Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013)

Annual review and report to the Houses of the Oireachtas by the Minister for Public Expenditure, National Development Plan Delivery and Reform under section 12 of the Act

June 2023

I – Introduction and Background

1. Under section 12 of the Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013) the Minister for Public Expenditure, National Development Plan Delivery and Reform is obliged, before 30 June 2023, and in respect of the following four Acts;

   - Financial Emergency Measures in the Public Interest Act 2009 (No. 5 of 2009),
   - Financial Emergency Measures in the Public Interest (No. 2) Act 2009 (No. 41 of 2009),
   - Financial Emergency Measures in the Public Interest Act 2010 (No. 38 of 2010),
   - Financial Emergency Measures in the Public Interest Act 2013 (No. 18 of 2013),

   a) to carry out a review of the operation, effectiveness and impact of the relevant Acts, having regard to the overall economic conditions in the State and national competitiveness,
   b) consider whether or not any of the provisions of the relevant Acts continue to be necessary having regard to the purposes of those Acts, the revenues of the State and State commitments in respect of public service pay and pensions,
   c) make such findings as he or she thinks appropriate consequent on the review and consideration, and
   d) cause a written report of his or her findings resulting from the review and consideration to be prepared and laid before each House of the Oireachtas.

2. The Financial Emergency Measures in the Public Interest Act 2009 introduced a number of measures, the principal of which was the introduction of a new deduction from the remuneration of pensionable public servants, which is known as the Pension-Related Deduction (PRD); the percentage reduction rates applied were subsequently amended in section 13 of the Social Welfare and Pensions Act 2009. In addition, the 2009 Act contained measures allowing public service bodies to reduce the professional fees paid by them to external service providers, implementing changes in the early child care supplement and facilitating the payment of grants under the Farm Waste Management Scheme on a phased basis. With respect to the professional fees reduction measure, section 9(13) of the Act provided that the Minister for Health may review the operation, effectiveness and impact of the amounts and rates of payments to health professionals

fixed by regulation under the Act and consider the appropriateness of same. This requirement to review has now been repealed under the Public Service Pay and Pensions Act 2017. More information on this is contained in Section VI: Phase 2 of the Unwinding of FEMPI.

3. The purpose of the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 was to provide for the reduction of the remuneration of public servants (including members of the Houses of the Oireachtas and certain Office Holders), and to provide for related matters. The Act was amended by the Financial Emergency Measures in the Public Interest (Amendment) Act 2011. The primary purpose of this Act was to apply the terms of the Financial Emergency Measures in the Public Interest Acts 2009 to serving members of the judiciary, and to a military judge once appointed. The 2011 Act also made provision for the reduction of salary rates for newly appointed members of the judiciary and to further increase the level of salary reductions for certain Office Holders.

4. The principal purpose of the Financial Emergency Measures in the Public Interest Act 2010 was to introduce a reduction in public service pension costs, by way of the introduction of the Public Service Pension Reduction (PSPR). It also provided for a reduction in pay rates of members of the Government and a reduction to the National Minimum Wage.

5. The Financial Emergency Measures in the Public Interest Act 2013 implemented a further pay reduction for public servants earning annual salaries of more than €65,000 and extended the Public Service Pension Reduction to those pensions awarded from 1 March 2012 over €32,500.

6. The Financial Emergency Measures in the Public Interest Act 2015 commenced the gradual, fiscally sustainable, unwinding of certain measures contained in the earlier Acts. The primary purpose of the 2015 Act was to ameliorate the impact of the reductions provided for under the Financial Emergency Measures in the Public Interest Acts 2009-2013 through a series of amendments to the relevant Acts.

7. The Public Service Pay and Pensions Act 2017, provided the statutory road map for the unwinding of the remaining FEMPI measures, relating to reduction in public service pay and pensions, including the repeal of the 2009 Act.

