



Review Body
on
Higher Remuneration
in the
Public Sector

Report No. 40

to

The Minister for Finance

27 June 2005

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Chapter 1 Terms of Reference and Context

Terms of Reference

1.1 The Review Body on Higher Remuneration in the Public Sector was set up in May 1969. The standing terms of reference of the Review Body, which were revised recently, are as follows:

To act as a standing body whose primary function will be to advise the Government from time to time on the general levels of remuneration appropriate to

- (1) members of the Government, Ministers of State, the Attorney General and the Chairman and Deputy Chairman of Dáil Éireann and Seanad Éireann;
- (2) the Judiciary;
- (3) civil servants outside the scope of the civil service conciliation and arbitration scheme;
- (4) higher management grades in the local authorities and Health Service Executive not covered by the Public Service Benchmarking Body process;
- (5) the ranks of Commissioner, Deputy Commissioner, Assistant Commissioner and Surgeon in the Garda Síochána;
- (6) Chief of Staff (Lieutenant-General), Major-General and Brigadier-General /Commodore in the Defence Forces;
- (7) the Comptroller and Auditor General;
- (8) the chief executives of non-commercial state-sponsored bodies;
- (9) hospital consultants;

and such other posts as it may be asked to examine from time to time.

The last general review was carried out in 2000 and was the subject of Report No. 38 of the Review Body dated 25 September 2000.

Next General Review

1.2 In April 2005, the Government asked the Review Body to carry out the next general review of the levels of remuneration of the top public service posts covered by its terms of reference and to report thereon in the second half of 2007, to coincide with the report of the Public Service Benchmarking Body which will be reporting on the remuneration of the rest of the public service. The Review Body was requested to liaise closely with the Benchmarking Body.

Interim Review

1.3 In April 2005, the Government also asked the Review Body to examine whether the remuneration of the groups covered by its terms of reference has fallen out of line with the remuneration of comparable jobs in other employments since the Review Body last reported and, if satisfied that serious anomalies or inequities exist, to recommend an interim increase to rectify them and to report thereon before the end of June 2005.

1.4 This report relates to the interim review referred to in the preceding paragraph.

Timing of general reviews

1.5 A new general review was due in 2004 i.e. four years after the last review. However, Sustaining Progress contained a commitment to discussions with the public service unions on future benchmarking, in the context of the discussions on whatever arrangements on pay and conditions were to be put in place on the expiry of the initial eighteen month pay agreement under Sustaining Progress. The general review was deferred pending these discussions. Under the new pay agreement (second half of Sustaining Progress) it was agreed that the report on the next benchmarking exercise will be made in the second half of 2007. We were informed by the Department of Finance that it was considered that there was a need to align the timing of the benchmarking exercise and the general review by the Review Body and that the then Minister for Finance decided that the next report of the Review Body on a general review should be finalised about the same time as the Benchmarking Body's report. This will set the pattern for the future with the two exercises moving in the same cycle.

Revisions to terms of reference of the Review Body

1.6 Revised standing terms of reference, as set out in paragraph 1.1, have been established for the Review Body. The previous standing terms of reference of the Review Body applied since 1991. A number of changes affecting them have occurred since then. Following the approval by the Government of the recommendations of the Review Body in Report No. 37 of 20 December 1996, the remuneration of the chief executives of commercial state-sponsored bodies and of the harbour authorities is no longer considered by the Review Body. Following the approval by the Government of the recommendations of the Review Body in Report No. 38 of 25 September 2000, the salaries of members of the Houses of the Oireachtas are no longer considered by the Review Body (the remuneration of political office holders is still covered).

1.7 The Government decided in its most recent consideration that the standing terms of reference should be revised to those set out in paragraph 1.1 to take account of these changes and others such as the new structure in the health sector. It was also decided that the revised terms should no longer provide for reviews at specific intervals since it is intended that future reviews will coincide with benchmarking exercises; the timing of which will be negotiated with the public service unions.

Groups to be examined in the general review

1.8 There are many non-commercial state-sponsored bodies so the normal practice is that the Review Body examines only a selection of the chief executive officer posts – normally the larger bodies, some others that the Minister for Finance asks it to look at specifically and a sample of others. The pay of the remaining posts is then slotted in by reference to its recommendations on these posts. In 2000 the Review Body made recommendations in respect of 22 of these posts. In addition, the Review Body has been asked to examine other specific top posts during the course of general reviews. For example, during the last general review the Review Body was asked to consider the remuneration of the Heads of third level education institutions, Registrars and Bursars and of State Solicitors.

