

Committee of Public Accounts, 11th October 2012

Briefing by PJ Fitzpatrick, Chair of the Implementation Body, on the implementation of the *Public Service Agreement 2010-2014*

Chairman and Members,

Introduction

I welcome the opportunity to brief the Committee again on the further and ongoing implementation of the *Public Service (Croke Park) Agreement 2010-2014* and in particular on the Implementation Body's Second Annual Progress Report published last June. Today, I am joined by the Secretary to the Body, Colin Menton.

As I mentioned on the last occasion, I am here as the Independent Chair of the Implementation Body, and, accordingly, I do not represent management or trade unions or their agendas. I will seek to provide a fair, impartial and objective assessment of progress on any implementation issues you, Chair or Members, wish to discuss with me.

I will provide the Committee with a short overview of the second annual review which was undertaken by the Body earlier this year. I will then deal as best I can with questions or any other issues concerning implementation of the Agreement you, Chair, and the Members wish to discuss.

It is not the role of the Agreement, or of the Implementation Body, to make decisions on the reforms that need to be made or the structures that should deliver them, or on the size and scope of the public service. That is the role of Government and management. But the Agreement can enable decisions that have been made by Government on those matters to be implemented with the co-operation of staff and their representatives in a climate of industrial peace.

I continue to be encouraged and impressed by the support and commitment of my management and union colleagues on the Body. They have been unstinting in their determination to make this Agreement work successfully.

Annual Review

Under the Agreement, the Body is required to carry out an Annual Review for the Minister and the Government which must quantify the sustainable savings achieved and the progress being made in each sector on implementing the change and reform agenda. The Annual Review is conducted in April and May each year and an Annual Progress Report is submitted to Government and published in June.

Earlier this year, the Body conducted the second annual review which focused on the progress achieved in the second year of the Agreement – April 2011 to March 2012. I would like to acknowledge the high level of engagement and co-operation which the Body received from all sectors in undertaking this review.

The Body made a number of key findings during the course of this latest review.

1. The Agreement as enabler

We concluded that the Agreement continues to be a very effective enabler for the implementation of the reforms and changes provided for in the Agreement and in the Government's Public Service Reform Plan published last year and reported on separately a few weeks ago.

A key role of the Agreement is to enable a sustained and large reduction in the size of the public service. We noted that a very substantial reduction in staff numbers, some 11,530, took place during the review period. This significant reduction presented particular challenges for both management and staff during the period which, in the view of the Body, were responded to effectively. The

Committee will recall the retirement of some 8,000 in the first two months of 2012 alone.

In particular, the redeployment provisions of the Agreement have been critical to enabling public service organisations maintain and develop services with significantly fewer staff.

2. Industrial Peace and Staff Co-operation

The Body is satisfied from all of the evidence it has seen over the second year of the Agreement that management, staff and unions in all sectors of the public service are co-operating with the reductions in staff numbers and the critical redeployment provisions of the Agreement.

The Agreement continues to be successful in ensuring that the large reduction in numbers and the necessary and fundamental reform that flows from that, have been, and continue to be, achieved in a climate of industrial peace and staff and union co-operation, notwithstanding the magnitude of the task of maintaining services with almost 30,000 fewer staff.

That is not to imply for one second that it is all plain sailing. Far from it. Issues and problems arise all the time. That is to be expected given the fundamental nature of the change that the public service is undergoing at the present time. One of the huge benefits of the Agreement are its dispute resolution provisions which ensure that, where disagreements arise, they are dealt with speedily and in a timebound way. It is also important to note in that regard that the outcome of any process is binding on the parties. This is hugely significant in the context of advancing change and reform without undue delays. This Agreement provides no hiding place for the obstruction of change.

3. Pay and non-pay savings

The Body found that the Agreement facilitated the delivery of further significant and sustainable reductions in the Exchequer pay bill.

The Exchequer pay bill has been reduced by 17.7% between 2009 and 2012, from €17.5bn – gross – to €14.4bn – net of the Pension Related Deduction.

In its review, the Body found that pay bill savings amounting to €650m were facilitated in the second year of the Agreement.

However, we also recognised that these figures included the departure of some 8,000 staff who retired in January and February 2012 and that the Government intended to undertake limited recruitment across the public service to fill critical posts following these departures. The Body sought an estimate of the effect of such recruitment on the savings reported. Figures provided to the Body by the Department of Public Expenditure and Reform show that, even if each sector recruits up to the total number of staff to bring them right up to their 2012 staffing ceiling over the coming months, the staff number reduction over Q1 2011 would still be over 9,000, yielding an estimated net sustainable pay bill saving of €521m.

