



**An Roinn Caiteachais  
Phoiblí agus Athchóirithe**  
Department of Public  
Expenditure and Reform

## **Costs associated with new entrant employees to the Civil Service**

John Pender & Áine Chambers

## **DISCLAIMER**

This paper has been prepared for the purpose of the 2021 Spending Review process. It may not be suitable for use in any other context, for any other purpose or by any other party; we accept no responsibility for any such use. Any reliance placed on this material for another purpose, or by other parties is entirely at their own risk. This material should not be shared with any third party unless agreed in writing.

The material in this paper is based on membership data provided to the Department of Public Expenditure and Reform (the “Department”) as at 31<sup>st</sup> December 2020. In preparing this material, the Department has relied upon data supplied by third parties. Whilst reasonable care has been taken to gauge the reliability of this data, the Department provides no guarantee as to the accuracy or completeness of this data, and the Department accepts no responsibility and will not be liable for any errors or misrepresentations in the data made by any third party.

The actuarial work involved in the preparation of this material complies with the guidelines set out by the Society of Actuaries in Ireland in Actuarial Standards of Practice PA-2, (“ASP PA-2”). For the purposes of ASP PA-2, the “user” of this material is the Department. There are a number of limitations to the analysis which are set out in Appendix E.

# Table of Contents

<b>1. EXECUTIVE SUMMARY .....</b>	<b>4</b>
<b>2. BACKGROUND .....</b>	<b>7</b>
New entrants to the Civil Service.....	7
New entrants in the context of retirements & growth in workforce .....	8
Purpose of paper .....	9
<b>3. CAREER PROGRESSION .....</b>	<b>10</b>
Data .....	10
Methodology & Assumptions .....	10
Results.....	10
<b>4. LIFETIME COSTS OF NEW ENTRANTS.....</b>	<b>12</b>
Data .....	12
Methodology & Assumptions .....	12
Results.....	13
<b>5. FUTURE NEW ENTRANT EMPLOYEES.....</b>	<b>15</b>
Projected retirements from the Civil Service 2022 – 2031 .....	15
Growth in the Civil Service workforce.....	16
Future new entrant costs .....	17
<b>6. CONCLUSIONS .....</b>	<b>18</b>
<b>7. APPENDICES .....</b>	<b>19</b>
Appendix A – Grade names .....	19
Appendix B – Graphical presentation of lifetime costs .....	20
Appendix C – Summary data on active employees.....	21
Appendix D – Summary of pension scheme rules .....	22
Appendix E – Limitations .....	23

## 1. Executive Summary

- 1.1. This paper provides an estimation of the average life time costs associated with new entrant employees to the Civil Service with the purpose of aiding the strategic management of our public expenditure. An estimation of lifetime costs provides a useful alternative to existing measures of employee costs by highlighting the long term spending implications of recruitment.
- 1.2. Specifically, an analysis of career progression is carried out and the costs associated with new employees, throughout both their working and retirement years, are estimated.
- 1.3. Average one year employee costs, taking career progression into account, are also estimated and presented alongside those devised from the parameters set out in the Department of Public Expenditure and Reform's Public Spending Code (Central Technical References and Economic Appraisal Parameters).
- 1.4. This paper also projects the number of new entrant employees across the Civil Service, including the Prison Service, over a 10 year period. An estimation of new entrant numbers, and associated costs, was carried out by projecting retirements from active service and growth in the Civil Service workforce itself over future years. The results presented are projections, not forecasts, which should be reviewed in light of updated data available.

### Main Findings

#### Career Progression

- 1.5. The career progression of individuals who came into the Civil Service on standard entry level grades after 10 years' service is set out in Table 1.1 below. For example, 60% of all those who entered the Civil Service as a clerical officer ("CO") remained as a CO, 26% progressed to an executive officer ("EO"), 10% progressed to higher executive officer ("HEO") and 4% progressed to a variety of other grades by year end 2020.

**Table 1.1 Career progression of all Civil Service employees with >10 years' service**

Entry Grade	Grade at 31 December 2020			
	CO	EO	HEO	Other
CO	60%	26%	10%	4%
	EO/SO	HEO	AP	Other
EO/SO	69%	20%	8%	3%
	AO	AP	PO	Other
AO/AO Equivalent	51%	37%	9%	3%

- 1.6. A number of career paths were identified from the analysis of career progression in order to estimate the average lifetime costs associated with new entrants to the Civil Service. Specifically, for each entry level grade, the same career progression data was used to proxy a 40 year career path for each grade considered.

#### Lifetime costs

- 1.7. The lifetime costs associated with recruitment of new entrants to the Civil Service were estimated by projecting salary, overhead costs, employer PRSI and retirement benefits. Annual employee contributions payable under the Single Scheme and Additional Superannuation Contributions ("ASC") were also projected over the 40 years.
- 1.8. The estimated life time costs associated with recruitment of new entrants to the Civil Service are set out in table 1.2 overleaf. The overall cost ranges from €2.36m for a new entrant CO to €2.96m for a new entrant EO/SO and to €4.05m for a new entrant AO/AO equivalent.