1.9 We have been informed by the Department of Finance that, following consultation with his colleagues, the Minister for Finance will advise the Review Body in the coming months of the particular posts covered by its standing terms of reference and other posts he wishes it to examine specifically in the general review.

Health Service Executive posts below Chief Executive level

1.10 The new Health Service Executive has been established to replace the Health Boards and to operate as a central Health Service provider. This process entails new structures and reallocation of staff both at senior and other levels. We have been informed by the Department of Finance that an agreement has been reached with the trade union IMPACT in relation to an examination by the Review Body of certain posts in the Health Service Executive below CEO level.

1.11 The Review Body has been asked to complete this review and report thereon before the end of 2005. This review is to price the jobs by reference to existing public service norms and not to the market – that would have to await the full review. The Department of Finance will advise the Review Body shortly of the details of the grades to be examined.

Procedure for the interim review

1.12 Advertisements were placed in national newspapers on Thursday 5 May 2005 inviting written submissions from interested parties in relation to the interim review. Advertisements were also placed in medical publications. In addition, guidelines for submissions were prepared and made available to those making submissions.

1.13 The guidelines for submissions and the newspaper advertisements indicated that the interim review by the Review Body would entail an examination of how the remuneration of the groups covered by the Review Body's terms of reference had moved by reference to the general pay movements of comparable groups in other employments since the last report of the Review Body in September 2000. Accordingly, the guidelines asked that submissions on the interim review be confined to the issue of pay movements since the last general review.

1.14 We engaged the Hay Group (Ireland) to advise us on the pay movements of private sector jobs of comparable weight to those covered by the terms of reference of the Review Body since the last report on a general review. We also met the Irish Business and Employers Confederation, the Irish Congress of Trade Unions and the Department of Finance and sought their views on issues relating to the interim review.

1.15 We wish to thank all the individuals, groups and organisations who made submissions and provided factual information to us.

Chapter 2 Approach to the Interim Review and background

2.1 This is the third interim report by the Review Body. There have been two previous interim reports; one in 1979 when seven years had elapsed since completion of the preceding review and one in 1986, again seven years after the completion of the previous review.

2.2 The Review Body has been asked in this interim review to examine whether the remuneration of the groups covered by its terms of reference has fallen out of line with the remuneration of comparable jobs in other employments since the Review Body last reported on a general review on 25 September 2000. The requirement to report on this examination by the end of June 2005 imposed considerable constraints on the Review Body and limited the depth of the examination which could be carried out within the specified timeframe.

2.3 In view of the deadline for completion of the report on the interim review, we decided that we could not, at this stage, conduct a fundamental review of the remuneration of individual posts. This will be done later as part of the general review to be completed in 2007.

2.4 We concluded that the interim review should be confined to an examination of the pay movements of the groups covered by our terms of reference relative to the pay movements of comparable groups in the private sector since the last report of the Review Body. We consider that this approach is consistent with the terms of reference given to us in relation to the interim review.

Report No. 38 of the Review Body

2.5 Report No. 38 of the Review Body, dated 25 September 2000, was the last report on a general review. The Review Body also reported on 5 March 2001 (Report No. 39) on the levels of remuneration appropriate to higher posts in the third level education sector.

2.6 In 2000 the Review Body carried out an exercise which, in general, focussed on a comparison of job sizes and remuneration levels of a broad range of jobs within its remit by reference to the position applying in the private sector. This exercise demonstrated that in most cases salary levels of the groups covered by the Review Body's terms of reference were very substantially out of line with those of comparable private sector posts and that total remuneration for top level posts was significantly more out of line than when the previous review was completed in 1996. The Review Body considered that basic pay for the top posts in the public service should be benchmarked to the lower quartile of the private sector as a medium term objective. As a first step, it was recommended that most salaries should be brought up to around 85% of the lower quartile. For a small number of non-commercial State companies where private sector rates are more relevant a 95% salary level was considered to be more appropriate.

2.7 The average increase in salary costs arising from Report No. 38 was 12% but the position in regard to individual groups ranged from no increase to an increase of 33%. In the case of hospital consultants an interim increase of 10% was paid pending a review of the consultants' contract (this has not yet taken place). The issue of the consultants' contract will be an important matter in relation to the next general review also.

2.8 The Government decided that the recommendations of the Review Body in Report No. 38 should be implemented on a phased basis as follows:

- 5% from 25 September 2000,
- 5% from 1 March 2001, or, where the total increase recommended was 10% or less, the balance of the increase from that date,
- one-half of the balance of any increase from 1 July 2001, and
- any remaining balance from 1 April 2002.

