2016*; the remainder is accounted for by extra employees and technical factors;
- over the period 2002 to 2007, the paybill will have increased by 52.7%;
- 67% of that increase will be due to pay increases (national general pay rounds and other pay increases such as the first benchmarking awards);
- from 2002 to 2004 the paybill increased slightly as a percentage of GNP and GDP but has remained fairly constant since. It now comprises around 11% of GNP;

- the paybill is about 47% of net non-capital Exchequer spending and about 37% of total Exchequer spending;
- pensions account for about 10% of the paybill, up from 8.6% in 2002. Overall the pension spend has increased from €985m in 2002 to €1,751m in 2007; and
- in terms of sectors, the health sector accounts for about 41% of the paybill, up from 40.4% in 2002. Education accounts for 32% as opposed to 31% in 2002, there have been small decreases in the proportions accounted for by the civil service and security sectors over this period.

As is clear from these figures, the public service paybill is a significant part of Government spending and a key determinant of Government budgetary policy. The outcome of the benchmarking exercise could, therefore, have a significant impact on overall economic circumstances; a factor we were conscious of in our deliberations. As a result of the last benchmarking exercise, it is estimated that the extra cost to the Exchequer was €1.2bn per annum following full implementation of the recommended increases.

Economic Circumstances

4.5 The following information was provided by the Department of Finance:

Table 4.1: Economic Outlook 2007-2010

	2007	2008	2009	2010
GDP growth (%)	4.75	3.25	3.50	4.00
GNP growth (%)	4.25	3.00	3.25	3.75
Employment growth (%)	3.50	1.25	1.25	1.50
Unemployment (% of labour force)	4.50	5.50	5.50	5.50
Productivity (GDP/persons employed; %)	1.25	2.00	2.00	2.50
Inflation (HICP,%) ¹	2.80	2.00	1.80	1.80

Source: Pre-Budget Outlook, Department of Finance.

Position of the public service employers

4.6 Points made by the employers were:

- the economy recorded another robust performance last year (2006), with GDP expanding by 5.7% (GNP by 6.5%). Domestic demand was the main driving force behind this growth. Employment rose by 4.4%. This was broadly in line with the increase in the labour force, so that unemployment remained unchanged at just 4.4%;
- available data point towards a GDP growth rate of the order of 4.75% for 2007. While the rate of expansion was fairly strong in the first half of the year, the likelihood is for a slowdown in the second half, reflecting the prospect of lower levels of new house completions;
- the relatively high concentration of overall activity in the new residential construction sector will have implications for the economic performance over the short-term, as the reversion of new housing output to lower, more sustainable levels will exert a negative drag on the overall growth rate. As a result, a period of below trend growth appears to be in prospect. Given

¹ Harmonised Index of Consumer Prices.

the labour intensity of new residential output, employment growth is expected to moderate and some increase in unemployment is likely; and

- there are a number of risks to this forecast, which could potentially result in a sharper slowdown than currently envisaged. For the purposes of clarity, these were categorised according to origin as follows:

External risks

- A sharper than assumed slowdown in the US economy;
- A further rise in oil prices;
- A further appreciation of the euro-dollar bilateral exchange rate (or the euro-sterling rate); and
- Larger negative spill-over effects to the real economy from recent (or possible future) financial market turbulence.

Domestic risks

- A further deterioration in competitiveness; and
- A more prolonged downturn in the new housing market.

4.7 Budgetary Position: At the time of finalisation of our report, the information supplied by the public service employers suggested that the current forecast for 2007 is for a General Government Surplus of 0.9% of GDP. Based on the existing levels of service in terms of public expenditure and allowing for the planned increase in the multi-annual capital envelopes under the National Development Plan together with a further indicative unallocated current expenditure provision, the technical budget arithmetic points to General Government Deficits of -0.4% of GDP in 2008 and 2009 and a balanced budget in 2010.

4.8 These budgetary projections are less optimistic than those portrayed in Budget 2007 (in December 2006). This is mainly due to a change in the tax revenue projections. As the increase in the level of overall activity has moderated and the composition of economic growth is changing over the forecast period, with a greater contribution coming from the external side, the projected growth in tax revenues is lower than that seen in recent years. It is therefore important that public expenditure, including public service pay, grows broadly in line with the available resources while at the same time giving spending priority to those areas which enhance our productive potential.

4.9 Stability and Growth Pact: Irish economic policy is set within a European dimension. The current Stability and Growth Pact (SGP) imposes certain obligations on Ireland in running its economic policy. The Pact has recently been modified to make it more realistic and relevant. The principal changes involve (i) more flexibility for countries experiencing prolonged economic downturns to consolidate their budgets over a longer timeframe, (ii) a greater focus on the need to consolidate budgets in good economic times, and (iii) more budgetary freedom of movement across the economic cycle for countries with sustainable budgetary positions.

4.10 The last-mentioned change needs to be properly understood and applied prudently. Specifically, the revised rules allow countries with low debt and high potential growth (such as Ireland) to deviate from the 'close-to-balance' budgetary objective, and to run a deficit of up to 1% of GDP, particularly to facilitate public investment needs. However, the revised SGP makes it clear that, for economies growing at or above potential, the emphasis should be on budgetary sustainability, with the extra leeway only to be availed of in the light of economic downturns, i.e. there should be enough

room to deal with the budgetary impact of an economic shock without threatening a breach of the 3% deficit limit of the Maastricht Treaty. Having regard to this, it would be inappropriate and imprudent to run deficits in excess of those currently planned by the Government.

4.11 The employers indicated to us that the important message is that as a country Ireland must continue to run the Budget on a sustainable basis and within the parameters of what should be expected of a country in Ireland's economic and budgetary position.

Competitiveness

4.12 Our terms of reference require us to consider the issue of competitiveness.

Statement by the Central Bank

4.13 In its Quarterly Bulletin (4) for 2007, the Central Bank commented as follows in relation to competitiveness:

"Ireland's price competitiveness has continued to weaken in recent months due to a further depreciation of the dollar against the euro and higher domestic price increases relative to those in our main trading partners. The sharp weakening of sterling in September this year has exacerbated these competitiveness pressures.

However, productivity increases in the whole economy appear to have recovered somewhat from a subdued performance in 2004 and 2005 such that losses in whole economy labour cost competitiveness, experienced since the beginning of the decade, have begun to moderate recently. It should be noted that relative unit labour costs were rising from probably unsustainably strong levels and are now broadly on a par with the average for the EU-15. Strong relative price increases across a broad range of non-labour costs have contributed to the deterioration in whole economy labour cost competitiveness, although decreases in industrial energy prices announced recently by the Commission for Energy Regulation should help to alleviate somewhat these competitiveness pressures.

A convergence of pay increases in the Irish manufacturing sector to those of our main trading partners has contributed towards a levelling off in relative unit labour costs. While the aggregate manufacturing sector remains in a healthy competitiveness position, this largely reflects the performance of a small number of high-technology multinational firms that have very high productivity levels. The competitiveness position of many indigenous firms in more traditional sectors is weaker. Moreover, further adverse exchange rate developments could potentially weigh on the sector's relative cost competitiveness position, and projected pay increases in Irish manufacturing for this year and next year are again higher than in our main trading partners."

Position of the Employers on competitiveness

4.14 The employers stated that competitiveness of the economy is the key and helps determine the future of the country. An uncompetitive economy will have a negative impact on growth, jobs and the budgetary position. Competitiveness is determined by a number of factors which do not apply equally to all businesses. However, pay and earnings are central to most companies and in some sectors are the main element in dictating the price of goods and services.

4.15 A loss of competitiveness has an adverse impact on future growth and reduces Ireland's ability to deal with social issues. The employers stated that Ireland's economy has lost competitiveness in

recent years and wage growth has exceeded that justified by productivity growth, implying an increase in labour costs. The following specific points were also made:

- when very strong productivity growth in a few modern sectors with low employment shares is stripped out the decline in competitiveness in recent years is seen to be even more severe. This is particularly true of many exposed sectors of the economy, such as indigenous industry and the tourism sector;
- as one of the most open economies in Europe, and with a not insignificant amount of exports of both goods and particularly services being with countries outside the euro area, Ireland is very exposed to sharp swings in exchange rates, which also have implications for national competitiveness; and
- the restoration and enhancement of competitiveness is a central objective and to that end wage growth must not exceed that justified by productivity, and in addition must reflect the risks faced by the economy from exchange rate developments and increasing competition from emerging economies.

Impact of Public Service Pay

4.16 The employers stated that public service pay policy affects competitiveness in a number of ways. Firstly, and most directly, if public service pay rates were to be set above the level of the private sector, particularly the traded goods sector, wage levels in that sector would be forced upwards, increasing the costs in the sector and making it less competitive. Secondly, higher public service wage costs increase the burden on the economy by taking up limited resources.

4.17 The submission from the public service employers stated that higher public service wage costs have to be met from taxation or through diversion of funds from other areas of public expenditure or both. If such wage costs are met from taxation, an increased tax burden creates disincentive effects in terms of job creation and investment because it costs more to employ people and after-tax profits are reduced.

4.18 The employers stated that where increased public service wage costs are met through reduction in other areas of public expenditure, there are opportunity costs, for example, in terms of infrastructural investment forgone. In the current economic situation where there are severe pressures on infrastructure, such opportunity costs could be significant.

4.19 The employers took the position that it is essential that public service pay levels do not lead wage levels in the economy. It was suggested that establishing appropriate public service pay levels, in the context of the imperative to maintain competitiveness, will involve taking account of three key elements:

- ensuring that the public service can compete in the labour market while at the same time not bidding up the price of labour;
- undertaking a rigorous assessment of what constitutes an appropriate market rate; and
- establishing a framework to operate within so that the overall cost of public service pay is contained while the provision of efficient/effective services is maintained.

4.20 In summary, the employers suggested that the essential and central element of the Body's task would be to situate public service pay levels in an appropriate position vis-à-vis the private sector and within a wider framework which would deliver more effective and efficient services to the public without setting new pay norms for the economy generally.

Position of the Public Services Committee of ICTU

4.21 The PSC stated that the public service went through a very difficult period for several years from the mid-1980s onwards caused by the very difficult Exchequer position which applied for many years. It was stated that this resulted in a number of agreements which provided for smaller (or later) increases than applied in the rest of the economy and that the effects continued well after that period in that public service pay levels fell well behind those in the private sector. The PSC also stated that the effective dates of the application of pay increases under National Programmes fell six months behind the general run of the private sector. While it was acknowledged that the Exchequer position was, fundamentally, a reflection of the general economic climate at the time, the PSC indicated that it was its experience that it was, first and foremost, the Exchequer's position which played the dominant role in the difficulties with which the PSC had to contend in those years.

4.22 The PSC contrasted the previous Exchequer position with the current more favourable situation.

4.23 The PSC suggested that it seemed reasonable to assume that the Government, in agreeing to the establishment of the benchmarking process, accepted that pay rates in the public service were out of kilter with those in the private sector and wanted to find a way of dealing with this in a comprehensive way and accepted that pay costs would increase as a result.

4.24 The PSC drew specific attention to the following comments by the previous Benchmarking Body:

“(6.12) Under its terms of reference, the Body is requested to have regard to the need to underpin Ireland’s competitiveness and develop our economic prosperity on a sustainable basis. The Body’s work has been conducted in accordance with its terms of reference within the wider context of the PPF which identified a number of aims and objectives. These included associated operational frameworks covering a range of issues and the development of an equitable relationship between pay in the public service and in the private sector.

(6.13) The PPF acknowledges that the role of the public service remains a crucial one and, increasingly so, in relation to managing the many complex issues which are features of current economic and social development. The quality of the response of the public service to these challenging demands will be determined to a large extent by its efficiency and adaptability in the face of changing circumstances.

(6.14) The cost, level and quality of public services, and the efficiency and effectiveness of their delivery all play key roles in the social and economic development of the national economy and in maintaining its international competitiveness. Specific developments in public services and their management are outlined in the operational frameworks of the PPF.

(6.15) The PPF acknowledges two fundamental requirements in relation to the future management of the public service, namely:

- that in the current Irish labour market context, it is important to ensure that public service manpower needs are capable of being met in such a way as to enable it to deliver the necessary quantum and quality of public services now and into the future; and*
- that successful implementation of policies of continuous renewal and modernisation are vital.*

(6.16) *The Body's approach to benchmarking addressed these fundamental requirements. It emphasised the importance of recruitment and retention strategy in the broader context of strategic approaches to personnel management. Specific measures are recommended to progress the public modernisation programme with particular attention to issues of flexibility, adaptability and change.*

(6.17) *It has been an overall concern of the Body that the public service should not lead the private sector in matters of reward. This principle is inherent in benchmarking, a central objective of which is equity between the public service and the private sector. It has also been a major element in the formulation, within the overall context of the PPF, of a cohesive overall set of recommendations on public service pay which has regard to the full range of considerations referred to in the Body's terms of reference.*

(6.18) *The overall set of recommendations made by the Body meets a key objective of its terms of reference, namely the establishment of equity in matters of reward between employees in the public service and the private sector. In this regard, there can be no basis for any follow-on claims from private sector employees arising out of the Body's recommendations. Any such claims would have no justification. The Body is concerned that the emergence of claims of this nature would have a wide impact across the economy with serious implications for competitiveness, employment, and economic and social development."*

4.25 The PSC suggested that the approach taken by the previous Body was a sensible one. Overall, given the present Exchequer position, the PSC did not consider the criterion of having regard to competitiveness and continued economic prosperity as being in any way limiting on the Benchmarking Body.

Approach of the PSBB

4.26 We fully acknowledge the importance of public service pay as a significant component of overall Government spending. We accept also that an inappropriately high level of public service pay would have an adverse effect on competitiveness and the country's economic performance. We have been very conscious of this in all our deliberations.

4.27 There are a number of considerations which we must have regard to in accordance with our terms of reference. None of these can be viewed in isolation. The requirement to take account of "*The need to underpin the country's competitiveness and continued economic prosperity*" is an important part of our terms of reference. However, if taken to extremes, the position could be taken that any increase in public service pay could have some impact on competitiveness and, therefore, this criterion means that we should not recommend any change in public service pay. That would clearly be an absurd position and would make the whole benchmarking exercise pointless. Furthermore, it would not be consistent with the part of our terms of reference which requires us to have regard to "*The need to ensure equity between the employees in both the public and private sectors*".

4.28 We consider that it is a fundamental underlying principle of the benchmarking exercise that public service employees should not be treated less favourably in terms of pay than private sector workers in jobs of comparable size, after allowance has been made for factors such as differences in terms and conditions of employment. This principle has guided our overall approach and the recommendations we make.

4.29 We consider that there is no inconsistency between this approach and the requirement in our terms of reference to have regard to competitiveness and continued economic prosperity. This

criterion and the need to ensure equity between employees in the public service and the private sector can, in our view, best be reconciled by ensuring that salary levels in the public service do not lead wage levels in the private sector. The same principle was adopted by the previous Body and it is, in our view, an appropriate and equitable approach. Furthermore, we consider that it is consistent with the views expressed in the submissions from the public service employers and the PSC.

Recruitment and Retention in the Public Service

Overview

5.1 The Public Service Benchmarking Body's terms of reference provide that its recommendations should have regard to:

"The need to recruit, retain and motivate staff with the qualifications, skills and flexibility required to exercise their different responsibilities."

5.2 In order to give full consideration to this aspect of the terms of reference, the PSBB examined the question of whether there are difficulties in relation to recruitment and retention in the public service.

Position at the time of the previous benchmarking exercise

5.3 The previous PSBB considered this issue also and its comments on the matter are contained in Chapter 5 of its report. The main points made were:

- the Body was concerned at the inability of some public service employers to provide adequate information about vacancy levels and the effect of their recruitment policies over time;
- while pay is a central ingredient, it was evident to the Body that a number of recruitment problems identified from the available data and submissions point more to deficiencies in personnel analysis and strategic planning and simply increasing pay levels will not resolve those problems;
- a significant proportion of public service jobs require third level, specialised or technological education or training. Natural wastage accompanied by rapid expansion of some services without adequate staff supply planning has created shortages which the labour market is unable to meet. Many of these disciplines are unique to the public service and it is necessary for public service employers to be more strategic in their personnel initiatives and to collaborate more extensively with education, planning and training institutions to guarantee an adequate supply of suitably qualified candidates;
- the emergence from time to time of shortages in specialised functional areas, often described as "hot skills" which are common to both the public and private sectors poses problems for recruiters but these are often cyclical or temporary or owe their origins to unique/exceptional circumstances; and
- private sector responses to shortages in specialised areas are characterised by flexible and temporary pay arrangements, often including atypical employment regimes, which cease at the end of the skills deficiency. Public service employers require the same flexibility but it is

not appropriate to make permanent adjustments to longer term pay and career based employment regimes to resolve temporary or exceptional supply phenomena.

5.4 While the previous Body did not make an explicit statement on the matter, the inference which can be drawn from the above comments is that while there were recruitment problems in some areas of the public service, these were due to temporary or supply planning problems and that increasing pay rates would not provide a solution.

5.5 The report of the previous PSBB did not identify any significant problems of retention.

Present position

5.6 Unfortunately, the difficulties identified by the previous Body in regard to a lack of adequate information still remain. Responses by public service employers in some areas to requests for information reveal a paucity of consistent, reliable and up-to-date data across the public service on the issue of recruitment and retention. However, there are exceptions to this and, for example, satisfactory information was provided in relation to the Garda Síochána and the Defence Forces.

5.7 It can be accepted that there are particular difficulties in supplying information in areas where there is no central recruitment. For instance, in the education sector, recruitment may be dealt with at the level of individual schools and it is extremely difficult to gather information on the overall position. However, even in areas where there is a central authority there were gaps in the information provided.

5.8 The information we obtained on retention was particularly sparse. In most cases employers can provide some information on turnover rates but generally the reasons why persons left the employment could not be identified. Unlike the private sector, there appears to be no real tradition in the public service of employers conducting exit interviews, even on a sample basis, to discover why staff are leaving, although there are some pilot projects of this kind currently underway. The Body considers that public service employers should follow good personnel practice and adopt a policy of conducting exit interviews.

5.9 Without the kind of information available from exit interviews, figures on turnover rates are of limited value. It would be important for the PSBB to be aware of any situations where staff are leaving the public service to take up better paying jobs in the private sector but turnover rates do not provide sufficient evidence in this regard. There are many reasons why staff may leave particular public service jobs which are unrelated to the adequacy or otherwise of pay rates such as to take up promotion posts elsewhere in the public service, the wish to move to a particular location, domestic reasons etc.

Positions of the main parties

5.10 The submission of the Public Services Committee (PSC) of ICTU did not directly address the issue of recruitment and retention and did not suggest that there were significant problems in these areas in the public service at present. However, the PSC suggested that the absence of difficulties in recruiting and retaining staff could not be taken as an indication that public service pay rates were adequate by comparison with the private sector. The public service employers stated that they were not aware of any problems of recruitment or retention. These positions are summarised in the following paragraphs.

Public Services Committee

5.11 As indicated above, the PSC did not specifically address the issue of whether there are serious problems of recruitment and retention at present. The PSC stated that there can be a belief in some quarters that, unless the public service is unable to recruit staff, it is safe to assume that pay rates are adequate. The PSC expressed the view that this is a truly facile position. It was argued that in recruiting staff, objective standards have to be established to determine eligibility and that these standards are merely basic minimum requirements which cannot ensure that the public service can secure a sufficient proportion of staff of the quality it needs. The PSC suggested that it is not enough to establish whether sufficient numbers of staff can be recruited and that the real issue is whether the public service can get its fair share of the “*brightest and the best*”.

5.12 Similar arguments were made about retention. The PSC stated that it is sometimes suggested that high levels of retention in the public service indicate that pay levels are adequate by reference to the private sector. However, the PSC suggested that adopting this approach would mean that pay comparisons with the private sector would be ignored until a mass movement out of the public service had taken place and a crisis had developed. The PSC stated that it made more sense to ensure that pay rates remain competitive with the private sector on the basis of fair comparison.

Public Service Employers

5.13 The employers stated that it was their view that there is no general problem with recruitment to the public service. They indicated that, in some specialities, skills are in short supply but that the number of vacancies arising because of inability to recruit suitable candidates was not high. They stated that in some cases expansion of services had run ahead of the ability of the education system to produce suitably qualified people but that this was a matter that could be resolved through increasing the supply of qualified people. It was indicated also that, in any event, it had been possible to attract suitably qualified people (for example nurses, non-consultant hospital doctors) from abroad and that the pay rates, by implication, would seem therefore to be attractive enough to ensure that the jobs are filled by competent candidates.

5.14 In relation to retention issues, the employers stated that while there are always individuals with skills who will move between the public service and the private sector, the general picture is one where there is no significant loss of staff to the private sector.

5.15 The employers also responded to the submission by the PSC. In their response, the employers stated that they would not suggest that satisfactory recruitment and retention levels prove conclusively that pay rates are appropriate. However, they believed that these are important indicators of the appropriateness of pay levels. The employers say that satisfactory recruitment and retention levels in the public service assume greater indicative significance in times of full employment. However, they considered that recruitment and retention levels are not the cornerstone of public service pay policy and that policy is, instead, based on benchmarking against private sector comparators.

5.16 The employers stated that they are satisfied that public service pay policy ensures that the objective of recruiting and retaining a fair share of good quality staff at all levels is fulfilled and that the public service is at no competitive disadvantage vis-à-vis the private sector.

General position on recruitment to the public service

5.17 Despite some shortcomings in the information provided by public service employers, the Body is satisfied from the information available that it is reasonable to conclude that the public service as a whole is not experiencing problems of recruitment and retention. With the exception of a small

number of cases, written submissions and oral presentations from unions and employers did not provide evidence of difficulties of recruitment and retention other than some generalised arguments by unions that problems may arise in the future if pay is not increased. In some cases unions/associations pointed to some reduction in the numbers applying for promotion posts but in these cases the numbers applying were still well in excess of the number of posts on offer.

5.18 In the case of some of the larger groups within the public service it is clear that the jobs are seen as attractive and that there are large numbers of applicants for the available posts. The following are some examples which demonstrate the extent to which public service posts are regarded as attractive:

Education

Teacher education programmes are oversubscribed in respect of both primary and post-primary levels. In 2005 and 2006, respectively, 983 and 957 places on the B.Ed. degree programmes for primary teaching were filled through the CAO system. In the same years, 2,193 (2005) and 2,049 (2006) applicants had chosen B.Ed. courses as their first preference in the system, while 9,197 (2005) and 7,929 (2006) had included such courses among their preferred options. The Postgraduate Applications Centre (PAC system) receives applications and allocates places for post-primary teacher education (postgraduate) programmes in the NUI University Colleges. A total of 800 places were filled in each of the years 2005 and 2006. There were 3,006 applicants for these places in 2005, and 2,765 in 2006.

Information available for 2007 suggests that there is an increase of 27% in the number of applicants for places in Colleges of Education.²

Information was provided by the union side to the Body which suggested that there were some difficulties in relation to the recruitment of Principals of Primary schools, particularly in the case of small schools where Principals are required to combine administrative and teaching duties.

In the wider education sector, the Body is satisfied from the information available that there are no general problems in relation to recruitment although problems may be encountered in isolated cases involving the recruitment of specialist staff.

Civil Service

The following information relates to competitions in 2005. This information shows that there were large numbers of applications for posts as follows:

Open Recruitment Competitions 2005

Competition	Number of applications	Number placed on panel	Number offered appointment	Number appointed	Number who declined offer of appointment
Assistant Principal †	1,627	7	3	3	0
Higher Executive Officer †	2,737	4	4	3	1
Executive Officer	11,274	526	472	392	80
Administrative Officer Economics & Finance	396	176	17	11	6
Clerical Officer (Nationwide)	12,936	1,477	1,647*	1,207	440

*One individual can be offered a number of appointments resulting in this figure being greater than the number placed on a panel.

† It was agreed under *Sustaining Progress* that, in any year, the civil service may recruit a number of staff in these grades equal to the number of staff in the grades who had resigned from the civil service in the previous year to take up positions in the private sector or elsewhere in the public sector.

² The numbers used by the CAO in their statistics on "Education" (released in March 2007) do not correspond to applications for B.Ed. places. The "Education" category is not itemised but probably includes CAO courses in Home Economics and Early Childhood Education.

The information available in relation to the civil service demonstrated that there was no general problem in relation to recruitment and retention although it was acknowledged that there were difficulties with recruitment to the grade of District Inspector/Senior Clerk of Works. The employers attributed this to the buoyant state of the construction industry and the resultant demand for Clerks of Works in the private sector.

Defence Forces

With the exception of some technical posts, the Defence Forces do not recruit directly for posts above the training ranks of Cadets, Recruits and Apprentices. Most of the promotion ranks coming within the Body's remit are filled by internal promotion competitions. Promotion to the rank of Captain is internal from the rank of Lieutenant but this is not by way of a competition. Officers have to be recommended by their General Officer Commanding and certified by the Chief of Staff as being fit for appointment as a Captain.

Entry to the Medical Corps commissioned officer ranks of Captain Doctor and Captain Dentist is through direct entry competitions. Information provided to the Body showed that there were small numbers of applicants for these posts.

Entry to enlisted personnel ranks is by way of General Service Enlistment and inductees have the rank of Recruit while in training. On completion of basic training recruits are upgraded to the rank of Private 2 Star before passing out as Private 3 Star. In 2005 there were 1,125 applications and 384 appointments were made.

Garda Síochána

Recruitment to the Garda Síochána is at the rank of Garda. There has been a pattern of large numbers of applications for the places available. For instance, in 2006 there were approximately 10,000 applications for about 550 trainee Garda posts.

Health Sector

We were informed by the HSE that the information we sought was not compiled on an ongoing basis by the former Health Boards and that the HSE were putting systems in place to gather this on a national basis in terms of the re-organised management structures. We were not, therefore, able to obtain information in the detail we required but received some data on the basis of sampled information. While the information made available to us was less detailed than that provided in other sectors no significant difficulties in relation to recruitment or retention were identified in the case of the health sector as a whole.

It was stressed to us by the employers in the health sector that there are many factors affecting the volume and range of applications for positions such as job location, labour supply in relation to the availability of appropriately trained personnel etc. In general terms, whilst there is a significant degree of movement in some areas, the HSE expressed the view that it was their experience that in the vast majority of cases "turnover" is actually movement of staff within the general health services.

The unions representing nurses argued that difficulties are being experienced in recruitment from the market of qualified nurses and reference was made to the need to recruit from overseas. The unions also referred to difficulties as a result of a high rate of turnover. The employers said there is a worldwide shortage of nurses and Ireland is affected by this. However, they also pointed to large increases in the number of nurses over the last 6 to 9 years and said that the vacancy rate was low. The employers stated that the turnover rate for nurses has continued to decline. In

summary, the employers consider that in the medium term the Irish health system will have sufficient nurses and that the training capacity will ensure an ongoing supply of nurses.

Local Authorities

Information was supplied to us on recent recruitment competitions. Separate information was provided in relation to each local authority. As in the case of the civil service, there were large numbers of applicants for posts in administrative grades and it was clear that there are no difficulties of recruitment in relation to these grades.

The engineering grades were the only ones where it was suggested by the union concerned that there were significant problems of recruitment. However, this suggestion was contested strongly by management. The union argued that there were a number of unfilled vacancies and that a number of those offered appointment as engineers following public competitions declined the offer. The employers' position was that in the majority of cases it was possible to recruit sufficient staff to fill vacancies.

It seems to the Body from the information supplied by the employers on recruitment competitions that recruitment of engineers may be more difficult than for other grades but that in the majority of cases it was possible to recruit sufficient staff to fill vacancies.

Summary and conclusions

5.19 The Body accepts the view of the Public Services Committee of ICTU that the absence of difficulties in recruiting and retaining staff is not, in itself, a sufficient indication that pay levels in the public service are adequate. We also agree with the view expressed to us by union/association representatives in the oral hearings that most public servants are committed to the public service and wish to pursue their careers there. In these circumstances they will not leave the public service even where the possibility of more highly paid employment in the private sector is available. It would be wrong to use this commitment to the public service and the knowledge that public servants are unlikely to leave the public service as a reason to depress salary levels.

5.20 We acknowledge also that our terms of reference extend beyond the issue of recruitment and retention and that comparison with jobs of similar size in the private sector is a particularly important factor in our overall conclusions. Nevertheless, subject to the views expressed in the previous paragraph, we are of the view that, while not fully conclusive, the existence or otherwise of recruitment and retention difficulties in the public service must play a part in the overall assessment of the manner in which public service salaries compare to those in other employments. We have noted also the findings of a report "Perceptions and Attitudes towards Career Development in the Public Service" commissioned by the Public Appointments Service Advisory Group and published in 2006. The perceptions of private sector employees as outlined in the report offer no support for a view that pay levels are seen as a disadvantage to working in the public service.

5.21 For the reasons set out in the preceding paragraphs, we concluded that, with the exception of a small number of cases, recruitment and retention do not present a difficulty in the public service at present.

Issues arising in Submissions

Submissions

6.1 The groups and individuals who made submissions to the Body are listed in Appendix 3. A number of submissions on general issues were placed on the website of the Body (www.benchmarking.gov.ie). Appendix 4 to this report also contains summaries of the main points made in the submissions from the public service employers and the Public Services Committee of the Irish Congress of Trade Unions. The full submissions are available on the Body's website.

6.2 In addition to the submissions on general issues we received detailed submissions and factual information from unions/associations and employers on the positions of individual grades. These submissions and information given to us were very helpful in providing an understanding of the issues relevant to the various public service grades and this understanding was further supplemented by the engagement with the parties at oral hearings.

6.3 There were some common themes in the written and oral submissions made to us and we comment on these in the following paragraphs.

Comparisons between public service groups

6.4 Benchmarking was a departure from the previous systems of pay determination in the public service which had relied to a large extent on relativities between public service grades. It seems to us from a number of the submissions received that some public service unions/associations continue to regard internal relativities within the public service as the most important factor in pay determination. Many submissions we received on behalf of public service grades gave considerable weight to comparisons with other grades within the public service and did not appear to appreciate fully the nature of the benchmarking exercise and the importance of comparisons with the private sector. Some submissions also referred to the previous benchmarking exercise and sought the restoration of pay relationships which existed prior to that exercise.

6.5 An exercise which would give major weight to comparisons between the jobs of public service grades would not be consistent with benchmarking. The primary yardstick for determining pay for any particular public service grade must be comparison with the remuneration of a range of jobs of comparable size in the private sector as determined by the points score achieved under the Body's job evaluation system. As stated in the terms of reference the Body is required to "*examine the roles, duties and responsibilities of jobs in the public service and in the rest of the economy and not just the pay rates applicable to jobs with similar titles, and superficially similar roles, in the private sector*". This is not the sole consideration, of course, and the terms of reference make it clear that internal relativities are relevant also although not to the extent that they should prevent the Body from recommending what it considers are the appropriate rates of pay for any particular jobs.

6.6 If the comparative exercise conducted by the Body disclosed that the overall remuneration of the public service grade was less than that of the relevant private sector groups then, subject to the other considerations which are required to be taken into account under the terms of reference, the Body recommended an increase for the public service grade. Some of these considerations are capable of being quantified in specific terms such as the discount for the value of public service pensions relative to arrangements in the private sector (as set out in Chapter 7). In such instances, the Body made the appropriate adjustment. In the case of other factors, such as the need for a coherent overall pay structure and the requirement to have equity between employees in the public and private sectors, precise quantification is not possible but the Body has sought to ensure that its recommendations bring about adherence to these principles.

6.7 In the light of the considerations mentioned in the preceding paragraphs, the Body found great difficulty in dealing with submissions in which arguments advanced in support of a pay increase relied largely on the principle of relativity with other public service grades. The Body's overall conclusions in regard to such submissions were:

- (i) cross-sectoral relativities are incompatible with the benchmarking process, as clearly stated in the Body's terms of reference;
- (ii) a traditional or historic relativity within a sector does not displace the primary criterion under the benchmarking process of comparison with the private sector as to do so would render the benchmarking process nugatory;
- (iii) where a clearly established internal relativity exists it might become a relevant consideration in the Body's determination of the remuneration for the grades affected but, notwithstanding this, the Body should not be prevented from recommending what it regarded as the appropriate rate for any particular grade; and
- (iv) any adjustment which might be made by the Body by reference to internal relativity:
 - might vary between grades depending on the specific circumstances of each case;
 - was not capable of being expressed as a precise formula;
 - had to have regard to the necessity, as determined by the Body, of maintaining a coherent pay structure in relation to the grades within the Body's remit; and
 - had to be equitable as between the grades concerned.

6.8 In the light of these conclusions, the Body's primary focus has been on comparison with the private sector and the recommendations made are mainly influenced by the extent, if any, to which differences were found between the remuneration of public service jobs and that of jobs of comparable size in the private sector. While we have taken account of internal relativities and the need for a coherent pay structure, we have not been constrained in our recommendations by the existence of past relativities between public service grades and this approach is fully consistent with our terms of reference.

Change and modernisation

6.9 The Body recognises that there have been significant advances in the modernisation of the public service but takes the view that there is scope for further improvement. The Body considers that there is a need to continue to pursue a programme of reform to ensure that the public service operates in an efficient manner while providing a cost effective service to the taxpayer.

6.10 The Body welcomes the innovation under *Sustaining Progress* whereby the payment of pay increases for each sector, organisation and grade was made conditional on verification of satisfactory

achievement of the provisions on co-operation with flexibility and ongoing change, satisfactory implementation of the modernisation agenda, the maintenance of stable industrial relations and the absence of industrial action.

6.11 The establishment of Performance Verification Groups (PVGs) for each sector of the public service as a mechanism for the verification of progress at sectoral, organisational and grade level appears to have worked well in securing commitment to co-operation with flexibility, ongoing change and implementing the modernisation agenda.

6.12 Most submissions we received on behalf of public service grades referred to changes in the nature of the work of the grade and in the demands made on the members of the grade since the last benchmarking exercise or over recent years. Commonly, developments in the work of grades were described as going beyond normal levels of change and being transformational in nature. The changes referred to related to matters such as new legislation or developments in Government policy which assigned additional functions to grades, increasing work pressures, growing complexity of work, changed work practices, increases in the volume of cases dealt with etc.

6.13 The submission from the public service employers acknowledged that there have been significant developments in the modernisation agenda in the public service. Examples given by the employers of such developments are set out in the following paragraphs.

Civil Service

The modernisation agenda has been implemented across a wide front, with particularly good progress having been made in the areas of better customer service; e-Government (especially the introduction of online services); the Management Information Framework and human resource management (especially embedding the Performance Management and Development System (PMDS), developing HRM strategies at organisational level and bringing forward legislation to reform the recruitment process and the Civil Service Regulation Act, 1956).

Prison Service

A major programme of change was agreed between management and the Prison Officers' Association in respect of all prison grades involving a new system for providing extra attendance by adopting an annual hours approach. The revised system also provides for more efficient staffing and rostering arrangements.

Garda Síochána

The modernisation agenda has included IT-enabled change projects, where the most significant changes related largely to the introduction and roll out of the PULSE system. The fixed charge processing system for road traffic offences has also been rolled out. A new accountability framework has been introduced. The Garda Síochána Act, 2005 has provided a new basis for the governance of the Force. Among other changes, the Act provides for a new independent oversight of the Garda Síochána and a new three-person Ombudsman Commission that will have the power, inter alia, to investigate independently complaints against members of the Force. The Act also establishes an independent Garda Inspectorate to ensure that the resources of the Force are used to achieve the highest levels of efficiency and effectiveness. The Act also provides for joint policing committees to be established in each local authority area as a forum for consultation and recommendation on matters relating to policing the area. In addition, the establishment of a volunteer reserve force may constitute a significant change for the Force.

Education Sector

The modernisation and flexibility terms of *Sustaining Progress* in the case of primary and post-primary teachers covered the areas of parent-teacher meetings, standardisation of the school year, legislative change and in-service training arrangements. The Performance Verification Group (PVG) for the Education sector also had within its remit the Universities and Institutes of Technology as well as a range of other institutions.

In its report (February 2007) the Education PVG described areas where progress was reported and these included the following:

Primary and Post-Primary Sectors

- Agreement on a standardised school year, providing certainty to parents with regard to mid-term breaks and holiday periods at Christmas and Easter and confirming that schools open for a minimum of 167 days at post-primary and 183 days at primary level.
- Revised arrangements for holding of formal parent-teacher meetings at times outside school hours to minimise disruption to tuition time and to facilitate parents (a proportion of time for staff meetings is also now outside tuition hours).
- Ongoing curricular and legislative change including implementation of revised primary and post-primary curricula, education legislation and strategies to meet policy issues such as special needs provision.

Third Level Sector

- Improvements in universities included re-structuring programmes, implementation of performance management, provision of service charters, development of e-learning, extended or flexible opening hours, and enhanced range of choice in degree programmes.
- Institutes of Technology enhanced services to students and the public through improved web access, partnership arrangements with the business community and student retention measures were developed, new courses and extended library opening hours were put in place and modularisation introduced.

Local Authority Sector

There has been significant progress throughout the local authority sector in implementing change and modernisation programmes particularly in such areas as: enhanced customer service, the implementation of a Performance Management and Development System (PMDS), further development of workplace partnership in local authorities and the adaptation of technology and flexible working arrangements. There is a growing range of on-line services to which the general public has access in areas such as environment, planning and registration processes; local authority staff have facilitated this ease of access on an ongoing basis. The establishment of the Local Authority National Council, the code of practice on dispute procedures and the handling of significant change through partnership protocols have delivered benefits in the area of industrial peace.

Health Sector

New procedures have been developed which are designed to bring about improved industrial peace and to defuse problems before they escalate into disputes. There have been advances in the development of the Health Care Assistant (HCA) grade including agreement which, when implemented, will provide for HCAs performing routine nursing duties, e.g. taking of blood

pressure, temperatures etc. In-hospital “pilot” arrangements have been developed in radiography, therapeutic care and laboratory analysis. There is a growing trend towards longer opening hours of health facilities in response to public demand. This involves earlier starts and later finishes (8 a.m. to 6 p.m./8 p.m.) in a range of out-patient facilities, including dedicated out-patient diabetes, physiotherapy and cancer clinics, radiography departments and weekly late night dental clinics and ante-natal classes in a growing number of locations. We comment further on the issue of change in relation to nurses in Chapter 12.

Defence Forces

A number of Memoranda of Understanding and Service Level Agreements were implemented. The agreed programme of modernisation includes:

- reduction in numbers from 11,500 to 10,500 since 2001, with subsequent investment ratio of 70:30 (pay:non-pay) achieved;
- new officer promotion schemes for Army, Naval Service and Air Corps;
- new officer induction and training schemes;
- substantial investment in new equipment and full co-operation with its deployment and significantly higher training requirements;
- substantial investment in new infrastructure and co-operation with accompanying changes;
- introduction of family friendly policies;
- re-organisation of the Reserve; and
- closure and sale of barracks.

