

**Statement by Minister of State, Mr. Brian Hayes T.D.,  
Seanad Éireann,  
9<sup>th</sup> February 2012**

**Implementation of the Croke Park Agreement**

A Cathaoirligh, Members of the House,

I would like to thank you for this opportunity to update the House on the implementation of the *Public Service Agreement 2010-2014* – also known as the ‘Croke Park Agreement’.

**Backdrop**

The Croke Park Agreement was put in place as part of the strategic response to what has been an unprecedented economic crisis for this country. Since 2008 this country has been struggling to bridge an enormous and unsustainable fiscal deficit. I don't intend to go into detail here today on the origins of this crisis and who is to blame for it. Those issues have been put on the record many times at this stage.

However, the fact remains that there remains a significant gap between what we are spending as a nation and the revenue we are raising to pay for that spending. This gap needs to be closed. For now, we are bound by our commitments to our international partners as we depend on them to pay our way.

The Government's overriding priority is to regain full control of our own affairs and to do that as quickly as we can. To do that, we will continue to take difficult but necessary decisions to put our house in order. We understand that future economic growth will only come from a solid and sustainable fiscal position. Fortunately, the 2011 Exchequer returns confirmed that we comfortably met the

deficit targets under the EU/IMF programme and we have introduced a budget last December which continues this sustainable path for our deficit.

Nevertheless, we are only too aware that there remain considerable threats in the global and European economy which could threaten our recovery.

The difficulty we face is that, at a time when we have to significantly reduce costs, the demands on public services are greater than ever before. This creates a real challenge - we are now delivering considerably more financial supports and services to our people with fewer resources. For example, the cost of jobseekers' payments alone is now over three times the 2006 level. There are 500,000 more medical card holders than in 2007. Demographic changes mean that there are more children to teach and more public pensions to be paid.

This means we have to drive productivity. We have to ask ourselves – has productivity gone up? The answer has to be yes. Costs have come down, staff numbers have fallen, yet services are still being delivered. But we need to go further.

### **Value of the Agreement**

The Croke Park Agreement reached in 2010 between the Government, as employer, and the Public Services Committee of the Irish Congress of Trade Unions is designed to support the reduction in payroll costs and the continued delivery and maintenance of high quality services against a backdrop of reducing resources and staff numbers and to ensure that the public service continues its contribution to the return of economic growth.

In considering the value of the Agreement, it is important to recall that it was preceded by an escalating and damaging programme of industrial action by public servants in early 2010 which disrupted the provision of important services to the public.

The reality is that the Agreement has been very successful in delivering widespread industrial peace at a time of unparalleled difficulty and change. It has been endorsed by trade unions and staff associations right across the public service and staff are co-operating with its provisions around change and reform. It has provided the necessary conditions within which very difficult decisions can be taken.

Faced with the need to reduce costs on the one hand, while meeting increased demand for frontline public services on the other, means we have to fundamentally reform how public services are delivered. The Government has set out an ambitious blueprint for change in the Public Service Reform Plan launched last November. The Plan contains a wide range of actions and commitments to radically reform structures, operations and processes across the public service. A key element of the Plan is the planned reduction in the number employed in the public service of 23,500 from end 2010 levels over the period to the end of 2015.

The Croke Park Agreement will play a key role in facilitating the delivery of this Plan and the reduction in staff numbers. The co-operation and engagement of staff across the public service is vital if we are to do this successfully. We need the buy-in of staff at all levels for the significant redeployment, re-structuring, rationalizing and reconfiguration that needs to take place. We won't do that in a highly unionised and disciplined workforce if they oppose us.

### **Misperceptions about the Agreement**

There appears to be a widespread misunderstanding about what the Croke Park Agreement is – and what it is not.

It is important to emphasise that the Croke Park Agreement is not a cost saving plan in itself. Cost savings come through when the Government or public service management decide and implement change to services and work practices;

when they introduce new technology and when they decide the number of public servants can or must be reduced.

