

## **Haddington Road Agreement (HRA) - *Paycuts***

### Understanding your payslip

*July 2013*

- Under the Haddington Road Agreement (HRA) pay-cuts for public sector employees earning more than €65K came into force on 1 July 2013.
- The pay reduction is 5.5% on salary up to 80K and 8% on any salary over 80K but less than €150K.
- The salary issue of Thursday 4 July covered a 14 day period from Tuesday 18 June to Monday 1 July 2013, accordingly only one day in this pay issue was adversely affected.
- The reduction will however apply fully on the next salary which will issue on Thursday 18 July in respect of the 14 days from 2 July to 15 July.
- The approach taken to recording the pay-cut on the salary slip is somewhat complicated.
- It will not be recorded as one composite deduction on the payslip!
- The Department of Public Expenditure and Reform (DPER) has decided that the pay-cut will not be offset against basic pay but will be offset against allowances.
- This is a technical payroll issue which does not reduce the amount of the pay-cut – which applies to all salaries greater than €65k - but records it as a deduction against allowances rather than basic pay.
- DPER has further decided that the deductions should be spread proportionately across all allowances held.
- This is why those teachers who examined their salary slip of 4 July noticed that there were a number of deductions recorded in relation to the HRA. This will also be the case in relation to next Thursday's salary and subsequent pay issues until the cuts are reversed as provided for in the Agreement.
- Three examples of how the pay-cut calculation is applied in respect of teacher's earning €87,694, €69,721 and €65,325 respectively follow:

#### **Example 1:**

Prior to 1 July this teacher was earning €87,694 per annum comprising Basic Pay + Qualification Allowance + Principal's Allowance + Long Service Allowance + Secretary BOM Allowance (Note: Lunchtime supervision payment is no longer included in calculating gross earnings).

This teacher's salary comprises basic pay of €59,359 and four separate allowances totalling €28,335 (The value of allowances held is required for these calculations).

Under the HRA an initial salary deduction of €5,015.52 arises (€80,000 at 5.5% plus the balance €7,694 @ 8%).

However, under the *Alleviation Measures* the lunchtime supervision payment of €1,769 is deducted from €5,015.52 resulting in a reduction of €3,246.52 per annum or €124.43 per fortnight.

As outlined earlier the teacher's annual allowances amount to €28,335. These allowances are now to be reduced by €3,246.52 per annum. This amounts to an 11.4576% reduction.

Accordingly, each of the teacher's four allowances will be reduced by 11.4576%.

However the teacher's payslip will continue to record the full pre pay-cut value of the four allowances which will be followed by four minus figures showing the reduction which will apply to each of the four allowances.

The detailed calculations are set out in Appendix 1A.

Appendix 1B shows the teacher's Gross Earnings on her payslip of 20 June, followed by a mock-up of the salary slip that she will receive on 18 July next. [The payslip of 4 July is not being used for comparison as it records a HRA deduction for one single day only]

### **Example 2:**

Appendix 2 provides a second example.

In this case the teacher's salary is under 80K and therefore is all subject to the 5.5% rate (i.e. the 8% reduction rate does not apply.)

This teacher holds 2 allowances and the salary slip will record two HRA deductions in respect of these allowances.

### **Example 3:**

The HRA provides that the pay-cut cannot reduce a salary below a floor of €65K.

Appendix 3 provides an example of a case where the 5.5% reduction cannot be applied fully as it would reduce salary below €65k.

This teacher has 3 allowances and her salary slip will record three HRA deductions in respect of these allowances.

Note: Some figures in the examples are rounded.

