Tithe an Oireachtais
Houses of the Oireachtas

An Oifig Buiséid Pharlaiminteach

Parliamentary Budget Office

The Cost of a New Public Sector Pay Deal

Publication 14 of 2026

Séanadh

Is í an Oifig Buiséid Pharlaiminteach (OBP) a d'ullmhaigh an doiciméad seo mar áis do Chomhaltaí Thithe an Oireachtais ina gcuid dualgas parlaiminteach. Ní bheartaítear é a bheith uileghabhálach ná críochnúil. Féadfaidh an OBP aon fhaisnéis atá ann a bhaint as nó a leasú aon tráth gan fógra roimh ré. Níl an OBP freagrach as aon tagairtí d'aon fhaisnéis atá á cothabháil ag tríú páirtithe nó naisc chuig aon fhaisnéis den sórt sin ná as ábhar aon fhaisnéise den sórt sin. Tá baill foirne an OBP ar fáil chun ábhar na bpáipéar seo a phlé le Comhaltaí agus lena gcuid foirne ach ní féidir leo dul i mbun plé leis an mórphobal nó le heagraíochtaí seachtracha.

Is de chineál ginearálta í an Fhaisnéis. Baineann éiginnteacht le ráitis réamhbhreathnaitheacha agus d'fhéadfadh go dtiocfaidh nithe suntasacha chun cinn mar thoradh ar an bhFaisnéis. Ní sholáthraítear ráiteas cinntitheach leis an bhFaisnéis i ndáil le haon saincheist ar leith nó i ndáil le himthoisc phearsanta. Ní comhairle atá san Fhaisnéis. Ní mór a dheimhniú duit féin go bhfuil an Fhaisnéis a sholáthraímidne, an Oifig Buiséid Pharlaiminteach agus Coimisiún an Oireachtais (lena n-áirítear seirbhísigh, gníomhairí agus conraitheoirí na hOifige agus an Choimisiúin) oiriúnach agus iontaofa. Ní ghlacaimid aon fhreagracht as cruinneas ná oiriúnacht, ná eile, na Faisnéise agus ní thugaimid aon ráthaíocht ná aon ghealltanas ná aon bharánta i leith an chéanna; ná go mbeidh ár leathanaigh ghréasáin nó an Fhaisnéis nó ábhar eile saor ó earráidí, saor ó víris nó saor ó shárú. Ní ghlacaimid aon dliteanas (lena n-áirítear i leith éilimh maoine intleachtúla) a eascróidh as aon ábhar tríú páirtí nó aon suíomh gréasáin tríú páirtí a gcuirfimid nasc ar fáil chuige nó dá ndéanfaimid tagairt. Ní ghlactar le haon dliteanas ar bith, a mhéid is mó a cheadaítear faoin dlí is infheidhme nó (i) as aon iontaoibh a chuirfear san Fhaisnéis nó san ábhar ar ár leathanaigh ghréasáin nó (ii) as aon chaillteanas nó damáiste a eascróidh as an úsáid a bhainfidh tú as na leathanaigh ghréasáin sin nó i dtaca leis an úsáid sin. Féach ár bhFógra Séanta cuimsitheach anseo. I gcás aon easaontacht a bheith idir an Séanádh seo agus ár bhFógra Séanta cuimsitheach, is ag an gceann deireanach a bheidh an forlámhas.

Disclaimer

This document has been prepared by the Parliamentary Budget Office (PBO) for use by the Members of the Houses of the Oireachtas to aid them in their parliamentary duties. It is not intended to be either comprehensive or definitive. The PBO may remove, vary or amend any information contained therein at any time without prior notice. The PBO accepts no responsibility for any references or links to or the content of any information maintained by third parties. Staff of the PBO are available to discuss the contents of these papers with Members and their staff but cannot enter into discussions with members of the general public or external organisations.

The Information is general in nature. Forward-looking statements involve uncertainties and matters may develop significantly from the Information. The Information does not provide a definitive statement in relation to any specific issue or personal circumstance. It does not constitute advice. You must satisfy yourself as to the suitability and any reliability of the Information that we, The Parliamentary Budget Office and Oireachtas Commission (including its servants, agents and contractors), provide. We accept no responsibility for, and give no guarantees, undertakings or warranties concerning, the accuracy or suitability or otherwise, of the Information; or that our webpages or the Information or other content will be error free, virus free, or infringement free. We accept no liability (including in respect of intellectual property claims) arising out of any third-party content or any third-party website to which we link or refer. To the fullest extent permitted by applicable law, no liability whatsoever is accepted (i) for any reliance placed on the Information or content on our webpages or (ii) for loss or damage arising out of or in connection with your use of these webpages. See our comprehensive Disclaimer Notice here. In any conflict between this Disclaimer and our comprehensive Disclaimer Notice, the latter will prevail.

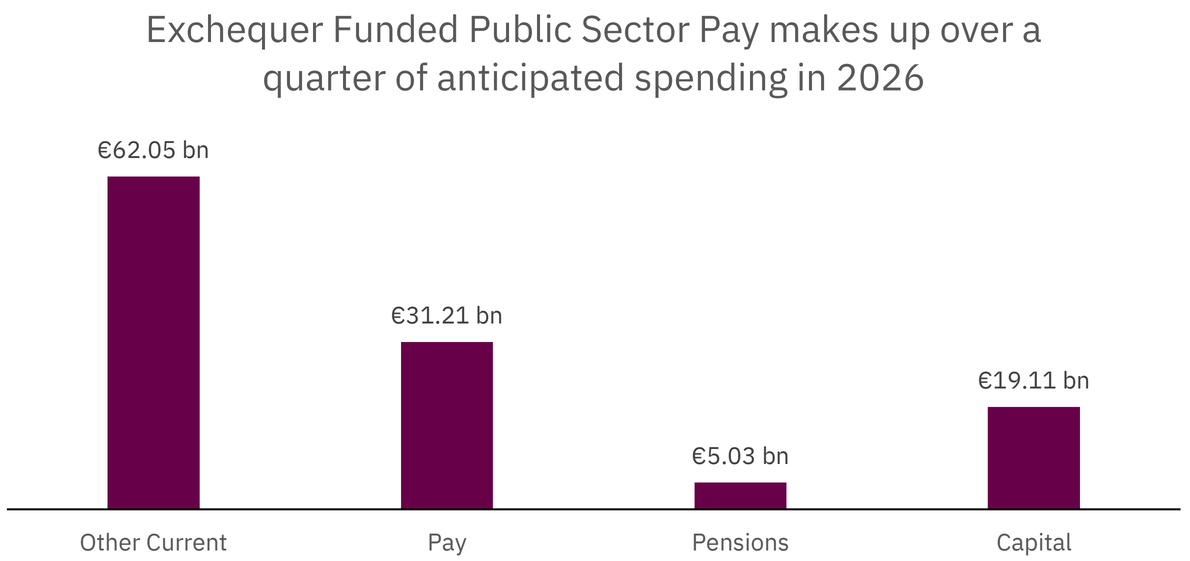
Contents

1. What might a new Public Sector pay deal mean?

Public Sector pay is a major component of public spending. In terms of Voted expenditure for 2026, public sector pay made up over €31.2 billion (or 27%) of the almost €117.4 billion gross spend set out in the Revised Estimates for Public Services (REV) 2026.[1]

Figure 1 shows pay in the context of total gross spending as set out in the REV.

Figure 1: Primary Components of Gross Voted Spending (2026)



While some changes to gross spending have already been approved within 2026, and others may follow, we have used REV 2026 as a comprehensive frame of reference to contextualise overall spending on public sector pay.

This paper deals exclusively with the implications of a new Public Sector Agreement (PSA) on the Exchequer Funded public sector pay bill; however, a PSA would have likely cost implications on pensions expenditure.[2]

[1] Revised Estimates for Public Services 2026 (December 2025).
[2] See Department of Public Expenditure, NDP Delivery and Reform, Application of "Pay Parity" as Pension Increase Policy, in line with the Public Service Agreement 2024-2026 (2024).

