

SUBMISSION TO THE LOW PAY
COMMISSION ON THE 2026
NATIONAL MINIMUM WAGE & THE
LIVING WAGE

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INTRODUCTION & KEY POINTS

The mandate of the Low Pay Commission is to ‘make recommendations to the Minister regarding the national minimum hourly rate of pay that is designed to assist as many low paid workers as is reasonably practicable, is set at a rate that is both fair and sustainable, where adjustment is appropriate, is adjusted incrementally, and over time, is progressively increased, without creating significant adverse consequences for employment or competitiveness.’¹

In deciding on the appropriate level of the minimum wage, a number of considerations need to be taken into account. The key considerations should revolve around the prevailing economic environment and outlook, and the business environment that SMEs are operating in.

This submission has been prepared on behalf of the Local Jobs Alliance (LJA). The LJA is an alliance comprising of trade and representative groups whose members are in the retail, hospitality, and service sectors, predominantly operating as SMEs. Collectively, the businesses represented by the LJA employ over 300,000 people nationally.

Section 1 examines the evolution of the National Minimum Wage and the progress towards a Living Wage.

Section 2 examines the economic context for the Irish economy now.

Section 3 outlines the role of the SME sector in the Irish economy.

Section 4 examines the operating environment for the SME sector now.

Section 5 presents main conclusions; and

Appendix 1 outlines some case studies in the independent retail grocery sector.

Appendix 2 reflects the observations from the Accommodation, Beverage & Food Services sector.

Appendix 3 contains a submission from the Irish Hairdressers Federation (IHF)

KEY POINTS

The **National Minimum Wage** was introduced in Ireland under the National Minimum Wage Act 2000. Between April 2000 and January 2025, the minimum wage was increased by 141.9 per cent. Over the same period, the consumer price index increased by 64.4 per cent. On 1st January 2025, the statutory minimum wage was increased by 6.3 per cent to €13.50 per hour. In the year to January, prices increased by 1.9 per cent, and

¹ Low Pay Commission, Annual Report 2024.

the inflation rate averaged 2.1 per cent in 2024. In 2025, Ireland has the second highest minimum wage in the EU.

The Irish economy is now facing the most significant threat to its economic model since the global financial crisis in 2008. The risks to Ireland are very real. In some ways there is not much Ireland can do to counter those risks other than deep diplomatic engagement to mend fences; and to ensure that in vital strategic areas such as energy, water, and housing serious efforts are made to address the obvious real deficiencies in the economic infrastructure. It is also essential to ensure that the multi-national risks and over-dependence are counteracted by the nurturing of a strong and sustainable indigenous SME economy. Having a competitive environment from a cost perspective is essential. Low pay policy as currently pursued is not consistent with that requirement.

The SME sector is a vital element of Ireland's economic model. It makes a significant contribution to national and regional economic activity and employment. It covers many different sectors of the economy, but certain sectors such as hospitality, retail, construction, and personal services are dominated by companies employing less than 250 employees. SMEs represent the lifeblood of regional and local economies around the country. CSO data show that in 2022, the SME sector accounted for 99.8 per cent of total businesses in Ireland and for 67.9 per cent of persons engaged in the business economy. The SME sector accounted for 43.1 per cent of business turnover and almost 41 per cent of gross value added in the economy.

The operating environment for many SMEs has been intensely challenging since 2020. There has been a massive escalation in the costs of doing business, including energy costs, insurance costs, labour costs, and compliance costs. Many SMEs, particularly in retail and hospitality, are labour intensive, so labour costs and other labour market regulations in areas such as paid sick days and parental leave impose an inordinate financial and logistical burden. In addition, consumer-facing businesses are dealing with a consumer that is under significant financial pressure.

In pursuing low wage policy, the SME sector cannot endure the level of minimum wage increases delivered in recent years, and at the same time remain viable. Any future minimum wage increases should be linked to the rate of inflation if affected businesses are to remain viable. Likewise, the move towards a living wage based on 60 per cent of median earnings needs to be re-visited and re-assessed.

