Northern Ireland Fiscal Council
Bringing transparency to NI's public finances

Sustainability Report 2026:

special focus – Public sector pay – a discussion paper

September 2026

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Foreword

The Northern Ireland (NI) Fiscal Council was established in 2021. It is chaired by Sir Robert Chote and the other members are Professor Alan Barrett, Dr Esmond Birnie and Maureen O'Reilly. Our aim is to bring greater transparency and independent scrutiny to the region's public finances, focusing on the NI Executive. In doing so we hope to inform public debate and policy decisions to the benefit of everyone in NI.

Within this mission, our Terms of Reference require us to "prepare [an] annual report on the sustainability of the Executive's public finances, including the implications of spending policy and the effectiveness of long-term efficiency measures". This allows us to look at long-term opportunities and challenges confronting the NI public finances alongside the short- to medium-term issues covered by our reports on the Executive's (Draft) Budgets.

This Sustainability Report is in the form of a discussion paper examining public sector pay in NI. Public sector pay accounts for a large proportion of public spending in NI and has been a recurring source of budgetary pressure in recent years. Understanding why these pressures arise, how they differ from those elsewhere in the UK, and what they imply for future budget choices is important when considering the future sustainability of the Executive's finances.

The analysis presented here should be regarded as an initial contribution to that discussion rather than a definitive statement of the Council's conclusions. In developing this work we have encountered a number of significant challenges relating to data availability, comparability between jurisdictions and the interpretation of workforce and pay information. We have discussed the analytical framework used here with the NI government departments responsible for the main pay groups in the NI public sector, and are grateful for their time and insight.

We are publishing the paper in advance of the Fiscal Council's Annual Conference on 25 September 2026 to inform the discussion of these issues at the conference, and to encourage feedback from stakeholders. We are particularly interested in views on the analytical framework, the data sources we have used, alternative approaches that may be available, and areas where further evidence would strengthen the analysis. Following the conference and wider stakeholder engagement, we intend to refine the methodology and develop this work in a second phase publication.

The Fiscal Council members are responsible for the content of this report, but we have relied on the hard work and expertise of our colleagues Jonathan McAdams, Roisin Kelly, Colin Pidgeon, Ryan Hill, Julie McIlhatton, Celine Scott and Alanna King.

We are also very grateful for the time and patience of officials from NICS departments and the UK Treasury and for others who attended our workshops, but what follows is our independent assessment. We have come under no pressure from NI Executive or UK Government Ministers, advisers or officials to include, exclude or change any material.

The report is structured as follows:

- **Chapter 1** is an **Executive Summary**.
- **Chapter 2** sets out **the framework within which public sector pay pressures arise in NI**, considering the extent to which matching percentage pay increases, or matching pay levels in England create budgetary pressures for the Executive.
- **Chapter 3** explores whether **higher numbers of staff undertaking equivalent functions** may contribute to public sector pay pressures in NI relative to England.
- **Chapter 4** considers **the numbers of staff in non-equivalent functions to England**, focusing on functions delivered and funded by the NI Executive that are funded through local government or the private sector elsewhere in the UK.
- **Chapter 5** examines whether **higher pay levels for particular staff groups** on a like-for-like basis may contribute to the overall cost of maintaining the public sector pay bill in NI.
- **Chapter 6** considers **the role of workforce composition and grading,** including whether differences in grade structures may help explain variations in pay costs.
- **Chapter 7** summarises the Council's **emerging findings**, areas of uncertainty, and priorities for further work.
- The paper concludes in **Chapter 8** with an **invitation for views**, seeking feedback from stakeholders on the analysis, evidence base and methodological approach.

1. Executive Summary

Public sector pay is the largest component of day-to-day spending funded by the NI Executive and has become an increasingly significant source of budget pressure. Recent experience suggests that the cost of maintaining public sector pay in NI at the relative levels desired by the Executive has risen more quickly than the funding generated through the Barnett formula when pay awards are made in England. As a result, Ministers face difficult choices between agreeing less generous pay settlements, reducing workforce numbers, cutting spending elsewhere, raising additional revenue or overspending their budgets. In practice, they have squeezed non-pay costs relative to pay, but have still ended up overspending.

The Executive has consistently demonstrated a desire to maintain pay parity between NI and England. That is ultimately a policy choice, and one for the Executive and not the Council to make. However, the Council's remit to assess fiscal sustainability means we are interested in the budgetary consequences of this choice, when combined with the relatively high numbers of public sector workers in NI.

This discussion paper represents an initial take on public sector pay and fiscal sustainability. We examine why the cost of maintaining the public sector workforce in NI may exceed the funding generated through current funding arrangements and consider the implications for future budget choices. Public debate often focuses on pay awards, but the affordability challenge reflects a broader interaction between workforce size, service-delivery structures, pay levels and workforce composition.

Executive funding and the pay bill

The Executive receives most of its funding through the Block Grant paid to the Executive by the UK Government, with additional funding generated when spending on comparable services increases in England. The key question for sustainability is whether increases in spending in England generate sufficient funding to allow the Executive to match pay awards for equivalent staff in NI. Our analysis suggests that this has not been the case in recent years. The public sector pay bill for services comparable with those funded in England may be around 35-45 per cent higher per head in NI, compared with a funding premium of around 24 per cent (to reflect the estimated additional cost of delivering equivalent services). This suggests a structural tension between the way the Executive is funded and the cost of maintaining its public sector workforce. Funding for non-pay public services appears to be around 10 per cent lower in NI than in England.

A key issue when discussing public sector pay policy in NI is the distinction between two concepts that are often conflated in public debate: pay level parity and pay increase parity. Pay level parity refers to aligning salary levels with those in England or GB, while pay increase parity refers to matching annual percentage pay awards. Committing to these concepts has distinct fiscal implications and greater clarity between them would improve understanding of the choices facing policymakers.

Staff in equivalent functions

Public sector employment per head of population is a good deal higher (at around 140 per cent of that of England) in NI than 124 per cent of that in England. While differences in the services delivered by local government and policy choices may justify some of this gap, higher workforce numbers nonetheless increase the cost of maintaining pay parity. Across the services examined, workforce size emerges from our initial analysis as the most important explanation for the gap between funding and workforce costs.

Staff in non-equivalent functions

Another important factor is the impact of different service-delivery models in NI than in England. The Executive has chosen to fund some public services from the Block Grant that are delivered through local government, public corporations or private providers elsewhere in the UK. In these services, increases in pay in England may generate only limited Barnett consequentials or none at all to pay for equivalent deals in NI. Examples include water, transport, housing and parts of social care. Our initial assessment is that these structural differences also represent a significant contributor to the affordability challenge faced by the Executive.

Higher median pay for some groups

Median pay levels do not appear to be a significant explanation for the pay pressures faced by the Executive. Median public sector pay in NI was fractionally lower than in England in 2025, although it is higher in some sectors and occupations.

The interpretation of these differences is not straightforward, as earnings reflect not only pay scales but also overtime, allowances, working patterns and the composition of the workforce. Taken together, the evidence still suggests that although higher pay levels may contribute to cost pressures in some (sub)sectors, overall lower median pay per employee actually reduces the pay pressure felt by the Executive.

Differences in grade or workforce composition

Even where pay scales are similar or lower in NI, a workforce containing a larger proportion of senior staff would have a higher pay bill. This would be reflected in the mean pay level, which is equal to the total pay bill divided by the number of employees. The data for 2025 suggests that mean public sector pay is 2 per cent lower in NI than in England, while median pay is 1 per cent lower. If pay scales are broadly similar, this suggests that public sector workers in NI are slightly less senior/well-paid at the margin. But the differences are both very small.

Workforce composition may be important for pay pressures in certain areas. In health, for example, available data point to a greater concentration of specialist medical staff in NI than in England. But where the data are clearest, we found that NI still generally had more staff at lower grades than in England, for example in the civil service. Overall, having more staff at higher grades did not seem to be a primary contributing factor to NI's public sector pay pressures. Data limitations make robust comparisons here difficult, so the evidence is suggestive rather than definitive.