Implications of change

6.14 While we accept that there have been changes in the work of public service grades, this is to be expected and change is a normal feature of the work of all employees in the public service and in the private sector. However, it does not follow that change must result in increases in pay from the benchmarking process. Changes in work demands have been recognised in successive Partnership Agreements and increases have been dependent on co-operation with ongoing change. To that extent, changes have been comprehended by the increases provided for in those Agreements. The current Agreement *Towards 2016* also contains provisions of this kind and the payment of increases is contingent on the verifiable delivery of further public service modernisation and on the maintenance of industrial peace. In particular, it is stated in the Agreement:

“28.3 The pay increases provided for in this Agreement are predicated on co-operation in the areas of modernisation and flexibility set out in Sections 28 to 32 of this agreement. It is agreed by the parties that implementation of such initiatives in the areas of flexibility and change will not give rise to claims for increased rewards for staff in the form of promotions, regradings, allowances or other benefits.”

6.15 In a number of the submissions the argument was made that the level of change experienced was so extensive that it could not be regarded as being covered by the increases and the provisions of the Partnership Agreements. As indicated above, it was contended that the changes involved brought about a transformation in the work of the grade. We acknowledge that there have been substantial changes affecting some of the groups within our remit. However, these changes cannot be viewed in isolation. While there has been a significant programme of change affecting the public service, the

private sector has not stood still either. Employees of private sector companies have also had to adapt to cope with increased demands as well as to respond to commercial and competitive pressures.

6.16 In considering the positions of the various public service grades we had regard to the level of change experienced but we did not consider that this was a factor that had to be evaluated separately in our assessment of the appropriate level of remuneration since it was taken into account in our overall evaluation. Our examination and our conclusions had regard to all the demands of each job and the outcome of the job evaluation exercise informed our consideration of these demands. The job evaluation exercise assessed all the features of the jobs which were examined. Therefore, the level of change experienced was automatically taken into account since the examination was based on the demands and requirements of the jobs in their current state. In view of this, we are satisfied that the change experienced by public service grades was fully reflected in the job evaluation exercise we conducted. Equally, changes affecting the private sector comparators for the public service grades were reflected in the examination of the private sector jobs. Detailing the modernisation agenda which has been effected is nevertheless instructive and assists in understanding the changes that are taking place in the public service.

Transparency

6.17 Our terms of reference state the following in relation to transparency:

“The level of detail to be provided by the Body in its report is a matter for the Body itself taking into account any confidentiality constraints and its own judgement on the level of detail that should be provided. However, the Body should seek to ensure the optimum level of transparency consistent with the efficient and effective operation of the benchmarking process, regarding the factors and their import, which the Body took into account in determining the appropriate pay levels.”

6.18 This issue was referred to in the submissions we received. The submission from the Public Services Committee of ICTU acknowledged that the translation of this statement in the terms of reference into practice is a very complex issue for the Body to handle. The PSC stated that if the parties had been able to be more specific about the issue of transparency, they would have done so. The PSC also stated that it must be recognised that transparency has to be balanced with the need to ensure confidentiality for sources of information from the private sector and the necessity to ensure that the report of the Body should produce finality and not a further basis for argument and debate.

6.19 The submission from the public service employers referred to criticism of the degree of transparency associated with the last benchmarking exercise. It was stated that it was not accepted that all of the criticism about lack of transparency in relation to the first review was justified. The employers stated that they appreciated that constraints apply to transparency and that, for example, much of the information from the private sector is obtained on the understanding of confidentiality and anonymity and that the more data that is published the greater the risk of groups who are dissatisfied with the outcome seeking to re-open issues after the report has been issued, thereby giving rise to lengthy and futile disputes.

6.20 On the other hand, the employers stated that it had to be recognised that the benchmarking process, like any public service pay determination system, must have credibility not just with the Government and industrial relations practitioners and the public service generally but also with the general public. While they acknowledged that striking the right balance in this area is a delicate task, the public service employers indicated that they were confident that the Body would give particular attention to ensuring optimum transparency so as to reduce the risk of criticism on this front.

6.21 Submissions received from IBEC and ISME also referred to the issue of transparency and both were critical of the extent to which the report of the last benchmarking exercise was transparent. IBEC suggested that if the findings of the current benchmarking process are to be acceptable to all the social partners it is essential that the level of transparency is improved. It was stated that all the pay and non-pay benefits available in both the public and private sectors must be clearly quantified before any recommendations are made in relation to pay adjustment. IBEC also suggested that much of the Body's research material, and even working papers, could be published.

6.22 ISME stated that lack of transparency in the previous benchmarking exercise cast serious doubt on the scientific basis of the whole process and undermined its overall credibility. ISME suggested that this added to the argument that benchmarking was a politically driven process that favoured public sector workers with the strongest trade union representation.

6.23 As the parties that devised our terms of reference, we expected guidance from the PSC and the public service employers as to what was expected in terms of transparency. However, the parties were not at all specific in this regard. The views expressed by the parties can be summarised as follows:

- there should be greater (but unspecified) transparency than on the last occasion;
- it was accepted that there were constraints on publication of information received on a confidential basis from private sector companies; and
- the report of the PSBB should bring finality to the process and should avoid the creation of a situation which would give a basis for further argument and disputes.

6.24 We also discussed the issue of transparency with the parties during the oral hearings. There was full acceptance that information received from private sector companies on their pay structures and benefits could not be published in a manner that would identify the companies involved and, indeed, we would not be prepared to do this. Information on salaries and other benefits in individual companies was obtained on the understanding that it would be treated as confidential by us and we respected that confidence. Any other approach would represent a major breach of faith and would seriously compromise the possibility of obtaining similar information in the future.

6.25 In oral hearings the parties again made the point that it would be desirable that the Body's recommendations bring finality to the process and expressed the view that the Body should be conscious of this in deciding on the form of its report. We accept that our report should, as far as possible, produce final conclusions on the benchmarking process and our deliberations and not merely give grounds for further debate or disputes. We have endeavoured to present our report in a manner that meets this requirement and is consistent with the terms of reference of the Body.

6.26 Rather than seeking the publication of data received from the private sector or other detailed material, the parties emphasised the need to give attention to ensuring that the basis of our conclusions was explained. This approach is consistent with our terms of reference which provide that the Body should seek to ensure the optimum level of transparency consistent with the efficient and effective operation of the benchmarking process, *"regarding the factors and their import, which the Body took into account in determining the appropriate pay levels"*.

6.27 We consider that our report provides the optimum level of transparency possible. For the reasons already explained we do not publish information received from individual private sector companies but we give information on the data obtained in a general form and we comment in Chapter 9 on the manner in which the remuneration of public service grades compares to that of jobs of comparable size in the private sector. Furthermore, we explain in the report the reasons for the

conclusions we have reached and the factors we took into account. We have also given a full account of the research methodology we adopted.

Appeals

6.28 One submission we received suggested that each of the grades covered by the Body's terms of reference should be given an opportunity to participate in the deliberative process of the Body and that there should be a provision for appeals against the Body's recommendations. As was stated in a submission to us from the Public Services Committee of ICTU, the PSBB is required to work within the parameters set by the relevant parties, i.e. the Department of Finance and other public service employers on the one hand and the ICTU Public Services Committee on the other. The benchmarking process as devised by the relevant parties allows for the participation of unions and employers through written submissions and oral hearings but does not provide for an appellate stage. Paragraph 6.25 above refers to the requirement for finality in the Body's report. This could be put in jeopardy if the Body were to depart from the agreed parameters of the benchmarking exercise.

Public Service Pensions

Background

7.1 The terms of reference of the PSBB provide that in its work *“the Body should have regard to the differences between the public service and the private sector and between the various public service groups within its remit in working conditions, the organisation of work, perquisites, and conditions of employment and other relevant benefits, including security of tenure and superannuation benefits.”* The Body took the view that an examination of the value of public service superannuation benefits by reference to pensions arrangements in the private sector formed a particularly important component of the overall benchmarking exercise and that any comparison between the levels of overall remuneration in the public service and the private sector had to take account of the value of superannuation arrangements in the public service.

7.2 While the Body considered that its terms of reference required that an examination of the value of public service pensions be conducted, the growing public awareness of the extent of pension costs was another consideration which, in the Body’s view, meant that an examination of this kind was an essential part of the benchmarking process. In recent years there has been an increasing focus on the cost of pension provision in general. Apart from the actual levels of benefit, the main factors affecting the cost of pension schemes are the expected increase in the longevity of pensioners and the long term expected return on future investments. The pensions industry has concluded that improvements in longevity have previously been underestimated substantially. Increasing life expectancy means that pensioners are likely to live considerably longer than would have been assumed in the past. At the same time, long term interest rates have fallen significantly with consequent lower returns on investments.

7.3 These developments have led to an awareness of the volatility of pension costs and, in particular, the risk that costs may be much greater than previously anticipated. Private sector pension schemes are now required through regulation and accounting standards to recognise the changes in cost.

7.4 Although the most recent annual report of the Pensions Board (for 2006) suggests that there are currently slightly more private sector employees covered by defined benefit schemes than by defined contribution schemes this position is likely to change. There is evidence that concerns about current and prospective pension costs have led many private sector employers to move away from the traditional defined benefit model. A recent study conducted for the Irish Association of Pension Funds showed a fall in the number of companies offering defined benefit pensions from 67% in 2002 to 37% currently, while the number offering defined contribution schemes only has risen from 8% to 24%. It is clear that private sector schemes, particularly for new entrants, are increasingly defined contribution schemes with fixed levels of salary-related contributions from employer and employee. In such schemes the pension benefits are linked to the yield on the funds invested. By contrast, defined benefit schemes with an assured level of benefit remain in place for all public servants. However, some steps have been

taken to contain costs and, as indicated in paragraph 7.9 following, changes have been introduced which will reduce the cost of public service pensions.

Submissions

7.5 The Body received submissions from the public service employers and the Public Services Committee (PSC) of the Irish Congress of Trade Unions in relation to public service pension arrangements. The submission from the public service employers stressed the growing cost of public service pensions. The PSC argued strongly that it was particularly important that comparisons in relation to pension arrangements in the private sector should be based on “good employers”. It was also pointed out to the Body that the Commission on Public Service Pensions reported at the end of 2000 and, having examined all aspects of public service pensions in relation to cost, sustainability and comparisons with the private sector, concluded that basic benefit structures and levels of benefit should be retained with some refinements for new staff.

Study of the value of public service pensions

7.6 For the reasons already mentioned, the Body, in conjunction with the Review Body on Higher Remuneration in the Public Sector, decided to carry out a detailed study of the value of pension provisions in the public service relative to arrangements in the private sector. The PSBB (and the Review Body) also decided to engage consultancy assistance with appropriate expertise and experience to act as an internal adviser to the Body on the approach to be taken to the pensions study. Specifically, the Body wished to have advice on the appropriate basis for measuring and comparing pension provisions in the public service with those in the private sector including the issues to be considered, the actuarial methodology to be adopted and the terms of reference for the study. The role of the internal adviser also involved advising and assisting in the consideration of the outcome of the study. Following a competitive tender process, Acuvest Limited was appointed as the internal adviser to the Body. The advisory work was carried out principally by David Kingston and Damian Cooper of Acuvest and the Body is grateful to them for the considerable assistance they provided.

7.7 In addition to the appointment of an internal adviser on the matters referred to in the preceding paragraph, the Body decided to commission actuarial consultants to conduct the study of pension arrangements in the public service and the private sector. Following a further competitive tender process, Life Strategies Limited were appointed to carry out the exercise. Life Strategies fulfilled a similar role for the Review Body on Higher Remuneration in the Public Sector. The report of Life Strategies in relation to the grades covered by the benchmarking process is attached as Appendix 8. This chapter discusses the outcome of the study and the conclusions of the Body in relation to it.

Public Service Pension Terms

7.8 Some public service groups covered by the benchmarking process have superannuation arrangements which differ from standard public service terms but most of the public servants within the Body’s remit have standard pension terms. The standard public service pension terms can be summarised as follows for persons who joined the public service before April 1995:

- An annual pension of $1/80^{\text{th}}$ of pensionable remuneration per year of pensionable service up to a maximum of 50% of pensionable remuneration;
- A lump sum of $3/80^{\text{ths}}$ of pensionable remuneration per year up to a maximum of 150% of pensionable remuneration;
- A spouse’s pension of 50% of member’s pension;

- Normal retirement age: optional at any time between 60 and 65; and
- Post retirement increases in pensions in line with salaries (pay parity).

7.9 In the case of persons who joined the public service on or after 6 April 1995, their pension benefits are integrated with the State pension. The annual pension is as described above less twice the single person's maximum rate of State pension (since 2004 a minimum pension of 1/200th of pensionable remuneration per year of service applies). For persons who joined the public service from 1 April 2004, the following changes were introduced:

- An increase in the minimum age of retirement (generally from 60 to 65) with full pension benefit;
- The maximum retirement age of 65 was removed;
- Cost neutral early retirement options were introduced from age 55 onwards with actuarial reduction in benefits. This gave greater flexibility of retirement but reduced benefits for those retiring between ages 60 and 65; and
- For those who joined before April 2004, a cost neutral early retirement facility was introduced to allow retirement from age 50 onwards with actuarial reduction in benefits. No actuarial reduction applies to this group from age 60 onwards.

7.10 As stated above, some groups covered by the Body's terms of reference have arrangements that differ from standard public service pension terms. In these cases, the difference from standard terms generally relates to the ability to qualify for a full pension with less than 40 years service or payment of pension before the normal minimum retirement age applicable to public service employees generally. Among the groups in this category are members of the Garda Síochána and prison officers.

Distinction between pension benefits in the public service and private sector

7.11 There are now significant differences in pension provision between the public service and the private sector and these are relevant to an overall comparison of salaries and other benefits in the two areas. A major distinction is that all the public service grades covered by the Body's terms of reference have defined benefit schemes while in the private sector, as a result of the developments referred to in the preceding paragraphs, pension arrangements comprise a mixture of a reducing number of defined benefit schemes and a growing number of defined contribution schemes. In addition many private sector employees have no occupational pension benefit whatsoever. A further important difference between the public service and the private sector is that public service pensions increase in line with movements in salary in the grade in which the employee retired (i.e. the "parity" concept) while in the private sector where pension increases are provided they are limited to CPI increases at most.

Approach to an assessment of the costs of pensions in the public service and private sector

7.12 As already indicated, pension costs can be affected by longevity and the likely return on investments (the discount rate). Other factors which influence defined benefit pension costs are the level of salary, career progression from entry to retirement and retirement age. The future effect of these various factors cannot be determined with precision. Therefore, assumptions have to be made in order to make an assessment of future costs. Differing views can be taken of the appropriate assumptions and there is no single correct position on any of them. Accordingly, the selection of the assumptions to be used must be a matter of informed judgment. The assumptions used by Life Strategies and the basis for them are set out in their report.

Report of the pensions study

7.13 The report of the pensions study prepared by Life Strategies (copy at Appendix 8):

- comments on the collection of data concerning the public service and the private sector. Extensive information was provided to Life Strategies on serving and retired public servants, including data on ages, service, salaries on recruitment and retirement as well as other relevant information;
- comments on how the relevant assumptions needed to calculate the cost of pensions were reached. It should be noted that, for comparison purposes, Life Strategies calculated the long term costs of both public service and private sector pensions. It is possible to make valid comparisons between the cost of public and private sector pensions only if a long term cost basis is used for both. Since public service pensions are not pre-funded (they are financed on a 'pay as you go' basis) the method used by Life Strategies to calculate long term costs produces different amounts to those shown in the estimates of public expenditure;
- values pension benefits for:
 - (i) Representative grades of public servants;
 - (ii) Comparable private sector employees;
- compares the costs of public service and private sector pension provision; and
- looks at the sensitivity of the results to changes in the assumptions.

The Body's internal advisers, Acuvest, were involved throughout in all stages of the study by Life Strategies and have confirmed that they were fully satisfied with the methodology used, the assumptions and the results.

Value of Private Sector Benefits

7.14 One of the difficulties in assessing the value of private sector pensions is that there is no standard scheme which applies to most employees. The arrangements range from schemes which are related to final salary (defined benefit) through to those which are based on a contribution of a given percentage of salary (defined contribution) to no schemes at all. The absence of a standard scheme in the private sector meant that a decision had to be taken as to what should be regarded as a typical private sector arrangement for purposes of comparison with public service pension benefits. Section 6 of the Life Strategies report outlines the overall position in the private sector, using various surveys and data collected.

7.15 Some of the submissions to the Body have argued that the appropriate private sector comparison is the typical scheme for a 'good' (or a large) employer. This proposition is not a simple one. We were advised that, even in the case of large employers in the private sector, the nature of schemes can vary since employers are choosing to provide overall benefits, including pensions, in different forms. Furthermore, there can be situations where employers pay above normal market rates but do not provide pensions at all.

7.16 The Body considered that it would not be appropriate to confine comparison to one group of large employers in the private sector. Such employers are not representative of the private sector as a whole and the Body's terms of reference require that the benchmarking exercise should be "a coherent and broadly based comparison with jobs and pay rates across the economy".

7.17 While the Body was conscious that many private sector employees do not have any occupational pension, it took the view that it is reasonable to expect that the State, as an employer, should provide pensions for its employees. The Body considered that it followed that the comparison with the private sector should not give undue weight to situations where private sector employers do not provide pensions. The Body took the view, therefore, that its assessment of the extent to which the value of public service pensions exceeded private sector arrangements should be influenced primarily, but not exclusively, by comparison with the position of private sector employees who have pension arrangements. On this basis, the Body formed the conclusion, which was supported by its internal advisers, that the main comparison for the public service groups covered by its terms of reference should be the mix of defined benefit and defined contribution schemes applicable to employees in the private sector.

Costs of Public Service Pensions

7.18 Section 5 of the Life Strategies report shows estimated employer costs for the public service schemes for various grades as follows:

	Pre 2004 cohort	Post 2004 cohort
	%	%
Civil Servant	20.2	21.3
Engineer	26.4	20.8
Staff Nurse	17.3	13.8
Garda	28.7	32.9
National School Teacher	25.5	19.4
Special Needs Assistant	15.8	12.4

There is a range of different costs in this table which require further explanation.

- (i) There are differences between those who entered the public service before 2004 and those who joined after that time. This is partly because of the changes introduced in 2004, as summarised in paragraph 7.9, which would have the effect of reducing costs. However, this is offset by an increase in ages at entry to employment in the public service. Older ages at entry lead to higher costs because the provision for pension costs is spread over a shorter period up to retirement.
- (ii) For example, the average age of entry for all serving civil servants who entered the public service in the period before 2004 is 20 but it is 26 for those who entered in the post 2004 period. The change from 20 to 26 would, of course, have taken place gradually over a number of years. The higher age of entry for civil servants results in the position where costs for those who entered post 2004 are greater than for those who entered in the years before 2004, despite the cost-reducing effect of changes introduced in 2004.
- (iii) In the case of the post 2004 figures, the cost for groups other than members of the Garda Síochána, nurses and special needs assistants is in a range between 19.4% and 21.3%. This is not surprising since the changes in 2004 mean that standard pension arrangements apply to the great majority of public service employees recruited since 2004. Civil servants, engineers and national school teachers show slightly different costs because there are small differences in entry ages and because of differences in their salary scales.
- (iv) The pre 2004 costs for engineers and national school teachers are higher because of factors such as the possibilities of lower retirement ages (teachers) and the grant of additional years of service for pension purposes (engineers).

- (v) The costs for members of the Garda Síochána (these would be applicable to other sectors of the security services also) are considerably higher than for other groups. The higher cost is attributable to the possibility of retirement at much earlier ages than other groups without loss of benefit. The post 2004 position for members of the Garda Síochána shows a higher cost because the age at entry is higher for those who entered in this period.
- (vi) The costs for nurses and special needs assistants are lower than those for other groups with standard benefits although the pension terms are the same. The principal reasons for this are:
 - (a) The difference between average starting remuneration and the remuneration at retirement, on which pension is based, is less for these groups than for others. This may be due in part, at least historically, to there being less promotional opportunities for these groups. This position may change and this would cause the costs to converge with those applicable to other groups since the rates of benefit accrual and retirement ages are the same; and
 - (b) In the case of special needs assistants, the proportion of overall pension accounted for by the State pension is greater than in the case of other groups and the proportion accounted for by an occupational pension is correspondingly less. The same position would apply to members of other lower paid grades, but only if they retire in the grade in which they were recruited.

Apart from the effect on costs of the points made at (a) and (b), the pattern of employment of the groups concerned may mean that they are less likely to acquire the service required for full pension.

Assessment of the value of public service pensions

7.19 The costs shown in paragraph 7.18 above are average costs for grades and cannot be taken as representing the precise cost for an individual. The value of the pensions of individuals within the grades can vary depending on factors such as age, service and career progression. However, an overall evaluation of pensions cannot reasonably take account of the circumstances of individuals and must be based on the typical position of a grade as a whole.

7.20 The basic nature of the pension benefits is the same for all the public service grades within the Body's terms of reference in the sense that the ultimate maximum benefit is a pension of half of salary plus a lump sum. Nevertheless, there are differences in the cost of pensions for these grades because costs are influenced by factors other than the maximum pension benefits. As already indicated, these factors may include matters such as salary level, length of service and career progression. In the case of some groups such as members of the Garda Síochána pension costs are affected by their having minimum retirement ages with full pension benefit which are earlier than those ages applicable to public servants generally. Pension costs are also affected by the possibility of qualifying for full pension with less than 40 years service.

7.21 While there are differences in cost, as shown in paragraph 7.18, it is still the case that for most public service groups the cost of pensions is broadly similar within a narrow range. In view of this, there is little justification for using slightly differing figures to represent the pension costs for the various grades. The Body concluded, therefore, that, for the purpose of comparing the value of public service pensions with those available in the private sector, a common figure should be used for the cost of public service pension terms for the grades covered by the benchmarking process. In taking this view the Body was conscious that the Public Services Committee of ICTU made a strong recommendation to the Body that this approach be taken.

7.22 Our internal advisers (Acuvest) also supported the Body's view that one rate of cost for public service pensions should be used to the extent possible for the purpose of comparison with pension arrangements in the private sector. The Body was advised that a 'central' rate of just over 20% would be appropriate as the employer cost of public service pensions and would reflect the post 2004 situation quite accurately, while being a little conservative in respect of pre 2004 employees.

Security Services

7.23 While 20% is an accurate employer cost for most grades, it is an underestimate of the cost for members of the Garda Síochána and other security services where a figure of 30% is more reflective of the true cost. As already indicated, the reason for the higher cost is largely related to earlier retirement ages with full pension benefits and a shorter accrual period which cause pensions to be paid for longer. It is public policy at present that members of the security services retire earlier than other groups and their special pension arrangements reflect this consideration of public policy. If the Body were to ascribe a higher value to these pension terms than to standard public service terms for the purpose of comparison with the private sector, this would, in effect, negate the value of the special pension terms. The Body considers that this would be inconsistent with the public policy consideration referred to. In the circumstances the Body concluded that it would not be reasonable to apply a higher discount to the salaries of security force personnel in respect of pension benefits than in the case of public service groups generally.

Nurses and Special Needs Assistants

7.24 Although the pensions benefits, including accrual rate and retirement ages, for nurses and special needs assistants (and some other groups) are the same as for the general group of public servants, Life Strategies assessed the current costs as somewhat lower for the reasons already referred to. As already indicated we were urged by the Public Services Committee to adopt an overall approach to the assessment of pension costs across the entire public service and not to distinguish between individual groups. However, we would stress that if we had taken a different approach and assessed the value of pensions as being somewhat lower for certain groups, as indicated by Life Strategies, it would not have changed the overall outcome of the comparisons made between these groups and private sector employees.

Costs of Private Sector Pensions

7.25 In assessing the value of pension terms in the private sector for broadly comparable jobs, Life Strategies had regard to:

- a weighted average of employee coverage in the private sector including the following:
 - (i) Those with no pension.
 - (ii) Those with a defined contribution pension, the value of which is the contribution made by the employer.
 - (iii) Those with a defined benefit pension, the value of which is calculated using similar methodology to that used in the case of the public service and reflecting typical private sector benefits.

As is clear from Section 6 of their report, Life Strategies had regard to a number of sources to establish a fair assessment of the average private sector scheme.

The private sector employer costs of different types of benefit are set out in the following table developed by Life Strategies:

Method	Pre 2004 cohort	Post 2004 cohort
	%	%
(1) Employees in the private sector with a defined benefit pension scheme	13.1	13.5
(2) Employees in the private sector with a pension – mixture of defined benefit and defined contribution schemes	8.7	8.5
(3) Use of Pensions Board weightings *	3.3	3.0
(4) Use of CSO weightings*	5.3	4.8
(5) Use of PSBB survey weightings*	4.6	4.7

*See Section 6.5 of the Life Strategies report.

Summary of pension costs in the public service and private sector

7.26 In summary, the Body was advised as follows:

- A fair rate for the employer cost of the bulk of the public service is just over 20% of salary.
- A comparable rate for the private sector as a whole is around 5%. If comparison is confined to private sector employees who have pension arrangements, a rate of around 8.5% would be reasonable.

Assessment and Conclusions

7.27 Pension costs are not static. As already indicated, estimates of the long term costs of pensions have been rising as experience has caused assumptions about the critical factors affecting costs to become more conservative. Increased costs have caused a significant number of private sector employers to move to defined contribution pension schemes. It is likely that this trend will continue for the near future at least. However, there will be further changes in the future and assessments of cost made now must be regarded as, essentially, the best estimates based on current knowledge.

7.28 It is nevertheless clear that pensions arrangements in the public service are significantly more valuable than those in the private sector. The main reasons for this are:

- Public service pensions increase in line with salaries. This arrangement is more valuable than the practice in the private sector where pensions move in line with CPI increases or less.
- There is full pension coverage for public service employees in the form of defined benefit schemes. In contrast many private sector employees do not have pensions at all and, in the case of those with pension schemes, an increasing number are covered by defined contribution schemes.

7.29 The Body considers that comparison between overall remuneration packages in the public service and the private sector must take account of the higher value of pensions in the public service. However, for the reason mentioned in paragraph 7.17, the Body considered that comparison with the private sector should not give undue weight to situations where private sector employers do not provide pensions and that the primary, but not exclusive, comparison for the public service groups covered by its terms of reference should be the mix of defined benefit and defined contribution schemes applicable to employees in the private sector.

7.30 Following detailed consideration of this matter and discussion with its internal advisers, the Body decided that it would be reasonable as a general approach to assess the higher cost of public service pensions as being 12% of salary for the grades covered by the benchmarking process.

7.31 The conclusion reached is based on the particular circumstances of the groups coming within the Body's terms of reference and cannot be taken as being relevant to other public service groups.

Basis of comparison with the Private Sector

8.1 As stated in Chapter 3, job evaluation was central to our examination of the work of public service grades and the comparison with jobs in the private sector. The job evaluation methodology applied is described in Chapter 3. For the reasons explained in that chapter, job evaluation enables comparisons to be made between jobs which are determined to be of equal size in terms of the overall demands made on a jobholder under a range of factors. Therefore, it is possible to identify situations where the public service and private sector jobs being compared may be different in nature but the overall job sizes are similar.

8.2 Accordingly, in assessing how the remuneration of any public service grade compared to private sector remuneration, in the first instance, we compared the salary and other payments payable to the public service grade with the salary and other benefits payable to private sector grades which obtained a similar job evaluation points score. This exercise gave rise to some issues as to the exact manner in which the comparison should be made and the payments which should be taken into account.

Allowances

8.3 A number of public service grades receive payments in addition to their basic salary. These additional payments take the form of monetary allowances or other additions to pay for matters such as the requirement to work unsocial hours. Payments of this sort are particularly prevalent in the Garda Síochána, Prison Service and Nursing.

8.4 Allowances payable to public service grades fall into two broad categories. Some allowances are paid to all members of a grade/rank as part of their conditions of service. Examples of such payments are the rent allowance for members of the Garda Síochána and prison officer grades, the military service allowance for members of the defence forces and a qualification allowance for teachers. Information on allowances of this kind is contained in Appendix 2 of this report. Other allowances are payable to some members of grades only where individuals perform duties over and above the normal duties of the grades.

8.5 In considering allowances payable to public service grades we adopted the following principles:

- allowances which are paid to all members of a grade were taken into account in making comparison with earnings of private sector groups as such allowances must be regarded as an intrinsic part of the pay of the grade;
- allowances which are paid to some members of a grade for particular duties were not taken into account in making comparisons with the earnings of private sector groups. The public service survey measured the normal duties of grades and not specialised duties performed by a section of grades only. It followed from this that the remuneration to be considered by

the PSBB should relate to the normal duties only and special duties performed by a section of the grade should continue to attract a separate allowance in addition to salary;

- any payments made in respect of an expense incurred in the course of official duties were not taken into account in making comparison with earnings in the private sector;
- the Body gave special consideration to payments which are made for unsocial working hours. We concluded that, in general, these should not be taken into account even where they apply to the vast majority of a grade. The payments in question are premium payments and apply to groups such as Gardaí, Nurses and Prison Officers. These payments relate to specific features of the work entailing the need for twenty four hour, seven day coverage. While these payments were not taken into account for the purposes of comparison with private sector rates, the extent to which they and other allowances are pensionable is relevant in assessing the value of pension benefits for the groups concerned; and
- as regards overtime payments, these relate to work carried out in addition to the normal working week and we concluded for this reason that they should not be regarded as relevant to comparison with the private sector.

8.6 As regards private sector jobs, in the comparisons we made we took account of the following benefits in addition to salary:

- bonus payments;
- benefit-in-kind (BIK) value in the provision of a car;
- payments in respect of medical insurance; and
- BIK value of other benefits (provision of membership of sports clubs, gyms, subsidised meals etc.).

We received advice from the Revenue Commissioners on the appropriate value to be ascribed to various benefits for benefit-in-kind purposes.

As in the case of public service grades, payments to private sector employees in respect of expenses, shift working or overtime were not taken into account.

Basis for comparison between public service and private sector remuneration

8.7 In the case of any public service grade, the comparators were a range of private sector jobs with similar job evaluation scores. The Body found that the private sector comparators for each public service grade had varying salaries and other benefits. Accordingly, private sector jobs which were broadly similar in terms of their job evaluation scores had a range of different salaries and other benefits. There are clear variations between different parts of the private sector. Some sub-sectors display higher earnings than others and even where the overall demands of jobs are judged to be similar in, for example, the retail and marketing sectors, the pattern of earnings can be quite different.

8.8 Since the survey conducted by the PSBB was representative of the private sector as a whole, the results of the survey reflected these variations. This meant that it was necessary for the Body to decide on the manner of determining an appropriate basis for comparing private sector salaries and benefits with those in the public service. In the first instance, the salaries and benefits of the private sector jobs used as comparators for public service jobs were calculated to show the minimum and maximum amounts payable, the upper quartile, the lower quartile, the median and the weighted average.

Position of the parties

8.9 In their submissions to the PSBB both the Public Services Committee (PSC) of the Irish Congress of Trade Unions and the public service employers addressed the issue of the appropriate reference point for comparison.

Public Services Committee

8.10 The PSC submission takes the view that the appropriate comparison with private sector rates is at a point between the median and upper quartile. The following summarises the views expressed by the PSC:

- it seemed to the PSC that it is clear that public servants have a right to expect that their pay should not be set by reference to the lower levels of pay in the private sector. The PSC considered that, equally, while public servants might wish to be paid at levels which correspond to the higher levels of pay in the private sector, it would be difficult to maintain that they have a right to such treatment; and
- the PSC view was that the appropriate reference point would be the range between the median and the upper quartile. The PSC stated that the logic for this is that public servants have a right to expect that their employer will treat them in the same manner as a “good employer” will treat his/her staff. It was the view of the PSC that by pitching the reference point between the median and the upper quartile, the result would be that public servants would be so treated.

8.11 The PSC submission indicated that these principles are not new and are consistent with the approach taken by the Priestly Commission in the UK in the mid 1950s. The PSC went on to state:

“It could be argued (and has been so argued by public service employers in the past) that this is not a reasonable approach and that the appropriate reference point should be the median of the private sector comparisons. While the PSC would dispute such an argument at any time, it could be argued that this might have some validity in circumstances where the Exchequer’s financial position was parlous. This argument cannot be made now and there is no basis for arguing that the reference point should be other than between the upper quartile and the median of the private sector comparisons.”; and

“This is a major issue for the PSC. Any other approach will, necessarily, not answer the reasonable expectations of public service employees for fair treatment by comparison with the private sector and would be completely unacceptable to the PSC”.

Public Service Employers

8.12 At an oral hearing, the employers referred to the fact that the Review Body on Higher Remuneration in the Public Sector had used the lower quartile of private sector rates as its reference point. The employers accepted that the position might be somewhat different for grades at the levels being dealt with by the PSBB but considered that the median of private sector rates should be the outside limit. It was stated that acceptance of the PSC’s arguments would result in a situation where public service pay led the market and this would be inappropriate.

Views of the PSBB

8.13 As already indicated, the salaries and benefits of the private sector jobs used as comparators for public service jobs were calculated to show the minimum and maximum amounts payable, the upper quartile, the lower quartile, the median and the weighted average.

8.14 As mentioned by the employers, the Review Body on Higher Remuneration in the Public Sector in its last report used the lower quartile of private sector rates as the reference point. We considered that while the lower quartile is used as a reference point for the senior public servants comprehended by the Review Body on Higher Remuneration in the Public Sector, this would be an unduly low reference point for the groups covered by the benchmarking process who are at lower salary levels than the Review Body groups. As indicated above, there was general acceptance by the employers also that use of the lower quartile might not be appropriate for the PSBB grades.

8.15 On balance, the Body took the view that use of a point between the median and upper quartile of private sector rates, as proposed by the PSC, was not appropriate as it would set the point of comparison at too high a level and would not be consistent with the provision in the terms of reference that the comparison exercise “*should be a coherent and broadly based comparison with jobs and pay rates across the economy*”.

8.16 Following detailed consideration of the different options the Body concluded that the weighted average of private sector rates was the most appropriate point of comparison. The weighted average takes account of the entire range of salaries and other benefits payable in the private sector and gives a weighting to the numbers of employees in receipt of each rate of remuneration. For instance, where ten employees are in receipt of a particular rate, this is given a greater weighting than a rate which might be payable to one person only.

Public Service salary scales

8.17 Almost all of the grades being examined by the PSBB have an incremental salary scale. Under an incremental scale in the public service, there is progress along the scale by annual incremental steps, subject to satisfactory performance, until the maximum level of payment is reached. However, there are some differences between grades as to what constitutes the maximum level of payment.

8.18 Under all incremental scales there is a “normal” maximum which is reached by annual incremental progression. Many, but not all, grades also have one or more long service increment points which become payable after specified periods of satisfactory service at the “normal” maximum. The nature of long service increments, the number of them and the way in which they are applied can vary between grades.

8.19 Long service increments were, in general, introduced as part of the local bargaining clause of the PCW (long service points on the teachers’ scale were already in existence) which allowed benefits to be negotiated within an overall cost limit. Long service increments were part of packages negotiated for most grades under this arrangement but some groups chose to negotiate packages which involved pay increases but did not include long service increments.

8.20 Incremental salary scales dependent on service, of the kind payable in the public service, are uncommon (but not unknown) in the private sector and flat rates of salary or salary ranges are the norm.

System of comparison

8.21 The issue for decision by the PSBB in relation to public service rates is what should be the basis for comparison with the private sector. In considering this issue the Body did not consider itself to be constrained by views expressed in the report of the previous benchmarking exercise. Among the alternatives considered were (i) the highest pay point that can be achieved including long service increments where they apply, (ii) the normal maximum of the scale excluding any long service

increments, (iii) a mid-point of the salary scale or (iv) a weighted average by reference to the number of people on the various scale points at any time.

8.22 No system of comparison is perfect. Arguments can be made in favour of deciding on any of the alternatives mentioned in the preceding paragraph and, equally, shortcomings can be identified in each of them. However, the Body had to reach a conclusion on the method of comparison which was the most appropriate and identified the typical rate of remuneration applying to the public service grades. The maxima of salary scales or long service increments are, by their nature, confined to those with very long service in grades. Therefore, in most cases only a small proportion of the grade will benefit from them at any one time and the Body considered that it would be unfair to use these in making comparison with the private sector.

8.23 We gave consideration to using the mid-point of salary scales as the basis of comparison. While this avoids the distortions that would arise if the maxima of scales were used, arguably, the use of a point half way between the minimum and maximum of scales does not reflect the actual remuneration members of the grade are receiving unless there is an even distribution over the scale points. In practice, in most cases, the evidence available to us suggested that there tended to be greater numbers at the upper points of the scale than on lower points. On this basis, the use of the mid-point of salary scales would underestimate the actual level of earnings.

8.24 Following much consideration, the Body concluded that the weighted average of the salary scale, by reference to the numbers on each incremental point would be the most appropriate measure. The use of a weighted average also has the benefit of being consistent with the basis of comparison adopted for the private sector which, as indicated in paragraph 8.16, involves the use of a weighted average of private sector rates. The Body acknowledges that the decision on this occasion to base the comparison between public service and private sector remuneration on weighted averages represents a departure from the view expressed in paragraph 2.11 of the report on the previous benchmarking exercise in regard to the importance of the median value of private sector data.

8.25 The Body was conscious that the use of a weighted average salary is open to some criticism. This is dependent on the composition of a grade at a particular point in time and can change for reasons unrelated to pay movements – for instance, increased recruitment at the minimum of the scale would reduce the weighted average while restrictions on recruitment or promotion, resulting in greater numbers at the higher points of the scale, would increase it. However, the weighted average gives an accurate indication of the actual level of salary at the time of our survey. As stated in paragraph 8.22, no system of comparison is perfect and the overall conclusion of the Body was that use of the weighted average was the most appropriate and fairest method of comparison in current circumstances.

Overall results of comparison between remuneration levels in the Public Service and the Private Sector

General position

9.1 The comparison we conducted between remuneration levels in the public service and the private sector revealed that, in general, public service salaries compare well with the private sector. The comparison exercise combined with a discount of 12% in respect of the value of public service pensions relative to arrangements in the private sector showed that the salaries of only a small number of the grades within our terms of reference were below private sector rates. In general, and with only one exception, where remuneration was found to be below private sector levels this arose in the case of some of the more senior grades within our remit.