8. The Public Service Pay Act 2021, which was signed into law by the President in July 2021, amends or repeals Sections 4 and 5 of the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 to amend the restrictions on increases to public service pay introduced by the Financial Emergency Measures in the Public Interest (FEMPI) No. 2 Act 2009.

9. The preambles to these Acts provide information on the purpose and policy underpinning the Acts and in this context extracts from the preamble to the Financial Emergency Measures in the Public Interest (No. 2) Act 2009, the Financial Emergency Measures in the Public Interest Act 2013, the Financial Emergency Measures in the Public Interest Act 2015, and the Public Service Pay and Pensions Act 2017 are set out below and may be considered representative:

Extract from the preamble to the Financial Emergency Measures in the Public Interest (No. 2) Act 2009

> "WHEREAS a serious disturbance in the economy and a decline in the economic circumstances of the State have occurred and are continuing, which threaten the well-being of the community;
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> AND WHEREAS as a consequence a serious deterioration in the revenues of the State has occurred and there are significant and increasing State commitments;
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> AND WHEREAS it is necessary to take urgent measures to reduce the significant shortfall between expenditure and revenue and to reduce the unsustainable levels of public borrowings consequent on the deterioration in those revenues;
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> AND WHEREAS it is necessary to reduce State expenditure to maintain international confidence and to protect the State's credit ratings;
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> AND WHEREAS it is necessary to take urgent steps to help to restore the State's competitiveness;
>
> AND WHEREAS it is necessary for the State to achieve significant savings in its expenditure, both directly and indirectly, on remuneration".

Extract from the preamble to the Financial Emergency Measures in the Public Interest Act 2013

> "WHEREAS budgetary and fiscal measures have been taken by the State since 2009 to address a serious disturbance in the economy and a decline in the economic circumstances of the State that have occurred;
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> AND WHEREAS it is necessary for the State to achieve further significant savings in its expenditure, both directly and indirectly, on remuneration and in its expenditure on public service pensions as a contribution to the reduction of the shortfall between revenue and expenditure that is needed to put debt on a downward path;
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> AND WHEREAS it is necessary for the State to take measures as part of remedial action to maintain the State's path toward correcting the excessive deficit by 2015 in line with the recommendation to that effect of the Council of the European Union (Council Recommendation with a view to bringing to an end the situation of an excessive deficit in Ireland of 7 December 2010)"

Extract from the preamble to the Financial Emergency Measures in the Public Interest Act 2015

> "WHEREAS economic growth has resumed and the State's international competitiveness has improved and a significant improvement in the fiscal circumstances of the State has occurred;
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> AND WHEREAS it remains necessary to retain firm control of current Exchequer expenditure so as to ensure ongoing access to international funding and improve competitiveness, while taking into account the continuing risks to the public finances which remain, and the need to meet the State's commitments to have a prudent fiscal policy under the Stability and Growth Pact and the Fiscal Compact;
>
> AND WHEREAS the reductions in the remuneration and superannuation of public servants and former public servants effected by legislation enacted in the last 6 years have contributed substantially to improvements brought about in the public finances and it is equitable to implement a partial and phased reversal of those reductions"

Extract from the preamble to the Public Service Pay and Pensions Act 2017

> "WHEREAS the economic recovery has progressed to a level that the economy is now more balanced than heretofore, with a considerable improvement in the State's international competitiveness and fiscal position being witnessed
>
> AND WHEREAS the economy remains vulnerable, in significant respects, due to various factors, including, domestically, from high levels of public and private debt and, internationally, by reason of the process initiated by the United Kingdom to withdraw from membership of the European Union and the uncertainty associated with the risk of protectionist trade and taxation policies:
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> AND WHEREAS reductions in the remuneration and superannuation of public servants and former public servants effected by legislation enacted in the last 8 years have materially contributed to the stabilisation of the public finances:
>
> AND WHEREAS there is an obligation on the part of the State to have a prudent fiscal policy under the Stability and Growth Pact and the Fiscal Compact and the repeal of the foregoing legislation in one Budget year would not be sustainable in financial terms but its repeal, in a phased manner, over a number of years would be so sustainable"

10. This report is carried out in accordance with section 12 of the Financial Emergency Measures in the Public Interest Act 2013 and is in respect of the period July 2022 to June 2023.