Emerging findings

The main reasons why the public sector pay bill in NI is relatively high per head of population compared to England – and why pay pressures prove so challenging for the Executive given how the Barnett Formula determines changes in the Block Grant – are that the NI workforce is relatively large in equivalent services and because the Executive spends part of the Grant on pay for workers delivering services delivered by local authorities or the private sector in England. Higher pay levels and workforce composition may be significant in some sectors or occupations, but appear less important in explaining pressures across the public sector as a whole.

The conclusions of this paper should be regarded as provisional. In many cases, the broad direction of travel is clearer than the precise scale of the individual effects, given data availability and comparability. We therefore intend this paper as the first instalment of our work on this topic, rather than a definitive assessment.

Invitation for views

The Council is inviting views from stakeholders on the analytical framework, methodology and evidence presented in this paper. We are particularly interested in evidence that could improve comparisons of workforce numbers, pay and grading across jurisdictions, or shed further light on the drivers of pay pressures.

Feedback received through this process will inform the next phase of our work on public sector pay and the sustainability of the Executive's finances.

2. Executive funding and the pay bill

Public-sector pay is one of the most significant and persistent pressures on NI's public finances and on the ability of the Executive to balance its budget. This arises from a tension between the way in which the Executive's funding from Westminster is determined and NI Ministers' desire to set pay for public sector workers in NI in a way that is regarded as fair when compared to their counterparts in England/GB.

Most funding for the day-to-day running of public services in NI – including pay – comes from the core resource Block Grant paid to the Executive by the UK Government. Core funding per head in NI is currently roughly 24 per cent above UK Government spending per head in England on equivalent services. This is in line with the Fiscal Council's estimate of NI's need for additional funding to deliver comparable services, for example because of the region's relatively dispersed population, age structure, rates of deprivation and unique policing/security needs.

Under the Barnett Formula, when the UK Government increases spending per head on services in England for which the Executive is responsible in NI, the Block Grant rises by an equivalent amount per head in cash (rather than percentage) terms. Other things being equal this would see the percentage premium of funding per head in NI over spending per head in England decline over time. But since 2024 the UK Government has agreed that these 'Barnett consequential' additions to the Block Grant should be topped up by 24 per cent when overall funding per head is at or below the estimate of relative need and by 5 per cent when it is above it. Broadly speaking this means that the current funding arrangements are likely to keep total funding per head roughly 24 per cent above spending per head in England.

In assessing the sustainability of the current pay setting and funding arrangements for NI, the key question is whether increases in UK Government spending to finance public sector pay increases in England generate sufficient Barnett consequentials (including the 24 per cent top-up) to allow the Executive to finance the same percentage pay increases for equivalent workers in NI. In recent years this has not been the case.[1] This confronts the Executive with a range of unpalatable choices:

- To agree less generous pay settlements in NI than GB;
- To cut the public sector headcount;
- To cut non-pay costs;
- To raise additional revenue; or
- To overspend its budget.

The first three of these options might be expected to reduce the quality and quantity of public services that the Executive can deliver, unless it can increase the efficiency

[1] Here's a hypothetical example: England employs 1000 staff with an average salary of £50,000. The pay bill is £50m. There is a 10 per cent pay increase in England which costs £5m. Through the Barnett Formula NI receives its population share (i.e. about 3.2 per cent of England) which equals £160,000 and that is uplifted by 24 per cent giving extra funding of £198,400. Assume NI employs 30 staff in an equivalent role to England at an average salary £80,000. This implies a pay bill of £2.4m. To match the 10 per cent increase in England would therefore require £240,000: greater than the £198,400 which is provided.

with which resources are used. The fourth would exacerbate pressures on household and business finances. In practice, departments do seem to have squeezed non-pay spending to prioritise pay, but they have also ended up resorting to the fifth option – encouraged to do so by the UK Government's willingness in recent years to bail out an overspending Executive by providing short-term loans that it later extends or forgives to avoid a formal breach of the Departmental Expenditure Limit provided to the Executive by the Treasury.

Box 2.1 – Pay awards – the process

The way in which public sector pay awards are determined in NI varies between staff groups. For many public sector workers, a UK independent pay review body makes recommendations; for others, proposals are developed through collective bargaining. The responsible department then assesses the proposal's consistency with:

- The Department of Finance's public sector pay policy,
- its workforce and service implications, and
- whether both its immediate and recurring costs can be met from the department's agreed budget.

Depending on the level of delegated authority held by the specific department, the pay remit may be approved by the department itself or require approval from the Department of Finance.

In any case, the departmental Accounting Officer must be satisfied that the proposal meets the standards of regularity, propriety, value for money and feasibility set out in Managing Public Money NI before officials make a recommendation to the Minister.[1]

If the Accounting Officer advises against proceeding – for example, because the award is not affordable within the departmental budget – but the Minister wishes to proceed, the Accounting Officer must then seek a formal written Ministerial Direction. A Direction records the Minister's instruction and allows the Accounting Officer to implement it, but does not itself provide additional funding or remove the need for other approvals. A proposal may therefore still require Department of Finance approval under the pay-remit arrangements and, where it engages the requirements of the Ministerial Code — for example, because it is significant, controversial or cross-cutting — it may also require referral to the Executive. Figure 2.1 illustrates this process.

[1] https://www.finance-ni.gov.uk/articles/managing-public-money-ni-mpmni

The 2025–26 teachers' pay award is a useful example. In December 2025, the Education Minister obtained Executive approval, through the Urgent Decision procedure, for a Ministerial Direction that allowed a formal offer to be taken forward through the Teachers' Negotiating Committee, notwithstanding the Department of Education's strained financial position.[2] The NI Teachers' Council subsequently accepted a 4 per cent award in January 2026.

Figure 2.1 – Flow diagram of an NI public sector pay award

[2] https://www.education-ni.gov.uk/news/givan-welcomes-approval-ministerial-direction-teachers-pay

Overspending and seeking short-term support can only be a short-term solution, as unfunded pay settlements permanently raise pay scales and associated costs. Any shortfall between funding and cost therefore recurs and compounds over time, placing continuing and ever-growing pressure on the Executive's budget. A cycle of overspend-followed-by-bailout creates uncertainty for departments and hampers the already difficult task of long-term planning, transformation and reform.

Comparing the public sector pay bills in NI and England for the services for which the Executive is responsible in NI is not straightforward, in part because we have to combine figures that were originally collected for different purposes. Simplifying considerably:

- If we assume that the Executive's £10.1 billion pay bill for 2025-26 (set out in HM Treasury's recent Open Book Review) plus the £585 million for local government[2] is close to "comparable services" spending, then this gives a pay bill per head of population of around £5,500.
- The same Treasury Review put the UK Government's pay bill, including Local Authorities, at 60 per cent of day-to-day spending, or around £300 billion (£4,300 per head of UK population). [3] We have to deduct spending on public sector pay by the devolved governments in Scotland[4], Wales[5] and NI[6] from this figure. Assuming that 90-95[7] per cent of the remaining pay bill is spent on comparable services, this yields an estimated comparable pay bill in England of around £3,800 per head.

These back-of-an-envelope calculations suggest that the comparable public sector pay bill per head may lie within a range around 35-45 per cent higher in NI than in England. This is greater than the 24 per cent NI-funding-per-head-to-English-spending-per-head premium, which explains why pay pressures are so challenging for the Executive.

The Executive tops up its Block Grant funding with regional rates revenue and fees and charges, but the figures still suggest that non-pay spending on public services is lower per head of population in NI (£1,162) than the UK average (£1,329). This may

[2] https://www.gov.uk/government/publications/open-book-review-of-northern-ireland-executive-budget See pg 28 para 2.38

[3] The Open Book Review ascribes 60 per cent of the UK Government's day-to-day spend on pay, or around £300 billion. Dividing this by the UK population (around 69.5 million in mid-2025) gives an average UK public sector pay bill per head of about £4,300. To get a figure for England only we subtract from the £300 billion figure the costs of the 2025-26 public sector pay bill in the Devolved Administrations, leaving a residual of around £240 billion for English public sector cost. Dividing this figure by England's population gives a cost per head of £4,124. In order to extract only comparable staff, we apply a 92.5 per cent comparability adjustment to the English (unadjusted figure) of £4,124, giving £3,815 per head for England.

