

# The Public Sector in the Irish Crisis

*Adjustments in the Public Sector in Europe  
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## 5 Crises

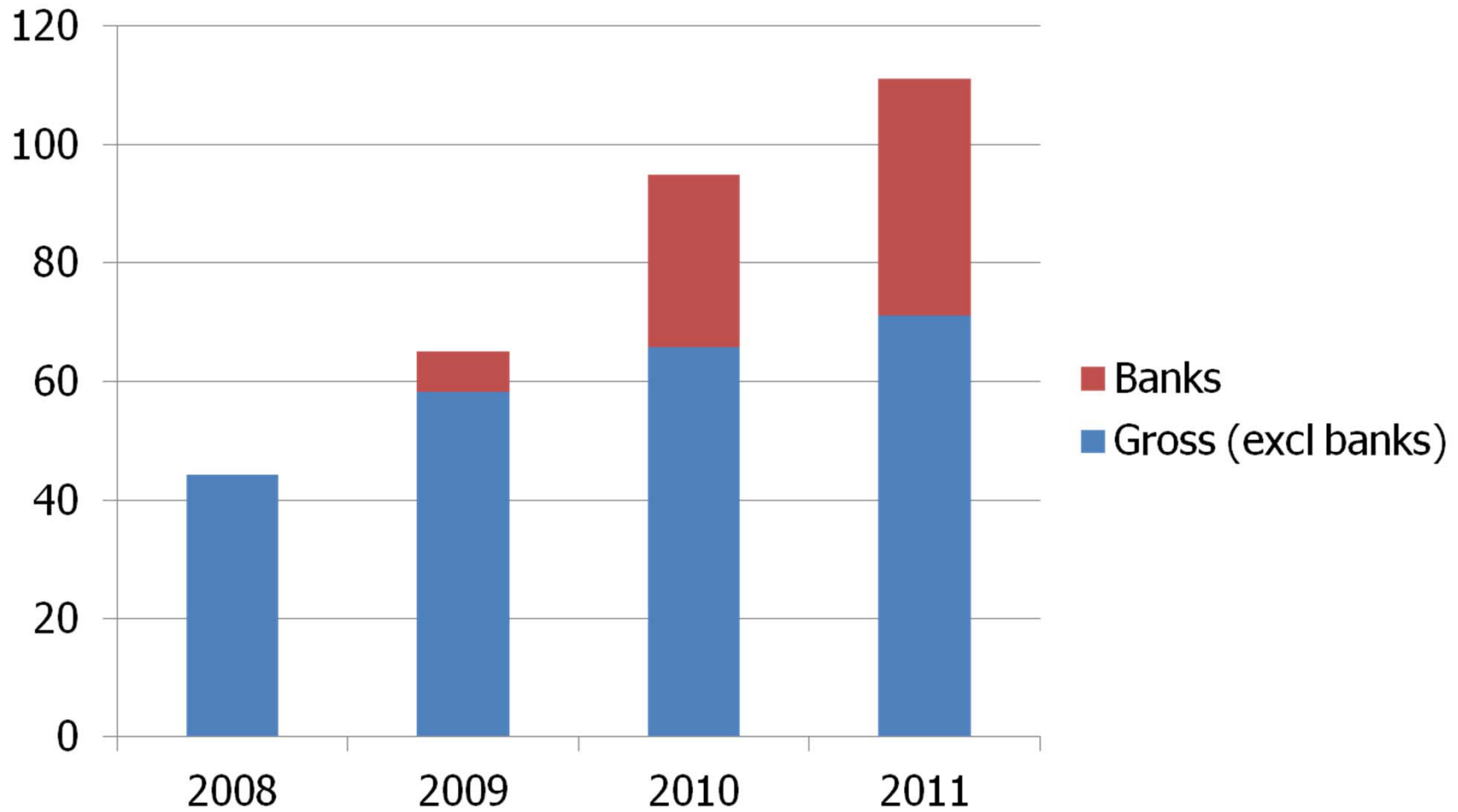
- Property bubble
- Banking collapse
- Severe recession
- Mass unemployment
- Fiscal crisis of the state