**Table 1.2 Estimated life time costs in the Civil Service**

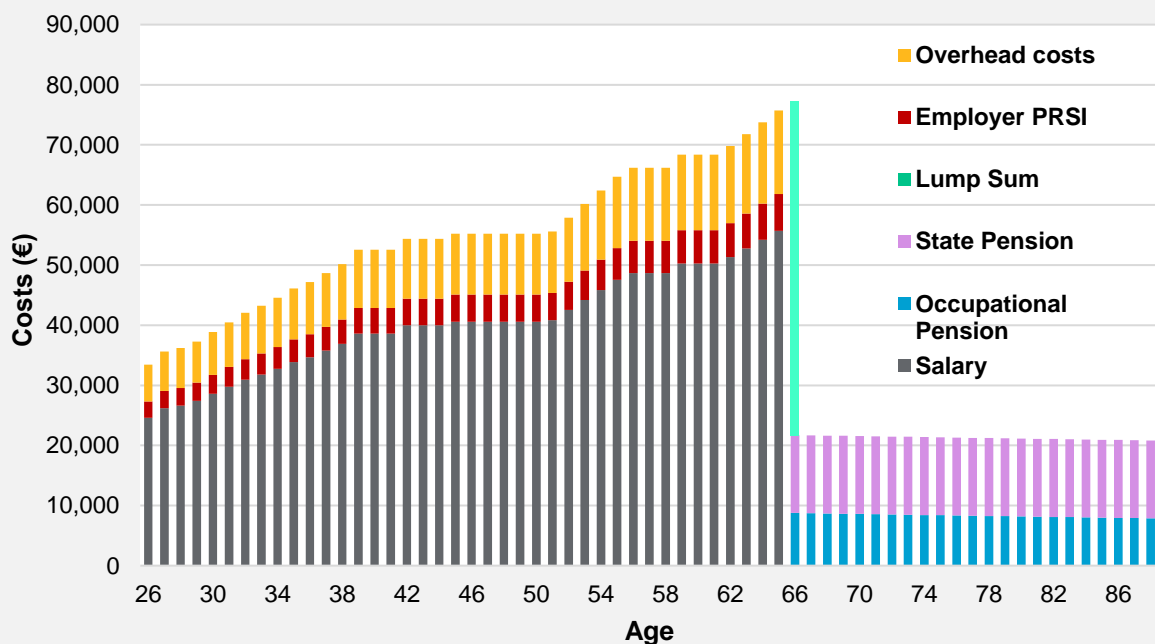
Entry grade	Lifetime Costs in € millions				
	Salary	Overhead	Employer PRSI	Pension & Lump sum*	Total**
CO	€1.61	€0.40	€0.18	€0.17	<b>€2.36</b>
EO/SO	€2.02	€0.51	€0.22	€0.21	<b>€2.96</b>
AO/AO equivalent	€2.73	€0.68	€0.30	€0.34	<b>€4.05</b>

\*Net of employee contributions under the Single Scheme and Additional Superannuation Contributions.

\*\*Annual costs over a 40 year career are shown in Table 1.4.

- 1.9. The estimated average lifetime costs associated with a new entrant CO to the Civil Service are shown graphically in Chart 1.1. The State Pension Contributory is also included on this graph for the purpose of illustrating the member's expected retirement benefits; however, this cost is not included in the lifetime costs set out above in Table 1.2.

**Chart 1.1 Lifetime costs - Civil Service - New entrant CO**



#### Future new entrant employees

- 1.10. The number of future new entrant employees, and associated costs, will reflect both retirements from active service and growth in the size of the Civil Service workforce itself over future years.

#### Projected number of retirements

- 1.11. The projected cumulative number of retirements from the Civil Service over the period 2022 to 2031 is approximately 16,545.
- 1.12. A compositional analysis shows that a large proportion of current POs (52%), HEOs (47%), EO/SOs (44%) and APs (34%) are expected to retire over the next ten year projection period.

## Growth in workforce

- 1.13. A projection of new entrant numbers to the Civil Service allowing for both projected retirements and an assumed growth in the workforce over the coming decade is set out in Table 1.3. The future growth in the overall Civil Service workforce was assumed to be consistent with recent growth experienced since 2014, i.e. 3.36% p.a.

**Table 1.3 Projected new entrant numbers from 2022 to 2031**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Projected New entrants</b>	3,330	3,226	3,301	3,431	3,494	3,614	3,569	3,439	3,451	3,541

## Future new entrant costs

- 1.14. The average employee costs, as outlined in the Public Spending Code, and using the estimated life time costs are set out in Table 1.4. These figures suggest that employee costs are significantly higher when an allowance is made for career progression in the Civil Service.
- 1.15. While the public spending code may be appropriate for the purpose of project appraisal, consideration of average employee costs, taking future career progression in to account, is important for understanding the long terms cost implications of recruitment.

**Table 1.4 Average employee costs per annum**

Entry grade	Average cost per annum	
	Using Public Spending Code	Using Life time costs
CO	€49,364	€59,006
EO/SO	€64,870	€74,140
AO/AO equivalent	€51,883	€101,482

- 1.16. The costs associated with projected new entrant numbers in year one of recruitment, using the life time costs, is set out in Table 1.5 below. These figures suggest that one year costs of between c. €228m and €255m will be incurred in respect of projected new entrant employees over the next decade. Accordingly, the cumulative costs associated with new entrant employees will become increasingly significant over time.

**Table 1.5 Projected 1 year cost of projected new entrants to the Civil Service in millions**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Projected year 1 cost*</b>	€235	€228	€233	€242	€247	€255	€252	€243	€244	€250

\*Full year costs [based on averages]

- 1.17. As future new entrant employees reflect not only growth in the workforce itself but also retirements, it is important to highlight that these projected costs do not make an allowance for any potential cost savings that will arise from a proportion of new entrants likely entering the workforce on lower salaries than those they are replacing.

## Conclusion

- 1.18. The costs associated with new entrant employees, over their working and retirement years, represent a significant and long term element of expenditure for the Exchequer. Accordingly, this paper highlights the importance of managing new entrant numbers to the Civil Service to ensure a public service pay and pensions bill that delivers continued value for money for the public.

## 2. Background

- 2.1. The progression of the Civil Service pay and pension bill is an important expenditure consideration for the State. In 2020, there were 44,102 active employees and 27,406 former employees (in receipt of a pension) in the Civil Service.
- 2.2. Notably, there exists uncertainty around the long term progression of the Civil Service pay and pension bill, particularly in light of the significant recruitment of new entrants to the workforce in recent years.

