

DÁIL ÉIREANN

SELECT SUB-COMMITTEE ON PUBLIC EXPENDITURE AND REFORM

Dé Máirt, 10 Samhain 2015

Tuesday, 10 November 2015

The Select Sub-Committee met at 5.30 p.m.

MEMBERS PRESENT:

Deputy Richard Boyd Barrett,*	Deputy Brendan Howlin (<i>Minister for Public Expenditure and Reform</i>),
Deputy Regina Doherty,	Deputy Mary Lou McDonald,
Deputy Sean Fleming,	Deputy Arthur Spring.

*In the absence of Deputy Stephen S. Donnelly.

In attendance: Deputy Seamus Healy.

DEPUTY LIAM TWOMEY IN THE CHAIR.

Financial Emergency Measures in the Public Interest Bill 2015: Committee Stage

Chairman: I remind members to ensure their mobile phones are switched off as it causes serious problems for broadcasting, editorial and audio staff. I welcome the Minister for Public Expenditure and Reform, Deputy Brendan Howlin, and his officials. The purpose of this meeting is to consider Committee Stage of the Financial Emergency Measures in the Public Interest Bill 2015. The Bill was referred to the select-sub committee by Dáil Éireann on 22 October 2015.

Deputy Sean Fleming: Will the Chairman explain the Short Title of the Bill? There is a page before section 1 and I do not understand whether that is the Long Title or the Short Title.

Chairman: That is the Title of the Bill.

Deputy Sean Fleming: Will the committee come to that at the end?

Chairman: Yes.

SECTION 1

Question proposed: “That section 1 stand part of the Bill.”

Deputy Sean Fleming: I might not call a vote on it but I wish to speak on the section. This committee is here today to deal with the Financial Emergency Measures in the Public Interest Bill. I put it to the Minister, Deputy Howlin, that Ireland is not in a financial emergency now, although it might have been in the past. It might have been in an emergency when we brought in the FEMPI legislation in 2009 and 2010 and amending legislation in 2013. During those years Ireland had a severe budget deficit, exceptionally high interest payments on our very high national debt, a very high level of unemployment and many other economic difficulties. Emigration was rife and there was a general acceptance that there was a financial emergency.

However, I remind the Minister of the Government’s recent actions. Some 13 months ago, the week before the budget, and in the spring statement last year, everybody was told there was going to be a negative adjustment of about €2 billion. When we came to budget day, we had a positive adjustment of €1 billion. That was a turnaround of €3 billion. Then immediately after that budget, the Government announced Supplementary Estimates of approximately €1.2 billion. In advance of the 2015 budget, the Government announced somewhere in the region of €1.6 billion for Supplementary Estimates. The adjustment in this year’s budget was €1.5 billion. I estimate that over the past 13 months, the Government has been able to find additional room for extra expenditure to the order of €7.3 billion over and above what was projected. How does the Minister reconcile the Government’s position over a period of 13 months from September of 2014 to October 2015, of having an extra €7.3 billion by way of tax cuts and an increase in expenditure with saying to this committee that he wants to pass a financial emergency Bill? The two positions are irreconcilable. We were in a financial emergency but we are not in an emergency now.

The Tánaiste said in the Dáil recently that within the next year or so, the level of Ireland’s debt will be at the same level as Germany’s, relative to GNP and to the European average. If the Minister, Deputy Howlin, believes that Ireland needs new financial emergency legislation as we head into 2016, will somebody in the Government please pick up the phone and tell Angela Merkel that it is our belief, based on what we think is a financial emergency, Germany is also

in a financial emergency?

The Taoiseach tells us that this is the best little country to do business in. Every week we have announcements of improvements in the economy and there is extra money available for health and social welfare, all of which I welcome. However, I do not see how that tallies with the Minister saying that Ireland going forward is in a financial emergency. I believe the emergency is over and that no emergency currently exists. I tabled amendments to repeal the FEMPI legislation, with effect from 1 January 2016.

I understand people will put the frighteners on the public by saying the FEMPI legislation achieved savings of €3 billion or €2 billion and that if it was all unplugged, it would all have to be repaid tomorrow morning with knobs on in terms of interest, etc. Nobody believes that. I have outlined the €1.5 billion adjustment made in the budget, the €1.6 billion in Supplementary Estimates, the details of which we do not yet know, as they will be brought before the House in the coming weeks, a €1.2 billion Supplementary Estimate last December and the €3 billion adjustment announced on budget day last year, about which we were informed a fortnight previously. That amounts to a figure of €7.3 billion, which is welcome, but that proves to any reasonable observer that there is no financial emergency. That tells me that the legislation we have on the Statute Book is a mere fig leaf. I am satisfied that if anyone challenged any provision of that legislation or this legislation in the courts today or tomorrow, it would not last a moment. No judge could stand over that figure of €7.3 billion as being consistent with a financial emergency. We should catch up with the reality of the economy and recognise, “thankfully” - I use the word all the time - that the financial emergency is over.

The Minister says this measure is necessary to facilitate the Lansdowne Road agreement, the principle of which I supported prior to, and following, its finalisation; my party has always supported social dialogue and agreement. I also support the increase in the minimum wage that will happen in tandem with it in the new year. None of these measures is consistent with a financial emergency. While it is right to facilitate the Lansdowne Road agreement, this legislation is not necessary. Effectively, the Minister is saying: “We have a little less of an emergency that we had, so we can remove some provisions of the FEMPI legislation.” The arbiter of what was a financial emergency is not subject to discussion in the Lansdowne Road agreement and should not be the yardstick we use. If the agreement required a recognition that the FEMPI legislation was not needed to its fullest extent, I would agree with that, but I do not agree that we should pass new financial emergency measures. I ask the Minister, in the context of the Title of the Bill, to reconcile the strength of the economy, about which he keeps telling us, with the need for financial emergency legislation. I could produce a list of what all Ministers have said in the past month, in boasting about the strength of economic growth. That is fine, as that is party politics, but underlying economic facts back it up.

Deputy Richard Boyd Barrett: To amplify the same argument, there is no emergency anymore. In fact, the only emergency is in the areas of housing and health. One could argue there is also an emergency in terms of poverty and deprivation, given that these conditions have increased exponentially. Any of the crises that has developed is linked, at least, to income cuts, of which the FEMPI legislation was a significant element in its imposition of reduced incomes on low and middle income earners and the knock-on effects on the economy and society. I did not agree with that income slashing, even during the crisis; I believed it was counterproductive and made a bad situation worse. Whatever about the justifications for it at the time, it seems that there is absolutely no justification for continuing emergency legislation that preserves many of the cuts and the deterioration in pay and conditions imposed under a heading, “Emergency

Measures”. It keeps them in place. It only partially gives back to people what they lost and still withholds a great deal in terms of pay and conditions. People lost vast amounts. I do not see how the Government can justify doing this. If anything, now is the time to give back what was taken in full because of the enormous sacrifices people made in the context of an emergency. The Government’s attitude and response will determine how people will view what the recession meant because the Government narrative is, “We did not really like doing this, but we had to do it because it was an emergency”.

Another widely believed narrative, to which I subscribe, is that the Government and the European elites generally pursued a strategy of “Never waste a good crisis” to get through measures they would be unable to if they did not declare an emergency or if there was not an emergency atmosphere and will keep as much of it in place for as long as they can-----

Deputy Brendan Howlin: Was it all in our imagination?

Chairman: No interruptions, please.

Deputy Richard Boyd Barrett: The Minister should look at the facts. A useful document was handed to me.

Chairman: For balance, we will try to keep this as a Committee Stage debate, without too many long contributions.

Deputy Richard Boyd Barrett: That is fair enough. However, given that most of the amendments have been ruled out of order because they would impose a charge on the Exchequer and that we will be unable to speak to them, we might as well set out our stall.

Chairman: The Deputy can speak to the section, but he should try to stick to what is in the legislation rather than make speeches.

Deputy Richard Boyd Barrett: That is true. IMPACT Dún Laoghaire branch produced a leaflet with a table showing how much public sector workers at different pay levels had lost during the emergency years annually and overall. A worker on €30,000 lost €16,000; a worker on €40,000 lost €27,000; and a worker on €50,000 lost €38,000. Under the Lansdowne Road proposals provided for in the legislation €4,000 would be given back against the figures of €16,000, €27,000 and €38,000. That is pathetic if there is not an emergency which the Government claims is the case

Does the Minister recognise the increasing consensus among a cohort of analysts, economists and so on who consider income inequality to be the major contributory factor to economic instability and crisis? He may be familiar with a brilliant paper by Paul Sweeney, entitled Wage Drift, which I read recently. It outlines the reduction in the share of total national income, GDP, represented by labour and wages, as opposed to capital, and shows that Ireland is one of the worst countries in this regard. We have had one of the greatest reductions in the OECD in wages’ share of the national economic cake since the 1970s. Surely that is another reason the Government should radically reverse the cuts in income. This should be done not only because it is unfair to people who have made such sacrifices during the so-called emergency. It is also sound economic policy to give something back to workers, to narrow the income inequality gap that has grown and to rebalance wage share in terms of the wider economic cake. Does the Minister not agree that needs to be done as a matter of urgency? It is not what has been done in this budget and this legislation does not do it in anything other than a tokenistic way.

Deputy Mary Lou McDonald: Of 22 amendments tabled, 14 have been ruled out of order as, I presume, they might constitute a charge on the Exchequer. It is hugely problematic for Deputies when their amendment is ruled out on that basis. It neuters the debate, especially when one is discussing legislation such as this which is all about pay rates and the restoration of pay and which, by definition, cannot be fully debated or thrashed out without arguing the toss as to the level of the charge on the Exchequer and where Exchequer moneys should go and be best targeted.

My view may be somewhat different from the standard view but I believe there is still a financial emergency and it is felt not least in many of the households of public servants on lower pay who were pickpocketed in the course of the recession. Whatever about the grand rhetoric about recovery, the recovery has not yet come to those households. It is welcome that there is partial pay restoration for those workers but I do not think it goes far enough. The aspect of the legislation that troubles me most is the fact that the Minister is carrying out a sleight of hand. All of the rhetoric has been about restoration for people on lower pay, namely, those earning up to €65,000 but, while there is partial restoration of pay for those earning under the €65,000 benchmark, once one goes over that figure a full restoration of pay is envisaged on a tranche-by-tranche basis. I have an issue with that as it is demonstrably unfair. The Minister cannot have it both ways. He cannot argue that he is looking after lower paid workers by giving them something which, while welcome, does not nearly undo the damage to their take-home pay or living standards while, at the same time, legislating for full pay restoration for those with pay in excess of €110,000. I grant that only a very small proportion of people in the public service earn such a salary but many of those people are overpaid and overpensioned.

Despite the Minister's argument of fairness there is a glaring lack of fairness at the heart of this legislation. I am happy that at least some of my amendments made it through the process and we will get to debate those in more detail. The Minister cannot pretend that his concern is to look after lower paid public servants by giving them some crumbs from the rich man's table while fully restoring higher incomes, which are the only levels of income that have been fully restored. That is wrong and I have tabled amendments to remedy that in this legislation.

Deputy Seamus Healy: Some 14 of the 22 amendments put forward have been ruled out of order. I believe this legislation is unconstitutional and that we should have the opportunity through those amendments to bring it into line with the Constitution. The Government wants it both ways. It is bringing in emergency legislation but everything the Government states on a daily basis is to the effect that there is no emergency and the emergency is over. The Tánaiste said that very recently in an opinion piece in *The Irish Times*. Numerous Ministers have said very similar things. The Minister for Finance, Deputy Noonan, said that next year, the debt to GDP ratio will be below the European average. The syndrome of having it both ways is highlighted by the fact that the top 5% of income earners in this country were given €100 million in the recent budget.

This legislation is particularly unconstitutional in the area of pensions. Pensions are held by the courts to be the private property of the pensioner and the Minister has told us that private property or pensions can only be interfered with in an emergency. Various Ministers, including the Tánaiste, tell us there is no emergency and that is why I believe the provisions relating to pensions are unconstitutional. I will address this during the course of the debates on the various sections.