SECTION 1: THE NATIONAL MINIMUM WAGE & THE LIVING WAGE

The **National Minimum Wage** was introduced in Ireland under the National Minimum Wage Act 2000. It was initially introduced at a rate of €5.58 per hour on 1st April 2000. Between April 2000 and January 2025, the minimum wage was increased by 141.9 per cent. Over the same period, the consumer price index increased by 64.4 per cent. On 1st January 2025, the statutory minimum wage was increased by 6.3 per cent to €13.50 per hour. The minimum wage increased by 7.6 per cent in 2023; and 12.4 per cent in 2024.

In 2025, Ireland has the second highest minimum wage in the EU.

Table 1: National Minimum Wage Comparison EU

COUNTRY	€ PER MONTH
Luxembourg	2,637.79
Ireland	2,281.50
Netherlands	2,193.36
Belgium	2,070.48
Germany	2,161.00
France	1,801.80
Spain	1,381.00
Slovenia	1,277.70
Poland	1,091.46
Lithuania	1,038.00
Portugal	1,015.00
Cyprus	1,000.00
Croatia	970.00
Greece	968.33
Malta	961.05
Estonia	886.00
Czechia	825.89
Slovakia	816.00
Romania	814.18
Latvia	740.00
Hungary	706.94
Bulgaria	550.67

Source: Eurostat, 17th March 2025.

In the second quarter of 2024, CSO data show that 157,100 workers were earning the minimum wage, equivalent to 6.6 per cent of the workforce; and 38,200 workers were earning less than the minimum wage. The reason for those earning less than the minimum wage include factors such as a special training rate, an apprenticeship programme, or an age-based rate.

Of those earning the minimum wage or less, almost 28 per cent work in the Wholesale & Retail sector, and almost 29 per cent work in the hospitality sector.

In November 2022 the Irish government formally committed to the introduction of a **Living Wage** for employees. The ambition set out in 2022 was that the national living wage would be introduced over a four-year period and will be in place by 2026, at which stage it will replace the National Minimum Wage. It is intended the living wage will be set at 60 per cent of hourly median earnings in line with the recommendations of the Low Pay Commission. Once it has come into effect in 2026, the intention is that the Low Pay Commission will advise on the economic practicalities of gradually increasing the targeted threshold rate towards 66 per cent of hourly median earnings.

The Low Pay Commission suggests that a living wage ‘may be defined as the minimum income necessary for a single adult worker in full-time employment, with no dependents, to meet his or her basic needs and afford a minimum acceptable standard of living.’

The Low Pay Commission made 18 recommendations on the progression to a living wage. The key recommendation involved the adoption of a fixed threshold approach for the calculation of a living wage, as opposed to a Minimum Essential Standard of Living or ‘basket of goods’ approach. The fixed threshold approach targets the living wage level at 60 per cent of the median wage in the economy.

From the perspective of the SME sector, the use of median incomes to determine the living wage does create distortions and inordinately impacts on many SMEs.

There are certain sectors of the economy where minimum wage and living wage considerations are not relevant due to the high level of earnings.

Median earnings in the ICT sector are almost 211 per cent higher than in Accommodation & Food Services and are 139 per cent higher than in retail. Median earnings in sectors that bear no relationship to sectors such as hospitality and retail are included in the calculation of the living wage. Median earnings in the public sector at €54,513 are over 40 per cent higher than in the private sector.

Average hourly pay in ICT is 177 per cent higher than in Accommodation & Food Services, and 115 per cent higher than in the Retail sector. Likewise, average hourly pay in public sector activities such as Healthcare and Education are significantly higher than in Accommodation & Food Services and Retail.