9.2 This outcome of the present benchmarking exercise should not be unexpected. The previous exercise was the first of its kind and was designed to place public service salaries at an appropriate level relative to the private sector. This resulted in an average increase of 8.9% and it is estimated that the extra cost to the Exchequer was €1.2bn per annum on full implementation of the recommended increases. There was no evidence to suggest that pay movements in the private sector in the five years since the last exercise had altered adversely the relative pay position of public servants, particularly when the value of public service pensions is taken into account. The examination we carried out confirmed that, in the case of the great majority of public service grades, their pay positions relative to the private sector have not been eroded.

9.3 As indicated in Chapter 7, changes in the pension environment in the private sector have enhanced the relative value of public service pensions. The discount of 12% in respect of public service pensions, referred to in Chapter 7, had a material effect on the comparisons between remuneration levels in the public service and the private sector and influenced the outcome of the overall benchmarking exercise.

9.4 It should not be surprising either that the small number of grades whose salaries were found to be below private sector levels were, in general, at the more senior levels. There are significant differences in the ways in which remuneration is structured in the private sector and in the public service. Studies in other countries suggest that it is a common position that the remuneration of junior grades in the public service compares well with the private sector while the remuneration of more senior grades tends to be below private sector levels. This reflects a pay structure in the private sector where the gaps between the remuneration of different grades in the organisational hierarchy are greater than in the public service. Accordingly, there is a greater differential between the salaries of junior grades and those of senior grades in the private sector than in the public service. The narrower span in the public service leads to the situation referred to where junior grades have remuneration which compares well with the private sector but pay gaps with the private sector begin to emerge at some higher grade levels. This situation was also identified in recent reports by the Review Body on Higher Remuneration in the Public Sector.

9.5 In view of the circumstances set out in the preceding paragraphs, it seems clear to us that the situation we identified from the private sector survey is a typical position and leads to the conclusion that increases in salaries are justified for some of the more senior public service grades but not for other grades. We appreciate that it may seem intuitively unfair to some that no increases are proposed for the public service grades with lower pay levels while increases are recommended for a few of the more highly paid grades. However, this reflects pay practices in the private sector. The main focus of benchmarking is on comparison with remuneration in the private sector and the parties to the benchmarking process have agreed to this. Comparison with the private sector, inevitably, produces different results for different public service groups and it is unrealistic to expect that there will be a similar outcome for all grades.

Information collected from the private sector survey

9.6 Detailed information collected by the Body on the pay and other benefits of jobs in the private sector is available on the Body's website (www.benchmarking.gov.ie). As indicated in Chapter 8, in making comparisons between remuneration in the public service and the private sector, the Body took account of a range of benefits available in the private sector in addition to salary and obtained advice from the Revenue Commissioners on the appropriate value to be ascribed to various benefits for benefit-in-kind purposes. The main benefits are:

- bonus payments;
- benefit-in-kind (BIK) value in the provision of a car;
- payments in respect of medical insurance; and
- BIK value of other benefits (provision of membership of sports clubs, gyms, subsidised meals etc.).

Differences in the way remuneration is structured in the public service and the private sector

9.7 Our terms of reference provide that the Body should collect information on "*The way reward systems are structured in the private sector*". We have collected information of this kind through our private sector survey.

9.8 There are significant differences between the ways in which reward systems are structured in the public service and in the private sector. For the majority of public service grades within our remit, pay is entirely accounted for by salary (we have commented separately in Chapter 7 on pension benefits). As already stated, some grades also receive allowances in addition to salary e.g. the rent allowance for Garda ranks and Prison Officer grades, the military service allowance for ranks in the Defence Forces and qualification allowances for teachers.

9.9 The range of payments made in the private sector is wider. As already stated, our survey identified benefits in addition to salary, relating to bonuses, provision of cars/car allowances, payment of medical insurance, share options and other benefits-in-kind. However, benefits of this kind were not universal and the incidence of them varied. These benefits are more prevalent and have a greater value at senior levels than in the case of junior grades. This can be illustrated by comparing typical positions for the private sector comparators for the more senior public service grades within our remit with the comparators for public service grades at clerical entry levels. The benefits shown are the weighted averages of the amounts payable to private sector comparators and have been rounded.

Benefit	Senior Manager	Clerical Entry Grade
	€	€
Bonus	13,000	1,400
Car BIK	5,000	0
Medical Insurance	1,200	250
Other BIK	200	270
Total	19,400	1,920

Performance-related payments

9.10 Bonus payments clearly form a significant part of the overall remuneration package of private sector employees in the case of jobs which are comparable to the senior grades covered by the benchmarking process. While performance-related awards apply to some extent in the public service these are confined to certain top posts within the remit of the Review Body on Higher Remuneration in the Public Sector and, in general, do not apply to the grades examined by us.

9.11 The fact that bonus payments constitute a significant part of the remuneration of some private sector grades raises the question of whether a scheme of performance-related payments should be introduced for at least some of the grades comprehended by the benchmarking process. This issue was referred to in the written and oral submissions from the parties.

9.12 The Public Services Committee (PSC) of ICTU stated that the impact of performance-related pay systems would result in the break-up of national pay scales and would be completely unacceptable to the PSC. The PSC also expressed serious doubts as to whether such systems are truly viable in the public service. It was stated that if any system of relating pay to performance were to be feasible at all it could not be seen as a replacement for general rounds of pay increases, or exercises such as benchmarking and would have to be an add-on, financed separately as an addition.

9.13 The PSC also made the point strongly that if some change in pay systems were to be considered at some stage, an essential feature would have to be that the parties themselves would negotiate any such change. It was stated that such a process was not capable of being carried out by a third party (except, perhaps, by way of assisting the parties in negotiations) and is certainly not a role which the Benchmarking Body could take on given the scope and nature of its role and its remoteness from a direct negotiation process of the sort described.

9.14 In an oral hearing, the public service employers indicated that, as a general principle, they did not agree that performance-related pay was inappropriate for the grades being examined by the PSBB. However, they considered that the introduction of performance-related pay was beyond the scope of the benchmarking exercise.

9.15 We agree with the view that a proposal to introduce a system of performance-related payments for the grades within our remit would be outside the scope of the benchmarking exercise. We accept also that, if such a system were to be introduced, it would have to be negotiated between the parties and could not be imposed by a third party.

Other factors

9.16 For the reasons set out in Chapter 8, the Body considered that the primary comparisons between earnings in the public service and the private sector should be based on weighted averages in both cases. However, other factors were considered also.

Benefits

9.17 As indicated earlier, there are a number of benefits which apply to varying extents in the private sector which are not a feature of the remuneration of the public service grades coming within the remit of the PSBB (e.g. bonus payments, cars or car allowances, payment of health insurance etc.) and we took account of these in our comparison exercise. Equally, there are benefits in the public service which do not apply to the same extent in the private sector and these are discussed in the following paragraphs.

Pensions

9.18 We have dealt separately with pensions in Chapter 7. As stated in that section of our report, the pension arrangements of public servants are significantly more favourable than those available to the generality of employees in the private sector and we applied a discount of 12% to allow for this.

Security of tenure

9.19 Submissions made to us by unions/associations argued that security of tenure for public servants was not a significant issue in a situation where there is close to full employment in the economy. Our attention was also drawn to changes in this regard. For example, in the civil service the Civil Service Regulation (Amendment) Act, 2005 has given Secretaries General managerial responsibility for all matters pertaining to appointments, performance, discipline and dismissal of civil servants below Principal Officer level.

9.20 The public service employers also dealt with the issue of security of tenure in their submission to us. The employers stated that, in the main, public servants, once they have served a probationary period, can look forward to continued employment unless they contravene the conditions attached to their employment. They contrasted this with the position in the private sector where there is the threat of job loss if a business runs into difficulties or restructures. It was accepted that in the recent past the growth in employment in Ireland has been strong but it was stated that this general situation did not disguise the fact that within the overall picture individual firms have closed and in others staff have been let go to allow for restructuring. The employers acknowledged that it was not clear how a value can be put on security of tenure but suggested that in assessing the appropriate rate for public service jobs, the Body would need to take adequate account of this feature.

9.21 We accept that, in an overall sense, security of tenure may be seen as having less value at present than in previous periods of high unemployment. However, from the perspective of individual employees in the private sector there can be exposure to the risk that a job may be lost through no fault of their own through unfavourable trading conditions or corporate decisions. Loss of a job in these circumstances can be a traumatic experience and there is no assurance that another job can be found with similar earnings or in a convenient location. While isolated exceptions can be quoted, the vast majority of public servants are not exposed to this risk. We concluded that the level of security applying to public servants has a value. However, no satisfactory scientific basis has been identified to us which could reasonably be used for assigning a specific value to this. In the light of the current position in regard to employment in the economy generally, the Body considered it appropriate not to apply a further discount in respect of security of tenure.

Working hours and annual leave

9.22 In general, the information we obtained from our private sector survey suggested that working hours were somewhat longer in the private sector. The general position was that the normal working

hours in the private sector are 39 hours per week while in the public service the position varied between about 35 hours to 39 hours per week. However, there are some inconsistencies in the way in which working hours are computed and this may distort the position to some extent. The working hours in the public service are expressed as net hours i.e. hours actually spent working and meal breaks are not included. Thus a public servant may be at work for over 42 hours or more but lunch breaks taken are not included in assessing the working hours. The practice appears to vary in the private sector and in some situations the working hours quoted may include breaks for lunch which means that the net hours worked are less than those quoted.

9.23 Annual leave is, on the whole, greater in the public service than in the private sector. However, this is not a universal position. In the public service annual leave levels vary with grade. In general the higher paid grades in the public service have higher levels of leave than comparable grades in the private sector. This does not apply to lower paid grades in the public service and their annual leave tends to be no more favourable than private sector levels.

9.24 In view of the considerations mentioned in the previous paragraphs, the Body did not consider that a discount should be made for the working hours and annual leave applicable to public servants.

Family friendly policies

9.25 The public service provides a range of family friendly arrangements including career breaks in certain circumstances, flexitime, work-sharing, and working of term time which allows public servants with children to take unpaid leave during a period corresponding to their children's summer holidays.

Positions for individual sectors

9.26 The Body's recommendations in relation to grades in the individual sectors are set out in the following chapters. For the reasons already described no increase is recommended for the great majority of public service grades covered by the Body's examination.

Other issues

9.27 Many issues, other than proposals for increases in basic pay, were raised in the submissions made to the Body. While the Body took note of these it is not feasible to comment on all of them in this report. Accordingly, the general position is that the comments in the following chapters refer to issues concerning basic pay except where the Body considered that it was necessary to refer to another particular issue. In other situations where the Body was asked to recommend on issues other than increases in basic pay the Body concluded that such a recommendation was not warranted. The general view taken on some issues is set out in the following paragraphs.

Allowances

9.28 The Body has already explained in Chapter 8 the manner in which it took account of allowances in making comparisons between levels of remuneration in the public service and the private sector. In the few situations where the overall level of remuneration of public service grades was found to be below private sector levels an increase in the salary of the grade concerned has been recommended. The Body did not consider that new allowances should be introduced or that existing allowances should be increased, except in the single case of Principals of primary schools where the allowance payable can be regarded as an intrinsic part of the remuneration for the job. Accordingly, in cases where submissions to the Body sought new or increased allowances, the Body does not support the proposals made.

9.29 The Body is aware that a number of issues arose following the previous benchmarking exercise in relation to the application of recommended increases to allowances. As already stated, in this report there is one case only, relating to Principals of primary schools, where a specific recommendation is made for the adjustment of allowances and the general position is that it is not intended that other allowances be increased. Furthermore, in order to avoid any doubt in the matter, the Body wishes to state specifically that where an increase in salary has been recommended it is intended to apply to basic salary only and no increase is recommended in any allowances payable except in a situation where an allowance may be expressed as a percentage of basic salary and thus moves automatically in line with salary.

Salary scales

9.30 Some submissions made to us sought reductions in the length of salary scales. Adjustments to salary scales of this kind can be costly and would constitute a real benefit for many members of the grades concerned. As already stated where the remuneration of public service grades was found to be below private sector levels we recommended an increase in salary and we do not consider that any further adjustment is warranted. Where the remuneration of public service grades was not found to be below private sector levels we do not consider that an improvement in the salary scales is justified.

PART 3

Pay Recommendations

Grades in the Civil Service

10.1 The non-industrial civil service comprises over 35,000 persons who are directly employed in the Departments and Offices of the State. They are involved in planning and managing the delivery of public services, in researching and developing policy, in providing policy analysis and advice to the Government, and in applying regulations. There are a number of broad categories of civil servants viz.

- general service grades employed in most Departments and Offices (e.g. clerical, executive and administrative);
- professional and technical grades (e.g. engineers, professional accountants, agricultural inspectors, agricultural officers, draughtspersons); and
- departmental grades normally employed in one Department or Office only (e.g. driver testers).

10.2 The general service grades perform the general duties of Departments including clerical and service support duties, policy, advisory and managerial work. A wide range of professional and technical personnel work in the civil service. While some of these grades are specific to one Department, others are found in a number of Departments. The main general service and engineer grades, to which most other civil service grades are linked for pay purposes, were examined by the Benchmarking Body.

Grades Examined

10.3 The PSBB was asked to examine the following 10 grades in the general civil service:

- Clerical Officer
- Executive Officer
- Higher Executive Officer
- Administrative Officer
- Assistant Principal (standard scale)
- Principal (standard scale)
- Engineer Grade I
- Engineer Grade II
- Engineer Grade III
- District Inspector (Senior Clerk of Works).

The Body was also asked to examine a number of grades in the prison service. While these are also civil service grades, they are discussed in Chapter 13 relating to the security services.

Outcome of the benchmarking exercise

10.4 Comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of the grade of Principal was below private sector rates to a small extent but that the salaries of none of the other grades were below those of private sector jobs of comparable size.

Recommendations

10.5 The Body recommends an increase of 1.1% for the grade of Principal. No increase is recommended for the other civil service grades referred to above.

10.6 The revised scale recommended for the grade of Principal is shown below. The recommended salary relates to established civil servants appointed since 6 April 1995 making an employee contribution in respect of personal superannuation benefits. The existing salary shown also relates to such civil servants. A salary equivalent to 19/20^{ths} of the recommended scale should be applied to persons recruited before 6 April 1995 who do not make an employee contribution in respect of personal superannuation benefits. The salary scale recommended includes the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

Principal (standard scale)

Existing Salary
€86,332 – €89,994 – €93,630 – €97,293 – €100,381 – €103,585 ¹ – €106,785 ²

Recommended Salary	% increase
€87,282 – €90,984 – €94,660 – €98,363 – €101,485 – €104,724 ¹ – €107,960 ²	1.1%

¹ Long Service increment payable after 3 years satisfactory service at the maximum.

² Long Service increment payable after 6 years satisfactory service at the maximum.

Grades in Local Authorities

11.1 The local authority sector delivers an extensive range of frontline services in areas such as housing, planning, roads, water supply, sewerage, development incentives and controls, environmental protection, recreation facilities and amenities, agriculture, education, health and welfare. In addition, a fundamental role of democratically elected Local Government is the representation of local communities, voicing local concerns and responding to local needs.

11.2 Major reform of the Local Government System is being implemented at present. This reform had its origins in *Better Local Government – a Programme for Change* and is the culmination of an extensive process of analysis and consultation about the place of local government in the economy and society, and the demands now being placed on the system. The new structure was introduced in 2000 and is now firmly established within all local authorities.

Grades Examined

11.3 The PSBB was asked to examine the following 9 grades in local authorities:

- Clerical Officer (Grade III)
- Staff Officer (Grade V)
- Administrative Officer (Grade VII)
- Senior Executive Officer
- Graduate Engineer
- Assistant Engineer
- Executive Engineer
- Senior Executive Engineer
- Senior Engineer.

Outcome of the benchmarking exercise

11.4 Comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of the grade of Senior Executive Officer was below private sector rates but that the salaries of none of the other grades were below those of private sector jobs of comparable size.

Recommendations

11.5 The Body recommends an increase of 5% for the grade of Senior Executive Officer. No increase is recommended for the other local authority grades referred to above.

11.6 The revised scale recommended for the grade of Senior Executive Officer is shown below. Local authority grades make an employee contribution in respect of personal superannuation benefits and the recommended scale takes account of that contribution. The salary scale recommended includes the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

Senior Executive Officer

Existing Salary
€65,522 – €67,168 – €69,795 – €72,425 – €75,060 – €77,666 – €80,289 – €83,264 ¹ – €86,229 ²

Recommended Salary	% increase
€68,798 – €70,526 – €73,285 – €76,046 – €78,813 – €81,549 – €84,303 – €87,427 ¹ – €90,540 ²	5%

¹ Long Service increment payable after 3 years satisfactory service at the maximum.

² Long Service increment payable after 6 years satisfactory service at the maximum.

Grades in the Health Sector

12.1 The Health Service Executive (HSE) came into operation on 1 January 2005 following the enactment of the Health Act, 2004. The HSE assumed full operational responsibility for running the country's health and personal social services. The Act also provided for the dissolution of the Health Boards and the Eastern Regional Health Authority and a number of other agencies. The functions of the dissolved bodies transferred to the HSE. The establishment of the HSE was a major element of the Government's health service reform programme.

12.2 The HSE is a very large employer with over 100,000 whole-time equivalent employees. It is responsible for delivering a multiplicity of services to the public in response to all health and personal social needs. The main service delivery units are (a) the National Hospitals Office, (b) Primary, Community and Continuing Care and (c) Population Health. The Health Act vests all the power for the management and delivery of health and personal social services in the Board of the HSE. The Board, in turn, delegates all responsibility to the Chief Executive Officer (CEO), with the exception of certain functions reserved to the Board.

Grades Examined

12.3 The PSBB was asked to examine the following 38 grades in the health sector:

- Staff Nurse
- Public Health Nurse
- Clinical Nurse Manager II
- Clinical Nurse Manager III
- Assistant Director of Nursing (Non-Band 1 Hospitals)
- Director of Nursing Band 3 Hospitals
- Director of Nursing Band 1 Hospitals
- Medical Scientist
- Senior Medical Scientist
- Chief Medical Scientist
- Biochemist
- Senior Biochemist
- Principal Biochemist
- Workshop Supervisor/Instructor in Specialist Agencies
- Social Care Worker

- Speech & Language Therapist
- Senior Speech & Language Therapist
- Speech & Language Therapist Manager
- Ambulance Officer (Operational)
- Emergency Medical Technician
- Professionally Qualified Social Worker
- Team Leader Social Worker
- Principal Social Worker
- Radiographer
- Senior Radiographer
- Radiography Service Manager II
- Senior Dental Surgeon
- Principal Dental Surgeon (P&E)
- Senior Chef
- Chef II
- Senior House Officer
- Senior Registrar
- Specialist Registrar
- Principal Medical Officer
- Grade III
- Grade V
- Grade VII
- General Manager/Functional Officer.

Outcome of the benchmarking exercise for grades other than the nursing grades

12.4 The seven nursing grades referred to above are discussed separately in paragraph 12.11 and the subsequent paragraphs.

12.5 As regards the grades listed above other than the nursing grades, comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of the following health sector grades was below private sector rates:

- General Manager/Functional Officer
- Principal Medical Officer
- Principal Social Worker
- Chief Medical Scientist

- Radiography Service Manager II
- Emergency Medical Technician.

12.6 The salaries of none of the other grades were found to be below those of private sector jobs of comparable size on the basis referred to in the preceding paragraph.

Chefs

12.7 For the reason indicated in the preceding paragraph, the Body found no basis for an increase for Chefs. In the submissions made to the Body in relation to Chefs, the employers and union referred to “an ongoing independent review of the role, pay and conditions of Chefs”. This review arose from a report of an Expert Group in the health sector in 2000. It was stated in the submissions that the review would be made available to the Body and it was suggested that this should form part of the deliberations of the Body. The Body was informed in October 2007 that it had not proved possible to complete the review within the timescale originally envisaged. Accordingly, at the time of its report, the Body had no information on the outcome of the review.

Recommendations

12.8 The Body recommends increases as shown below for the grades listed in paragraph 12.5. No increase is recommended for the other grades. Grades in the health sector make an employee contribution in respect of personal superannuation benefits and the recommended rates take account of that contribution. The salaries recommended include the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

General Manager/Functional Officer

Existing Salary
€70,520 – €72,303 – €75,123 – €77,965 – €80,784 – €83,610 – €86,423

Recommended Salary	% increase
€74,046 – €75,918 – €78,879 – €81,863 – €84,823 – €87,791 – €90,744	5%

Principal Medical Officer

Existing Salary
€101,111

Recommended Salary	% increase
€116,278	15%

Principal Social Worker

Existing Salary
€64,966 – €67,953 – €70,938 – €73,923 – €76,907 – €79,896

Recommended Salary	% increase
€70,163 – €73,389 – €76,613 – €79,837 – €83,060 – €86,288	8%

Chief Medical Scientist

Existing Salary
€59,613 – €62,354 – €64,765 – €67,187 – €69,657 – €72,079 – €74,564 – €76,973 – €79,398

Recommended Salary	% increase
€60,865 – €63,663 – €66,125 – €68,598 – €71,120 – €73,593 – €76,130 – €78,589 – €81,065	2.1%

Radiography Service Manager II

Existing Salary
€57,033 – €59,776 – €63,534 – €67,354 – €71,230

Recommended Salary	% increase
€62,280 – €65,275 – €69,379 – €73,551 – €77,783	9.2%

Emergency Medical Technician (EMT)

Existing Salary
€28,329 – €29,558 – €30,394 – €31,226 – €32,055 – €32,896 – €33,728 – €35,394 – €36,930 ¹

Recommended Salary	% increase
€29,745 – €31,036 – €31,914 – €32,787 – €33,658 – €34,541 – €35,414 – €37,164 – €38,777 ¹	5%

¹ Long Service increment payable after 3 years satisfactory service at the maximum.

The Body has noted that there is a continuing process of development and upskilling in relation to the EMT grade. This may provide a basis for a further review of the grade at a later stage by reference to evaluation with the private sector.

Medical Scientist Grades

12.9 The Body was asked to examine the grades of Medical Scientist, Senior Medical Scientist and Chief Medical Scientist. An increase has been recommended for the grade of Chief Medical Scientist but not for the other two grades. Submissions made to us on behalf of the medical scientist grades pointed out that an Expert Group in the health sector had recommended in 2001 that there should be parity of pay between the medical scientist grades and the corresponding grades in the biochemist structure. This recommendation was implemented but the effect of the last benchmarking exercise caused the pay of biochemists to move ahead of medical scientists. The medical scientist grades were examined in the last benchmarking exercise. While the biochemist grades were not examined they were linked to the speech and language therapist grades which secured a higher increase than medical scientist grades from the last benchmarking exercise. This higher increase passed to the biochemist grades.

12.10 The Body acknowledges that there has been a departure from the recommendation of the Expert Group that Medical Scientists should have the same scale as Biochemists. This departure did not arise from a direct decision of the previous Benchmarking Body but came about as a result of the operation of the system of pay linkages for grades which were not examined by the Body (the List B arrangement). The outcome of the comparison exercise with the private sector survey conducted by the PSBB does not provide a basis at this stage for increasing the salary of Medical Scientists (other than a small increase for the grade of Chief Medical Scientist). Future developments in the role of the medical scientist grades might mean that a similar evaluation exercise with the private sector carried out at a later time could produce a different outcome and reflect the recommendations of the Expert Group.

Nursing Grades

12.11 In subsequent paragraphs the generic term nurse(s) is used for ease of reference. This term should be regarded as including both nurses and midwives.

12.12 Unlike any other group, two separate job evaluation exercises were conducted in relation to the nursing grades. At the time job evaluation exercises were conducted for the generality of public service grades, the Irish Nurses Organisation (INO) and the Psychiatric Nurses Association (PNA) had not agreed to process their claims through the benchmarking process and, accordingly, the job evaluation exercise in relation to the nursing grades was confined to those represented by IMPACT and SIPTU. Following the decision of the INO and PNA to participate in the benchmarking process, a further job evaluation exercise was carried out in relation to persons represented by those two unions.

12.13 Comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of some of the nursing grades was below private sector rates for jobs of comparable sizes.

The grades in question are:

- Clinical Nurse Manager III
- Assistant Director of Nursing (Non-Band 1 Hospitals)
- Director of Nursing Band 3 Hospitals
- Director of Nursing Band 1 Hospitals.

12.14 The salaries of the grades of Staff Nurse, Clinical Nurse Manager II and Public Health Nurse were not found to be below private sector rates on the basis referred to in the preceding paragraph. As indicated in Chapter 7 and in the report by Life Strategies, a lower discount could be considered in respect of the value of public service pensions in the case of a Staff Nurse. As stated in paragraph 7.21 the Public Services Committee of ICTU took a strong position that a common figure should be used for the cost of public service pension terms for all the grades covered by the benchmarking process. However, even if a lower figure as indicated by Life Strategies were to be used for the three grades mentioned above it would not produce a basis for an increase in salary by reference to the comparison exercise conducted by the Body.

Recommendations

12.15 The Body recommends increases as shown below for the grades listed in paragraph 12.13. Nursing grades make an employee contribution in respect of personal superannuation benefits and the recommended scales take account of that contribution. The salary scales recommended include the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

Clinical Nurse Manager III

Existing Salary
€55,139 – €56,266 – €59,114 – €60,234 – €61,361 – €62,502

Recommended Salary	% increase
€58,888 – €60,092 – €63,134 – €64,330 – €65,534 – €66,752	6.8%

Assistant Director of Nursing (Non-Band 1 Hospitals)

Existing Salary
€52,796 – €53,960 – €55,143 – €58,271 – €59,557 – €60,741 – €61,938 – €63,575

Recommended Salary	% increase
€58,076 – €59,356 – €60,657 – €64,098 – €65,513 – €66,815 – €68,132 – €69,933	10%

Director of Nursing Band 3 Hospitals

Existing Salary
€64,726 – €66,176 – €67,629 – €69,082 – €70,530 – €71,989 – €73,436

Recommended Salary	% increase
€71,199 – €72,794 – €74,392 – €75,990 – €77,583 – €79,188 – €80,780	10%

Director of Nursing Band 1 Hospitals

Existing Salary
€74,671 – €76,747 – €78,826 – €80,899 – €82,973 – €85,055 – €87,128

Recommended Salary	% increase
€82,138 – €84,422 – €86,709 – €88,989 – €91,270 – €93,561 – €95,841	10%

Future Developments

12.16 A statement by the National Implementation Body (NIB) in May 2007 on the settlement of a dispute affecting nurses included the following:

“It remains open to the unions to put to the Benchmarking Body a case which reflects a very much expanded role for nurses and midwives in the context of enhanced duties, more cost effective and appropriate skill mixes and more efficient rosters, as have been proposed during discussions between the parties.

The NIB recommends that the Parties should confirm to the Benchmarking Body the scope and potential of such proposed changes and assist the Body by outlining the arrangements for verification and validation of such changes. These changes are consistent with the overall Transformation Programme which is underway in the HSE and would deliver significant added value to the Health Service.”

12.17 The unions set out details of an expansion of the role of nurses from 2001 to date and referred to an increase in activity and complexity in all areas of the work of nurses. Such developments are part of the general evolution of the role of nurses and, in common with developments affecting other groups, have been taken into account in the job evaluation exercise conducted by the Body which assesses the current roles and job sizes of grades and thus reflects changes which have taken place since the last benchmarking exercise.

12.18 In relation to the statement by the NIB, the unions referred to a willingness by nurses to embrace change and radically expand their role and contribution to productivity in the health service. However, no details were given of agreed proposals for specific changes. The employers referred in broad terms to the possibility of an expanded role and provided information on the provision for an education programme to allow a very small number of nurses to undertake prescribing duties. General statements were made by the employers also about possible future developments involving a broadening of the role of a staff nurse/midwife and an improved skills mix in response to emerging needs in the health service.

12.19 Insofar as changes have already taken place in the role of nurses these would have been reflected in the job evaluation exercise carried out. In view of the statement by the NIB the Body would have expected that the submissions of the parties would comment in detail on proposed future changes in the role of nurses. This was not the case and neither of the parties gave significant emphasis to proposed changes. The supplementary submission by the employers contained a very brief “Joint Statement on role expansion” as follows:

Joint Statement on role expansion

It is recognised that the establishment of the National Council for the Professional Development of Nursing and Midwifery, Nursing and Midwifery Planning and Development Units, Centres for Nursing/Midwifery education, and the appointment of Nurse Practice Development Co-ordinators have delivered significant developments in the role of nurses and midwives. This is a continuing process, the benefits of which are yielding real improvements in patient care and service delivery.

The objective of expanding activities for every nurse and midwife is to increase efficiency in the health service by developing higher levels of skills and competencies within the nursing resource. The health service's need for the efficient use of nursing and midwifery resources offers a unique opportunity to consider a significant reconfiguration of the role of the staff nurse/midwife.

In the context of the current expansion of the role of the nurse and midwife significant additional value will be delivered to the Health Services for the benefit of patient care.

12.20 The joint statement is expressed in the most general terms. The desirability of expanding the role of nurses is referred to in an aspirational manner only and no examples are given of specific agreed changes. We noted that in a submission made as part of the oral hearing the representatives of the employers stated that it was accepted by management that the expansion of the role of nurse and midwife had the potential to bring significant added value to patient care. However, it was also stated that in many cases it remains for that potential to be realised and delivered.

12.21 The submissions made to the Body gave little emphasis to possible changes in the roles of nurses. Many of the other grades that made submissions to the Body referred to possible development of roles in the future. As a general principle the Body's recommendations must be based on the jobs of public service grades as they now exist and it would not be appropriate to recommend increases on the basis of possible future changes. In the case of nurses the statement by the NIB referred to proposals for an expanded role for nurses and midwives in the context of enhanced duties, more cost effective and appropriate skill mixes and more efficient rosters but these were not significant features of the submissions to the Body. The Body would make the general point that if there are to be defined developments of the kinds mentioned in the case of nurses, these could have an impact on the overall role and job size of nurses and would be reflected in a future evaluation of their jobs. In this regard, the Body notes the statement in the submission on behalf of the HSE – Employers Agency (HSE-EA) that expanding the role of the nurse/midwife *“will require service analysis to determine need, investment in educational preparation and skill development, integration of new work practices with the multidisciplinary team, development of appropriate clinical governance arrangements and evaluation of the expansion in terms of patient and service benefit.”*

Other issues relating to nursing grades

12.22 A number of other claims on behalf of the nursing grades are discussed in the following paragraphs.

Third Party Recommendations concerning Benchmarking

12.23 The terms of reference of the PSBB provide that *“The Body should also consider any issues arising from any third party recommendations concerning benchmarking and any group on List A since the Body's first report, including specifically Labour Court Recommendations Nos. 17526 and 17805”*. The Labour Court Recommendations referred to concern the nursing grades. In addition, subsequent

to the preparation of the terms of reference, the Labour Court issued Recommendation No. 18763, dated 9 November 2006 in relation to the nursing grades.

12.24 The extent to which issues relating to nurses are discussed in this report may seem somewhat disproportionate by reference to other public service grades. However, as a result of its terms of reference and the subsequent Labour Court Recommendation referred to, the Body is required to consider specific issues which concern the nursing grades. To this extent the Body is asked to consider a wider range of issues relating to nurses than in the case of other groups.

12.25 The unions representing nurses and the HSE-EA addressed the specific issues affecting the nursing grades in their written and oral submissions.

12.26 The Body sets out below the matters arising from the Labour Court Recommendations, a summary of the submissions advanced and the Body's conclusions on the issues.

12.27 The two Labour Court Recommendations referred to in the terms of reference concerned the following claims:

- an increase for nursing grades working in the Intellectual Disability Sector to restore a previous pay differential relative to social care workers;
- the introduction of a 35 hour week;
- a revised system of payment for shift working; and
- a Dublin weighting allowance.

12.28 The subsequent Labour Court Recommendation No. 18763 concerned the above claims but the claim by reference to social care workers was expressed as a claim for an increase of 10.6% for all nursing grades. In addition, Labour Court Recommendation No. 18763 related to further claims which the Labour Court considered should be pursued through the benchmarking process. These further claims were as follows:

- a claim for parity with therapeutic grades; and
- the payment of a preceptorship allowance.

12.29 The claim concerning the introduction of a 35 hour week is being addressed through a separate process but the other issues fall to be dealt with by the PSBB.

Claim for parity of pay between the basic Staff Nurse/Midwife grade and the basic therapeutic grade

12.30 The claim sought parity of pay between the basic Staff Nurse grade and the basic therapeutic grades (Speech and Language Therapist, Occupational Therapist, Chiropodist etc.). The claim also sought consequential upward adjustments by reference to Therapy Grade Manager for the Clinical Nurse Manager II and Therapy Grade-in-Charge for the Clinical Nurse Manager III.

12.31 In support of the claim, the nursing unions referred to the educational requirements of both groups, the value of the contribution that both make in terms of patient care and the delivery of a better health service as well as changes affecting nurses. As regards educational qualifications, reference was made to the current position that new entrants to nursing, as a minimum requirement to register with An Bord Altranais, must pass an honours bachelor's degree which is accredited under the system

of the Higher Education and Training Awards Council (HETAC) as Level 8. The unions also referred to the high proportion of nurses who attain honours level in the degree course.

12.32 The Body was also invited to have regard to the pay determination system “Agenda for Change” in the UK under which a job evaluation exercise found a Staff Nurse to be at the same level as the therapeutic grades. Reliance was also placed on cross-sectoral relativities. It was argued that, as graduates, nurses belonged to an identifiable group and should be paid the same rate as various other categories of graduates.

12.33 It was also suggested to the Body that regardless of the outcome of comparison with the private sector, the criterion of internal relativity required that nurses be paid at the same level as the therapeutic grades.

12.34 The employers contended that the claim based on comparison with the therapeutic grades was in conflict with the Body’s terms of reference which require the Body to undertake a “*coherent and broadly based comparison with jobs and pay rates across the economy.*” It was argued that it was the function of the Body to evaluate the role of nurses (and associated grades) and then to compare them with jobs of a similar size in the private sector and not to compare one particular grade with another particular grade in the health sector. The employers expressed the view that it was imperative that the same process used to examine other grades was applied to the nursing grades also. The employers expressed the view that qualifications alone are not sufficient to justify an increased pay rate and it was argued that any increase would have to be based on job size encompassing all the relevant components of this.

12.35 The only therapeutic grades within the remit of the PSBB were the three grades of Speech and Language Therapist.

Conclusions

12.36 Having considered the submissions made, the Body concluded as follows:

- (i) the claim by nurses for parity with the therapeutic grades generally is beyond the terms of reference of the Body which are confined to the grades determined by the parties to the benchmarking process (i.e. the grades on List A). In the case of the therapeutic grades only the speech and language therapy grades were evaluated by the Body;
- (ii) the claim for parity (simpliciter) with speech and language therapy grades is not consistent with the approach dictated by the terms of reference for determining the remuneration of public service grades;
- (iii) the principle of internal relativities is not sufficient justification in itself for determining the remuneration of nurses solely on the basis of the pay structures applicable to the speech and language therapy grades;
- (iv) the Body must rely on its own job evaluation system devised to meet the requirements of the benchmarking exercise and cannot adopt methodologies and principles designed for the “Agenda for Change” system in the UK;
- (v) the fact that newly registered Irish nurses are now graduates does not justify pay parity between nurses/midwives and graduate recruits in other disciplines without reference to an assessment of the job size in a manner consistent with the Body’s terms of reference; and
- (vi) the claim on behalf of nurses has to be determined in accordance with the terms of reference which require an evaluation of the job size of individual posts followed by comparison with the pay and other benefits applicable to jobs of a similar size in the private sector.

12.37 The Body wishes to comment specifically on the suggestion that regardless of the outcome of comparison with the private sector, the criterion of internal relativity required that nurses be paid at the same level as the therapeutic grades. The Body does not accept that its terms of reference allow internal relativities to overrule completely comparison with the private sector. Adoption of such a principle could mean that where two public service grades with different pay rates are found to have jobs of a similar size, the pay of the lower paid grade would have to be increased to the level of the other grade regardless of how the salaries compare to the private sector.

12.38 On this occasion the Body was required to examine the jobs of the nursing grades and the speech and language therapy grades following the methodology set out elsewhere in this report. As a general principle jobs which are rated equally under the job evaluation system should attract the same level of pay.

12.39 If two jobs which are rated equally are paid differently at present, the outcome of the comparison exercise with private sector jobs of similar weight should bring about parity of remuneration unless one or both of the jobs is paid above private sector levels. As explained in paragraph 12.37, in such a case we would not regard it as being consistent with our terms of reference to recommend increases beyond what is justified by reference to the private sector simply to create parity between two public service grades.

12.40 It follows from the position set out in the previous paragraph, that if jobs are not rated as being equal under the job evaluation system, the outcome of comparison with private sector jobs will produce different levels of remuneration.

12.41 Our conclusion based on the outcome of the examination and the other factors referred to in our terms of reference was that we should not recommend that there be parity of pay between the grade of Staff Nurse and the grade of Speech and Language Therapist. Furthermore, in the job evaluation exercise conducted on our behalf the grade of Speech and Language Therapist achieved a higher points score than the grade of Staff Nurse. Developments of the kind referred to in paragraph 12.16 might bring about a change in that position in a future benchmarking type exercise.

Claim for an increase of 10.6% for all nursing and midwifery grades to restore a previous pay differential relative to Social Care workers

12.42 The nursing unions gave considerable emphasis to this claim.

12.43 At present the salary of the grade of Social Care Worker is higher than the salary of a Staff Nurse. The difference at the long service increment points for both grades is small and the salary of the grade of Social Care Worker is ahead by a little over 1%.

12.44 It was indicated by the unions that a situation where the salary of social care workers is higher than that of nurses arose from increases of 19% to 27% in 2001 to the former grade of assistant house parent (now social care worker) in the childcare sector. They indicated that this had the effect of reversing a pay situation which had previously existed and which acknowledged that a registered nurse was a higher grade than an assistant house parent. The unions stated that the increase for the former assistant house parent was based solely on the professionalisation of the grade to diploma level and coincided with a change in the title of the grade to Social Care Worker.

12.45 The unions pointed out that in 2002 the increases referred to were applied to social care workers (former assistant house parents) in the intellectual disability sector and that this was provided for in a memorandum of understanding which was made available to the first Benchmarking Body.

Paragraph 9.7 of the report of the PSBB in 2002 stated *“the Body recommends that the agreement between the HSEA and IMPACT regarding house parents/childcare workers which involve increases ranging from 19% to 27% at the top of the respective scales, should be extended to house parents/childcare workers working in the intellectual disability sector.”*

12.46 The unions contended that the present pay position constituted an unsustainable anomaly particularly as in the relevant sectors nurses are the registered publicly accountable carers and often the supervisors of social care workers. The unions also stated that, in terms of the accreditation structure of the Higher Education and Training Awards Council (HETAC), the educational standard required for a nurse is Level 8 (regarded as the equivalent of an honours bachelor’s degree) while that required of a social care worker is Level 6.