I also object strongly to the penalty provisions on unions, particularly in section 4 of the legislation, whereby public servants who simply wish to abide by the agreements they already

have are being forced to break them. That has already created significant difficulties in policing and education and throughout the public service. We will not have the opportunity to bring this legislation into line with the Constitution because the amendments have been ruled out of order but the legislation will create significant difficulties if it is passed in this form.

Chairman: Any amendments that have been ruled out of order have nothing to do with the Department or the Minister. They are ruled out of order in accordance with Standing Order 156(3) of the Houses of the Oireachtas.

Deputy Brendan Howlin: I thank the Deputies opposite for acknowledging so clearly the progress we have made as a country in the past five years. In 2011, when the Government of which I am honoured to be a member came into office, we inherited a broken country and a broken economy. We had lost 250,000 jobs and unemployment was heading towards 500,000. Our debt as a country peaked at 123% of GDP. All our efforts for the past five years have been to rebuild the economic foundations of the State and I thank the Deputies opposite for recognising the job of work that has been done, with the forbearance of the Irish people, in getting us to this place. Three of the four Deputies who have spoken acknowledged that we are out of recession and have no need for any emergency legislation again.

Unfortunately, that is not the full story. Although we have made enormous progress as a country, we still have real challenges. We have 9.3% unemployment, which is still unconscionably high. We need to ensure that everybody is provided with the opportunity to work and that will continue to be the focus of Government policy. I am very glad we have reopened the recruiting process in the public sector, which means we are recruiting gardaí and nurses again. Since the beginning of January last, we have 700 net new nurses and there have been more than 1,100 trainee gardaí in the Garda training college in Templemore since it reopened. Some 5,500 additional people have been employed in the health services generally since 1 January last year. It is because we have a recovering economy that we can do these things.

I fully appreciate the points of the Deputies opposite in regard to the imposition on public servants. However, the people who suffered most grievously in the economic crash were those who lost their jobs. There are 250,000 people who have no work at all and many tens of thousands were required to leave the country to find work. It is our objective to provide jobs for all those people and also to allow those who wish to do so to come home again. I hope there will be net migration into the country next year of Irish people, with more coming back than are leaving. This is because we have worked so hard to fix the economic mess we inherited.

This is a debate about the Title of the Bill. It is financial emergency legislation because it is amending the suite of financial emergency Acts that are on the Statute Book. We are now beginning the walk-back of the impositions that were put on public servants in asking them to make their contributions. I did not impose this upon them when I came into office. I sat down and negotiated with dozens of unions and their representatives, and we got agreement. The Haddington Road agreement was voted upon. I know there are Deputies opposite who dismissed it before it was even published but it was voted upon by public sector workers who understood they had to make a contribution to fixing our broken economy. As I said 12 months ago, I now want to begin the restoration of that imposition, starting with the lowest paid. The Lansdowne Road agreement focuses entirely on the low paid. Of course, there are measures in the original Haddington Road agreement that will restore pay to all categories of workers who have been cut. Ultimately, and I say this while particularly referencing the points made by Deputy McDonald, any pay that was cut could only be cut on the basis of it being a temporary measure required by an emergency, and it all has to be restored over time.

The timing is set out in the Bill. It is not quick enough for Deputy Fleming, who wants the entire FEMPI edifice pulled down immediately. The additional cost in the FEMPI deal that I had negotiated and that has now been agreed by the Irish Congress of Trade Unions public sector committee, and formally endorsed by workers, is €300 million next year. If I was to pull the whole edifice down, as recommended in the amendments tabled by Deputy Fleming and in his presentation here, I would have to find an additional €1.9 billion because the total cost of FEMPI is €2.2 billion. I am giving back €300 million, €300 million the year after that and €300 million the year after that. As the economy recovers incrementally, that will be done in a phased, orderly way, as I said we would do from the beginning.

There is a notion we can find an additional €1.9 billion - almost €2 billion - immediately. Where would we get that money? We certainly do not have the fiscal space additional to what we have spent. We would have to make an additional €2 billion of cuts or find an additional €2 billion of taxes. The reason that we cannot, under the rules of the House rather than the rules of any Department or Government, simply impose a cost of €1.9 billion is that, if we are going to do that, there is a moral responsibility to say where we are going to make the cuts and find the wherewithal to do that.

Deputy Boyd Barrett said he opposed FEMPI but welcomed the position the country is now in. The problem with Deputy Boyd Barrett is that he opposed everything the Government did for the last four years, so he welcomes the end but denies the means. It is fairyland - get to the right place but do not take any hard decisions *en route*. Most people understand that is fanciful, not the real world and not the way things can be done. If the Deputy wants a practical example to prove it, he need look no further than Greece, where promises were made to people that could not be delivered. The great irony is that the same government, or a slightly different government but the same main party, has now been re-elected and is doing the very things it railed against when first elected in January of this year.

Deputy Boyd Barrett also mentioned the issue of poverty. We are the only country that went through a programme where inequality reduced - that is the simple fact of it. That was because we maintained the equalisation measures available to any government, which are taxation and social welfare, in a way that was certainly not maintained in any of the other programme countries. I am very proud of that. Very difficult impositions were made on everybody in society as we made our journey of recovery.

The issue of low pay was mentioned. As I said, the focus of the pay restoration in the agreement I put to the unions and that they negotiated with me is almost exclusively focused on low and middle income earners. Of course, there will be pay restitution for everybody over time because that is required. Once the emergency ends, the basis for reducing anybody's pay will end, and that is a simple matter of fact. Again, however, if we look at the most recent statistics, a comparison between public sector and private sector pay shows that the imbalance is at the lower end, where public sector workers are actually paid more than private sector workers. It is *vice versa* at the top end, where private sector workers are paid more than public workers. That is an interesting fact that is not often instanced.

Deputy Healy focused almost exclusively on pensioners and said they should get everything back immediately. Bluntly, we are trying to do this in a balanced way. There are relatively low paid workers who, for a full 39-hour week, earn less than people who are pensioned at the top. I do not believe it is the right approach that full restoration of pensions should take priority over full restoration of pay. It has to be done in a proportionate and balanced way, as I have set out to do.

Chairman: Does Deputy Fleming wish to respond?

Deputy Sean Fleming: I will respond briefly because-----

Deputy Brendan Howlin: We are only on the Title of the Bill yet.

Deputy Sean Fleming: That is the essence of the Bill.

Chairman: I will be sticking to what is in the Bill after this section.

Deputy Sean Fleming: The Title of the Bill includes the term “financial emergency” and we could not be more in tune with this debate than when discussing the Title of the Bill. Two or three observations come to mind. I am concerned that the Minister is essentially saying that, if we do not have the suite of old FEMPI legislation in place, the Lansdowne Road agreement will be torn up. That is the import of what he said. We have just come through the Lansdowne Road agreement, which I believe was a fairly negotiated agreement that was accepted by both sides-----

Deputy Brendan Howlin: Deputy Fleming wants to pull down the whole edifice.

Deputy Sean Fleming: The Minister is saying that if FEMPI goes, the Lansdowne Road agreement goes with it. Where was the honour on both sides in that agreement if it is felt that a change to this legislation means the agreement did not happen? The Minister referred to the agreement and the changes that were introduced. I take the view that the people who negotiated the Lansdowne Road agreement for the next three years, regardless of what happens in the wider economy, have an agreement that those on both sides will honour. I do not believe an elimination of FEMPI in any way tears up the agreement. I make the point that the agreement was legislated for. I find interesting the new remark made by the Minister on the timescale for striking out the FEMPI legislation from the Statute Book. I hope I am wrong but my interpretation of what the Minister has stated is that the Lansdowne Road agreement will bring a saving of €300 million next year.

Deputy Brendan Howlin: I said an additional cost.

Deputy Sean Fleming: My mistake, the Lansdowne Road agreement will bring an additional cost of €300 million next year and for each of three years, making a total of €900 million by 2018. The Minister also said that the total savings under the FEMPI legislation would be €2.2 billion. I still do not believe the FEMPI legislation would hold in court today. The Minister might think it would but I would call it fig-leaf legislation. There is no longer any substance behind it but that is a moot point.

Is the Minister making the point that if the FEMPI legislation no longer exists, the €2.2 billion reduction in public service pay will have to be reversed?

Deputy Brendan Howlin: Yes.

Deputy Sean Fleming: What the Minister is now saying is that until such time as the Exchequer can afford to fully pay back that €2.2 billion, the FEMPI legislation remains on the Statute Book. In effect what the Minister is saying is that in the course of the three-year period, if we get to €900 million, a sum of €1.3 billion still remains to be met beyond 2018. If we are lucky enough to be able to return that to the public sector in another three or four years, it means paying a sum of between €300 million or €400 million per annum. The Minister is saying the FEMPI legislation must remain on the Statute Book for a further four years after the

end of the Lansdowne Road agreement. When the members of the Government go canvassing next spring, will they be telling the country there is a financial emergency which will continue for another six to eight years?

Deputy Brendan Howlin: I am not saying that.

Deputy Sean Fleming: Will the Minister explain, as that is the impression he gave? Until we are in a position to deal with reversing the €2.2 billion we are still in a financial emergency. Based on the progress we have made, it will take between five and seven years. That is a ludicrous position for anybody to be taking here today, that the FEMPI legislation will continue for six or seven years. Does the Minister get the point?

Deputy Brendan Howlin: Deputy Fleming is misinterpreting what I said. Chairman, may I deal with that point?

Deputy Mary Lou McDonald: Can the Minister clarify that before we move on?

Deputy Brendan Howlin: I looked at the horizon 12 months ago and thankfully could see the State was making significant progress towards emerging from an emergency. I repeatedly said, in parliamentary replies to both Deputies Fleming and McDonald across the floor, that I wanted to make an orderly, structured and agreed unwinding process and put it into place in legislation. That is why I opened negotiations very early in regard to this. What we have set out is the first unwinding agreement. I have no doubt that as the economy improves there will be further negotiations.

I have set out the horizon, which will last for the next three years. Depending on a number of factors, as members know because we have reached a deficit of less than 3% of GDP, we are exiting the corrective arm of the Stability and Growth Pact in 2015. Next year we enter into a different economic paradigm, which is the preventative arm of the Stability and Growth Pact. The budget was cast on the basis that we would have to meet this new criteria, which was setting our medium term objective, setting our path towards achieving our medium term objective and also looking at and calculating the allowable budgetary expenditure for 2016. I believe the economy will continue, if there is no jolt to the system, to make the significant improvements and grow at the rate we have set out in the budget plan. The OECD, as well as our own projections, are for growth of the order of 6% for 2015. We will have growth hopefully of the order of 4.5% to 5% next year and at least 3.5% to 4% for the two years following that. The more capacity we have, the quicker we can unwind all the impositions, not only in public sector pay but other impositions that were put on expenditure, recruitment and so on, that characterised a collapsed economy.

As of now, this is the horizon I have negotiated with the public sector unions. The public sector unions have agreed to this new collective agreement. Of course, unions will look at the progress Ireland Inc. makes over the next few years and if they believe that the progress continues to be as sturdy as we project, they may well want a quicker restoration of pay. That will be for whatever government is in place into the future to sit down in the same open-minded way with the public sector unions to negotiate that. It should be done in a balanced and fair way, taking all matter into account, including the capacity of the State to continue to provide quality public services.

One of the discussions I had with public sector unions during the original Haddington Road agreement negotiations was on the alternative if those earning over €65,000 who were asked to

take a pay cut and others on lower salaries to work longer would not agree to it. The alternative would have been to cut public services. Public servants know full well the value of the services they provide and embraced that request and agreed to this imposition. We now need to begin the unwinding of that in an orderly way. The fiscal space on the expenditure side for next year is of the order of €750 million and we devoted €300 million of that total to public sector pay. I was criticised for that but I think it was a fair determination to make at the time. How we proceed as the years pass and as, I hope, the economy stays on track will be a matter to be determined into the future. I hope it will be through collective agreement again with public sector unions.