[4] Scotland's public sector pay bill in 2025-26 was around £29 billion (including the central gov share of local authority spend). See page 41 of https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2025/06/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strategy-3/documents/scotlands-fiscal-outlook-scottish-governments-medium-term-financial-strate,

[5] We have estimated Wales' public sector pay bill in 2025-26 at around £15.7bn. This estimate is derived from 2023-24 costs of £6.1bn (excluding local government, teachers and care workers) https://www.cardiff.ac.uk/__data/assets/pdf_file/0016/3033007/Setting-the-Scene-Wales-Report.pdf See Table 4, pg 27. We combined this with trends showing the local authority pay bill to be around the same size as the NHS https://blogs.cardiff.ac.uk/thinking-wales/public-sector-pay-bill/. A second method estimating the Welsh public sector at approximately 310,000-330,000 public sector employees (based on ONS figures) and multiplying by the UK average public sector cost gives a figure of: 320,000 × £48,600 ≈ £15.6 billion.

[6] NI's public sector cost of £10.685bn is taken from HM Treasury's Open Book Review.

[7] Non-comparable public servants in England include the armed forces (150,000 staff) https://commonslibrary.parliament.uk/research-briefings/cbp-7930/#:~:text=On%201%20April%202026%2C%20the,personnel.%20Most%20personnel%20were%20in and civil servants in the Ministry of Defence (60,000), HMRC (75,500), FCDO (9,000) https://www.gov.uk/government/statistics/civil-service-statistics-2026/statistical-bulletin-civil-service-statistics-2026 We have assumed around 350,000 non-comparable staff out of England's approximately 5.2 million public servants, and applied a 7.5 per cent adjustment for the incomparable elements.

help explain how the Executive has managed the higher pay bill it faces – as well as historic, one-off funding from political packages, funding for other services outside pay has been reduced below 100 per cent of that in the rest of the UK, while need in NI is 124 per cent of that in England. Other things being equal, lower non-pay spending per head would be expected to reduce the quality and quantity of service provision.

Should NI's funding premium rise above 124 per cent of spending in England, then the uplift factor on additional Barnett received by the Executive is designed to reduce from 124 per cent of England's to 105 per cent. That scenario would considerably magnify the gap between funds received from pay awards in England and the funding required to provide the same percentage pay increase in NI.

In trying to explain why the public sector pay bill per head for comparable services looks higher in NI than England, we highlight four potential factors:

- **Greater numbers of staff in equivalent functions**;
- **Higher pay levels** for some groups; and
- **Differences in grade or workforce composition**.
- **Instances where the Block Grant is spent not on comparable services** provided by the UK Government in England but on services provided in England by local authorities or the private sector and for which no funding is therefore provided by the UK Government.

In the following discussion we distinguish between two different concepts of pay parity that are often conflated in public discussion but have different implications for the way in which changes in pay affect the Executive's budget:

- **pay <u>level</u> parity**, where the salaries of NI public sector workers are aligned in cash terms with their counterparts in England or GB; and
- **pay <u>increase</u> parity**, where salary levels may differ between NI and GB but annual pay awards increase them by the same percentage.

3. Staff in equivalent functions

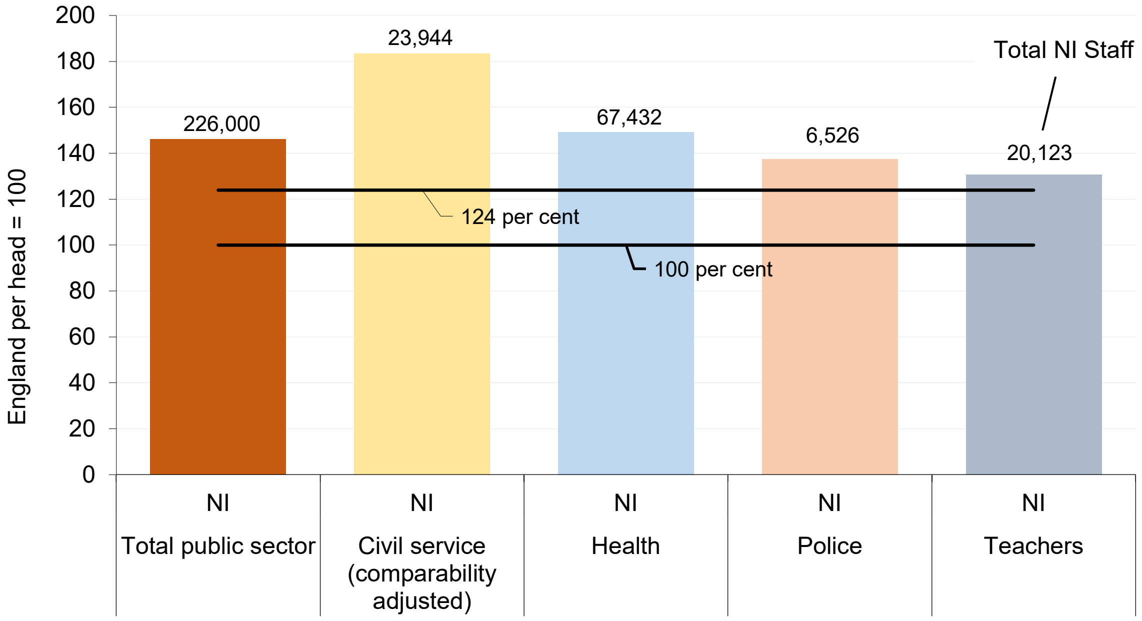
All other things being equal, if NI employs more than 24 per cent additional public sector staff per head of population than England does, within comparable functions, this would lead to cost pressures for the Executive given the funding regime.

As Chart 3.1 shows, NI public sector employment per head of population is around 143 per cent of the level in England on average, and above 124 per cent for all the largest public service employers (e.g. the civil service and Health) on the best comparable basis we have. Making these comparisons is not straightforward, given:

- **differences in how services are organised** (e.g. integrated health and social care in NI versus local social care delivery in England);
- **lack of consistent data** (e.g. whole-time equivalents, grade mix, or function);
- uncertainty about **whether roles are genuinely comparable** on a like-for-like basis.

We would be grateful for stakeholders' views on the estimates we have derived.

Chart 3.1 - NI public sector workforce per head compared to England



Note: source for total public sector is Table 6a from ONS public sector employment statistics to maintain consistency with Chart 3.1

Source: DE (NI), DE (UK), PSNI, Home Office, DoH, NHS England, ONS

Looking at individual sectors:

- The raw figures for the **NI Civil Service** give a ratio of 123 per cent, but we need to adjust for the fact that many civil servants included in the English side of the calculation are working on non-devolved areas such as defence or foreign affairs. This inflates the comparator we are benchmarking the NICS against. A fairer comparison is to include in the calculation only those civil servants in England who work in areas devolved to the Executive. In addition, we remove around 2,200 civil servants in NI that deliver services for England and whose costs are met by the UK Government. Adjusting as best we can for these gives a ratio of 183 per cent. [8] However, this figure should not be taken to imply that two civil servants in NI perform the task of one in England. For example, due to the different structures involved, NI civil servants perform tasks (for example in education or roads) that are carried out by Local Authorities in England. We explore this in more detail in the next chapter.

In **Health**, comparing staff numbers to the rest of the UK is difficult in part because of the integration of health and social care services in NI. The Department of Health does not record how many staff work in hospital versus community settings, and many staff work across multiple sites. That said, available evidence suggests that:

- Around 1 in 14 of NI's economically active population works in health and social care, compared to roughly 1 in 16 in health in England, where social care funding is a blend of public and private (self-funding or partially self-funding);[9] and
- NI has around 10 per cent more medical and dental staff, around 20 per cent more GPs, and around 35 per cent more registered nurses and midwives per head than England.[10]

A similar pattern is observed in **Education**. NI has 10.4 full-time equivalent teachers per 1,000 population compared with 8.0 in England. This means that for every 100 teachers in England there are 131 in NI. Some of this difference reflects demographics (a higher proportion of children in the population in NI than in England), but it also reflects the complexity of NI's school types and their governing models. The NI Audit Office noted that the multi-sectoral structure adds complexity to estate management, as well as to the numbers of managing authorities and sectoral support bodies. The Independent Review of Education found that:

> *"There is potential to simplify the structures of education, create greater consistency and ensure all learners and all institutions receive excellent and equitable services."*

The combined result of these factors is a significant affordability gap between the 124 per cent funding level and the higher staffing level.