The technical issue/problem is that the living wage based on 60 per cent of median earnings is grossly distorted by median earnings in multi-national dominated sectors, financial services, and the public sector. Earnings in those sectors bear no relationship to lower-paid sectors such as hospitality and retail, yet the living wage that is most relevant in terms of its applicability for sectors such as Retail and Accommodation & Food Services is heavily distorted by much higher paid sectors where the living wage is not relevant.

In any calculation of a fair and proportionate living wage, those higher paid sectors should be excluded from the calculation.

It is also the case that in the calculation of the living wage and its impact on the SME sector, it appears that no account has been taken of pay relativities or knock-on increases in wages within a business. Business owners attest to the fact that when the minimum wage increases for lower paid workers in a company, it percolates up through the wage structure based on pay relativities.

SECTION 2: THE ECONOMIC CONTEXT

2024 was another solid year for the Irish economy both economically and politically, particularly in the context of the economic and political challenges facing many other countries around the world. The key strengths in 2024 included a strong labour market, strong growth in tax revenues, a solid aggregate household balance sheet, and a strong rebound in exports after a setback in 2023. The environment for consumer facing businesses such as retail and hospitality had a more challenging year, faced with a consumer under pressure from the escalation in the cost of living, and significant increases in business operating costs.

So far in 2025 the momentum in the economy is still quite positive. The unemployment rate stood at 4 per cent in March; tax revenues increased by 17.5 per cent in the first quarter and by 8.9 per cent when the Apple Tax receipts are excluded; exports expanded by 44.5 per cent in the first 2 months of the year, boosted by exceptionally strong growth in exports of chemical & pharmaceutical products to the US ahead of possible tariffs; and the inflation rate stood at 2 per cent in March.

The key positives for the Irish economy in the second quarter of 2025 include:

- Solid economic momentum.
- Record levels of employment.
- Low unemployment.
- A stable FDI sector.
- A stable banking system, although it is overly concentrated and lack real competition.

- Strong public finances, helped by windfall corporation tax receipts and the ECJ Apple tax ruling.
- Falling interest rates.
- Record household deposits, lower levels of household debt and in general, a strong personal balance sheet.
- Political stability.
- Budget 2025 was a very stimulatory package and will help support to the overall economy in 2025.

Notwithstanding the still generally positive domestic economic backdrop, the future is characterised by intense uncertainty.

The key threats and challenges to the wellbeing of the Irish economy largely emanate from outside the country. They include:

- A global trade war driven by Trump tariffs and retaliation from US trade partners.
- A global recession or significant slowdown in the global economy as a result of the uncertainty and economic damage caused by the US tariff policy.
- Inflation spiking again, driven by energy prices and higher prices due to tariffs.
- A significant correction in what is a very highly valued global equity market background.
- A Russian victory in Ukraine.
- Further escalation of the war in the Middle East.

As a small open economy that is very dependent on exports of goods and services, and foreign direct investment (FDI), these external threats are very real. The most consequential threat is posed by the trade and corporation tax policies of the Trump Administration.

Ireland has an inordinate dependence on US multi-nationals in terms of direct and indirect employment, and more particularly and worryingly, income tax and corporation tax receipts.

- In 2024, Chemical and Related Products accounted for 65.2 per cent of Irish merchandise exports, with 40 per cent of the total exported to the US.
- At the end of 2024, 302,566 workers were employed by companies supported by the IDA. It is estimated that a further 272,000 workers are indirectly dependent on the IDA-supported companies.
- In 2024, corporation tax accounted for 36.2 per cent of tax receipts in Ireland.
- In 2023, 10 multi-national companies accounted for 52 per cent of Irish corporation tax receipts. The workers in those 10 companies accounted for 10 per cent of income tax.
- The top 20 per cent of income taxpayers accounted for 80 per cent of income tax paid. Many of those higher paid workers tend to work in the multi-national sector.

- Manufacturing, ICT and Financial Services accounted for one third of income tax paid.
- Workers in Manufacturing, ICT and Financial Services accounted for 70 per cent of corporation tax paid.