Deputy Sean Fleming: I will conclude on this point. I know the Minister cannot determine the number of years, in the way I did, but is he saying that the Lansdowne Road agreement, which the Government has agreed with the unions, brings costs of €900 million at the end of the period in question? Is that €900 million per annum at the end of it?

Deputy Brendan Howlin: Yes.

Deputy Sean Fleming: That is €900 million per annum at the end of it out of a figure of €2.3 billion. If we run the three full years of the Lansdowne Road agreement, based on the projected growth of 6%, 4.5% to 5% and so on, will we be approaching half way in terms of reversing the costs?

Deputy Brendan Howlin: Most low and middle income earners will be out of the imposition at that stage.

Deputy Sean Fleming: Everyone would hope that when we get to the second half, the process will be quicker. Is the Minister essentially saying that at the end of the period of the Lansdowne Road agreement, based on the projections that he has entered into the agreement, that the Government will be 40% of the way towards restoring pay cuts, paying €900 million out of €2.2 billion, and that when we get to the end of 2018, we will see how long more it will take and let us hope it is very short? Is the Minister telling the country that for a minimum of three years and a period beyond, we are in a financial emergency?

Is it correct that the Lansdowne Road agreement is based on the FEMPI legislation continuing to the end of the agreement?

Deputy Brendan Howlin: It is the point I did not answer in the Deputy's question. With the permission of the Chair, I will elaborate lest there be any misunderstanding.

The Lansdowne Road agreement is meaningless if one collapses the entire architecture of the FEMPI legislation. There is no point in negotiating a restoration of pay if all pay is immediately restored. That is self-evident. It is a process of unwinding as opposed to collapsing, which I think would be a shock to the public finances which could not be endured. I do not see how one could find an additional €1.9 billion to pay public servants, for no extra productivity, in the course of 2016.

Deputy Richard Boyd Barrett: I will correct the Minister's interpretation of what I said. I was not applauding the Government for getting us to where we are now. I made exactly the opposite point, which was-----

Deputy Brendan Howlin: The Deputy does not like where we are now.

Deputy Richard Boyd Barrett: No. I am saying it has nothing to do with the wage gouging and income gouging that the Government engaged in.

Deputy Brendan Howlin: Act of God.

Deputy Richard Boyd Barrett: No. It relates to the ups and downs of the global economy, and-----

Deputy Brendan Howlin: The ups and downs of the global economy.

Chairman: Through the Chair, please.

Deputy Richard Boyd Barrett: The measures the Government took under the guise of financial emergency measures made the situation worse, prolonged the crisis and worsened the impact of the crisis on the economy and our citizens. My take is that it made things worse. The reason Greece is worse is not because the Greeks did not do that but because they did. They had even more extreme emergency income and wage gouging and that is why their economy collapsed. The IMF acknowledged that it got its multipliers wrong in this regard. It admitted the extent of the adverse impact on economies as a result of slashing the incomes of low and middle-income people was much bigger than it anticipated using its multipliers. The logic of admitting that is that cutting pay for low and middle-income people was the wrong thing to do.

Deputy Brendan Howlin: We did not do that. It only affected people earning more than €65,000.

Deputy Richard Boyd Barrett: I gave the figures. To cut a very long story short, at the end of the period envisaged in this legislation covered by the Lansdowne Road agreement between now and 2018, someone who was earning €30,000 in 2009 will still be earning less than they earned in 2009. It is the same for those on €40,000 or €50,000. At the end of this so-called restoration of pay they will be earning less than they were in 2009. Nine years after the crisis they will not have had their pay restored, which represents a massive gouging of income at a time of growth in the economy. When those two things are put together, it means that the benefits of the economic growth are not going to low and middle-income people but are going elsewhere. We have considerable evidence of where they are going which is that the wealth of the richest in Irish society has grown exponentially during the period of the so-called emergency and is continuing to grow. The millionaires and billionaires have got richer during this period.

I agree that we should collapse the financial emergency measures in the public interest legislation. It would be very good to have to give a €2.2 billion injection to low and middle-income earners and would be good for the economy, not bad for the economy. I accept it would have to be taken from elsewhere and the place to get it is from those at the very top who have massively increased their wealth and assets during the crisis. That would be fair and it would also be a good economic move because it would address the issue I raised with the Minister of wage drift - the reducing share of the national economic cake that is going to wages. The Minister did not respond to that point, but it is a fact. Is that something the Minister wants to do? Paul Sweeney, among others, has said that that reduced share of national income that is going to wages is a very bad thing and needs to be reversed. Does the Minister recognise that? If he does, the Government would need to take radical emergency measures in the opposite direction.

Chairman: We are drifting.

Deputy Richard Boyd Barrett: We are not drifting.

Deputy Brendan Howlin: We are at full sail.

Deputy Richard Boyd Barrett: I am responding to the Minister's-----

Chairman: We have been here for an hour and we have not even agreed the Title.

Deputy Richard Boyd Barrett: It turns on the question of whether it is an emergency. The Minister has not responded to this. Is it an emergency? Are we in the emergency, out of the emergency or on the way out of the emergency? If the Minister is claiming we are out of the emergency, why do we have an emergency Bill? Why is the Minister retaining a range of the elements he put in place for cutting wages with most of those cuts remaining place? We have not mentioned the deterioration in conditions, the unpaid work, the increase in working hours, the reduction in the annual leave allowance, restrictions on flexi-time, the new sick leave scheme, halving entitlement to sick pay, the power for the Minister to freeze increments. Why do all those remain in place if we are out of the emergency? Yet the Minister is retaining them in this legislation.

Chairman: Does Deputy McDonald indicate that she wished to make a comment?

Deputy Mary Lou McDonald: Please. I will try not to drift.

Chairman: Do please.

Deputy Mary Lou McDonald: We could debate forever the general economic picture. When the Minister compares the pay of low-paid public servants with pay in the private sector he will be aware that we now rank second only to the United States for low pay. He will be aware that people in the private sector work on zero-hours contracts and what amounts to poverty wages. He should not take any succour from this and should not brag about benchmarking public sector workers against that kind of scenario that is faced by so many. The legislation may be well named because it will undoubtedly confirm to lower-paid public servants that whatever about the macroeconomic picture - we could debate that and would probably not get consensus across the floor on it - certainly the emergency regime is still very real in their households.

As I said in my opening comments, my fundamental issue is that the only place in which full unwinding is envisaged and set out in black and white in this legislation refers to income not at €65,000 and lower but for €65,000 and higher, for €110,000, if one does not mind, and higher in two tranches and three tranches respectively. That can be contrasted with what is afforded to those earning less than €65,000. That is by any definition partial. I can understand from the perspective of public sector workers who have been repeatedly hammered that any relief is relief. I acknowledge that is how people will see it, but it is not lost on people that there is a direct contrast between those on less than €65,000 and those earning over €65,000.

I have no issue with pay moderation in the public sector and I have argued that with the Minister previously in terms of reining in some of the excessive pay and pensions of a small minority within the service. That needs to happen. However, the fundamental inequity here is partial unwinding for some and for lowered portions of income as against full unwinding for those on higher incomes and in some cases excessive levels of income in the public sector. There is a real issue about that.

The Minister bragged that he had negotiated out these agreements eyeball to eyeball with trade unions. He did that with the explicit threat that they had to agree or else there would be legislation. He should bear that in mind. The turning point for industrial relations and col-

lective agreements within the public sector, in terms of the employer, namely, the Minister for Public Expenditure and Reform and the State, now being about to step in and legislate in the absence of agreement, was a retrograde step. I am sure we will not agree on that either. I would also like to reference a point made by Deputy Healy on section 4, the amendments to which have been ruled out of order. Section 4 amends the Financial Emergency Measures in the Public Interest Act 2013 to extend by a further two years the suspension of the operation of incremental pay scales with respect to any public servants not encompassed by registered collective agreements, which in my opinion means those who will not play ball with the Minister - specifically, the TUI and the teachers.

Deputy Brendan Howlin: All of this will be dealt with when we get to the relevant amendments.

Deputy Mary Lou McDonald: It will not because the amendments have been disallowed.

Deputy Brendan Howlin: It can be dealt with in the context of the section.

Deputy Mary Lou McDonald: I reference that as further evidence of the big stick approach so beloved of this Administration. Nowhere in this legislation is full pay restoration benchmarked or signposted, milestone by milestone, for low income workers. What is being provided for is partial restoration, and only very partial restoration at that.

Deputy Brendan Howlin: Most people listening in to this debate will be interested in Deputy Boyd Barrett's view that the recovery has not come about as a result of any corrective measure taken by this Government to balance the books or of any action on the part of the people of Ireland for the last five years.

Deputy Richard Boyd Barrett: I did not say that.

Deputy Brendan Howlin: I wrote down what the Deputy said. Apparently our recovery is due to the ups and downs of the global economy. The Deputy's view is that if we had just waited for the swing back all would come well again, such that we did not have to do anything. That is the sort of economic analysis that would have destroyed us in 2011 had we not began the process of getting things back on track.

Deputy Boyd Barrett also believes that we should restore pay to everybody immediately. He posits the way to do that is to increase taxation by €1.9 billion. Obviously, an additional €300 million would also have to be found, which means we would have to increase taxes by €2.2 billion. I would be interested in hearing what particular tax increases the Deputy has in mind.

Deputy Richard Boyd Barrett: Wealth and capital tax increases.

Deputy Brendan Howlin: I would be interested in hearing specifically what level of capital and wealth tax increases would bring in approximately €2.2 billion next year.

Deputy Richard Boyd Barrett: I will send the Minister a copy of our budget submission.

Deputy Brendan Howlin: I have read it.

Deputy Richard Boyd Barrett: The Minister knows then what I am proposing.

Chairman: I ask the Minister and the Deputy to stick to the legislation.

Deputy Brendan Howlin: What the Deputy proposes is fanciful.

Deputy Richard Boyd Barrett: It is not as fanciful as the Minister's talk of a recovery.

Deputy Brendan Howlin: I would like to deal now with two points made by Deputy McDonald. On the Deputy's first point regarding the minimum wage, this Government-----

Deputy Mary Lou McDonald: I did not mention the minimum wage.

Deputy Brendan Howlin: The Deputy did mention it.

Deputy Mary Lou McDonald: I mentioned poverty wages-----

Deputy Brendan Howlin: The Deputy referenced the minimum wage and living on-----

Deputy Mary Lou McDonald: -----and zero hour contracts.

Deputy Brendan Howlin: One of the very first acts of this Government on coming into office was to restore the cut in the minimum wage of €1 per hour imposed by its predecessor. We did that during the worst part of recession. We also set up the Low Pay Commission to examine the issue of low pay. The Low Pay Commission is an independent body that will report on this issue. The Government has accepted its first report such that by 1 January next we will have increased the minimum wage by 20% even in the thick of recession.

I do not know if Deputy McDonald is confused or is misrepresenting the fact but senior public servants in receipt of incomes in excess of €65,000 per annum were impacted by a third pay cut when all others were impacted by only two cuts. The restoration about which the Deputy speaks will not be full restoration for the most senior public servants, rather it is the restoration of the third pay cut. It will be some time before there is restoration of the other two pay cuts. Following implementation of the provisions of this Bill, the lowest paid will have had all pay cuts restored. Subsection 6A(7) provides that where the application of subsections (3), (4) and (5) results in pay restoration of in excess of what was lost that increase will be retained. This means that the lowest paid will, in some instances, be better off than they were prior to any cut. This is provided for in the section.

Deputy Richard Boyd Barrett: To what section is the Minister referring?

Deputy Brendan Howlin: Subsection 6A(7). Every nurse, teacher and member of An Garda Síochána on the mid point of their pay scale will gain an additional €2,000 per annum as a result of this Bill. Those at the new entrance grade, including new entrants to nursing and An Garda Síochána, will gain that amount plus another €200. I think that is the right thing to do. I have used this legislation to address another issue also, namely, the anomaly in terms of the reduction of entrance grade, which has been addressed on a sector by sector basis in different ways, including by way of amalgamation of grades, a reduction in points of increment and so on. The Bill is structured in a manner which ensures fairness and a focus on low and middle income earners in the first instance, while remaining mindful that everybody is entitled to pay restoration. This is emergency legislation that ultimately will have to be unwound. I wanted to do this in a way that is affordable and does not result in another catastrophic impact on the Irish economy.

