



Permanent Defence Force Pay and Conditions

A Model of Reform in the Public Service

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Introduction

PDFORRA is strongly of the view that soldiers, sailors and aircrew have made their contribution to the budgetary crisis that is facing the State and the people of Ireland.

This submission makes this case – and grounds it on the pension levy; the pay cuts; the earnings of members of the Permanent Defence Force (PDF) in comparison with private sector equivalents; the reform process undertaken in the Defence Forces; the very small GDP spend on Defence; the impact of the Public Service Moratorium on Recruitment and Promotion; the implementation of the McCarthy report and the inherent efficiencies and flexibilities of the Defence Forces.

The submission concludes that no evidence exists that members of the PDF are paid more than their private sector counterparts. Indeed, the impact of the public service pension levy and pay cuts suggests that PDF members may be earning less than their private sector counterparts.

It also concludes that a large part of the McCarthy's recommendations were met by the PDF before the Government met to announce its 2010 budget and that the target of 6.85% of cuts was broadly met in the PDF before 2010.

Given these facts PDFORRA contends that the January 2010 pay cuts should not have been applied to the Defence Forces and recruitment and promotion should re-commence immediately.

Impact of Pension Levy

Members of the PDF receive modest incomes in respect of their work on behalf of the State and the people of Ireland.

Despite this they have, along with other Public Sector workers, paid a significant share of the increased income, health and pension levies to an extent that goes beyond those of other PAYE workers. The following table outlines the impact of the increased deductions in 2009.

Pay	PAYE Worker	Member of the Defence Forces
€31,500	€945	€2,345
€40,953	€1,512	€3,602

Members of the PDF have experienced more than double the deductions that other PAYE workers have undergone. This difference is due to the imposition of a pension levy of

approximately 7.5% on the pay of members of the PDF and other Public Servants. In practice this is a pay cut.

The effect of the pension levy has been to lower the standard of living of members of the PDF and to create real difficulties and hardship. This is particularly the case with those who have taken out mortgages in the last decade and find themselves struggling to continue their payments.

Against this background the pay cuts for members of the PDF were excessive and led to further hardship. It is also the case these decisions took no account of existing reform in the PDF.

Impact of Pay Cut

In January 2010 the pay of members of the PDF was cut unilaterally by Government. Earnings up to €30,000 saw a 5% cut applied; earnings between €30,000 and €70,000 saw a 7.5% cut applied and earnings between €70,000 and €125,000 saw a 10% cut applied. The impact of the cuts on the pay of typical members of the Defence Force is outlined in the following table.

Pay of typical member of the Defence Force	Cut experienced by member of Defence Force
€31,500	€1,612
€40,953	€2,325

Of course these cuts are in addition to the ‘cuts’ already applied through the pension levy and increased health and income levies as outlined above.

The cumulative impact of the pay cuts, pension levy and income and health levy increases has led to a significant increase in PDF members qualifying for Family Income Supplement (FIS) and medical cards.

Defence Forces Pay v Private Sector Comparators

In relation to the argument that members of the PDF, in common with other public servants, are paid more than their private sector equivalents, PDFORRA is clear that there is no evidence that this is the case.

The Central Statistics Office (CSO) in its Public Sector Average Weekly Earnings database calculates that the figure for the PDF in June 2009 as €808.45. However, a pension levy of the order of €40 per week is now deducted from this figure giving a more realistic figure of €768.45 for comparison purposes. This is a modest figure and, of course, the majority of enlisted personnel represented by PDFORRA earn less than this figure. Approximately 50% of soldiers, sailors and aircrew are of Private rank who earn a basic €704.67 per week at the maximum of the scale before deduction of the pension levy. The final matter arising in the comparison exercise is that the post pension levy figures should now be further reduced by between 6% and 7% to reflect the pay cuts.

The CSO in its Average Earnings and Hours Worked for Main Categories of Employees figures calculated that in December 2008 the average earnings for clerical and operative workers were €822.38. This is ahead of the 2009 figures for the PDF and is unlikely to have changed in the interim period.

It is also the case that members of the PDF receive very small payments in addition to their basic pay. In 2008 additional payments represented only 9.5% of the pay bill for members of the PDF. This is very small recompense for service in difficult circumstances including overseas on UN missions in very difficult environments where life and limb are under threat and at sea with the Naval Service in equally difficult circumstances.

Much criticism has been made of the benchmarking payments awarded to Public Servants. In terms of the ordinary enlisted personnel of the PDF it will come as no surprise that over the period covering two benchmarking exercises the increases awarded were only 4% for the overwhelming majority of enlisted personnel.

Finally in October 2009 the ESRI published its Working Paper No. 21 ‘The Public-Private Sector Pay Gap in Ireland: What Lies Beneath? It provides a sub-sectoral analysis of changes in the public-private sector pay gap in Ireland between 2003 and 2006. This paper found that the PDF earned less than their private sector counterparts during the period covered by the analysis. It is highly unlikely that the position has changed since 2006.

In practice no evidence from any source has shown that members of the PDF are paid more than their private sector counterparts. Indeed, the evidence from the ESRI combined with the impact of the pension levy and pay cuts points to members of the PDF being paid less than their private sector counterparts. In these circumstances the pay cuts for members of the PDF should not have been applied.

Defence Force Reform

PDF has undergone fundamental reform and seen its numbers reduced significantly since the 1996 Defence Forces Review Implementation Plan. The numbers in the PDF have been reduced from 12,750 to the current figure of 10,081 which represents a 21% reduction in strength.