1.1. Why Cost Speculatively?

This research is not intended to pre-judge the outcome of negotiations between the Government and trade unions in respect of a successor agreement to the Public Service Agreement 2024 -2026 (PSA 2024-26).

However, by utilising the PSA 2024-26 as a benchmark it can provide an indicator of what a new deal may cost the Exchequer and consequently inform how much scope remains within the Budget for new or amended measures.

In developing our methodology, we can also better assess the validity of official costings. We can do this by substituting our assumptions (replication of the PSA 2024-26) with the structure of a new deal if and when agreed and published.

Following the Executive Summary we discuss the assumptions underpinning our costing, followed then by the detailed results.

Replicating the PSA 2024-2026 for the period 2027 to 2029 shows that there is potentially significant upward spending pressures arising from such a deal. A significant driver of this could be the ongoing expansion of the public sector workforce.

Our costing comprises two elements:[3]

- Cost of New PSA: This is the cost of replicating the PSA 2024-2026 and applying it to the public sector headcount at end 2026 (403,042). This headcount is assumed to remain static over the period modelled.
- Cost of Headcount Change: This is the additional cost of rising headcount through the period modelled. It also factors in the impact of the PSA on these new staff as they enter the workforce.

[3] In summary, we estimate the December 2026 payroll cost, and project that for the 3-year window of the PSA, allowing also for increasing headcount through the period.

2. Executive Summary

Under our model we find that Exchequer Funded public sector pay would steady at almost €32.29 billion each year in the event of no new PSA being implemented, and if headcount is unchanged from December 2026 levels. This is our baseline assumption of public sector pay costs for the period 2027 to 2029.

Under our model, we find that replicating the structure of the 2024-2026 PSA would add:

- €1,002.5 million to the pay bill in 2027 (a 3.1% increase over baseline to €33,291 million),
- A further €1,097 million in 2028 (a 6.5% increase over baseline to €34,383 million), and
- Another €835 million in 2029 (a 9.1% increase over baseline to €35,219 million).

Replicating the 2024-2026 PSA is therefore estimated to cost a total of €6,027 million over three years.

In the scenarios we deem most likely, the combined impacts of increasing public sector headcount, and the impact of a new PSA on those additional staff ranges from:

- 2027: €130 million to €352 million.
- 2028: €384 million to €1,043 million.
- 2029: €651 million to €1,780 million.

In summary, our two likeliest scenarios suggest the Exchequer pay bill could rise to between €35,870 million and €36,998 million by 2029.

The combination of PSA and projected headcount growth could contribute to an increase in the annual cost of exchequer funded public sector pay of between €3.6 and €4.7 billion by 2029.

A short data visualisation accompanies this publication and can be found here.

3. Assumptions and Limitations

The costing relies on a number of assumptions which could materially impact on the accuracy of the cost forecast. These include:

- That long-term Whole Time Equivalent (WTE) trends bear a close relationship to changes in headcount.
- That staff headcount will increase along this linear trend throughout 2027, 2028, and 2029.
- That staff costs perfectly relate to the 'average' monthly costs calculated. In reality, the specific types of roles filled will materially impact on their costs, e.g. the cost of a teacher will be larger than that of a clerical officer in the civil service.
- The assumption of 'average' monthly costs will tend to inflate the up-front costs of additional headcount. New staff tend to commence at lower levels of pay, rising incrementally over time.

Most importantly though, this costing is based on replicating the structure of the Public Sector Agreement 2024-2026 (PSA 2024-26), see Table 1 p.5. We have modelled the cost of this in two components:

- Firstly, we costed this potential pay deal for the assumed headcount at end-2026, and
- Secondly, we costed the additional cost from the potential increase in public sector headcount for the period 2027-2029.

Additionally, the PSA 2024-26 provided for fixed € increases to pay where more advantageous than the headline % increases offered.

This model is not sufficiently advanced to account for staff who would attract these fixed increases and as such is likely to understate the cost of replicating the PSA 2024-2026 (see Table 1, p.5).

Our model exclusively costs the impact of a new PSA on the Exchequer funded public sector pay bill. This is not comprehensive and excludes significant numbers of workers who would benefit from the PSA. Most significantly this excludes Local Authority workers,[4] but will also exclude some staff of Non-Commercial State Agencies (NCSAs), and the staff (and members and their staff) of the Houses of the Oireachtas.

The primary limitations of our model tend to counteract one another. It is difficult to definitively state or quantify their impact; however, the PBO's view is that the model:

- Overstates the monthly cost of additional staff, and
- Understates the cost of pay increases for lower paid staff (those who receive set € increases rather than % increases).

On balance these are likely to serve to overstate the cost of the PSA, with real costs likely to be somewhat lower.

Table 1: Public Service Agreement 2024-2026 Structure

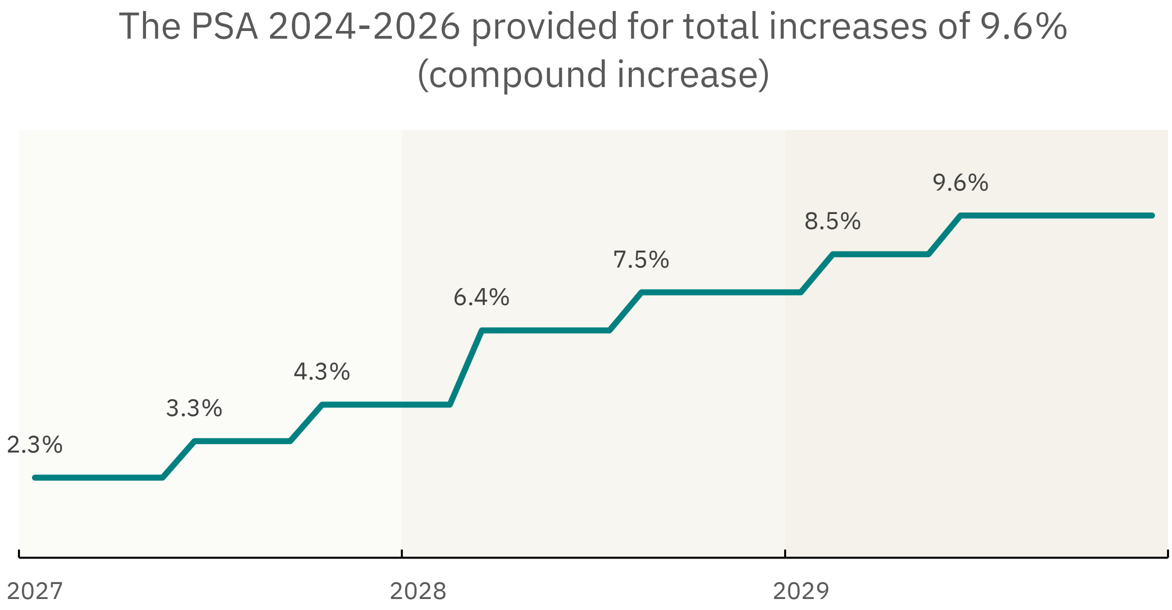
Year	Adjustment
2024	A general round increase in annualised basic salary for all public servants of 2.25% or €1,125, whichever is greater, on 1 January 2024.
	A general round increase in annualised basic salary for all public servants of 1% on 1 June 2024.
	A general round increase in annualised basic salary for all public servants of 1% or €500, whichever is greater, on 1 October 2024.
2025	A general round increase in annualised basic salary for all public servants of 2% or €1,000, whichever is greater, on 1 March 2025.
	A general round increase in annualised basic salary for all public servants of 1% on 1 August 2025.
2026	A general round increase in annualised basic salary for all public servants of 1% or €500, whichever is greater, on 1 February 2026.
	A general round increase in annualised basic salary for all public servants of 1% on 1 June 2026.

