Northern Ireland Assembly

Committee for Finance and Personnel

OFFICIAL REPORT (Hansard)

Public Service Pensions Bill: Trade Union Briefing

24 April 2013

NORTHERN IRELAND ASSEMBLY

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Members present for all or part of the proceedings:
Mr Daithí McKay (Chairperson)
Mr Dominic Bradley (Deputy Chairperson)
Mrs Judith Cochrane
Mr Leslie Cree
Ms Megan Fearon
Mr Paul Girvan
Mr John McCallister
Mr David McIlveen
Mr Mitchel McLaughlin
Mr Peter Weir

Witnesses:

Mr Harry Baird	FDA
Mr Jim Quinn	Fire Brigades Union
Mr John O'Farrell	Irish Congress of Trade Unions
Ms Nuala O'Donnell	Irish National Teachers' Organisation
Mr Bumper Graham	NIPSA
Mr Martin Toal	UNISON

The Chairperson: I welcome Bumper Graham from the NI Public Service Alliance (NIPSA); John O'Farrell from the Irish Congress of Trade Unions; Martin Toal, representing UNISON; Nuala O'Donnell from the Irish National Teachers' Organisation; Paul Hardy from the Prison Officers Association; Jim Quinn from the Fire Brigades Union; and Harry Baird from FDA.

Mr John O'Farrell (Irish Congress of Trade Unions): Mr Paul Hardy sends his apologies.

The Chairperson: OK. I open it to you first, and we will then take questions from members.

Mr Bumper Graham (NIPSA): In opening, I have a couple of points to make. The consultation date passed, and submissions have been made to the Department of Finance and Personnel (DFP), including the omnibus submission from congress and from each of the unions with its separate submission. We are concerned that the Department of the Environment (DOE) has issued consultation and draft regulations to introduce the revised Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) scheme from April next year, ahead of the Public Service Pensions Bill. The proposals there are predicated on what is in the Bill, namely the move to a career average and the linkage of normal pension age with state pension age. We do not think it appropriate for the Department to do that ahead of the main primary legislation.

We have also raised serious concerns in all the submissions about the inadequate screening exercise that was carried out. En route to the Equality Commission is a letter complaining about DFP's screening exercise, which was, at best, inefficient and, at worst, constructed to arrive at a deliberate decision to screen out the policies. We can see no good reason why it screened those out, because the changes are fundamental. It also failed to pick up information that is available in the various schemes. Those are the main issues since we last met.

Unfortunately, I was not able to listen to yesterday's ping-pong debate because I was caught up in other public service matters, but I hope to check the Hansard report over the next day or two. We need to see the final shape of the Westminster Bill. There is some indication that, not surprisingly, government will reject some of the Lords' amendments.

The Chairperson: We discussed cost-neutral amendments to the local Bill. Are there any specific provisions that the trade unions wish to see in the Bill, particularly in regard to fair deal?

Mr Graham: Yes. Things have gone somewhat silent at Westminster on the three papers issued in November, one of which was on fair deal, and two of which were on the future arrangements for triennial reviews and the Treasury's role in that. As we said in our submissions, we want to see fair deal in the Bill. I do not want to get into the wider debate, but it would be preferable not to have fair deal, as we only have to have it because we face the externalisation of public services to the private sector. However, it is important that it be in the Bill.

The Chairperson: For members' benefit, will you give us a wee overview of that?

Mr Graham: In essence, fair deal provides that when people transfer to the private sector, they can remain with whatever public sector pension scheme they are in. Some of the reasons for that are that a number of private sector contractors do not offer pension schemes that could be deemed to be broadly comparable and that — this is a peculiar point — it is advantageous for some private sector bidders to pay just the costs of scheme retention rather than establish their own schemes.

The Chairperson: Would that apply regardless of length of service?

Mr Graham: Yes. Likewise, and we have experience of this, if someone is on their second, third or fourth contract because company A won the original bid but company B won the re-tendering, it stops people having to have three or four different pension schemes and trying to analyse and measure the value of one pension scheme against another. Our ultimate aim, I suppose, is that when all those services are returned to their rightful place — the public sector — those people can seamlessly continue with their public service pension schemes.