Question put and agreed to.

Section 2 agreed to.

SECTION 3

Chairman: Amendments Nos. 1 and 2 have been ruled out of order.

Amendments Nos. 1 and 2 not moved.

Chairman: Amendments Nos. 3, 6, 7, 10 and 16 are related and will be discussed together by agreement.

Deputy Mary Lou McDonald: I move amendment No. 3:

In page 6, to delete lines 3 to 29.

This brings us back to our earlier conversation. In setting out the purpose of this Bill I stated that it provides for full pay restoration of cuts to higher portions of incomes. In other words, it provides for full pay restoration of cuts to incomes of between €65,000 and €110,000.

Deputy Brendan Howlin: The portion of income impacted by the third cut.

Deputy Mary Lou McDonald: Yes, I am speaking about the third cut.

Deputy Brendan Howlin: It is not related to the full income.

Deputy Mary Lou McDonald: The Bill provides for the restoration of that portion of the higher income in full-----

Deputy Brendan Howlin: Eventually. Yes.

Deputy Mary Lou McDonald: -----up to a benchmark of €110,000 in two phases in April 2017 and January 2018-----

Deputy Brendan Howlin: As agreed in Haddington Road.

Deputy Mary Lou McDonald: -----and in excess of €110,000 in three tranches in April 2017, April 2018 and April 2019. The higher portion of the incomes of high earners is being restored in full. That is what this legislation provides for. Contrast this with earnings below the €65,000 per annum, which are being only partially restored. In this regard, the Minister has set out the figures of €2,000 and €2,200 per annum, which I do not dispute. However, this represents only a partial restoration of cuts.

Deputy Brendan Howlin: For everybody.

Deputy Mary Lou McDonald: Yes.

Deputy Brendan Howlin: Including the high earners. The Deputy should not misinterpret that.

Deputy Mary Lou McDonald: I am misinterpreting nothing. I am setting out what the legislation provides for. It would have been a better day out had the Minister provided for the full and orderly unwinding and restoration of all pay cuts to earnings below the €65,000 benchmark. That would have been a more orderly and fair way of going about this.

In terms of the higher earnings, there is, as I have stated previously to the Minister, a debate to be had about higher earnings within the public sector, whether merited or not.

He could have tackled those issues and dealt with that afterwards but that is not how the

Minister has gone about it. Amendment No. 3 proposes the deletion of lines 3 to 29 on page 6. It deals with the matter of the restoration, in full, of the higher portion of earnings for higher earners.

Amendment No. 6 is also in my name and proposes that the phrase “Notwithstanding the generality of the foregoing, nothing in this section shall provide for increases in the salaries of members of the Houses of the Oireachtas or Ministers of the Government.” be inserted into the Bill. If there is an emergency, it is incumbent on those who govern and on those who introduced all of these cuts to lead from the front. Amendment No. 7, which is also in my name, proposes the inclusion of the phrase “Notwithstanding the generality of the foregoing, nothing in this section shall provide for increases in the salaries of public servants in receipt of salaries in excess of €100,000 before the coming into effect of this section” in section 3.

Amendments Nos.10 and 16 are in a similar vein. Amendment No. 10 proposes to insert the following into the Bill:

(7) Notwithstanding the generality of the foregoing, nothing in this section shall provide for decreases in the pensions related deduction of members of the Houses of the Oireachtas or Ministers of the Government.

Amendment No. 16 proposes that the following be inserted into section 3:

(8) Notwithstanding the generality of the foregoing, nothing in this section shall provide for a reduction in Public Service Pension Reduction of former members of the Houses of the Oireachtas or Ministers of the Government.

This emergency legislation should not prove to be a Trojan horse or a mechanism for the restoration of the excessively high salaries or pensions of Members of the Oireachtas and, in particular, members of the Government. God knows there has been acres of coverage and comment - and legitimately so - on the truly scandalous pensions with which people walked away. Some of the individuals in question were party to, or instrumental in, bringing about the financial emergency in the first instance.

Deputy Brendan Howlin: Amendments Nos. 3, 6 and 7 propose that no pay rises provided for in this legislation will serve to increase the salaries of public servants on salaries in excess of €65,000 or those of public servants on annual salaries in excess of €100,000. I will give the committee some background to this. The whole Haddington Road agreement architecture meant pay cuts were progressive and ranged from 5.5% to 10% over increasing remuneration bands. It was constructed so that the biggest cuts were taken by those on the highest pay. When we negotiated the Haddington Road agreement in 2013, we built in - as set out in the Bill before the committee - proposals for the restoration of pay. That was part of the agreement and was voted upon by public sector unions. I intend to respect the agreement, as I have said I would do for every part of it.

For those on salaries in excess of €65,000 but under €110,000, there should be two annualised payments as provided for in the agreement. For those earning in excess of that, for the portion of their pay that was reduced by the third cut, it would happen in three payments and be extended out to 2019. That was a bone of contention in the negotiations because people felt it should have been restored within the two tranches. However, I felt it would be better if it took longer for those on higher pay to have that portion of their remuneration restored.

Many public servants - they are not enormous in number but they are very important public

servants - are paid in excess of €65,000 or in excess of €100,000. These people are mostly working within the HSE and if I accepted Deputy's proposal - that consultant doctors should be excluded from the provisions of this Bill - it would not be conducive to ensuring a functioning health service. That would be a mistake. There are middle-ranking and senior gardaí, senior administrators and others who would be impacted upon by the Deputy's proposals and I do not think that would be appropriate. Ultimately, all the pay cuts that were imposed are subject to-----

Chairman: I hope the Minister will excuse me for interrupting but a vote is taking place in the Dáil. I propose that we suspend proceedings and return immediately after the vote has concluded. Is that agreed? Agreed.

Sitting suspended at 6.45 p.m. and resumed at 7.05 p.m.

Deputy Brendan Howlin: In essence, Deputy McDonald has suggested not giving any pay restoration above €65,000. The Deputy particularly focused on not giving any restoration above €100,000. Just under 5,000 public servants earn more than €100,000, which is less than 2% of the total. More than half of those are doctors in the health system. They make up more than half of the people who would be deprived of any pay restoration. We have had this debate previously. It is already proving difficult to recruit doctors and retain them in this country. The Minister for Health is under pressure to provide incentives to get consultants to apply for positions and there are many vacant positions.

I met SIPTU nursing representatives during the week. There are many nursing vacancies because we have created so many posts and they are difficult to fill. So I would certainly not cut or freeze their incomes as the Deputy is suggesting. In order to ensure we have a functioning public health system, we need to pay competitive rates. More than half of the people affected by the Deputy's amendment are people we need in our hospitals. That would not be an outcome that anyone in this House would welcome, as they would be forced out of the public sector. The public health service would come under enormous strain and be even more dependent on the private health sector as doctors migrated to it.

Regarding members of the Government, etc., on the day we announced the Lansdowne Road agreement, we made it clear that Ministers, officeholders and special advisers would not avail of the restoration and the reduction in the pay-related deduction, PRD, provided for in the Bill.

Deputy Mary Lou McDonald: The Minister said that the people who took the biggest hit were those on the highest pay, which is undoubtedly true in terms of the third pay cut. However, the corollary of that argument is that those on the higher pay will enjoy the largest restoration. Leaving aside the issues in respect of-----

Chairman: I apologise to the Deputy, but nobody outside this room can hear her with that interference.

Deputy Mary Lou McDonald: It is not my phone.

The corollary of that argument is that those who will benefit from the highest level of restoration are those on the highest incomes. The Minister claims he seeks to achieve an orderly, equitable and fair unwinding of the financial emergency measures in the public interest legislation. The fair thing to do would be to start with workers with an income below the €65,000 threshold. In fact, before the legislation was published, the Minister went out of his way to give

the impression that this was what he was minded to do. It is only when the Haddington Road and Lansdowne Road agreements are taken together, in the round and in the whole, that one can see what is actually happening in public sector pay.

As a matter of interest, does the Minister have and can he produce a table of income brackets, starting from the lowest paid and up to people with an income in excess of €110,000, and set out for us, year on year, in euro and cents, what the different categories of workers will receive, outside the figures of €2,000 and €200 that have been clearly set out?

Deputy Brendan Howlin: I did make a clear reference to the Lansdowne Road agreement once I had negotiated it. It is almost exclusively about low and middle income earners. Of course, from the time we negotiated the Haddington Road agreement, it was in black and white that there would be pay restoration. That is implicit in the agreement. That is the agreement we put to the unions, that we negotiated and endorsed, that we voted on in the House and that we asked the trade unions to vote on. As it provided for pay restoration, of course I was going to implement, in full, everything to which I was a party. It was the next phase over and above what had been agreed in the agreement, as well as in the Lansdowne Road agreement which was focused on low and middle income earners. At end of the day, as I have said - this is the net point at which the Deputy is getting - she does not want those at the very top to see any pay restoration. If that is her point of view, it is a fair point to make. I am saying the majority of those high earners are medics and that unless we restore their pay, we will be unable to have a functioning public health system which would not be in anybody's interests.

Deputy Mary Lou McDonald: The Minister has again raised the issue of medics. The only way we will get medics, be they consultants, doctors or nurses, to enter and stay the course in the health system is by having a properly functioning health system.

Deputy Brendan Howlin: Not if one cuts their pay.

Deputy Mary Lou McDonald: I can fully understand and get why professionals flee a system that is chaotic, under-resourced and totally pressurised.

Deputy Brendan Howlin: Does the Deputy want to cut their pay?

Deputy Mary Lou McDonald: In benchmarking across the water in the National Health Service one can see that it is consultants do not earn the salaries available within the Irish health system, yet they stay the course.

Deputy Brendan Howlin: Therefore, the Deputy wants to cut their pay.

Deputy Mary Lou McDonald: I am not arguing that the NHS is perfect, but there is more to it than simply pay rates in professionals staying or leaving.

Deputy Brendan Howlin: Therefore, the Deputy wants to cut their pay.

Deputy Mary Lou McDonald: The point I am making about this legislation which purports to unwind the financial emergency measures in the public interest legislation is that it should be done in a way that is fair and equitable. The Minister must stick to his word that the priority and focus are those on lower incomes and wages of less than €65,000. That was the commitment given by him.

Deputy Brendan Howlin: The Deputy is asking me to renege on the Haddington Road agreement.

Deputy Mary Lou McDonald: That was the Minister's commitment

Deputy Brendan Howlin: It was a solemn agreement that I negotiated, published and on which I asked people to vote. Therefore, I shall not renege on it.

Deputy Mary Lou McDonald: The Minister gave a commitment which was his line of argument in advance of publication of this legislation. For the purposes of clarity, can he point me to the provision where officeholders, Ministers of the Government and Members of the Oireachtas are excluded from the reduction in public service pensions, etc? Where is it?

Deputy Brendan Howlin: As I made clear on the day we launched this provision, Ministers, officerholders and special advisers to the Government would all voluntarily accept exclusion from the pay restoration provided for in the legislation. It is not provided for specifically because I do not want to single out any category, but it will happen and the individuals concerned, including every member of the Government, have already agreed to it, formally, by Cabinet decision.

Deputy Mary Lou McDonald: My amendments argue that the provision should be included in the legislation. With all due respect to the Minister, how much longer has the Administration to run? Perhaps it has two months to run.

Deputy Brendan Howlin: Perhaps five years.

Deputy Mary Lou McDonald: Perhaps two months or three months.

Deputy Brendan Howlin: Perhaps five months. I urge the Deputy not to make presumptions about what the people will do.

Deputy Mary Lou McDonald: I will presume no such thing. What I know is that the Minister has not provided, in line with the announcement he made, for the exclusion of Members of the Houses of the Oireachtas and, more particularly, members of the Government, from the restoration outlined in the legislation. I imagine, given his declaration, that he will be happy to support amendments Nos. 10 and 16 in my name.