12.47 The unions stated that prior to the application of the 19% to 27% increases in 2001, the salary of a nurse and midwife was ahead of the assistant house parent by 9.25%. It was argued that the salary of nurses would have to be adjusted by 10.6% in order to restore the former pay position.

12.48 It was contended that there was no justification for allowing a situation whereby a nurse was paid less than a social care worker in child and adolescent psychiatry or the intellectual disability sectors being allowed to continue beyond the present benchmarking exercise. Furthermore, it was contended, that in terms of the basis on which the award was given in the first place there should be no question of those nurses working in child and adolescent psychiatry or the intellectual disability sector, whether side by side, supervisor, or as the accountable professional unit of care, being paid less. On this basis, it was suggested that the Benchmarking Body should direct that in the case of the intellectual disability sector, an adjustment in salary should be applied retrospectively.

12.49 The employers stated that initially, the unions’ concerns about the relative pay positions of nurses and social care workers appeared to be confined to holders of the Registered Nurse of the Mentally Handicapped (RNMH) qualification who worked in the intellectual disability sector but that subsequently, the dissatisfaction extended to all nurses working in the intellectual disability sector. It was stated that the claim was now wider again in its application and that a pay increase of 10.6% was sought for all nurses, irrespective of where they might work or their relationship with social care workers – a point noted by the Labour Court in Recommendation No. 18763. The employers made the following points:

- there has never been any established pay relationship or pay relativity between the Staff Nurse Grade and the Assistant House Parent/Social Care Worker grade and the relative pay positions had fluctuated over the last decade;
- management had proposed that where Staff Nurses were required to supervise social care workers as part of their daily work, those Staff Nurse posts would be upgraded to Clinical Nurse Manager I level. Approximately 50 instances had been identified in which Staff Nurses were required to supervise social care workers and a claim for an increase for all nurses based on the position in 50 cases is not justified; and
- the qualification required for students in social care work is now a three-year degree qualification (previously a National Diploma) with an option for students to complete a fourth year to attain an honours degree.

Conclusions on the claim to restore a previous pay differential relative to Social Care Workers

12.50 The conclusions of the Body on this claim are broadly similar to the ones reached on the claim for parity with the therapy grades. The Body considers that a claim based on restoration of a

previous relative pay position with another public service grade is not consistent with the benchmarking process. As already indicated, comparison with jobs of similar size in the private sector is the primary consideration taken into account by the Body in determining its recommendations. The terms of reference specifically provide that *“the existence of any traditional or historic relativities should not prevent the Body from recommending what it considers are the appropriate rates of pay for any particular job.”*

12.51 In this case it was not suggested by the unions that a fixed relativity existed between the grades of Staff Nurse and Social Care Worker. Instead, what was sought was restoration of a relative pay position which existed at a particular time in the past. Apart from any other consideration, it would not be reasonable for the Body to recommend that a previous position be restored when it is not feasible to make an assessment now as to whether that previous position was an accurate reflection of the relative demands of the jobs in the past. However, for the reasons already explained it would not be appropriate in any event for the Body to approach the determination of the remuneration of nurses in this way and to confine the evaluation of nurses to comparison with another public service grade.

12.52 As previously stated, the Body’s recommendations in relation to nurses have been mainly influenced by a comparison with the remuneration of jobs of a similar size in the private sector. As already explained this provided a basis for increases for some senior nursing grades but not for the grade of Staff Nurse. The Body does not consider, therefore, that an increase for nurses is justified purely by reference to comparison with another public service grade.

12.53 The Body acknowledges that there are difficulties in situations where nurses act as supervisors or otherwise work alongside social care workers. The employers have proposed that where Staff Nurses were required to supervise social care workers as part of their daily work, those Staff Nurse posts would be upgraded to Clinical Nurse Manager I level. The employers suggested that approximately 50 instances had been identified in which Staff Nurses were required to supervise social care workers. The number of instances referred to by the employers was disputed by the unions but they did not consider this approach as a satisfactory resolution of the issue.

12.54 The Body considers that the general approach suggested by the employers is reasonable. The Body considers that upgrading to Clinical Nurse Manager I level should be applied to Staff Nurses working in the intellectual disability sector who, as part of their daily work, supervise social care workers or otherwise work alongside them in the same location. The Body notes that there is disagreement between the parties on the number of instances in which this arises. The Body is not in a position to adjudicate on this issue but considers that it should be a reasonably straightforward matter to identify where Staff Nurses in the intellectual disability sector, as part of their daily work, supervise or work alongside social care workers in the same location and urges the parties to enter into discussions and reach an agreement on this issue.

Claim for a Dublin weighting allowance

12.55 In support of their claim for a Dublin weighting allowance, the unions stated that payments of this kind usually arise where a location has become extremely costly to live in and where employers, as a consequence, find it difficult to recruit or retain staff. It was suggested that the twin elements of a costly location and difficulties with regard to recruitment and retention exist in the Dublin nursing market. Information was provided on the costs affecting nurses in Dublin and the turnover of nurses in hospitals in the Dublin area. It was stated that a variety of non-pay initiatives had been used, adapted and applied but that the turnover rate remains high.

12.56 The unions also referred to the London Weighting Allowance and large city weighting allowances payable in the UK. Reference was also made to payment of a Dublin allowance by an employer in the private sector in Ireland. In the oral hearing it was confirmed that the unions envisaged that the allowance sought would apply to persons working in Dublin regardless of whether they lived in Dublin or not.

12.57 The unions argued that it did not follow that concession of a Dublin allowance to nurses would result in extension of the allowance to other groups. It was argued that the experience of the decentralisation programme demonstrated that the issue in the civil service related to a reluctance by staff to leave Dublin. It was suggested that it would be difficult, therefore, to justify an extension to other groups of an allowance tailored specifically to the market conditions which relate to nurses, unless those same conditions applied to the other groups also.

12.58 The employers argued that there was no evidence that an allowance of the kind sought would improve turnover and that the rate of staff turnover in Dublin hospitals had improved recently. It was suggested that there were reasons unrelated to cost for employees wishing to leave Dublin such as domestic considerations, a wish to travel etc. It was stated that the high number of training places in the Eastern region attracts a younger and more mobile workforce and that it would be expected that the turnover would be higher than in other regions.

12.59 The employers also stated that turnover of the kind described by the unions was not unique to nurses as it was a feature of private sector employment also. The employers stated that while a Dublin allowance had been introduced by one private sector employer, this practice had not been followed by other employers. The employers disagreed strongly with the view of the unions that concession of the allowance to nurses would not result in its extension to other groups and stated that if the allowance were applied to nurses there would, inevitably, be widespread repercussions affecting other groups.

Conclusions on the claim for a Dublin weighting allowance

12.60 The introduction of a Dublin weighting allowance for any group would be a major change in public service pay policy. The claim for such an allowance is based on the position of nurses and has not been a feature of submissions received on behalf of other public service grades.

12.61 The case put forward by the nursing unions for a Dublin allowance focussed largely on turnover in Dublin hospitals and the cost of living in Dublin. We have been provided with information which supports the unions' submission that turnover is higher in Dublin than in other areas of the country. However, we consider that there is validity in the argument advanced by the employers that there are reasons other than costs which may account for higher turnover in Dublin. We accept also that there are indications of some recent decline in turnover.

12.62 We acknowledge that living costs in Dublin are higher than elsewhere but arguments relating to costs cannot be confined to nurses and apply to other groups also. We consider that the arguments advanced by the unions in relation to costs in Dublin are somewhat weakened by the suggestion that a Dublin allowance should apply to persons working in Dublin, regardless of whether they live in Dublin or not.

12.63 We formed the view also that it is unrealistic to expect that the introduction of a Dublin allowance could be confined to nurses and that this would not spread to other public service groups.

12.64 Our overall conclusion was that the introduction of a Dublin allowance would be a radical departure from existing pay policy in the public service and would be at variance with normal practice in the private sector also. We are not satisfied that there is sufficient evidence that would justify the allowance sought by the nursing unions and we do not recommend its introduction.

Claim for a revised system of payment for working unsocial hours

12.65 Most staff nurses are required to work systems covering 24 hours a day, 365 days per year. Payments additional to salary are made for actual unsocial hours worked and each of the payments is part of an integrated reward system for working unsocial hours. The payments are as follows:

Hours between 6 p.m. and 8 p.m. :	Time plus one sixth
Hours between 8 p.m. and 8 a.m. :	Time plus one quarter
Saturdays:	Time plus payment of €15.02
Sundays and public holidays:	Time plus 100%

12.66 The employers suggest that a nurse working continuous shifts would, on average, earn 23% over and above basic earnings.

12.67 The nursing unions argued that the payments to nurses for shift working were less favourable than those applying to other shift workers in the public and private sectors. It was suggested that shift workers outside the health service who are employed on rotating shifts are normally paid a consistent shift premium based on the type of shift worked and that a premium of 33.33% would normally be paid where twenty four hour coverage over seven days is provided. It was also argued that the present system of payment to nurses was inefficient as it gave an incentive to working at night and on Sundays while discouraging work on Saturdays. The unions proposed that a standard premium be introduced for all shift working by nurses.

12.68 The employers' submissions did not comment on this claim to any significant extent. However, in the oral hearing they opposed the claim and indicated that concession would be extremely costly. They also questioned whether the claim was consistent with the Body's terms of reference.

Conclusions on the claim for a revised system of payment for working unsocial hours

12.69 Shift working is not a requirement for most public service grades. In the case of grades being examined by the PSBB (those on List A) the main groups which work shifts are nurses, members of certain ranks of the Garda Síochána and prison officers. Fire-fighters also work shifts but are not on List A.

12.70 The system of payment for working unsocial hours which applies to nurses is consistent with the systems which apply to the other public service groups mentioned. This system differs, however, from the general methods of payment in the private sector but there are a variety of arrangements which apply in the private sector.

12.71 We did not consider that a compelling case has been made for a change in the present system. As indicated in paragraph 12.65, each of the payments made to nurses for working at night, weekends and public holidays is part of an integrated reward system for working unsocial hours. We consider that there is a reasonable argument to be made that the system of payment which applies in the health sector and the other sectors mentioned was negotiated and agreed to suit the particular

work patterns of those sectors and should be seen as one component of the overall remuneration structure. For the foregoing reasons, we do not recommend any change in the present system.

Claim for the application of the preceptorship allowance to nurses and midwives who hold that responsibility

12.72 A preceptor is an instructor. The nursing unions stated that in the health service a number of grades are required to act as preceptor for undergraduate or postgraduate clinical placements within their area of expertise. They indicated that public health nurses have always carried out the role of preceptor for student public health nurses but that in recent years the preceptorship role has grown as responsibility was assumed for undergraduate nurse preceptorship.

12.73 It was argued that the degree requirement has led to a growing requirement for preceptorship from amongst all nursing grades. The unions stated that a preceptor is required to establish the competency or otherwise of the practitioner including, for example, student nurses in training, care assistants in training or overseas nurses prior to registration with An Bord Altranais. The unions also referred to payment of preceptorship-type allowances to therapeutic grades and medical scientists. However, no proposals were made as to the extent of the preceptorship duties in duration and frequency that would be required to qualify for an allowance. No proposals were made either on the basis for determining the amount of the allowance although it appears from Labour Court Recommendation No. 18763 that the claim was based on an amount (referred to in paragraph 12.76 below) recommended for therapist grades by an Expert Group.

Employers' position

12.74 Following an oral hearing the Body received correspondence from the unions and employers concerning the claim for a preceptorship allowance. The employers took the view that there is a professional responsibility on every nurse to provide students with support, guidance and coaching and that this was mandatory. They argued strongly that this had always been regarded as part of the duties of Staff Nurses. They referred to the Code of Professional Conduct for nurses and midwives issued by An Bord Altranais which refers to the responsibility of nurses to junior colleagues to transmit acquired professional knowledge, skills and attitudes.

12.75 The employers also referred to a report of the Nursing Education Forum in 2000. The Forum had the task of preparing a strategy for moving pre-registration nursing education from the three year diploma programme to the four year degree programme. The Forum recommended that each student should be assigned a named preceptor during clinical practice placement. The Forum commented that a fundamental component of the role of every nurse is the teaching of nursing students in the practice area.

12.76 As regards payments made to other grades, the employers said that the Expert Group on Various Health Professions had recommended an allowance of approximately €3,200 (in present terms) for persons involved in clinical placement of students and not for preceptorship. Furthermore, it was subsequently agreed in negotiations that the proposed allowance would be treated instead as a payment for professional/educational development and would be spread over all members of the grade. On this basis it was agreed that each member of the therapeutic grades would be entitled to an annual allowance of €250 to be used for professional/educational development.

12.77 The Expert Group on Medical Laboratory Technicians also recommended an allowance for staff responsible for overseeing and co-ordinating the rotation and training programmes of student medical scientists. In that case the HSE attempted to reach agreement to have it implemented in the

same manner as applied to the therapeutic grades i.e. a small amount for all members of the grade. The union wished to have the full allowance applied as an allowance for Student Training Co-ordinators payable only to those who perform the duty. The Labour Court supported the union's position and an allowance of €3,200 approximately is now paid to certain medical scientists.

12.78 The employers argued, however, that the position in nursing is quite different to that applying to the therapy and medical scientist grades. They said that unlike the other areas a promotional grade of Clinical Placement Co-ordinator was created at Clinical Nurse Manager II level with the specific function of guiding and supporting student nurses and ensuring that there are clinical placements to meet the requirements of the education programme.

12.79 The employers suggested that the role of acting as a preceptor would be captured in the job evaluation of the role of nurses and questioned whether the payment of a separate allowance could be regarded as being covered by the terms of reference.

Unions' response

12.80 The unions' response to the points made by the employers suggested that there was an attempt to confuse the concepts of preceptorship and mentoring. It was argued that mentoring is an accepted part of the duties of all professional grades including nurses but that preceptorship involves specifically trained professionals who are required to sign off on the competencies and milestones for students. The unions referred to a statement in the report of the Nurse Education Forum which quoted a recommendation by An Bord Altranais that during clinical placement a student should be supported by a preceptor defined as a registered nurse who has been specifically prepared to guide and direct student learning.

12.81 The unions denied that preceptorship was mandatory for nurses and claimed that it could only be carried out by those who agreed to be trained in the process. They also said that the role of the Clinical Placement Co-ordinator was different to that of a preceptor and referred to a statement in the report of the Nursing Forum which distinguished between clinical placement and preceptorship. In this regard it might be noted that the employers did not say that the role of the Clinical Placement Co-ordinator was the same as that of a preceptor. They advanced the argument that the Expert Group on Various Health Professions recommended the allowance for therapeutic grades involved in clinical placement of students rather than preceptorship and that a somewhat similar situation applied to Medical Scientists.

Conclusions on the claim for the application of the preceptorship allowance

12.82 There is a clear conflict in the positions of the parties. The employers argued in very strong terms that preceptorship has always been part of the job of nurses and is mandatory. The unions take a different position. As regards the recommendations of the Expert Groups for the payment of an allowance to therapeutic grades and medical scientists it seems to the Body that the intention was to relate the payment to the kind of functions performed in the nursing area by Clinical Placement Co-ordinators rather than the kind of preceptorship envisaged by the unions. However, this was implemented in a different way by agreement in the case of the therapeutic grades resulting in a nominal payment to all members of the grade. The payments to the other groups do not seem to the Body to give strong support to the nurses' claim as the payments do not appear to relate to preceptorship-type duties precisely.

12.83 Following consideration of this claim, the Body formed the view that, on balance, a convincing case has not been made for the introduction of the allowance claimed.

Permanent Defence Forces, Garda Síochána and Prison Service

Introduction

13.1 This chapter relates to the Permanent Defence Forces, the Garda Síochána and the Prison Service.

Permanent Defence Forces

13.2 At the time of our examination, the Defence Forces consisted of 10,500 full-time professional members of the Permanent Defence Force (PDF) and 12,300 part-time members of the Reserve Defence Force (RDF). The PDF comprises the Army (8,426 personnel), Air Corps (930 personnel) and Naval Service (1,144 personnel) and has personnel deployed in 19 countries outside of Ireland.

13.3 The Body examined twelve ranks in the Permanent Defence Forces: Colonel (Director of Medical Corps), Lieutenant Colonel (Dentist), Lieutenant Colonel, Commandant (Engineer), Commandant, Captain (Doctor), Captain (Dentist), Captain, Sergeant Major, Sergeant Technician 5, Sergeant, and Private (3 Star).

Garda Síochána

13.4 At the time of our examination there were 12,609 members of the Garda Síochána in the ranks covered by our remit. The Body examined five ranks. The ranks in question are Chief Superintendent, Superintendent, Inspector, Sergeant and Garda.

Prison Service

13.5 The Irish Prison Service is responsible for the provision of safe and secure custody of persons committed to prison by the Courts. It is a key component of the country's criminal justice system. At the time of our examination there were approximately 3,300 staff employed by the Irish Prison Service of which 3,100 were prison grade staff.

13.6 Ten prison grades were examined by the Body. The grades in question were Prison Officer, Nurse Officer, Assistant Chief Officer, Chief Officer Class II and Class I, Assistant Governor, Deputy Governor, and the Governor Grades I, II and III.

Outcome of the benchmarking exercise

13.7 The Body fully recognised the important nature of the work of the different grades/ranks in the security sector. However, comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of the

grades/ranks concerned was not below that of private sector jobs of comparable size. Accordingly, the Body does not recommend any increases.

The Garda Reserve

13.8 Some suggestions were made to the Body by the Associations representing Garda ranks that the introduction of the Garda Reserve would lead to developments in the role of the Garda ranks. At the time of the job evaluation exercise the Garda Reserve was not in place. Accordingly, the Body is not in a position to comment on the possible effect of the Garda Reserve on the work of the Garda ranks. However, any such effect would be reflected in any future evaluation exercise by reference to the private sector.

Working of additional hours in the Prison Service

13.9 The Body is aware that a revised system for the working of additional hours has been introduced in the prison service since the last benchmarking exercise. The Body accepts that this has had an effect on the work of all prison service grades. However, the Body is conscious also that, as a result of arbitration findings, additional allowances have been applied to the grades concerned in recognition of the changes involved.

Supplementary submission

13.10 In addition to the main submission on the pay and conditions of the prison officer grades, the Body received a supplementary submission from the Prison Officers' Association which largely related to the views of Prison Officers on their work and working lives. A response to this submission was received from the Irish Prison Service. While the Body noted the contents of the supplementary submission and the response to it, the matters referred to were outside our terms of reference.

The Education Sector

Introduction

14.1 There are over 927,000 persons participating in full-time education in the State. Over 85,000 persons work in the education sector including those in teaching or lecturing roles, researchers, technical grades, management and administrative staff and special needs personnel.

14.2 At primary level, there are 458,000 pupils enrolled in national schools and in special schools. In 2006 there were 3,160 national schools, and 124 special schools with 27,515 teachers employed at this level.

14.3 Post-primary level includes voluntary secondary, Vocational Education Committee (VEC), community and comprehensive schools, a total of 735 schools with an enrolment of over 332,000 students. The full-time teaching cohort comprises about 21,400 teachers, together with about 4,000 full-time teacher equivalents, making a total of over 25,000.

14.4 The Youthreach service provides, through some 90 centres throughout the country, for disadvantaged young people who are no longer in attendance at mainstream schools. Each Youthreach centre's staff includes a Co-ordinator, a number of Resource Persons and part-time staff as required.

14.5 Adult Education Officers are employed by the VECs to manage and co-ordinate services in their area of responsibility within each VEC.

14.6 Special Needs Assistants are employed in primary, special and post-primary schools in order to facilitate the learning of children with special needs by providing such non-teaching assistance as may be required.

14.7 The state-aided third level institutions cater for over 136,000 full-time students.

14.8 The Body examined a number of lecturer grades in the university sector and in Institutes of Technology. The grades of Secretary/Financial Controller, Registrar and Head of Development in the Institutes of Technology were also examined.

14.9 The Body examined certain technical grades in the universities and the Institutes of Technology. A recent restructuring exercise was carried out in relation to some of these grades.

Grades Examined

14.10 The PSBB was asked to examine the following 25 grades in the education sector:

- Principal, Primary Schools
- Principal, Post-Primary Schools
- Assistant Principal, Primary Schools

- Assistant Principal, Post-Primary Schools
- Teacher, Primary Schools
- Teacher, Post-Primary Schools
- Lecturer, Institutes of Technology
- Structured Lecturer, Institutes of Technology
- Senior Lecturer Grade III, Institutes of Technology
- Assistant/Junior/Below Bar Lecturer, HEA sector
- (College) Lecturer, HEA sector
- Statutory/Senior Lecturer, HEA sector
- Associate Professor (excluding Associate Professor, NUI Galway), HEA sector
- Secretary/Financial Controller, Institutes of Technology
- Registrar, Institutes of Technology
- Head of Development, Institutes of Technology
- Technical Officer, Institutes of Technology
- Technical Officer, UCD, TCD, NUI Galway, DCU and University of Limerick
- Senior Technical Officer, UCD, TCD, NUI Galway, DCU and University of Limerick
- Chief Technical Officer, UCD, TCD, NUI Galway, DCU and University of Limerick
- Senior Experimental Officer, TCD
- Special Needs Assistant
- Adult Education Officer
- Youthreach Co-ordinator
- Youthreach Resource Person

Outcome of the benchmarking exercise

14.11 Comparison with levels of remuneration in the private sector using the methodology described in Chapter 8 and the application of a discount, as described in Chapter 7, in regard to the value of public service pensions, produced results showing that the remuneration of the grade of Chief Technical Officer in UCD, TCD, NUI Galway, DCU and University of Limerick was below private sector rates to a minor degree and a small increase is recommended. A similar adjustment is recommended for the grade of Senior Experimental Officer in TCD. The salaries of the other grades in the education sector were not found to be below private sector rates. The Body considered, however, that there was a basis for an improvement in the allowances paid to Principals of primary schools. No increase is recommended for the other grades referred to in paragraph 14.10.

Recommendations

14.12 The Body recommends an increase of 1% for the grade of Chief Technical Officer in UCD, TCD, NUI Galway, DCU and University of Limerick and for the grade of Senior Experimental Officer in TCD.

14.13 There are variations in the scales applying to the grade of Chief Technical Officer in the different universities. The existing scale and the revised scale recommended for the grade of Chief Technical Officer in UCD are shown below. As stated in the preceding paragraph, it is the Body's intention that the same increase of 1% be applied also to the grade of Chief Technical Officer in the other universities mentioned and to the grade of Senior Experimental Officer in TCD.

14.14 The recommended scale refers to a person who makes an employee contribution in respect of personal superannuation benefits equivalent to that introduced for established civil servants recruited since 6 April 1995. The existing rates shown also relate to a person making such a contribution. A salary equivalent to 19/20^{ths} of the recommended scale should be applied to a person who does not make an employee contribution in respect of personal superannuation benefits. The salary scale recommended includes the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

Chief Technical Officer

Existing Salary
€57,549 – €59,289 – €60,974 – €62,722 – €64,529 – €66,290

Recommended Salary	% increase
€58,124 – €59,882 – €61,584 – €63,349 – €65,174 – €66,953	1%

Principals of Primary Schools

14.15 Principals of Primary and Post-Primary schools are paid a salary on the common basic scale plus an allowance for Principal duties. The allowances payable vary with the size of the school, measured in terms of the number of teachers, and the points at which allowances become payable are different at primary and post-primary levels. The current system of allowances is shown below.

Principals of Primary Schools		Principals of Post-Primary Schools	
Category	Allowance	Category	Allowance
	€		€
1 Schools with 1-5 teachers	9,328	1 Schools with 1-3 teachers	9,328
2 Schools with 6-7 teachers	10,452	2 Schools with 4-5 teachers	10,452
3 Schools with 8-11 teachers	12,261	3 Schools with 6 teachers	12,261
4 Schools with 12-13 teachers	14,387	4 Schools with 7-8 teachers	14,387
5 Schools with 14-16 teachers	16,737	5 Schools with 9-10 teachers	16,737
6 Schools with 17-19 teachers	19,120	6 Schools with 11-12 teachers	19,120
7 Schools with 20-23 teachers	21,427	7 Schools with 13-15 teachers	21,427
8 Schools with 24-26 teachers	23,759	8 Schools with 16 teachers	23,759
9 Schools with 27-30 teachers	25,475	9 Schools with 17-19 teachers	25,475
10 Schools with 31-35 teachers	27,249	10 Schools with 20-22 teachers	27,249
11 Schools with 36+ teachers	29,833	11 Schools with 23-26 teachers	29,833
		12 Schools with 27-30 teachers	31,580
		13 Schools with 31-35 teachers	34,959
		14 Schools with 36-40 teachers	36,099
		15 Schools with 41-50 teachers	39,154
		16 Schools with 51-59 teachers	40,854
		17 Schools with 60+ teachers	42,550

14.16 Submissions on behalf of Principals of Primary schools sought that the system of allowances be brought into line with those applying at post-primary level and that the three lowest bands of allowances be abolished. Reference was made to difficulties in recruiting Principals, particularly in the case of schools of 1-7 teachers in which Principals must combine full teaching duties with the administrative duties as Principals. The employers acknowledged that there were difficulties of recruitment in these cases.

Conclusions of the Body

14.17 The outcome of the job evaluation exercise did not support parity between Primary and Post-Primary Principals as the jobs of Principals of Post-Primary schools were found to be more demanding than those at Primary level.

14.18 The Body considers, however, that the current differences in allowances at Primary and Post-Primary levels are greater than is justified and that an improvement in the relative position of Principals in Primary schools is warranted, particularly in the case of Principals of the smaller schools. The following revised system of allowances is recommended. The amounts recommended include the second phase (with effect from 1 June 2007) of the increases due under the public service pay agreement associated with *Towards 2016*.

Principals of Primary Schools		Principals of Post-Primary Schools	
Category	Allowance	Category	Allowance
	€		€
1 Schools with 1-7 teachers	12,261	1 Schools with 1-6 teachers	12,261
2 Schools with 8-11 teachers	14,387	2 Schools with 7-8 teachers	14,387
3 Schools with 12-13 teachers	16,737	3 Schools with 9-10 teachers	16,737
4 Schools with 14-16 teachers	19,120	4 Schools with 11-12 teachers	19,120
5 Schools with 17-19 teachers	21,427	5 Schools with 13-15 teachers	21,427
6 Schools with 20-23 teachers	23,759	6 Schools with 16 teachers	23,759
7 Schools with 24-26 teachers	25,475	7 Schools with 17-19 teachers	25,475
8 Schools with 27-30 teachers	27,249	8 Schools with 20-22 teachers	27,249
9 Schools with 31-35 teachers	29,833	9 Schools with 23-26 teachers	29,833
10 Schools with 36+ teachers	31,580	10 Schools with 27-30 teachers	31,580
		11 Schools with 31-35 teachers	34,959
		12 Schools with 36-40 teachers	36,099
		13 Schools with 41-50 teachers	39,154
		14 Schools with 51-59 teachers	40,854
		15 Schools with 60+ teachers	42,550

14.19 While the revised system of allowances also has an effect on Principals of Post-Primary schools with less than 6 teachers, the number of such schools is insignificant and the overall effect at post-primary level is, therefore, negligible.

Dan O’Keeffe (Chairman)

Tom McKeivitt

Bill Attley

Willie Slattery

Olive Braiden

Brendan Walsh

John Malone

Appendices

APPENDIX 1

List of grades examined by the PSBB

Civil service:

Clerical Officer
Executive Officer
Higher Executive Officer/Administrative Officer
Assistant Principal (standard scale)
Principal (standard scale)
Engineer Grades I, II and III
Prison Officer, Nurse Officer, Assistant Chief Officer, Chief Officer Class II and Class I, Assistant Governor, Deputy Governor and Governor (I, II and III)
District Inspector (Senior Clerk of Works)

Health sector:

Staff Nurse
Public Health Nurse
Clinical Nurse Manager II
Clinical Nurse Manager III
Assistant Director of Nursing (Non-Band 1 Hospitals)
Director of Nursing Band 3 Hospitals
Director of Nursing Band 1 Hospitals
Medical Scientist
Senior Medical Scientist
Chief Medical Scientist
Biochemist
Senior Biochemist
Principal Biochemist
Workshop Supervisor/Instructor in Specialist Agencies
Social Care Worker
Speech & Language Therapist
Senior Speech & Language Therapist
Speech & Language Therapist Manager
Ambulance Officer (Operational)
Emergency Medical Technician
Professionally Qualified Social Worker
Team Leader Social Worker
Principal Social Worker
Radiographer
Senior Radiographer

Radiography Service Manager II
Senior Dental Surgeon
Principal Dental Surgeon (P&E)
Senior Chef
Chef II
Clerical Admin. Grade III, Grade V and Grade VII
General Manager/Functional Officer
Senior House Officer
Senior Registrar
Specialist Registrar
Principal Medical Officer

Education sector:

Primary and Post-Primary Principal
Primary and Post-Primary Assistant Principal
Primary and Post-Primary Teacher
Lecturer in the Institutes of Technology
Structured Lecturer in the Institutes of Technology
Senior Lecturer Grade III in the Institutes of Technology
Assistant/Junior/Below Bar Lecturer
(College) Lecturer
Statutory/Senior Lecturer
Associate Professor in the HEA sector (excluding Associate Professor, NUI Galway)
Secretary/Financial Controller, Registrar, Head of Development in Institutes of Technology
Technical Officer in the Institutes of Technology
Technical Officer, HEA Sector, (UCD, TCD, NUI Galway, DCU and University of Limerick)
Senior Technical Officer, HEA Sector (UCD, TCD, NUI Galway, DCU and University of Limerick)
Chief Technical Officer, HEA Sector (UCD, TCD, NUI Galway, DCU and University of Limerick)
Senior Experimental Officer, TCD
Special Needs Assistant
Adult Education Officer
Youthreach Co-ordinator
Youthreach Resource Person

Local Authority sector:

Clerical Officer (Grade III)
Staff Officer (Grade V)
Administrative Officer (Grade VII)
Senior Executive Officer
Graduate Engineer
Assistant Engineer
Executive Engineer
Senior Executive Engineer
Senior Engineer

Garda Síochána:

Garda
Sergeant
Inspector
Superintendent
Chief Superintendent

Defence Forces:

Private (3 Star)
Sergeant Technician 5
Sergeant
Sergeant Major
Captain
Captain (Dentist)
Captain (Doctor)
Commandant
Commandant (Engineer)
Lieutenant Colonel
Lieutenant Colonel (Dentist)
Colonel (Director of Medical Corps).

APPENDIX 2

Current salaries and standard allowances of grades examined by the PSBB

The following tables show the existing rates of salary and certain allowances for the grades examined by the PSBB. In the case of the civil service, the Garda Síochána, the Officer ranks of the Defence Forces and posts in the university sector, the scales and allowances shown relate to staff recruited since 6 April 1995 who make an employee contribution of 5% in respect of personal superannuation benefits. In these cases lower rates apply to staff recruited before 6 April 1995.

In the civil service, the Defence Forces (Officer ranks) and the university sector, persons recruited before 6 April 1995 do not make an employee contribution in respect of personal superannuation benefits and their salaries are generally 19/20^{ths} of the salaries of persons recruited since 6 April 1995. Persons recruited to the Garda Síochána before 6 April 1995 pay an employee contribution of 1.75% in respect of personal superannuation benefits and their salaries are lower than those of persons recruited since 6 April 1995 to allow for the lower employee contribution.

In local authorities, the health sector and the education sector, other than the university sector, an employee contribution in respect of personal superannuation benefits was already payable prior to 1995 and there is no distinction in the salaries payable to persons recruited before or after 1995. There is no such distinction either in the case of non-officer ranks in the Defence Forces.

Salaries of Grades examined by the PSBB as at 1 June 2007

Civil Service Grades

Grade	Incremental points	Salary
Principal (standard scale)	1	€ 86,332
	2	89,994
	3	93,630
	4	97,293
	5	100,381
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		103,585
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		106,785
Assistant Principal (standard scale)	1	66,302
	2	68,785
	3	71,263
	4	73,749
	5	76,231
	6	77,661
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		80,167
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		82,679

Civil Service Grades—contd.

Grade	Incremental points	Salary
Administrative Officer		€
	1	33,439
	2	36,471
	3	40,354
	4	43,308
	5	46,264
	6	49,229
	7	52,186
	8	55,132
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		57,175
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		59,213
Higher Executive Officer	1	46,646
	2	48,061
	3	49,475
	4	50,888
	5	52,304
	6	53,718
	7	55,132
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		57,175
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		59,213
Executive Officer	1	30,628
	2	32,863
	3	34,584
	4	36,248
	5	37,906
	6	39,530
	7	41,170
	8	42,766
	9	44,410
	10	45,499
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		47,048
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		48,594
Clerical Officer	1	23,221
	2	24,302
	3	25,387
	4	26,471
	5	27,555
	6	28,640
	7	29,722
	8	30,806
	9	31,891
	10	32,974
	11	34,050
	12	35,727
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		37,047
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		37,652
Engineer Grade I	1	69,856
	2	72,049
	3	74,248
	4	76,442
	5	78,634
	6	81,241
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		84,210
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		87,180

Civil Service Grades—contd.

Grade	Incremental points	Salary
Engineer Grade II	1	€ 59,697
	2	61,103
	3	62,504
	4	63,912
	5	65,317
	6	66,722
	7	68,124
	8	69,546
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		71,860
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		74,180
Engineer Grade III	1	32,482
	2	35,504
	3	38,536
	4	41,569
	5	44,603
	6	46,474
	7	48,342
	8	50,220
	9	52,090
	10	53,963
	11	55,836
	12	57,705
	13	59,584
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		61,668
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		63,746
District Inspector/Senior Clerk of Works	1	43,037
	2	44,554
	3	46,087
	4	47,615
	5	49,161
	6	50,704
	7	51,897
	8	53,081

Local Authority Grades

Grade	Incremental points	Salary
Senior Engineer	1	€ 74,794
	2	76,628
	3	78,456
	4	80,288
	5	82,118
	6	83,956
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		86,721
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		89,489
Senior Executive Engineer	1	63,309
	2	65,309
	3	67,311
	4	69,310
	5	71,316
	6	73,313
	7	75,327
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		77,855
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		80,377

Local Authority Grades—contd.

Grade	Incremental points	Salary
Executive Engineer	1	€ 47,315
	2	49,100
	3	50,888
	4	52,678
	5	54,468
	6	56,257
	7	58,047
	8	59,828
	9	61,625
	10	63,409
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		65,465
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		67,526
Assistant Engineer	1	40,767
	2	42,545
	3	44,309
	4	46,077
	5	47,852
	6	49,619
	7	51,384
	8	53,155
	9	54,934
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		56,752
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		58,572
Graduate Engineer (salary range)	1	32,355
	2	35,693
	3	39,016
Senior Executive Officer	1	65,522
	2	67,168
	3	69,795
	4	72,425
	5	75,060
	6	77,666
	7	80,289
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		83,264
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		86,229
Grade VII Administrative Officer	1	47,604
	2	48,812
	3	50,223
	4	51,640
	5	53,058
	6	54,321
	7	55,617
	8	56,872
	9	58,122
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		60,270
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		62,426
Grade V Staff Officer	1	40,607
	2	41,956
	3	43,305
	4	44,656
	5	46,004
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		47,567
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		49,129

Local Authority Grades—contd.

Grade	Incremental points	Salary
Grade III Clerical Officer		€
	1	23,232
	2	24,324
	3	25,411
	4	26,502
	5	27,595
	6	28,684
	7	29,772
	8	30,857
	9	31,950
	10	33,037
	11	34,130
12	36,189	
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		37,650

Health Sector Grades

Grade	Incremental points	Salary
Principal Medical Officer		€
	1	101,111
Senior Registrar	1	66,470
	2	68,628
	3	70,793
	4	73,101
	5	75,764
	6	78,537
	7	81,399
Specialist Registrar	1	61,383
	2	62,877
	3	65,035
	4	68,044
	5	71,297
	6	74,553
	7	77,808
Senior House Officer	1	39,193
	2	41,415
	3	44,735
	4	46,906
	5	51,273
	6	53,443
	7	55,561
Principal Dental Surgeon (incl. planning & evaluation duties allowance)	1	91,700
	2	95,631
	3	99,567
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		105,449
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		111,329
Senior Dental Surgeon	1	74,496
	2	77,994
	3	81,511
	4	85,006
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		90,059
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		95,115
Director of Nursing Band 1 Hospitals	1	74,671
	2	76,747
	3	78,826
	4	80,899
	5	82,973
	6	85,055
	7	87,128

Health Sector Grades—contd.

Grade	Incremental points	Salary
Director of Nursing Band 3 Hospitals		€
	1	64,726
	2	66,176
	3	67,629
	4	69,082
	5	70,530
	6	71,989
7	73,436	
Assistant Director of Nursing (Non-Band 1 Hospitals)	1	52,796
	2	53,960
	3	55,143
	4	58,271
	5	59,557
	6	60,741
	7	61,938
	8	63,575
Clinical Nurse Manager III	1	55,139
	2	56,266
	3	59,114
	4	60,234
	5	61,361
	6	62,502
Clinical Nurse Manager II	1	47,682
	2	48,502
	3	49,194
	4	50,327
	5	51,577
	6	52,805
	7	54,033
	8	55,415
	9	56,700
Public Health Nurse	1	46,415
	2	47,214
	3	47,896
	4	48,972
	5	50,208
	6	51,406
	7	52,613
	8	53,970
	9	55,232
Staff Nurse	1	30,339
	2	31,857
	3	33,379
	4	34,899
	5	36,412
	6	37,721
	7	39,032
	8	40,338
	9	41,645
	10	42,928
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		44,298
Chief Medical Scientist	1	59,613
	2	62,354
	3	64,765
	4	67,187
	5	69,657
	6	72,079
	7	74,564
	8	76,973
	9	79,398

Health Sector Grades—contd.

Grade	Incremental points	Salary
Senior Medical Scientist (with F.A.M.L.S.)*		€
	1	48,599
	2	50,872
	3	52,890
	4	54,954
	5	57,080
	6	59,170
	7	61,321
	8	63,452
9	65,598	
Senior Medical Scientist (without F.A.M.L.S.)*	1	48,599
	2	50,872
	3	52,890
	4	54,954
	5	57,080
Medical Scientist	1	34,726
	2	35,758
	3	36,740
	4	39,062
	5	40,564
	6	42,081
	7	43,623
	8	45,163
	9	46,707
	10	48,263
	11	49,830
	12	51,415
	13	52,954
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		54,013
Principal Biochemist	1	65,344
	2	69,584
	3	73,508
	4	77,426
	5	81,358
	6	85,276
	7	89,621
	8	92,516
	9	95,430
Senior Biochemist	1	53,632
	2	56,141
	3	58,368
	4	60,646
	5	62,993
	6	65,299
	7	67,673
	8	70,024
	9	72,392
Biochemist	1	37,834
	2	38,959
	3	40,028
	4	42,558
	5	44,195
	6	45,848
	7	47,527
	8	49,205
	9	50,887
	10	52,582
	11	54,290
	12	56,016
	13	57,694
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		58,847

*Fellow of the Academy of Medical Laboratory Science.