Scope of the interim review

2.9 Although the guidelines for submissions on the interim review indicated that submissions should be confined to the issue of pay movements since the last general review, various other issues were raised in some of the submissions we received including matters such as the relative levels of remuneration of individual posts, changes in the nature of posts since the last general review and the basis for determining the remuneration of particular groups. In particular, a number of the submissions suggested that movement from 85% (95% in some cases) of the lower quartile of private sector rates should be considered as part of the interim review. It is our view that matters of the kind referred to are appropriate for consideration as part of the general review rather than the interim exercise. At any rate, the time available for the interim review did not allow for the kind of examination which would be required if matters of this kind were to be addressed properly.

2.10 Some of the submissions also referred to groups which do not come within our standing terms of reference.

Pay movements since the last general review

2.11 Since the last general review the rates of remuneration recommended in Report No. 38 have, in general, been revised by reference to standard increases only under the Partnership Agreements, the Programme for Prosperity and Fairness (PPF) and Sustaining Progress. Some posts of chief executive of non-commercial state-sponsored bodies have their pay linked to the civil service grade of Principal (higher) and Review Body Report No. 38 found this link to be appropriate. Accordingly, these posts received no increase on foot of the Review Body report but did receive the benchmarking increase for Principals (total 11.7%).

2.12 In Report No.38, the Review Body recommended that the salary of a TD should be related to that of a civil service Principal and that the salary of a Senator should be 70% of the rate for a TD. As a result of implementation of these recommendations, Ministers and other political office holders have received an increase (arising from the benchmarking increase for Principals) on their salaries as TDs or Senators but not on their remuneration as office holders.

2.13 The rates of salary recommended by the Review Body in Report No. 38 in September 2000 were exclusive of the first phase increase, payable with effect from 1 October 2000, under the pay agreement associated with the PPF - the rates recommended in Report No. 39 were also expressed in those terms. The standard increases, under the PPF and Sustaining Progress, applied to the groups covered by our terms of reference since Report No. 38 of the Review Body are as follows:

Effective Date	Increase
1 October 2000	5.5% (PPF) ¹
1 April 2001	2% (PPF)
1 October 2001	5.5% (PPF)
1 October 2002	4% (PPF)
1 January 2004	3% (Sustaining Progress)
1 July 2004	2% (Sustaining Progress)
1 December 2004	2% (Sustaining Progress)
1 June 2005	1.5% (Sustaining Progress, second phase)

The cumulative effect of these increases is 28.4%.

Further increases due under the second phase of Sustaining Progress are 1.5% with effect from 1 December 2005 and 2.5% with effect from 1 June 2006.

2.14 A number of the submissions we received drew attention to the fact that, in addition to the increases mentioned above, other public service groups below the levels of those covered by the terms of reference of the Review Body received increases recommended by the Public Service Benchmarking Body.

¹ Most (but not all) other public service groups received a further increase of 3% with effective from 1 October 2000. This increase became known as an “early settlers” increase and applied to certain groups which had concluded early agreements under the local bargaining clause of the PCW pay agreement. The groups covered by our terms of reference did not receive this increase.

Benchmarking

2.15 The Public Service Benchmarking Body examined the pay and jobs of public service groups other than the senior posts covered by the terms of reference of the Review Body. The Benchmarking Body reported on 30 June 2002. The overall increase resulting from the Body's recommendations was 8.9% but there was considerable variation in the increases recommended for individual groups. The increases ranged from about 3% to 25%. Examples of the increases recommended for the grades immediately below the level of those covered by the Review Body included civil service Principal - 11.7%, local authority Senior Executive Officer - 13.8%, Health Service General Manager - 14% and Garda Chief Superintendent -16.1%.

2.16 The increases recommended by the Public Service Benchmarking Body were applied on a phased basis. As agreed under the adjustment to the PPF in December 2000, one quarter of the increases was paid with effect from 1 December 2001 and this was implemented in 2003 on ratification of the Sustaining Progress Agreement. It was agreed under Sustaining Progress that a further 50% of the benchmarking increases would be paid with effect from 1 January 2004 and the remaining 25% would be paid from 1 June 2005.

2.17 The terms of the Sustaining Progress Agreement provided that the payment of the final two phases of the benchmarking increases (and the general round increases under the Agreement) would be dependent on meeting the conditions set out in the Agreement involving an absence of industrial action and the achievement of the objectives of the public service modernisation agenda.