11. The sections which follow review the overall economic conditions in the State, national competitiveness and Exchequer commitments in respect of public service remuneration and pensions, and represent my findings in the light of that review in accordance with section 12 of the 2013 Act.

II - Economic Context

12. Over the period 2007-2009, the Irish economy experienced the most severe economic contraction, at the time, since the foundation of the State. The peak-to-trough decline in real Modified Domestic Demand (MDD) was 12 per cent over this period.

13. In the period leading up to the recession, the Irish economy had experienced a significant loss in competitiveness reflecting domestic cost and price developments resulting in a moderation in export growth. During that period, pay increases exceeded productivity growth on an economy wide-basis while headline inflation exceeded the EU average. Rapid growth in property prices had a detrimental impact on Irish competitiveness.

14. This loss of competitiveness has been reduced in the years since 2008. Prices and wages, while starting from a high base, have risen at rates slower than in trading partners. Actual and nominal adjustments in wages also contributed to the improvement in competitiveness. As a result, Ireland's real harmonised competitiveness index, as reported by the Central Bank of Ireland, improved by approx. 20 per cent from January 2008 to January 2017. However, since 2017 Ireland's competitiveness has remained largely static according to the index and has even worsened slightly since the Pandemic began.

15. The labour market was particularly affected by the economic downturn with a peak-to-trough decline in employment of just over 16 per cent. The unemployment rate peaked at 16 per cent in early 2012 having been around 4 ¾ per cent in late 2007. Strong employment growth from 2013 resulted in sustained recovery in employment levels. This was accompanied by an associated decline in the unemployment rate, falling back to around 4 ¾ per cent prior to the pandemic.

16. The economy grew along a similar trajectory with fitful growth from 2010 to 2013. However, in 2014 MDD returned to strong growth of 4½ per cent. Growth in MDD remained persistently strong until the onset of the Covid-19 pandemic, averaging around 4 per cent per annum until 2019. This placed the Irish economy in a strong position, with robust growth, balanced public finances, a current account surplus and a labour market close to full employment.

17. The onset of the Covid-19 pandemic in 2020 had a profound impact on the economy, with the domestic economy, as proxied by modified domestic demand, contracting sharply by 5 ½ per cent in 2020. The Covid-19 shock had a disproportionate impact on labour-

intensive service sectors where home-working was not possible. On the other hand, 'knowledge-intensive' sectors proved more resilient.

18. At the start of 2022, the unwinding of pandemic related restrictions facilitated a rebound in the domestic economy. Strong growth in domestic activity supported the labour market recovery, with the unemployment rate falling close to record lows in the months following the easing of pandemic-related restrictions. With the multinational dominated export sectors expected to continue perform strongly and robust growth expected in domestic oriented sectors, the Irish economy was forecast to perform strongly in the coming years.

19. Over the last year, however, the Irish economy has had to grapple with the effects of Russia's invasion of Ukraine, which triggered a severe energy price shock and the broadening of price pressures to non-energy goods and services. Despite these headwinds, the Irish economy has proved remarkably resilient, with the strength of the labour market and the mobilisation of government supports helping to mitigate the impact of inflationary pressures over the winter months.

20. While consumer price (HICP) inflation averaged just over 8 per cent last year, the recent easing in energy markets suggests that inflation has passed its peak and is now on a downward trajectory. In May, HICP inflation stood at 5.4 per cent, down over 4 percentage points from its 9½ per cent peak recorded last summer.

21. The Department of Finance published the Stability Programme Update (SPU) in April which set out its forecasts for the coming years. The economic and fiscal projections set out in the SPU were prepared against the backdrop of continued uncertainty regarding the global economic outlook. While the Department forecasted modified domestic demand (MDD) growth of 2.1 per cent this year and 2½ per cent for next year, there remain significant risks to the outlook, with the balance of risk tilted to the downside.