Source: Public Service Agreement 2024-2026 (2024).

[4] At end 2025 there were approximately 32,600 WTEs in the Local Authority Sector. The most recent Amalgamated Audited Annual Financial Statements for Local Authorities are for 2024 and outline a cost for "Salaries & Wages" of ~€1.86 billion.

Figure 2 shows the compounded pay increases from the Public Service Agreement 2024-2026. As % increases stack (or snowball), they have larger impacts on the overall pay bill. Importantly, some workers' increases would have been greater than 9.6%.

Figure 2: Impact of PSA 2024-26



Source: Author's work based on Public Service Agreement 2024-2026 (2024).

4. Scenario Overview

This paper sets out four potential cost scenarios for a new PSA. These vary based on different sets of assumptions about headcount growth and the cost of new staff.

Two scenarios are based on trends in Whole Time Equivalents (WTEs), while two scenarios are based around projected demographic growth.

In each pair of scenarios, we cost staff at a high and a low rate. The high rate effectively carries the average cost of a worker as of December 2026 forwards, while the low rate discounts the cost of new workers to 80% of that level. The low rate is a simplified approach intended to reflect that new workers tend to earn less than more established colleagues.

This paper seeks to model the potential interaction of these various factors i.e., the impact of the PSA on existing workers, the cost of additional workers, and how a PSA would further inflate the cost of those new workers.

Table 2: Summary of Modelled Scenarios

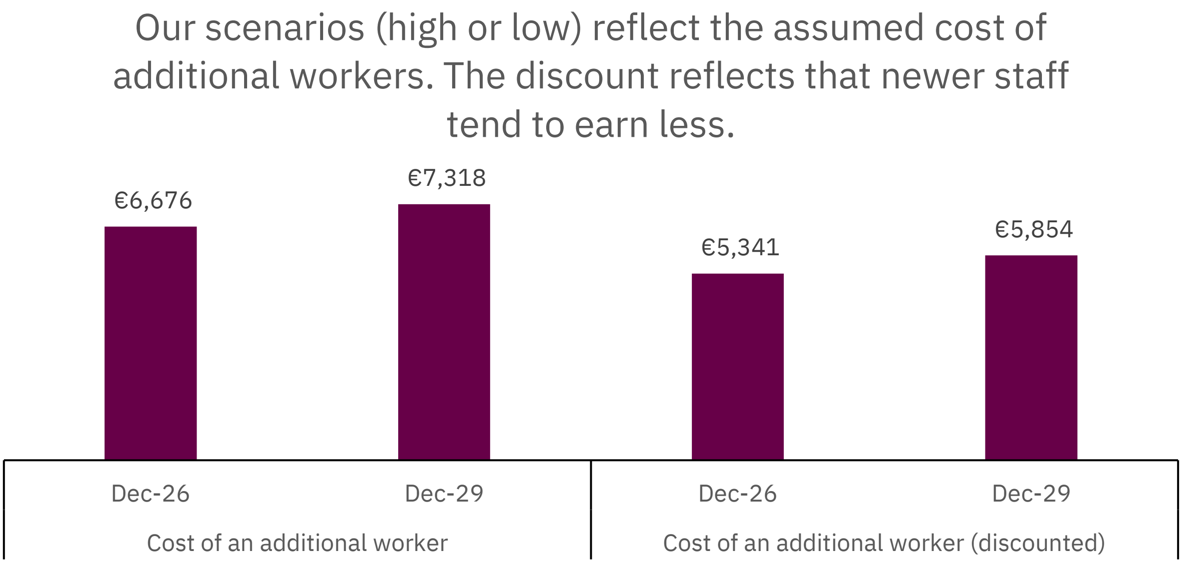
Scenario	Headcount Growth	Cost of additional worker
Trend (High)	Long-term WTE trend (10 year trend) (3.34% annual growth)	€6,676 (monthly minimum cost rising through projection)
Trend (Low)	Short-term WTE trend (2 year) (2.41% annual average growth)	€5,341 (monthly minimum cost rising through projection)
Demographic (High)	CSO M2 projected growth between 2026-2029. 0.9% annual average growth.	€6,676 (monthly minimum cost rising through projection)
Demographic (Low)	CSO M2 projected growth between 2026-2029. 0.9% annual average growth.	€5,341 (monthly minimum cost rising through projection)

Source: PBO based on Revised Estimates for Public Services 2026 (December 2025), Department of Public Expenditure, Infrastructure, Public Service Reform and Digitalisation, Databank (Accessed September 2026), and CSO, PEC19: Projected Population based on Census 2022 (2024).

Figure 3 and Figure 4 show how our different assumptions in relation to the cost of additional workers and headcount growth over the period of the PSA.

We believe the discounted rate for the cost of additional headcount is more reflective of reality, with new workers likely to generally commence at the bottom of their respective pay scale.

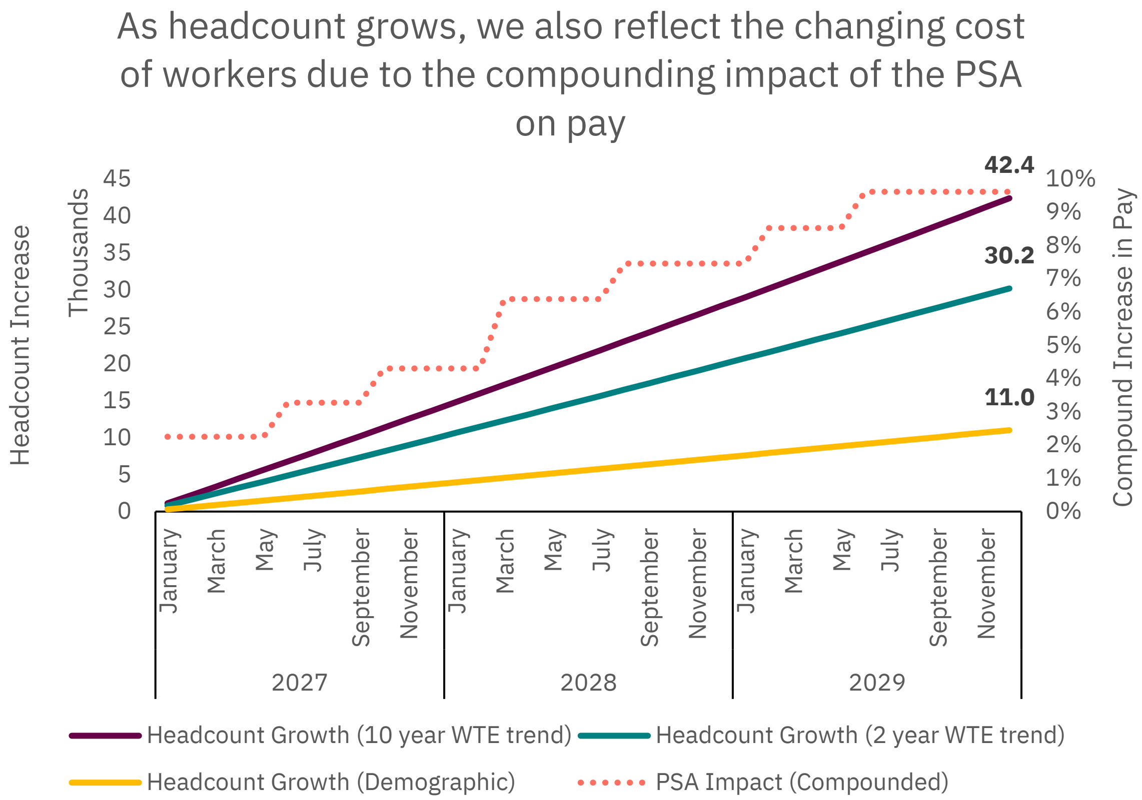
Figure 3: The Average Costs of Additional Headcount



The 10-year trend in WTEs is deemed unlikely to persist as it includes a period of ‘recovery’ following the Global Financial Crisis.