2.18 A number of the submissions received suggested that we should recommend an interim increase which would, at least, restore the differentials which existed between the grades covered by the Review Body and other grades in the same structure prior to application of the benchmarking increases. While we were conscious of the effect of the benchmarking increases on differentials, this cannot be the basis of our assessment of the case for an interim increase. In the case of the interim review we are required to examine whether the remuneration of the groups covered by our terms of reference has fallen out of line with the remuneration of comparable jobs in other employments since the Review Body last reported. Accordingly, the primary consideration in our examination has been a comparison between the pay movements of the groups covered by our terms of reference since the last report on a general review and movements in the remuneration of jobs of comparable weight in the private sector.

Chapter 3 Conclusions and Recommendation

General Overview

3.1 The numbers covered by our terms of reference are small in the context of the overall public service, but the persons concerned hold key positions. They include Government Ministers and other political office holders, judges and hospital consultants as well as the chief executives of non-commercial state-sponsored bodies, senior management of the civil service, health and local authority sectors, Garda Síochána and Defence Forces. Holders of these posts are in leadership positions and their contributions are vital to the economy and society in general. They have onerous responsibilities and are required to take decisions which have a critical effect on the country as a whole and on the public generally. It is essential, therefore, that persons of the highest calibre continue to be attracted to these positions. An important consideration in this regard is that they be rewarded appropriately.

3.2 Under the previous terms of reference for the Review Body, holders of the posts within our remit had a legitimate expectation that there would be a general review of their remuneration in 2004. That review was deferred to 2007 which means that there will be a gap of seven years between general reviews. There is, therefore, a genuine case to be answered. We are conscious also that the persons we are concerned with received the standard increases under the pay agreements associated with the Programme for Prosperity and Fairness and Sustaining Progress but, unlike other public service groups including grades reporting directly to them, they were not covered by the benchmarking exercise.

3.3 In the last general review, the Review Body found that the remuneration of the top public service posts was very much out of line with the remuneration of jobs of comparable weight in the private sector. As already indicated, it was recommended in Report No. 38 that, as a medium term objective, the appropriate benchmark should be the lower quartile of private sector salaries and that, as a first step, salaries should be positioned at 85% (95% in some case) of this amount.

3.4 Accordingly, the salaries recommended in Report No. 38 were below private sector levels. In the general review to be completed in 2007 we will give further consideration to the appropriate relationship with private sector salaries. However, as we have already indicated, the time constraints of the interim review mean that it was not possible to address this issue now. In the interim review we have concentrated on considering whether movements in salary since 2000 have kept pace with the relevant salary movements in the private sector.

Pay movements in the private sector

3.5 In examining pay movements in the private sector, including published information on executive salaries, we considered that statistics on average increases in the private sector as a whole or information on generic groups are of limited relevance. The approach taken in Report No. 38 of the Review Body was, in general, to relate the pay of the grades covered by the Review Body to jobs of comparable weight in the private sector. The grades coming within our terms of reference are the top posts in the public service. In considering whether there has been an erosion of the pay position of the Review Body groups we considered that the most relevant factor was the extent of the movement in the pay of jobs of comparable weight in the private sector since 2000.

3.6 In 2000, the Review Body engaged the Hay Group (Ireland) to evaluate posts covered by the last general review and to advise on the remuneration of private sector posts of comparable weight. We engaged the Hay Group to assist us with the interim review also. Specifically, we asked the Hay Group to examine and report on pay movements since September 2000 of jobs in the private sector which, as part of the exercise carried out in 2000, were found to be of comparable weight to posts covered by the terms of reference of the Review Body. While the exercise carried out by the Hay Group in 2000 did not encompass all groups, it was representative of a broad range of the jobs within our remit. Accordingly, the examination we commissioned as part of the interim review demonstrates how the pay movements of the generality of posts covered by our terms of reference compare with relevant pay movements in the private sector.

3.7 We also asked the Hay Group to analyse pay movements in a selection of the larger public companies. The requirements of the Irish Stock Exchange in regard to disclosure of remuneration in listed companies mean that there is considerably more information on remuneration in PLCs than was the case at the time of the last review.

3.8 The information obtained in relation to the larger PLCs showed pay movements to be ahead of those arising from the pay agreements associated with National Agreements but we were advised that this information has to be treated with caution for two principal reasons. Firstly, the basket of jobs covered by the data have not been evaluated by reference to the jobs covered by our terms of reference and there can be no assurance that a “like for like” comparison is being made. Secondly, there is significant volatility within this population, partly due to changes in the composition of the sample group over the period of comparison and partly due to individualistic treatment of particular incumbents and appointees.