Apart from pay bill savings, we also found that the Agreement has continued to leverage the delivery of essential administrative efficiency, or non-pay, savings to ensure that sectors can live within reduced budgets. Efficiency savings totalling €369.8m, or €406.8m on an annualised basis, were reported to us for the second year of the Agreement.

Over its first two years, therefore, Chairman and Members, we have found that some €810m in sustainable pay bill savings have been facilitated by the Agreement, as well as some €678m in non-pay savings – a total of €1.5bn.

Overall, over the period 2009 to 2015, the Exchequer pay bill is expected to reduce by €3.8bn, or €3.3bn net of expected increases in public service pension costs.

4. A focus on extracting costs, increasing productivity and driving change

We identified many examples of initiatives being taken centrally and locally across the public service during the period which illustrated a strong focus on extracting costs and efficiencies, increasing productivity and driving change. For example:

- New roster arrangements to ensure that resources are matched to peak demand for services. For example, in An Garda Síochána the first such roster changes in over 40 years were introduced on 30th April last and are ensuring more Gardaí are available when they are most needed. Many roster changes were progressed in the health sector in areas such as the medical laboratories, radiography services and among nurses and other staff groups in organisations across the sector.
- Staff continue to be redeployed under the Agreement to areas of greatest need. We noted that over 200 secondary and 950 primary teachers were redeployed for the 2011/2012 school year and in the health sector some 4,500 people were redeployed or re-assigned during the review period alone as services were reconfigured and restructured.
- Services and structures are being reconfigured. Examples of this include mental health and child care services and services for the elderly in the health sector; closure of army barracks and redeployment of personnel in the Defence Forces; and the reconfiguration of local offices and services in the Department of Social Protection.
- Work practice changes are being progressed, for example, in respect of Special Needs Assistants in the education sector and major work practice changes in the Prison Service.

- Terms and conditions are being standardised across the public service, for example, in the areas of annual leave, sick leave and pension arrangements. Members may also be aware of the recent Labour Court ruling on working hours in the local government sector which goes a long way towards standardising working hours in a sector where diverse arrangements have applied up until now.
- Streamlined, centralised and shared service arrangements are being progressed in many sectors. Examples of initiatives which were progressed during Year Two include the single student grant scheme in the education sector, the centralised medical card processing centre and the national procurement model in the health sector, more efficient national procurement frameworks put in place by the National Procurement Service in the OPW and the HR shared service centre in the Civil Service.
- There has been further rationalisation of structures and offices and the greater use of online services, for example, motor taxation offices in the local government sector, local agriculture, Teagasc, Courts Service and revenue offices and the merger of the workplace relations bodies in the Civil Service and state agency sectors.

5. Evidence of increased productivity in the public service

It was also clear to the Body that the demand for many public services has greatly increased over the course of the current economic crisis, as one would expect, even as the numbers employed in the public service continues to fall. It follows that the productivity of remaining staff, who are meeting the growing demand for services, has increased. The review sought to obtain evidence of this. We have included a range of statistics in the Second Annual Report.

For example:

- In the Prison Service, staff numbers have reduced by 8%, yet the average number of prisoners in custody has increased by 23% since 2008. Committal rates are 28% higher than in 2008.
- In Revenue, staff numbers are 850 or 13% lower while the number of audit and assurance checks carried out has increased by 55% since 2008.
- Increasing demand for social welfare services has been managed with increasingly limited resources. For example, between 2008 and 2011 the number of recipients of primary weekly welfare payments has increased by 240,000 or 11%. Control reviews of claims have increased from 568,000 in 2008 to 982,000 in 2011. There was a 60% reduction in claims awaiting decision at end 2011 compared to peak levels at the end of 2009.
- There is also increasing demand for health services and this is being managed with fewer staff. For example, staff numbers in the health sector reduced by 2,855 between April 2011 and March 2012, yet the number of Day Cases in 2011 was 6.5% above planned levels. In the acute hospitals, net spend has reduced by 11% between 2009 and 2011, yet activity levels were 10% higher and the cost per discharge was 20% lower.
- In the higher education area, there has been a 14.9% increase in student numbers since 2008/09, yet staff numbers have reduced by 7.3% in the same period. Student numbers are projected to increase by a further 12% by the 2014/15 academic year, while the decrease in staff numbers will continue.
- Management structures are being scaled down and work previously done by higher grades is now being done by people in lower grades. Promotional opportunities are far less. For example, in the local

government sector the number of Director of Services posts have been reduced by 23% since 2008 and will be further reduced. Overall, the local government sector now has 8,500 fewer staff than it had in 2008, a reduction of 18.4%.