As such the PBO considers that either the more recent (2-year) trend, or growth in line with the CSO’s M2 population projection are more likely. These add between 11 and 30 thousand additional staff to the Exchequer Funded Public Sector over the course of the PSA as projected (2027 to 2029).

Figure 4: Headcount Growth & the Rising Cost of Pay Under a PSA



As such, we consider that the likeliest cost range for replication of the PSA 2024-2026 are found in the scenarios:[5]

- Trend (low), and
- Demographic (low)

[5] If a new PSA is agreed, the PBO can model these scenarios as impacted by the structure of that deal to generate a range of costs specific to that PSA structure.

4.1. Common Elements

4.1.1. Maintaining Headcount, no PSA impact

The cost of Exchequer funded public sector workers for 2026 is assumed to be ~€31.2 billion. That cost provides for the impact of the PSA 2024-2026 as well as rising headcount through 2026.[6] Importantly, this does not reflect any changes arising from Supplementary Estimates during 2026.

Reflecting this we have calculated an estimated pay cost for each month in 2026. The December cost is approximately €2,691 million.

If we assumed there were no subsequent changes to headcount or to rates of pay, we can calculate a simple baseline pay bill for the period of our PSA model (2027 to 2029).

That means that all else being equal, the public sector pay bill would be almost €32.29 billion each year, or ~€96.87 billion for 2027-2029.

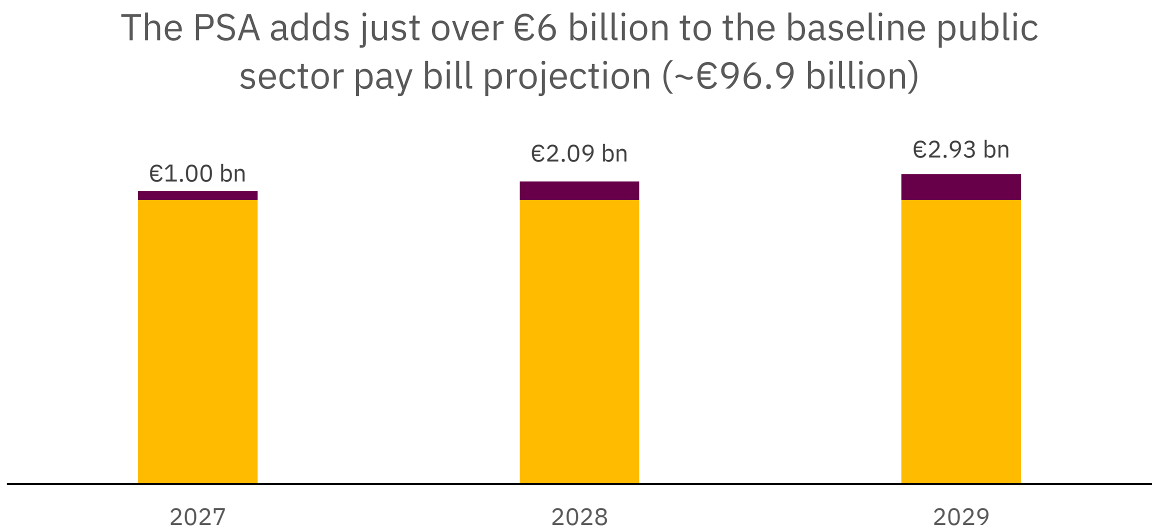
This is the cost of the ~403 thousand workers as of end-December 2026. We can therefore also calculate the impact of a new PSA on these workers specifically. This cost is common to all scenarios so can be discussed in isolation.

[6] Revised Estimates for Public Services 2026 (December 2025).

4.1.2. Impact of PSA, no additional staff

As discussed, holding staffing at the December 2026 level, the total public sector pay bill is projected to be about €96.9 billion for 2027 to 2029, or almost €32.3 billion per year.

Figure 5: PSA Impact on Current Staffing



Our model shows that a new PSA (structured as per the 2024-2026 PSA) would cost a total of €6,026 million over three years.

Table 3: PSA Impact on Existing Headcount

	Baseline Projection	In-Year Impact of PSA	Pay Bill	% Change
2027	€32.29	€1.00	€33.29	3.1%
2028	€32.29	€1.09	€34.38	3.3%
2029	€32.29	€0.84	€35.22	2.4%
Total	**€96.87**	**€2.93**	**€102.89**	**9.1%**

Figure 6 shows how we expect the PSA to add annually to the Exchequer funded public sector pay bill year-on-year.

Figure 6: Annual Growth in Pay

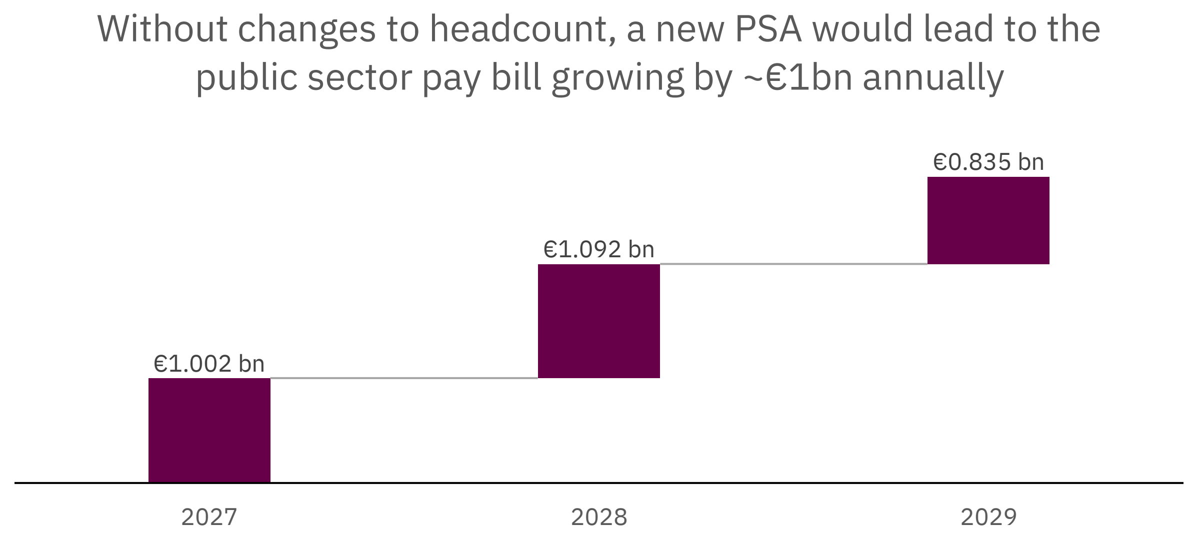
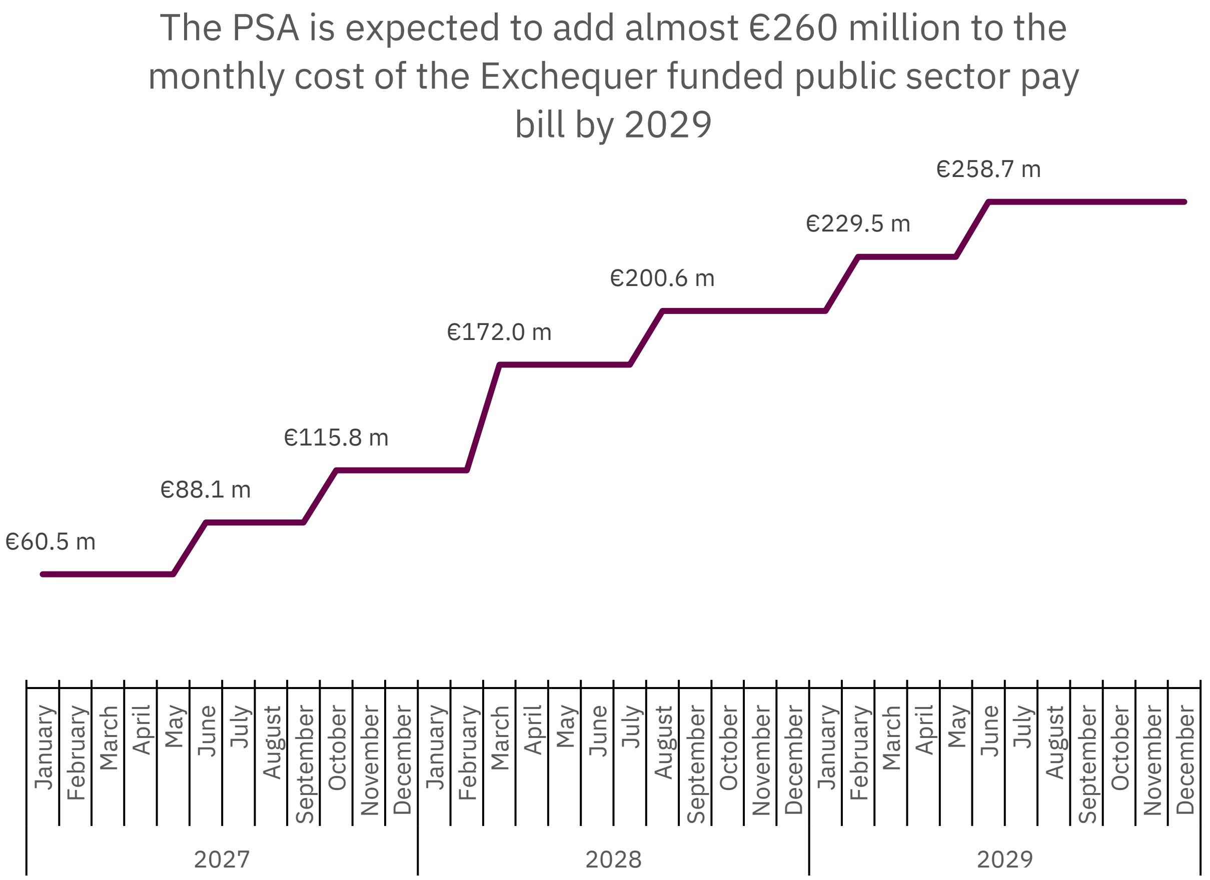