Health Sector Grades—contd.

Grade	Incremental points	Salary
Speech and Language Therapist Manager		€
	1	61,627
	2	63,909
	3	66,187
	4	68,470
	5	70,751
	6	73,035
Senior Speech and Language Therapist	7	75,314
	1	50,815
	2	51,937
	3	53,094
	4	54,240
	5	55,388
	6	56,594
Speech and Language Therapist	7	57,867
	8	59,135
	9	60,153
	1	38,066
	2	39,340
	3	40,420
	4	41,539
	5	42,643
	6	43,777
	7	44,904
	8	46,030
9	47,217	
10	48,466	
11	49,713	
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		50,712
Radiography Service Manager II	1	57,033
	2	59,776
	3	63,534
	4	67,354
	5	71,230
Senior Radiographer	1	44,574
	2	46,337
	3	48,174
	4	50,039
	5	51,928
Radiographer	1	36,463
	2	37,565
	3	38,684
	4	39,818
	5	40,920
	6	42,020
	7	43,161
	8	44,275
	9	45,353
	10	46,460
	11	47,602
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		48,675
Principal Social Worker	1	64,966
	2	67,953
	3	70,938
	4	73,923
	5	76,907
	6	79,896

Health Sector Grades—contd.

Grade	Incremental points	Salary
Team Leader Social Worker	1	€ 56,634
	2	58,301
	3	59,967
	4	61,634
	5	63,300
	6	64,966
	7	66,633
Professionally Qualified Social Worker	1	43,611
	2	45,782
	3	47,952
	4	50,124
	5	52,293
	6	54,462
	7	56,634
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		57,767
Social Care Worker (With Qualification)	1	33,519
	2	34,780
	3	36,053
	4	37,333
	5	38,633
	6	39,953
	7	41,264
	8	42,598
	9	43,939
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		44,818
Social Care Worker (Without Qualification)	1	33,519
	2	34,780
	3	36,053
	4	37,333
	5	38,633
	6	39,953
	7	41,264
	8	42,598
	9	43,939
General Manager/Functional Officer	1	70,520
	2	72,303
	3	75,123
	4	77,965
	5	80,784
	6	83,610
	7	86,423
Grade VII	1	47,606
	2	48,811
	3	50,223
	4	51,638
	5	53,058
	6	54,326
	7	55,618
	8	56,874
	9	58,121
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		60,270
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		62,425

Health Sector Grades—contd.

Grade	Incremental points	Salary
Grade V	1	€ 40,603
	2	41,954
	3	43,304
	4	44,654
	5	46,005
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		47,570
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		49,130
Grade III	1	23,231
	2	24,323
	3	25,411
	4	26,503
	5	27,594
	6	28,684
	7	29,772
	8	30,858
	9	31,950
	10	33,037
	11	34,132
	12	36,189
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		37,651
Ambulance Officer (Operational)	1	45,378
	2	46,514
	3	47,888
	4	50,469
	5	52,008
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		53,926
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		55,855
Emergency Medical Technician	1	28,329
	2	29,558
	3	30,394
	4	31,226
	5	32,055
	6	32,896
	7	33,728
	8	35,394
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		36,930
Workshop Supervisor/Instructor in Specialist Agencies	1	28,218
	2	29,242
	3	30,303
	4	31,402
	5	32,540
	6	33,721
	7	34,944
	8	36,211
	9	37,525
	10	38,885
	11	40,296
Senior Chef	1	27,174
	2	28,263
	3	29,304
	4	30,179
	5	31,312
	6	32,221
	7	33,212
	8	34,122
	9	35,115
	10	36,029
	11	36,942
	12	37,942
	13	39,194

Health Sector Grades—contd.

Grade	Incremental points	Salary
Chef II (With Qualification)	1	€ 25,206
	2	26,060
	3	26,852
	4	27,709
	5	28,576
	6	29,371
	7	30,236
	8	31,037
	9	31,914
	10	32,996
Chef II (Without Qualification)	1	25,206
	2	26,060
	3	26,852
	4	27,709

Defence Forces Ranks

Rank	Incremental Points	Salary
Colonel (Director of Medical Corps)	1	€ 106,316
	2	111,681
	3	117,084
	4	125,693
Lieutenant Colonel (Dentist)	1	92,504
	2	93,885
	3	95,265
	4	96,646
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		98,026
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		99,464
Lieutenant Colonel	1	72,097
	2	74,007
	3	76,158
	4	78,202
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		79,378
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		80,553
Commandant (Engineering)	1	66,224
	2	66,899
	3	69,195
	4	71,506
	5	73,811
	6	79,495
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		82,248
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		85,105
Commandant	1	58,183
	2	59,438
	3	60,681
	4	61,929
	5	63,177
	6	67,617
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		70,316
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		73,127

Defence Forces Ranks—contd.

Rank	Incremental Points	Salary
Captain (Doctor)	1	€ 65,582
	2	68,126
	3	69,404
	4	70,674
	5	71,939
	6	75,085
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		77,069
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		78,468
Captain (Dentist)	1	59,678
	2	62,842
	3	66,075
	4	67,315
	5	68,541
	6	69,063
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		74,417
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		76,113
Captain	1	45,612
	2	46,747
	3	47,873
	4	49,019
	5	50,153
	6	51,278
	7	53,742
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		55,879
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		58,125
Sergeant Major	1	43,366
	2	44,515
	3	45,665
	4	46,820
Sergeant Technician 5	1	36,975
	2	37,788
	3	38,595
	4	39,412
Sergeant	1	32,753
	2	33,566
	3	34,373
	4	35,190
Private (3 Star)	0-3 years service	24,826
	over 3 years service	25,712
	over 4 years service	26,391
	over 5 years service	27,066
	over 6 years service	28,963

Garda Síochána Ranks

Rank	Incremental Points	Salary
Chief Superintendent	On Appointment	€ 89,639
	After 1 year	93,748
	After 2 years	98,487
	After 3 years	105,014
	Long Service Increment (Payable after 3 years satisfactory service at the maximum)	
Superintendent	On Appointment	74,391
	After 1 year	77,069
	After 2 years	79,379
	After 3 years	81,687
	After 4 years	84,004
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		87,154
Inspector	On Appointment	54,180
	After 1 year	55,107
	After 2 years	56,640
	After 3 years	58,378
	After 4 years	58,378
	After 5 years	58,378
	After 6 years	60,121
Sergeant	On Appointment	46,797
	After 1 year	47,938
	After 2 years	49,127
	After 3 years	50,425
	After 4 years	50,425
	After 5 years	50,425
	After 6 years	51,741
	After 7 years	51,741
	After 8 years	51,741
	After 9 years	51,741
	After 10 years	51,741
	After 11 years	51,741
	After 12 years	53,887
Garda	On Attestation	25,794
	After 22 weeks	28,356
	After 1 year	29,927
	After 2 years	32,575
	After 3 years	36,107
	After 4 years	38,443
	After 5 years	40,556
	After 6 years	42,588
	After 7 years	42,588
	After 8 years	42,588
	After 9 years	42,588
	After 10 years	42,588
	After 11 years	44,356
	After 12 years	44,356
	After 13 years	44,356
	After 14 years	44,356
	After 15 years	44,356
After 16 years	44,356	
After 17 years	46,348	

Prison Service Grades

Grade	Incremental points	Salary
Governor Grade I	1	€ 85,769
	2	90,454
	3	95,207
	4	100,071
	5	105,090
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		107,786
Governor Grade II	1	77,639
	2	81,264
	3	84,931
	4	88,587
	5	92,364
	6	96,207
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		98,676
Governor Grade III	1	73,838
	2	77,480
	3	81,099
	4	84,743
	5	88,530
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		90,687
Deputy Governor	1	63,472
	2	65,284
	3	67,130
	4	69,012
	5	70,949
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		72,758
Assistant Governor	1	58,016
	2	59,631
	3	61,283
	4	62,935
	5	64,688
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		66,331
Chief Officer Class I	1	53,929
	2	55,433
	3	56,965
	4	58,503
	5	60,131
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		61,659
Chief Officer Class II	1	47,317
	2	48,867
	3	50,451
	4	52,053
	5	53,720
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		55,086
Assistant Chief Officer	1	42,171
	2	44,351
	3	46,574
	4	48,891
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		50,136
Nurse Officer	1	31,465
	2	32,803
	3	34,030
	4	35,259
	5	36,486
	6	37,713
	7	38,940
	8	40,167
	9	41,396
	10	42,957
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		44,072

Prison Service Grades—contd.

Grade	Incremental points	Salary
Prison Officer		€
	1	31,465
	2	32,803
	3	34,030
	4	35,259
	5	36,486
	6	37,713
	7	38,940
	8	40,167
	9	41,396
10	42,957	
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		44,072

Education Sector

Grade	Incremental points	Salary	
Teacher (Basic Common Scale)		€	
	1	31,028	
	2	32,127	
	3	33,227	
	4	34,330	
	5	36,040	
	6	37,149	
	7	38,257	
	8	41,046	
	9	42,439	
	10	44,104	
	11	45,761	
	12	47,430	
	13	48,825	
	14	50,673	
	15	50,673	
	16	50,673	
	17	53,221	
	18	53,221	
	19	53,221	
	20	53,221	
	21	56,588	
	22	56,588	
	23	56,588	
	24	56,588	
25	60,308		
Assistant Principal Allowance (Primary and Post-Primary)		8,536	
Grade	Category	Allowance	
Principal Allowance (Primary)		€	
		Category I	9,328
		II	10,452
		III	12,261
		IV	14,387
		V	16,737
		VI	19,120
		VII	21,427
		VIII	23,759
		IX	25,475
		X	27,249
	XI	29,833	

Education Sector Grades—contd.

Grade	Category	Allowance
Principal Allowance (Post-Primary)		€
	Category I	9,328
	II	10,452
	III	12,261
	IV	14,387
	V	16,737
	VI	19,120
	VII	21,427
	VIII	23,759
	IX	25,475
	X	27,249
	XI	29,833
	XII	31,580
	XIII	34,959
	XIV	36,099
	XV	39,154
	XVI	40,854
XVII	42,550	
Grade	Incremental points	Salary
Adult Education Officer		€
	1	50,025
	2	52,409
	3	54,792
	4	57,175
	5	59,557
	6	61,938
	7	64,323
	8	66,704
	9	69,085
	10	71,465
	11	73,850
	12	76,232
13	79,807	
Youthreach Co-ordinator	1	36,487
	2	39,936
	3	43,376
	4	47,582
	5	50,220
	6	53,654
	7	57,067
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		59,701
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		61,635
Youthreach Resource Person	1	30,127
	2	32,094
	3	34,067
	4	36,045
	5	38,029
	6	40,017
	7	42,010
	8	44,010
	9	46,013
	10	48,024
	11	50,176
Long Service Increment 1 (Payable after 3 years satisfactory service at the maximum)		51,962
Long Service Increment 2 (Payable after 6 years satisfactory service at the maximum)		53,752

Education Sector Grades—contd.

Grade	Incremental points	Salary
Special Needs Assistant		€
	1	23,232
	2	24,324
	3	25,411
	4	26,502
	5	27,595
	6	28,684
	7	29,772
	8	30,857
	9	31,950
	10	33,037
	11	34,130
12	36,189	
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		37,650

Education Sector Third Level: Institutes of Technology sector

Grade	Incremental points	Salary
Registrar, Secretary/Financial Controller and Head of Development in Cork, Waterford, Galway/Mayo, Limerick, Sligo, Athlone and Dundalk.		€
	1	92,501
	2	95,747
	3	98,993
	4	102,242
	5	105,489
	6	108,734
	7	112,233
	8	115,503
9	118,974	
Registrar, Secretary/Financial Controller and Head of Development in other Institutes of Technology	1	89,136
	2	92,267
	3	95,391
	4	98,521
	5	101,654
	6	104,785
	7	108,151
	8	111,301
	9	114,646

Education Sector Grades—contd.

Academic Staff in Institutes of Technology	Incremental points	Salary
Senior Lecturer III		€
	1	84,092
	2	87,043
	3	89,995
	4	92,948
	5	95,901
	6	98,853
	7	102,027
	8	105,003
9	108,157	
Structured Lecturer	1	54,389
	2	56,977
	3	67,038
	4	69,396
	5	71,757
	6	74,129
	7	76,513
	8	78,880
	9	81,245
	10	83,621
	11	85,992
Lecturer	1	54,389
	2	56,977
	3	67,038
	4	69,396
	5	71,757
	6	74,129
	7	76,513
	8	78,880
	9	81,245
	10	83,621
	11	85,992

Technical Grades in DIT and Institutes of Technology	Incremental points	Salary
Technical Officer Scale A		€
	1	34,380
	2	35,405
	3	36,373
	4	38,669
	5	41,155
	6	42,936
	7	44,792
	8	46,612
	9	48,441
	10	50,751
	11	52,590
	12	54,580
	13	56,572
14	58,512	
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		59,781
Technical Officer Scale B	1	34,727
	2	35,759
	3	36,739
	4	39,062
	5	41,527
	6	43,319
	7	45,184
	8	47,033
	9	48,880
	10	51,209
	11	53,064
	12	55,076
	13	57,085
	14	59,049
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		60,328

The Body was asked to examine the following grades in the university sector:

- Assistant/Junior/Below Bar Lecturer
- (College) Lecturer
- Statutory/Senior Lecturer
- Associate Professor (excluding Associate Professor, NUI Galway)
- Technical Officer (UCD, TCD, NUI Galway, DCU and University of Limerick)
- Senior Technical Officer (UCD, TCD, NUI Galway, DCU and University of Limerick)
- Chief Technical Officer (UCD, TCD, NUI Galway, DCU and University of Limerick)
- Senior Experimental Officer, TCD

There are some variations in the salaries payable in the different universities and, in the case of the academic grades, some differences in titles. For illustration purposes the scales applying in UCD are shown.

The scales shown apply to persons recruited since 6 April 1995 who make an employee contribution in respect of personal superannuation benefits.

Academic Grades in UCD	Incremental points	Salary
Associate Professor		€
	1	85,102
	2	90,825
	3	96,560
	4	102,288
	5	108,023
Senior Lecturer	6	113,750
	1	68,541
	2	72,595
	3	76,639
	4	80,664
	5	84,701
	6	88,751
	7	92,781
College Lecturer	8	96,795
	1	51,508
	2	53,330
	3	63,093
	4	68,202
	5	73,307
	6	78,411
Assistant Lecturer	7	83,497
	1	35,609
	2	37,795
	3	40,035
	4	41,938
	5	43,815
	6	45,704
	7	47,590
	8	49,544
	9	51,510
	10	53,457
	11	55,510
12	57,471	

Technical Grades in UCD	Incremental points	Salary
Chief Technical Officer	1	€ 57,549
	2	59,289
	3	60,974
	4	62,722
	5	64,529
	6	66,290
Senior Technical Officer	1	48,990
	2	51,126
	3	53,386
	4	55,710
	5	58,113
Long Service Increment (Payable after 3 years satisfactory service at the maximum)		59,250
Technical Officer	1	40,615
	2	42,614
	3	44,765
	4	46,851
	5	49,014

Allowances payable to Public Service grades

Standard allowances which apply to all members of certain public service grades or to a significant section of these grades are shown below. Other allowances may be payable to some members of grades only where individuals perform duties over and above the normal duties of the grades.

All the rates shown include the second phase (with effect from 1 June 2007 unless otherwise stated) of the increases due under the public service pay agreement associated with Towards 2016.

Allowances payable in the civil service

There are no standard allowances payable to any of the 10 grades examined in the civil service.

Allowances payable in the local authorities

There are no standard allowances payable to any of the 9 grades examined in the local authority sector.

Allowances payable in the health sector

Certain grades in the health sector which were examined by the Public Service Benchmarking Body are in receipt of various standard allowances. Examples of such allowances are set out below.

Staff Nurse, Clinical Nurse Manager II, Clinical Nurse Manager III and Assistant Director of Nursing (Non-Band 1 Hospitals)

- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.

Public Health Nurse

- A Specialist Qualification allowance of €2,796 per annum is payable to all Public Health Nurses.

Biochemist and Senior Biochemist

A qualification allowance (only one) is payable to the grades of Biochemist and Senior Biochemist, as follows:

- Hons. B.Sc. €1,011 per annum; or
- M.Sc. €2,020 per annum; or
- Ph.D €2,634 per annum.

Ambulance Officer (Operational)

- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week;
- Shift allowance (Time + $\frac{1}{6}$) may be payable subject to pattern of work.

Emergency Medical Technician

- A cardiac allowance of €16.92 per week is payable;
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.
- Shift allowance (Time + $\frac{1}{6}$) when working a continuous rotating shift pattern.

Radiographer, Senior Radiographer and Radiography Service Manager II

A qualification allowance (only one) is payable to Radiographers where a diploma is relevant to their occupation. The allowances are as follows:

- Higher Diploma of the College of Radiography €914 per annum; or
- Diploma in Ultrasound €457 per annum; or
- Diploma in Nuclear Medicine €457 per annum.

Senior House Officer and Senior Registrar (effective from 1 July 2007)

- Qualification allowance: either Higher Degree allowance of €3,053 per annum or Diploma allowance of €1,050 per annum;
- Living out allowance €61.32 per week

Specialist Registrar (effective from 1 July 2007)

- Qualification allowance: Higher Degree allowance of €3,053 per annum.

Allowances payable in the Defence Forces

Private (3 Star)

- Military Service allowance of €115.66 per week is payable to Privates with 3 or more years service. For Privates with less than 3 years' service, the allowance is €41.65 per week.

Sergeant

- Military Service allowance of €115.66 per week.

Sergeant Technician 5

- Military Service allowance of €115.66 per week; and
- Technician Group 5 allowance of €80.91 per week. The salary scale shown for the Sergeant Technician 5 in this Appendix includes this allowance.

Sergeant Major

- Military Service allowance of €123.11 per week.

Captain

- Military Service allowance of €4,739 per annum.

Captain (Dentist) and Captain (Doctor)

- Military Service allowance of €4,583 per annum.

Commandant

- Military Service allowance of €5,029 per annum.

Commandant (Engineer)

- Military Service allowance of €5,116 per annum.

Lieutenant Colonel

- Military Service allowance of €4,940 per annum.

Lieutenant Colonel (Dentist)

- Military Service allowance of €4,561 per annum.

Colonel (Director of Medical Corps)

- Military Service allowance of €5,082 per annum.

Allowances payable in the Garda Síochána

Garda, Sergeant and Inspector

- Rent allowance of €4,163 per annum; and
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.

Garda Superintendent

- Rent allowance of €4,163 per annum; and
- Availability allowance of €8,341 per annum.

Chief Superintendent

- Rent allowance of €4,163 per annum; and
- Availability allowance of €10,486 per annum.

Allowances payable in the Irish Prison Service

Prison Officer

- Rent allowance of €4,237 per annum;
- An operational allowance of 8% of salary; and
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.

Nurse Officer

- Rent allowance of €4,237 per annum;
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.
- An operational allowance of 8% of salary; and
- Nurse Officer allowance of €5,243 per annum.

Assistant Chief Officer

- Rent allowance of €4,237 per annum;
- An operational allowance of 8% of salary; and
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.

Chief Officer II

- Rent allowance of €4,237 per annum;
- An operational allowance of 8% of salary; and
- Unsocial hours payments for night duty (Time + $\frac{1}{4}$ for hours worked from 8 p.m. to 8 a.m.), Sundays & Public Holidays (Time + 100%), Saturday duty (Time + €15.02), and Time + $\frac{1}{6}$ for hours worked between 6 p.m. and 8 p.m. as part of a standard working week.

Chief Officer I

- Rent allowance of €4,237 per annum;
- Duty allowance of €6,075 per annum; and
- An operational allowance of 8% of salary.

Assistant Governor

- Rent allowance of €4,237 per annum;
- Duty allowance of €6,683 per annum; and
- An operational allowance of 8% of salary.

Deputy Governor

- Rent allowance of €4,237 per annum;
- Duty allowance of €7,289 per annum; and
- An operational allowance of 8% of salary.

Governor Grade I

- Rent allowance of €4,237 per annum;
- Duty allowance of €7,488 per annum; and
- An operational allowance of 8% of salary.

Governor Grade II

- Rent allowance of €4,237 per annum;
- Duty allowance of €6,844 per annum; and
- An operational allowance of 8% of salary.

Governor Grade III

- Rent allowance of €4,237 per annum;
- Duty allowance of €6,200 per annum; and
- An operational allowance of 8% of salary.

Allowances payable in the Education Sector

Certain grades in the education sector which were examined by the Public Service Benchmarking Body are in receipt of allowances. Where allowances are payable, examples of these are set out below.

Teacher

- A qualification allowance of €1,846* per annum.

Assistant Principal Primary/Post-Primary Schools

- A qualification allowance of €1,846* per annum; and
- A responsibility allowance of €8,536 per annum (as shown earlier in the appendix).

Principal of Primary/Post-Primary Schools

- A qualification allowance of €1,846* per annum; and
- A responsibility allowance as shown earlier in the appendix and outlined in Chapter 14 of this report.

Youthreach Resource Person

- A qualification allowance which depends on the level of qualification. The allowances are: Degree €3,016, Diploma €2,015, Certificate €1,005.

Youthreach Co-ordinator

- A qualification allowance which depends on the level of qualification. The allowances are: Degree €3,016, Diploma €2,015, Certificate €1,005.

Structured Lecturer in Institutes of Technology

- A Supervising allowance of €2,133 per annum is payable.

*Applicable to a primary degree (pass). Higher allowances may be payable for other qualifications.

APPENDIX 3

Submissions Received

Written submissions were received from the groups/persons listed below. Those marked with an asterisk (*) also attended oral hearings. Some groups attended more than one oral hearing in relation to different grades.

Submissions received from groups/persons

- *AMICUS
- *Association of Garda Chief Superintendents
- *Association of Garda Sergeants and Inspectors
- *Association of Garda Superintendents
- *Association of Higher Civil & Public Servants
- *Association of Secondary Teachers in Ireland
- Association of Town Clerks of Ireland
- Chief Trades Officers
- *Civil Public & Services Union
- *Council of Directors of Institutes of Technology
- *Department of Defence
- *Department of Education and Science
- *Department of Finance
- *Department of Justice, Equality and Law Reform
- *Dublin Institute of Technology
- Engineers Ireland
- Farrell, Michael
- Feeley, Úna
- Foley, Conor
- Gavin, David
- *Garda Representative Association
- Goff, Pat
- Hayes, Dr. Edward
- Hayes, Jim
- *Health Service Executive
- *Health Service Executive – Employers Agency
- *Higher Education Authority
- Houlihan, Patrick / Neary, Franc (Joint Submission)

Irish Association of Directors of Nursing and Midwifery

- *Irish Business & Employers Confederation
- *Irish Congress of Trade Unions – Public Services Committee
- *Irish Dental Association
- *Irish Federation of University Teachers
- *Irish Medical Organisation
- *Irish Municipal Public and Civil Trade Union
- *Irish National Teachers’ Organisation
- *Irish Nurses Organisation
- Irish Primary Principals’ Network
- *Irish Prison Service
- Irish Small & Medium Enterprises Association
- Irish Universities Association
- Kavanagh, Shea
- Lavelle, Conn
- Law Agents in the Local Authority Service
- *Local Government Management Services Board
- McCabe, Brendan
- McDermott, John
- McGowan, Jean
- Meagher, Pat
- *Medical Laboratory Scientists Association
- Munster CO2 Ltd
- Murphy, Gerry
- National Association of Principals & Deputy Principals
- O’Brien, Gerry
- *Office of Public Works
- O’Halloran, Jerry
- O’Mahony, Virginia
- Ó Muirthile, M.F.
- *Permanent Defence Forces Other Ranks Representative Association
- *Prison Officers’ Association
- *Psychiatric Nurses Association
- *Public Service Executive Union
- Quirke, C.W.
- Rehab Group
- *Representative Association of Commissioned Officers
- Ryan, Ann
- *Services, Industrial, Professional & Technical Union
- Shelley, Aidan & Nuala
- *Teachers’ Union of Ireland

Executive summaries of submissions from the Public Service Employers and the Public Services Committee of the Irish Congress of Trade Unions

(The full text of these submissions is available on the Body's website, (www.benchmarking.gov.ie).

Submission to the Public Service Benchmarking Body by the Public Service Employers.

Summary of key points

- (I) The basic Government policy on public service pay is that the public service should be in a position to attract and retain its fair share of good quality staff at all levels. It should neither lead the market nor trail it. It is submitted that this is a sound underlying principle for the Benchmarking Body to adopt in its examination.
- (II) The public service employers would also urge the Benchmarking Body to regard competitiveness as a central criterion to be adopted in its work. In this context competitiveness has a number of implications:
 - (a) the need for the public service to be able to compete in the labour market while at the same time not bidding up the price of labour,
 - (b) the need for a rigorous assessment by the Benchmarking Body of what constitutes an appropriate market rate and
 - (c) the need to avoid public service pay increases damaging competitiveness either by provoking follow on increases in the private sector or by unduly increasing the overall cost of public service pay with consequent negative effects on taxation and the scope for necessary public investment elsewhere.
- (III) The public service employers are not aware of any clear evidence of significant upward drift in pay levels in the wider economy since the Benchmarking Body completed its first report in 2002. If the Benchmarking Body concludes that no increase is warranted in the pay of some or most or all of the grades which it is to examine it should so report.
- (IV) There have been a number of reports indicating that public service pay has moved ahead of that in the private sector. While these reports tend to deal with the public service in general rather than job-specific terms, taken together they constitute an important viewpoint which merits serious consideration.
- (V) The terms of reference for this benchmarking review provide that the Benchmarking Body in its work should have regard to the differences between the public service and the private sector and between the various public service groups within its remit in terms of working conditions, the organization of work, perquisites, and conditions of employment and other relevant benefits, including security of tenure and superannuation benefits. This submission

describes a range of the conditions applying across the public service. It demonstrates that in a number of areas, particularly in relation to family-friendly and work-life balance issues, the public service is a favourable employment at the leading end of what is available in the economy generally.

- (VI) In this regard the Benchmarking Body is asked to give particular attention to the question of superannuation. Pensions are becoming more expensive for private sector employers to fund and many firms are having difficulty in meeting their obligations under defined benefit schemes. There is clear evidence of a shift towards defined contribution schemes where the pension payable is determined by the yield on the amount invested. Against that the standard public service pension, a defined benefit scheme based on final salary and with post-retirement increases based on subsequent increases in that final salary, is obviously very attractive. There is strong prima facie evidence that the relative value of public service pensions is greater now than was the case even in the recent past. The Benchmarking Body should ensure that full account is taken and appropriate adjustments made for the relatively greater value of public service pension terms when recommending pay rates.
- (VII) Another important feature of public service employment to which the Benchmarking Body should have particular regard is security of tenure. This is in contrast to the private sector where there is a threat of job loss if a particular business runs into difficulties or is restructuring.

Submission to the Public Service Benchmarking Body by the ICTU Public Services Committee

Executive Summary

Introduction

The ICTU PSC submission addresses the ground rules that should apply to the work of the PSBB but does not go into the details of cases that will be made by unions in respect of public service grades and categories examined by the PSBB and are relevant to the issues covered below in Equity between the Public Service and the Private Sector, Internal Relativities and Relevant Third Party Recommendations.

Background to the Second Benchmarking Exercise

Prior to 1987, the pay of public service “marker grades” was determined by direct comparison with private sector workers who did equivalent work or work of equal value. Other public servants tended to have their pay determined by reference to these “marker grades” through a system of specific or general sectoral and cross-sectoral pay linkages and relativities. The system was generally considered to be fair to public servants and taxpayers although, because different bodies determined the pay of “marker grades” at different times, inconsistencies arose. These were difficult to justify objectively and were destabilising in industrial relations terms. There were also occasional claims from non-marker grades for increases above those granted to their “marker grade”.

The Programme for Competitiveness and Work (PCW) allowed local bargaining to secure increases above the general increases allowed in the deal. These reviews were not based on comparisons with the private sector. This set off a chain of demands based on relativities, which was accompanied by enormous industrial relations problems and had a capacity to repeat itself indefinitely. It became clear that it was impossible to set the pay of one group of public servants in isolation from others.

There was also widespread dissatisfaction among public servants because private sector pay was drifting well above norms set in the national agreements, PCW outcomes for some public servants

were far less favourable than others, and some public servants already had a means of determining their pay by reference to the private sector.

The Programme for Prosperity and Fairness (PPF) established the benchmarking process to resolve these issues by setting pay with reference to the private sector. A single body would make pay recommendations for all grades and categories at the same time and using the same information, with recommendations supported by objective research on pay and jobs in the private sector and public service.

The first PSBB report had the effect of “severing all previous pay links and establishing new absolute levels of pay” for grades comprehended in the benchmarking process. The pre-Benchmarking problems described above would reassert themselves if the benchmarking process collapsed.

Status and Terms of Reference of the Benchmarking Body

The PSBB is a body brought into existence by an agreement between the parties to the PPF and subsequent national partnership agreements. It is not a standing public service body with an existence independent of the parties. It is, therefore, required to work within the parameters set by the parties, i.e., the Department of Finance and other public service employers on the one hand and the ICTU Public Services Committee on the other. The terms of reference for the second benchmarking exercise are fundamentally similar to those of the first exercise.

Research on Overall Levels of Pay

Overall pay rates in different sectors are relatively meaningless unless they take account of the occupational make-up of those sectors. Comparisons of CSO figures for average industrial earnings and average earnings in the public service do not take account of the occupational make-up of the sectors. Revenue data on income levels does not distinguish between different sectors and could not be used for the PSBB’s purpose. An examination of the actual jobs carried out by public servants under review with reference to the position of actual jobs in the private sector is required, rather than a theoretical construct across the two sectors that has no relevance to the task of the PSBB.

Research on Pay and Jobs in Private and Public Sectors

It is essential that the PSBB undertake research into the pay and jobs of each of the categories under review, together with research on the pay and jobs of private sector staff, to establish and “price” the private sector jobs that are comparable with the public service jobs under review. This should cover current pay levels and pay movements over time in order to address the relative fall in pay positions over time, which will likely feature in union submissions.

The PSBB should be guided primarily by information secured in its own research to avoid comparisons based only on similar titles or superficially similar roles. As far as possible, the PSBB should use the same range of employments to draw up comparisons for all grades and categories and should focus on large employments, which are likely to have a complete range of comparable jobs and are themselves more likely to be similar to the public service and compete with it for recruitment purposes. Employers selected for comparison should be “good employers” since the Public Service itself should be a “good employer” in the sense that while it may not pay the highest rates of remuneration it should be among those that pay somewhat above the average, in line with the Priestly Commission definition of a “good employer.”

Technical Aspects of Job Surveys

The purpose of the PSBB's job surveys is to identify jobs in the private sector that are comparable with jobs in the public service. The ICTU PSC supports the approach taken by the PSBB in the first exercise, when it developed its own job evaluation scheme and undertook its own confidential survey after concluding that "publicly available and privately held information on salaries in the private sector did not meet the requirements of the Body as set down in the terms of reference." The PSC also supports a similar approach to factors and weighting applied in the PSBB's job evaluation scheme, although the factor of "complexity" needs to take account of the consequences of a person's actions as well as complexity in the normally understood sense. The overall pay levels in a grading structure also have to make sense and the PSBB's terms of reference specifically recognise that internal relativities come into play here.

Reward Systems

All public service pay increases are dependent on the implementation of modernisation and change set out in national agreements.

The introduction of performance-related pay systems is unlikely to be viable in the public service, which lacks the systems required to implement them. Performance-related pay would result in the break-up of national pay scales, could be incompatible with the public service ethos, and would be completely unacceptable to the PSC. It is not the role of a third party, including the PSBB, to recommend changes to the pay system, which, if they were to be considered at some stage, would have to be negotiated between the parties to existing agreements.

There are too many variables outside the control of staff to make performance-related pay viable at the level of Government Departments or equivalent public service bodies. It is also questionable whether performance-related pay would be viable at team or group level. There is a mixed experience with individual performance-related pay in other public administrations.

A 2005 OECD report into *Performance-Related Pay Policies for Government Employees*, found that implementation was complex and difficult and that performance pay had little value as a means of motivating public servants to enhance service quality. It said that many studies had concluded that performance-related pay had a limited – and sometimes negative – impact on performance and that the key argument in favour of performance-related pay was that it had a side effect of facilitating other managerial and organisational change.

The introduction of the Civil Service Performance Management and Development System (which is summarised in paragraph 10.11 of this submission) is currently achieving managerial and organisational change, rendering performance-related pay entirely irrelevant to our circumstances, even by the standards of one of its chief proponents, the OECD. The adaptation or wider introduction of the Civil Service PMDS would have to result from direct negotiations between the parties and could not be introduced by a third party such as the PSBB.

Any system relating pay to performance could not be a replacement for general rounds of pay increases or exercises such as benchmarking. The PSC urges caution on the PSBB as regards any changes from the principle of incremental structures.

Criteria – Recruitment, Retention and Motivation

It is facile to suggest that pay rates are adequate unless the public service is unable to recruit staff. The real issue is whether the public service can attract, and retain its fair share of the "brightest and the best." This requires pay rates to be, and remain, competitive with the private sector as shown by fair

comparison. Similarly, motivation of staff requires that they believe they are being paid on the basis of fair comparison. In essence, recruitment, retention and motivation are part and parcel of the application of the fair comparison principle.

Criteria – Supporting Public Service Modernisation and Change

The ICTU PSC is committed to the provision in the public service pay agreement that commits the parties to public service modernisation and change, but sees no role for the PSBB in seeking to link specific major changes to the implementation of its recommendations. The first report of the PSBB concluded that it was not practical to do so as it “would require the Body to assess the position in regard to flexibility, change and modernisation for each particular employment throughout the public service.”

It met its requirement to contribute to public service modernisation, set out in the terms of reference, by strongly recommending that the implementation of its pay awards should be made conditional on the implementation of agreed modernisation, change and flexibility, including areas identified by the PSBB. Under Sustaining Progress, detailed modernisation requirements were subsequently agreed for each part of the public service and payment of all pay awards, including benchmarking adjustments and general increases, were made conditional on independent verification that public servants and their unions has co-operated with them.

The PSC cannot see how the Benchmarking Body could seek, as part of its recommendations, to introduce specific change measures as there is no way in which the Body could effectively devise specific programmes of change in all the sectors of the Public Service. Fundamentally, the next phase of the Public Service Modernisation Programme will be a matter for the parties to address and not something for the Benchmarking Body to seek to introduce in a specific way by means of its recommendations.

Criteria – Underpinning Competitiveness

The first report of the PSBB made it clear that its recommendations were based on a belief that “the public service should not lead the private sector in matters of reward” and that no private sector claim should arise from the Body’s recommendations. Given the current robust exchequer position, the PSC does not see the competitiveness criterion as being in any way limiting on the PSBB.

Criteria – Cross Sectoral Relativities

Sustaining Progress reiterated that “cross-sectoral relativities are incompatible with the benchmarking process,” although the terms of reference for the first benchmarking exercise recognised that “in practice, wide variations would be unlikely to emerge between the various sectors in the pay of common groups such as clerical and administrative staff, engineers and technicians.” The PSC supports a similar approach in this exercise. Neither should the PSBB feel constrained against maintaining pay relationships if this would be a reasonable outcome in terms of reference to the private sector and other relevant industrial relations considerations in particular circumstances. There are some categories where it may be more appropriate to relate pay to staff doing similar work in another sector than to staff within a sector.

Criteria – Conditions of Employment

The recommendations of the first PSBB report explicitly took account of public service conditions of employment like security of tenure and pensions arrangements.

Given that there is full employment in the economy, any value attached to security of tenure in this exercise should be very small indeed. Furthermore, a series of legislative changes have been enacted

in the public service in recent years with the stated purpose of equalising public servants' tenure arrangements with those of employees generally.

The Commission on Public Service Pensions reported in 2000 after five years of exhaustive examination from the point of view of costs, sustainability, and comparisons with the private sector and public services abroad. It came to the view that the basic pension structures and benefits should be retained, with some refinement for new staff.

The first benchmarking body made a deduction from the initial pay rates suggested by the comparison between the public and private sectors to account for differences in pensions. This is a logical approach to the issue, provided there is a clear difference involved. A study of data available suggests a "new entrant" public service pension rate of just under 15% of salary, taking account of both employer and employee contributions. This does not take account of the recent public service pension age changes, enacted in 2004, which the Commission on Public Service Pensions estimated would reduce the general "new entrant" public service pension rate by 2% and more for others. Taking account of all categories, it is reasonable to estimate the overall reduction in the new entrant rate at between 2.5% and 3% – say 2.7%.

The PSC has also used available pension calculator tools to estimate the required contributions over a working life to produce a particular pension benefit at age 60, and to compare that contribution to that required to produce the same amount at age 65. This also suggests the new entrant rate should be significantly reduced to take account of the increase in pension age, although it is difficult to be precise about the figure.

On the basis of the Commission's report, then, the overall pension cost of a new entrant would be 12.3% of pay if there were a funded public service pension scheme. The staff contribution would be in the order of 5% of pay and the net cost to the exchequer in the order of 7% of pay. This cost has to be seen in the context that the Public Service must be a "good employer". Recent Labour Court findings on the introduction of pension schemes in the case of employers that could not be classed as "good employers" have set employer and employee contributions at 5% of pay – a 2% difference in employer contributions in organisations that, by definition, cannot be regarded as "good employers." This suggests that the quantum of any deduction made by the PSBB in respect of pensions for the groups within its remit should be nil.

The value of a private sector pension based on an accrual rate of 1/60th per year of service can be more favourable than a public service scheme where the benefit is based on an annual pension based on an accrual rate of 1/80th per year of service plus a lump sum. In addition, the effect of co-ordination of Public Service Pensions with the Social Insurance System has had the effect of reducing the cost of occupational pensions.

Reference Point for Comparison with the Private Sector

There is likely to be a spread of private sector pay comparisons and the appropriate reference point for public service pay is in the range between the median and upper quartile of comparable private sector rates. This would ensure that public service employers were "good employers" and that the public sector did not lead the private sector in pay terms, in line with the principles established by the Priestly Commission.

Transparency

There is a need to balance the need for greater transparency with the need to ensure the confidentiality of sources of private sector information and the necessity to ensure that the PSBB report is final and not the basis for further argument and debate. It might be possible to publish certain findings in

summary form to illustrate the basis for the recommendations without breaching confidentiality. The PSBB should write its report with an eye to finality.