Deputy Brendan Howlin: Let me make it crystal clear that it is not my intention, nor did I ever make the announcement, to exclude Members of the Oireachtas. I am saying that, on a voluntary basis, members of the Government have determined that they should be, with their advisers and other officeholders. Bluntly, I do not think we should isolate any category of worker, although I know that there is a school of thought that this would be popular. As the pay rate for Senators is €65,000, I do not think they are overpaid. I do not think Deputies are currently overpaid, but that is my personal view. They should benefit from pay restoration with every other analogous worker, no more, no less. As a clear signal, members of the Government will exclude themselves from the restoration in its entirety.

Deputy Richard Boyd Barrett: I support the thrust of the amendments. It is important to say that in proposing such amendments, or supporting them in my case, although they are in line with my party's broad policy on these matters, there is no vendetta against politicians, Ministers or those earning over €100,000. It is about saying a person who earned €30,000 in 2009 will at the end of this deal still earn less than €30,000. At the end of it he or she will earn €29,500. Similarly, on restoration, a person earning €40,000 will receive €2,000 out of the more than €4,000 that was taken from his or her annual income. A person earning €50,000 will see a restoration of €2,000 of the total of €5,825 taken from him or her. These figures have

been provided by the IMPACT trade union. The people on these incomes are the very ones who cannot afford to pay their rent or bills or who are suffering mortgage distress. They are the victims of the housing crisis and their need is greater. Faced with the options available, should it not be a priority for the Government to give back as much as possible to the people in question who have difficulty in paying their rent and bills. I do not exaggerate when I say I am dealing with low paid public servants who have been made homeless. That is what is happening. It is against that background that I say the following without hostility or vitriol towards a politician earning €89,000, or a Minister who has voluntarily but not statutorily been excluded. The same applies to a consultant earning over €100,000 a year. Given the choice of giving pay restoration to those who, let us be honest can manage reasonably comfortably, as against people who cannot pay the bills or the rent, I know where our priorities should be. I am convinced our priority has to be to put people back in a position where they can simply make ends meet. That should also be the Minister's priority.

I accept there is a difficulty with consultants but when one listens to what they are saying, the majority say the problem is the disaster in the health service. It is stress that they cannot bear. They do not know what to do, or which way to turn because things are such a mess.

Deputy Brendan Howlin: Does the Deputy think pay has nothing to do with it?

Deputy Richard Boyd Barrett: I am sure pay has something to do with it but there are bigger contributory factors at play. When one is at that level of pay it is not only about the pay levels because they are adequate to keep a roof over your head. I do believe most doctors in Ireland want to get out of the country but a combination of issues is leading them to leave.

Deputy Arthur Spring: They are gone on leave.

Deputy Richard Boyd Barrett: Indeed. Much of it has to do with the complete mess in the health service. The other side of the coin in the health service is the nurses. We have a huge deficit in nurses. They are on the low to middle end of the pay scale. Getting them to return to Ireland has to do with both the crisis in the health service and what they are dealing with and also pay, for very good reason.

This is a basic consideration. If one were a nurse in England or elsewhere, one would look at what is on offer in Ireland and ask whether the salary would cover accommodation costs. That is the key point to consider. Can the rent be paid and the answer is "No" for people on low and middle incomes. That is what the Minister needs to address.

Deputy Brendan Howlin: I am a son of a trade union official and was raised in a trade union house. There are a few basic principles of trade unionism. One is the rate for the job. The Deputy has a different view. Craft workers were always paid more than manual workers and there was pay for skills that were acquired. I believe Deputy Healy, who has some trade union background, will understand that additional skills were paid for. In a society in which people have choice about where they work there is the rate for the job. If one does not pay the rate for the job, one will not get the skilled worker. That is the general rule.

We are having difficulties now in recruiting consultants in particular. The majority of people who would be impacted on by Deputy McDonald's amendment - more than half - are medics in our health system. Let me say to the Deputies opposite that if they talk to the health unions they will make it crystal clear that pay is an issue and the notion that they would allow for no pay restoration at all is something that would not be accepted in reality. There will be difficulties

in the continuation of recruiting people as we try to expand our health system.

I will now deal with the nursing issue. We have recruited in net terms an additional 700 nurses since the beginning of last year. We have looked, at the request of the Minister for Health, at incentivising people to come back from England, by giving them relocating fees to help in making that decision, which has helped. I spoke to a trade union official on the nursing side during the week. He told me about a health facility - it was not a unique hospital but a health facility - which was looking to recruit nine nurses. They interviewed, short-listed and then appointed nine people, down to Garda vetting. On the appointed day one person turned up because the other eight had been on a number of panels as every part of the health service is now recruiting nurses. That is what I hear when I talk to people about the issue.

Senior nurses at the top end will earn more than €65,000. We have tried to assist. I know the staff nurse starting off, like the Garda starting off, is relatively low paid. Increments will be restored in the way we have set out in the Bill. Ultimately, the FEMPI legislative architecture will have to be eventually dismantled altogether, and this may be done by me or whoever is in my office next year and the years beyond. That will mean everybody getting total pay restoration over time. As I said, the cuts are predicated on there being an emergency. That has to be certified annually - each July - by the Minister for Public Expenditure and Reform. People will be looking at the orderly unwinding of this to see if it is going fast enough, whether it is in step with the economic progress the nation is making and to see if there is a case stateable to the courts in terms of the existence of an emergency. That will be a call that the future Minister for Public Expenditure and Reform will have to make next summer. He or she will have to justify his or her decision in terms of a presentation to the Dáil in the summer of next year.

Chairman: Deputy McDonald, how stands the amendment?

Deputy Mary Lou McDonald: I wish to press the amendment.

Amendment put and declared lost.

Chairman: Amendments Nos. 4 and 5 in the name of Deputy Stephen Donnelly have been ruled out of order.

Amendments Nos. 4 and 5 not moved.

Deputy Mary Lou McDonald: I move amendment No. 6:

In page 6, between lines 29 and 30, to insert the following:

“(5) Notwithstanding the generality of the foregoing, nothing in this section shall provide for increases in the salaries of members of the Houses of the Oireachtas or Ministers of the Government.”.

Amendment put and declared lost.

Deputy Mary Lou McDonald: I move amendment No. 7:

In page 6, between lines 29 and 30, to insert the following:

“(5) Notwithstanding the generality of the foregoing, nothing in this section shall provide for increases in the salaries of public servants in receipt of salaries in excess of €100,000 before the coming into effect of this section.”.

Amendment put and declared lost.

Question proposed: "That section 3 stand part of the Bill."

Deputy Richard Boyd Barrett: The Minister mentioned section 6A.(7) and stated that once the pay restoration brought a person's pay above the pay level they were at when the emergency measures were introduced, then the increase would take effect, in other words the person would start to move into plus territory over and above what they were earning in 2009. Is it not a fact that for vast numbers of public servants who are on low and middle incomes, none will move into the plus territory by the end of 2018, which is the end of the Lansdowne Road agreement? My reference for this point is the table produced by IMPACT. I know it is different across the public sector but clearly this table shows that in 2018, people on incomes of €30,000, €40,000 and €50,000, which are the examples given, will still be earning less than they were earning in 2009. The legislation may indicate otherwise but it will not happen in reality.

Deputy Brendan Howlin: No, the Deputy is not correct. Let us take the case of people on €30,000. The reduction brought them down to €28,500, that is, a reduction of €1,500.

Deputy Richard Boyd Barrett: That is the figure I have.

Deputy Brendan Howlin: The restoration will be €285, bringing them up to €28,785. That is the figure of 1%, on top of which they will receive an additional €1,000, bringing them to €29,785. The value of the exemption from the PRD will be an additional €1,000, meaning that their net income at the end of implementation will be €30,785. They will actually be €785 better off than before the reduction.

Deputy Richard Boyd Barrett: I am referring to figures that I was given here. The Minister said the pay cut was €2,600.

Deputy Brendan Howlin: On income of €30,000, the pay cut was-----

Deputy Richard Boyd Barrett: In total, it was €2,600 by 2010. Is that right?

Deputy Brendan Howlin: The pay cut was €1,500.

Deputy Richard Boyd Barrett: It was €1,500.

Deputy Brendan Howlin: Yes, which brought them down to €28,500.

Deputy Richard Boyd Barrett: Yes, but when one adds subsequent measures - I am looking at the list which includes the pension levy and pay cuts - the total offered in the figures is €2,600 as the total reduction on an income of €30,000. By 2018, they will only have received €2,000 of this back, which means that they will still be €600 short.

Deputy Brendan Howlin: Without confusing people about the individual impact, if they started out with €30,000-----

Deputy Richard Boyd Barrett: Yes.

Deputy Brendan Howlin: -----at the end of the restoration, they will have €30,785. That is what my officials tell me.

Deputy Richard Boyd Barrett: That is not the the figure I have.

SELECT SUB-COMMITTEE ON PUBLIC EXPENDITURE AND REFORM

Chairman: Determining whose figures are correct should be taken up somewhere else.

Deputy Richard Boyd Barrett: The point has been made-----

Deputy Brendan Howlin: I will get my officials to go through it with the Deputy in some detail.

Deputy Mary Lou McDonald: I suggest the Minister provide the data for us band by band.

Deputy Brendan Howlin: I think they have already been provided in an answer to a parliamentary question, but I will dig them out again.

Deputy Mary Lou McDonald: Yes and distribute them to the committee.

Deputy Seamus Healy: Are we on section 3?

Chairman: Yes.

Deputy Seamus Healy: This section deals with pensions. In a response to me earlier the Minister said I was trying to ensure pensioners would be given priority over low paid workers. That is not the position. There is no question of wanting pensioners to have priority over anybody else. The issue is pensioners receiving their entitlements. Pensions are owned by pensioners and are, in fact, private property.

Chairman: That is dealt with in a different section.

Deputy Brendan Howlin: Pensions are dealt with in section 6.

Chairman: We can deal with the issue when we reach that section.

Question put and agreed to.

SECTION 4

Chairman: Amendments Nos. 8 and 9 have been ruled out of order.

Amendments Nos. 8 and 9 not moved.

Question proposed "That section 4 stand part of the Bill."

Deputy Mary Lou McDonald: I alluded to this amendment earlier when dealing with the proposition of suspending the operation of incremental pay scales for two years for any public servant not encompassed by a registered collective agreement as outlined in section 7 of the Act. Will the Minister explain the rationale for this? The view of many teachers and members of the TUI is that this measure is aimed explicitly at them. If that is not the case, will the Minister set out the rationale for the inclusion of this provision?

Deputy Brendan Howlin: It is a very simple measure. We negotiate collective agreements with public sector unions. That is the way it has always been done. Most public servants are members of trade unions which negotiate on their behalf. Once a deal is cut, members are expected to take it in its totality if they want to avail of the benefits. The notion that any public sector worker should expect to receive the benefits of the deal without taking it in its totality collapses the basis of collective bargaining and negotiations. It is the fundamental basis on which trade unions operate in industrial relations.

Deputy Richard Boyd Barrett: The amendment is in my name and those of Deputies Stephen S. Donnelly and Mary Lou McDonald. It seeks to delete the references to withdrawing increments which is allowed under the original Act. In his response the Minister said the trade unions were fully entitled to say no-----

Deputy Brendan Howlin: Absolutely.

Deputy Richard Boyd Barrett: -----and that should not be punished or have the sword of Damocles hanging over their heads in the form of the Minister having the power to withhold increments to which its members were entitled. To refer back to our last discussion, what may explain the difference between the Minister's figures and those provided by IMPACT is precisely the issue of increments being withheld. This adds substantially to the loss people suffered as a result of the emergency measures.

Deputy Brendan Howlin: Many workers do not receive increments, as the Deputy knows.

Deputy Richard Boyd Barrett: Pardon.

Deputy Brendan Howlin: Many public sector workers do not receive increments.

Deputy Richard Boyd Barrett: They had average figures.

Deputy Brendan Howlin: If one was to add to take account of every potential loss to somebody-----

Deputy Richard Boyd Barrett: One must average.

Deputy Brendan Howlin: They are not average figures if every potential loss is included. We will provide the Deputy with the information.