22. At the time of the SPU the Department of Finance forecast inflation to average 4.9 per cent for 2023 as a whole and 2.5 per cent next year. Core inflation however is expected to moderate more slowly and average 4.4 per cent this year and 3.2 per cent in 2024.

III - Budget Context

23. **Fiscal background**

- Following the lifting of public health restrictions at the beginning of 2022, the economic recovery has been reflected in the public finances. Strong income tax and VAT receipts have demonstrated the resilience of a labour market now operating at full employment and the rebound in consumption. A headline budgetary surplus of €10 billion is now in prospect for this year.

- Lingering post-pandemic supply chain disruption, rapid economic recovery and, most importantly, the Russian invasion of Ukraine, have placed upward pressure on prices across a wide range of goods and services, triggering a sharp rise in inflation. The Government has intervened on a large scale to protect households and business from the most severe impacts of inflation.

- Since early last year, Government has introduced a wide suite of temporary measures aimed at easing the burden, most recently with a final package of reliefs announced in February of this year. This built on a series of fiscal measures introduced over the course of 2022, including *Budget 2023*, which was a 'cost of living' budget focussed on mitigating inflationary pressures. In total, Government has made available some €12 billion in support to help address the cost of living challenge.

- Fiscal policy has, by necessity, been balanced between providing relief where appropriate without adding to inflationary pressures. In its response to the cost of living challenge Government has prioritised measures that are temporary, timely and targeted towards those most vulnerable to the impact of inflation.

24. **Debt**

- At end-2022, the stock of general government debt was €225 billion, or over 83 per cent of GNI*. On a per capita basis, this remains among the highest levels in the developed world.
- This year, the stock of public debt is expected to decline modestly to €223½ billion, or almost 79 per cent of GNI*.

25. **Deficit**

- Last year, a headline general government surplus of €8.0 billion was recorded, which is projected to rise to €10.0 billion this year. However, this is entirely driven by windfall corporate tax receipts, i.e. receipts not linked to activity in the domestic economy. Government has introduced a new metric, the underlying General Government Balance, which sets out estimates of the fiscal position if these potentially transient revenues are excluded. This metric indicates that a significant underlying deficit, of almost €3 billion (1 per cent of GNI*) was recorded last year. This year, an underlying deficit of €1.8 billion (0.6 per cent of GNI*) is in prospect.

26. **Corporation Tax**

- The key driver of the projected budgetary surplus this year is corporation tax revenues: these receipts stood at €22½ billion last year, a five-fold increase on their level a decade ago.
- Corporation tax receipts have benefitted the fiscal position but present significant risks to the sustainability of the public finances. The corporate tax base is highly concentrated, with recent analysis by the Irish Fiscal Advisory Council suggesting that as few as three taxpayers account for one-third of overall corporate tax receipts. This means that the public finances are vulnerable to the business decisions of a small number of highly profitable multinational firms.
- It is estimated that €12 billion, or as much as half, of the corporation tax yield this year is windfall or 'excess' in nature and is subject to extreme potential volatility. Using these revenues to fund permanent expenditure would risk repeating the mistakes made in the build-up to the financial crisis.
- Furthermore, the agreement to reform the international corporate tax environment under the OECD's Base Erosion and Profit Sharing (BEPS) process, is expected to reduce the level of corporation tax received by the Exchequer over the medium term. The current technical assumption is that tax receipts will be €2 billion less than they otherwise would be as a result of these changes, although it should be emphasised that the actual impact could be far larger.
- Government has taken steps to address this vulnerability, with €6 billion in windfall receipts transferred to the *National Reserve Fund*. Proposals for a longer-term savings fund are currently in development.

27. **Monetary policy**

- Ireland has benefitted in recent years from low borrowing costs. However, with the end of the pandemic, and in response to the surge in inflation, sovereign borrowing costs are now on a rising trajectory, meaning that the public finances must be maintained on a stable trajectory to ensure that an economic shock does not necessitate borrowing at higher rates.