### New entrants to the Civil Service

- 2.3. There has been a significant number of new entrant employees to the Civil Service following the lifting of a moratorium on public service recruitment in 2014.
- 2.4. Approximately 15,030 employees, or 30% of the workforce, at year end 2020 were recruited over the period 2014 to 2020. The average age of all such new entrants was 36.3 years at date of entry, with 54% female and 46% male.
- 2.5. A compositional analysis of new entrants show that a large proportion of employees entered the workforce as Clerical Officers/Temporary Clerical Officers (62%), Executive Officers/Staff Officers (13%) and Administrative Officers (10%).
- 2.6. A breakdown of new entrant employees by grade, as a % of all new entrants to the Civil Service from 2014 to 2020, is set out in Table 2.1.

**Table 2.1 Breakdown of new entrants by grade**

Grade <sup>1</sup>	% of total new entrants 2014 - 2020
Clerical Officer/Temporary Clerical Officer	62%
Executive Officer/Staff Officer	13%
Administrative Officer	10%
Assistant Principal	7%
Higher Executive Officer	2%
Principal Officer	1%
Other <sup>2</sup>	5%

- 2.7. A breakdown of new entrant employees by department, as a % of all new entrants in the Civil Service from 2014 to 2020, is set out in Table 2.2.

**Table 2.2 Breakdown of new entrants by department**

Department	% of total new entrants 2014 - 2020
Social Protection	14%
Revenue	13%
Justice	12%
Garda Civilians	9%
Agriculture, Food and the Marine	7%
Public Expenditure & Reform*	7%
Prisons	5%
National Shared Services Office	4%
Education	4%
Foreign Affairs	4%
Housing, Local Government & Heritage	3%
The Taoiseach	3%

<sup>1</sup> A complete list of all grades, and their abbreviations, referenced in this paper are set out in Appendix A.

<sup>2</sup> 'Other' includes Assistant secretaries and those with an unknown grade.

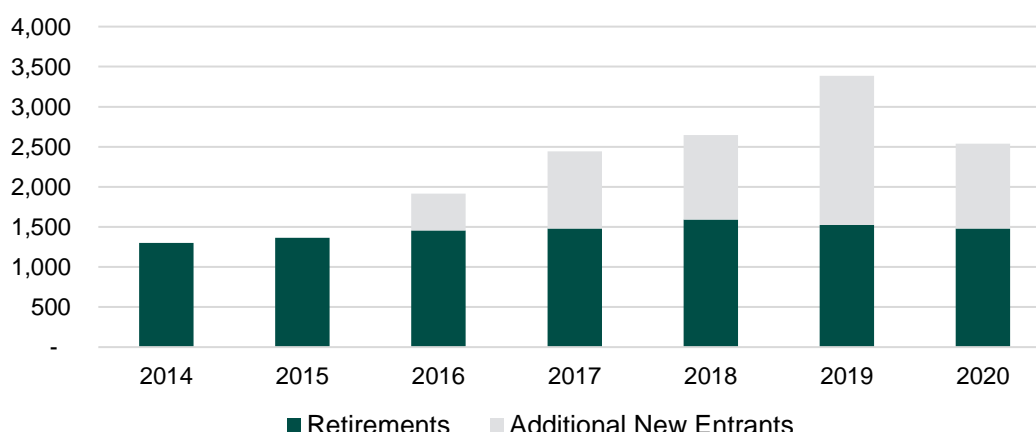
Finance	2%
Health	2%
Transport	1%
Enterprise, Trade & Employment	1%
Tourism, Culture, Arts, Gaeltacht, Sport & Media	1%
Environment, Climate & Communications	1%
Children, Equality, Disability, Integration & Youth	1%
Defence	1%
Rural & Community Development	0%
Other	3%

\*Includes other bodies e.g. Office of Public Works, Office of Government Procurement and Public Appointments Service.

### New entrants in the context of retirements & growth in workforce

- 2.8. The significant number of new entrants to the Civil Service from 2014 to 2020 reflects both retirements from active service and growth in the size of the workforce itself over the period.
- 2.9. There has been a significant number of retirements from the Civil Service each year, reflecting the ageing demographic profile underpinning the work force. The total number of pensions in payment in respect of the Civil Service increased from 21,128 in 2014 to 27,406 in 2020, or 30% over the period.
- 2.10. There has also been considerable growth in the size of the Civil Service workforce with the total number of active employees concurrently increasing from 36,172 FTE in 2014 to 44,102 FTE in 2020, or 22% over the period. The average growth rate in the Civil Service workforce from 2014 to 2020 was thereby calculated as 3.36% p.a.<sup>3</sup>
- 2.11. The number of active employees and pensions in payment collectively has therefore increased from approximately 57,300 to over 71,500 over the past seven years.
- 2.12. An analysis of new entrants in the context of retirements shows there has been a significant number of new entrants over and above the number of retirements each year from 2016. Chart 2.1 shows the number of retirements and additional new entrants (where applicable) from the year 2014 to 2020.

**Chart 2.1 Number of retirements & additional new entrants 2014 to 2020**



<sup>3</sup> This level of growth in the Civil Service is broadly comparable to an average growth rate of 3.18% p.a. in total employment in the Irish economy from Q1 2014 to Q1 2020, according to a Labour Force Survey Employment Series produced by the Central Statistics Office.



### **Purpose of paper**

- 2.13. An understanding of the costs associated with new entrant employees is pertinent to the strategic management of public spending and to appraisals of public sector reform proposals.
- 2.14. A framework for estimating public sector employee costs is set out in the Department of Public Expenditure and Reform's Public Spending Code (Central Technical References and Economic Appraisal Parameters) which is for use in financial and economic appraisals; however the long term, or lifetime costs, associated with typical career trajectories of Civil Service employees is not readily available.
- 2.15. This paper considers the average lifetime costs associated with new entrants to the Civil Service. Specifically, an analysis of career progression is carried out, career paths are identified and the costs associated with new employees, throughout both their working and retirement years, are estimated.
- 2.16. This paper also projects the number of new entrant employees across the Civil Service, including the Prison Service, over a 10 year period. An estimation of new entrant numbers, and associated costs, was carried out by projecting retirements from active service and growth in the Civil Service workforce itself over future years.