Notwithstanding the challenges of deriving comparable data, greater numbers of staff in comparable functions does help explain NI's relatively high public sector pay bill.

[8] See the Appendix for more detail on the methodological approach used for chart 3.1.
[9] https://www.nuffieldtrust.org.uk/research/future-funding-and-current-productivity-in-northern-ireland-s-health-and-social-care-system and https://www.nuffieldtrust.org.uk/resource/the-nhs-workforce-in-numbers
[10] https://www.nuffieldtrust.org.uk/sites/default/files/2022-09/nuffield-trust-future-funding-and-current-productivity-in-northern-ireland-web.pdf

4. Staff in non-equivalent functions

A second source of pay pressure on the Executive's budget arises because the Block Grant is used to pay for some services that are not delivered by the UK Government in England. Where functions fall outside this boundary, pay awards in England do not generate sufficient (or in some cases, any) Barnett consequentials for the NI Block Grant, but, due to its policy choices, the NI Executive still has to fund the relevant workforce.

Two main cases arise:

- Functions delivered by the **public sector in NI but by the private sector in England;** and
- Functions delivered by **central government (the Executive) in NI but by local government in England.**

In the first case, where services are privatised or delivered outside the public sector in England, pay awards for these workers do not generate any Barnett consequentials. For example, public transport and water services in England are generally privatised, so when there are pay increases awarded in these industries in England there is no corresponding increase in central government spending to generate funding for NI. The Executive must therefore fund salaries and future pay awards for these workers entirely from other sources. These services generate funding themselves from fares and non-domestic water charges, but public subsidy is still required. The Executive has tended to divert funding from other public services to pay for this, rather than raising more revenue than is raised in England.

In the second case, where services are delivered by local government in England but by central government in NI, pay awards in England are funded largely through local taxation and do not directly generate Barnett consequentials. UK central government grants to local authorities may generate some Barnett consequentials, but this typically represents only a portion of total spending. As a result, the NI Executive has to fund a larger share of the costs from within its own budget.

Figure 4.1 – non-equivalent functions in the NI public sector compared to England

Funding Source (England)	Generates Barnett?	NI Funding Responsibility	Example sectors (NI delivery)
Central Government	Yes	Covered up to 124 per cent of that in England	Civil service, core health
Local Government	Partial	Partially funded by the Executive diverting other funds	Education, Roads, Fire, Housing
Private/ Households	No	Must be fully funded by the Executive by other means	Water, transport, social care

Public sector workers in NI in areas like roads or education support services may expect parity with centrally funded civil service pay structures, whereas in England these equivalent roles are funded and negotiated by local authorities, with access to additional revenue-raising powers. While there may be policy reasons for the way services are allocated across central government, local government and the private sector, the current set-up means that the Executive typically extends pay increase parity (and sometimes pay level parity) to groups that in England are not paid for by central government. This places a greater financial burden on the Executive, which must meet these costs without equivalent funding mechanisms.

This issue is material. There are large cohorts of staff in NI whose pay awards are not directly (or only partially) supported by Barnett consequentials, including in areas such as social care, water, transport and housing. In the case of social care, for example, funding in England comes from a combination of central government grants, household charges, and contributions from individuals and families. Only the central government grants portion of this funding generates consequentials, leaving the Executive to divert funding for other public services to maintain pay levels in NI.

As in the previous chapter, quantifying this pressure is challenging due to data limitations and comparability issues, particularly in identifying the numbers within affected staff groups and defining where boundaries between sectors (such as health and social care) differ across jurisdictions. That said, our analysis suggests that for services that are largely privatised in England, the annual staffing costs met directly by the NI public sector are another significant factor in the overall public sector pay bill - estimated annual pay bills are of the order of:

- **£600 million for social care workers**; [11]
- **£250 million for Translink;**,
- **£160 million for the NI Housing Executive**; and
- **£90 million for NI Water**.[12]

Together, these represent well over £1 billion per year in staff-related expenditure that is not on the books of the public sector in England.

Some of these organisations generate income through fares, rents, fees or charges, so the net cost to the Executive is lower than the headline figure, but the Executive remains responsible for funding any shortfall and for meeting pay awards, employer National Insurance contributions and pension costs. For example, in 2024-25 Translink reported total revenue of approximately £340 million, of which just under £170 million was funding received from passenger fares (excluding income received from the Department for Infrastructure for concessionary fares). Translink also received approximately £49.5 million from the Department for Infrastructure in respect of concessionary fares, representing reimbursement for fare revenue foregone under the concessionary travel scheme rather than subsidy to support operating costs. Excluding concessionary fare reimbursement, direct government support accounted for approximately 33 per cent of Translink's total revenue. Translink's total operating expenditure was just under £360 million with staff costs accounting for just over £250 million – almost 70 per cent of total expenditure.

[11] Based on the median annual earnings for NI in 2025 of £37,100
[12] Based on 2024-25 Annual Accounts

Similarly, NI Water reported total revenues of £580 million in 2024-25 of which income received from customers (i.e. non-domestic charges) accounted for around 20 per cent in total. On the expenditure side, NI Water reported total operating expenses of over £390 million with staff costs making up almost £90 million reflecting over 22 per cent of total costs. This suggests that approximately 80 per cent of staff costs, or around £70 million, are ultimately funded by the public purse.[13]

Turning to the NI Housing Executive, while around two thirds of its funding came from the government sources in 2024-25, this figure includes Housing Benefit funding it administers on behalf of government and passes on to recipients.[14] Excluding the Housing Benefit, just under half of the Housing Executive's funding comes from the Department for Communities. This funding profile reflects the Housing Executive's dual role: its Strategic Housing Authority function is substantively funded by grants from the Department for Communities, while its landlord function is principally funded through tenants' rental income. Tenant rental income amounted to just over £340 million out of approximately £450 million in its landlord services. This larger total includes rates and services income that could include transfers from other public sector bodies.

A second category of non-equivalence arises where responsibility for funding rests with central government in NI but with local government in England. Examples include the Fire and Rescue Service and Roads Service.

The annual staffing costs of the Fire and Rescue and Roads Services are estimated at over £80 million in each case. Because a significant proportion of funding for these services in England comes from council tax and other locally raised revenues, only part of the equivalent expenditure in England generates Barnett consequentials.

Another example is NI's Education Authority. It has approximately 13,000[15] non-school-based staff working in roles including corporate and administrative services, transport, and youth work. The vast majority of these functions are likely to be delivered by local councils in England.

The Executive must therefore meet a greater share of these costs from within its own budget, creating additional pressures when pay awards and other staffing costs increase. The issue is not that these services are unnecessary, but that the funding arrangements differ materially from those in England. As a result, the Executive faces ongoing pressure to finance pay increases and related employer costs for large groups of workers whose counterparts in England are funded through private markets, user charges or local taxation. This creates a recurring call on the NI Block Grant that is not (fully) funded via Barnett consequentials.