6. Pace and Ambition of Change needs to be systemic

Notwithstanding the progress that has been reported in the second year of the Agreement, the Body is of the view that the pace and ambition of change needs to be systemic to fully address the fiscal challenges which lie ahead. The establishment of a dedicated Department of Public Expenditure and Reform and the Reform and Delivery Office established within it, together with the external recruitment of staff with the skills required for the reform programme such as shared services and external service delivery, are very welcome and necessary developments that will play a key role driving the reform agenda across the public service.

However, that Department alone cannot directly drive the reforms required for the entire public service. It needs the support and active engagement of top management in all sectors. For our part, the Body has repeatedly emphasised the critical role that managements across the public service have in terms of devising ambitious plans for change and leading that change.

7. Need for accelerated delivery

It is the Body's view that the sustainability of the Agreement will be measured against its ability to accelerate the pace of change across the public service and its potential for extracting further Exchequer pay bill savings and non-pay administrative efficiency savings through the early implementation of key deliverables across sectors.

Clearly, a priority issue for the Agreement will be to support the achievement of the Government's 2015 target for public service staff numbers of 282,500. This

is a challenging target. However, the recent collective agreement between public service management and the public service unions on voluntary redundancy terms is an important development.

Further and more fundamental reform will be necessary in order to ensure that services are maintained to the greatest extent possible as staff numbers continue to fall towards this target. We made clear in our June Annual Report that there are a range of priority change initiatives which will need to be urgently progressed by management in the coming months:

- We need to see further roster changes to ensure that arrangements are optimised to meet current and expected service needs, particularly in terms of nurses and hospital consultants in the health sector.
- We need to see much more progress on implementing shared services. In large sectors such as local government and education, there are often multiple agencies doing broadly similar work, for example, back-office functions such as HR, IT, payroll and pensions. Moving to shared service arrangements offers the potential to deliver cost savings and to free-up staff for front line work.
- We need to see a greater focus on performance through the roll out of performance management systems where they are not already in place, for example, in An Garda Síochána and, where appropriate, in the education sector as well as continuing to strengthen existing systems, for example, in the Civil Service.
- We need to see further changes to work practices involving the elimination of remaining outdated working arrangements, extending working hours and also the opening hours of public offices.
- We need to see further efforts to maximise the availability of resources for frontline services by making full use of the redeployment provisions of the Agreement and by ensuring that arrangements are put in place to support

redeployment where such provisions do not already exist, for example, academic staff in Universities and Institutes of Technology.

- We need to see continued co-operation on the part of staff with further rationalisation of structures, organisations and offices. For example, in the local government sector where local authority amalgamations and the merger of City and County Enterprise Boards into local authorities need to be progressed.
- We need to see more effective inter-agency co-operation in certain areas such as the criminal justice sector, where improved co-operation between the Courts Service, the Prison Service and An Garda Síochána has clear potential to deliver significant efficiencies.
- And finally, more measures need to be taken to ensure greater use of online services. Such services can enable public service organisations cope with increasing workloads with fewer staff, while also delivering improved, more cost effective and more convenient services to citizens and business.

Concluding Remarks

It is clear from our second review that the Agreement continues to deliver on its objectives of reducing public service costs and numbers and enabling the delivery of essential change and reform. Significantly, this is happening in a climate of industrial peace.

When I last appeared before the Committee in March I stressed that the Implementation Body will continue to insist that the Action Plans for savings and reform put forward by public service management in each sector are sufficiently ambitious, both in their scope and their timeframes for delivery, and that they exploit the full potential of the Agreement as a lever for efficiencies and reform.

The Implementation Body has just completed a round of meetings with top management in each sector of the public service where we made clear that accelerating change now needs to occur across all public service bodies, in every sector, with an increased sense of urgency. We have asked each sector to revisit their Action Plans with the objective of ensuring that they are as specific and ambitious as possible and that they contain all the necessary sectoral elements, involving both new and existing initiatives, to allow delivery of public services with a much reduced level of resources during 2013.

We were frank in our Annual Report in saying that it is not sufficient for management to rely on the reforms delivered to date – significant and welcome though these are.

We recognise that there is a need to go much further in light of the continued very difficult circumstances confronting the economy.

In my view, the Agreement provides a very effective framework to facilitate the delivery of the necessary savings and reform in the public service.

The period ahead will be crucial for the Agreement and it will be essential that management work proactively with staff and their representatives to explore opportunities for further far reaching reform and to deliver the change required in a time-bound way.

The Body will continue to do all that it can to increase the momentum around the implementation of the Agreement. We will also be working to ensure that all sectors step up to the plate in terms of the reform challenge.

Once again, I would like to thank you for the opportunity to brief you on recent developments and I will be happy to deal with any questions you might have in relation to the implementation of the Agreement.

Thank you.

ENDS