### 3. Career progression

- 3.1. An analysis of career progression was carried out in order to estimate the average lifetime costs associated with new entrants to the Civil Service.

#### Data

- 3.2. Individual member data on active employees in the Civil Service as at 31<sup>st</sup> December 2020 was extracted from the Department's Human Resource Management System (HRMS).
- 3.3. Checks on the reasonableness of the data were carried out, and minor adjustments were made accordingly. For example, individuals with a FTE decimal of zero, a FTE salary of less than €20,000, negative pensionable service or blank entries for date of birth were excluded from analysis. For a small number of individuals, blank entries for gender were assumed to be female<sup>4</sup> and pension scheme type was worked out based on date of entry to the workforce.
- 3.4. A final data set pertaining to 42,525 active employees, or 96% of the Civil Service workforce, formed the basis of the analysis.

#### Methodology & Assumptions

- 3.5. Career progression is a function of a wide range of factors, most notably the number of years' service worked by employees. As such, recent new entrants to the Civil Service were excluded from analysis, and available promotional data in respect of employees with at least 10 years' service was used (25,173 individual records).<sup>5</sup>
- 3.6. Employees' age was not taken into account when determining the appropriate dataset as the data showed a significant generational trend in respect of promotions in the Civil Service. That is, those in new entrant grades were shown to be experiencing promotions at younger ages in recent years than was the case in the past and thus inclusion of those of all ages (with 10 years' service) was considered important to capture the most recent trends.
- 3.7. Career progression was analysed with respect to the entry level grades with the highest incidence. Employees' entry grade and grade at year end 2020 were assumed to be a reasonable proxy for career progression.

#### Results

- 3.8. Approximately 87% of employees came in on standard entry level grades i.e. as a CO, TCO, EO, SO, HEO or AO. The remaining 13% of active employees entered the Civil Service on non-standard entry grades, mainly as an SVO, AP, PO or ASC.
- 3.9. The entry level grades of highest incidence were CO, EO/SO and AO/AO equivalent.
- 3.10. The career progression of individuals who came into the Civil Service as a CO, EO/SO and AO/AO equivalent and with 10 years' service is set out in Table 3.1 overleaf. For example, 60% of all those who entered the Civil Service as a CO remained as a CO, 26% progressed to EO, 10% progressed to HEO and 4% progressed to a variety of other grades by year end 2020.

---

<sup>4</sup> This assumption was made given that the majority of Civil Service employees are female.

<sup>5</sup> Data on employees with at least 10 years' service was used, as opposed to data on those with full service (i.e. towards the end of their career), to ensure adequate sample size for analysis by grade and also to reflect relatively recent trends in promotions i.e. employees getting promoted more quickly than was the case in the past.

**Table 3.1 Career progression of all Civil Service employees with >10 years' service**

Entry Grade	Grade at 31 December 2020			
	CO	EO	HEO	Other
CO	60%	26%	10%	4%
	EO/SO	HEO	AP	Other
EO/SO	69%	20%	8%	3%
	AO	AP	PO	Other
AO/AO Equivalent	51%	37%	9%	3%

## 4. Lifetime costs of new entrants

4.1. An analysis of the significant costs associated with new entrant employees, throughout both their working and retirement years, is presented below.

### Data

4.2. The career progression data set out in Table 3.1 in section 3 of this paper were used for estimating the lifetime costs associated with Civil Service employees.

4.3. The salary scales in place for each grade at 31 December 2020 were used for the analysis.

### Methodology & Assumptions

4.4. The lifetime costs associated with recruitment of new entrants to the Civil Service were estimated by projecting salary, overhead costs, employer PRSI and retirement benefits for each of six identified career paths.

4.5. The methodology underlying the lifetime costings was as follows:

- For each entry level grade, the career progression data was used to proxy a 40 year career path for each grade considered.
- For example, in the case of a new entrant CO to the Civil Service, 60% of a 40 year career was firstly assumed to be spent as a CO, 26% as an EO and 10% as a HEO. The 4% in the 'other' category was then spread proportionally across the CO, EO and HEO grades<sup>6</sup>.
- For each career path, annual salary was projected allowing for incremental, promotional and general salary inflation over a 40 year career.
- Annual overhead and employer PRSI costs were projected over the 40 years.
- For each career path, occupational pension benefits on retirement were projected by calculating pension and lump sum referable amounts each year, in accordance with the rules of the Single Public Service Pension Scheme (the "Single Scheme"). Both the occupation pension, which was uprated in line with the Consumer Price Index (CPI), and the State pension Contributory, which was uprated in line with salary inflation, were projected to be payable for 23 years post-retirement.
- Annual employee contributions payable under the Single Scheme and Additional Superannuation Contributions ("ASC") were projected over the 40 years.
- All values were discounted to present day value terms.

4.6. A number of financial and demographic assumptions were required in order to calculate the average life time costs associated with Civil Service employment.

4.7. A summary of the primary assumptions adopted for determining the lifetime costs of new entrants is set out in Table 4.1 below. The assumptions should be considered in totality and any one assumption should not be considered in isolation.

---

<sup>6</sup> The career paths identified using this methodology are not intended to be exhaustive or reflective of any one individual employee's career; however they are intended to facilitate estimation of the lifetime costs, on average, in respect of new entrants to the Civil Service. There wasn't sufficient data available to allow for an in-depth analysis of employees' progression over the course of their full careers.