[13] NI Water is classified as a Non-Departmental Public body for public expenditure reporting and therefore all of its expenditure and income is reflected in the Department for Infrastructure's budget

[14] https://www.nihe.gov.uk/media/514/20242025-Housing-Executive-Annual-Report/pdf/9s2024-2025_Housing_Executive_Annual_Report.pdf

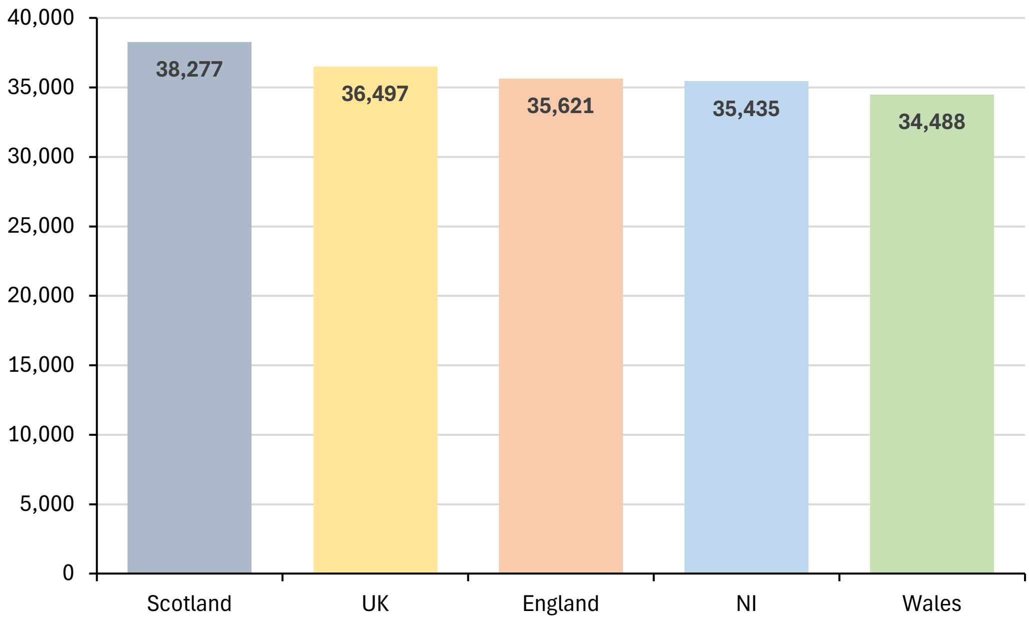
[15] https://aims.niassembly.gov.uk/officialreport/minutesofevidencereport.aspx?AgendaId=21179&eveID=11540&utm_source=chatgpt.com

5. Higher median pay for some groups

Managing the public sector pay bill will be more challenging for the Executive if workers in NI are paid more than those in similar roles in England/GB.

One relatively broad-brush way to assess this is by looking at the median pay level for the public sector as a whole or for specific occupations. When workers are lined up from the highest to the lowest paid, median pay is that received by the worker in the middle. Chart 5.1, based on data from the ONS and NISRA, shows that median public sector pay in NI averaged £35,435 between 2020 and 2025, fractionally lower than the average for England but 2.3 per cent higher if you exclude workers in London from the English data.

Chart 5.1 – Median Public Sector annual pay 2020-2025

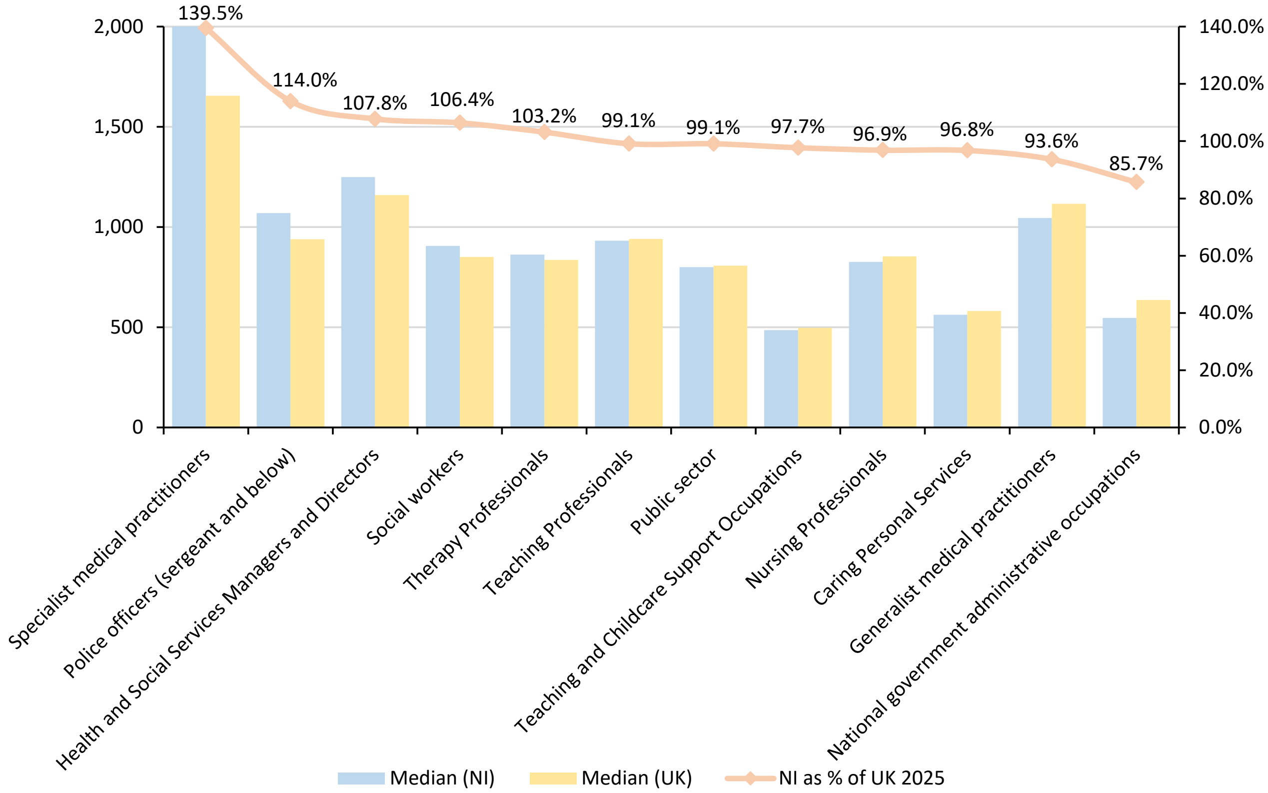


Source: ONS, NISRA

With aggregate levels of median pay so close in NI and England, it is not surprising that the picture is mixed at a more disaggregated level. Chart 5.2 compares median pay rates in NI and the UK, but focuses just on 2025. For the public sector as a whole, median pay was 1 per cent lower in NI than the UK. Of the 11 occupations shown, median pay was higher in NI in 5 and lower in 7 than in the UK, with differences ranging from 40 per cent above the UK level to 14 per cent below it.

Higher median pay for some groups

Chart 5.2 – Median pay in NI and the UK by public sector occupation (2025) [16]



Source: ONS, NISRA

Median pay will be affected by a combination of underlying pay structures, grade composition and hours worked, which may differ across jurisdictions. For example, rather than arising solely from higher pay scales, differences in pay may also be driven by higher levels of overtime or additional payments. For example:

- the average PSNI officer earned **significantly more through overtime** than counterparts in Scotland or Manchester, additional allowances (such as the NI Transitional Allowance) further increase total earnings;
- there is some evidence that **higher overtime** may also apply in parts of the health service.

Additionally, the timing of the roll-out of equivalent pay awards can differ by jurisdiction (with the Executive delaying for budget reasons the implementation of pay awards for public sector workers in recent years).

These factors mean that while we can draw conclusions from earnings data (such as median pay) we are not always able to attribute those conclusions to definite causes, as the data capture total earnings rather than base salary. This complicates comparisons and raises important methodological questions about whether to use:

- pay scales;
- earnings data; or

[16] England-only data were not available in all cases. In this chart and other cases where English data were not available, UK-wide data have been used as a proxy comparator. While this introduces some limitations, England comprises the majority of the UK population and public sector workforce, meaning UK figures will be broadly representative of the English position. This analysis should therefore be interpreted as indicative of the broad pattern rather than a precise measure of the difference between NI and England.

- some combination of the two.

Looking more closely at individual sectors:

- In **health**, the evidence suggests that median earnings for nurses and most other groups are slightly less than the UK median. While some medical professionals in NI are paid considerably more, particularly for specialist roles, these are far fewer in number and so less material to the overall pay bill in NI.

  The scale of these differences is difficult to interpret. The data suggest that:

  - specialist medical practitioners may have significantly higher median earnings than the UK average;
  - this may reflect factors such as overtime or private sector work, rather than purely public sector pay scales;
  - the distinction between different categories of medical staff (e.g. specialists vs generalists) is important in understanding the data.