What the Agreement does is provide the consultation framework to manage those changes to work practices and service delivery, to boost productivity and improve efficiencies, as the numbers of public servants reduce over time. In other words the Agreement is a mechanism for securing the active co-operation of staff for the changes needed to ensure the significant ongoing reduction in staff numbers does not adversely impact on services.

In many respects it is the exact opposite of a Partnership agreement. Instead of paying and hoping for the best, the deal is clear – help us extract costs and improve productivity; help us reform, or we won't be able to stand by our commitments to you. The Taoiseach has confirmed this week that the Government wants to stand by its commitments, if it can do so. It can only afford to do so if costs are extracted everywhere.

The Agreement was never intended to be a panacea for all ills. Yet, as a result of frequent ill-informed commentary in the media and elsewhere, people have come to have unrealistic expectations of it. We need to have a sensible and nuanced debate about workplace change and cost reductions in the public service.

### **Contribution of Public Servants**

Another issue we have to address is the misperception about the contribution that public servants have made towards our recovery. Here it is too often a case of “eaten bread is soon forgotten”. However, the reality is that since 2008 public servants have seen their take home pay significantly impacted by:

- non-payment of the general round pay increases under the terms of the *2008 Towards 2016 Review and Transitional Agreement*;

- the imposition of the pension related deduction of an average of nearly 7% which was applied to all the earnings of all public service staff in March 2009; and
- the reduction of between 5% and 20%, depending on salary level, applied to the rates of pay and allowances for public service staff from January 2010.

In addition, other measures have been introduced since the Agreement was finalised including a 10% pay reduction for new entrants to the public service; deductions from existing public service pensions and further reductions in the pay of those at highest levels in the public sector.

The Croke Park Agreement has provided the framework of co-operation and flexibility to enable us to extract all of these very necessary savings from the Exchequer pay and pensions bill. The impact of all of these measures is that the total net cost of the public service pay bill will be reduced from 2008 to 2015 by some €3.5 billion, or 20% in 7 years. This amounts to a staggering fall in the cost of employing public servants to deliver public services in this country – it is unprecedented in the history of this State and, I would suggest, larger than in the majority of private enterprises with significant staff.

### **Implementing the Agreement**

I want to turn now to talk about what has been achieved under the Croke Park Agreement since 2010.

Members will be aware that an Implementation Body was established in July 2010 to drive implementation of the Agreement. The Body comprises of representatives from public service management and members of the Public Services Committee of ICTU. It is chaired by P.J Fitzpatrick, a retired senior official with a track record of delivering change in public service bodies.

The Body's key functions are to monitor and oversee progress on implementing the Agreement; to cost and verify savings being achieved under the framework of the Agreement; and to deal with implementation issues that arise.

To support it in its work, the Body has established a series of sub-groups to oversee implementation within each sector.

Also every sector and every public service organization is obliged to produce an Action Plan setting out in detail the specific change and reform measures to be taken forward under the Croke Park framework.

The Agreement provides for a comprehensive review to be undertaken each year by the Implementation Body focusing on assessing the sustainable savings achieved and the progress on implementing the change and reform agenda in each sector.

### **Reports by the Implementation Body**

The first such review was carried out by the Implementation Body last May and culminated in the publication last June of the First Annual Progress report.

In that Report, the Body found that sustainable savings in the Exchequer pay bill of €289m had been achieved in the first year of the Agreement, driven primarily by the fall in public service numbers but also by reduced overtime costs and other work practice changes.

The Body also identified examples of some €308m in non-pay savings through better use of resources, re-organisation of work and achievement of greater internal efficiencies.