**Table 4.1 Primary assumptions underlying lifetime costings**

	Current valuation
Discount Rate	1.50% p.a.
Price Inflation	1.00% p.a.
Salary inflation	1.50% p.a.
Mortality Post Retirement	88% ILT 15 (for males) 91% ILT 15 (for females) 90% married Males 3 years older than females
Mortality Post Retirement Improvement Factors	Yes

- 4.8. The assumptions set out above are in line with actuarial standards of practice produced by the Society of Actuaries (Actuarial Standard of Practice Pen-12 – “Statements of Reasonable Projection 2021”).
- 4.9. Annual overhead costs were assumed to be 25% of pay in line with DPER’s Public Spending Code 2019 (Central Technical References and Economic Appraisal Parameters).
- 4.10. An employer PRSI rate of 11.05% per annum was assumed in line with the Department of Social Protection’s Class A PRSI rates in place from 1 January 2021.
- 4.11. All new entrants were assumed to be members of the Single Scheme, the default pension scheme for all new entrants to the public service since 2013. This is a career average revalued earnings pension scheme where members’ benefits are integrated with the State Pension Contributory (SPC) and are indexed in line with increases in the Consumer Price Index pre and post retirement. The minimum normal retirement age under the Single Scheme is in line with that of the State Pension, currently age 66.
- 4.12. Annual employee pension contributions of 3% pensionable salary and 3.5% net pensionable salary were assumed in line with the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. Annual ASC thresholds and rates used were those applicable for all members of the Single Scheme from 2021 onwards.<sup>7</sup>

### Results

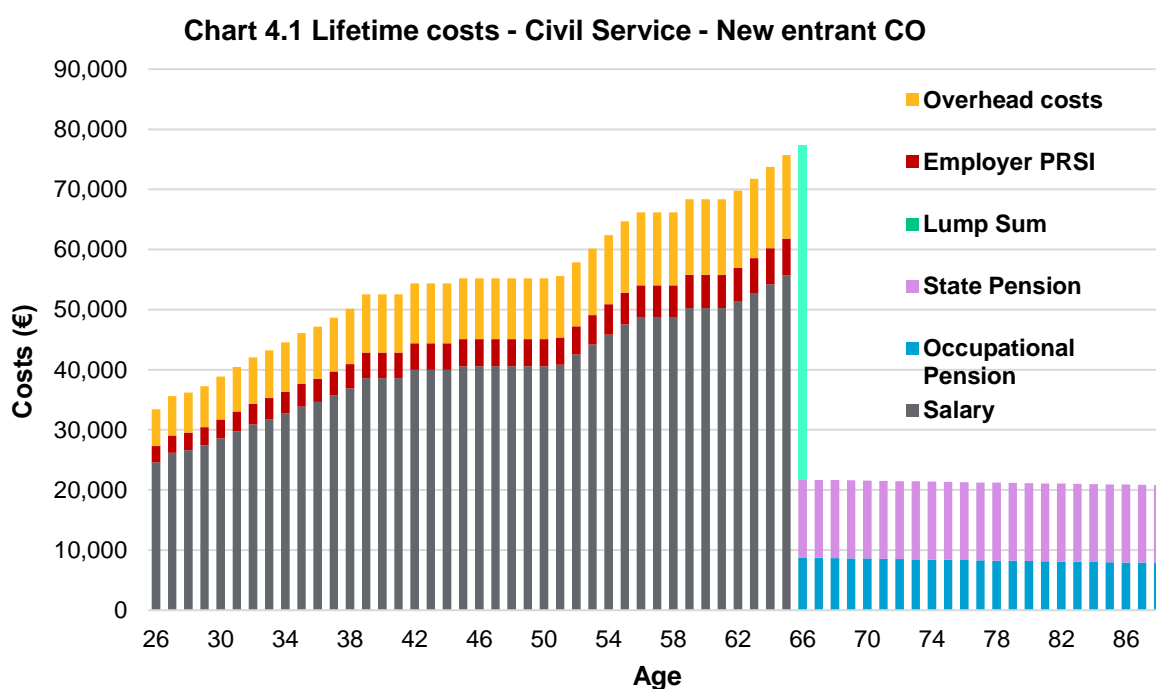
- 4.13. The estimated life time costs associated with recruitment of new entrants to the Civil Service are set out in Table 4.2 overleaf. The overall discounted cost ranges from €2.36m for a new entrant CO to €2.96m for a new entrant EO/SO and to €4.05m for a new entrant AO/AO equivalent.

<sup>7</sup> ASC rates & thresholds: First €34,500 at 0%, next €25,500 at 3.33% and balance at 3.5%.

**Table 4.2 Estimated life time costs [discounted] in the Civil Service**

Entry grade	Lifetime Costs in € millions				
	Salary	Overhead	Employer PRSI	Pension & Lump sum <sup>8</sup>	Total
<b>CO</b>	€1.61	€0.40	€0.18	€0.17	<b>€2.36</b>
<b>EO/SO</b>	€2.02	€0.51	€0.22	€0.21	<b>€2.96</b>
<b>AO/AO equivalent</b>	€2.73	€0.68	€0.30	€0.34	<b>€4.05</b>

4.14. The estimated lifetime costs associated with a new entrant CO to the Civil Service are shown graphically in Chart 4.1. The State Pension Contributory is also included on this graph for the purpose of illustrating the member's expected benefits over the course of their lifetime; however, this cost is not included in the lifetime costs set out above in Table 4.2.



4.15. A graphical presentation of the lifetime costs associated with new entrant EOs/SOs and new entrant AOs/AO equivalents to the Civil Service is included in Appendix B.

4.16. There are a number of limitations of the analyses set out above. These are included in Appendix E.

<sup>8</sup> Refers to occupational pension and lump sum under the Single Scheme only i.e. any entitlement to the State Pension Contributory is not included. These figures are also net of employee contributions and ASC payable.

## 5. Future new entrant employees

5.1. The number of future new entrant employees, and associated costs, will reflect both retirements from active service and growth in the size of the Civil Service workforce itself over future years.

### Projected retirements from the Civil Service 2022 – 2031

5.2. Retirement numbers are projected with the purpose of aiding our understanding of the trend in retirements over time, particularly in relation to the ageing demographic profile underpinning the workforce and its knock on impact on new entrant recruitment. The projected retirements are presented across grade with a view to informing work-force planning over future years.