28. **Summary**

- The positive headline performance of the public finances masks significant vulnerabilities in the fiscal position. The dependence of Exchequer revenues on volatile corporation tax is a key risk, and the response to the cost of living challenge in the short-term must be balanced with the long-term sustainability of the public finances.

- There are substantial fiscal risks on the horizon: the costs associated with an ageing population – which will require €7-8 billion in additional public expenditure by the end of this decade simply to maintain existing levels of service – a likely decline in corporation tax revenues and the climate and digital transitions all will place severe pressure on the public finances. The strong recovery in the public finances provides an opportunity to act now to mitigate these risks.

IV – Savings under FEMPI

29. In 2009 the gross Exchequer pay bill was €17.5 billion[1]. The Financial Emergency Measures in the Public Interest Act 2009 implemented a Pension-Related Deduction (PRD) on the wages and salaries of pensionable public servants. Across all sectors of the public service, the full year saving of the then deduction was €900 million per year. The 2009 (No. 2) Act provided the legislative basis necessary to facilitate an estimated full year savings of €1bn in the gross pay bill cost of public servants (Exchequer funded and local government) through reductions in the remuneration of public servants of between 5 per cent and 20 per cent effective from 1 January 2010. In addition, the Financial Emergency Measures in the Public Interest Act 2013 implemented a further pay reduction for public servants earning annual salaries of over €65,000, and also extended the reduction in public service pensions to those pensions awarded from 1 March 2012 over €32,500. The pay reduction to those earning over €65,000 delivered an estimated full year saving of €210 million.

30. As a consequence the gross Exchequer pay bill (which does not reflect the savings from the Pension-Related Deduction) reduced to €16.0 billion in 2010, €15.7 billion in 2011, €15.3 billion in 2012, €15.1 billion in 2013 and €14.7 billion in 2014. This amounted to a reduction of €2.8 billion over the 2009 figure of €17.5 billion. When account is taken of the Pension-Related Deduction, the reduction amounted to some €3.7 billion over the same period. This was achieved primarily through the reductions applied under the Acts, supported by a reduction in the number of serving public servants together with other cost reduction and productivity measures.

31. In addition, the Public Service Pension Reduction (PSPR), as provided for in the Financial Emergency Measures in the Public Interest Act 2010 and increased and extended under the Financial Emergency Measures in the Public Interest Act 2013, played a key role in dampening overall public service pension costs at an important time. Estimated full year savings from the measure were €135 million at peak rates.

32. Since 2015, as the economy started to recover and the public finances stabilised, successive Governments have committed to dismantling the Financial Emergency

[1] The Exchequer pay bill does not include the pay bill for public servants in local government or those paid from the Central Fund. The Act applied to the pay rates of those public servants, and savings were therefore also achieved in those costs.

legislation. Given the level of savings associated with the measures, and the continued constraints on expenditure growth, repeal of the FEMPI Acts in any one budget year would have exceeded available additional resources; violated the terms of EU Stability and Growth Pact; broadened the deficit; increased the national debt; and resulted in reduced shares of Government Expenditure for capital investment and programme interventions.

33. Instead, a phased unwinding of the FEMPI acts was negotiated with relevant staff interests through the Lansdowne Road Agreement and the Public Service Stability Agreement 2018 - 2020. This phased approach continued under the extended Building Momentum Agreement 2021 – 2023. This approach allowed for strong fiscal planning, with dedicated resources ring-fenced within multi-annual expenditure ceilings, without compromising service delivery or capital investment. In turn this provided greater certainty in Budget preparation, as the cost of unwinding the Emergency Legislation over time could be balanced against other urgent demands for Exchequer funding, including funding the recruitment of additional public servants and capital investment in social housing, health and education.