Deputy Richard Boyd Barrett: The provision on the withholding of increments should go. Workers are entitled to receive their increments; as I mentioned earlier, it is not just about pay. Restoration is also about other things done in the rubric of emergency measures. It is not just about the Minister's approach to negotiating with trade unions. Let us be honest. Everybody who ultimately signed up to the agreement would prefer if all of the financial emergency measures in the public interest cuts, curtailments and reductions were restored. That is what they want. The Minister convinced them or their trade union representatives-----

Deputy Brendan Howlin: They voted on it.

Deputy Richard Boyd Barrett: I accept that, but the logic was that something was better than nothing. The Minister should not tell me that they would not prefer to get back everything that they lost or that they are happy about the things that they still have not got back and will not for some time. That would be to construe they vote in a way that does not match reality. What is the Minister's justification for continuing to withhold increments?

Deputy Sean Fleming: Will the Minister clarify whom the section is aimed at? About what particular group are we talking?

Deputy Brendan Howlin: Let me answer that question first. It is aimed at nobody in particular. It is a general provision; it involves an extension on an existing provision. Let me be very clear. The FEMPI legislation on reducing public sector pay is something that no one wanted, but we are in a crisis. Some of the Deputies opposite live in fantasy land where there

is no crisis or----

Deputy Richard Boyd Barrett: Just because the Minister says that does not make it true.

Deputy Brendan Howlin: ----the tides of economic fortune will come in and we will not have to do anything but hold our breath and stand on the shore. We were in a crisis. We had no money and the people who were lending us money put conditions on it. Like any good employer, I talked in an open fashion to public sector unions and the employees of the public sector and asked them to negotiate a deal with me. They did. I would not disparage their negotiators or members like Deputy Boyd Barrett did-----

Deputy Richard Boyd Barrett: I did not disparage them.

Deputy Brendan Howlin: -----for agreeing that. They were not bullied or anything else. They faced the challenges that we all had to face in the most serious economic crisis of our time and made a substantial contribution. I want to restore that to them incrementally in a way that is affordable and does not put at risk the progress that we have made.

To answer the Deputy's question directly, it is aimed at no one. In any negotiation, one cannot opt out of everything one must do under the deal yet retain all of the benefits and expect the deal to be sustained. That is not how the world lives. If any set of negotiators brought something to the table, asked what the other side brought and cut a deal but someone decided at the end that he or she only wanted the good bits and none of the bad bits, there would be no negotiation. I am happy for my officials to sit down with trade unions as they have done and go through this provision in detail if anyone has concerns about it. That is what we did through the Haddington Road and Lansdowne Road agreement processes and what we will keep doing as our economy, please God, continues to recover.

Deputy Seamus Healy: The effect of this provision is to penalise unions that want to abide by their existing agreements.

Deputy Brendan Howlin: What union and what agreement?

Deputy Seamus Healy: It is targeted at gardaí and teachers. That is the practical implication of this section. Policing and education are already being affected. Forcing unions that want to abide by existing agreements into losing increments-----

Deputy Brendan Howlin: What agreements?

Deputy Seamus Healy: The Haddington Road agreement.

Deputy Brendan Howlin: I am going to honour it to the letter.

Deputy Seamus Healy: These unions have agreed and are implementing that agreement, but the State is now forcing them into another agreement. This smacks of the corporate state of another era.

Deputy Sean Fleming: For the benefit of everyone watching, are this section's provisions included in the Lansdowne Road agreement?

Deputy Brendan Howlin: Yes.

Deputy Sean Fleming: Was section 4 negotiated in that context or is it something that the Minister is now inserting? Was the extension of the periods negotiated under that agreement?

Deputy Brendan Howlin: The Lansdowne Road agreement is a continuation of the Haddington Road agreement and is to dovetail into it. I am not walking away from the Haddington Road agreement at all. I am asking unions, having engaged with those in the public sector, to extend some of that agreement's provisions and begin the dismantling of the FEMPI legislation in an orderly way. The majority of trade unions in the public sector voted on and accepted this. Trade union negotiations are not *à la carte*. The notion that one can opt in and opt out as it suits and agree to the benefits but not the impositions placed by a collective agreement is not how those agreements work.

Deputy Healy is a gas man in many ways. He talks about the corporate state. This is a negotiated position accepted by ICTU. If Deputy Healy-----

Deputy Seamus Healy: This is the Minister forcing and punishing unions by way of stopping increments.

Deputy Brendan Howlin: I am not stopping anyone's increment.

Deputy Seamus Healy: Indeed the Minister is.

Deputy Brendan Howlin: I expect people to abide by a negotiated collective agreement that has been accepted by a majority. This is how normal negotiations and trade unions operate. I want to continue through negotiation, agreement and public sector votes. If any particular union has a difficulty with this, my officials are there to go through this as we work our way out of a dreadful crisis to better times. Public sector workers have made a significant contribution, which I have acknowledged repeatedly, but they have also maintained their jobs. Some 250,000 private sector workers lost theirs. We are trying to create a platform to return everyone to work, have quality public services and restore fully - some of the Deputies opposite do not want this - any cut that was made to pay during the course of the dreadful economic crash. This Bill is the first instalment in that. It was negotiated and agreed by the public sector committee of congress and I am implementing what was solemnly agreed.

Deputy Mary Lou McDonald: The Minister's *modus operandi* from outset was to negotiate and get agreement, *mar dhea*, but-----

Deputy Brendan Howlin: Does the Deputy not agree with the vote of the-----

Deputy Mary Lou McDonald: Hold on. Where agreement could not be reached, he would swoop in to legislate. He has given us a tutorial in his perspective of industrial relations, how they work and their basic tenets. One of the fundamentals of the relationship between the State and its workforce is that it is voluntarist and has not traditionally utilised legislation in this way. That was a significant shift. We have debated this point 100 times, but that is what this discussion is about. The Minister could not get the unions to agree, so he will get them to agree through this.

Deputy Brendan Howlin: They did agree.

Deputy Mary Lou McDonald: Not all of them. The Minister is referring to congress.

Deputy Brendan Howlin: Does the Deputy want me to opt out of the agreement?

Deputy Mary Lou McDonald: The Minister knows of the significant unions in question. Deputy Healy cited the gardaí and teachers. It is the view of the TUI in particular that this provision is directed at teachers.

Deputy Brendan Howlin: Absolutely not.

Deputy Mary Lou McDonald: I believe that the TUI is right.

Chairman: Can we stick to the legislation, please?

Deputy Mary Lou McDonald: That is what the legislation does.

Chairman: Everyone is going all over the place. There is nothing of unions or the TUI mentioned in this section.

Deputy Mary Lou McDonald: No, but it amends the FEMPI Act 2013 and extends for two years-----

Deputy Brendan Howlin: This suits the political argument.

Deputy Mary Lou McDonald: -----the suspension of the operation of incremental pay-scales in respect of any public servant-----

Chairman: We are obviously getting closer to an election.

Deputy Mary Lou McDonald: -----not encompassed by the registered collective agreement. That is what it does.

Deputy Brendan Howlin: We have exhausted the issue.

Deputy Sean Fleming: Will the Minister clarify something for me, as I am unsure about it? I have a simple view. If this provision is covered by the Lansdowne Road agreement and has been accepted by the majority of trade unions, that should be it. If this does not form part of that agreement, that is a different kettle of fish. Is the provision changing increments' dates in the Lansdowne Road agreement? I am looking at paragraph 5.4 of that agreement. I am sure that the officials beside the Minister have it. That paragraph was voted on and accepted by the majority. Does it facilitate this or is this provision something that the Minister has included despite it not being a part of the agreement? In simple English, is this section consistent with the agreement or is it something that the Minister has added? Help me to get the answer. It is almost a "Yes" or "No" question. If it is part of the agreement, I will accept it. If it is part of the agreement, I will accept it but if it is not, that is a different kettle of fish all together. Does the Minister understand my question?

Deputy Brendan Howlin: Yes, but it is-----

Deputy Sean Fleming: Complex.

Deputy Brendan Howlin: It is complex. It is not a case of a "Yes" or "No" answer.

Deputy Sean Fleming: I am listening carefully.

Deputy Brendan Howlin: The bottom line is that this is a continuation of that portion of the FEMPI legislation which will give us the wherewithal to ensure that those who are part of the collective agreement get the full benefits of that agreement while those who are not part of it do not. It is as simple as that. It is the normal way that trade union negotiations operate.

Deputy Sean Fleming: I am trying to elicit information here. This legislation is designed to facilitate the Lansdowne Road agreement. That agreement cannot be ratified unless this

legislation is passed.

Deputy Brendan Howlin: Correct.

Deputy Sean Fleming: I have the Landsdowne Road agreement in front of me and in paragraph 5.4-----

Deputy Brendan Howlin: Please read paragraph 5.5 out loud. The Deputy will see-----

Deputy Sean Fleming: I am concerned with paragraph 5.4.

Deputy Brendan Howlin: I am suggesting that the Deputy reads paragraph 5.5.

Deputy Sean Fleming: I have no problem reading both paragraphs.

Deputy Brendan Howlin: Fire ahead.

Chairman: The Deputy should read both paragraphs to satisfy both sides of this debate.

Deputy Sean Fleming: Okay. Paragraph 5.4 states:

The Government has also indicated that it intends to provide in the legislation for a grace period consistent with the term of this Agreement during which both the reduction in pay and any deferral of increment progression provided for under the Financial Emergency Measures in the Public Interest Act, 2013 will be disregarded.

Deputy Brendan Howlin: Yes. The Deputy should read the next paragraph now.

Deputy Sean Fleming: I have no problem doing so because I want to understand this properly. Paragraph 5.5 states:

The Parties note that, notwithstanding the improvement of the country's fiscal position, [there is no emergency] the legislative constraints imposed on public service employers under the financial emergency legislation will continue to be the context for pay determination during the lifetime of this Agreement. They are agreed on the importance of achieving a sustainable public pay policy that will continue to support the ongoing economic recovery over the coming years as the financial emergency legislation comes to be amended and repealed. The Government confirms that it will engage with the representative bodies of public servants during the lifetime of this Agreement in advance of it deciding on any alternative pay determination structure.

I ask the Minister to help me to understand that.

Deputy Brendan Howlin: The bottom line is that we put it to the trade unions that we would require the FEMPI architecture to remain in place until we are in a position to afford the full restoration of pay. The paragraph states that, "The Parties", namely, all of the public sector unions, "notwithstanding the improvement in the country's fiscal position", which is acknowledged and noted, "note that ... the legislative constraints imposed on public service employers", which is what we are talking about here, "under the financial emergency legislation will continue to be the context for pay determination during the lifetime of this Agreement".

Deputy Sean Fleming: Yes. In other words, the Minister is saying to me that the increment freeze periods that were due to expire in three years and in 2016 under the Haddington Road and the Landsdowne Road agreements are being extended for the term of the latter agreement,

up to 2018.

Deputy Brendan Howlin: Yes, for those who are not parties to the collective agreement because there is a collective agreement for pay restoration.

Chairman: I thank the Minister for clarifying that.

Deputy Richard Boyd Barrett: What about my amendment?

Chairman: There is no room for comment on it because it was ruled out of order. Does the Deputy wish to comment on the section?

Deputy Richard Boyd Barrett: Yes, I wish to comment on the section and that particular aspect of it. If there was no Lansdowne Road agreement, this provision would expire and the Minister's capacity under this legislation to withhold increments would not exist. That was the basis under which certain trade unions took the view that the road to the restoration of pay and conditions was not to sign up to a deal which would extend or continue those constraints. They were right to adopt that position and the Minister is wrong to continue with them. We have already dealt with the issue of pay but on the issue of increments, what is the justification for the Minister having the power to withhold them from anybody? That is my question because I do not believe there is any justification for that.

The Minister has put his argument as to why he cannot give full pay restoration. I do not accept his argument but we have already had that debate. Will he explain why, in addition to not giving full pay restoration, he also believes it is acceptable and legitimate to withhold increments if workers do not agree with him and to hold that over them, effectively, as a threat?