Figure 7 shows how these costs accumulate over the 3 years modelled. As the PSA's increases compound (see Figure 2, p.6), they inflate the pay bill significantly even as staffing levels hold static.

Figure 7: Monthly Cost of the PSA (no change in staffing)



5. Scenario Analysis

All scenarios provide for a cumulative cost of just over €6 billion over the course of the PSA for existing staff headcount as of end-2026.

That would bring the pay bill to a minimum of €35.2 billion (+€2.9 billion over our baseline estimate) in all scenarios by 2029.

The scenarios then determine how much is added to this as a result of staff headcount increasing over the 3 years modelled.

5.1. Scenario: Demographic (Low)

Our Demographic (Low) scenario is our least costly projection. It suggests that the combination of rising headcount and a new PSA would add ~€651 million to the 2029 pay bill, bringing it to almost €35.87 billion.

Over the 3 years modelled, the additional cost of this scenario is almost €1,166 million.

Figure 8: Cost of Additional Public Sector Workers

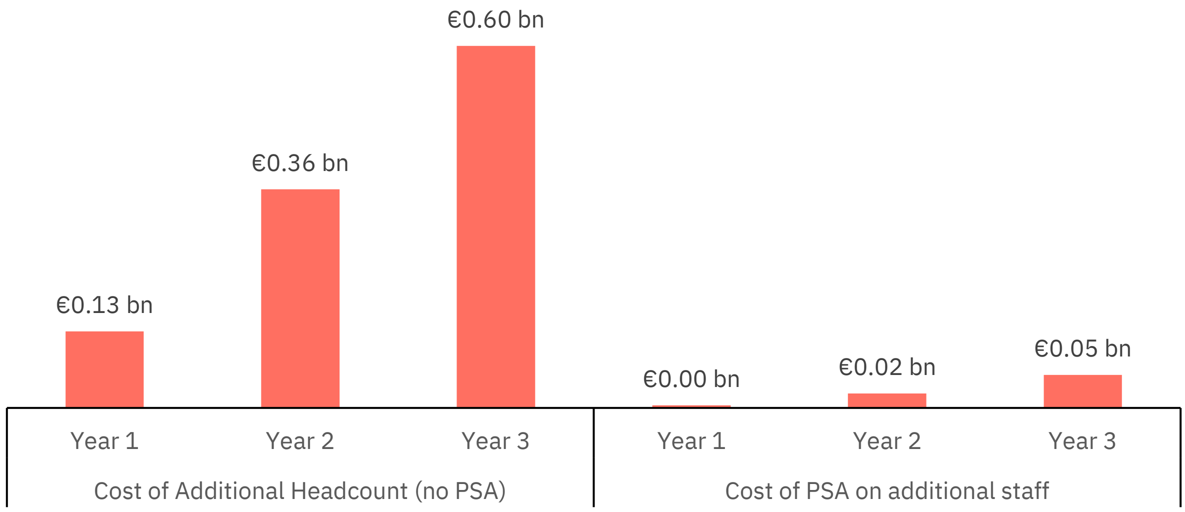
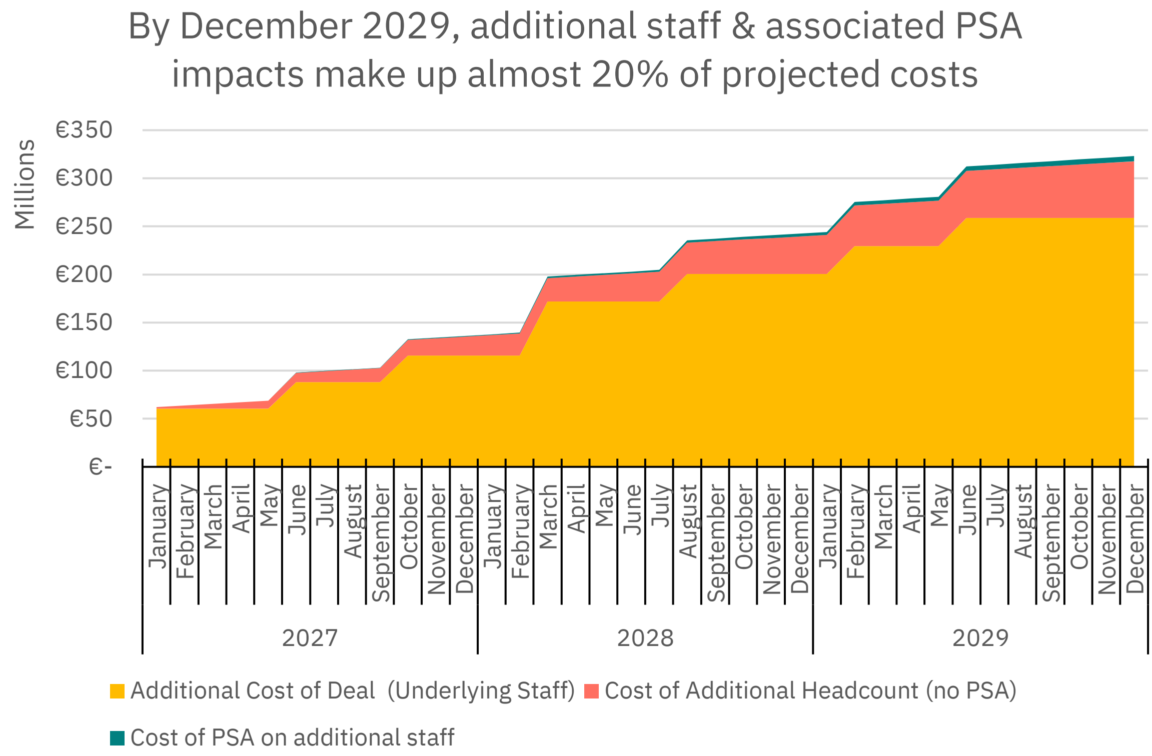


Table 4: Summary Results (€ millions)

Year	2027	2028	2029	Total
PSA Impact Existing Staff	€1,002.45	€2,094.56	€2,929.68	€6,026.69
Additional Staff	€126.05	€360.21	€596.49	€1,082.75
Impact of PSA on Additional Staff	€4.43	€24.01	€54.53	€82.97
Total	**€1,132.93**	**€2,478.79**	**€3,580.70**	**€7,192.41**

Figure 9 shows that even in a case of modest growth in headcount, the monthly pay costs would increase by ~€323 million by end-2029. Over €64 million (19.9%) of this would be attributable to increased headcount.

