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Structural Adjustments, the Irish Experience

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Outline

- My own background
 - Career Civil Servant Finance/Treasury
 - Public service numbers, Agency rationalisation
- Context – Irish Public Service 2008
- Public Service Numbers Reductions
- Public Agency Rationalisations
- Lessons Learned
- Questions?





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A Little History



- 2000 to 2008: Economic Boom (Celtic Tiger)
- Population Growth
- More public servants (+73k to 320k)
- More public services
- Increased pay rates (Social Partnership)
- Pay bill more than doubled to €17.2bn





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Where we were 2008

- Population 5 million
- Public Service 320,000 (fte)
- 16% labour force (OECD avg 18%)
- Pay bill €17.2bn (third Govt expend)
- 10.1% GDP over 2006-16 [EU 28 avg 10.4%]
 - Civil Service/Ministries 35k
 - Health 130k
 - Education 90k
 - Local Government 30k
 - Security (Army/Police) 25k
 - State Agencies 10k



Economic Crash 2008/9

- International Financial Crisis
- Irish Banks: easy credit for Construction boom
- State finances dependent on narrow tax base

Construction Crash

- Fall in tax base
- Rapid rise in welfare costs
- State guarantee of bank debts
- Financial Bail-out end 2010: IMF/EU/ECB
- Political Fall Out: 2011 election

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International Financial Crisis
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Construction Crash
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Burning Platform: Troika

TROIKA: *IMF, EU, ECB*

- Pay (and Pension) cuts*
- Longer Working Hours
- Reduced Annual Leave
- Expenses cut
- Reduced pay & pensions for new recruits
- Move to centralised Shared Services

**FEMPI: Financial Emergency Measures in the Public Interest*



Reducing Numbers employed



- **Government Decided (2009):**
- **Stop Hiring!**
 - Moratorium on Recruitment and Promotion
 - Other Management Options
 - Stop doing that work
 - Reorganise
 - Redeploy
 - Exceptions
 - Front Line: Health, Education
 - If Business Case made
 - **Decision making highly centralised**



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Exit Tools

- ICB: Incentivised Career Breaks (paid third of minimum clerical pay)
- ISER: Incentivised Scheme of Early Retirement (over 50s allowed retire without actuarial reduction)
- Targetted VR: Voluntary Redundancy: up to 2 years pay. No pension
- **NO Compulsory Redundancies**





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Outcomes 2008/2014

- Public service numbers reduced to 290k (-9%)
- Pay Bill reduced to €13.8bn
- €3.4bn reduction (20%)
- Improved productivity
- Stable industrial relations
- New service delivery models (eg Online)
- Shared Services
 - Complex – cultural differences – investment needed





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Rationalising State Agencies: classifications

- Government Departments/ Ministries
- Government (Technical) Offices
- Regulatory Offices
- NCSA: Non-Commercial State Agencies
- CSB: Commercial State Bodies





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Principles for Rationalising

- Citizen Focus
- Policy Formulation (->Government)
- Specialist Agencies
- Streamlining
- Sharing services: Sectoral
- Agency life-cycle
- Performance focus
- Respect Staff interests



Initial Difficulties



- Specific employment contracts
- Different Grades and Pay rates
- Different conditions of employment
- Different career paths



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Redeployment Agreement

- Unions agreed to
 - **Redployment (within 45km)**
 - Protect basic pay/pensions ONLY
 - Local negotiations
- No Compulsory Redundancies

OUTCOMES

- Simplified administrative landscape
- Efficiencies and Savings - €24m (after 5 years)



Agency Mergers: Case study

- Legislation to merge Transport bodies
- Very different bodies:
 - Regular NCSA [Grades & structures]
 - (Semi) Commercial body [personal contracts]
- Structures – Cultures
- Parties involved
 - Government Departments
 - Agency Managements (2)
 - Staff interests (2)



Process

- Independent Chair
- Set Piece Openings
- Sidebar meetings
- Papers circulated
- Critical issue: what does it mean for me?



Issues to be Resolved

- Pay Rates
 - Grades
 - Titles
 - Who reports to who?
 - Car parking
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- WHAT ABOUT MY APPLE?





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Lessons Learned

- Never waste a crisis!
- Cudgel beats rapier Every time
- Passive Resistance: Everywhere!
- Unexpected allies
- Mergers: labour intensive
- Be creative





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Questions?