34. Importantly the phased approach to unwinding and the continued operation of the provisions of the Acts has allowed for significant recruitment in the public service, in particular to meet additional staffing requirements in frontline services. In total between Q4 2013 and Q1 2023 an additional 88,630 public servants have been recruited to meet demands for enhanced public service delivery. These include 14,101 teachers, 8,837 Special Needs Assistants, 4,107 Health and Social Care Professionals, 10,718 nurses and 4,453 medical and dentistry staff.

V – Phase 1 of the Unwinding of FEMPI

35. Improvements in the public finances provided the resources necessary to begin the first phase of unwinding the provisions of the Financial Emergency Measures in the Public Interest Acts through the enactment and implementation of the Financial Emergency Measures in the Public Interest Act 2015. This Act gave effect to the terms of the Lansdowne Road Agreement.

36. The provisions of the Financial Emergency Measures in the Public Interest Act 2015 partially unwound the pay reduction measures imposed on public servants and were prudent and sustainable given the level of additional resources available to Government. The estimated overall gross cost of these pay measures (inclusive of the previously committed costs attributable to the Haddington Road Agreement) in each year of the Agreement was €267 million in 2016, €290 million in 2017, and €287 million in 2018 or a total of €844 million by 2018 of which €278 million was attributable to the pre-existing Haddington Road Agreement commitments. This should be compared to public service pay bill savings of €2.1 billion, achieved as a direct result of pay reductions under the FEMPI legislation.

37. The provisions of the Financial Emergency Measures in the Public Interest Act 2015 also allowed for the amelioration of the Public Service Pension Reduction (PSPR). The full year cost of the measure was estimated at €90 million to end 2018. As a result, a significant number of pensioners (approx. 65,000) were removed from the application of the measure and only approx. 25,000 public service pensions, representing the top 20% highest value pensions, continued to be impacted by PSPR from 1 January 2018. The completion of PSPR unwinding for these remaining pensions is detailed below.

VI – Phase 2 of the Unwinding of FEMPI

38. In recognition of the improvements in the economy, the contribution of public service pay reductions to the stabilisation of the State's finances and the value of collective agreements, the Government entered negotiations with relevant staff interests in May 2017. The outcome of this process was the Public Service Stability Agreement 2018 -2020 (PSSA 2018-2020) which extended the Lansdowne Road Agreement.

39. The terms of the PSSA were given legal effect through the enactment of the Public Service Pay and Pensions Act 2017, implementation of which would complete the unwinding of the FEMPI legislation in relation to reductions in remuneration. The Act provided for the following public service pay and pension measures:

   - Existing FEMPI Pension Related Deduction (yield approx. €700m p.a.) was converted into a permanent Additional Superannuation Contribution payable on salaries above €34,500 p.a. (estimated yield approx. €550m p.a. by 2020).
   - Salary restoration for public servants combined with raising the threshold for ASC gave different income groups increases of between 6.2% and 7.4% from 2018 to 2020.
   - New entrant members of the Single Public Service Pension Scheme attracted increases of some 7% to 10%.
   - Allowances reduced under FEMPI were fully restored from 1st October 2020.

   The costs associated with the agreement were estimated at €887 million over the years 2018-2020.

40. Section 19 of the Act provided for the complete unwinding of remaining FEMPI measures on public servants paid an annual basic salary of up to €150,000 on 1 July 2021. Section 20 of the Act provided for the complete unwinding of remaining FEMPI measures on public servants paid and annual basic salary of more than €150,000, on 1 July 2022.

41. The Public Service Pay and Pensions Act 2017 also repealed, after a transitional period, section 9 of the Financial Emergency Measures in the Public Interest Act 2009 which applies to contracted Health Professionals and certain other groups. The 2017 Act now provides relevant Ministers, with effect from 1 January 2019, the statutory power to set and vary fees, where contracts permit, after consultation with relevant interests.