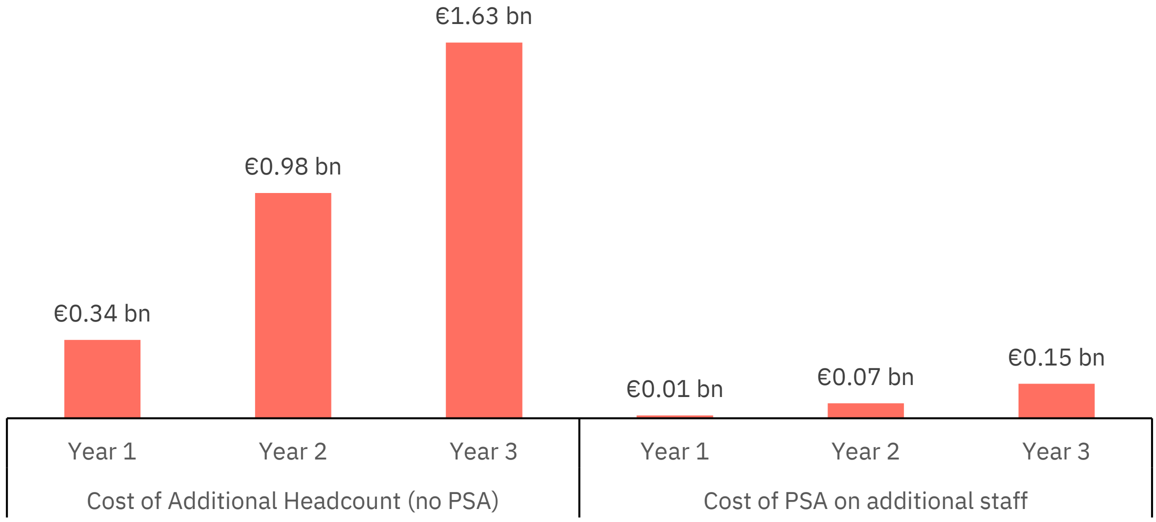
Figure 9: Monthly Costs of Demographic (low) Scenario



5.2. Scenario: Trend (low)

In our other likely scenario, we project a higher rate of headcount growth based on the growth in WTEs in 2024 and 2025. Over the course of the PSA this adds almost three times as many public sector workers as our Demographic (low) scenario.

Figure 10: Cost of Additional Public Sector Workers



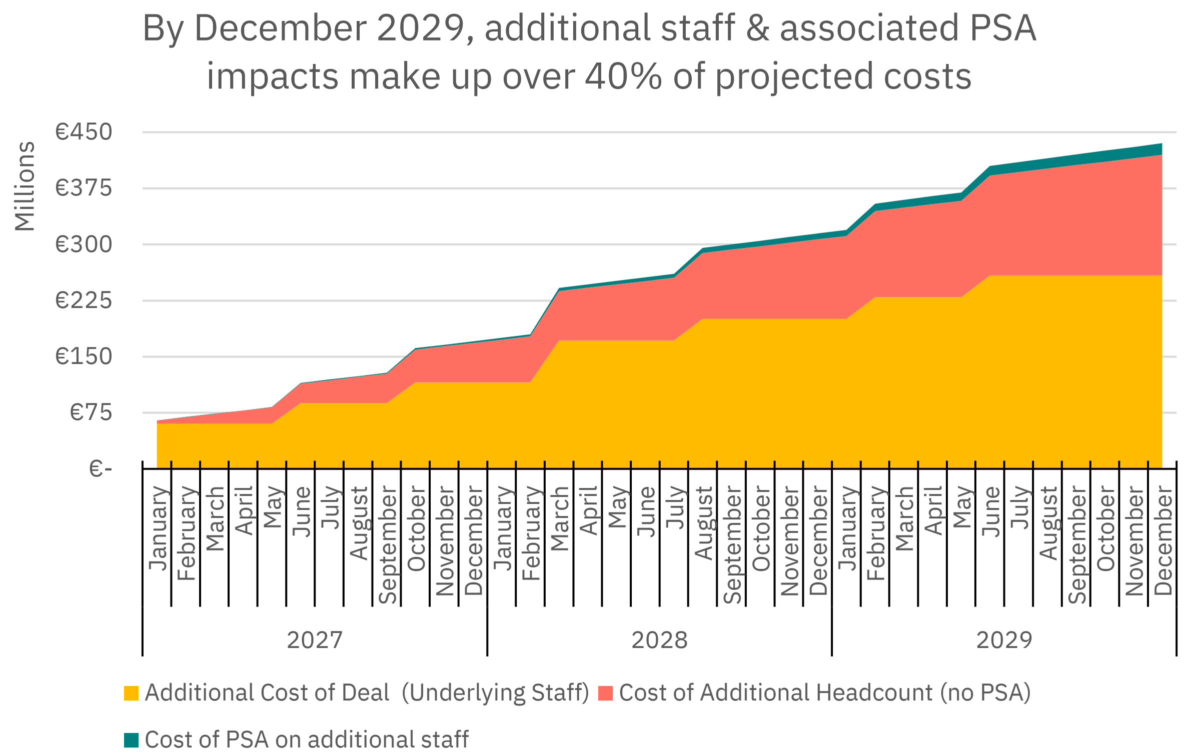
This projection shows the significant cost implications of a higher rate of headcount growth. By 2029, this projection adds almost €1.78 billion to the public sector pay bill, bringing it to almost €37 billion.

The additional headcount in this projection therefore adds more than €1.1 billion to 2029 costs when compared to the Demographic (low) scenario.

Table 5: Summary Results (€ millions)

Year	2027	2028	2029	Total
PSA Impact Existing Staff	€1,002.45	€2,094.56	€2,929.68	€6,026.69
Additional Staff	€339.70	€977.44	€1,630.72	€2,947.87
Impact of PSA on Additional Staff	€11.94	€65.17	€149.10	€226.22
Total	**€1,354.10**	**€3,137.18**	**€4,709.51**	**€9,200.78**

Figure 11: Monthly Cost Results



Over time, the increased headcount tends to account for a rising proportion of the overall costs in our projection. In part this reflects that the earlier phases of the PSA tend to have more significant impacts on pay levels, with % changes in year 2 and year 3 being smaller.

5.3. Scenario Summaries

5.3.1. Most Likely Scenarios

In all our scenarios the monthly pay bill is projected to rise by ~€260 million by December 2029, reflecting the impact of the PSA on existing public sector workers.

Figure 12 shows the additional costs arising from expansion of public sector headcount in our two most likely scenarios:

- In Demographic (low), about 11 thousand additional public sector workers contribute an additional €64 million (€323 million) in monthly costs by December 2029, and
- In Trend (low), about 30 thousand additional public sector workers contribute an additional €177 million (€435 million).

Figure 13 shows how the range of potential monthly costs diverge over time in these scenarios. By December 2029, the higher headcount growth in our Trend (low) scenario opens the gap to more than €112 million.