It remains to be seen what the Trump administration might do to further the ‘America First’ agenda, but the suggestions to date highlight just how vulnerable the Irish multi-national sector and hence the overall economy are to possible changes to the US corporation tax code, and tariff policies.

The risks to Ireland are very real. In some ways there is not a lot Ireland can do to counter those risks other than deep diplomatic engagement to mend fences; and to ensure that in vital strategic areas such as energy, water, and housing serious efforts are made to address the obvious real deficiencies in the economic infrastructure.

It is also essential to ensure that the multi-national risks and over-dependence are counteracted by the nurturing of a strong and sustainable indigenous SME economy.

SECTION 3: THE CONTRIBUTION OF THE SME SECTOR TO THE IRISH ECONOMY

The SME sector is a vital element of Ireland’s economic model. It makes a significant contribution to national and regional economic activity and employment. It covers many different sectors of the economy, but certain sectors such as hospitality, retail, construction, and personal services are dominated by companies employing less than 250 employees. SMEs represent the lifeblood of regional and local economies around the country.

CSO data show that in 2022, the SME sector accounted for 99.8 per cent of total businesses in Ireland and for 67.9 per cent of persons engaged in the business economy. The SME sector accounted for 43.1 per cent of business turnover and almost 41 per cent of gross value added in the economy.

Table 2: The Business Economy in Ireland (2022)

SIZE	NUMBER OF ENTERPRISES	%	NUMBER OF PERSONS ENGAGED
Micro <10	359,728	92.3%	616,986
Small (10-49)	24,451	6.3%	486,305
Medium (50-249)	4,589	1.2%	453,709
All SMEs	388,768	99.8%	1,557,000
Large (250+)	886	0.2%	735,598
Total	389,654	100.0%	2,292,598

Source: CSO Business Demography

In the 2025 Programme for Government, the incoming government committed to supporting the SME sector. Specifically, the programme contained a number of important commitments:

- A commitment to develop Ireland's enterprise base over the next five years
- Reduce costs for business & assess all elements of labour market policy that impact on the viability of SMEs.
- Bring forward measures to support SMEs - changes to VAT, PRSI and other measures, that will be implemented as part of the normal budget process.
- A Cost of Business Advisory Forum that will include a review of all business taxes and costs
- Rigorously implement the SME test to scrutinise every new piece of legislation and regulation for its impact on SMEs

It is essential that these policy commitments are pursued fully to enable the SME sector to counterbalance the concentration risk that now leaves Ireland quite exposed to external events.

SECTION 4: THE OPERATING ENVIRONMENT FOR SMEs

The operating environment for many SMEs has been intensely challenging since 2020. There has been a massive escalation in the costs of doing business, including energy costs, insurance costs, labour costs, and compliance costs. Many SMEs, particularly in retail and hospitality, are labour intensive, so labour costs and other labour market regulations in areas such as paid sick days and parental leave impose an inordinate financial and logistical burden. In addition, consumer-facing businesses are dealing with a consumer that is under financial pressure.

CONSUMER PRESSURES

Although the headline rate of inflation has fallen sharply from the high of 9.2 per cent in October 2022 to 2 per cent in March 2025, the average cost of living in March 2025 was 20.5 per cent higher than in March 2020. Table 3 shows the annual percentage change in the price of a range of items in March 2025, and the change in prices between March 2020 and March 2025. This demonstrates the cost-of-living pressures facing consumers. This cost-of-living escalation was a key theme in Budget 2025 and General Election 2024.