Deputy Brendan Howlin: The Deputy has made his position crystal clear. He would never have introduced any of these measures and would have magically found €2.2 billion-----

Deputy Seamus Healy: That is nonsense.

Deputy Brendan Howlin: I would be grateful if Deputy Healy would allow me to respond to Deputy Boyd Barrett. He would have magically found €2.2 billion in the teeth of the recession when the only people giving us money were the troika which would have, of course, ponied up that sort of money. He thinks that was feasible but that just was not the case. What we are about now is, in an orderly fashion, trying to ensure that workers across the public sector get their money back in as fair and as expeditious a way as is consistent with maintaining the economic viability of the State. I have said-----

Deputy Richard Boyd Barrett: With respect, the Minister is not answering my question.

Deputy Brendan Howlin: I will get to the question but I want to-----

Deputy Richard Boyd Barrett: He is repeating what he said earlier.

Deputy Brendan Howlin: It is very important to point out that increments are pay. It is all money. I have allocated €300 million for additional pay next year, to begin this process. That goes into the base and a further €300 million is expected in each of the following two years, incrementally building up, as Deputy Fleming pointed out, to €900 million over the three years. Next year that amounts to €300 million out of a fiscal space of €750 million. I was very significantly criticised for embarking on that in advance of the budget, for trying to have a settled public sector pay agreement before I presented the budget. The Deputy cannot have it every way.

Bluntly, in order to meet fiscal rules under which we live, there is a finite amount of money that can be afforded. I have set out to the trade unions representing public sector workers what I think is a fair deal. I have listened to their arguments and have amended the proposals on foot of negotiations. The public sector committee of the Irish Congress of Trade Unions balloted its members and accepted what is here. What is before us today is, in legislative form, the collective agreement negotiated and agreed with the public sector unions. It is as simple as that. This section aims to ensure that we have normal discipline in the way the public sector operates. We cannot simply have anybody, be it an individual union or an individual worker, saying, “I only want the good bits. I want full pay restoration, I want my increments and everything else but I am not bound by other bits of it”. The collective agreement is collective in its totality. That is the way it has always been, that unions negotiate and sign off. The majority voted in favour within all of the unions that voted, with some voting against. That is the position as of now.

If we stay the course, our economy will continue to improve and we can make further improvements in this area, hopefully before the expiry of the Landsdowne Road agreement. Certainly, if I am in a position to do so, I will try to do that but we will have to see how the economic landscape looks in one year and two year’s time.

Deputy Richard Boyd Barrett: The Minister still has not really dealt with the specific question I asked about increments. He has made a general argument and wheeled out the usual talk about fantasy economics. We can both trade insults forever but I am asking a question about increments. We have already dealt with the argument about pay and now we are talking about increments. This is about the Minister continuing to give to himself the power to withhold increments and I do not believe that is justified. I do not believe it was justified back then but we can set that aside. What justification is there now for the Minister giving himself the power to withhold increments if people do not come to a particular agreement with him? It is interesting that the Minister used the word “discipline”, particularly given that he mentioned earlier that he comes from a trade union family. He is now talking about disciplining trade unionists and workers.

Deputy Brendan Howlin: No.

Deputy Richard Boyd Barrett: That is the word he used-----

Chairman: This debate is going on too long.

Deputy Richard Boyd Barrett: The Minister might respond to a specific point on increments. If he withholds those increments, the affected workers will be an increment behind for the rest of their careers. That is a form of punishment.

Deputy Brendan Howlin: We negotiated already in the area of pay restraint on increments. I think the Committee of Public Accounts had a look at increments as well. I went through a year of being beaten up by many in this House saying that I was giving allowances and increments and pay increases when people were suffering grievously. I did not hear Deputy Boyd Barrett lend his support at the time. Obviously, increments are part of pay. I have to deal with pay in the totality of money I have available. Bluntly, when I mention the word discipline, I mean discipline in the way we negotiate. I must have discipline in delivering the trade union agreement that I negotiate and the unions have to deliver their side of the bargain. Some people may say they are opting out of any collective agreement because it does not affect them; they want all the pay restoration elements and the good parts of it yet will not do anything they do not like. Wherever that applies we need to have a structure in place that ensures a collective

agreement can apply so that people who negotiate in good faith get what they negotiated.

Question put and declared carried.

SECTION 5

Deputy Mary Lou McDonald: I move amendment No. 10:

In page 9, between lines 4 and 5, to insert the following:

“(7) Notwithstanding the generality of the foregoing, nothing in this section shall provide for decreases in the pensions related deduction

of members of the Houses of the Oireachtas or Ministers of the Government”.

Amendment put and declared lost.

Chairman: Amendment No. 11 in the name of Deputy Stephen Donnelly has been ruled out of order.

Amendment No. 11 not moved.

Section 5 agreed to.

SECTION 6

Chairman: Amendments Nos. 12 to 14, inclusive, have been ruled out of order.

Amendments Nos. 12 to 14, inclusive, not moved.

Deputy Brendan Howlin: I move amendment No. 15:

In page 11, to delete lines 14 to 19 and substitute the following:

“(4) (a) Where the application to a pensioner of subsection (2) would result in the annualised amount of his or her public

service pension being lower than would be the case if he or she had been on a pension specified in subsection

(1) and that subsection applied to him or her, then subsection (2) shall be deemed to operate, in relation to that

pensioner, in such a manner and by reference to the provisions of subsection (1) (the “relevant provisions”), as

will result in his or her pension standing at the highest it would have stood at, as a result of that operation of

subsection (2) by reference to the relevant provisions, had he or she been on whichever lower amount of

pension produces the most beneficial result for him or her in consequence of the relevant provisions.

(b) In this subsection a reference to a subsection or to the

provisions of a subsection includes a reference to the
Tables in that subsection.”.

This is a technical amendment. It prevents the anomaly which would otherwise arise for a relatively small number of pensioners, 1,500 to 1,800. The anomaly is that certain pensions, following the Bills public service pension reduction, PSPR, adjustments, could become lower in pay value than certain other pensions which were previously higher than them. The relevant pensions which could be impacted by the anomaly are in respect of persons who retired before March 2012, have a PSPR value above the threshold figure of €34,132 and, more specifically, are in the narrow band of pre-PSPR range of €34,132 to €34,750. In order to ensure that anomaly is removed I am proposing this technical amendment which is not easy to understand - I apologise for that - but I have asked my officials to ensure that nobody is disadvantaged by anything we do.

Amendment agreed to.

Deputy Mary Lou McDonald: I move amendment No. 16:

“(8) Notwithstanding the generality of the foregoing, nothing in this section shall provide for a reduction in Public Service

Pension Reduction of former members of the Houses of the Oireachtas or Ministers of the Government.”.

Amendment put and declared lost.

Question proposed: “That section 6, as amended, stand part of the Bill.”

Deputy Sean Fleming: We are dealing with the whole issue of pensions. The Alliance of Retired Public Servants has been meeting and speaking with many members and I am aware it met the Minister since Second Stage. It is unhappy with the outcome. Retired pensioners were excluded from the Lansdowne talks yet a section in this legislation is specifically for them. Clearly section 6 has nothing to do with the Lansdowne Road agreement.

Deputy Brendan Howlin: This is the section Deputy Healy wants to talk about.

Deputy Sean Fleming: It is about people’s pensions. No retired public servants were represented at the talks and they feel that has been a major disadvantage. I understand there are up 140,000 retired public servants and that the changes over the three years of this agreement will take many of them out of it. However, quite a number will still come under it. I have no interest in people who are on very high salaries being accommodated under this legislation. Section 6, Table C, provides that those in receipt of up to €34,132 will be exempt from the public service pension reduction.

Deputy Brendan Howlin: Pension restoration.

Deputy Sean Fleming: I had asked in my amendment No. 13, which I cannot move, that the limit be increased to €50,000. That would take a very large number of retired public servants out of the public service pension reduction. It would leave those who were on very high salaries in the first place, who would be on a pension over that amount, not exempt. That is fair enough. We are not here to look after the people who had exceptionally large salaries. The Minister could have gone a little further than €34,132. Their argument is that because of their

age they have limited time left and feel that the three-year wait is harder on them because of their age and many of them may not be around to get the benefit of the three years. Even those who are, when they get to the end of the three years they do not know where they stand at that stage as it will be subject to a future agreement. It creates uncertainty for older people.

They highlight the fact that the USC deduction applies to all public service pensions, so they have to pay USC on their public service pension but there is an exclusion for people on the State pension, which is only right. Given that they are on a public service pension in lieu of the State contributory pension it is unfair they should have to pay the USC, whereas those on the State pension may be in receipt of a similar or greater amount, depending on the number of years service. They stress that some of this has a disproportionate effect on female pensioners because many were on lower incomes from the start and, by definition, are on lower pensions and may be caught for USC, based on their pensions which would not happen if they were on the State contributory pension. Those are some of the points I would like addressed and, in particular, the fact that they felt excluded from the whole process, even though the Minister said previously they did not have an association represented at the talks. Some members of Government parties would have told them that it would be illegal for them to be at the talks. That was actually stated to these people when we met them in Buswells a couple of weeks ago. I said that was nonsense and that we would move on from that. The reason given to them was that the Lansdowne Road agreement was about pay talks not pension talks so that they had no business there. Any agreement can be what one wants it to be and it could have included pensions. It is a very fine argument. I think the Minister can understand the difficulty pensioners are in; they were not allowed participate. There are quite a number of them. We talked about retired gardaí and some of those who might be marginally over the €34,000. They feel that a little more would have meant they would be exempt and would preserve the principle of not reversing the public service pension reduction for people on very high pensions. None of us is in the mood to have that debate here at this stage. I would like to get a response to the points made.

Deputy Brendan Howlin: The Deputy has made a number of very fair points. Originally, I had a request in the Lansdowne Road process to meet dozens of retirement associations.

Deputy Sean Fleming: They included the ESB, the Garda Síochána and teachers.

Deputy Brendan Howlin: My advice was to consolidate and have one retirement voice. In fairness to them, that is what they did. I said I would meet them when that materialised, and I did so. I also told them that they could not participate because I was dealing with ICTU in the pay talks. However, I said I would ensure they were fully briefed on the progress of talks and that they would not be left out in respect of pay restoration.

The Lansdowne Road agreement was predicated on pay restoration being focused in the first instance on people below €65,000. That was the Lansdowne Road element and it dovetailed into the Haddington Road provisions. What I am now proposing in legislative format is to have full restoration for anyone up to €34,000 in pensions, which equates to-----

Deputy Sean Fleming: It equates to double that amount.

Deputy Brendan Howlin: It equates to a salary of €68,000. A person on €68,000 yields a pension of €34,000. That represents a significant proportion of all pensioners. Many would not have retired with a salary in excess of €68,000. Under these provisions, they will be exempted entirely from any impact through the three incremental payments over the coming three years, starting on 1 January next year. Those who have pensions greater than €34,000 will still get the

benefit up to €34,000 of their income but their income above that will still have some pension contribution to make.

Deputy Sean Fleming: At what rate?

Deputy Brendan Howlin: It depends. I can give the details to Deputy Fleming. Different retirement dates have different impacts. Let us suppose a person retired before 1 March 2012. If that person had been on €35,000, the amount in question is €600; for a person on €40,000, the amount is €1,200; for a person on €50,000, the rate is €2,400 and the figures rise up to a person on €100,000, for whom the amount is €10,400. The figures range from €35,000, or 1.7%, to €100,000, which is 10.5%.

Deputy Sean Fleming: Will the Minister distribute his note to committee members afterwards?

I picked a figure in the order of €50,000 or an impact of over €900 for a reason. An elderly couple are entitled to medical cards if their income is under €900. These people would be in the over 70 category. Yet, they are being charged the public service pension reduction on a figure that entitles them to a medical card.

Deputy Brendan Howlin: It is generous, obviously, because of their age, in terms of the medical card and their medical need. That is right and proper.