	Strength	Loss
<i>DF Strength (1996)</i>	12,750	-
<i>DF Review of Implementation Plan (1996)</i>	11,500	- 1,250
<i>White Paper on Defence (2000)</i>	10,750	- 750
<i>Public Sector Rationalisation (2003)</i>	10,500	- 250
<i>Public Service Moratorium on Recruitment (Nov - 2009)</i>	10,081	- 419
<i>DF Strength 1996 to 2009</i>	12,750 to 10,081	- 2,669

Allied to this was the introduction of contracts providing for shorter periods of service which are linked to performance targets being met at key stages during PDF members career. Organisational structures were fundamentally changed to re-configure the PDF and wholesale re-equipment has taken place – all funded through pay savings.

The new organisation conducts high levels of collective training, continues to provide support in aid to the civil power, has increased the amount of Naval Service (NS) patrol days by 50% with one less ship than initially planned and meets the Government commitment to provide 850 personnel to the United Nations Standby Arrangements System (UNASAS).

The total numbers of barracks have been reduced from 29 to 20 in addition to the disposal of a number of smaller properties and land.

The reform process has been fully implemented and has seen the PDF cut to the bone. In this context pay cuts were not warranted.

Defence Spending as a percentage of GDP

As a proportion of GDP Ireland's Defence spending is lowest among the 27 European Union (EU) member States. Ireland's spend is just over 0.5% of GDP and comes just behind those of Luxembourg at 0.58% and Malta on 0.66%. The EU average for Defence spending as a percentage of GDP is 1.69%. The Irish Defence spend as a proportion of GDP has fallen from 1% in 1997 to just over 0.5% in 2007.

Given the various cuts it is hard to see how Ireland can maintain a credible organisation particularly when compared to other EU member states. It also calls into question the rationality of further cuts in Defence spending.

Impact of the Moratorium on Recruitment and Promotion

The Moratorium on Recruitment and Promotion in the Public Service has seen the numbers serving in the PDF reduced by nearly 500 or 4.9%. In addition, many individuals are carrying out the duties of colleagues who have left that were of equal or higher rank without additional remuneration. As with all public sector organisations subsistence and mileage rates have been cut by 25%.

The cumulative savings from the reductions in overall numbers, the reduction in promotional posts and the cuts in subsistence and mileage will bring the PDF close to the Government's target of a 6.85% reduction in spending for 2010. The cut in pay of PDF members on top of these measures penalised them twice and, assuming the case presented in this document is credible, was totally unjustified.

The McCarthy Report Recommendations for Defence

The main recommendations of the McCarthy Report that impact on the PDF are as follows:

- Reduce the numbers in the PDF by 500 within a 2 to 3 year period
- Extend the time-frame for the NS vessel replacement programme

The recommendation for a reduction in PDF numbers of 500 was achieved (despite PDFORRAs disagreement) by the time the Government delivered its budget in December 2009 through the Public Service Moratorium on Recruitment and Promotion. At this time the authorised strength of the PDF is 10,000 while the actual strength is 9, 800. Despite this

recruitment has not commenced to fill the vacant places and promotion appointments remain unfilled.

The NS vessel replacement programme is already overdue and existing vessels are at the end of their operational lifespan. Members of the PDF continue to operate these aging vessels to a high standard and to exceed commitments in terms of patrol days.

Existing Flexibilities and Efficiencies

The existing conditions under which members of the PDF serve are inherently efficient and flexible. Under the Defence Acts members of the PDF are obliged to render military service anywhere in the State and its surrounding seas - with almost no restriction on the duration of such activities where circumstances demand it. Moreover, extensive service abroad, sometimes in very testing and dangerous circumstances, can be demanded of members of the PDF on peacekeeping, peace enforcement and related training activities.

In contrast with many European states, only one organisation provides military security in Ireland – the PDF. Many other European states have established two organisations to undertake these roles. Of course, having only one organisation reduces the overall cost to the State.

Conclusion

It is clear that through the pension levy members of PDFORRA pay over twice as much in increased tax as other PAYE workers – and that this is, in effect, a pay cut on a group who manage on modest incomes. This has been compounded by the pay cuts which see typical members of the PDF experiencing pay reductions of between €1,612 and €2,325 per annum. In total PDF members have seen ‘cuts’ approaching €4,000 and €6,000 depending on earnings. Moreover, despite suggestions that members of the PDF are paid more than their private sector equivalents, no evidence to this effect can be found. Indeed, the evidence suggests that the contrary may be the position.

The reforms that have been implemented in the PDF have seen numbers drop significantly from 12,750 in 1996 to 9,800 in 2010¹ and have left very little scope for further cuts if the state wishes to retain a credible organisation. Indeed, this position is backed by the very low Defence spend compared to other EU states. It should be remembered that the PDF and its members are organised in such a way that flexibilities and efficiencies not available elsewhere are provided by the organisation as a matter of course.

It is clear that between the Public Service Moratorium on Recruitment and Promotion and other associated cutbacks that the PDF has fulfilled some major McCarthy Recommendations by the end of 2009. Indeed, the Government target of 6.85% of cuts from the pay bill of the PDF by 2010 has been met.

Against this background PDFORRA believes that no case existed for cutting the pay of its members in the PDF and that the moratorium on recruitment and promotion should be lifted immediately.

¹ The Government has set the authorised strength of the PDF at 10,000