Mr Martin Toal (UNISON): Can I make a point to reinforce fair deal? It came about as a result of negotiations on the mainland under the last Labour Government, and it came out when some of the schemes were changed in 2008, which were supposed to underpin those for the next 25 years. However, we now find that the underpinning seems to be suspect. Along with what Bumper said, it was also meant as a means to protect the scheme itself in order to give some protection to individuals, because the unfunded schemes depend on people's contributions coming in. Those contributions make the scheme dependent because you are bringing younger people in as older people exit; their contributions go in the form of the unfunded arrangement in order to do that. It was a means of addressing some schemes not becoming "cash poor". It was bilateral: it was to offer protection for individuals if they were outsourced or had to change employment for one reason or another, but it was there also as a means to protect the scheme.

The Chairperson: In regards to paragraph 31 of your paper, can you give any more detail on the proposal to establish a review group — similar to that established for the NHS scheme — to examine the increased normal retirement age for various occupational groups across the schemes? What would its status be? For example, would it need to be legislated for? What would the implications be for any recommendations that it might make about lower-than-normal retirement age for some groups?

Mr Graham: There have been very limited bilaterals in Northern Ireland. There were some bilateral discussions in the DOE review group when it was propositioned to establish a group similar to the one for the NHS in England and Wales. Our proposition is that it would make more sense to have a single review group rather than all the schemes here having their own review groups. Part of the propositioning on that goes back to the point that we laboured last time about the impact of increasing the age of retirement and what that could do to ill-health retirements. From an efficiency point of view, we think that a single review group should be established, perhaps on your recommendation, which could look at that across all the schemes rather than multiplying it across the different schemes.

That also feeds into the point we made about the concept of a flexible decade of retirement: some people might be happy to retire earlier; whereas others would be happy to stay on past state pension age. The hope is that it may be cost-neutral. Even if it was not, it gets to the point about the macro-economic situation. Since we were last before the Committee, we have had further work done by the Nevin Institute on the quarterly economic report, which for spring this year concentrated on Northern Ireland. Significant issues of youth unemployment arise out of that report. We can get copies of it for you. If we do not tackle youth unemployment, we will build up big problems for ourselves. We see a correlation between youth unemployment and increasing the age of retirement for public servants, because that will reduce the number of jobs available for our young people in public services. The review group could tie much of that together. It may also be able to deal with the issue that —

The Chairperson: Is there reference to that particular point in the Nevin report?

Mr Toal: There is no specific reference to pensions: it concentrates a fair degree on labour market issues when dealing with youth unemployment in Northern Ireland. However, it goes without saying that if you require public servants to work an extra five, six or seven years, they will be staying in those jobs and will not be creating the vacancies at the other end for young people to take.

The Chairperson: It would be useful for us to get some empirical evidence on that.

Mr Graham: We might ask the Nevin Institute if that is something it can do.

Mr Harry Baird (FDA): I will reaffirm some of the things that Bumper said. My background is in health. Unlike some of my colleagues, I am not a full-time official; I am a lay member of UNISON, trying to do a job in something that is very precious to us. When I look across the boundaries in health and at the colleagues I work with, I find it difficult to reconcile how some of those people would work to 68. When we link the normal retirement age to the state pension age, I think that the long-term objective, certainly of the Government across the water, not our own, is to provide state benefit pension at 70. Before you decide, spend a day working with people in a mental health hospital in your constituency; or work for a day in an intensive care unit to see whether you would be fit and able to cover the demands of those jobs at 68 or 70 years of age. My analysis is that you would certainly not.

At present, people who work in mental health are given early access to go at 55 because it is very difficult to meet the demands posed in that area when you have punched in 30-odd years in that environment. It is a dangerous proposal to link those. In the Department of Health, there are jobs that are not your ordinary nine-to-five office jobs that you may well be able to do until you are 68. The demands and dynamics in health are very different.

Ms Nuala O'Donnell (Irish National Teachers' Organisation): Nobody wants their children to be taught by somebody who is 68 or 70, and there are very good reasons for that. Dealing with young children or teenagers becomes more difficult as you get older. It is well known that there is a lack of opportunities for young teachers to get jobs. If teachers have to remain in post because they cannot retire, or cannot afford to retire, and if there are actuarial reductions before those ages, there will be fewer jobs for young teachers, and we will have more problems with the ill health of teachers, as was mentioned earlier. It is incredibly difficult, particularly when you are dealing with very young children and teenagers. Teenagers will exploit older teachers. There are many issues that need to be taken into account. The linking of the normal retirement age to the state retirement age is the major problem, because if it is not linked, it leaves the flexibilities in the schemes to look at what is appropriate for each scheme, as opposed to the linking of it taking away that flexibility.