International Comparisons and Scope of the Private Sector

In general terms, the PSC cannot see that international comparisons would be of value to the benchmarking process in terms of setting rates, although there may be particular categories that operate in wider labour markets than the Irish State.

The “private sector” should include the commercial semi-state companies.

APPENDIX 5

Job Evaluation Questionnaire (V2/06)

Ref. No. <i>For Office Use Only</i>	
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SECTION A

Job Holder's Name	
Department	
Contact Phone No.	

Line Manager's Name	
Department	
Contact Phone No.	

Job Title	Grade	
Overall Job Purpose		

Key Tasks	Approximate % Of Time
1.	
2.	
3.	
4.	
5.	

Please sign below on completion of the Questionnaire.

We confirm that this questionnaire contains a fair, accurate and unbiased representation of the job and that we have mutually agreed its content.	
Signature of Jobholder:	Date:
Signature of immediate Supervisor/Line Manager:	
Date:	

1. INTRODUCTION

Job Evaluation is a systematic process for assessing the relative size of jobs both within and across organisations, based on the demands and responsibilities of those jobs. All organisations make decisions, by one means or another, about the relative importance of jobs. The purpose of formal job evaluation is to do this in a way that is consistent and fair. The results of this study will be used to make comparisons both within the public sector and with the private sector. Please note that in completing this form you will be contributing to *aggregate* results and your details will *not* be used in isolation, nor will you be identified after the forms have been checked, at any time during the analysis.

Successful implementation of a job evaluation scheme relies heavily on collecting accurate and consistent information about the jobs. In order to support this process:

1. *The questionnaire has been designed and tested to allow all jobs to be described fully and accurately.*
2. *Guidance notes have been prepared to provide help with questionnaire completion.*
3. *A facilitator will be available to answer questions and ensure that consistency is maintained.*
4. *Both the jobholder and his/her immediate supervisor will be responsible for providing the information. The supervisor is the person immediately responsible for the setting and monitoring of objectives.*
5. *The job as performed correctly is what should be considered, not how individuals perform in that job (good or bad).*

*It is important to emphasise that the process is concerned with **job content** – it is **not concerned with the people doing those jobs or how well the job is done**. A key part of the process therefore involves the gathering of accurate and consistent job information. This questionnaire has been developed and tested to support that part of the process. It and the underlying system are designed to be equitable across all jobs recognising balance and fairness in all aspects of diversity in the workplace.*

Once job information has been collected for all the jobs concerned, trained and experienced job analysts will examine all the questionnaires to ensure they have been fully completed. In assessing responses, data will be compared between all completed questionnaires in order to ensure that the responses are reasonable and appropriate. Where there is a need for clarification, the job holder and supervisor may be contacted for further information.

2. GUIDELINES FOR COMPLETION

The best approach will usually be for the job holder to complete the questionnaire initially and then for the job holder and their supervisor/line manager to mutually discuss, amend as necessary, and agree its contents.

On completion, the jobholder and supervisor/line manager should each sign the questionnaire at Section A, confirming that it gives a fair and accurate representation of the job.

SECTION A

Please provide:

- Name, Department and Telephone Number.
- Job Title.
- Overall Job Purpose: This is a brief statement of what the job is there to achieve (a single sentence should be sufficient).
- Key Tasks: please indicate up to 5 main activities that make up the job. This helps anyone reading the questionnaire to gain a broad understanding of what the job entails.

SECTION B

This is the part of the questionnaire used in evaluating the job. The most rigorous job evaluation schemes analyse jobs under a number of factors to arrive at an overall measure of size or importance of that job. This is the approach adopted by the PSBB and it is reflected in the questionnaire.

You will see that the questionnaire has seven main headings:

1. Knowledge and Skills
2. Judgement
3. Leadership/Teamwork
4. Accountability and Responsibility
5. Interpersonal/Communication Skills
6. Physical Demands & Co-ordination
7. Conditions & Emotional Demands

These generic job factors apply, in differing degrees, to all the jobs being evaluated and in the following pages these degrees are set out in ascending order. The questions have a simple 'tick box' format. You are asked to look carefully at the range of possible responses and select the one that best describes the job. In most cases you are asked to give examples to illustrate your response. Please limit the examples to no more than 3 or 4 in number, unless you have strong reason for giving more.

Space is provided at the end of the questionnaire, should you wish to make any points to support the responses made earlier. It is not essential that you provide further information in this space. Any written job description material which could assist in the evaluation of the post may be appended as appropriate.

Please remember to:

- Concentrate on the job you are required to do – *not* on yourself or your attributes.
- Take a balanced view – concentrate on the typical job requirements, not one-off or rare events.
- Answer all the questions in order to give a full picture of the job.

SECTION B

1. KNOWLEDGE AND SKILLS

This section asks about the educational qualifications, length of experience (including acquisition of broader skills) and knowledge required to perform your job to a competent standard.

1A Education

What is the expected level of formal education the job holder is likely to require for entry to the job?

Note: This is asking about the qualifications someone is likely to possess to be able to perform the job to a competent standard, not the qualifications that you have gained yourself.

tick 1 box only

- No formal qualifications.
- Junior Certificate.
- Leaving Certificate.
- National Certificate, Diploma, Apprenticeship.
- Bachelor's degree or equivalent professional qualification.
- Bachelor's degree plus Practising Certificate or equivalent professional qualification.
- Master's degree, Bachelor's degree plus qualification for self-regulating profession or equivalent, all chartered professions and post graduate professional qualifications.
- Doctorate or higher.

Please give reasons for your selection of the education level.

1. KNOWLEDGE AND SKILLS – (Cont/d)

1B Experience

What length of directly job related or other general experience is required to achieve a competent standard in the job? 'Experience' includes the time required to qualify for the position *beyond* (not including) any educational requirement, and the length of time to reach a competent standard.

*Note: This is asking about the (minimum) experience required to reach a competent (not expert) standard in the current role. This should include the length of time taken to learn any previous jobs necessary to progress to your current role – **not** the length of time you have been doing the job, nor the length of time taken to obtain qualifications.*

tick 1 box only

- Up to 3 months.

- 3 to 6 months.

- 6 months to 1 year.

- 1 to 3 years.

- 3 to 5 years.

- 5 to 7 years.

- 7 to 10 years.

- Around 15 years.

Please give reasons for your selection of the length of time.

1. KNOWLEDGE AND SKILLS – (Cont/d)

1C Application of Skills

What level of administrative, operational, professional or technical skill is required to carry out your job satisfactorily?

tick 1 box only

- Basic skills required to perform straightforward tasks to carry out routine administrative or operational work.
- The skills to apply clearly defined procedures, processes or techniques in a work area and answering queries internally and externally.
- The skills to apply and understand a variety of techniques or practices to a level where guidance can be given to immediate work colleagues or externally.
- Specialised knowledge and skills, with a sound understanding of underlying theory and principles, to a level which permits specialist guidance to others outside immediate work area.
- Expert knowledge and skills, which are drawn upon from a wide range of bodies.
- Professional and technical expertise at a level where advice is sought by other experts in the field.

Please give examples of typical tasks illustrating the level indicated above.

2. JUDGEMENT

2A Precedent and Practice

To what extent is guidance available to you from other people, instructions or precedent and practice?

Note: This relates to the expected/standard job task performed and not to one-off events which are rarely encountered.

tick 1 box only

- Clear, detailed guidance or procedures cover virtually all situations, stating what is required.
- Guidance or procedures cover most situations. There is occasionally a need to rely on previous experience or precedent in deciding what is required.
- Guidance or standards are generally available, but there is a need to research and interpret information in making decisions, though the course of action is usually clear, and based around standard practices.
- Precedent is not always available. Standards are not generally clearly defined. There is a regular need to exercise own judgement and experience in arriving at decisions.
- Little precedent is available. Most key decisions and actions tend to be based around general policy and wide experience, rather than a normal cycle of events. There is a significant need to exercise own judgement and experience in arriving at decisions.
- Little or no precedent is available. All key decisions and actions are based around broad principles and the use of judgement and wide experience is fundamental to the job.

Please give examples of the unusual and non-recurring aspects that you are likely to encounter in your work.

2. JUDGEMENT – (Cont/d)

2B Variety of Problems

How routine or varied are the problems/work situations you deal with?

Note: This seeks a view on the nature of the job on a day-to-day basis and not seldom encountered extremes.

tick 1 box only

- The work is routine, with little or no variation.
- Work is largely routine but with some variety/diversity.
- Work patterns vary with occasional problems.
- Issues arising can be diverse in type and present the job holder with some novel situations to understand and resolve.
- The work situation is highly diverse and most problems encountered are individual and new in their nature.
- The work situation and problems encountered are all highly diverse and the job holder can be required to resolve significant issues that are unique.

Please give examples to illustrate the range of problems you typically encounter.

2. JUDGEMENT – (Cont/d)

2C Creativity/Complexity

How straightforward or complex are the problems you encounter?

tick 1 box only

- The work is very straightforward, well defined and pre-planned.
- Work is mostly straightforward, without complexity.
- There is some complexity, with a need to use individual initiative to arrive at solutions.
- New or complex situations are regularly encountered, which *may* require innovative or specialist solutions.
- The job holder is required to resolve complex issues which are highly specialised.
- A high level of creativity and reasoning is required in addressing new and complex issues, which are sometimes just broadly defined.

Please give examples to illustrate the complexity of the problems you have to deal with.

3. LEADERSHIP AND TEAMWORK

To what extent does your job include teamwork and/or responsibility for the work of other people?

Note: 'Other people' may be other employees within the organisation or external contacts, such as consultants and contractors.

tick 1 box only

-
- A team member, helping to achieve team objectives and providing support to colleagues in the team.
- Contributes to setting of team targets/standards and providing support/coaching to new team members.
- Leads a team, agreeing and communicating team targets and standards.
- Leads a small number of teams (typically 2 or 3), responsible for work allocation, quality, training, reporting.
- Leads a number of teams (likely to be 4+) with full management responsibility for supervisors/team leaders.
- Leads across a diverse range of functions, and required to lead a substantial management and staff team.
- Shares overall responsibility for people leadership in the organisation as a whole, including setting corporate objectives and direction and motivating managers to achieve corporate goals.

Please draw a simple organisation chart illustrating your position in the team, including any management or supervisory responsibility, if appropriate.

Specify the number of individuals/teams led by the post holder.

4. ACCOUNTABILITY AND RESPONSIBILITY

To what extent does your job require you to be responsible and/or answerable for:

- A. Making decisions.
- B. The use of resources. ('Resources' includes people, premises, equipment, specialist knowledge and other assets).
- C. The impact of your job on organisational goals.

4A Making Decisions

To what extent are you required to make decisions?

tick 1 box only

- Required to make few/no decisions.
- Decision-making is largely routine and relates to the immediate work area.
- Decision-making concerns a variety of day-to-day matters in a group work area and is based around standard procedures.
- Decision-making and accountability for these decisions concerns a number of similar teams/work groups, and may include setting work targets or short-term goals.
- Decision-making and accountability for these decisions concerns a number of diverse work groups and may include setting of some longer-term objectives.
- Decision-making/accountability concerns strategic matters and is likely to include setting of long-term objectives.

Please give examples of the types of decision you typically make.

4. ACCOUNTABILITY AND RESPONSIBILITY – (Cont/d)

4B Responsibility for Resources

To what extent are you responsible for resources?

Note: 'Resources' includes people, premises, equipment, data/information, intellectual property and other assets.

tick 1 box only

- Little or no direct responsibility for resources.
- Responsible for allocation and management of resources in the immediate work area.
- Responsible for management of resources across broader work team/working group.
- Responsible/accountable and/or provide specialist advice to a senior level, on the management of resources across a function.
- Responsible for the organisation's resources across a number of diverse work groups.
- Shares ultimate responsibility for the management of resources for the organisation as a whole.

Please identify the key resources managed by you, indicating quantity, value, amounts and where and in what way you are responsible for them.

Does anyone else share responsibility for these resources or have overall accountability? If so please give job title(s).

4. ACCOUNTABILITY AND RESPONSIBILITY – (Cont/d)

4C Job Impact

To what extent does your job affect service to customers and/or the achievement of organisational goals?

tick 1 box only

- Impact is strictly limited to own work.
- Has impact on the immediate work area only. Actions are of immediate effect and readily controlled.
- Has immediate impact on service to customers and/or organisation.
- Has a significant impact on service of the organisation/wider stakeholders and results.
- Can strongly and widely influence achievement of organization objectives and service, strategic results, value and effectiveness in the longer term.
- A major and long term impact on the overall future performance and viability of the organisation in a lead role.

Please illustrate how your decisions and actions impact on service to customers, results, outcomes, value added and effectiveness.

5. INTERPERSONAL/COMMUNICATION SKILLS

What interpersonal and communication skills are required in your contacts with other people in the course of your job?

Note: Contacts may be with colleagues/other employees or work-related contacts with people external to the organisation.

tick 1 box only

-
- Ordinary level of courtesy and tact for all contacts – usually within own team but possibly externally, up to management level.
- Regular exchange of information with others in the organisation including higher levels and externally to meet routine needs.
- Regular information exchange up to very senior levels of organisation and externally as necessary requiring tact and diplomacy.
- Required to persuade and influence others through developed skills of communication and diplomacy at all levels and externally.
- Sound level of interactive ability to negotiate with others as a recognised expert. Application of highly developed interpersonal skills.
- High levels of influencing skills to modify opinions and beliefs. Complex negotiating ability as a lead authority.
- Interpersonal skills that play a significant role in shaping strategy and objectives. Influencing government and leaders in other fields.

Please illustrate the people you typically communicate with and the purpose of the communications.

6. PHYSICAL DEMANDS & CO-ORDINATION

What are the requirements in the job for strength and stamina, dexterity and precision?

6A Strength and Stamina

What are the demands of the job for physical strength and stamina?

tick 1 box only

- Normal physical demands associated with e.g. office/classroom environment. Limited requirement to engage in lifting/carrying or other exertion.
- Moderate level of physical activity – lifting, carrying of equipment/clients, e.g. hospital, nursing home, crèche. Assistance available. May occasionally work in difficult/awkward positions.
- High level of physical activity and fitness required. Strenuous physical activity forms a normal part of the job. May be required to work regularly in awkward positions.
- Very significant levels of physical activity. Highest levels of fitness required to undertake role.

Please give examples of typical tasks illustrating the level indicated above.

6. PHYSICAL DEMANDS & CO-ORDINATION – (Cont/d)

6B Co-ordination and Dexterity

What level of co-ordination and dexterity is required?

tick 1 box only

- Normal level of co-ordination.
- High levels of dexterity. Frequently requiring precise/rapid hand/finger movement.
- Very high levels of dexterity/delicate tasks involving limited or no margin for error.

Please give examples of typical tasks illustrating the level indicated above.

7. CONDITIONS & EMOTIONAL DEMANDS

7A Working Environment

What physical environment is the job performed in?

tick 1 box only

-
- The job is conducted in a normal environment and is not exposed to hazardous conditions.
- There may be potential or occasional exposure to unpleasant surroundings or hazardous conditions.
- There is frequent exposure to unpleasant surroundings or hazardous conditions.
- Prolonged or constant exposure to unpleasant or hazardous conditions.
- Prolonged exposure to the most unpleasant/hazardous conditions.

Please briefly describe your normal working conditions and frequency/regularity of facing unpleasant or hazardous conditions e.g. hourly, daily, weekly, monthly.

7. CONDITIONS & EMOTIONAL DEMANDS – (Cont/d)

7B Emotional Demands

What are the social and emotional demands associated with the job?

tick 1 box only

- The job is not exposed to anti-social behaviour and there is minimal/no personal risk.
- There is potential or occasional exposure to abuse, or emotionally charged situations.
- There is frequent exposure to verbal abuse/emotionally charged situations are experienced quite regularly.
- There is frequent exposure to trauma situations. Emotionally charged situations are the 'norm' and there is exposure to the risk of physical violence.
- There is prolonged exposure to trauma situations. There is regular exposure to the risk of physical violence.

Please give examples to illustrate the emotional demands of your job and frequency/regularity of facing the situations described above e.g. hourly, daily, weekly, monthly.

Do you wish to make any further points to support the earlier analysis?
(*This is not essential*).

Questionnaire form used in the private sector survey

Guidelines

The purpose of this research is to capture the levels of total remuneration paid in the private sector for a range of jobs. The data provided will be analysed in a composite format (i.e. so that no one organisation's data will be identified in the survey results). The data gathered will be used on a comparative "job-size" basis to compare with and check, reward in the public service.

You are requested, in the first instance, to examine the capsule descriptions and then to decide whether, in broad terms, these match any similar positions in your company/firm. Further guidance is provided below.

DATA ITEM	GUIDANCE
Job Code	Please enter the code number for the job.
No. in Job	Please enter the number of jobholders employed in the job.
Size – / = / +	If you consider the job for which you are providing data is: Larger than the capsule job, enter '+'; Equivalent to, enter '='; Smaller than, enter '-'.
A: CASH ELEMENTS	
Annual Base Salary	Annual gross salary paid before deduction of tax, social insurance and pension contribution. <i>Excludes non-consolidated performance related bonus, fringe benefits and overtime pay.</i> Please show the minimum and maximum salaries actually paid for the position (do not show theoretical max/min figures which are not used in practice). Also include the average paid across all employees in that job. If a spot rate salary is paid, please indicate that figure in the Maximum column.
Cash Bonus	Any bonus payments, resulting from individual/company performance or for any other reason e.g. Christmas bonus. Please show a typical or average annual figure.
Other (including e.g. shift premia)	Any additional cash payments not already included under Base Salary and Cash Bonus – for example, shift premia. Please show as an annual figure and indicate the nature of the payment at the bottom of the form.
Eligibility for Overtime	Please indicate, Y/N, if the job attracts overtime payments.
Average % Increase at Last Salary Review	The average percentage pay increase awarded at the last salary review.

B: PENSIONS *	
<i>*NB: Where no pension scheme is provided, please enter 'N/A' in this section of the form.</i>	
Type of Scheme	Please indicate if the scheme is Defined Benefit (Final Salary), Defined Contribution, PRSA or other (please specify).
Date Scheme Commenced	If applicable please insert the date that pension benefits being offered to new employees changed. Otherwise please enter N/A.
Recent/Long-serving employees	If recent joiners are offered different pension benefits to long-serving employees please complete two rows, one for each type of employee.
Benefit earned per year of service (x/yths)	Please indicate if employees earn a benefit of 1/20 th , 1/40 th , 1/60 th , or other portion of their pensionable salary for each year of service completed. – This is only applicable to DB schemes.
Contribution Rate	The percentage contributions made by Employee and Employer.
Index Linked Benefits	Please indicate rate at which pensions-in-payment increase (i.e. Not at all, in line with salary inflation, in line with CPI, or at another specified rate). – This is only applicable to DB schemes.
Increases Guaranteed/ Discretionary	Please indicate if pension increases are guaranteed or are granted at the discretion of the trustees. – This is only applicable to DB schemes.
Normal Retirement Age	Please indicate Normal Retirement Age.
C: OTHER REWARD ELEMENTS	
Car Value or Allowance p.a.	Where a car or car allowance is provided, please indicate the typical car value or annual value of the allowance.
Days holiday p.a.	The typical annual holiday entitlement for the job, excluding public holidays.
Hours of Work per Week	The contracted full-time hours per week.
Medical Insurance Premium p.a.	Where the jobholder is provided with Medical Insurance cover, please indicate the annual value of the premium paid by the employer.
Share Option/Save Scheme	Please indicate (Y/N) if jobholders are eligible for such schemes.
Sick Pay Scheme	Please indicate (Y/N) if jobholders are eligible for company sick pay.
Other BIK	Please indicate the value of any other reward elements associated with the job, providing brief details in the final column.

APPENDIX 7

Numbers of jobs evaluated and jobholders interviewed

Civil Service: General Service Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Principal	319	16	3
Assistant Principal	1,180	27	3
Administrative Officer	236	18	3
Higher Executive Officer	3,723	58	6
Executive Officer	4,853	57	6
District Inspector – Clerk of Works (OPW)	30	5	2
Clerical Officer	10,130	72	8
Total	20,471	253	31

Civil Service: Engineering Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Engineer Grade I	33	6	2
Engineer Grade II	30	5	2
Engineer Grade III	24	5	2
Total	87	16	6

Local Authority: Clerical/Administrative Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Senior Executive Officer	291	13	2
Grade VII Administrative Officer	610	17	2
Grade V Staff Officer	1,089	26	3
Grade III Clerical Officer	3,778	59	6
Total	5,768	115	13

Local Authority: Engineering Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Senior Engineer	195	14	2
Senior Executive Engineer	492	16	2
Executive Engineer	689	20	2
Assistant Engineer	275	16	2
Graduate Engineer	88	14	1
Total	1,739	80	9

Health Sector: Clerical/Administrative Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
General Manager/Functional Officer	232	19	2
Grade VII	882	24	3
Grade V	1,456	40	4
Grade III	8,119	81	9
Total	10,689	164	18

Health Sector: Speech & Language Therapist Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Speech & Language Therapist Manager	64	8	2
Senior Speech & Language Therapist	165	18	2
Speech & Language Therapist	198	20	2
Total	427	46	6

Health Sector: Social Work Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Principal Social Worker	200	21	2
Team Leader Social Worker	276	21	2
Professionally Qualified Social Worker	1,125	24	4
Social Care Worker	2,152	40	5
Workshop Supervisor/Instructor	547	23	2
Total	4,300	129	15

Health Sector: Radiographer Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Radiography Services Manager II	21	5	2
Senior Radiographer	250	22	2
Radiographer	467	22	2
Total	738	49	6

Health Sector: Ambulance Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Ambulance Officer (Operational)	19	6	2
Emergency Medical Technician	1,014	24	3
Total	1,033	30	5

Health Sector: Chef Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Senior Chef	50	8	2
Chef Grade II	423	26	2
Total	473	34	4

Health Sector: Scientific Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Principal Biochemist	27	5	2
Senior Biochemist	39	6	2
Biochemist	28	5	2
Chief Medical Scientist	145	11	2
Senior Medical Scientist	484	21	2
Medical Scientist	1,099	24	2
Total	1,822	72	12

Health Sector: Medical Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Senior House Officer	1,802	26	3
Senior Registrar/Specialist Registrar	775	14	2
Principal Medical Officer	7	5	2
Total	2,584	45	7

Health Sector: Dental Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Senior Dental Surgeon	66	7	2
Principal Dental Surgeon (P & E)	37	5	2
Total	103	12	4

Health Sector: Nursing Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Director of Nursing Band 1 Hospitals	18	6	2
Director of Nursing Band 3 Hospitals	28	7	2
Assistant Director of Nursing (Non-Band 1 Hospitals)	209	19	5
Clinical Nurse Manager III	406	80	5
Clinical Nurse Manager II	3,838	75	9
Public Health Nurse	1,448	55	6
Staff Nurse	25,178	135	14
Total	31,125	377	43

Education Sector: Technical Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Chief Technical Officer, HEA Sector	93	13	2
Senior Experimental Officer, TCD	14	3	2
Senior Technical Officer, HEA Sector	372	22	4
Technical Officer, HEA Sector	150	17	2
Technical Officer, Institutes of Technology	581	14	2
Total	1,210	69	12

Education Sector: Institute of Technology Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Secretary/Financial Controller	13	7	2
Registrar	13	7	2
Head of Development	13	9	2
Senior Lecturer III	169	9	2
Structured Lecturer	34	7	2
Lecturer	1,540	26	4
Total	1,782	65	14

Education Sector: Primary

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Principal	3,315	60	8
Assistant Principal	1,109	28	3
Teacher	13,363	71	10
Total	17,787	159	21

Education Sector: Post-Primary

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Principal	763	20	2
Assistant Principal	5,013	51	4
Teacher	12,346	67	8
Total	18,122	138	14

Education Sector: Primary and Post-Primary

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Adult Education Officer	80	5	2
Youthreach Co-ordinator	90	7	2
Youthreach Resource Person	156	16	2
Special Needs Assistant	7,571	59	8
Total	7,897	87	14

Education Sector: HEA Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Associate Professor (excluding NUI Galway)	220	12	2
Statutory/Senior Lecturer	830	22	2
(College) Lecturer	1,716	33	3
Assistant/Junior/Below Bar Lecturer	663	29	4
Total	3,429	96	11

Defence Forces

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Colonel (Director of Medical Corps)	1	1	1
Lieutenant Colonel	114	17	2
Lieutenant Colonel (Dentist)	1	1	1
Commandant	295	27	4
Commandant (Engineer)	32	5	1
Captain (Dentist)	1	1	1
Captain (Doctor)	4	3	1
Captain	269	23	3
Total	717	78	14

Defence Forces

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Sergeant Major	25	8	2
Sergeant	457	27	3
Sergeant Technician 5	214	21	3
Private (3 Star)	2,252	72	8
Total	2,948	128	16

Garda Síochána

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Chief Superintendent	48	5	2
Superintendent	173	14	2
Inspector	295	14	3
Sergeant	1,944	39	4
Garda	10,149	71	8
Total	12,609	143	19

Prison Service Grades

Grade	Number in Grade	Number of jobs evaluated	Number of one-to-one interviews
Governor I	6	5	2
Governor II	10	6	2
Governor III	3	3	2
Deputy Governor	19	5	1
Assistant Governor	27	4	2
Chief Officer I	10	5	2
Chief Officer II	52	5	2
Assistant Chief Officer	169	16	2
Nurse Officer	84	9	2
Prison Officer	2,230	55	6
Total	2,610	113	23

APPENDIX 8

Independent study of pension provisions in the Irish Public Service relative to pensions arrangements in the private sector in Ireland

Prepared by:

Life Strategies Ltd.

June 2007

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1 Background

1.1 Introduction

This represents the report from Life Strategies Limited to the Public Service Benchmarking Body on the respective values of Public Service and Private Sector pension benefits.

1.2 Background to the report

On December 19, 2006 the Public Service Benchmarking Body (“The Benchmarking Body”) and the Review Body on Higher Remuneration in the Public Sector (“The Review Body”) issued an invitation to tender for a consultancy assignment to undertake a study of pension provisions in the Irish Public Service relative to pensions arrangements in the private sector in Ireland. Life Strategies submitted a tender document on January 25, 2007. We attended a meeting with the selection committee on February 5, 2007 and were subsequently awarded the contract. The scope of this report was dictated by the original request for tender and our response. The terms of reference are shown below.

As part of the work on this project we have consulted with Acuvest Investment Advisers Limited (“Acuvest”) who have been appointed as internal advisers by the Benchmarking Body and the Review Body. Acuvest have reviewed methodology and assumptions used.

During the course of the research, we have been in regular contact with the secretariat to the Benchmarking Body. We also made two interim presentations to the Benchmarking Body on March 12, 2007 and May 10, 2007.

1.3 Requested research & terms of reference

The terms of reference for the assignment were outlined in section 3 of the request for tender. These are as repeated below:

3.1 “The Public Service Benchmarking Body and Review Body on Higher Remuneration in the Public Sector wish to carry out a study of the value of pension provisions in the Public Service relative to arrangements in the private sector. The study will be an input to the examinations by both bodies of the remuneration and other conditions of Public Service employees by comparison with private sector groups. The specific terms of reference of both bodies are attached.

3.2 The study is intended to assist both Bodies to establish an appropriate basis for measuring and comparing the values of pension arrangements at various grade levels and in differing areas of the Public Service relative to pension arrangements in the private sector.

3.3 It is expected that the consultants will produce statistical evidence of the size and spread of coverage of public and private sector pensions. This should be done in a manner that allows median and average values to be calculated.

3.4 The consultants should, in their proposal, state if they intend to use available information or whether they believe that further surveying will need to be done. They should be aware that the Bodies will require firm and well founded evidence for any conclusions which may be drawn from the study.

3.5 Within the study to be carried out, there will need to be a separate examination of the groups covered by the Public Service Benchmarking Body and for the groups covered by the Review Body on Higher Remuneration in the Public Sector. ***(It should be emphasised that there will be one study only, although the groups covered by the two Bodies will be looked at separately within this).***

3.6 The consultant will be expected to comment in an informed way on differences in pension benefit between types of employment, both public and private. Within the private sector, any differences within companies, related to seniority or type of employment, should be highlighted.

3.7 The consultants will also be expected to advise on the value of pension benefits of the Public Service groups covered by the terms of reference of the two Bodies relative to pension benefits in the private sector. In their tender process, they should comment on how they intend to express the value of pension benefits in relation to current salaries. They should also comment on how they would propose to choose and justify valuation assumptions and how they would compare values suggested to market values of pension benefits where these are available.

In effect, the consultants' report must set out, justify and quantify their specific conclusions on the value of pension benefits of the Public Service groups covered by the terms of reference of the two Bodies relative to pension benefits of the private sector; the tender proposal should indicate how they will go about arriving at these conclusions.

3.8 The conclusions of the consultants on the quantification of pension benefits of Public Service groups relative to the private sector should be presented in an easily understood format.

3.9 The Bodies are required to report in the second half of 2007. Accordingly, the consultants will be required to provide the necessary advice to the two Bodies within a timescale consistent with this schedule; it is intended that the study should be completed not later than end of March 2007.

Internal Adviser

3.10 The Public Service Benchmarking Body and Review Body on Higher Remuneration in the Public Sector have already engaged an internal adviser, Acuvest Investment Advisers Ltd, to advise, inter alia, on the approach to be taken to the pensions study to be conducted by the Bodies and the methodology to be used. The role of internal advisor is distinct from that of the consultant who will be engaged to carry out the detailed study referred to at 3.1 to 3.9 above. The successful consultant will liaise with the internal adviser during the course of the study and provide progress reports as required."

In our tender proposal, we suggested that we would review six grades (of which five would be Benchmarking Body grades). Following further discussion it was agreed to extend this to 11 grades (of which six would be Benchmarking Body grades). This report gives the analysis of the six grades selected by the Benchmarking Body.

1.4 Structure of the report

This report is broken down into a number of different sections:

- Section 2 outlines the Public Service grades that have been selected for detailed examination and details the pension benefits that these grades receive.
- Section 3 outlines the methodology used to value Public Service pensions.
- Section 4 outlines the assumptions that were used. These assumptions include economic assumptions, demographic assumptions and the specific assumptions used to value the benefits for each grade.
- Section 5 shows the value that we have placed on the Public Service pensions for each grade.
- Section 6 places a value on the equivalent pensions for Private Sector employees.

- Section 7 summarises the results.
- Section 8 shows the impact on the results of changing some of the key assumptions.
- Section 9 addresses some other issues other than the direct economic value of benefits.

Note that all salaries used throughout the report are salaries appropriate from December 1, 2006.

1.5 Key People

The key people involved in Life Strategies in producing this report were

- Dermot Corry – Managing Director, Life Strategies
- Colm Fagan – Chairman
- Aisling Lovett – Consulting Actuary

1.6 Acknowledgements

We would like to acknowledge the assistance of a number of people in production of this report:

- Brendan Duffy – Secretary to the Benchmarking Body
- Noel Ward and Kevin Warren of the Benchmarking Body secretariat
- John Reilly of the Department of Finance
- David Kingston and Damian Cooper of Acuvest.

All have been extremely helpful in assisting us to gather information and analyse output and to ensure that we were interpreting information correctly.

2 Grades Selected and Pension Details

2.1 Background to selection of grades

The Benchmarking Body covers a wide range of different grades within the Public Service. The cost of pension benefits for these grades will vary widely, depending on inter alia¹:

- Salary levels – this is particularly important when account is taken of integration with the State Pension²
- Salary scales – the length of the salary scale and the extent of the increase from entry level to the top of the scale
- Opportunities for promotion
- Typical starting ages
- Typical retirement ages, including any special rules allowing earlier retirement
- Any additional benefits that might be granted – for example professional added years

It would not be feasible to calculate a different cost for each grade under the remit of the Benchmarking Body. Therefore, we suggested that the Benchmarking Body should select a group of representative groups which would allow it to make reasonable assumptions about the wider Public Service. The groups chosen by the Benchmarking Body were:

¹ There are other factors which affect cost such as the year of joining service, gender mix etc. We deal with these in section 3.

² Formerly known as the Old Age (Contributory) Pension under the Social Welfare Acts.

- Civil Servants – we calculate the average value of pension benefits for a civil servant. We assume that the civil servant joins at the entry grade and we then allow for future progression through the different grades, based on the proportion achieving promotions to higher grades.
- Engineers – engineers were chosen as a group to represent professionals. We calculate the average value of pension benefits allowing for the proportions at each age of the following grades:
 - ❖ Graduate Engineer;
 - ❖ Assistant Engineer;
 - ❖ Executive Engineer;
 - ❖ Senior Executive Engineer;
 - ❖ Senior Engineer;
 - ❖ City/County Engineer.
- Staff Nurses – we calculate the average value of pension benefits across all nurse grades (including staff nurse, senior staff nurse and assistant directors of nursing) allowing for the portion reaching each grade at retirement.
- National School Teachers – we calculate the average value of pension benefits for all National School teachers from entry level up to school principal, allowing for the proportion reaching each grade.
- Gardaí – we calculate the average value of pension benefits across all Garda ranks allowing for the portion reaching each rank by retirement.
- Special Needs Assistants – this group were chosen to represent a category of Public Service employee with a different earnings level and career progression.

2.2 Public Service Pension Details

This section describes the main features of standard public service pension schemes, describing in turn the arrangements applying to:

- Persons joining up to 5 April 1995 (in both modified and full PRSI categories).
- Persons joining between 6 April 1995 and 31 March 2004.
- Persons joining from 1 April 2004 onwards.

The details in this section refer principally to standard Public Service pension schemes. Non-standard schemes provide “special terms” (accelerated accrual of service and early eligibility for benefits) for certain groups (e.g. Gardaí). These and other relevant variations between groups will be covered in the subsequent sections. Most of this information was obtained from the Final Report of the Commission on Public Service Pensions completed in November 2000.

The terms in the table below apply to public servants who joined before 1995, and who are not fully insured for Social Welfare purposes³, covered by modified Class B or D PRSI. These persons generally do not qualify for the State Pension.

³ Fully insured means a person who is, or was before attaining the age of 66, insured for the State Pension.

Retirement age	Age 65, optional from 60 with no actuarial reduction of benefits.
Pensionable Remuneration	Final Pay (averaged over 3 years if recently promoted) plus pensionable allowances (averaged).
Pension Accrual Rate	1/80 th of pensionable remuneration per year of pensionable service up to a maximum of 50% of pensionable remuneration.
Retirement Lump Sum	3/80 ^{ths} of pensionable remuneration per year up to a maximum of 150% of pensionable remuneration.
Spouses' pension	50% of member's pension.
Ill health benefits	Immediate benefits based on actual service plus up to 10 added years.
Death-in-service ⁴	Gratuity of 100% to 150% of pensionable remuneration, plus spouse's pension, if applicable.
Contributions	5% explicit contribution, with a number of exceptions. The key exceptions are Gardaí who contribute 1.75% of pay and civil servants who make no explicit contribution. A further 1.5% of pensionable remuneration is contributed by all groups in respect of Spouses' and Children's benefits. No explicit contribution for other benefits.
Options to enhance pension	(i) Purchase of notional service at full actuarial cost; (ii) participate in union-sponsored AVC plans; (iii) PRSA
Pension increases	Increases are generally at the same rate as increases for the same grade in employment (pay parity).

The benefits above apply to public servants appointed before 6th April 1995. These public servants pay Class B or D PRSI contributions and are not entitled to the State Pension from the Department of Social and Family Affairs.

Public Servants who joined from 6th April 1995 onwards are fully insured for Social Welfare purposes (usually pay the full Class A PRSI contribution). The occupational pension benefits of these public servants are integrated with the State Pension. The main features for those persons who joined between 6 April 1995 and 31 March 2004, which distinguish their pension situation from that of the pre-1995 modified PRSI staff (set out above) are:

Net Pensionable Remuneration	Pension is based on net pensionable remuneration. This is pensionable remuneration as above less twice the single person's maximum rate of State Pension, currently €209.30 per week.
Pension Accrual Rate	1/80 th of net pensionable remuneration per year of pensionable service up to a maximum of 50% of net pensionable remuneration.
Spouses' pension	In the case of the spouses' pension, the calculation of net pensionable remuneration is adjusted upwards by means of deducting once rather than twice the maximum single rate of State Pension.
Contributions	There is now an explicit main scheme contribution of 3.5% of net pensionable remuneration in respect of pension benefits plus 1.5% of pensionable remuneration in respect of lump sum benefit. The contribution of 1.5% of pensionable remuneration in respect of spouses' benefits continues to apply. So total contributions are 3.5% of net pensionable remuneration plus 3.0% of pensionable remuneration.
Salary Scales	For groups for which contributions were introduced on 6th April 1995, salary scales are generally uplifted by 20/19 of the salary scale of employees who joined before 6th April 1995. ⁵

⁴ Note that for the purposes of this report we will not be valuing death-in-service benefits as we are only valuing benefits in retirement.

⁵ This uplift did not apply to all groups. See individual group sections below.

The overall impact is that a public servant who joined from 6th April 1995 onwards can expect to receive a pension (after 40 years service) of 50% of remuneration including the State Pension. The lump sum payable would still be expected to be 150% of pensionable remuneration before any deduction. Contribution rates for a number of sections of the public service increased but salaries also increased to reflect this fact.

Overall these changes reduced the cost to the State of providing the Public Service pensions to new employees. However the State will have to pay the State Contributory Pension to this group.

Since 2003, and based largely on the recommendations of the Commission on Public Service Pensions, a substantial programme of public service pension reform has been underway. Key elements of this programme, implemented through legislative change in 2004 (i.e. Public Service Superannuation (Miscellaneous Provisions) Act 2004), were:

- The minimum retirement age (without actuarial reduction of benefits) for new entrants was increased generally from 60 to 65 years;
- The mandatory retirement age of 65 years was abolished for new entrants;
- Special terms (e.g. early retirement age and/or doubling of service after 20 years) were removed for new entrants to certain public service groups (e.g. psychiatric nurses), where these were not required for operational reasons.
- A reduction in the maximum number of notional/professional added years which can be awarded from 10 years to 5 years for new entrants.

Several other significant reforms (affecting serving staff) have also been implemented in the recent past. Among these are:

- A new integration formula to benefit lower paid public servants (the new accrual rate is $1/200^{\text{th}}$ of pensionable remuneration below $3\frac{1}{3}^{\text{rd}}$ times the State Contributory pension and $1/80^{\text{th}}$ of pensionable remuneration in excess of this figure);
- A cost neutral early retirement option was introduced which facilitates retirement from age 50 for those with a minimum retirement age of 60 (55 for those for whom the pension age is 65). Benefits are actuarially reduced to reflect the longer period over which the pension is payable (and early payment of superannuation lump sum);
- A change from full integration to pro rata integration for part-time public servants.

