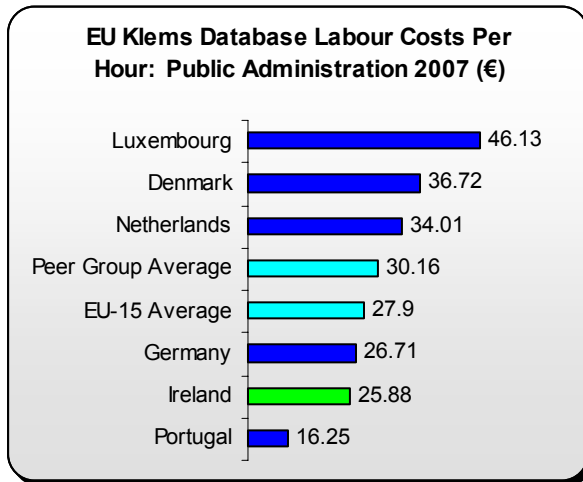


Public Sector Labour Costs Low by EU Standards

Despite commentary that states, without any evidence, that Irish public sector labour costs are one of the highest in Europe – the fact is they are below average.

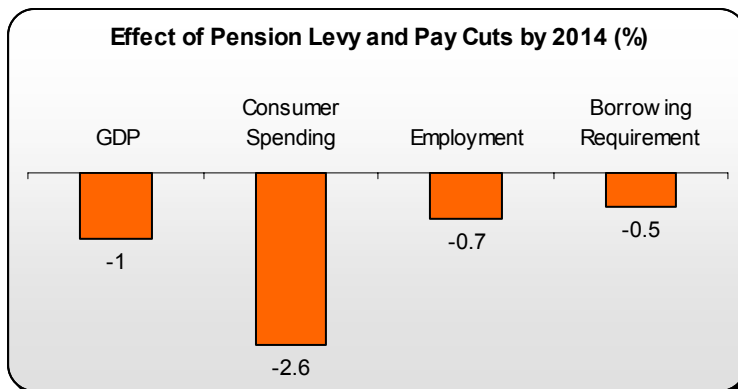


The EU-Klems database shows that in 2007 Irish labour costs in public administration (which makes up about 1/3 of all public sector workers) rank 10th in the EU-15. When compared with our peer group (excluding the poorer Mediterranean countries) Irish labour costs would have to increase by 14 percent just to reach average. Irish labour costs will have fallen further behind following the pension levy and the Budget 2010 pay cuts.

There is no substantiation to the argument that Irish workers are somehow 'costly'. The data shows that Irish public administration workers are paid below average.

Pay Cuts Economically Damaging and Fiscally Irrelevant

Regardless, the Government insists they must cut public sector pay in order to reduce the deficit. The fact is that cutting public sector pay makes little difference to the deficit. However, it is economically damaging - increasing unemployment, cutting consumer spending and putting more businesses to the wall.



ESRI data shows the economic effects of the pension levy and pay cuts by 2014. €2 billion will be cut off economic growth, consumer spending will fall by over €2 billion, and there will be 14,000 less jobs (more unemployment and emigration). And the effect on the deficit?

Borrowing as a percentage of GDP will be reduced by half-a-percent. The government wants to reduce the deficit from -12 percent to -3 percent by 2014 and all the pay cuts will contribute is half-a-percent. After all that damage, the contribution will be fractional.

That is why pay cuts – along with cuts in public sector jobs, social welfare, public services and investment – are economically damaging but fiscally irrelevant.