5.3. The number of retirements across the Civil Service, including the Prison Service, over a 10 year period from 2022 to 2031 are set out below.

#### Data

5.4. Individual member data on 42,525 active employees in the Civil Service as at 31st December 2020 was used in the present analysis. All data was grossed up to allow for a total number of active employees of 44,102 at year end 2020.

5.5. The projected retirements are critically dependent on the quality of the raw data used. The Department does not accept responsibility for any potential inaccuracies in the collated data.

5.6. A summary of the data on active employees by pension scheme in the Civil Service is set out in Appendix C.

#### Methodology & Assumptions

5.7. Retirements were projected on an individual line by line basis in accordance with an estimated retirement age of each member.

5.8. Normal retirements, compulsory retirements, ill-health retirements and cost-neutral early retirements were allowed for in the projections.

5.9. The rules of the pension schemes which apply to the generality of civil servants (approximately 93% of the data set) is outlined in Appendix C.

5.10. A summary of the critical assumptions adopted in order to project the number of retirements over the projection period is set out in Table 5.1 below.

**Table 5.1 Primary assumptions underlying projections**

	Description
Normal Retirement Age	<p>Members of the post-2004 pension scheme and post 2013 Single Scheme were assumed to retire at their normal minimum retirement age (See Appendix C).</p> <p>The projection of a precise retirement age was more subjective in respect of those joined the Civil Service before 1 April 2004 given the flexible band of ages over which such members can choose to retire. It was assumed that 20% of employees in the pre-1995 and post-1995 scheme retire at each age from 60-64.</p>
Ill health & Cost neutral Retirements	<p>It was assumed that approximately 18.0% of employees retire on medical grounds and on cost neutral early retirement based on historical data.</p>
Mortality Table	<p>An allowance based on a standard mortality table was made for expected mortality over the projection period.</p>

## Results

### **Projected Number of Retirements**

- 5.11. There exists significant uncertainty around the number of retirements each year over the projection period. This uncertainty can be largely attributed to the variation in retirement ages across scheme members, particularly in relation to the flexible band of ages over which members can choose to retire under various schemes in the Civil Service. As such, there is more certainty in the projections when the cumulative number of retirements over a period is considered.
- 5.12. Accordingly, the projected cumulative number of retirements from the Civil Service over the period 2022 to 2031 is approximately 16,545.
- 5.13. The number of retirements is expected to vary over the period with numbers for the most part increasing each year up to 2027 before gradually falling thereafter.
- 5.14. The initial increasing number of projected retirements stems from the ageing demographic profile underpinning the Civil Service workforce, with almost 50% of those in the pre-1995 scheme expected to retire over the coming six years.
- 5.15. The levelling off and later reduction in the number of retirements from 2029 can be largely attributed to the later retirement age of members who joined the post 2004 pension scheme vis-à-vis the pre 2004 schemes in the Civil Service. This fall in the number of retirements can also be somewhat attributed to the higher retirement age of those who entered the Civil Service as members of the Single Scheme.

### **Projected Retirements by Grade**

- 5.16. The largest number of retirements is expected from the grade of CO, EO/SO and HEO with over 12,000 retirements expected from these cohorts collectively over the next ten years.
- 5.17. The materiality of the projected retirements for workforce planning may be better understood by looking at the number of retirements as a % of current members in a particular grade.
- 5.18. A compositional analysis shows that a large proportion of current POs (52%), HEOs (47%), EOs/SOs (44%) and APs (34%) are expected to retire over the next ten year projection period.

### **Growth in the Civil Service workforce**

- 5.19. The number of future new entrant employees will also reflect further growth in the Civil Service workforce over the coming years.
- 5.20. The average growth rate in the workforce from 2014 to 2020 was approximately 3.36% p.a. On that basis, it was assumed that a similar average growth rate would manifest over future years.<sup>9</sup>
- 5.21. A projection of new entrant numbers allowing for both growth in the workforce and projected retirements over the coming decade is set out in Table 5.2.

**Table 5.2 Projected new entrant numbers from 2022 to 2031**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<b>Projected New entrants</b>	3,330	3,226	3,301	3,431	3,494	3,614	3,569	3,439	3,451	3,541

<sup>9</sup> It should however be noted that the growth rate in the workforce from 2014 to 2020 may reflect an element of catch-up following the moratorium on public service recruitment.



## Future new entrant costs

- 5.22. Significant costs may therefore be expected in respect of new entrants to the Civil Service over coming years.
- 5.23. One method for estimating average employee costs, for the purpose of spending appraisal, is set out in the Department of Public Expenditure and Reform's Public Spending Code (Central Technical References and Economic Appraisal Parameters)<sup>10</sup>.
- 5.24. For the purpose of understanding long term costs, the average annual cost associated with employees, taking typical career progression and career trajectories into account, was calculated by dividing the total lifetime costs presented in Section 4 by the assumed number of years to be worked i.e. 40.
- 5.25. The average employee costs, as outlined in the Public Spending Code, and using the estimated life time costs are set out in Table 5.3. These figures suggest that employee costs are significantly higher when an allowance is made for typical career progression in the Civil Service.
- 5.26. While the public spending code may be appropriate for the purpose of project appraisal, consideration of average employee costs, taking future career progression in to account, is important for understanding the long terms cost implications of recruitment.

**Table 5.3 Average employee costs per annum**

Entry grade	Average cost per annum	
	Using Public Spending Code	Using Life time costs
CO	€49,364	€59,006
EO/SO	€64,870	€74,140
AO/AO equivalent	€51,883	€101,482

- 5.27. The costs associated with projected new entrant numbers in year one of recruitment, using the life time costs, is set out in Table 5.4 below. The historical breakdown of new entrants by grade, as set out in Table 2.1 on page 7, was used to project the % of new entrants at each grade. Initially, 62% were assumed to be COs, 13% to be EOs and 10% AOs, and then the remaining 15% was evenly apportioned across these three new entrant grades.
- 5.28. The figures in Table 5.4 suggest that one year costs (based on averages) of between c. €228m and €255m will be incurred in respect of new entrant employees over the next decade. Accordingly, the cumulative costs associated with new entrant employees will become increasingly significant over time.