2.2.1 Civil Servant

Civil Servant pensions are as described above.

The ad hoc added years scheme applies to professional and technical staff in the civil service where the minimum qualifications and experience required for a post are such that an appointment could not have been made by age 25. The added years are intended to compensate for the inability of individuals in such positions to qualify by maximum retirement age for a full pension based on 40 years' service. Under the original scheme, a gross award (of up to ten added years) may be made. Such gross awards are often subject to significant reduction or abatement at retirement.

As noted above, an amended scheme (yielding maximum awards of 5 years) was introduced for new entrants to the public service after 1 April 2005.

2.2.2 Engineer

An explicit pension contribution of 5% applied to engineers appointed in Local Authorities prior to 6th April 1995. No uplift of salaries took place in 1995 for these engineers as a result. For engineers employed in the civil service an uplift took place as described in Section 2.2 above.

An engineer is designated as professional and as such may be entitled to added years under the local authority professional added years scheme. The number of added years awarded is one third of pensionable service, up to a maximum of ten years. There is no award if the person leaves with preserved benefit before age 60 and the number of added years is reduced for every year they leave before the full retirement normal age. For engineers appointed after April 2005 the maximum award is five years.

2.2.3 Staff Nurse

An explicit pension contribution of 5% applied to nurses appointed prior to 6th April 1995. No uplift of salaries took place in 1995 as a result.

Pensionable allowances for nurses include location allowances and unsocial hours allowances. Two retirement initiatives were implemented in 1997 under the Programme for Competitiveness and Work (PCW):

- A pre-retirement initiative whereby nurses may opt to job-share at age 55. Additional service credit up to a maximum of 2.5 years can be granted. Nurses who avail of this scheme must retire at 60.
- A limited early retirement initiative which allows nurses to retire between the ages of 55 and 60 with immediate pension benefits and no actuarial reduction. It is aimed at nurses who find the demands of the profession such that they no longer feel that they can operate at the level of professional performance they themselves and management require.

In both cases there are limits on the numbers who can qualify for these additional benefits. These limits have not been reached in any year to date.

2.2.4 National School Teacher

An explicit pension contribution of 5% applied to teachers appointed prior to 6th April 1995. No uplift of salaries took place in 1995 as a result.

Teachers appointed prior to 1st April 2004 have the facility to retire on or after reaching age 55 provided they have completed 35 years of pensionable service. In computing the 35 years, credit for pre-service training is allowed. A teacher with four or more years' training is allowed two years' credit; a teacher with three years' training is allowed one year's credit. The credited years do not count for benefit purposes.

Pensionable allowances for teachers include qualification allowances, allowances for posts of responsibility and location allowances.

A voluntary early retirement pilot scheme was introduced for teachers in 1997. The scheme involves 3 strands which allow applications to be made for early retirement with added years in the following circumstances:

- Strand I Up to 5 years extra service where a teacher is experiencing professional difficulties in their professional duties;

- Strand II Up to 2 years extra service where the teacher's retirement will provide the school with an opportunity to enhance the education service provided through facilitating change;
- Strand III Up to 7 years extra service where the teacher is in a post which is surplus to requirements and who cannot readily be redeployed.

Limits apply to the numbers who can opt for each strand in any year. These limits have not been reached in any year to date.

2.2.5 Gardaí

An explicit pension contribution of 1.75% applied to members of the Garda Síochána appointed prior to 6th April 1995. Salary scales were uprated accordingly in 1995. These new scales were equivalent to the corresponding salary scales appropriate to pre April 1995 members minus 1.75% plus 1/19th of the resulting sum.

Members of the Garda Síochána may retire on or after age 50 (55 for gardaí appointed on or after 1st April 2004) if they have 30 years service. Service in excess of 20 years is doubled, thus maximum pension is payable after 30 years service.

The maximum retirement age is 60 for all ranks except in the case of the Commissioner where it is 65.

Pensionable allowances for the Gardaí include rent allowance and unsocial hours allowance.

2.2.6 Special Needs Assistant

Special Needs Assistants were admitted to the Superannuation (Education) Scheme with effect from 1st September 2001⁶

Ongoing deductions from salary for superannuation purposes were made with effect from 6th April 2004. Membership was backdated where the member had reckonable service as a Special Needs Assistant prior to 6th April 2004. Arrears of contributions were due in respect of the period between the effective date of admission to the Scheme and the commencement of ongoing deductions. The arrears were recovered by increasing the ongoing contribution by instalments over an agreed period.

Special Needs Assistants pay PRSI at Class A rate and so are liable for the same contributions as Public Servants who joined from 6th April 1995 onwards.

In other respects Special Needs Assistants benefits follow the standard Public Service terms.

3 Methodology

3.1 Overview

The primary purpose of our report is to compare the value of pension benefits for Public Service employees with the benefits of those in the private sector.

We have valued the benefits of each group separately and then compared the values to derive the difference in value between the two groups.

⁶ Information on the pensions for Special Needs Assistants is based on Department of Education and Science CIRCULAR LETTER PEN 2/04 Pension Scheme for Special Needs Assistants.

Section 3.2 explains the methodology used for valuing Public Service pensions. Section 4 details the assumptions used and Section 5 then shows the value placed on these benefits.

For the Private Sector, Section 6 details the assumptions used and shows the value placed on the benefits.

Section 7 summarises the results from the Public and Private sectors and then shows the difference in values for each of the groups examined.

3.2 Valuing Public Service Pensions

A Public Service pension consists of two primary elements:

- A lump sum at retirement; and
- A pension payable for life from retirement age onwards.

In order to place a value on Public Service pensions we calculated the effective contribution (as a % of salary) that would be required to be paid throughout the working life of the employee to generate the pension and lump sum due. Employee contributions were deducted to get the net value to the employee of the employer contributions. This is, of course, a notional employer contribution in the case of Public Service pensions since the pensions are actually paid on a Pay As You Go (PAYG) basis⁷. However, it does place a value on the pensions benefit equivalent to that if contributions were actually being paid.

The methodology is described in more detail below:

- We started with a typical entrant level salary and age at entry (see Section 4.3 for detailed assumptions on salaries and ages at entry).
- We projected the salary for each year to retirement age allowing for increases as a result of inflation and promotional or scale increases.
- We also projected the State Pension for each year to retirement.
- This allowed us to calculate Pensionable Earnings for each year and at retirement.
- We calculated pension and lump sum benefits based on assumptions about retirement age and the specific pension rules which apply to the grade involved.
- Appropriate allowance was made for staff turnover. We assumed that all leavers would receive a deferred pension at retirement based on their service to date of entry. We allowed for their contributions while they were in employment only.
- We then placed a capital value at retirement on these benefits by discounting future pension payments to retirement age (making appropriate assumptions about mortality, pension increases and discount rate) and adding the projected lump sum payment.
- We calculated the equivalent annual contribution rate as a % of salary that would be required over the working life of the employee so that the present value of the capital value at retirement as calculated above is equal to the present value of the contributions made (once again an assumed discount rate is required).

⁷ PAYG pension schemes should have the same long term cost as a funded scheme, though the timing of payments will be different. Various arguments have been made about the macro economic benefit of PAYG as against funded schemes but these are not important in this context.

- Finally we deducted the employee contributions to arrive at a net required employer contribution. This is deemed to represent the value of the benefits. It is the contribution as a % of salary that the employer would need to pay which when combined with employee contributions would produce the pension benefits that have been promised in retirement.

Clearly there are quite a few assumptions required to produce this value. Section 4 below details all of the assumptions used and describes the logic used to derive the assumptions.

The methodology above ignores some particular aspects of the pension structure. These are:

- The value of ill Health benefits and Death in Service benefits was ignored in the calculation. The impact of including these would be low. Private sector employers generally offer Death in Service benefits and very often offer Disability benefits. These are similar to the benefits offered in the Public Service and would be of broadly similar value. Any difference in value would be small compared with the value of pension benefits.
- No specific allowance was made for early retirement where benefits are reduced. A cost neutral early retirement scheme is in place with benefits actuarially reduced to reflect the early retirement. It is assumed that these reductions are close in value to the actual cost and that there would be little or no change to the cost.
- We did not allow for the option of employees to purchase added years. Once again this is calculated on a cost neutral basis. Numbers taking up the scheme are low. Therefore the impact on cost would be minimal.

Appendix 2 deals with each of these issues in more detail and shows that the scale of any potential difference between Public Service and private sector benefits is small.

3.3 Example calculation

An example of the calculations is illustrated by the figures below for a civil servant. The amounts shown in the example, in particular the salary and allowances at entry and at retirement, are shown in current (2007) money terms. Future salaries and pensions are projected at the rates assumed in Section 4 below:

	Pre 2004 cohort
Age at entry	20
Retirement Age	62
Salary plus allowances at entry	€25,000 ⁸
Salary plus allowances at retirement	€61,000 ⁹
Actual years service	42
Credited years service	40
Pension	€19,579
Lump Sum	€91,500
Cost as % of earnings p.a.	25.0%
Employer effective contribution rate p.a.	20.2%

⁸ This is the average earnings at entry

⁹ This represents the average salary at retirement taking account of the proportion of employees across the different grades.

The pension and lump sum for the pre 2004 cohort are calculated as follows:

Salary at retirement	= €61,000	
State pension	= €10,921 ¹⁰	
Net pensionable remuneration	= €61,000 – (2 × 10,921)	= €39,158
Pension	= €39,158 × 40 / 80	= €19,579
Lump sum	= 3 × €61,000 × 40 / 80	= €91,500

The employer effective contribution rate p.a. for the pre 2004 cohort (for example) is calculated as follows:

Pension multiplier ¹¹	= 29.82	
Capital value of pension	= €19,579 × 29.82	= €583,846
Total capital value of benefits	= €583,846 + €91,500	= €675,346
Present value of capital required ¹²	= €253,112	
Present value of employee contributions ¹³	= €48,711 (over the working life)	
Present value of employer contributions	= €253,112 – €48,711 = €204,401	
Present value of 1% of salary contribution	= €10,119 over the working life ¹⁴	
Required contribution rate	= €204,401 / €10,119 = 20.2%	

3.4 Pensions for pre 1995 joiners

As outlined in section 2.2 above pension benefits changed for Public Service employees who joined after 6th April 1995. The main changes were:

- Explicit contributions were introduced for groups that were non-contributory before 1995. Salaries were increased for these groups to reflect the introduction of contributions.
- Benefits and contributions were integrated with the State Pension. This means that pensions are lower for those who joined after 1995 since they now receive a maximum of 50% of earnings including State Pension.
- Class A PRSI contributions were introduced. This means that employees who joined after 6th April 1995 are now eligible to receive the State Pension.

¹⁰The current State Pension of €209.30 per week multiplied by the average number of weeks in a year 52.18 gives an annual state pension of €10,921

¹¹This is the amount of capital required at retirement to pay €1 of pension for life. It takes account of the increases in pension and the payments to a spouse after death. It is based on our assumptions about mortality and post retirement discount rate.

¹²This is lower than the capital value of benefits because the discount rate is higher than the assumed rate of salary increase (discount rate is 4% real while salary increases are 2% real). This adjustment also allows for the impact of turnover. See section 4 for more detail on assumptions.

¹³This allows for contributions of 3% of pensionable salary plus 3.5% of net pensionable salary. It is based on the salary scale starting at €25,000 and increasing over time to €61,000 at retirement. The present value is based on discounted values of all contributions over the employee's working life.

¹⁴This value is calculated by projecting salary (taking account of salary scales, promotion and salary increase) for each year of the working life. An amount equal to 1% of salary in each year is calculated and then discounted to the present time at the appropriate discount rate to give a present value of each of these future contributions.

The table below shows benefits for two different employees each retiring on a salary of €60,000 and each with full pension. We have ignored lump sum benefits since these are identical.

	Pre 1995	Post 1995
Salary	60,000	60,000
Pensionable Earnings	60,000	38,158
Occupational Pension	30,000	19,079
State Pension	0	10,921
Total Retirement income	30,000	30,000

In both cases, the employee receives the same benefits. In the post 1995 case the benefits represent a mix of occupational benefits and State Pension, while the pre 1995 employee simply gets occupational pension. However, it is clear that the value of the benefits to the employee is identical. There are two ways that we could deal with the pre 1995 employees:

- (a) We could calculate the value of the pre 1995 employee benefits on the basis shown. This would give a higher value to these benefits than those for the post 1995 employee. We could adjust the cost by deducting the employers' PRSI (which the employer does not pay in this case) to arrive at a net cost for the employer and treat this as the value to the employee.
- (b) We could determine that the employee is notionally receiving two different pensions – 10,921 from the State (in lieu of the State Pension) and 19,079 from the State (as employer). In this case we would simply value the 19,079 received from the State as employer since private sector employees also receive the State Pension. Any comparison with the private sector should look at the benefits received in addition to the State Pension.

We have chosen to use the approach in b) above. This gives the most consistent answers for all employees and puts the same value on benefits both before and after 1995 (which is what employees would expect to see). It also makes comparison with the private sector simpler since private sector employees also receive the State Pension. Therefore we have grouped all employees who joined before 2004 on an equal basis and placed an equivalent value on their pension benefits.

Employees who joined from 2004 onwards have been dealt with differently to reflect the change to retirement ages and other changes introduced in 2004.

4 Assumptions

4.1 Economic Assumptions

A number of important economic assumptions are required. The table below summarises the main economic assumptions. The sections that follow give the reasoning behind each of the chosen assumptions:

Discount Rate	4% above inflation
Post Retirement Interest Rate	2% above inflation
Inflation	2.25%
General Salary Increases	2% above inflation
Increases in State Pension	In line with general salary increases

4.1.1 Discount Rate

There are two possible approaches to the discount rate.

- (1) The first approach takes the view that in looking at the value of Public Service pensions it is appropriate to use the rate of interest that the Irish Government would pay on similar liabilities. We could take the view that the Government is putting the money into a notional fund. The cash in this notional fund is then lent back to the government who pay an interest rate on the money. The interest rate would be a rate that the government would pay to other borrowers. This could be either a fixed interest bond rate or an index linked bond yield. An index linked rate is most suitable for our purposes. Presumably the Irish government could issue index linked debt at the same rates as the French government – i.e. 2% real (see below). This would give us a discount rate equal to the rate on index linked bonds.
- (2) The second approach is to use the real investment return expected by a private sector pension fund. In this case we would use the average expected investment return of the pension fund.

Our primary calculations are based on option 2 above. However we have examined in our sensitivities the effect of using a 2% real discount rate. The alternative 2% real discount rate is logical if applied to government finances alone. The method that we have used is more appropriate as a method for placing a value on pension benefits that is comparable with the private sector. This gives the closest approximation to the value that a private sector employer would place on the Public Service benefits if they were available in the private sector. Therefore it is the best method for comparison purposes.

We have used an assumption of 4% real return for the pension fund. The approach used to arrive at this assumption is outlined below.

In determining the rate of investment return assumed to be earned in the future on pension fund assets, we began by deriving appropriate assumptions for each of the main asset classes. The four asset classes we looked at were index-linked bonds, conventional government bonds, corporate bonds and equities. (We made no explicit allowance for investment in property, but property could be considered to constitute a real asset with similar expected returns to equities).

Index-linked bonds (government guaranteed)

For index-linked bonds we assumed a real rate of return of 2% p.a. Our benchmark bond is the French Government Tresor 2032. This bond pays a return which is directly linked to Eurozone inflation. At May 31, 2007 the real yield was 2.21%. Over the 4 years since the bond was launched the average real yield has been 2.06%. Therefore an assumed return of 2.0 – 2.25% p.a. in the long term is reasonable based on market data. Given that Irish inflation is likely to be at the upper end of the range of Euro countries we have assumed a return of 2.0% p.a. above Irish inflation.

Nominal bonds (government guaranteed)

We assumed that a 2% p.a. real return would also apply to nominal fixed rate bonds. This is a valid assumption if we believe that monetary authorities will be successful at keeping future inflation steady, in line with current market expectations. It is also consistent with the current yields on long term Eurozone government bonds which are currently approximately 4.5% – 5.0% (depending on the term). With long term predicted inflation of approximately 2.0% – 2.50% this translates to a real return of 2% – 3%.

Corporate bonds

Corporate bonds deliver a spread over government bonds to reflect credit risk and lower liquidity. The spreads vary with the credit rating of the bonds, from as low as 0.1% p.a. for some AAA-rated issuers

to 3% p.a. or more for “junk” bonds. On the basis that pension fund investment in corporate bonds is likely to be restricted to (or at least heavily concentrated in) investment-grade bonds, we assumed an average net corporate bond spread of 0.5% above government bonds. (This would be consistent with a slightly higher gross spread and a small average default rate).

Equities

It is extremely difficult to predict the future return on equities. At best we can identify a likely central range but must recognise that there is substantial risk around this central range.

The most detailed work in this area has been completed by Dimson, Marsh and Staunton of the London Business School¹⁵. They summarised the evidence for the historical equity risk premium (i.e. the amount by which equities outperformed government bonds) for 16 countries over 101 years. In determining their expected future risk premium, rather than just taking the historical average, they attempted to adjust for the historical impact of known factors and hence to derive an appropriate assumption for the future. In doing so they arrived at a range for the prospective real equity risk premium of around 3.5% to 5.25% p.a.

Taking a point towards the middle of this range (say 4.25% p.a.) and adding it to our assumed real rate of return on government bonds (2.0% p.a.) gives an assumed future real rate of return for equities of 6.25% per annum. To put this in context, the historic long-term average real rate of return on UK equities is around 5.5% p.a., while in the USA the corresponding figure is about 7.3% p.a. Our prospective assumption is therefore above the UK historical average and below the US.

Finally it is worth commenting that any attempt to forecast equity returns from today, depends crucially on whether one views the current equity market as being at, above or below its equilibrium level. It is also worth remembering that whilst equities are expected to outperform bonds over long periods, returns can be subject to significant risk over shorter periods.

Trading costs

Because of trading costs, investors (such as pension funds) do not receive the full market return. Estimating the level of these costs is difficult, but some allowance has to be made.

The Financial Services Authority (FSA) in the UK published a paper¹⁶ which is believed to be one of the most detailed studies of trading costs. The paper is not specifically focused on pensions but its findings are likely to be broadly applicable to pension fund investment.

Based on this work and on other data sources, the Pensions Commission¹⁷ in the UK decided to assume 0.65% p.a. implicit costs for equity investment on average. The Pensions Commission stated that it had not discovered any analysis of trading costs for bonds, but proposed to assume 0.25% for corporate bonds and 0.10% for government bonds in its modelling work. We have made the same assumptions¹⁸.

Impact of demography on asset prices and rate of return

There are economic arguments to suggest that demographic factors can influence the prices of (and hence rates of return on) assets in the capital markets. These arguments lie behind the concerns which

¹⁵ Dimson E., Marsh P. & Staunton M. (2002), *Triumph of the Optimists: 101 Years of Global Investment Returns*.

¹⁶ James K. (2000), *The Price of Retail Investing in the UK*.

¹⁷ The Pensions Commission (UK) (2004), *Pensions: Challenges and Choices*.

¹⁸ Part of the cost of trading equities is attributable to Stamp Duty. Stamp Duty is 0.5% in the UK and 1.0% in Ireland but does not exist in other countries. The actual level of costs will depend on the mix of assets in these countries and on the mix between active and passive investing. A typical Irish fund may have marginally lower stamp duty costs but this would be balanced by foreign exchange costs. The figures derived by the Pensions Commission are adequate for our purposes and actual costs are likely to be close to this level.

are sometimes advanced that the members of the “baby boom” generation will attempt to sell their accumulated pension assets to fund their retirement, leading to falling asset prices. There is general agreement among economists that these effects ought to be present, but there is less consensus on how large the effects might be. We have not attempted to make any allowance for these factors in our modelling of future investment returns.

Summary of assumed investment returns

The table below summarises our assumptions for the prospective real investment returns, net of trading costs, for the main asset classes.

Assumed prospective real investment returns (% p.a.)

Asset class	Before trading costs	Allowance for trading costs	After trading costs
Index-linked bonds	2.00%	0.10%	1.90%
Government bonds	2.00%	0.10%	1.90%
Corporate bonds	2.50%	0.25%	2.25%
Equities	6.25%	0.65%	5.60%

Based on an assumption of a long-term average 60:40 equity/bond asset mix in defined benefit pension funds (and allowing for some corporate bond investment within the bond portfolio), these rates give an assumed real investment return for defined benefit schemes of 4.15% p.a. We have rounded this to a 4% real investment return. This is the predicted return for a typical defined benefit scheme which invests a reasonable proportion of its pre-retirement assets in equities.

Check against NTMA assumption for the National Pension Reserve Fund

Ronan O’Connor of the National Treasury Management Agency (NTMA) presented a paper to the Society of Actuaries in Ireland (SAI) in February 2007. He stated that the NTMA use an Equity Risk Premium of 3% over bonds (i.e. approximately 5% real). Allowing for investment costs and some element of investment in non-equity assets, a net assumed return of 2% from the National Pensions Reserve Fund would seem to be reasonable and would be consistent with our assumptions.

4.1.2 Post Retirement Interest Rate

The investment returns quoted above apply to pre-retirement assets. For the post-retirement phase benefits are fixed (although growing with earnings). At this point it is appropriate to use the best matching asset. In this case this is the return on government bonds/index linked bonds of 2% per annum above inflation. Therefore in placing a capital value at retirement on a stream of pension payments we have used a rate of 2% real p.a.

Some pension schemes would purchase an annuity from an insurance company at retirement rather than retaining the money in the pension scheme. Insuring the payments will generally cost more because of profit margins for the insurer, capital requirements for the insurer and different mortality experience generally experienced by insurers. We have not allowed for this additional cost on the basis that most large pension schemes retain the pensioner liability on their own balance sheet. If the State were to establish a funded pension scheme for Public Servants it would certainly have the scale to allow it to manage pension benefits itself.

4.1.3 Inflation

The ECB aim for inflation is to maintain rates close to 2% per annum. In practice inflation has been close to 2% p.a. in the Eurozone area so this is a reasonable assumption about long term Eurozone

inflation. Irish inflation has consistently been above Eurozone inflation and is forecast to be higher for the next number of years. The younger population is also likely to drive prices more quickly as economic activity remains high. We have assumed 2.25% inflation per annum for Ireland. It is important to point out that the inflation assumption is not a key assumption since investment returns and salary increases are both assumed to be related to inflation. Section 8.8 looks at the sensitivity of results to the assumed inflation assumption.

4.1.4 General Salary Increases

We used the ESRI's Medium Term Review¹⁹ as the base for our economic projections. This review predicted that average income per head would increase at 3.5% per annum from 2005 to 2010 and would then slow to 1.5% to 2.0% real per annum thereafter. Over the 20 year period from 1985 to 2005 the average pay of an executive officer increased by 5.0% per annum compared with average inflation of 3.0%²⁰ p.a. Therefore the average real increase in salaries was 2.0%.

2% is also considered to be a realistic assumption for long term real economic growth per person. It is reasonable to assume that this will lead to pay increases for employees of 2.0% p.a.

Therefore both historic trends and economic projections point to pay increases of 2% p.a. above inflation.

4.1.5 Increases in the State Pension

Since we are examining the value of benefits which are integrated with the State Pension it is important to also consider the impact of increases in the State Pension. There has never been a formal government policy about the level of increases in the State Pension. Differing views exist about whether increases should be linked to inflation or to salary increases. The NPPI report²¹ recommended that the State Pension should be increased from its then level of 28.5% of average industrial earnings to 34% of average industrial earnings. This 34% target was repeated in the National Pensions Review²². Actual increases since 1998 have been higher than earnings increases so that the State Pension has now reached the 34% target.

Based on the above we have assumed that the State Pension will increase at the same rate as earnings – i.e. 2% p.a. above price inflation. This compares with the Commission on Public Service Pensions assumption that the State Pension would increase at 1.0% per annum above price inflation (and accordingly below earnings increases).

The Programme for Government agreed by the recently appointed Government contains a commitment to “Increase the basic State Pension by around 50% to at least €300 by 2012”. This is based on an average growth rate of 4.5%. Allowing for increases in earnings over the period from now to 2012, this would lead to a pension of 39% of average industrial earnings by 2012 if this is fully implemented. In section 8.5 we have looked at the impact of the State Pension reaching 39% of Gross Average Industrial Earnings and remaining at that level.

¹⁹ Economic and Social Research Institute (2005), Medium-Term Review 2005-2012.

²⁰ Source – Department of Finance.

²¹ National Pensions Policy Initiative – Pensions Board 1998.

²² National Pensions Review – Pensions Board 2005.

4.1.6 Promotional/Scale Salary increases

See individual group sections below.

4.2 Demographic Assumptions

4.2.1 Mortality

There are two key assumptions about mortality to consider:

1. The current level of mortality being experienced by Public Service employees and their equivalents in the private sector.
2. The future improvements in mortality that this group are likely to experience.

These two assumptions will determine how long a pension will be paid on average. Improvements in mortality are considered in section 4.2.2 below.

To determine an appropriate assumption about the current mortality of Public Service employees we have looked at available data in both Ireland and the UK. Given that greater amounts of data are available in the UK, we have initially examined data from the UK and then compared with data from Ireland for reasonableness.

Mortality experience in the UK is examined by the Continuous Mortality Investigation Bureau (a body set up by the Actuarial Profession). As part of their investigations they examine the mortality of pensioners in the UK (i.e. people in receipt of an occupational pension). This research indicates that UK pensioner mortality is approximately 85-90% of the equivalent population mortality.

The Government Actuary's Department in the UK reviews the position of the UK Public Service pension schemes. Its most recent report²³ comments on pensioner mortality. It states that Public Service pensioner mortality is expected to be 85% of population mortality.

The Society of Actuaries investigated pensioner mortality in Ireland (based on relatively limited data). They determined that Irish pensioner mortality was 87% of population mortality for ages 65-74 and 93% of population mortality for ages 75-84.

All of this evidence points to an assumption of 85-90% of population mortality.

An investigation by the Department of Finance of the mortality of established civil servants showed that mortality in the period 2002-2004 was approximately 80% of the level predicted by population mortality.

Based on the above, we have assumed that pensioner mortality will be 85% of population mortality. In section 8.3 we consider the impact of a change to this assumption.

4.2.2 Mortality Improvements

The CSO produce population projections to 2036. As part of this process they make assumptions about mortality improvements up to 2036. We propose to use these projections.

The CSO also provided unpublished projections out to 2056 for the Department of Social and Family Affairs. For the National Pensions Review, we used their projection F2M2 (this is based on specific

²³ Unfunded Public Service Pension Schemes 2006 Cashflow Projections Methodology, assumptions and data.

assumptions on fertility and migration). This incorporated the assumption that improvements in mortality rates between 1986 and 2002 will continue at the same rate out to 2036 and thereafter continue improving at half the rate assumed for 2002-2036.

For consistency with other projections, we have used these figures.

In section 8.4 we consider the impact of using a different assumption about mortality improvements.

4.2.3 Expenses

Expenses arise for pension schemes in two areas:

- Investment expense to pay fund managers to manage assets on their behalf.
- Administration expenses to collect contributions, record details of benefits, pay benefits etc.

To cover these expenses we have included the following allowances:

- Investment expenses of 0.25% of funds under management.
- Administration expenses of 1% of contributions and 1% of each pension payable.

4.2.4 Gender and Marriage

The Quarterly National Household Survey for Quarter 4, 2006 showed a total of 2.066 million people in employment in Ireland. Of these 1.186 million (57%) were male and the remaining 0.880 million (43%) were female. We have therefore used these proportions for our analysis of the cost of benefits. Females have a longer life expectancy than males. In looking at the cost of pensions this is balanced to some extent by the cost of providing for a surviving spouse on death. The impact of changing this assumption is examined in section 8.7.

We also require an assumption about the proportion of those reaching retirement who are married, and therefore qualify for benefits on death in retirement. An analysis of the results of the 2002 Census showed that approximately 73% of those in the labour force in the ages around retirement are married. We have assumed this proportion married in our calculations of the value of benefits.

4.2.5 Staff Turnover

The following turnover rates were assumed for all of the Public Service groups:

Year	1	2	3	4	5	5 – 10	> 10
Rate	14.0%	5.5%	3.1%	2.1%	1.1%	0.1%	0.1%

These rates are based on data provided by the Benchmarking Body on civil service leavers in the period 2002-2004.

The following turnover rates were assumed for the private sector:

Year	1	2	3	4	5	5 – 10	>10
Rate	20.0%	10.0%	5.0%	4.0%	3.0%	2.0%	1.0%

We expect Public Service turnover to be lower than turnover in the private sector because Public Service employees can move to other employments within the Public Service without leaving their job for pension purposes. Private sector employees are more limited by the size of their employer.

4.3 Specific Assumptions for individual grades

This section will cover particular assumptions about salary levels, ages, treatment of special benefits etc. used for each grade selected.

Details of the data provided are in Appendix 1.

4.3.1 Civil Servant

Age at entry	20 (pre 2004 cohort); 26 (post 2004 cohort)
Age at retirement	62 (pre 2004 cohort); 65 (post 2004 cohort)
Salary plus pensionable allowances at entry	€25,000
Salary plus pensionable allowances at retirement (2007 value)	€61,000
Notional Added Years	0

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The average retirement age for the post 2004 cohort is not yet known so we have assumed the minimum retirement age (without actuarial reduction) of 65.
- The retirement salary is taken as the maximum salary for each grade weighted by the number retiring at that grade.

Note that the data provided contains all in force civil service employees as at the end of 2004 (see Appendix 1). Therefore the age at entry used for the pre 2004 cohort (20) is the median age for all of the data. The age at entry used for the post 2004 cohort (26) is the median age for civil servants starting in 2003 and 2004. This is the result of a steady increase in the starting age for a civil servant. The median by year is shown below:

Year	1990	1991	1992	1993	1994	1995	1996	1997
Median Age	20	21	23	24	23	23	24	25

Year	1998	1999	2000	2001	2002	2003	2004
Median Age	25	25	25	25	25	25	29

4.3.2 Engineer

Age at entry	30 (pre 2004 cohort); 28 (post 2004 cohort)
Age at retirement	63 (pre 2004 cohort); 65 (post 2004 cohort)
Salary plus pensionable allowances at entry	€43,000
Salary plus pensionable allowances at retirement (2007 value)	€79,000
Notional Added Years	7 (pre 2004 cohort); 2 (post 2004 cohort)

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The retirement age for the post 2004 cohort is not yet known so we have assumed the minimum retirement age (without actuarial reduction) of 65.

Note that the age at entry used for the pre 2004 cohort (30) is the median entry age for all currently serving engineers in the data provided. The age at entry used for the post 2004 cohort (28) is the

median entry age for engineers starting since April 2004. This reflects a gradual decrease in the age at entry of engineers to the Public Service.

Note also that the maximum added years for engineers appointed after 1st April 2005 reduced from 10 years to 5 years. Thus the notional added years used has reduced for the post 2004 cohort.

4.3.3 Staff Nurse

Age at entry	24 (pre 2004 cohort); 25 (post 2004 cohort)
Age at retirement	60 (pre 2004 cohort); 65 (post 2004 cohort)
Salary plus pensionable allowances at entry	€37,000
Salary plus pensionable allowances at retirement (2007 value)	€52,000
Notional Added Years	0

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The average retirement age for the post 2004 cohort is not yet known so we have assumed the minimum retirement age (without actuarial reduction) of 65.
- The starting salary is taken as the second point on the staff nurse scale²⁴ plus average allowances for new entrants, as per the HSE.
- The retirement salary is taken as the average salary on retiring plus average allowances on retiring.

We examined the impact of the special retirement initiatives available to nurses (see Section 2.2.3). The numbers availing of these benefits are very low and the impact on overall benefit levels is trivial. Therefore, no account has been taken of these initiatives in the calculation of value of nurses' pensions.

4.3.4 Garda

Age at entry	21 (pre 2004 cohort); 23 (post 2004 cohort)
Age at retirement	56 (pre 2004 cohort); 56 (post 2004 cohort)
Salary plus pensionable allowances at entry	€40,000
Salary plus pensionable allowances at retirement (2007 value)	€65,000
Notional Added Years	0

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The average retirement age for the post 2004 cohort is not yet known so we have assumed the same age as the pre 2004 cohort (since this is greater than the post 2004 minimum of 55).
- The starting salary is taken as the entry salary for the Garda rank plus average allowances.
- The retirement salary is taken as the maximum salary for each rank weighted by the number retiring at that rank plus average allowances.

²⁴ On graduation, nurses are now given incremental credit for the year spent on clinical placement as part of their training, and hence start on the second point of the scale.

Note that the data provided for currently serving Gardaí only contains Gardaí who joined prior to June 2002. Therefore the age at entry used for the pre 2004 cohort (21) is the median entry age for Gardaí joining before 2002. The age at entry used for the post 2004 cohort (23) is the median entry age for Gardaí joining in 2000 – 2002. This reflects a slight increase in the entry age of Gardaí from 20 pre 1990 to 23 in 2002.

4.3.5 National School Teacher

Age at entry	24 (pre 2004 cohort); 24 (post 2004 cohort)
Age at retirement	60 (pre 2004 cohort); 65 (post 2004 cohort)
Salary plus pensionable allowances at entry	€33,000
Salary plus pensionable allowances at retirement (2007 value)	€68,000
Notional Added Years	0.5

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The average retirement age for the post 2004 cohort is not yet known so we have assumed the minimum retirement age (without actuarial reduction) of 65.

Note that the 0.5 notional added years reflects the number of retirees in the data provided taking up any of the three strands of the voluntary early retirement pilot scheme (see Section 2.2.4).

4.3.6 Special Needs Assistant

Age at entry	37 (pre 2004 cohort); 37 (post 2004 cohort)
Age at retirement	60 (pre 2004 cohort); 65 (post 2004 cohort)
Salary plus pensionable allowances at entry	€22,000
Salary plus pensionable allowances at retirement (2007 value)	€36,000
Notional Added Years	0

The above assumptions are based on data that was provided by the Benchmarking Body to Life Strategies, with the following exceptions:

- The average retirement age for both cohorts is not yet known so we have assumed the minimum retirement age (without actuarial reduction) of 60 (pre 2004 cohort) and 65 (post 2004 cohort).

4.4 Assumptions for cohorts

We have shown the results for both a sample employee who joined prior to 1st April 2004 and for a sample employee who joined since 1st April 2004. The reason for this split is to reflect the changes implemented in 2004 as discussed in Section 2.2. The main effect of these changes was to increase the minimum retirement age.

As a result most of the grades use a higher retirement age for the post 2004 cohort than for the pre 2004 cohort. However, as outlined in Section 4.3 above, we have also taken into account any trends in the data. As a result the following items differ between cohorts:

- Expected retirement year – this is later for the post 2004 cohort, which will increase the cost of the pension due to expected improvements in mortality.
- Age at entry – this will vary depending on the data provided (see Section 4.3 above).

- Age at retirement – The minimum retirement age for all grades (excluding Gardaí) post 2004 is 65. The data implies current retirement ages lower than 65 for all grades so the retirement age increases for all grades (excluding Gardaí) in the post 2004 cohort. This decreases the pension cost. For Gardaí the minimum retirement age increased from 50 to 55. Since the average retirement age at present implied by the data is 56, the same retirement age was used for both cohorts²⁵.
- Years’ service – this will change due to changes in the ages at entry and retirement. In particular for certain roles the data shows average service higher than the service required to generate a maximum pension. These additional “free years” can significantly reduce the cost of the pension.
- Added years service – the maximum added years for engineers appointed after 1st April 2004 reduced from 10 years to 5 years so we have used a lower assumption for added years for the post 2004 cohort.

5 Value of Public Service Benefits

The figure that we are presenting is the value of the pension to the employee, as represented by the notional employer contribution. The employer effective contribution rate is the proportion of salary that the employer would have to contribute for each year of service in order to provide the benefit accrued at retirement.

This value to the employee is the pre-tax value. It will be the same for private sector and Public Service employees.

The methodology used to calculate this was explained in Section 3. In particular see Section 3.3 for an example of the calculations.

The assumptions used were covered in Section 4.

In the sections below, we have addressed each of the employee categories individually. For each category we have shown the key inputs such as age and earnings at entry, age and earnings at retirement (based on 2007 salaries which will be increased for each future year to retirement). We have also shown the outputs such as pension and lump sum together with the effective contribution rate.

5.1 Civil Servant

	Pre 2004 cohort	Post 2004 cohort
Age at entry	20	26
Retirement Age	62	65
Salary plus allowances at entry	€25,000	€25,000
Salary plus allowances at retirement	€61,000	€61,000
Actual years service	42	39
Credited years service	40	39
Pension	€19,579	€19,089
Lump Sum	€91,500	€89,213
Cost as % of earnings p.a.	25.0%	26.1%
Employer effective contribution rate p.a.	20.2%	21.3%

²⁵ We are using an average retirement age for Gardaí which is 56 at present. Obviously there are some Gardaí retiring below age 55 balanced by some remaining until later. The change to minimum retirement age should lead to a small increase in the average age at retirement but the impact is not likely to be significant.

The employer effective contribution rate for a civil servant is therefore 20.2% for the pre 2004 cohort and 21.3% for the post 2004 cohort. This represents the contribution that the employer would now need to make which when added to the employee contribution would deliver the benefits expected.

Note that if the age at entry for the post 2004 cohort had remained at 20, the effective employer contribution rate would have fallen from 20.2% to 16.7%. This is the expected reduction in cost as a result of increasing the retirement age. However the increase in age at entry has more than offset this. See Section 4.3.1 for an explanation of the entry age increase.

5.2 Engineer

	Pre 2004 cohort	Post 2004 cohort
Age at entry	30	28
Retirement Age	63	65
Salary plus allowances at entry	€43,000	€43,000
Salary plus allowances at retirement	€79,000	€79,000
Actual years service	33	37
Credited years service	40	39
Pension	€28,579	€27,864
Lump Sum	€118,500	€115,538
Cost as % of earnings p.a.	31.7%	26.2%
Employer effective contribution rate p.a.	26.4%	20.8%

The employer effective contribution rate for an engineer is therefore 26.4% for the pre 2004 cohort and 20.8% for the post 2004 cohort.

Note here that the reduction in cost for post 2004 engineers is not only due to the increase in retirement age. The maximum added years has reduced for engineers appointed after 1st April 2004 from 10 to 5. Also the age at entry has reduced giving a longer actual service.

5.3 Staff Nurse

	Pre 2004 cohort	Post 2004 cohort
Age at entry	24	25
Retirement Age	60	65
Salary plus allowances at entry	€37,000	€37,000
Salary plus allowances at retirement	€52,000	€52,000
Actual years service	36	40
Credited years service	36	40
Pension	€13,571	€15,079
Lump Sum	€70,200	€78,000
Cost as % of earnings p.a.	22.2%	18.7%
Employer effective contribution rate p.a.	17.3%	13.8%

The employer effective contribution rate for a Staff Nurse is therefore 17.3% for the pre 2004 cohort and 13.8% for the post 2004 cohort.