3.9 For the reasons described in paragraph 3.5, the outcome of the exercise we commissioned on the developments in the remuneration of comparable jobs in the private sector has been the primary factor in our consideration. This exercise was based on an extensive database of companies and jobs in the private sector.

3.10 The outcome of this exercise demonstrated that, by reference to comparison with the most representative level of job size in the private sector, movements in base salaries in the private sector since 2000 had significantly exceeded those applicable to the groups covered by our terms of reference. The extent of the gap identified is discussed in paragraph 3.17. Furthermore, there have also been notable changes in the structure of remuneration packages other than salary in the private sector.

Other remuneration

3.11 The report from Hay Group (Ireland) showed a growth in performance bonuses in the private sector and these represent a higher proportion of overall remuneration than was the case at the time of the last general review. This development has not been reflected in the remuneration of the public service groups within our remit.

3.12 Following the recommendations of the Review Body in Report No. 38, new schemes of performance-related awards or, in some cases, revised schemes were introduced. These apply to grades at the levels of Deputy Secretary and Assistant Secretary in the civil service, Deputy Commissioners and Assistant Commissioners in the Garda Síochána, Major Generals and Brigadier Generals in the Defence Forces, senior management grades in the local authority and health sectors, and chief executives of non-commercial state-sponsored bodies.

3.13 We propose to review the operation and effectiveness of these schemes as part of the general review and will consider whether they should be amended in the light of developments in the private sector. It was not feasible to carry out an examination of this kind in the short time available for the interim review. Accordingly, we are not proposing any changes in these schemes at this stage. We do not consider it appropriate either to recommend increases in the basic salary of the groups covered by our terms of reference to compensate for higher performance bonuses in the private sector. Apart from any other issue, the extent to which the value of public service pension arrangements should be offset against bonuses and other elements of remuneration packages in the private sector requires further consideration. As indicated in Chapter 4, we will address this in the general review.

3.14 In Report No. 38 the Review Body recommended that schemes of performance-related awards be applied to Secretaries General of Government Departments and to the Garda Commissioner. The Government decided, however, not to apply performance-related awards in these cases. A press release issued in November 2001 stated that the Government considered that it would not be appropriate to apply performance-related awards to Secretaries General or equivalent levels because of the nature of the working relationship between management at this level and Ministers. It was stated that the same consideration applied in the case of the Garda Commissioner and the Chief of Staff of the Defence Forces.

3.15 Some submissions we received suggested that, as part of the interim review, we should recommend an addition to the pay of the groups concerned in lieu of the performance-related awards which were recommended in Report No. 38 but which were not implemented by the Government. An approach of this kind would raise fundamental issues. The salaries recommended by the Review Body in Report No. 38 were considered to be appropriate based on comparison with the private sector. It was the intention of the Review Body that performance-related awards would be dealt with as a separate matter and that any payment of these would be subject to a rigorous assessment of performance against demanding objectives. It should be noted also that performance-related awards are non-pensionable.

3.16 Payments in lieu of performance awards without the conditions associated with these awards cannot easily be reconciled with the principles set out in Report No. 38. The issue is certainly not one we can deal with in the interim review. However, we see the issue of the application of performance awards to Secretaries General and other comparable public service posts, and the associated question of the extent to which performance bonuses in the private sector should be reflected in the pay of top public servants, as matters of major importance which will have to be addressed in the general review.

Conclusions

3.17 In the case of the groups covered by our terms of reference, the information we obtained indicates that, in respect of the period from the last general review to mid 2005, a gap in the region of 10% has emerged relative to the average cumulative increase in base salaries for comparable jobs in the private sector. This does not take account of progression in performance bonuses in the private sector. However, as we indicate in paragraph 3.21, we do not consider that an interim increase corresponding to the gap referred to would be appropriate. Pending an examination of individual posts in the general review, we consider that all groups should receive the same interim increase but it is likely that the general review will show some variations in the manner in which the remuneration of particular posts compares with private sector rates (in the last general review, for example, the position differed from group to group).

3.18 Some submissions made to us contained information which suggested that there was a greater gap between pay movements of senior managers in the private sector and those applying to the groups within our terms of reference. However, for the reasons set out in paragraph 3.5, the exercise by Hay Group (Ireland) is the one which is most relevant to the interim review. It is important to stress that this exercise involved a comparison with private sector jobs of the kind which, as part of the examination carried out in the last general review, were found to be of similar weight to the jobs within our terms of reference.