Mr Graham: I did not get the chance to follow yesterday's debate in Westminster, because I was defending public servants in the annual witch-hunt against them that follows the Audit Office report on absenteeism. There is a linkage because if we raise the normal retirement age, trends will, over time, worsen rather than improve, as there is clear evidence that absences, particularly long-term absences, are greater among older people. Martin mentioned some of the illnesses and industrial injuries that people pick up. I will probably have a new bow to use when the annual witch-hunt report comes out.

Mr Mitchel McLaughlin: For me, the discussion nearly circles around paragraph 27 in the omnibus submission.

As with welfare reform, we are an Assembly that does not have full fiscal authority, so, in that sense, it is more of an administration than a government. It is a question of dividing a cake that is baked by someone else as equitably as we can. Often, what confronts us, as with this particular issue, is what areas of programme funding would you shut down to finance a local response to what has been developed at Westminster? It is simply to state the facts and to explore what we can do about that. I share the cynicism or the scepticism about some of the figures that are produced to scare politicians here when looking at the range of options and developing local solutions to local problems.

Mr O'Farrell: There is a point to be made on that, which dates back to the Executive's original decision to proceed with this idea at a meeting in March 2012. As I am sure you are all aware, the issue had been put on the agenda of the Executive for two meetings, but it had not come up, so the Finance Minister invoked a “three strikes and I'm in” rule whereby it had to be discussed. There is an issue of the willingness to have it discussed in the first place.

The second question, therefore, is what information did the Executive have before them when they made that decision? Since we last met the Committee, we have received a paper from the Government Actuary's Department estimating how it came to the now legendary £262 million a year figure. There is a serious flaw with that on two levels. One is the actual calculation, and Martin Toal may shed some more light on it because it was based on one scheme — the health scheme — and extrapolating it out. There are problems when you try to extrapolate that.

Mr Mitchel McLaughlin: It was very well described.

Mr O'Farrell: I am glad that the Committee is clear on that. A second concern, which arose during negotiations, was how much information the Executive had when they decided to proceed. If their decision was based on a flawed prospectus, the complication is that the Executive have decided to proceed with it, so we are going to proceed with it. That is the catch-22 that we are in at this stage in negotiations, and it is a major problem. Therefore, the Committee should examine the case for introducing this legislation lock, stock and barrel. It is an issue on which a degree of railroading is going on.

As Bumper said, NILGOSC is now looking at regulations, which, to put it politely, is jumping the gun a little. Our concern is that the Committee, the Assembly that you are all elected to, the Executive and the 250,000 people who will be directly affected by this are being railroaded based on inadequate information. The Committee has a role in taking a very strong look at the primary legislation as it goes through the Assembly. However, the secondary legislation — the regulations — are of key importance.

Mr Graham: You mentioned the cost. John has dealt with the fiction that is the £262 million figure. It goes back to the point that I made about the impact on youth unemployment. Youth unemployment is costing Northern Ireland £300 million. If we can open some job opportunities to young people, there will be a saving on the £300 million. As it says in the quarterly report, and we will provide it to you, there is not just the immediate £300 million cost as a consequence of youth unemployment. You will find that if people do move into employment, it is short-term and poorer-paid employment, and there is a wage scar that lasts 20 or 30 years.

I accept your point. This is an imperfect place, particularly because of the way in which the funding aspect is dealt with. We are constantly being asked the question: "what are you going to take from x to give to y?". Here is an example of where there is an opportunity not to give up anything from people's existing pension rights but to create labour market opportunities for young people. Youth unemployment in Northern Ireland is one of the greatest issues that we have to face.

Mr Mitchel McLaughlin: What I was trying to tee up was a little short-circuited. I think that we can rightly be suspicious of the figures presented to us. One of the reasons why the issue was not taken up when it was first put on the agenda for the Executive had more to do with the fact that it was still a work in progress as far as Westminster was concerned, and there was an argument that it was premature and that we did not know what the final outcomes would be, and that any economic modelling we did could be affected by changes or amendments that emerged in that process.

Setting that aside, is there a case for the trade union side either to produce its own macroeconomic analysis, so that we can have a common ground discussion, or to propose that the Executive and the trade union side collaborate on that approach and establish agreed thresholds and benchmarks to take this forward?