The reduction in cost for post 2004 nurses reflects the increase in retirement age.

5.4 Garda

	Pre 2004 cohort	Post 2004 cohort
Age at entry	21	23
Retirement Age	56	56
Salary plus allowances at entry	€40,000	€40,000
Salary plus allowances at retirement	€65,000	€65,000
Actual years service	35	33
Credited years service	30	30
Pension	€21,579	€21,579
Lump Sum	€97,500	€97,500
Cost as % of earnings p.a.	33.8%	38.0%
Employer effective contribution rate p.a.	28.7%	32.9%

The employer effective contribution rate for Gardaí is therefore 28.7% for the pre 2004 cohort and 32.9% for the post 2004 cohort.

The increase in cost for post 2004 Gardaí reflects the increase in entry age, which reduces actual service but without any reduction in pension entitlement since actual service still exceeds 30 years. If the age at entry post 2004 had remained at 21, then the effective contribution rate would have been 30.0%. The remaining increase is due to the later expected retirement year and the increased expected life expectancy for those retiring in that year.

Note that the increase in the minimum retirement age from 50 to 55 has not affected the post 2004 cost. This is because the average retirement age for the pre 2004 cohort is greater than 55 anyway.²⁶

The main reason why the cost of pension benefits for Gardaí is higher than for other Public Service employees examined is that Gardaí receive full pension after 30 years service. This is as a result of the public policy decision to maintain a younger workforce suited to the rigours of policing. The quid pro quo for the additional pension benefits is that Gardaí are required to retire at a younger age than other Public Servants and therefore can suffer a loss of earnings.

If this loss of earnings were to be quantified it could be taken as representing the excess of earnings prior to retirement over the pension received. The loss of earnings depends on the “normal retirement age” for that cohort. We have taken this to be 60 for the pre 2004 cohort and 65 for the post 2004 cohort. This gives the following calculations for loss of earnings:

$$\text{Pre 2004: } (60-57) \times (65,000 - 21,579) = 130,263$$

$$\text{Post 2004 } (65-60) \times (65,000 - 21,579) = 217,105$$

These are equivalent to contribution rates of 5.7% and 10.6% of earnings respectively. If full allowance were made for this factor the contribution rate would reduce accordingly. However account should be taken of the fact that the employees are free to earn income from other employments after they are required to retire from the Public Service.

²⁶ As mentioned in section 4.4 above this ignores the impact of the distribution of retirement ages around the average.

5.5 National School Teacher

	Pre 2004 cohort	Post 2004 cohort
Age at entry	24	24
Retirement Age	60	65
Salary plus allowances at entry	€33,000	€33,000
Salary plus allowances at retirement	€68,000	€68,000
Actual years service	36	41
Credited years service	36.5	40
Pension	€21,059	€23,079
Lump Sum	€93,075	€102,000
Cost as % of earnings p.a.	30.6%	24.5%
Employer effective contribution rate p.a.	25.5%	19.4%

The employer effective contribution rate for a National School Teacher is therefore 25.5% for the pre 2004 cohort and 19.4% for the post 2004 cohort.

The reduction in cost for post 2004 teachers reflects the increase in retirement age and the removal of the option to retire after 35 years service. Also, as a result of the higher retirement age, there is no extra cost for added years since the teacher has over 40 years service anyway.

5.6 Special Needs Assistant

	Pre 2004 cohort	Post 2004 cohort
Age at entry	37	37
Retirement Age	60	65
Salary plus allowances at entry	€22,000	€22,000
Salary plus allowances at retirement	€36,000	€36,000
Actual years service	23	28
Credited years service	23	28
Pension	€4,070	€4,955
Lump Sum	€31,050	€37,800
Cost as % of earnings p.a.	19.8%	16.5%
Employer effective contribution rate p.a.	15.8%	12.4%

The employer effective contribution rate for a Special Needs Assistant is therefore 15.8% for the pre 2004 cohort and 12.4% for the post 2004 cohort.

The reduction in cost for post 2004 special needs assistants reflects the increase in retirement age.

5.7 Summary

The following table shows the employer effective contribution rate p.a. for each grade:

	Pre 2004 cohort	Post 2004 cohort
Civil Servant	20.2%	21.3%
Engineer	26.4%	20.8%
Staff Nurse	17.3%	13.8%
Garda	28.7%	32.9%
National School Teacher	25.5%	19.4%
Special Needs Assistant	15.8%	12.4%

The higher cost for the Garda reflects the extra accrual for service in excess of 20 years, in order to grant full pension after 30 years service. It also reflects the early retirement age for Gardaí, which means that the pension is expected to be paid for longer.

The higher cost for the engineer pre 2004 reflects the added years benefit.

The higher cost for the national school teacher pre 2004 reflects the ability to retire after 35 years service.

The lower cost for staff nurses and special needs assistants is due to the smaller difference between salary at entry and salary at retirement (on which pension is based) for these groups than for others. This is because historically there were less promotional opportunities for these groups. If that position were to change it may cause the costs to converge with those applicable to other groups with standard terms, since the rates of benefit accrual and retirement age limits are the same.

6 Value of Private Sector Benefits

6.1 Introduction

To value private sector pensions we need to break down the private sector employees into the following groups:

- Those with Defined Benefit Pensions;
- Those with Defined Contribution Pensions;
- Those with a private pension or PRSA where the employer does not make contributions to the pension plan. This group will include the self employed;
- Those with no pension.

Section 6.2 below looks at different sources of information for statistics on coverage.

We are then required to place a value on private sector Defined Benefit schemes and to determine contribution levels to Defined Contribution schemes. Sections 6.3 and 6.4 below deal with these two issues.

Section 6.5 then calculates an appropriate aggregate value of pension benefits taking account of all of the above.

6.2 Coverage

We have three possible sets of data on which to base this split:

- Pensions Board data;
- CSO data;
- Benchmarking Body survey.

6.2.1 Pensions Board data

All occupational pension schemes are required to register with the Pensions Board. The Pensions Board publish details of the total registrations in its annual report each year. The most recent available annual report is from 2005. The numbers of employees in pension schemes at end 2005 were:

Defined Contribution Schemes	234,800
Defined Benefit Schemes	239,100 ²⁷

²⁷ Note that this figure excludes 257,700 members of pension schemes which are not required to meet the funding standard. This effectively excluded Public Service employees.

Therefore there were a total of 473,900 employees with occupational pensions.

The equivalent number of people in employment was 1,980,000. However this includes Public Servants and the self employed. Removing each of these groups means that there were approximately 1,400,000 employees in the private sector. The 473,900 with pensions therefore represents 34% of employees in the private sector. These are equally split between those with Defined Benefit and Defined Contribution schemes.

Removing the self-employed from this data gives the following split:

- 17% with a DB pension;
- 17% with a DC pension;
- Remaining employees have no pension or a private pension.

6.2.2 CSO data

The CSO survey the population every two years to determine the levels of pension scheme coverage. The most recent survey was conducted as part of the Quarterly National Household Survey in quarter 4, 2005.

This survey shows that 55% of those in employment have a pension arrangement. However this includes the self employed and those who have made their own pension provision. When we look at occupational pensions provided for employees, coverage is 48%.

This figure still overstates coverage in the Private Sector because it includes those in the Public Service who have a pension. Since coverage is almost universal in the Public Service, this means that the actual coverage for employees in the private sector is below 48%. Based on some estimates provided to us from the CSO we estimate that the coverage among private sector employees only is approximately 44%.

Coverage among private sector employees varies substantially across broad occupational groups. The table below shows the coverage for different groups:

Broad Occupational Group	Employee Coverage ²⁸
Managers and Administrative	61%
Professional	74%
Associate professional and technical	69%
Clerical and secretarial	56%
Craft and Related	43%
Personal and protective service	38%
Sales	28%
Plant and Machine Operatives	47%
Other	35%

It is clear from this table that employees in managerial, administrative, professional, associate professional and technical, clerical and secretarial have a higher level of coverage than other employees. Since these are generally the most appropriate benchmark for Public Service employees it is therefore appropriate to look specifically at these groups. Taking the figures above and removing

²⁸ Note that these figures include Public Servants and hence overstate the coverage in the private sector.

Public Service employees CSO figures imply that private sector coverage is approximately 55%. No information is provided on the split of employees between defined benefit and defined contribution.

This implies higher coverage than the Pensions Board data which showed 34% coverage.

6.2.3 Benchmarking Body survey

The Benchmarking Body conducted a survey of 263 companies with 36,000 employees. Weightings were applied in order to give an appropriate weighting to smaller employers.

This data showed the following split:

- 19% with a DB pension;
- 30% with a DC pension;
- 3% with a Hybrid pension;
- 48% with a PRSA or no pension.

This implies 52% pension coverage which is reasonably consistent with the CSO data.

In section 6.5 below we calculate the value of private sector benefits based on the weightings from each of the above sources of data.

6.2.4 Recent New Entrants

The table below shows the number of members of defined benefit and defined contribution schemes in 2000 and again in 2005²⁹.

	Defined Benefit	Defined Contribution	Total
Members in 2000	225,693	180,690	406,383
Members in 2005	239,100	234,800	473,900
Change 00-05	13,407	54,110	67,517
% of Change	20%	80%	

The table shows that 80% of the growth of pension scheme membership during this period was in Defined Contribution schemes. This confirms anecdotal evidence of Defined Benefit schemes being closed to new entrants. New employees are more likely to become members of Defined Contribution schemes than Defined Benefit schemes.

Additional evidence of this trend came from the Benchmarking Body survey. The Benchmarking Body asked companies to give information on the benefits offered to longer serving employees and recent new entrants. While the amount of data is limited and should be read with caution, the data showed that just 2% of recent entrants were joining a Defined Benefit scheme³⁰.

The data from both the Pensions Board and the Benchmarking Body survey would seem to indicate that more recent employees are more likely to be in a Defined Contribution scheme than their longer serving colleagues. Therefore when comparing the benefits of the post 2004 cohort of Public Servants with the private sector, we will assume that 75% of private sector employees with a pension are in a

²⁹ Source – Pensions Board reports 2000 and 2005.

³⁰ Note that this data is based on schemes which provided a distinction between the benefits of long serving and more recent entrants. It will therefore understate the real proportion of new entrants joining Defined Benefit schemes.

Defined Contribution scheme. This has the effect of reducing the value of private sector benefits for this group.

6.3 Private Sector Defined Benefit Pension Scheme

6.3.1 Pension Details

Data on private sector pension comparisons came from two sources:

- The Benchmarking Body Survey of pension schemes
- The IAPF Benefits Survey 2002³¹

Based on the information from these two surveys we have used the features below to place a value on private sector pensions:

Retirement age	65
Pensionable Remuneration	Pay over 12 months prior to retirement, less 75% of 1.5 times the State Pension (see note 1 below).
Pension Accrual Rate	1/60th of pensionable salary for each year of service.
Retirement Lump Sum	Option to commute to a lump sum.
Spouses' pension	50% of member's pension.
Contributions	6% pensionable salary.
Options to enhance pension	AVCs.
Pension increases	We have assumed that the pension will increase at half of the rate of inflation (see note 2).

Note 1: In calculating the value of private sector schemes we have taken account of whether they apply an offset for the State Pension. Based on information from the surveys we have concluded that 75% of schemes apply a State Pension offset. Therefore we have calculated the value based on 75% of the normal offset.

Note 2: The Benchmarking Body's survey of private sector pension schemes showed that approximately half of respondents with a defined benefits pension stated that they gave no pension increases. The remainder gave a variety of different increases ranging from the consumer price index (CPI) with a limit to full CPI or fixed increases. Based on this data we arrived at an average pension increase of half of CPI. The 2002 IAPF Benefits Survey showed a higher proportion of funds proposing to give some form of increase. The increases proposed ranged from increases of close to CPI to a range of other possible increases. Overall their information is not inconsistent with the assumptions based on the Benchmarking Body survey.

6.3.2 Methodology

The methodology used to value private sector defined benefit pensions is the same as the methodology described in Section 3 above for Public Service pensions.

6.3.3 Assumptions

A private sector representative was chosen to be comparable to each of the Public Service grades selected. So the starting ages, starting salaries, retiring salaries and salary scales for each private sector representative were set to be the same as their Public Service equivalent. Note that we are purposely choosing a person in the private sector who has an identical pattern of employment to the Public

³¹ The Irish Association of Pensions Funds survey of Pension Schemes published in 2002. An update from this survey is due later this year.

Service equivalent so external factors do not impact on pension costs. Clearly there would be actual differences between private sector and Public Service.

The retiring age was set to be 65 for all groups and both cohorts. Similarly no added years were used for any calculations.

Employee contributions were assumed to be 6% of pensionable salary.

Private sector employees have the option at retirement to commute a portion of their pension into a lump sum. Typically the pension is reduced by 1/9 of the lump sum. We have assumed that the pension is reduced by 1/11 of the lump sum. This is to reflect the proportion taking up the commutation option and the fact that some pension schemes give better terms on commutation.

6.3.4 Value of Private Sector Defined Benefit Pension Scheme

The following table³² shows the employer effective contribution rate for private sector equivalents of each of the Public Service grades selected:

Private sector equivalent of:	Pre 2004 cohort	Post 2004 cohort
Civil Servant	12.3%	16.3%
Engineer	14.0%	14.3%
Staff Nurse	10.2%	10.8%
Garda	10.4%	11.8%
National School Teacher	13.1%	13.5%
Special Needs Assistant	11.5%	11.7%

We have assumed the same private sector benefits in each case. The effective contribution rates differ because of differing assumptions about starting age and earnings and retiring age and earnings. These figures are produced to be most consistent with the figures used for the Public Sector. The figures are more consistent than for the equivalent public service calculations because all are assumed to retire at 65 and so there is no distortion caused by retirement age.

6.4 Private Sector Defined Contribution Pension Scheme

For defined contribution pension schemes, the value to the employee is much clearer – it is simply the contribution (as a % of salary) made by the employer to the scheme.

The IAPF survey in 2002 found that the average employer contribution for schemes with 50 or more employees was 5.9%. A Mercer survey in 2005 also found an average employer contribution of 5.9%. The Benchmarking Body survey showed an average contribution of 6.2%.

We have used 6% as the average employer contribution to DC schemes.

The rate was increased to 6.8% for post 2004 joiners to reflect the fact that employers pay more to this group as a result of closing DB schemes.

³² Appendix 3 gives more detail on these calculations.

6.5 Value of Private Sector Pension Schemes

To arrive at the overall value of the private sector benefits we simply arrive at a weighted average of the values of each of the different pension scheme types where the weightings are the proportion of employees who have this pension type.

We have discussed in Section 6.3 and 6.4 our method for calculating values for private sector defined benefit and defined contribution pension schemes. Personal Pensions and PRSAs³³ involve employee contributions only so there is no value from employer contributions.

We have examined the value of private sector pensions on each of the following bases:

- (1) We placed a value on the average Defined Benefit scheme.
- (2) We placed a value on pension benefits of private sector employees limiting our analysis to those who have a pension.
- (3) We placed a value using Pensions Board weightings of those with a DB Scheme, DC scheme, no scheme etc.
- (4) We placed a value using CSO weightings.
- (5) We placed a value using Benchmarking Survey weightings.

We have assumed that 75% of new entrants to pension schemes join a DC scheme (see section 6.2.4).

The following table shows the employer effective contribution rate for each of these methods using a national school teacher equivalent to illustrate the differences:

Method	Pre 2004 cohort	Post 2004 cohort
(1) 100% Defined Benefit	13.1%	13.5%
(2) Comparison with employees in the Private Sector with a pension ³⁴	8.7%	8.5%
(3) Pensions Board weightings	3.3%	3.0%
(4) CSO weightings	5.3%	4.8%
(5) Benchmarking Body survey weightings	4.6%	4.7%

Note that the post 2004 cohort assumes a higher proportion with Defined Contribution pensions but also assumes higher contributions.

The value of the benefits does not vary greatly with year of joining. However the weightings of pension types used has a substantial effect. We will use the Benchmarking Body survey weightings as the basis for comparison with the Public Service. We believe that this gives the most appropriate measure since it is consistent with the other information being used by the Benchmarking Body to arrive at a comparison of the overall remuneration of private sector employees with the Public Service.

The following table shows the effective employer contribution rates for private sector equivalents of each of the Public Service grades selected, using the Benchmarking Body survey weightings:

³³ In some cases employers make contributions to PRSAs. Where this is the case, we have placed a value on the employer contribution in the same way as for defined contribution schemes.

³⁴ This calculation is weighted by the mix of Defined Benefit and Defined Contribution in the Benchmarking Body survey. It ignores employees with no pension.

Private sector equivalent of:	Pre 2004 cohort	Post 2004 cohort
Civil Servant	4.5% ³⁵	5.0%
Engineer	4.8%	4.8%
Staff Nurse	4.1%	4.3%
Garda	4.1%	4.5%
National School Teacher	4.6%	4.7%
Special Needs Assistant	4.3%	4.5%

A comparison of these values with the Public Service equivalent costs is in Section 7. The figures are quite consistent across the different groups because:

- Only a relatively small proportion is assumed to be in Defined Benefit schemes. The underlying value is only different for those who are members of these schemes.
- Even for those with Defined Benefit, the variation is not as great as for Public Servants (see section 6.3.4 above).
- The value of defined contribution benefits is assumed to be the same across all groups – i.e. the amount of the contribution.

7 Summary Comparison

The following table summarises the employer effective contribution p.a. for each Public Service grade selected and their private sector equivalent for the pre 2004 cohort:

Grade	Public Service	Private Sector	Difference
Civil Servant	20.2%	4.5%	15.7%
Engineer	26.4%	4.8%	21.6%
Staff Nurse	17.3%	4.1%	13.2%
Garda	28.7%	4.1%	24.6%
National School Teacher	25.5%	4.6%	20.9%
Special Needs Assistant	15.8%	4.3%	11.5%

The following table summarises the employer effective contribution p.a. for each Public Service grade selected and their private sector equivalent for the post 2004 cohort:

Grade	Public Service	Private Sector	Difference
Civil Servant	21.3%	5.0%	16.3%
Engineer	20.8%	4.8%	16.0%
Staff Nurse	13.8%	4.3%	9.5%
Garda	32.9%	4.5%	28.4%
National School Teacher	19.4%	4.7%	14.7%
Special Needs Assistant	12.4%	4.5%	7.9%

³⁵ See Appendix 3 section 3.2 for the details behind the calculation of this figure.

8 Sensitivities

The assumptions used in our calculations are detailed in Section 4. In this section we examine how changes to these assumptions affect the calculated cost.

The following table shows the impact of changing assumptions on the employer effective contribution rate of a pre 2004 civil servant and the private sector equivalent.

You should note that the items examined in the table below generally increase the value of the pension benefits. However, it is equally valid to consider sensitivities in the opposite direction, which would of course reduce the value of the benefits.

Scenario	Civil Servant	Private Sector Equivalent	Difference
Base Case	20.2%	4.5%	15.7%
“Market Consistent” Pre-Retirement Discount Rate	31.0%	6.1%	24.9%
Higher salary increases	24.7%	4.9%	19.8%
Lower mortality	20.9%	4.6%	16.3%
Higher mortality improvements	23.5%	4.7%	18.8%
State Pension increases with inflation	24.1%	4.8%	19.3%
Increase in State Pension to €300 per week	18.6%	4.4%	14.2%
Higher turnover	20.1%	4.5%	15.6%
Gender Mix – 100% male	20.0%	4.5%	15.5%
Inflation Rate of 3.0%	20.3%	4.5%	15.8%

8.1 Pre-Retirement Discount Rate

As discussed in Section 4.1.1, there are two possible approaches to the discount rate. The first approach takes the view that in looking at the value of Public Service pensions it is appropriate to use the rate of interest that the Irish Government would pay on similar liabilities – i.e. 2% p.a. real. The second approach is to use the real return expected by a pension fund – i.e. 4% p.a. real.

We have used 4% p.a. real in our calculations. The above table shows the effect on the employer effective contribution rate of using 2% p.a. real. The 4% p.a. real rate might be considered more appropriate from the individual’s perspective while the 2% p.a. real rate would be more appropriate from the government’s perspective.

This is the assumption that has the greatest effect, increasing the cost from 20.2% to 31.0%.

The value of the private sector pension changes by a much smaller amount because this factor impacts on the cost of Defined Benefits pensions only and a lower proportion of private sector employees is assumed to be in Defined Benefit schemes. The same trend will be seen for the other sensitivities below.

8.2 Salary Increases

Our calculations assume salary increases of 2% per annum above inflation. The above table shows the effect on the employer effective contribution rate of using 2.5% per annum above inflation.

This leads to higher salaries at retirement and larger pension increases and so increases the cost of the pension from 20.2% to 24.7%.

8.3 Mortality

In our base calculations we have assumed that the mortality rate for public servants is 85% of the level in the population as a whole. This means that Public Service employees are assumed to live somewhat longer than the population as a whole. This is based on data about Public Service mortality in both Ireland and the UK. The above table shows the effect of Public Service mortality being 75% of population mortality.

The effect of this is to increase the cost by 0.7%.

8.4 Mortality Improvements

We have used CSO projections of future mortality. A feature of recent years has been improving mortality – i.e. for the same population at a given age, fewer people are dying each year. There are wide ranging views on likely future improvements. Our base calculations use CSO projections which average approximately 3% improvement per annum. The sensitivity looks at improvements of 150% of this level or approximately 4.5% per annum. This is chosen to help illustrate the importance of this assumption.

The effect of this is to increase the cost by 3.3% to 23.5%.

8.5 State Pension Increases

Our calculations assume that the State Pension will increase in line with salary increases (2% above price inflation). The above table shows the effect on the employer effective contribution rate of assuming the state pension increases with inflation.

This has a reasonably significant effect, increasing the cost from 20.2% to 24.1%.

We have also tested the impact of increasing the State Pension to €300 per week in five years time, as outlined in the Programme for Government. This reduces the cost from 20.2% to 18.6%.

8.6 Turnover

To show the effect of turnover rates on our calculations, we doubled the turnover rates and applied a minimum of 2.5% per annum (5% per annum for the private sector). A comparison of the turnover rates used is:

Public Service

Year	1	2	3	4	5	5-10	>10
Rate – Base case	14.0%	5.5%	3.1%	2.1%	1.1%	0.1%	0.1%
Rate – sensitivity	28.0%	11.0%	6.2%	4.2%	2.5%	2.5%	2.5%

Private Sector

Year	1	2	3	4	5	5-10	>10
Rate – Base case	20.0%	10.0%	5.0%	4.0%	3.0%	2.0%	1.0%
Rate – sensitivity	40.0%	20.0%	10.0%	8.0%	6.0%	5.0%	5.0%

This has minimal impact, decreasing the cost by 0.1%. The changes reduce costs because paid up pensions for leavers are less valuable than the pensions received by those who remain to retirement. However, the impact is low.

8.7 Gender Mix

In our calculations, we have assumed 57% of employees are male and 43% are female. To examine the sensitivity of the results to this assumption, we tested the effect of assuming 100% of employees are male and 0% are female. As you can see, this had a minimal impact.

8.8 Inflation Rate

Our calculations are based on an inflation rate of 2.25%. Results are not very sensitive to the inflation rate because the inflation rate is an input to both the assumed investment return/discount rate and the assumed salary increases. Increasing the assumed inflation rate from 2.25% to 3.0% just increases the cost of a Civil Service pension from 20.2% to 20.3%, assuming that there is a knock on impact on the other assumptions.

9 Other Issues to Consider

The sections above examine the issue of pension benefits from a purely economic perspective – a value is placed on the expected benefits for both Private Sector and Public Sector employees. In this section we briefly discuss some other issues that might be taken into consideration in comparing Public Service and private sector pensions:

- Public Service pensions are paid by the State and so come with an implied State guarantee. Therefore there is quite a high level of security attached to these pensions for the employee. There is no risk of employer insolvency or pension fund difficulties preventing the pension being paid, except in the extraordinary situation of extreme financial difficulties for the Government.
- On the other hand Public Service pensions are determined on a Pay as You Go basis from current Government funds. There is no fund in place to protect the employee. This could potentially leave the Public Service employee open to future policy changes which could lead to changes to pensions.
- Private sector Defined Benefit members are in funded pension schemes. However we have seen in recent years that many of these schemes can experience considerable periods where they are underfunded. If a fund were to close during a period of underfunding this would lead to the employees receiving a pension which is lower than the accrued pension. Ultimately the full pension will only be obtained if the employer is able/ willing to continue to contribute to the scheme and the investment performance on the underlying pension fund meets the assumptions. Therefore there is a considerable reliance for private sector schemes on the continuing financial health of their employer.
- The value placed on Defined Contribution schemes above is simply the contribution made by the employer to the scheme. This is clearly the most appropriate value. However it does not provide any certainty of benefit and those who are members of defined contribution schemes take on greater risk than equivalent members of defined benefit schemes (as a result of their direct exposure to investment markets). No economic value has been placed on this additional risk.
- Pension increases for Public Service employees are linked to the increases in salaries for serving employees. Private sector pension increases are generally not guaranteed to the same extent. Some schemes will guarantee a fixed increase and a small number will guarantee

increases in line with price inflation. However most retain some discretion over increases and it is likely that a period of sustained high inflation would lead to lower pension increases for private sector employees. This would widen the gap between the value of Public Service and private sector pensions.

- Turnover can have different impacts on the Public Service and the private sector. A member of a private sector defined benefit scheme will receive a deferred pension on moving to an alternative employer. Consider two employees in the private sector who join the workforce at 24 with a salary of €33,000 and retire at 65 with a salary of €68,000.
- Employee 1 remains with the same employer throughout the career and retires with a pension of €34,412 (using the scheme structure in section 6.3 above).
- Employee 2 changes job three times during his/her career with the following pattern:

	Start Age	Finish Age	Starting Salary	Finishing Salary	Pension
Job 1	24	34	€ 33,000	€ 48,000	€ 5,270
Job 2	34	44	48,000	60,000	7,270
Job 3	44	54	60,000	68,000	8,603
Job 4	54	65	68,000	68,000	9,463
Total					30,606

The net impact is that the pension for the person who changes jobs a number of times is to reduce the expected pension from €34,412 per annum to €30,606 per annum. The impact would be even greater if the employee experienced greater salary progression or if there was substantial inflation which could impact on the deferred pensions.

Public Service employees are less likely to experience this type of impact on their benefits because they can change job within the public service without damaging their pension benefits.

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Appendix 1 to Life Strategies report

Data Provided

Note that personal identifiers (such as name, employee number, RSI number etc.) were removed from all data before it was provided.

1.1 Civil Servant

The following data was provided on civil servants:

- (1) A file of 33,033 in force civil service employees as at the end of 2004, containing
 - Department
 - Date of birth
 - Date entered current grade, previous grades and entry grade
 - Grade
 - Salary
 - Scale point
 - Length of service

The assumptions for ages at entry were based on the 17,919 permanent, full-time civil servants in the following grades:

- Clerical Officer
- Executive Officer
- Higher Executive Officer
- Administrative Officer
- Assistant Principal
- Principal
- Assistant Secretary
- Deputy Secretary
- Secretary General

The assumption for salary at entry was based on the 1,801 permanent, full-time civil servants in the above grades with a length of service less than 2 years.

- (2) A file of 8,565 civil service pensioners as at the end of 2004, containing
 - Department
 - Date of birth
 - Date of retirement
 - Grade pre retirement
 - Salary on retirement
 - Scale point on retirement
 - Pay multiplier
 - Pension type

The assumption for age at retirement was based on the 1,833 pensioners with a grade pre retirement that is in the above list and that do not have a pension type of Cost neutral, Preserved benefit or unestablished.

- (3) A file of 9,864 civil service leavers during the period from 1981 to 2004, containing
- Department
 - Date of birth
 - Date entered current grade, previous grades and entry grade
 - Date left
 - Grade
 - Salary
 - Scale point
 - Length of service

Our assumptions on turnover are based on the data for 2002 – 2004.

1.2 Engineer

The following data was provided on engineers:

- (1) A file of 188 currently serving engineers from Dublin Corporation, containing:
- Grade
 - Date of birth
 - Date of entry
 - Salary
 - Scale point
- (2) 3 files with data on 78 retired engineers from Dublin Corporation, the Department of the Environment and the Office of Public Works, containing a range of fields including:
- Date of birth
 - Date of retirement
 - Grade pre retirement
 - Pension amount

1.3 Staff Nurse

For nurses we received data on new entrants and retirees from a range of hospitals, health board areas and other groups.

- (1) Details on new entrants during 2006 were received from:
- Two Dublin area public hospitals
 - Dublin Mid Leinster area
 - Former Mid Western Health Board area
 - Former North Western Health Board area

- Former East Coast area
- Former Eastern Health Board area
- Former Northern Health Board area
- Community Services Dublin West

These files generally included the following information:

- Grade at entry
- Date of birth
- Date of joining
- Salary at entry or appropriate scale point

Some data files also gave details on prior service and allowances. This data allowed us to assess the typical starting ages and the typical starting salary levels.

- (2) Each of the areas outlined above also gave us data on retirees in 2006. We also received retiree data from the former Midland Health Board area and the Voluntary Hospitals Superannuation Scheme.

The retirement data generally included:

- Grade
- Date of birth
- Date of retirement
- Salary and allowances at retirement
- Years service

This allowed us to assess typical ages, mix of grades and benefits at retirement.

1.4 Garda

The following data was provided on Gardaí:

- (1) A file of 16,383 Gardaí who joined prior to June 2002 (including Gardaí who left the force before 2002), containing:
- Rank
 - Date of birth
 - Date of leaving the Gardaí where relevant
 - Start date, promotion date
 - Planned retirement date
- (2) A file of 8,645 retired Gardaí, containing:
- Date of birth
 - Date of retirement
 - Pay multiplier
 - Rank at retirement

The 6,426 of these that are not spouse & children pensions and that have a date of birth populated were included in the data used to determine assumptions.

1.5 National School Teacher

The following data was provided on teachers:

- (1) A representative file of 425 new entrants to the position of national teacher in 2006, containing:
 - Date of birth
 - Start date
 - Salary
 - Allowances

- (2) A file of 648 retirees from the position of national teacher in 2006, containing:
 - Date of birth
 - Date of retirement
 - Salary
 - Allowances
 - Pension amount
 - Years service
 - Retirement reason

1.6 Special Needs Assistant

- (1) A file of 1,298 special needs assistants appointed in 2006, containing:
 - Date of birth
 - Start date
 - Salary

Appendix 2 to Life Strategies report

Cost of extra benefits

2.1 ill health benefits

On retirement due to ill health, a Public Service employee is entitled to immediate benefits based on actual service plus up to 10 added years.

In order to quantify the value of ill health benefits we analysed the data received. The only groups where the data clearly indicated those retiring due to ill health were teachers and civil servants¹. The average age of retiring due to ill health is 53 for teachers and 51 for civil servants. We assumed an addition of 6 added years for civil servants and 0 added years for teachers.

We calculated the effective contribution (as a % of salary) that would need to be paid throughout the working life of the employee to generate the pension and lump sum due at the date of ill health retirement². Employee contributions until the date of ill health retirement were deducted from this to get the net value to the employee of the employer contributions. The methodology is as described in Section 3.2 Valuing Public Service Pensions, except that no turnover is allowed for.

The cost of providing these benefits as a % of earnings p.a. is:

	Pre 2004 cohort	Post 2004 cohort
Civil Servant	39%	39%
Teacher	31%	33%

This represents an increase on the cost of a standard pension as a % of earnings p.a. of:

	Pre 2004 cohort	Post 2004 cohort
Civil Servant	19%	18%
Teacher	6%	13%

The proportion of employees retiring due to ill health, based on the data provided is:

	Proportion
Civil Servant	4.57%
Teacher	8.33%

This implies an effective cost as a % of earnings p.a. of:

	Pre 2004 cohort	Post 2004 cohort
Civil Servant	0.9%	0.8%
Teacher	0.5%	1.1%

¹ One engineer was indicated to have retired on ill health grounds however we did not believe this was sufficient data on which to base an analysis.

² The cost of the ill health benefit has been calculated based on the same post retirement mortality as for the rest of the employees. Realistically post retirement mortality will be heavier leading to a reduction in the cost for ill health retirement. Therefore the impact is even lower than shown here.

2.2 Death-in-Service benefits

On death in service, a Public Service employee is entitled to a gratuity of 1 – 1.5 times pensionable remuneration, plus spouses' and children's (S&C) pension, if applicable.

In order to place a value on this we calculated the effective contribution (as a % of salary) that would need to be paid throughout the working life of the employee to generate the gratuity and S&C pension due. The methodology is as described in Section 3.2 Valuing Public Service Pensions, except that no turnover is allowed for. We took a civil servant and a teacher again as an example.

The gratuity is calculated as the maximum of 1.5 times pensionable remuneration for each future year. The value of the S&C pension is calculated based on a spouse's annuity rate for each future year. The sum of these benefits is multiplied by the probability of death in service in each year, based on 85% of population mortality with CSO improvements³. The present value of this gives the following costs as a % of earnings p.a.:

	Pre 2004 cohort	Post 2004 cohort
Civil Servant	1.3%	1.3%
Teacher	1.2%	1.3%

2.3 Added years benefits

There are various ways in which notional, professional or purchased added years can be granted to Public Service employees.

The cost of one added year was calculated using the methodology as described in Section 3.2 Valuing Public Service Pensions. We calculated the cost of pensions for all groups assuming no added years. We then re-calculated the cost of pensions assuming one added year.

In order for the added year to have an impact, we increased the entry ages of Gardaí, civil servants (pre 2004 cohort), nurses (post 2004 cohort) and teachers (post 2004 cohort) so that the total years service (without added years) was less than 40 years (30 for Gardaí).

The cost of an added year as a % of earnings p.a. was calculated to be as follows:

	Teacher	Nurse	Civil Servant	Garda	Engineer	Special Needs Assistant
Pre 2004 cohort	0.9%	0.6%	0.7%	2.2%	0.8%	0.84%
Post 2004 cohort	0.7%	0.5%	0.7%	2.2%	0.7%	0.6%

³ On death of an employee there would be a reduction in the cost of the retirement pension. The real additional cost is really the value of the pension benefits payable less the value of accrued retirement benefits. We have ignored this latter point which means that we have overstated the value of the death in service benefits.

2.4 Cost neutral early retirement

Since 1 April 2004, Public Service employees have the facility to retire early (from age 50/55, as appropriate) with immediate payment of pension and lump sum, actuarially reduced to reflect the earlier payment. The factors applied are as follows:

Persons with a preserved age of 60 (Pre 2004 cohort)			Persons with a preserved age of 65 (Post 2004 cohort)		
Age last birthday	Pension	Lump Sum	Age last birthday	Pension	Lump Sum
50	62.4%	82.2%	55	58.2%	82.4%
51	65.1%	83.9%	56	61.1%	84.0%
52	67.9%	85.5%	57	64.1%	85.6%
53	71.0%	87.2%	58	67.4%	87.3%
54	74.3%	88.9%	59	71.0%	89.0%
55	77.8%	90.7%	60	74.8%	90.7%
56	81.6%	92.4%	61	79.0%	92.5%
57	85.7%	94.3%	62	83.6%	94.3%
58	90.1%	96.1%	63	88.5%	96.1%
59	94.8%	98.0%	64	94.0%	98.0%

In order to quantify the value of early retirement benefits we analysed the data received. The only groups where the data clearly indicated those taking cost neutral early retirement were teachers and civil servants. The data indicated the following averages for those taking early retirement:

	Proportion	Age at entry	Age at retirement	Salary at retirement
Civil Servant	3.79%	29	54	55,000
Teacher	4.94%	32	54	64,000

We calculated the cost of a standard pension for such employees based on the methodology as described in Section 3.2 Valuing Public Service Pensions, assuming that they did not take early retirement and so retired at age 60 (pre 2004 cohort; 65 for post 2004 cohort).

We then calculated the cost assuming that they took early retirement at age 54 (pre 2004 cohort; 59 for post 2004 cohort) and applying the appropriate reductions to the benefit. The costs as a % of earnings p.a. were calculated to be:

	Standard pension	Early retirement pension	Difference
Civil Servant			
Pre 2004 cohort	25.3%	25.5%	0.2%
Post 2004 cohort	19.8%	18.7%	-1.1%
Teacher			
Pre 2004 cohort	25.8%	25.5%	-0.3%
Post 2004 cohort	20.9%	19.8%	-1.1%

Appendix 3 to Life Strategies report

Detailed Private Sector Calculations

3.1 Value of Private Sector Defined Benefit Pension Scheme

In Section 6.3.4 Value of Private Sector Defined Benefit Pension Scheme we showed a table with the employer effective contribution rate for a Defined Benefit pension scheme for private sector equivalents of each of the Public Service groups selected. The following table shows the detailed results for each group:

Private sector equivalent of:	Civil Servant	Engineer	Staff Nurse	Garda	Teacher	Special Needs Assistant
Age at appointment	20	30	24	21	24	37
Retirement Age	65	65	65	65	65	65
Salary at entry	€25,000	€43,000	€37,000	€40,000	€33,000	€22,000
Salary at retirement	€61,000	€79,000	€52,000	€65,000	€68,000	€36,000
Years service	45	35	41	44	41	28
Pension	€24,158	€29,490	€19,385	€26,279	€27,870	€7,630
Lump Sum	€91,500	€103,688	€78,000	€97,500	€102,000	€37,800
Cost as % of earnings p.a.	16.7%	18.9%	14.6%	15.1%	17.7%	15.1%
Employer effective contribution rate p.a.	12.3%	14.0%	10.2%	10.4%	13.1%	11.5%

Note that the assumptions used were discussed in Section 6.3.3 Assumptions.

3.2 Value of Private Sector Pension Schemes

In Section 6.5 Value of Private Sector Pension Schemes we show a table with a summary of the effective employer contribution rates per annum for private sector equivalents of each of the Public Service groups selected, using the appropriate weightings. Further details of the calculations behind these figures are given below.

Taking a civil servant pre 2004 equivalent as an example, we are using the split between pension scheme types indicated by the Benchmarking Body survey:

- 19% with a DB pension;
- 30% with a DC pension;
- 3% with a Hybrid pension;
- 13% with a PRSA;
- 35% with no pension.

The contribution rate assumed for each pension scheme type is:

- 12.3% for a DB pension (as shown in Section 6.3.4 and Appendix 1 above);
- 6.0% for a DC pension (as discussed in Section 6.4);
- 8.2% for a hybrid pension (based on Benchmarking Body survey);
- 1.1% for a PRSA (based on Benchmarking Body survey);
- 0.0% for no pension.

This gives the quoted cost of 4.5% in Section 6.5.