**Table 5.4 Projected 1 year cost of projected new entrants to the Civil Service in millions**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Projected year 1 cost*	€235	€228	€233	€242	€247	€255	€252	€243	€244	€250

\*Full year costs [based on averages]

- 5.29. It is important to highlight that these projected costs are in respect of new entrants who will reflect not only growth in the size of the workforce itself but retirements from active service. There will therefore be an initial cost saving in respect of the public service pay bill with new entrants likely to enter the workforce on lower salaries than those they are replacing (e.g. new entrants will start out on the first point of their pay scale while those retiring are likely to be on the last point of their pay scale).

<sup>10</sup> Staff costs are estimated by taking the mid-point of pay range, employers' PRSI, imputed pension cost (8% of mid-point pay range for those in the Single Scheme) and overheads of 25% of mid-point of pay range.

## 6. Conclusions

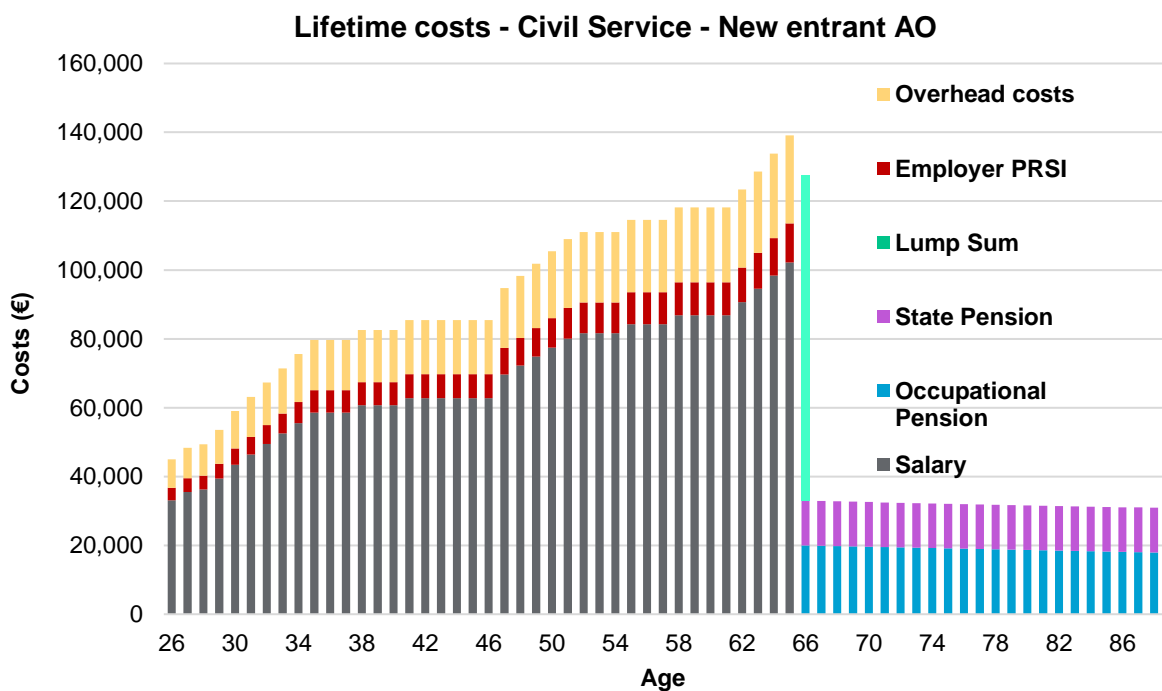
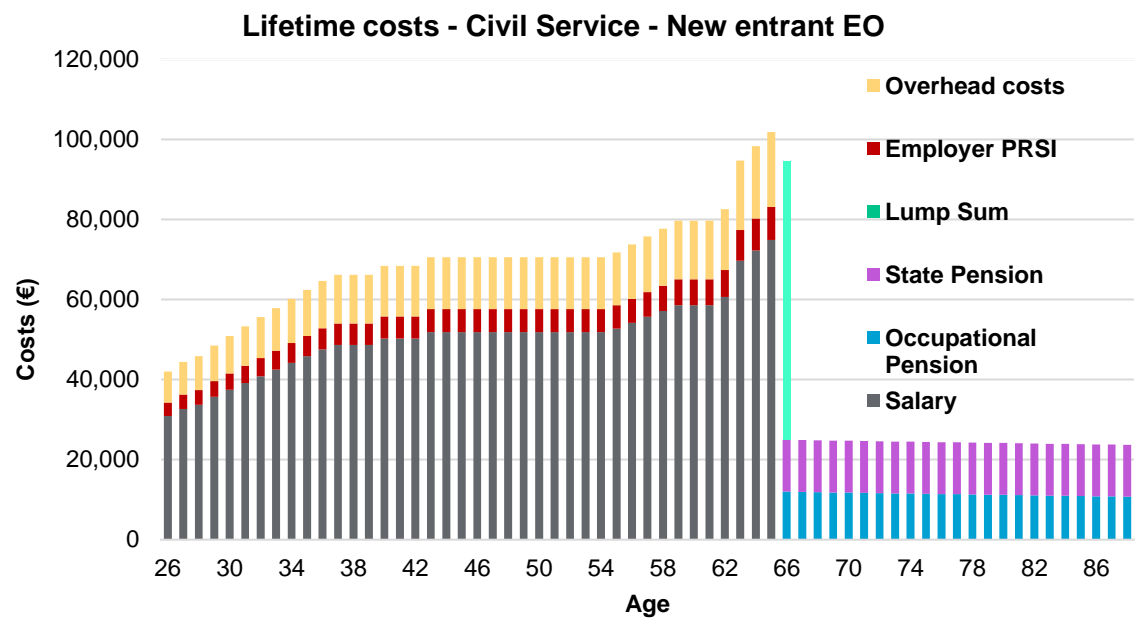
- 6.1. The costs associated with new entrant employees, over their working and retirement years, represent a significant and long term element of expenditure for the exchequer. Any spending appraisal in respect of employee numbers should take the associated costs into account to aid with the strategic management of our public expenditure.
- 6.2. The lifetime costs take typical career progression into account, and vary considerably across new entrant grades to the Civil Service.
- 6.3. The average one year employee costs are considerably higher than those set out in the Public Spending Code when an allowance is made for typical career progression in the Civil Service.
- 6.4. Future new entrant numbers, and associated costs, will reflect retirements from the Civil Service and growth in the workforce itself over the coming years.
- 6.5. Management of the public service pay and pension bill is imperative to the continued delivery of value for money for the public. It is important that any methodology for workforce planning is underpinned by clear consideration of available fiscal resources, and productivity gains are achieved by harnessing technology and ensuring the necessary skills are in place to deliver high quality services.