- Median pay in the **NI Civil Service** is generally similar to, or slightly below, comparable grades in England excluding London. Executive Officer and Staff Officer grades have lower median pay than the comparator, while Administrative Officer and Grade 6 pay are broadly similar. There are some exceptions: median pay for Deputy Principals is around 3 per cent higher than the equivalent comparator grade in England and Grade 7 pay is around 2 per cent higher. Taken together, the evidence suggests that higher median pay is unlikely to be a significant driver of overall NICS pay costs.[17]

- In **education**, comparisons of teacher pay scales show that, at most points, pay is slightly lower in NI than in England, although starting points and progression differ.

Taken together, the evidence suggests that in many of the largest sectors, higher median pay is unlikely to be a primary driver of cost differences. At the margin, the lower median pay in NI for most pay groups and grades will act to slightly offset rather than contribute to the overall pay pressures. Those smaller subsets of staff in NI receiving higher median pay than the UK median are relatively low in number. This means that the causes of NI's larger pay bill compared to England are more likely to be found in other factors such as workforce size and delivery in NI of services by central government that are delivered by other sectors in England.

Instead:

- Most sectors have **lower median pay for staff on broadly comparable or lower pay scales**, implying that higher costs arise from different drivers;
- **Some sectors exhibit higher pay levels or higher total earnings**, particularly where overtime or allowances are significant; and

[17] https://datavis.nisra.gov.uk/nicshrstats/NICS-Pay-Statistics-2025-Report.html (Figure 7)

- These differences in observed pay reflect **a combination of pay scales, grade mix, and working patterns,** rather than a single factor.

6. Grade or workforce composition

Looking at median pay tells us only about one worker in the middle of the pay distribution. To get a sense of the overall impact of pay rates on budget pressures, we are also interested in the distribution of staff across grades, and whether there is a greater proportion at more senior (hence higher paid) grades relative to England. This could potentially have a significant impact on the overall pay bill, and average/mean pay, even where pay scales themselves are broadly comparable.

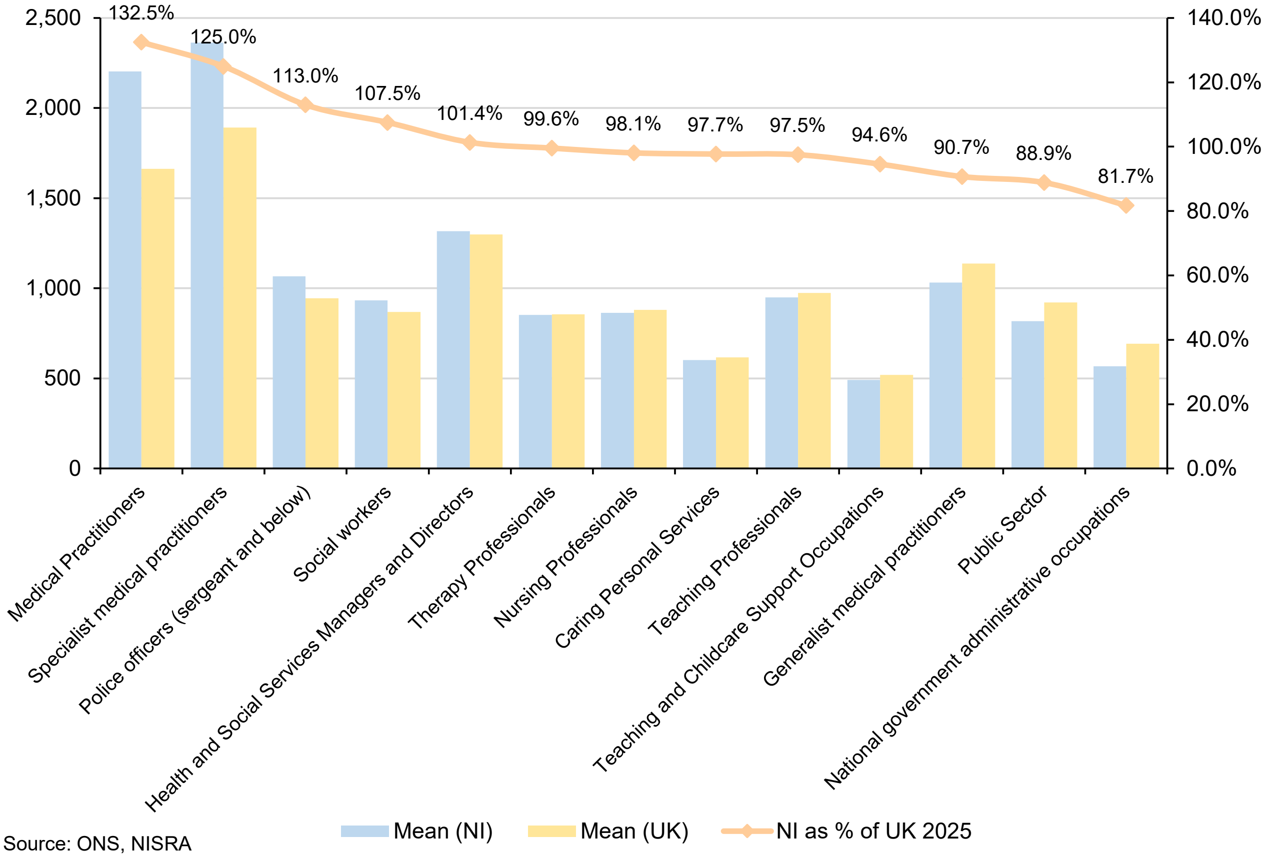
A workforce with a greater proportion of senior staff will, all else equal, have higher mean pay (but not necessarily higher median pay), even if individual pay scales are unchanged. This means that some of the differences observed in Chapter 5 may be driven not by higher pay rates per grade, but by a higher weighting of staff in more senior roles. As such, grade composition represents a distinct driver of costs, separate from both pay levels and workforce size.

Mean pay

Mean pay takes the total pay bill and divides it by the number of employees, so it reflects the impact of the distribution of pay away from the middle. Chart 6.1, based on the same underlying data as Chart 5.2, compares mean pay rates in NI and the whole UK in 2025. Of the 11 occupations shown, mean pay is higher in 4, the same in one, and lower in 7 than in the UK. Mean pay overall in the NI public sector is 2 per cent below that in England, compared to the 1 per cent difference for median pay. At the margin, this implies that NI probably has fewer high earners in its public sector workforce than does England, but the differences are small.

Grade or workforce composition

Chart 6.1 – Mean pay in NI and the UK by public sector occupation (2025)

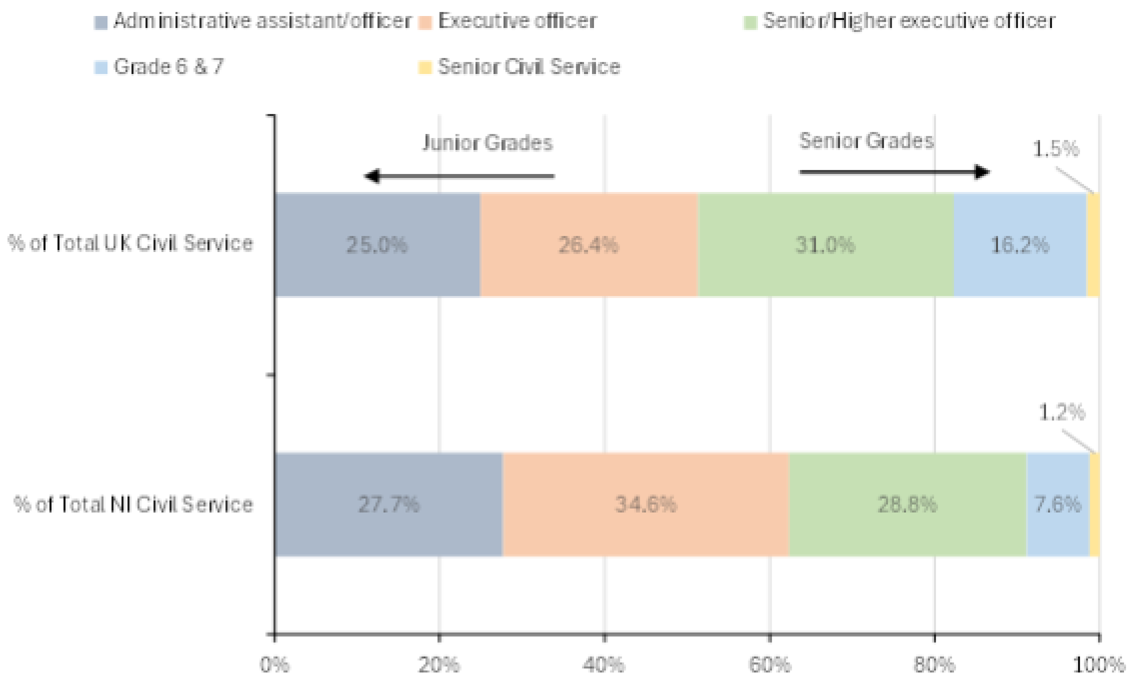


Source: ONS, NISRA

The Civil Service

Looking at a couple of sectors in greater detail, Chart 6.2 shows that the NI Civil Service workforce is more heavily weighted towards junior grades than the UK one.