42. The Public Service Pay and Pensions Act 2017 also provided for the complete unwinding of PSPR. Further PSPR amelioration from 1 January 2019, by way of rate and/or threshold changes, removed approximately 12,000 public service pensioners from the impact of PSPR, while the changes occurring from 1 January 2020 removed an estimated further 9,500 public service pensioners, leaving just 3,500 of the highest value pre-March 2012 pensions subject to PSPR. The full-year cost associated with elimination of PSPR from this group of pensioners was estimated at approximately €12 million. Under section 27 of the Public Service Pay and Pensions Act 2017, the Minister for Public Expenditure NDP Delivery and Reform was required to make an Order, no later than 31 December 2020, specifying a date for the full removal of PSPR from that residual group of PSPR-affected pensions. Following a Government Decision of 8 December 2020, the date for the full removal of PSPR was decided as 1 July 2021 and the Minister gave effect to this through the Public Service Pay and Pensions Act 2017 (Section 27(3)) Order 2020 which was signed on 15 December 2020.

43. The Public Service Pay Act 2021, which was signed into law by the President in July 2021, amends or repeals Sections 4 and 5 of the Financial Emergency Measures in the Public Interest (No. 2) Act 2009 to amend the restrictions on increases to public service pay introduced by the Financial Emergency Measures in the Public Interest (FEMPI) No. 2 Act 2009.

VII – Operation, Effectiveness and Impact of the Acts Reviewed

44. I am satisfied that the Acts reviewed here have operated effectively since their inception and that they have achieved their objective. They have made a significant contribution both to the initial stabilisation of the public finances and to their broader sustainability. The phased unwinding of the provisions in the Financial Emergency legislation relating to reduction in remuneration and superannuation, which commenced under the Financial Emergency Measures in the Public Interest Act 2015 and was completed under the Public Service Pay and Pensions Act 2017 and the Public Service Pay Act 2021, has allowed for appropriate fiscal planning to ensure that unwinding of the measures under the previous Acts was accomplished without undermining the public finances. In particular the gradual, multi-annual, unwinding of FEMPI has allowed space for investment in public services while delivering on our fiscal responsibilities. This has placed the state in a better position to deal with the public health emergency and the economic impact of COVID-19.

45. Working within the parameters of the fiscal rules, the savings made through FEMPI have allowed the Government to balance the competing demands of society as a whole: for example by meeting the needs for enhanced public services through recruitment of over 88,000 additional public servants to meet enhanced demands for enhanced public service delivery. Between Q4 2013 and Q1 2023, there has been significant recruitment in particular in key public services of Health and Education, with an additional 14,101 teachers, 8,837 Special Needs Assistants, 4,107 Health and Social Care Professionals, 10,718 nurses and 4,453 medical and dentistry staff recruited over the period.

46. Considerable resources have also been allocated to capital investment which has risen from €3.7 billion in 2015 to an allocation of over €12 billion in 2023. These resources would not have been available if the FEMPI Acts had been repealed in one Budget year.

47. On 1 January 2019, the 'Pension Related Deduction' (PRD), brought in as part of the FEMPI Act 2009, was replaced by a permanent contribution, the 'Additional Superannuation Contribution' (ASC). This is a structural measure that will provide a permanent source of revenue for the Exchequer. This facilitated the repeal of the FEMPI Act 2009. The ASC rates were amended in 2020, as provided in the Public Service Pay and Pensions Act 2017, and are now the permanent rates in place going forward.

VIII – Consideration of the Need to Continue the Provisions in the Acts Reviewed

48. The provisions of the Financial Emergency legislation relating to reduction in public service pay and pensions have now been fully unwound. The final element of restoration to those public servants paid and annual basic salary of more than €150,000 was provided for on 1 July 2022 under section 20 of the Public Service Pay and Pensions Act 2017. Having reviewed the relevant Acts and considered the matter in accordance with section 12 of the 2013 Act, I find that the FEMPI legislation has achieved its objectives in this regard.

Paschal Donohoe, T.D.

Minister for Public Expenditure, National Development Plan Delivery and Reform

22 June 2023