Overall the Body found that "solid and measurable progress" had been made. They concluded that, in the period under review:

- staff numbers had fallen substantially, more quickly than previously estimated, and services had been maintained and in some cases expanded and productivity had increased.
- the cost of delivering public services had fallen in a sustainable way, primarily through reducing headcount across the public service, enabling the State to meet its external economic and fiscal commitments;
- thousands of staff had been redeployed, including across functional boundaries, which helped to meet two challenges - avoiding gaps in service as numbers reduced and changing the way in which public services are delivered to citizens and business; and
- the reconfiguration of services had commenced in earnest.

Last November, the Body produced an interim update which provided further evidence of ongoing progress on reducing the cost and size of the public service and on reforms aimed at building a leaner, more integrated and streamlined public service.

### **Progress to Date**

In terms of the progress to date, public service **staff numbers** are down more than 20,000 since 2008 and will fall further in the coming weeks as 29<sup>th</sup> February approaches – yet services have, by and large, been maintained and in some cases, I might add, they have been improved. This is against the backdrop of increasing demands for services provided by the State. For example, over 1 million medical card applications and reviews have been processed since July last year alone and volumes in the social welfare payments area have also risen considerably. Prisoner numbers have risen, as have the numbers of students in our universities and institutes of technology, as staff numbers in those areas have fallen.

**Redeployment** is one of the key tools provided by the Croke Park Agreement to help protect services as numbers fall. Under the Agreement staff are being moved to areas of greatest need. For example:

- more than 1000 staff of the Community Welfare Service have been redeployed from the HSE to the Department of Social Protection;
- In addition, over 500 staff have been redeployed from Government departments to the Department of Social Protection to meet increased demands in Social Welfare offices;
- Furthermore, 700 staff from Fás are also in the process of being redeployed into that Department;
- In the Education Sector, new redeployment procedures for second level teachers have been implemented in 2011, resulting in the elimination of a surplus of some 200 teachers, with a consequent full year saving of €10m, together with the redeployment of some 850 surplus primary school teachers, leading to further savings of €50m; and
- In the Health Sector, more than 750 staff were redeployed internally within the sector over the six months from April to September 2011 alone, as services have been reconfigured.

Measures are also being implemented under the Agreement to increase **productivity and efficiency**. For example:

- Additional working hours have been implemented in schools and universities – parents will have noticed fewer in-house training days and so on – a direct benefit of the Agreement;
- New working arrangements are being implemented for radiographers and those working in medical laboratories in the Health sector with the accompanying savings in expenditure; and
- Outmoded practices such as bank time and privilege days have been eliminated in the Civil Service.

Staff are also co-operating with efforts to **rationalize and streamline** the public service. For example:

- Progress is being made on rationalizing the number of VECs from 33 to 16;
- OPW are rationalizing their office accommodation portfolio. They surrendered over 27,000sq metres of space in 2010 for example, saving €8.75m;
- The Department of Agriculture, Food and Marine, Teagasc, Revenue and the Courts Service are all engaged in rationalising their office structures leading to considerable savings; and
- A Special Delivery Unit has been established to re-organise services in the Health sector and deliver improvements;
- Efficiency reviews of all Prisons are continuing and are on track to deliver savings of €21m; and
- By late last year, the National Procurement Service had put in place 45 national framework agreements and contracts for high spend requirements which are helping to significantly reduce the cost of purchasing goods and services across the public service.

Steps have also been taken to **integrate the public service**. For example, legislation has been published for a new single pension scheme for all new entrants to the public service and new standardized annual leave arrangements have been introduced. New standardised sick leave arrangements will be progressed during 2012.

**Shared service** approaches and more widespread use of **e-Government and online tools** have the potential to deliver both savings and service improvements. Work being taken forward in these areas under the Agreement includes:

- The implementation of a single student grant scheme. Four schemes administered by 66 bodies are being replaced by a single scheme administered by 1 organisation;
- The centralization of medical card administration was completed in July 2011;
- Work is well underway on the HR shared service project for the Civil Service; and
- The website [www.gov.ie](http://www.gov.ie) now includes a list of over 300 state services that are available online.

### **Building on the Progress Made**

The Government's view is that the Croke Park Agreement can be an important asset as we seek to put the economy on a more sustainable footing – provided it continues to produce results.