Chart 6.2 - Comparison of grade composition between the NICS and UK Civil Service



Source: HM Treasury, NISRA

This helps explain why mean salaries in the NI Civil Service are lower than in the UK, despite median pay being above the England excluding London comparator at some grades, including Deputy Principal and Grade 7. The combination of relatively lower pay scales at many grades, and a higher proportion of staff in more junior roles results in lower overall mean pay.

However, this static picture masks important changes over time. Evidence on the distribution of grades within the NI Civil Service indicates a shift towards more senior grades, including growth in Grade 6 roles; and deputy principal and other middle management grades. This process—often referred to as "grade drift"—can increase the cost of the pay bill over time, even in the absence of changes to pay policy. In part this may be a tactical choice, when it becomes difficult to attract staff at a lower grade. It could also occur as a result of changes to the nature of work over time, including greater automation. In any case, grade drift has also occurred in the GB 'Home Civil Service', so NI's employee mix, although more senior than in the past, remains less skewed towards senior grades than the GB Home Civil Service.

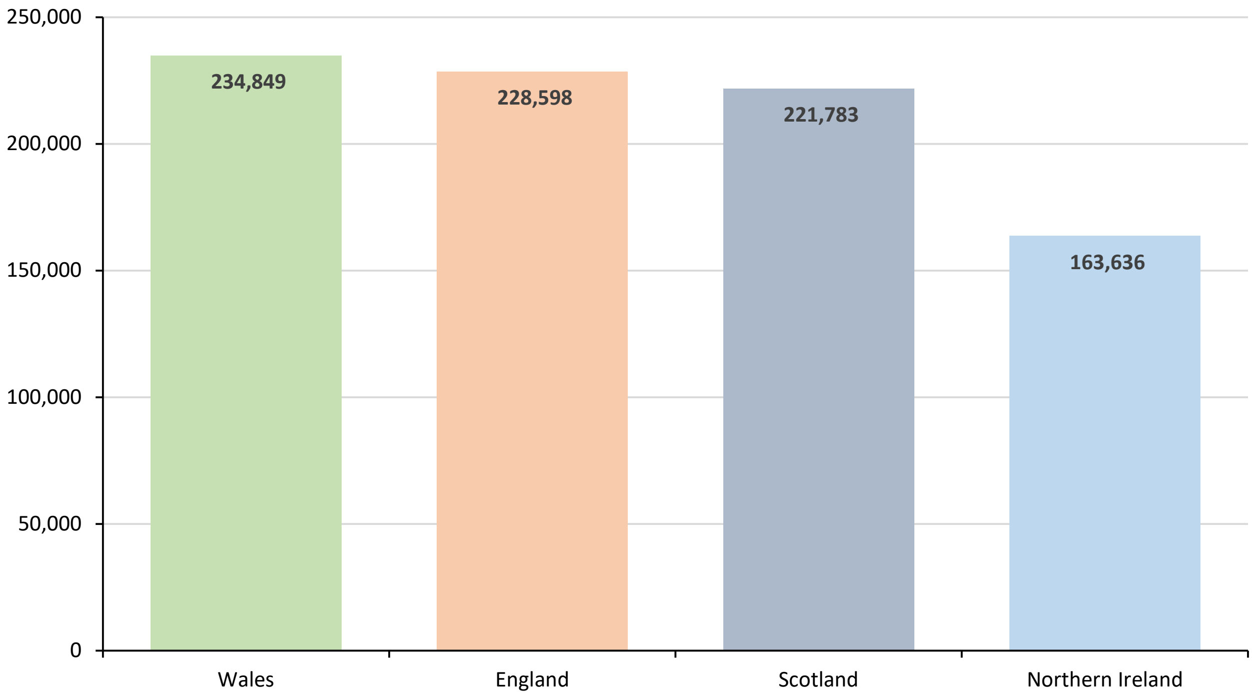
Health

Given similar grade structures, lower mean pay for nurses in NI than in England suggests that (as in the civil service) there is a lower proportion in senior grades. But elsewhere within health, differences in workforce composition may be a significant driver of cost. With much higher mean and median pay than in England, the data suggests that there are more highly paid specialist medical practitioners per head in NI than in England, while the number of general practitioners (although these are not public sector workers) may be lower. The clustering of staff in specialist roles suggests a different balance in the grading of medical staff compared to the rest of the UK.

The NHS 'rich list'

We can look more narrowly at relatively high pay in the health sector by examining the NHS 'rich list'[18] compiled by the TaxPayers' Alliance from the published accounts of NHS trusts and health boards across the UK.[19] This dataset comprises senior managerial and executive staff with earnings (including pension) above £100k (or £105k in NI). By removing those in the rest of the UK who earn below £105k, we can generate a comparable data set across the UK's four nations (Chart 6.3).

Chart 6.3 - Mean salary for high earners (£105k+) in the NHS (NHS Rich list 2026)

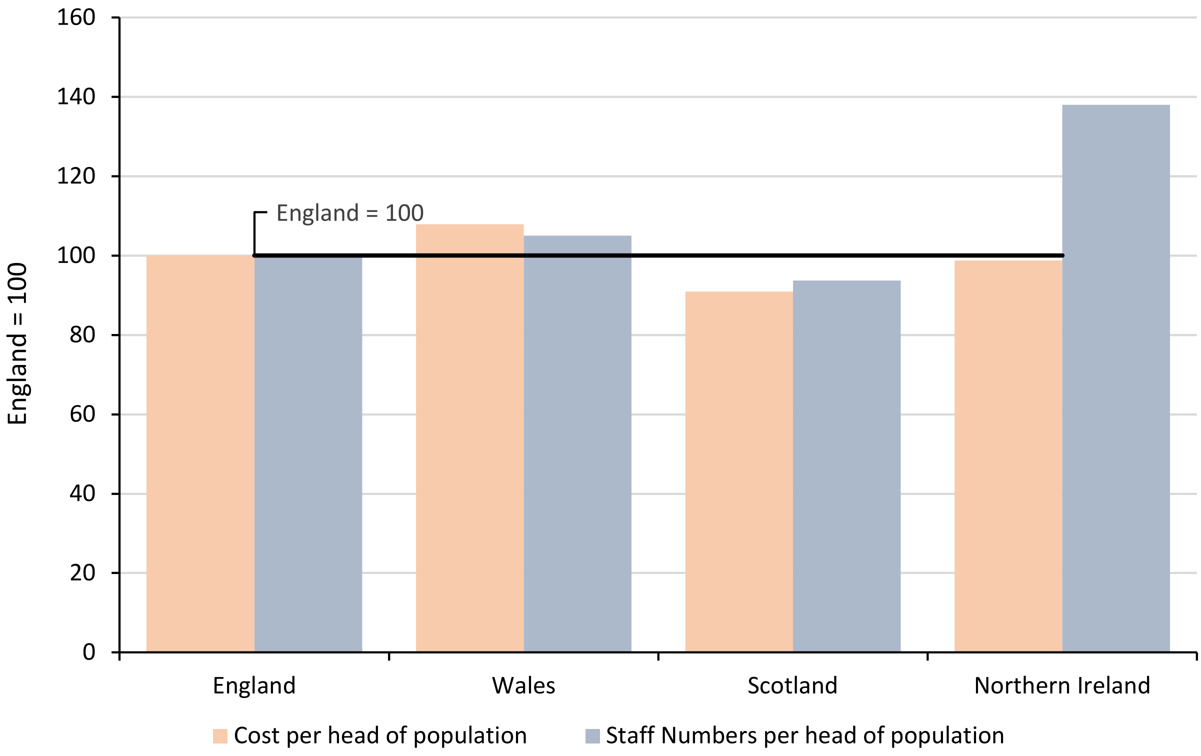


Among the UK's NHS managerial staff earning above £105,000, NI's mean remuneration is substantially below that observed in England, Scotland and Wales. Mean remuneration levels across the rest of the UK are broadly similar (ranging from around £222,000 in Scotland to £235,000 in Wales). By contrast, NI's is about 30 per cent lower than that recorded in Wales, at £163,636. Since Chart 5.2 shows NI's median pay for NHS managers and directors is notably above England's but the mean is much more aligned to England's this seems to indicate that there is a smaller proportion in NI of the very highest earners but higher median pay at the levels below, including a much greater proportion earning towards the £105,000 (minimum recorded) level in the NHS 'rich list'. The Department of Health has explained that this reflects the lower salaries in NI Senior Executive contracts.