# Irish Public Finances, 2009-2012



	2009	2010	2011 <sup>1</sup>	2012 <sup>1</sup>
<b>General Government</b>				
<b>Balance</b>	<b>-14.3</b>	<b>-32.0</b>	<b>-14.2</b>	<b>-7.1</b>
<b>Excluding once off bank bailout monies</b>	<b>-11.8</b>	<b>-11.5</b>	<b>-9.3</b>	<b>-7.1</b>
<b>General Government Debt</b>	<b>65.2</b>	<b>94.9</b>	<b>104</b>	<b>109</b>

# Government Debt, Ireland, 2008-2011



# The €30bn Austerity Package

€20bn spending cuts, €10bn tax increases

	2008- 2010	2011	2012	2013	2014	2011- 2014
			<i>€bn</i>			
Revenue	5.6	1.4	1.5	1.1	1.1	5.1
Expenditure	9.2	3.9	2.1	2.0	2.0	10.0
Total	14.7	5.3	3.6	3.1	3.1	15.1
<b>% 2010 GDP</b>	<b>10%</b>	<b>3%</b>	<b>2%</b>	<b>2%</b>	<b>2%</b>	<b>10%</b>

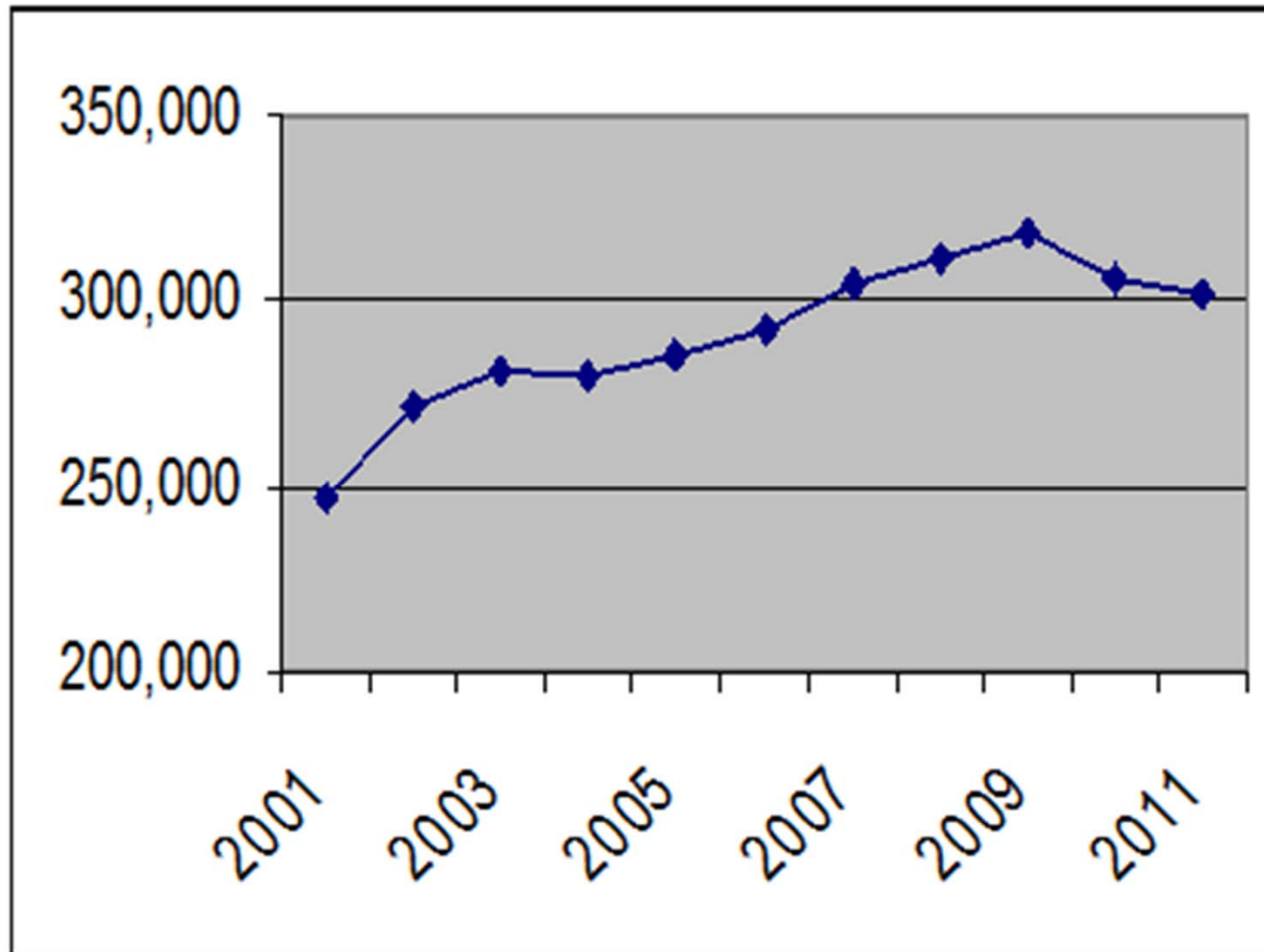
**Public sector pay bill increased 70% 2001-2008, fell by about 9% 2008-2009**