**EXAMPLE 1:****Appendix 1A****1. Gross Earnings:**

Basic Pay	59,359
35 Year Allowance	2,324
Principal's Allowance	19,084
Qualification Allowance	6,140
Sec BOM Allowance	787
Other	-
<b>TOTAL:</b>	<b>€ 87,694</b>

**2. Total Allowances: €28,335****3. Initial Calculation of Payout:**

80,000 @ 5.5% =	4,400.00
7,694 @ 8% =	<u>615.52</u>
<b>TOTAL:</b>	<b>€5,015.52</b>

<b>4. Alleviation:</b>	5,015.52
Less	<u>1,769.00</u>
	<b>€3,246.52</b>

**5. Does the floor of €65k apply? No!****6. What is the pay cut as a percentage of the teacher's allowances?**

$3,246.52 / 28,335$       11.45%

**7. Apply the 11.45% reduction to all Allowances**

	<i>Gross Annual Reduction</i>	<i>Gross Fortnightly Reduction</i>
Gross Earnings:	€	€
35 Year Allowance	266.27	10.21
POR Allowance	2,186.57	83.80

Qualification Allowance	703.50	26.96
Sec BOM Allowance	90.17	3.46
Other	<u>-</u>	<u>-</u>
<b>TOTAL:</b>	<b>3,246.51</b>	<b>124.43</b>

**Appendix 1B**

**20 June 2013**

<b>Gross Earnings</b>	<b>€</b>
Basic Pay	2,275.16
35 Year Allowance	89.08
Principal's Allowance	731.47
Qualification Allowance	235.34
Secretary BOM Allowance	<u>30.16</u>
<b>TOTAL:</b>	<b>3,361.21</b>

**18 July 2013**

<b>Gross Earnings</b>	<b>€</b>
Basic Pay	2,275.16
35 Year Allowance	89.08
Principal's Allowance	731.47
Qualification Allowance	235.34
Secretary BOM Allowance	30.16
HRA 35 Year Allowance	- 10.21
HRA Principal's Allowance	- 83.80
HRA Qualification Allowance	- 26.96
HRA Secretary BOM	- <u>3.46</u>
<b>TOTAL:</b>	<b>€3,236.78</b>

**EXAMPLE 2:****APPENDIX 2****1. Gross Earnings:**

Basic Pay	59,359
35 Year Allowance	-
Assistant Principal's Allowance	8,520
Qualification Allowance	1,842
Sec BOM Allowance	-
Other	-
TOTAL:	€69,721

**2. Total Allowances: €10,362****3. Initial Calculation of Payout:**

69,721 @ 5.5% =	3,834.66
@ 8% =	_____
TOTAL:	€3,824.66

<b>4. Alleviation:</b>	3,824.65
Less	<u>1,769.00</u>
	€2,065.66

**5. Does the floor of €65k apply? No!****6. What is the pay cut as a percentage of the teacher's allowances?**

$$2,065.66 / 10,362 \quad 19.93\%$$

**7. Apply the 19.93% reduction to all Allowances**

	Gross Annual Reduction	Gross Fortnightly Reduction
Gross Earnings:	€	€
35 Year Allowance	-	-

POR Allowance	1,698.46	65.10
Qualification Allowance	367.20	14.07
Sec BOM Allowance	-	-
Other	-	-
TOTAL:	2,065.66	79.17

### EXAMPLE 3

### Appendix 3

#### 1. **Gross Earnings:**

Basic Pay	49,996
35 Year Allowance	-
Principal's Allowance	9,310
Qualification Allowance	5,496
Sec BOM Allowance	523
Other	-
TOTAL:	€65,325

#### 2. **Total Allowances:** €15,329

#### 3. **Initial Calculation of Paycut:**

65,325	
@ 5.5% =	3,592
@ 8% =	-
TOTAL:	€3,592

#### 4. **Alleviation:**

	3,592
Less	<u>1,769</u>
	1,823

#### 5. **Does the floor of €65k apply?** Yes – Paycut limited to €325 per annum

#### 6. **What is the pay cut as a percentage of the teacher's allowances?**

$$325 / 15,329 \quad 2.12\%$$

#### 7. **Apply the 2.12% reduction to all Allowances**

	<i>Gross Annual Reduction</i>	<i>Gross Fortnightly Reduction</i>
Gross Earnings:	€	€
35 Year Allowance	-	-
POR Allowance	197.39	7.57
Qualification Allowance	116.52	4.47

Sec BOM Allowance	11.09	0.43
Other	<u>-</u>	<u>-</u>
TOTAL:	€325.00	€12.47