Mr Graham: We had hoped that, by raising the matter with you and in our submissions, somebody would pick up the baton. If they were to do so, we would be more than happy to work with them in providing an outcome to that research. If that is not going to happen, we would have to look seriously at whether we could commission somewhere such as the Nevin institute to do a piece of work for us.

Mr Mitchel McLaughlin: Would you consider it tactically better to suggest that there is a joint approach between the Administration here and yourselves? If that were rejected, you would move to the option —

Mr Graham: That would be our fallback.

Mr Mitchel McLaughlin: OK. Perhaps our Committee will consider —

Mr O'Farrell: That would be worth doing. We could not really do it on our own because we would not have access to, for example, the full set of figures.

Mr Mitchel McLaughlin: That is why I am suggesting what I am suggesting.

Mr O'Farrell: Speaking of figures, I would like to make a small point in relation to some of the points that Bumper made. I came across an interesting figure last week when looking at some UK-wide figures for graduate employment. As you are aware, Northern Ireland is quite proud of the fact that we have a much higher rate of people attending higher or further education than there is in most other parts of the UK. At the same time, we have a concern over what is popularly known as the brain drain. This is the interesting part of the figure: roughly 35% of the population of Northern Ireland has a degree or diploma. However, of all the jobs in Northern Ireland, only 25% are at graduate level. That is an interesting cut. Where do the graduates go? They go either into jobs for which they are overqualified or they go elsewhere.

It is worth noting — and this is why I am raising the point under this particular concern to do with the public sector — that the public sector is the main employer of graduates in Northern Ireland. Compared to the UK, and certainly compared to London, there are very few graduate jobs in our private sector. Something like 75% of all graduate jobs in the UK are based in or around London, and particularly in the corridor between London and Cambridge. The remaining 25% of private sector graduate jobs are scattered throughout the rest of the UK. Northern Ireland, as I say, has a shortfall. So, not only are we talking about young people not getting an opportunity to get public sector jobs, we are actually talking about fewer young people getting quality jobs; in other words, keeping our graduates here.

It is not enough to employ young people in Northern Ireland in jobs that do not pay very well and do not have great career prospects. The danger is that we are removing another layer, on top of things such as the recruitment freeze that has been operating in the public sector for the past four years. We are adding to the complex issues and the long-term problems that are coming out of the brain drain.

Mr Toal: I will try to evaluate this from a layperson's point of view. I am not an actuary or a professional on this, but I will give you some of the dynamics involved. If I were going to analyse the figures, I certainly would not predicate it on the health scheme. It is not that the health scheme is any more difficult than the other major schemes, but the diversity and background in health makes it so different. It is such a difficult area to deal with.

Some of my colleagues may have briefed you on this, but when you look, as we have under Agenda for Change, at where people lie in the banding structure, the majority of health staff lie in bands 1 to 5. They are the domestic workers and porters through to the first-line health professionals such as nursing staff or allied health professionals. That is where the bulk of staff lie.

You then have the other dynamics: the senior managers and the medics. Every medic coming into the health service will have in their mind the objective of becoming a consultant by the time they retire.

The promotion increase for those people does not appear in any other sphere in the public service, nor does the money attached to it. So, you have a distortion when it comes to increases.

I remember being party to the changes that took place in the health superannuation scheme in 2008, and I remember the very same people who predicated this information to you saying that the changes made in 2008 made the health scheme sustainable and viable. Now, all of a sudden, we have that viability torn up and its sustainability removed. We now have a document, and it spooks me, too, Mitchel, because I see £262 million that may have to veer from some other area of public service.

While I was talking to the security guy outside, I was doodling about what this means in layperson's terms. Remember, the vast majority of the people in bands 1 to 5 are female. They are never going to have a full pension, and the majority of them are never going to work on a full-time basis because of obvious family commitments and having to take time off. So, there are two things that challenge the figures for the people in bands 1 to 5. For band 1 workers — the people who sweep, clean and brush our hospitals — the final point of the scale is about £15,000. That person will generally work 20 hours a week. However, let us say that they did work the full 40 hours: they would likely get a pension of about £4,000 a year. If they did not take that pension and got pension credit, the pension credit would probably be about £2,500 had they not opted into a pension scheme in order to put their money into it in the first place. This is the stark reality. Remember, most of these people are not going to see the promotional increases that other members in the health service see: they are not going to see the stratospheric figures that consultants see at the end of their medical careers. Most band 1 workers, who sweep and clean your hospitals, exit as band 1 workers with £4,000, if they have worked 20 hours a week for the full 40 years. That gives you some dimension.

