ASTI RESPONSE

TO THE

GREEN PAPER ON PENSIONS

> *"The Public Service has a crucial role to play in enabling, bolstering and furthering economic growth in Ireland."* (OECD, 2008 Ireland: Towards an Integrated Public Service, Paris: OECD, p19)

1. The Public Service and Public Service Pensions

This submission is written in response to the Green Paper on Pensions, published in October 2007. Secondary teachers are very concerned at any suggestion that their pensions, and those of their retired colleagues, would be in any way diminished. These pensions are a just reward for a lifetime of teaching service, service that has contributed a considerable amount to the economic and social well-being of the country and its people.

Contrary to much of what is written about the Irish Public Service in the popular press, it is acknowledged that the Irish Public Service plays a vital role in our economy. Also contrary to public perception the Public Sector in Ireland has been *falling* as a proportion of our wealth and out population. While the number of Public Service Employees has increased by 30% in the period from 1995-2007, public sector spending and employment growth have not kept up with population and GDP growth. (Source, ibid. pp20-21) This is the context in which proposals for a dramatic change on the pension entitlements of public servants in general and teachers in particular, must be seen.

Teachers are front-line workers in the public sector, without whose contribution the Irish economic success of the past 15 years would never have taken place. More importantly, if the economy is to recover from the current downturn, investment in education must increase, not decrease. The Green Paper itself refers to the cognisance that must be taken of the "recruitment and retention" of staff. As pensions are deferred salary, any change in the pension regime for teachers is bound to have an impact on recruitment and retention. Moreover, as the numbers of students attending Irish schools is projected to increase substantially over the coming years, the challenge of attracting greater numbers of well qualified and highly motivated graduates into the teaching profession will become greater and greater, Public servants, including teachers, have already given much in relation to their pension entitlements. Reforms introduced in 1995 and then in 2004 have greatly reduced the value of the public sector pension entitlements for new entrants. In addition, the recent report of the Public Service Benchmarking Body discounted any awards given by 12% in order to take into account public service pension provisions.

2. Previous Changes to Public Service Pensions

In 1995 the Minister for Social Welfare introduced, by regulation, revised arrangements which meant that Class D social insurance status no longer applied to teachers. Any teacher appointed (or re-appointed) after 6 April 1995 would have the class A rate of PRSI applied to them. This change had a significant impact on the conditions relating to sick pay, maternity pay and superannuation as it applied to teachers.

From the point of view of the exchequer, these changes reduced the cost to the state of providing pensions to teachers employed after this date.

In 2004 the introduction of the *Public Service Superannuation (Miscellaneous Provisions) Act* introduced further changes in the pension provisions for teachers entering employment after 1 April 2004. The provisions in this act which abolished the requirement to retire on age grounds and the introduction of a standard retirement age of 65 had the effect of increasing the retirement age for newly appointed teachers by a full 10 years.[1]

These measures are, by any yardstick, radical and significant and illustrate the extent to which public sector pensions and the superannuation scheme for teachers in particular, have already been "reformed".

Most recently, The Report of the Public Service Benchmarking Body, published in December 2007, concluded that "...it would be reasonable …to assess the higher cost of public serviced pensions as being 12% of salary…" The body them discounted any putative pay awards to public servants, including teachers, by this amount of 12%. This means that the value of public service pensions has already been discounted by the exchequer and any cost-saving reforms would be an unfair and unreasonable deduction from the lifetime earnings of public servants. As the Irish Congress of Trade Unions has stated in its submission on the Green Paper:

> "*As the salaries of Public Servants have been set following a 12% discount based on the estimated value of the current benefits, it would be completely inappropriate and unacceptable to further alter or erode the benefit structure which was used in making the comparison."*

[1] Teachers who have entered employment since 1st April 2004 can avail of a cost-neutral early retirement option from age 55, but this involves retiring on a significantly reduced pension.

3. The Green Paper on Pensions

The Green paper makes several assumptions which must be questioned. While it is necessary and prudent to make some attempt at projecting the demographic trends in the country, this is a notoriously difficult practice. It is made all the more difficult by the recent dramatic change whereby Ireland has become a country of significant, and fluctuating, net immigration. Furthermore, the projected demographic change in the Green Paper is over a forty year period – far to long to be in any way reliable.

The Green paper also fails to take into account the fact that increases in the cost of public service are due mainly to increases in demand for these public services. Much shorter term demographic projections show that the second-level school student population in Ireland will grow by a staggering 19% over the next eight years.[2] These students will need highly-motivated, well-trained teachers in order to teach them to be the well-educated, flexible workforce that our economy will need. Lessening the lifetime earnings of teachers by decreasing the value of their pensions will have a detrimental effect on the ability of schools to recruit the best graduates.

It would be very short-sighted for any Irish government to take the option of a race to the bottom when it comes to the provision of pensions. The fact that many private sector employers provide no pensions to their employees is to be deeply regretted and the ASTI fully supports the call by the ICTU for the introduction of mandatory pensions in the private sector. However, the suggestion by some in the private sector that the solution to the inequality in pension provision is to reduce the value of public service pensions must be resisted to the full

[2] OECD, 2006, Education at a Glance, Paris: OECD, p162