3.19 The gap in salary movements referred to in paragraph 3.17 and the developments in performance bonuses in the private sector suggest that the remuneration of the groups covered by our terms of reference has fallen significantly out of line with the position relative to comparable private sector jobs which was established as a result of the last general review. We are satisfied that this has resulted in a serious anomaly which should be rectified by an interim increase. If no action were to be taken now, the groups within our remit would not have their remuneration reviewed by reference to the private sector until 2007, seven years after the last general review. We consider that an interval of this magnitude between reviews would be unfair to the groups concerned and would mean that their remuneration would be out of line with comparable private sector groups for an unacceptably long period.

Recommendation

3.20 As already indicated, we propose to examine the issue of performance-related awards as part of the general review and we did not consider that we should take account of developments in this area in the private sector in our consideration of an appropriate interim increase. Accordingly, we have based our recommendation solely on developments in the base salaries of comparable private sector groups.

3.21 A number of important issues will arise for consideration in the general review which are likely to have an impact on our overall approach. It will be necessary to examine how the remuneration of individual posts compares with private sector jobs of similar weight and to consider whether the present relative pay positions of various groups are correct in the light of developments in responsibilities since 2000. We feel it is important that any interim increase recommended now should not prejudice the outcome of the general review or restrict our freedom to make any changes we consider to be justified. For these reasons we have concluded that the gap in base salaries which has been identified should not be bridged fully. We consider that an increase of 7.5% would be appropriate at this stage. As indicated in paragraph 3.17, it is our view that the same interim increase should be applied to all the groups coming within our remit.

3.22 The revised salaries resulting from our recommendation are shown in Appendix 1.² These are inclusive of the general increase of 1.5% payable with effect from 1 June 2005 under the pay agreement associated with the mid-term review of Part Two of Sustaining Progress. The rates shown should attract all general increases arising after the date of this report.

3.23 We were urged in some submissions to recommend that any interim increase be paid retrospectively to take account of the deferral of the review which was due in 2004. We do not consider that it would be appropriate to recommend retrospective payment of the interim increase. We have based our recommendation for an interim increase on the evidence we obtained about the current position of the groups covered by our terms of reference relative to comparable private sector groups.

3.24 The recommendation we have made relates only to the basic salaries of the groups within our terms of reference. In any cases where allowances or other additions to salary are payable, there should be no adjustment to such payments on foot of the interim increase in salary apart from any situations where these may be expressed as a percentage of basic salary and thus move automatically in line with salary.

3.25 Our recommendation does not apply to groups whose salaries have been adjusted as a result of the benchmarking process. In the case of political office holders, the increase we recommend applies only to their remuneration as office holders and not to their parliamentary salaries as TDs or Senators.

Groups not within the Review Body's standing terms of reference

3.26 We were urged in a number of submissions to recommend that specific groups, not within our standing terms of reference, should benefit from any interim increase that might be recommended. We do not consider that it would be appropriate to do this. The recommendation we have made relates to the groups within our standing terms of reference. As we have mentioned in paragraphs 1.8 and 1.9, the Review Body may be asked to examine certain groups outside the standing terms of reference as part of the general review but we are yet to be advised about this.

3.27 We are aware that there are other groups which are not covered by the standing terms of reference but which traditionally receive increases recommended by the Review Body. We assume that any questions about the application to such groups of the increase we have recommended will be processed in the normal manner.

² The rates for groups within the Health Service Executive are not shown since, as indicated elsewhere, new structures are being put in place in that organisation. However, it is our intention that the interim increase recommended should be applied to the grades in the Health Service Executive which come within our remit and whose salaries are determined by public service norms.

Chapter 4 Issues relevant to the General Review

4.1 Our terms of reference require us to report on the next general review in the second half of 2007, to coincide with the report of the Public Service Benchmarking Body which will be reporting on the remuneration of the rest of the public service. In the meantime, we have been asked to examine some senior management posts below chief executive level in the Health Service Executive in order to establish appropriate remuneration levels. This exercise is to be carried out by the end of this year.

4.2 Following completion of the examination of posts in the Health Service Executive, we will address the general review and we intend to invite submissions from interested parties in relation to issues relevant to the general review. Even at this early stage it is clear to us that there are a number of issues which will be of particular importance. Specifically, we feel that there will be a need to give special attention to the issues of performance-related awards and public service superannuation arrangements.