	<b>€bn</b>	<b>% change</b>	<b>% of GDP</b>
2001	10.2	—	8.7
2002	11.5	12.8	8.8
2003	12.8	11.2	9.2
2004	13.7	7.6	9.3
2005	15.0	8.9	9.3
2006	16.2	8.3	9.1
2007	17.6	8.5	9.3
2008	18.8	6.6	10.4
2009	18.5	-1.5	11.6
2010	17.1	-7.4	10.7
2011	17.2	0.1	11.0

# Total full-time employed in public sector fell 5% 2009-2011

Large cuts in Health numbers (-6,500 = 6%)



# Wage Cuts in the Public Sector – applied progressively



## Public sector pension levy (2009)

- First €15,000 exempt,
- 5% on the next €5,000 of earnings;
- 10% - €20,000 and €60,000
- 10.5% above €60,000

## Wage cuts (2010):

- 5% on the first €30,000
- 7.5% on the next €40,000
- 10% on the next €55,000.
- 8% on total salary €125,000 to €165,000
- 12% on total salaries €165,000 to €200,000
- 15% on total salaries above €200,000
- New entrants: 10% cut



# Industrial Relations

- 1987-2008: Social Partnership
  - Centralised collective bargaining
  - Universal in public sector, patchy in private sector
- Collapsed in 2009
- Unilateral imposition:
  - public sector wage cuts
  - moratorium on recruitment
  - Voluntary redundancies
- Collective agreement, 2010

# Public Service Agreement

## June 2010(Croke Park)



- No further pay cuts until at least 2014;
- No change in inflation indexation of pensions until 2014;
- Significant cost-saving across the public service;
- Annual review to determine if scope exists for reversal of pay cuts;
- Reduction in public service numbers in year ahead;
- No compulsory redundancies but flexible redeployment ;
- Unified public service labour market to be created;
- Promotion and increments based on performance;
- Industrial peace

## Wage cuts in public sector (2010)

Employment (-16%) and hours fell in private sector



	Average Hourly Pay	Percentage Change	Average Weekly Pay	Percentage Change	Hours Worked
<b>Public</b>					
2008	29.2		930.5		31.9
2009	29.9	2.4	947.9	1.9	31.7
2010	28.6	-4.3	903.1	-4.7	31.6
2011*	28.6	0.0	892.3	-1.2	31.1
<b>Private</b>					
2008	19.3		636.9		33.0
2009	19.5	1.0	622.7	-2.2	32.0
2010	19.5	0.0	616.6	-1.0	31.7
2011*	19.4	-0.5	610.3	-1.0	31.6

# Impact of Croke Park Deal Differs between Sectors



## Services to unemployed:

- -> strategic reform to system
  - Redeployment of staff
  - New work practices

## Education:

- Increased productivity
    - Pay cuts and increased working time
    - Myriad of cuts
      - Increasing inequality
- > without, or at the expense of, a strategic reform

## Conclusion

Ireland is distinctive:

- Progressive public sector wage adjustments
  - Overall impact of tax/welfare adjustment was also progressive
  - But poverty increased markedly in 2010
- Relatively peaceful industrial relations
  - Croke Park Agreement:
  - Part of the problem or part of the solution?