Deputy Sean Fleming: Yes, the €900 is proper. Surely somewhere in that range, it would have been consistent for the State to acknowledge that on the one hand, people are entitled to a medical card based on their income, while on the other hand, they-----

Deputy Brendan Howlin: Yes. This is something we will see as the economy improves. I am mindful of the other point Deputy Fleming made which I did not reference. There is uniqueness about people who retired in terms of longevity. That is something I will look at again, or whoever is in my position next year will look at it, I presume, in terms of the continuing recovery of the economy, to see if we can truncate the time lag. Anyway, that is a matter for debate in the context of next year's Estimates.

Deputy Sean Fleming: If the Minister were to revisit that in next year's budget, would it require a further amendment to the financial emergency measures in the public interest legislation?

Deputy Brendan Howlin: Yes.

Deputy Sean Fleming: Therefore, it cannot be done without coming back to the legislation. Is that correct?

Deputy Brendan Howlin: Not administratively, no.

Chairman: Deputy Healy, did you indicate a wish to comment?

Deputy Seamus Healy: Deputy Donnelly had an amendment down on this section at my request but, of course, it has been ruled out of order. Basically, I want to make the point that pensions are effectively private property. That has been decided by the courts. It is effectively withheld pay over the lifetime of the pensioner.

I believe the question of not restoring the pension in full from 1 January is unconstitutional.

The Minister has told us previously that pensions can only be interfered with in a national emergency. Various Ministers, including the Tánaiste, have told us there is no emergency any more. The Minister for Finance, Deputy Noonan, tells us that the debt to GDP ratio is going to be less than the European average next year. As I said earlier, the last budget gave €100 million to the top 5% in the country, the highest earners. It gave €10 million to the 10,000 people who have €595,000 per annum or more in income.

The provisions amount to the State withholding €95 million of the €125 million. That amount is effectively being confiscated by the State. That is a constitutional question. I believe the various amendments put down should have been allowed to ensure an opportunity to bring this legislation into line with the Constitution.

Various points have been made by Deputy Fleming. They are perfectly correct in respect of the non-involvement of pensioners in the process. There is another key point. Pensioners are of a particular age. Many of them are effectively at a stage in life where they will pass on and will be at a loss in respect of their pensions, which are then withheld forevermore. This affects their families as well. I believe these pension provisions should be withdrawn by the Minister and full restoration should be effected.

Chairman: I had not expected this meeting to proceed past 9 p.m. We are going to take a 20 minute break at 9 p.m. I call on the Minister to reply.

Deputy Arthur Spring: Is that a threat?

Chairman: It is unreasonable to expect staff to sit here for three and a half hours without a proper break.

Deputy Brendan Howlin: What about members?

Chairman: They seem to love it here.

Deputy Brendan Howlin: When I asked public sector workers to make a contribution, I took the view that it was reasonable to ask pensioners to make a contribution as well. Many pensioners have retired-----

Deputy Seamus Healy: This is not about contributions; it is about entitlement.

Chairman: Deputy, no interruptions, please.

Deputy Brendan Howlin: Am I entitled to speak?

Deputy Seamus Healy: Yes, absolutely, but pensioners are entitled to their pensions by law.

Deputy Brendan Howlin: Workers are entitled to their wages by law. Deputy Healy may not have noticed that we went through the worst economic crisis in our history. I asked workers to make a contribution. They made that contribution. I asked pensioners to make a contribution as well. I met them. Obviously, no one wants to forego money. We should remember that many pensioners retired on a pension without any pay cut. Many workers have had up to three pay cuts in the course of this crisis. This legislation is restoring income to any pensioner who was on a pension below €34,000 per year. Not too many people in the country are on pensions of that nature. There are decent pensions in the public sector. Anyway, it would have meant those affected retired on an income of €68,000. Those people will have full restoration fol-

lowing the enactment of this Bill. There will be a longer lead-in to those on pensions greater than €34,000. They will make an incrementally smaller contribution, less than 2% if one is on €35,000 going up to 10.5% if one is on €100,000. Deputy Healy is arguing there should be no cut at all in pensions. I daresay that if there were a debate about politicians' pensions, he would have something different to say.

The bottom line is I agree with the thrust of what Deputy Healy said about pensions being a preserved property right. That has been determined by the courts. That is why we have taken very careful advices from the Attorney General, of which some have already been tested in the courts. The criteria required, as I have put on the record before, are that to sustain pension contribution, there needs to be an emergency which needs to be certified. The contribution must be one towards addressing that emergency. It needs to be proportionate in terms of the person's income and it needs to be non-discriminatory. In other words, one cannot say that category of people should be deprived of a pension and that category should not. It has to have general application.

I believe those criteria are met with this. I have listened carefully to the pension representatives and the well-made points by Deputy Sean Fleming about accelerating this process. I agree with that. This was negotiated during the course of 2015 and we will start the restoration in January. If I am in a position, I would like to accelerate that. Please God, the financial circumstances of the State will be such that we can accelerate the restoration, for pensioners in particular, earlier than is set out in this legislation.

Question put and agreed to.

Section 7 agreed to.

SECTION 8

Chairman: Amendment No. 17 has been ruled out of order.

Amendment No. 17 not moved.

Section 8 agreed to.

Section 9 agreed to.

SECTION 10

Chairman: Amendments Nos. 18 and 19 will be discussed together by agreement.

Deputy Mary Lou McDonald: I move amendment No. 18:

In page 13, lines 31 and 32, to delete "in a collective agreement" and substitute "in collective agreements".

These amendments are to take account of the separate sectoral agreements which exist in the public service and not to reduce it down to simply one collective agreement.

Deputy Brendan Howlin: There is only one collective agreement in place, the Public Service Stability Agreement 2013-2018, known in shorthand as the Lansdowne Road agreement which, in turn, is an extension of the Public Service Agreement 2010-2014, which was known as the Haddington Road agreement. The structure of the Haddington Road agreement forms a

single collective agreement.

Amendment, by leave, withdrawn.

Deputy Mary Lou McDonald: I move amendment No. 19:

In page 13, line 33, after “2013” to insert “or in a sectoral agreement”.

Amendment, by leave, withdrawn.

Chairman: Amendments Nos. 20 and 21 have been ruled out of order.

Deputy Richard Boyd Barrett: I am confused as to why amendments Nos. 18 and 19 were allowed but these have not.

Deputy Brendan Howlin: They were well crafted.

Chairman: It is a skill one learns.

Amendments Nos. 20 and 21 not moved.

Question proposed: “That section 10 stand part of the Bill.”

Deputy Sean Fleming: Will the Minister clarify when and where was the Lansdowne Road agreement registered? I know there is an obvious answer but I would like it to be on the record.

There were various side agreements on a variety of issues done as part of the overall talks on this agreement. I read recently in the newspapers, for example, about an agreement on school secretaries and caretakers involving 7,000 people. I have asked about this before and the Minister’s answer was-----

Deputy Brendan Howlin: Will the Deputy tell me because I will try to be consistent?

Deputy Sean Fleming: I will remind the Minister so he does not trip himself up. He said when they had all these heads in the room from all these sides, there were a whole lot of niggly things that had been bubbling away for the past few years. He said they dealt with them all on a one-to-one basis and several agreements were struck but were not part of the Lansdowne Road agreement itself or the formal process. In reality, however, they are an additional cost on public sector pay which, in truth, was not included in the Minister’s budget day figures. In his budget day announcement, the Minister said he had €300 million allocated for the Lansdowne Road agreement. How complete is that figure relating to the increase in pay and other agreements concluded around that agreement?

Deputy Brendan Howlin: The structure is very simple. There is one Lansdowne Road agreement. It is the document the Deputy has in front of him, a document promulgated by the then Labour Relations Commission, now the Workplace Relations Commission. It is its document that it presented to both sides who have formally endorsed and agreed it.

This is not fanciful but, over days, when one has all the key trade union officials and the sectoral negotiators, such as health, local government, as well as departmental, in the same building, they are often waiting around because of bilateral discussions between one sector or another. Of course, they will then avail of the opportunity to have side-chats and discussions. What has happened in a few of those is what is known as a chairman’s note. In other words, after discussions between the sectoral trade union and the employer, they will tell the

chairman they have an agreement on a matter and would he note it. It has nothing to do with the agreement formally but, *en passant*, it would be given, if one likes, the *imprimatur* of the Labour Relations Commission. However, I do not see them. They are negotiations done bilaterally. Sometimes, they are brought to my attention because there might be cost implications but other times there might be no cost implications. Sometimes long-standing issues are put into a new negotiating formula, for example, to be brought forward into the future. To answer the Deputy's net question, the Lansdowne Road agreement is the document signed off on, and promulgated by, the Labour Relations Commission and presented to both sides as their agreement, as their recommendation.

Deputy Sean Fleming: My final question is in the interest of transparency and accountability. I went down this road before to try to get sight of some of these agreements but I was bluntly told that they were not available and were exempt from freedom of information, which I believe they are.

Deputy Brendan Howlin: I do not know.

Deputy Sean Fleming: I think the LRC is exempt from freedom of information.

Deputy Brendan Howlin: That is true.

Deputy Sean Fleming: I do not think it is right, in the public interest, that there can be 30 side agreements, some of which might be quite small-----

Deputy Brendan Howlin: Some might involve individual people-----

Deputy Sean Fleming: Yes, individual-----

Deputy Brendan Howlin: -----namely, people who have long-standing grievances where one might say, "Listen, you might sort him or her out as this has been going on for a long time."

Deputy Sean Fleming: In the interest of accountability, it should be possible to track these down. Issues of public sector pay and conditions should not be negotiated without any possibility of public accountability.

Deputy Brendan Howlin: They are not presented to me, so I do not have sight of them.

Deputy Sean Fleming: That is even worse. I suggest the Minister changes that but I will leave it at that.

Deputy Richard Boyd Barrett: Are we speaking on the section?

Chairman: Yes.

Deputy Richard Boyd Barrett: I convey this point on behalf of teachers but it probably relates to others who had expectations under the Haddington Road agreement that were not met as a result of the Lansdowne Road agreement. They would see it as the power to withhold things they understood they would get under the Haddington Road agreement. The example given is of teachers who received an annual payment of €1,592 for supervision and substitution that was withdrawn under the Haddington Road agreement with the understanding that it would be reinstated after three years. This Bill now gives the Minister the power not to give it back to them unless they sign up to one of the sectoral agreements. How would the Minister respond to that?

Deputy Brendan Howlin: We negotiated with the teacher unions the thorny issue of pay-

ment for substitution and supervision, which came in relatively recently. When I started teaching, there was no such allowance for supervision. It was part of normal duties but was subsequently introduced as an allowance. There was much controversy surrounding the complete review of allowances conducted by both my own Department and by the Committee of Public Accounts. It was determined that we should suspend these allowances for the duration of this crisis and over time fold them back into core pay. That is what I hope will be done but obviously, it is contingent upon the totality of the agreement being agreed by everybody, because one cannot pick and choose bits of it. We have had that discussion for the last hour or two hours.

Deputy Richard Boyd Barrett: Is the Minister saying there was not an understanding in the Haddington Road agreement that this payment would be restored?

Deputy Brendan Howlin: I am saying that we negotiated with the teacher unions on an issue that had been highlighted both by our own overview of all allowances and payments and by the Committee of Public Accounts that this allowance should not be paid. It was agreed-----

Deputy Richard Boyd Barrett: For the duration of the Haddington Road agreement.

Deputy Brendan Howlin: -----under the negotiations for the Haddington Road agreement that we would suspend it for the duration of the Haddington Road agreement and it would be folded back into core pay in two payments over time. That is still what I hope will happen.

Deputy Richard Boyd Barrett: I will consult and return to the Minister on Report Stage.

Question put and agreed to.

Sections 11 and 12 agreed to.

PREAMBLE

Chairman: Amendment No. 22 in the name of Deputy Donnelly has been ruled out of order.

Amendment No. 22 not moved.

Preamble agreed to.

Title agreed to.

Bill reported with amendment.

Message to Dáil

Chairman: In accordance with Standing Order 87, the following message will be sent to the Dáil:

The Select Sub-Committee on Public Expenditure and Reform has completed its consideration of the Financial Emergency Measures in the Public Interest Bill 2015 and has made an amendment thereto.

The select sub-committee adjourned at 8.40 p.m. *sine die*.