Performance-related awards

4.3 We have already referred to the growth in performance bonuses in the private sector and the increasing proportion of overall remuneration which they represent. There are features of public service employment which mean that there can be difficulties in the application of performance-related awards and the decision not to implement the recommendations in Report No. 38 in relation to Secretaries General and other top posts suggests that the Government has reservations about the suitability of performance awards at these levels.

4.4 It is clear to us, therefore, that the question of the extent, if any, to which performance bonuses in the private sector should be reflected in the remuneration of the groups covered by our terms of reference requires further consideration. As we have indicated in paragraphs 3.15 and 3.16, we do not feel that this is a simple matter of providing equivalent compensation in basic salary where performance awards are not felt to be appropriate. It must also be kept in mind that performance bonuses are non-pensionable payments and, by nature, are uncertain. It would not be appropriate, apart from any other consideration, to reflect such payments in the pensionable pay of public servants. As part of the general review, we will seek the views of the parties covered by our terms of reference on the issue of performance-related awards as well as undertaking our own examination of the matter.

Superannuation arrangements

4.5 It seems to us that the relevance of superannuation arrangements in the public service as a component of overall remuneration has assumed a greater importance than was the case at the time of the last general review. Public service pension schemes are defined benefit schemes. Although different arrangements apply to some groups, typically public service pensions provide 1/80th of pensionable remuneration for each year of reckonable service subject to a maximum of 40/80ths or half the remuneration on retirement. In addition, a lump sum is payable on retirement equivalent to 3/80ths of pensionable remuneration per year of service, subject to a maximum of 120/80ths (i.e. 1½ times annual pay). In regard to the important issue of revision of pensions, they are generally increased in line with pay awards to serving staff. In our view this is a valuable benefit relative to the private sector.

4.6 Pensions are becoming more expensive to fund than previously. Longer lifespans mean that pensions are paid for longer. In the private sector, difficulties have been experienced with defined benefit schemes. A drop in stock market values and low interest rates have led to major difficulties in pension funds. As a result many private sector employers are experiencing difficulty in meeting the obligations under defined benefit schemes and there is clear evidence of a shift towards defined contribution schemes in which the pension payable is determined by what is yielded by the amount invested.

4.7 In the light of these developments, it seems to us that the value of public service pensions is a critical factor in any comparison with rates of remuneration in the private sector. As indicated above, we consider that the manner in which pensions are revised in line with pay awards to serving staff is particularly valuable and it is likely that most private sector organisations would regard this as being unaffordable. We intend to investigate this issue further in the general review and to consider the extent to which the value of public service superannuation arrangements should be offset against the remuneration packages available in the private sector.

Chapter 5 Summary of conclusions in regard to the interim review

5.1 Our conclusions can be summarised as follows:

- We are satisfied, based on the information we have obtained, that the salaries of the higher public service groups have fallen out of line with the salaries of comparable posts in the private sector over the last five years. It is our view that a serious anomaly exists and that there is a compelling case for an interim increase.
- The situation is exacerbated by the growth in performance-related pay in the private sector during the same period.
- Pressures have also been created as a result of the benchmarking awards to lower-tier management grades in the public service which have narrowed the differentials between them and the more senior grades.
- Public service pension arrangements are a valuable component of overall remuneration. These will be more critically assessed in the general review to determine if they confer a material advantage over private sector arrangements.
- We are recommending an interim increase of 7.5% and we consider that this is fully justified.

Tony O'Brien, Chairman

John Doherty

Brian Hillery

Vivienne Jupp

Peter Malone

Noel O'Neill

Brendan Duffy, Secretary

27 June 2005

APPENDICES

Appendix 1

Current and Recommended rates of salary for groups covered by the standing terms of reference of the Review Body (in the case of posts in local authorities and state-sponsored bodies the rates shown are net of an employee's superannuation contribution, where applicable)

Chief Executives of state- sponsored bodies examined as part of Report No. 38 of the Review Body ³

Chief Executives of Group A State-Sponsored Bodies

Post	Current rate	Revised Rate
	€	€
Enterprise Ireland	163,064	175,294
IDA Ireland	163,064	175,294
Forfás	163,064	175,294
FÁS	163,064	175,294
Fáilte Ireland	130,451	140,235
SFADCO	122,297	131,469
Údarás na Gaeltachta	122,297	131,469
Bord Bia	122,297	131,469
Dublin Docklands Development Authority	122,297	131,469
Bord Iascaigh Mhara	97,837	105,175