Figure 12: Monthly Cost Overview

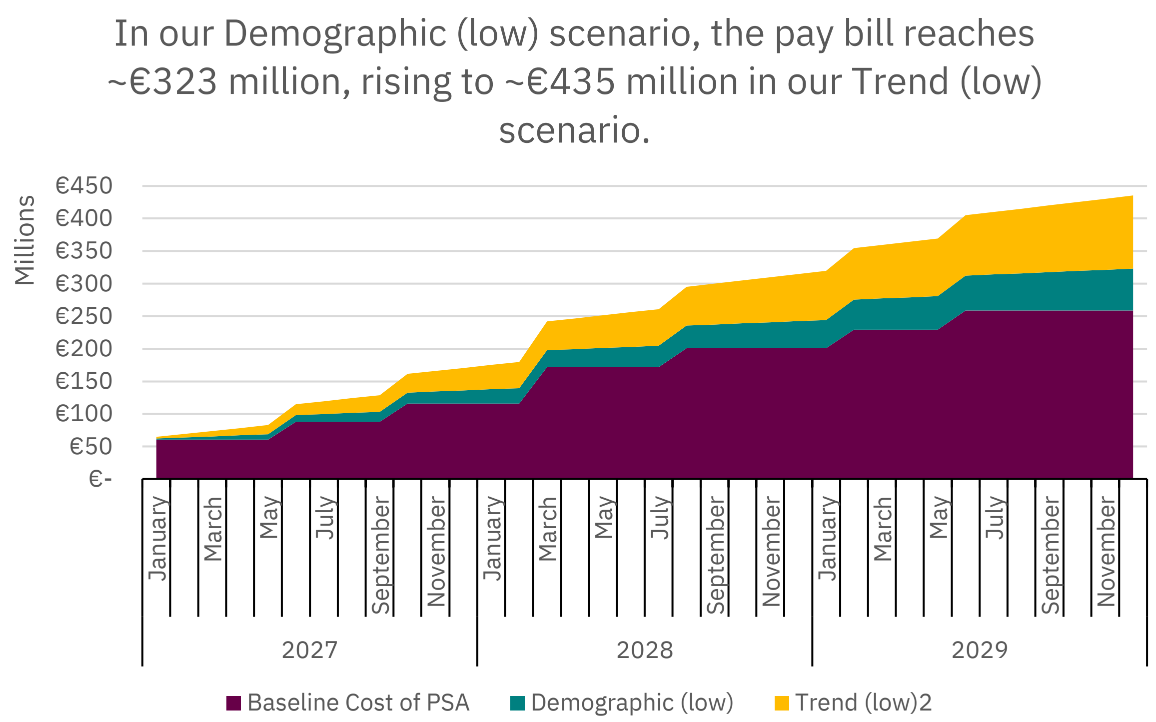
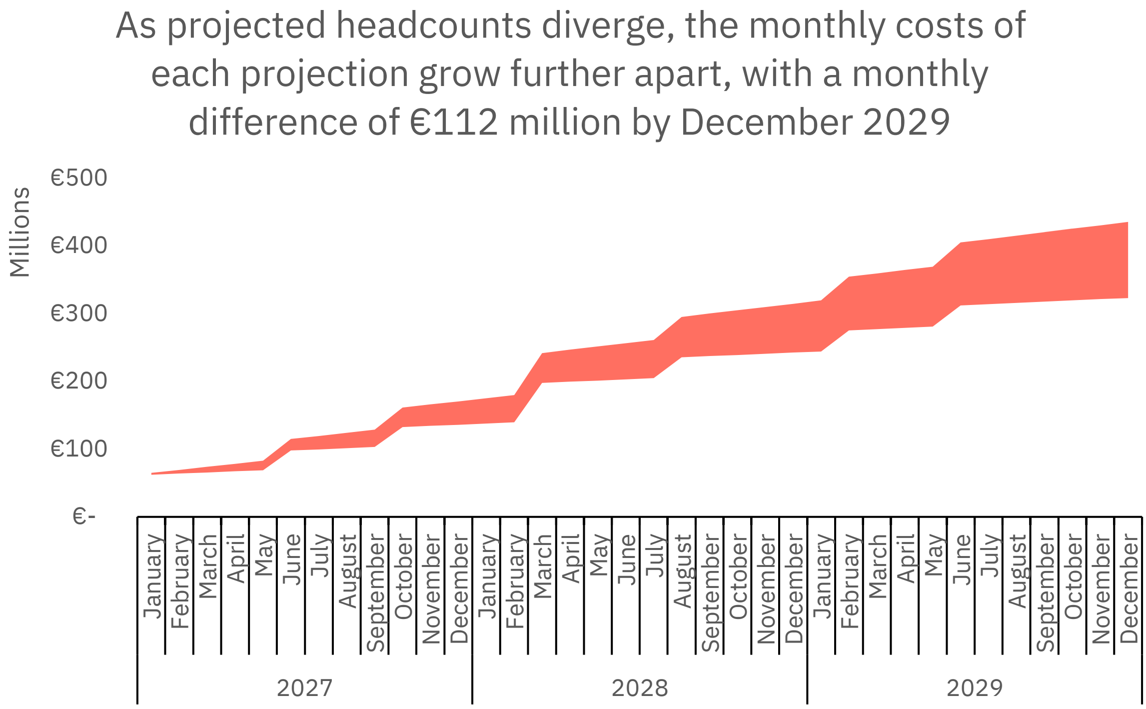


Figure 13: Cost Divergence in Projections



Over the course of the projection, the divergence between these scenarios results in a €2 billion cumulative cost difference, with the Trend (low) scenario costing an additional:

- €221.2 million in 2027,
- €658.4 million in 2028, and
- €1,128.8 million in 2029

5.3.2. All Scenarios

We do not discuss all modelled scenarios in detail in this paper. Figure 14 shows how the scenarios differ, and how the costs under each scenario increase each year.

The scenarios where headcount growth is aligned with either long (10 year) or short (2 year) trends in WTE levels see much larger annual increases in the public sector pay bill. The Trend High scenario is deemed highly unlikely as it combines a very high rate of headcount growth, with the 'high' cost attributed to each of these additional workers.