These figures do not tell the whole story. Certainly, there is as much subterfuge lying under these figures as there is reality, because the people whom I represent, who are at the lowest end of the scale and who are getting the short end of the stick, do not see that being translated into their pay. A band 5 nurse is unlikely to work for 40 years: I have yet to meet many female staff who have exited with a full salary pension and have worked full time for 40 years. You are looking at a pension of about £6,500 or £7,000 for someone who has maintained life and limb and who has physically done all the things that people do in that sphere of work. That is the reality of it. I cannot translate these figures to some of the people whom I know in the branch that I represent. It is very difficult to see through the mist and see where some of this goes.

It looks so clear-cut when it is put like this: the overall pay bill in health sits at £1·5 billion; take 7% of that, and, all of a sudden, you will have £100 million; then, translate that to every single public service pension. It is such easy economics. These people are smarter than that. They should be made more accountable for how they got to that figure, given the reality that most of you will know from relatives or constituents who work in these areas. It is not just me, Martin Toal, telling you this. I am sure that your constituents will tell you this as well.

The Chairperson: With reference to equality, Martin mentioned the effects on female workers. Some have highlighted the situation pertaining to female firefighters and the fact that that has been screened out with a full equality impact assessment (EQIA). Can you give us any other examples, other than that of the firefighters, that might be flagged up during the full EQIA?

Mr Graham: We raised various issues in a number of submissions. One of the section 75 groups that we have concerns about are ethnic minorities who, like a lot of people, probably fall into lower-paid, part-time types of occupations. It is those groups of people who tend not to join pension schemes. Pensions are complex even for those of us who spend part of the day every day on them. It is much more complicated for people who do not have English as their first language to try to get through all the documentation involved with pension schemes. We pointed that out in the submission. There are also some general age implications with the various schemes and the specific cases that have been mentioned, such as the firefighters.

We fail to see how any fair and reasonable person could come to the conclusion that this has no section 75 implications. It is another classic case of DFP working backwards. It started with the decision that it wanted and then tried to fill in only some of the gaps. It was, at best, negligent in its work.

The Chairperson: Bumper, has the Department given any commitment to examine the feasibility of any of the proposals that you outline in the document?

Mr Graham: We have had two sessions. We have not made much progress, if any, in those two sessions. The Department still refuses to accept that pensions, as deferred pay, are a matter for negotiations. Minister Wilson got it wrong in an answer to an Assembly question when he stated that they will not negotiate on pensions because they are not pay. Every legal definition states that pensions are deferred pay.

Mr Cree: I have wee point on the fair deal, which is interesting. Bearing in mind that final salary schemes are virtually extinct in the private sector, who do you see paying the employer contribution if sections of people transfer to the private sector?

Mr Graham: If a private sector company wants to bid for and take on public service work, it has to take on the totality of the responsibilities that come with taking on that work. As part of the bid price, the company would be provided with information on the actuarial costs for the workforce and then have to build those in. As I said earlier, this is likely to be cheaper for the company than having to provide pensions and/or deal with the current situation. If the company runs a project — say it is a five-year contract — and it gets admitted body status to the local government scheme, its contribution rate would be higher than the vast bulk of the employers because it knows that it is a short-term arrangement. It would then also have to have a guarantee that, if it lost the contract at the end of the five years, it would pay a significant lump sum to meet future and contingent liabilities. If the contract passes to company B, the contributions are still being made, so the future and contingent liabilities do not arise.

Mr Cree: It may well be, of course, that those companies have a pension scheme that is cheaper to them. You treat it really as a non-cost to the business. You have not thought of the likelihood of some sort of ongoing subsidy.

Mr Graham: I do not consider public services as being a business for capitalist fat cats to make profit out of.

Mr Cree: Surely that idea is a bit old-fashioned.

Mr Graham: Not really. I heard Nigel Smyth yesterday saying that it is good enough for the public services to apply the same sick-leave conditions that apply in Great Britain. If it is good enough to apply those conditions, surely we should have consistency and he should not be running around looking to get corporation tax at 12·5%.

Mr Cree: I would like to continue this, but obviously — *[Laughter.]*

The Chairperson: OK, folks. Thanks very much for that.