Chief Executives of Group B State-Sponsored Bodies

Post	Current rate	Revised Rate
	€	€
Irish Prison Service	138,604	148,999
Courts Service ⁴	138,604	148,999
Teagasc	122,297	131,469
Food Safety Authority	115,775	124,458
Health and Safety Authority	115,775	124,458
Legal Aid Board	115,775	124,458
Local Government Management Services Board	115,775	124,458
Pensions Board	115,775	124,458
Broadcasting Commission of Ireland	101,099	108,681

Civil Service

Post	Current Rate	Revised Rate
	€	€
Secretary General		
Level I	220,136	236,646
Level II	195,676	210,352
Level III	171,216	184,057
Deputy Secretary	136,972	147,245
Assistant Secretary	101,099-105,990-110,883-115,775	108,681-113,939-119,199-124,458

³ Posts shown are those where a benchmarking increase did not apply.

⁴ The current rate shown is the rate recommended in Report No. 38, increased by subsequent general increases. A higher rate is being paid on a personal basis.

Comptroller and Auditor General

Current Rate	Revised Rate
€ 195,676	€ 210,352

Local Authorities

Post	Current Rate	Revised Rate
	€	€
Managers		
Level I	148,386	159,515
Level II	125,558	134,975
Level III	115,775	124,458
Level IV	107,624	115,696
Level V	99,469	106,929
Assistant Managers	71,747-75,009-78,270-81,531-84,792	77,128-80,635-84,140-87,646-91,151

Garda Commissioner Ranks

Post	Current Rate	Revised Rate
	€	€
Commissioner	179,370	192,823
Deputy Commissioner	128,821	138,483
Assistant Commissioner	110,883	119,199

Defence Forces General Ranks

Post	Current Rate	Revised Rate
	€	€
Chief of Staff	163,064	175,294
Major General	110,883	119,199
Brigadier General/Commodore	101,099	108,681

Political Office Holders

Post	Current Rate	Revised Rate
	€	€
Taoiseach*	150,178	161,441
Tánaiste*	117,566	126,383
Minister and Ceann Comhairle*	101,260	108,855
Minister of State and Leas-Cheann Comhairle*	44,188	47,502
Cathaoirleach of the Seanad**	39,900	42,893
Leas-Chathaoirleach of the Seanad**	21,963	23,610

* rates shown exclude TD's salary of €87,247

** rates shown exclude Senator's salary of €61,073

Judiciary

Post	Current Rate	Revised Rate
	€	€
Chief Justice	228,291	245,413
President, High Court	211,985	227,884
Supreme Court Judge	198,942	213,863
President, Circuit Court	192,419	206,851
High Court Judge	187,529	201,594
President, District Court	141,868	152,509
Circuit Court Judge	136,978	147,252
District Court Judge	114,147	122,709

Hospital Consultants

Category I Posts	Current Rate	Revised Rate
	€	€
Psychiatrists, Geriatricians, Consultants in Palliative Care, Consultants in Midland, North Western and Western regions	154,893	166,510
Consultants in Southern, Mid- Western, North Eastern and South Eastern regions	147,099	158,131
Consultants in the Eastern region	139,729	150,209

Category II Posts	Current Rate	Revised Rate
	€	€
Psychiatrists, Geriatricians, Consultants in Palliative Care, Consultants in Midland, North Western and Western regions	138,260	148,630
Consultants in Southern, Mid- Western, North Eastern and South Eastern regions	131,300	141,148
Consultants in the Eastern region	124,777	134,135

Appendix 2

Submissions Received

Association of Assistant Secretaries and Higher Grades
Association of Chief Executives of State Agencies
Coen, Mark
Commissioner for Communications Regulation
Comptroller and Auditor General
County and City Managers Society
Courts Service
Directors of Capital Projects in the Health Service Executive
Directors and President, Dublin Institute of Technology
Directors, Institutes of Technology
Directors of Public Health and the Director of the Health Protection Surveillance Centre
Enterprise Ireland
Evoy, Denis, Consultant Surgeon
Foras Áiseanna Saothair
Forfás
Garda Síochána, Commissioner ranks
Healy, Dr Seamus
Hynes, Dr. John, Radiologist
IDA
IMPACT
Irish Hospital Consultants' Association
Irish Medical Organisation
Judges of the Circuit Court
Judges of the Supreme Court and High Court
Local Government Directors' Society
Members of the Competition Authority
Officers of General rank in the Defence Forces
Secretaries General of Government Departments and associated heads of offices
Smithwick, The Hon Judge Peter A
Teachers' Union of Ireland
Teagasc