The Implementation Body will be conducting its next Annual Review of the Agreement after Easter. It is critical that their Report, which we expect by June, shows tangible evidence of further significant savings and reform being delivered under the Agreement.

It is clear that a solid start has been made under Croke Park – as I have outlined. But there is no room for complacency. The economic and fiscal environment is volatile and uncertain and we must respond accordingly. The evolving economic environment means we need to go much further under the Agreement, while the task of reforming the public service – of ensuring that each part of this incredibly complex system is working efficiently for its customers – is never-ending.

In this regard, I know that each sector has been asked by the Implementation Body to revise their Action Plans under the Agreement so that they support the new Government targets on public service numbers and payroll reductions and

take account of relevant decisions arising from the recent Comprehensive Review of Expenditure and Budget 2012.

These Plans must be ambitious in their scope and their timeframe for delivery and they must seek to exploit the full potential of the Agreement.

The priority for the Government will be to use the framework provided by the Agreement to:

- maximise the productivity of the existing staff, through for example the announced sick leave reform, redeployment, new rostering arrangements, (for example, for Gardaí and nurses) and better performance management;
- extract additional costs wherever possible, for example through the Government's comprehensive review of allowances and premia pay,

and, as I have said

- enable the ambitious public service reform programme which the Government has set out.

The Government expects hard won management agendas to be pursued by sectoral management even where that means some difficult negotiations. I know this will present challenges for those on the trade union side also. However, this is where one of the key strengths of the Croke Park Agreement comes to the fore – in terms of the almost unprecedented atmosphere of industrial peace across the public service it has delivered, together with the time limits on discussions. In my view, this provides the necessary space for both sides to move these agendas forward.

I must warn the House though, that some of the challenges facing both sides will push that forbearance to its limits. It may be that we will see a greater level of

resistance than heretofore. If that is the case, I want to say that those advocating it will be playing into the hands of those from various quarters calling for a re-negotiation of the Croke Park Agreement.

Those calling for a renegotiation are very vague about what this means. They need to be explicit about the alternative strategy they put forward and to be upfront about what this would actually mean for our teachers, our Gardaí, our nurses and other ordinary public servants in terms of further cuts in pay and compulsory rather than voluntary redundancies. Importantly also, they need to consider the potential wider impacts in terms of the inevitable severe disruption which would be caused by widespread industrial action across the public service.

The truth is that the critics of the Agreement on both sides don't appear to have any credible alternatives. Any alternatives must have regard to those working within the public service who are called upon to deliver more services, in difficult circumstances, in an environment where resources have never been so stretched, and who are themselves taxpayers, mortgage holders and participants in the wider economy.

That said, the Government will fully support management who are acting to drive the reform agenda and extract unnecessary costs from the system.

### **Concluding Remarks**

In conclusion, there are no easy solutions to the challenges we face. We must bring public expenditure back to sustainable levels, while maintaining frontline services and delivering improvements where possible. That will not be easy.

The bottom line is that the Croke Park Agreement has delivered to date – that has been demonstrated by the Implementation Body. It is critical that it continues to deliver. The Agreement cannot, and was never intended to be, the solution to

all of our problems. But it can make an important contribution to ensuring stability and certainty – necessary foundations for a return to growth.

In my view there needs to be a more informed debate about all of these issues. There has been far too much populist, ill-informed commentary about the public finances and the Croke Park Agreement in particular. This has had the effect of creating deep divisions between the private sector and those working in the public service. This kind of divisive approach will get us nowhere. I believe that if we are to emerge successfully and swiftly from this crisis, we need to work together as a people and a society.

Our objectives in Government are to get this country working again and to regain control of our own affairs as soon as we can. Our preference is to continue to work in co-operation with public servants to deliver public services that are more cost efficient and to use the framework provided by the Croke Park Agreement to deliver on these objectives.

Thank you.