[18] https://taxpayersalliance.com/nhs-rich-list-2026/

[19] The 2026 edition of the list analyses the remuneration of NHS staff for the year 2024-25 and compares it with trust performance on A&E and referral-to-treatment waiting times.

Chart 6.4 – Cost per head of population of the regional earnings on the NHS Rich list 2026



Looking at the total numbers of senior NHS staff and cost per head (Chart 6.4), NI appears to have a higher number of staff earning £105,000 or more per head of population than other UK nations, with an index of 138 relative to England (100). NI's cost per head of population (at 99 per cent of England's) is substantially lower than its staff-per-head index (138 per cent of England's). This is a factor of the senior staff in NI generally being paid significantly less than elsewhere in the UK, enabling a greater number of senior posts to be supported within a similar overall pay cost envelope. The Department of Health has indicated that NI has much smaller Trusts (in terms of population catchments) than those in Great Britain, but each still requires a senior executive structure (with some Trust remits broader than others).[20]

As with other areas, these comparisons are subject to limitations in data and classification. These include:

- **mapping grades across jurisdictions** where structures differ;
- distinguishing between **grade effects and pay scale effects**; and
- ensuring that roles compared are **genuinely equivalent** in function.

they do however, illustrate how differences in grade mix can materially affect the pay bill.

[20] As a consequence of NI's integrated health and social care system, 5 directors of social work appear in the NI NHS 'rich list'. We have opted not to remove these individuals from the analysis as at least some of them appear to have a wider remit. Likewise, there could be NI directors remaining on the list responsible for elements of social care (e.g. Older People's Services). Correcting for this would be too complex, therefore we have not calculated an NI-adjusted figure for chart 6.4.

Taken together, the evidence suggests that while **differences in grade and workforce composition do not materially add to the Executive's pay pressures at the overall level**, they may be a potential driver of higher pay costs within certain staff groups.

7. Emerging findings

Based on a relatively rough-and-ready calculation, NI's public sector pay bill is 35-45 per cent higher per head than in equivalent services in England. This means that when the UK Government increases pay rates in England in equivalent public services by x per cent, the resulting Barnett consequentials are insufficient to pay for NI to match those percentage increases even with the current 24 per cent top-up.

Our initial assessment suggests that NI's relatively large public sector pay bill is mainly explained by higher employment and the choice to finance from the Block Grant activities that the UK Government does not finance in England. Pay levels for the same job and the seniority-mix within the workforce seem less important contributors to aggregate pay pressures, although they may be significant in some sectors and occupations. In fact, NI's overall lower median and mean wages for most public sector groups may tend at the margin to reduce the pressure on the Executive's finances.

That said, the evidence on which these conclusions are based is subject to significant data limitations and comparability challenges. In many areas—such as workforce measurement, sector boundaries, and pay comparisons—it has proven difficult to establish precise, like-for-like comparisons between NI and England. This limits our ability to quantify the relative contribution of each factor and to draw firm conclusions about the scale of the affordability gap. This is an area we intend to explore further. Any additional data or approaches others can point us to here, such as the areas identified in the next chapter, would be of great value.

The Council therefore regards these findings as provisional. We are publishing this report to support discussion, scrutiny and further evidence gathering. Feedback received following publication and at our Annual Conference will help inform the next phase of this work and the development of a more robust methodology for assessing public sector pay pressures in NI.

There are questions for the Executive that flow from these initial findings. What are the consequences of diverting more funding into pay, with less left for non-pay spending? What does this do to the quality and quantity of public services? How can the pay bill be made more sustainable to avoid continuous compounding of pressures not funded via Barnett consequentials, even uplifted by 24 per cent? Do the benefits of maintaining pay increase and (where it exists) level parity outweigh the costs and challenges it creates for budget management?

In order to consider these questions, the Executive may require more or different data than it currently receives, and the processes by which individual Ministers make pay awards may need to be informed by strategic decisions at the Executive level. In this there is a choice for the Executive to put in place a centralised pay policy, or to continue to devolve these decisions to each Minister who would then face the fiscal consequences of their own actions.

8. Invitation for views

The Council welcomes comments on the analysis presented in this paper. We regard the findings as provisional and would particularly welcome evidence, challenge and alternative interpretations that could strengthen future work in this area.

We would welcome views on:

1. whether the paper has identified the **principal drivers of public sector pay pressures in NI**;
2. the **distinction between pay level parity and pay increase parity** - whether these concepts provide a useful framework for assessing the affordability and sustainability of public sector pay in NI, and whether alternative frameworks should be considered;
3. our estimate of comparable pay bill per head, which is necessarily broad brush – and stakeholders may identify a better basis for this comparison.
4. additional **evidence, datasets or data sources** that may improve the analysis, particularly in relation to workforce numbers, grade structures and evolution, pay progression, service delivery models;
5. **approaches to comparing workforce size, pay and grading** across different jurisdictions in a like-for-like manner;
6. whether there are better methods of distinguishing between higher **numbers of staff undertaking broadly equivalent functions**; and staff employed in functions that are **funded or delivered differently in England**, and the extent to which each contributes to overall pay pressures;
7. examples of **research, evidence or experience from elsewhere** in the UK or internationally that may help explain the relationship between workforce size, public sector pay and fiscal sustainability;
8. whether the **methodology used in the Appendix to derive comparability-adjusted Civil Service staffing figures is reasonable**, and how it might be improved; and
9. areas **where the Council should focus further analysis** in the next phase of this work.

Comments received will help inform the development of the Council's future work on public sector pay and fiscal sustainability.

Please send your comments to info@nifiscalcouncil.org

Appendix: comparability adjusting civil service staff numbers

To attempt a fairer comparison of relative civil service staff in the NICS and UK departments than raw numbers per head provides, we applied two key adjustments to the raw staffing numbers on each side of the calculation.

NICS staffing adjustment

There are approximately 2,200 civil servants who are employed by the NICS on behalf of the UK government to deliver social security processing services for England. If these 2,200 staff are included in the calculation the relative numbers are 135 per cent (unadjusted) and 201 per cent (comparability adjusted) (i.e. plus 11 and plus 18 percentage points respectively).

UK staffing adjustment

There are a significant number of UK civil servants working in areas such as defence and foreign policy that are not devolved to NI. To correct for this, we applied an adjustment broadly at the level used in relative funding.

To calculate the comparability adjustment, we applied to UK departmental expenditure data (drawn from PESA) the comparability factors that are set out in the Statement of Funding Policy (and are agreed for each function with input from NI departments).[21]

This gives a 'comparability adjusted' UK spending total which is, on average, around two thirds of the unadjusted total. In effect this shows that approximately one third of UK Government spending is on reserved/excepted (i.e. non-devolved) matters. This allows us to undertake a broad-brush comparison, assuming that around one third of civil servants in UK departments are working in areas for which there is no equivalent in NI – for example, Defence or the Foreign Commonwealth and Development Office.

[21] https://assets.publishing.service.gov.uk/media/684859e3d0ca5d7801e4e6f6/Statement_of_Funding_Policy.pdf