## 7. Appendices

### Appendix A – Grade names

<i>Grade</i>	
<i>AO</i>	Administrative Officer
<i>AP</i>	Assistant Principal
<i>ASC</i>	Assistant Secretary
<i>CO</i>	Clerical Officer
<i>DS</i>	Deputy Secretary
<i>EO</i>	Executive Officer
<i>HEO</i>	Higher Executive Office
<i>PO</i>	Principal Officer
<i>SEC</i>	Secretary General
<i>SO</i>	Staff Officer
<i>SSC</i>	Second Secretary
<i>SVO</i>	Services Officer
<i>TCO</i>	Temporary Clerical Officer

Appendix B – Graphical presentation of lifetime costs



## Appendix C – Summary data on active employees

### Summary Data for Active Employees in the Civil Service

	Count	Gender Breakdown	Average Age (Years)	Average Service (Years)	Average Basic Pens. Salary (€)
<b>Pre 1995</b>	11,488	37% Male 63% Female	56.6	31.8	€54,417
<b>Post 1995</b>	10,368	41% Male 59% Female	48.5	18.1	€51,275
<b>Post 2004</b>	6,658	47% Male 53% Female	45.0	12.1	€51,182
<b>Single Scheme</b>	15,588	45% Male 55% Female	39.2	2.8	€35,928
<b>Total</b>	<b>44,102</b>	<b>42% Male 58% Female</b>	<b>46.8</b>	<b>15.4</b>	<b>€46,655</b>

## Appendix D – Summary of pension scheme rules

### High Level Summary - Civil Service - General Pension Scheme Rules

Pension Schemes				
	Pre 1995	Post 1995	Post 2004	Single Scheme
<b>Entrance Date</b>	Pre 6 April 1995	6 April 1995 - 31 March 2004	1 April 2004 - 31 Dec. 2012	Post 31 Dec. 2012
<b>Min. Retirement Age</b>	60	60	65	66,67,68 (In line with State Pension Age)
<b>Max Retirement Age</b>	65	65	N/A	70
<b>Pension Benefit</b>	Final Salary Pension	Final Salary - Integrated Pension	Final Salary - Integrated Pension	Career Average Salary - Integrated Pension
	$1/80 \times \text{Pensionable Salary} \times \text{Years of Reckonable Service}$	$(1/200 \times (\text{Pensionable Salary up to } 3.33 \times \text{State Pension}) + 1/80 \times (\text{Pensionable Salary over } 3.33 \times \text{State Pension})) \times \text{Years of Reckonable Service}$	$(1/200 \times (\text{Pensionable Salary up to } 3.33 \times \text{State Pension}) + 1/80 \times (\text{Pensionable Salary over } 3.33 \times \text{State Pension})) \times \text{Years of Reckonable Service}$	$0.58\% \times \text{Pensionable Salary for each year of Pensionable Service with the referable amounts of each year uprating in line with CPI}$
	Max 40 years Reckonable Service	Max 40 years Reckonable Service	Max 40 years Reckonable Service	N/A
<b>Gratuity Benefit</b>	$3/80 \times \text{Pensionable Salary} \times \text{Years of Reckonable Service}$	$3/80 \times \text{Pensionable Salary} \times \text{Years of Reckonable Service}$	$3/80 \times \text{Pensionable Salary} \times \text{Years of Reckonable Service}$	$1.25\% \times \text{Pensionable Salary for each year of Pensionable Service with the referable amounts uprating in line with CPI}$
	Max 120/80 Salary	Max 120/80 Salary	Max 120/80 Salary	N/A

## Appendix E – Limitations

This paper has been prepared for the purpose of the 2021 Spending Review process. It may not be suitable for use in any other context, for any other purpose or by any other party; we accept no responsibility for any such use. Any reliance placed on this material for another purpose, or by other parties is entirely at their own risk. This material should not be shared with any third party unless agreed in writing.

There are a number of limitations to the analyses set out in this paper.

- The data provided does not reflect a complete grade history for employees. The analysis was limited by the available data; only data on employees' entry grade and grade at date of valuation (31<sup>st</sup> December 2020) was available.
- In order to illustrate a lifetime cost of a new entrant employee, a number of career paths have been mapped to a 40 year career which have been used to calculate the lifetime costs. A more detailed breakdown of employees grade history, would allow further analysis on career progression to be undertaken which would improve the reliability of this analysis.
- The analysis was carried out using data on employees who had at least 10 years' service. There was insufficient data available to focus solely on the career progression of employees who were at or near the end of their career when carrying out the analysis by grade.
- Service of 40 years was assumed and the exclusion of those with less than 10 years' service from the analyses results in the exclusion of all members of the Single Scheme. However, the average age of new entrant employees to the Single Scheme over the period 2014 to 2020 was 36.3 years, suggesting that future new entrants may have less service than 40 years' on average at retirement.