Figure 14: Scenario Summary Comparison

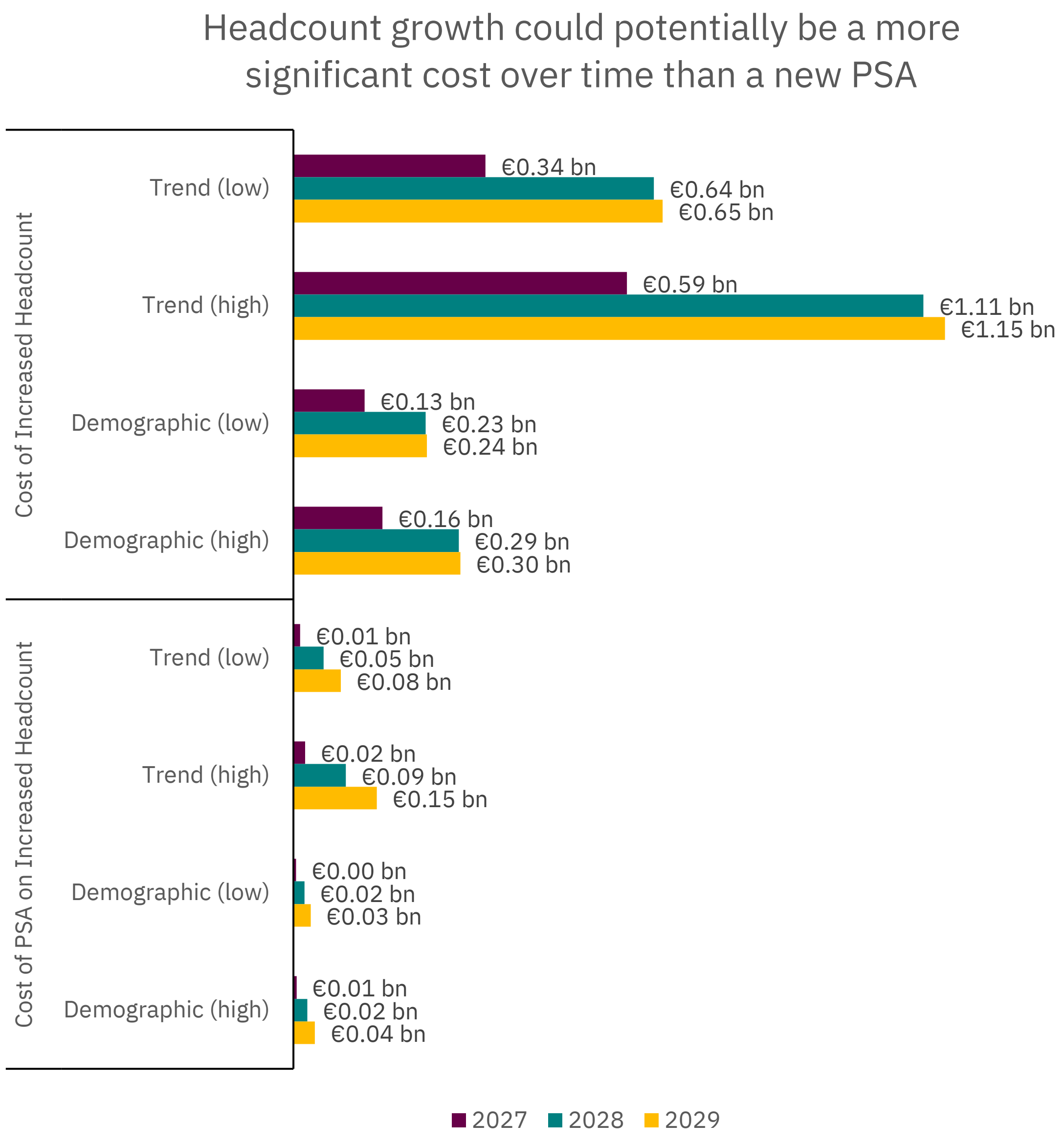
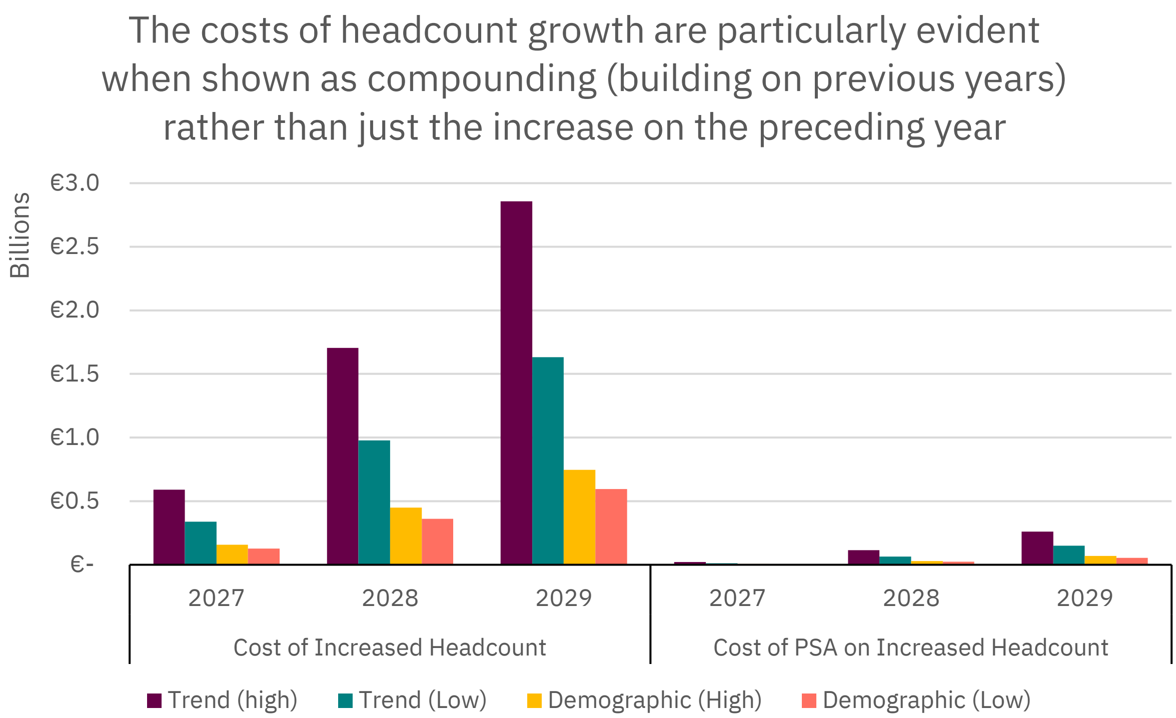


Figure 15: Compound Cost Models



6. Appendices

6.1. Appendix 1: Developing a Point of Reference

Exchequer funded public sector pay was expected to cost ~€31.2 billion for 2026 as of December 2025. This figure includes the majority of the public sector but excludes some areas, such as:

- Local Authorities, and
- The Houses of Oireachtas Service.

Another significant number of public service employees work in Non-Commercial State Agencies (NCSAs). These agencies tend to be funded to some extent by the Exchequer but may also generate revenues which may be used to fund their pay costs. A number of NCSAs receive no direct exchequer funding at all.[7]

Using this figure (€31.2 billion) to underpin projections of future costs poses some challenges. Simply assuming this cost moving forward as a base for reference ignores that:

- The number of employees (headcount) covered was expected to increase by ~11,600 during 2026, and
- The Public Service Agreement 2024-2026 created upward pressures on the pay bill as the year progressed.

To overcome this issue, we calculated a weighted cost for the average cost of an Exchequer funded public sector worker for December 2026, €6,676 (up from €6,545 in January 2026).

Looking at the projected increases in staffing through 2026, we assumed this increase would be linear (equal each month). Calculating the total number of worked months under this methodology, gave approximately 71,000 additional worked months in 2026.

[7] Revised Estimates for Public Services 2026 (December 2025) pp.241-2.

Each worked month was assigned a value based on the impacts of the public sector pay deal, which allowed us to divide the overall pay bill of ~€31.2 billion to reflect both rising headcount and % increases to pay from the Public Service Agreement 2024-2026.

The result of this approach is that we find the cost of some 403,042 public sector workers, in December 2026, is an estimated €2.69 billion.

Assuming no changes over the period 2027-2029, that would be an annual cost of almost €32.29 billion, or nearly €96.87 billion cumulatively.

6.2. Appendix 2: Complicating Factors

The public sector is diverse in terms of the type of staff it employs, from teachers to surgeons, to office workers and soldiers. In all organisations, staff at different grades (ranks / seniority) are paid differently, in some cases, staff will get allowances, overtime payments etc.

Highly accurate costing of a pay deal would require that changes in staffing levels in each sub sector of the public sector would be factored in. An even more accurate model would reflect staffing levels at specific grades. The relationship between staffing and the overall pay bill is complex and beyond the scope of our analysis.

However, it is important to note that increased staffing may result in some offsetting savings if, for example, there is a reduced need to utilise overtime to ensure services are delivered.

It is important to remember that the rising pay bill for state services must be paid for either out of tax revenues or appropriations in aid, e.g. fees for certain goods or services. If, for example, pay were to rise at a very high rate, the state may need to levy more taxes to pay for this, including on public sector workers.

Contact: pbo@oireachtas.ie

Go to our webpage: www.Oireachtas.ie/PBO

Publication Date: 11 September 2026

Republished: 15 September 2026

Houses of the Oireachtas
Leinster House
Kildare Street
Dublin 2
D02 XR20

www.oireachtas.ie
Tel: +353 (0)1 6183000 or 076 1001700
Twitter: @OireachtasNews

Connect with us

Download our App