Table 3: Increase in Selected Consumer Prices

	ANNUAL % CHANGE MARCH 2024	% CHANGE MARCH 25/MARCH 20
All items	2.0%	20.5%
Food	3.1%	22.4%
Non-Alcoholic Beverages	5.1%	27.6%
Private rents	5.2%	31.1%
Mortgage interest	2.1%	82.8%
Electricity	-0.5%	60.9%
Gas	-1.5%	82.9%
Taxi Fares	8.7%	22.3%
Petrol	2.8%	25.3%
Diesel	1.3%	33.1%
Restaurants, cafes and the like	4.0%	20.6%
Accommodation services	-2.8%	35.4%
Hairdressing	2.8%	31.6%
Insurance connected with health	8.4%	27.1%

Source: CSO PxStat

Table 4 shows a breakdown of retail sales by sector in 2024. The overall value of retail sales increased by 1.1 per cent, and the volume of sales increased by just 0.5 per cent.

Table 4: Retail Sales by Sector 2024

SECTOR	VALUE (% CHANGE)	VOLUME (% CHANGE)
Motor trades	3.0%	1.5%
Non-specialised stores with food, beverages or tobacco predominating	2.2%	-0.2%
Department stores	-3.1%	-1.7%
Automotive fuel	1.8%	-0.8%
Retail sale of hardware, paints & glass	2.0%	2.1%
Furniture & lighting	0.8%	2.4%
Bars	0.7%	-3.6%
All retail businesses	1.1%	0.5%
Food, beverages & tobacco in specialised stores	1.5%	-1.1%
Household equipment	1.4%	1.6%
Textiles, clothing & footwear	-1.0%	4.8%
Books, newspapers & stationery	2.1%	1.5%
Pharmaceutical, medical & cosmetic articles	0.5%	-1.8%

Source: CSO PxStat

LABOUR COSTS AND OTHER COSTS OF DOING BUSINESS

The performance of the Irish labour market has been very strong in recent years, with a record level of employment reached in the second half of 2024. In March 2024 the unemployment rate stood at just 4 per cent of the labour force, which is close to a full-employment level of unemployment. From an economic and social perspective this is very positive, but for business, recruitment and retention of workers is a significant challenge and wage pressures have been intense.

Many SMEs, particularly in retail and hospitality, are labour intensive, so labour costs and other labour market regulations in areas such as paid sick days and parental leave impose an inordinate financial and logistical burden. Table 5 shows the increase in labour costs for selected sectors, and the

Table 5: Business Costs (Q4 2019-Q4 2024)

SECTOR	% CHANGE (Q424/Q423)	% CHANGE (Q424/Q419)
All NACE economic sectors	+6.10%	+26.00%
Construction	+3.90%	+24.90%
Wholesale & retail trade; repair of motor vehicles & motorcycles	+6.00%	+21.10%
Accommodation and food service activities	+3.70%	+23.20%
Electricity (March 2025/March 2020)		+60.9%
Gas (March 2025/March 2020)		+82.9%

Source: CSO PxStat

The National Competitiveness and Productivity Council (NCPC)² warned that Ireland must address issues relating to the cost of doing business, which remains a longstanding challenge to Ireland's competitiveness. The NCPC recognises that to a certain degree, Ireland's cost position is reflective of high incomes which in turn is facilitated by the strong level of value-added in the economy. However, there are cost factors which are not reflective of a competitive equilibrium. In particular, the mismatch between aggregate demand and aggregate supply is adding to costs, this can be seen in labour market tightness and reflected in the slow delivery of key infrastructure set against a clear demand in areas such as housing and energy. These costs impact on Ireland's attractiveness for both large firms and SMEs.

The NCPC recommended that an enhanced SME test should be implemented to ensure that an enterprise perspective is present across all major Government decisions. This offers an opportunity to comprehensively set out (and consider) forthcoming impacts on business annually. The degree to which new regulations impact on firms should also be evaluated thoroughly and in a quality-assured manner, prior to their introduction. It recognises that there have been numerous cost challenges for firms in recent years, including increased input and energy costs, along with rising labour costs. It advises that Government should ensure that the necessary and fundamental conditions for SMEs to compete are fair and adequate,

The NCPC stated that 'while the Irish economy has demonstrated resilience through the current period of global uncertainty with employment levels reaching a record high, the cost of doing business has been increasing. Over the last number of years, the Government has introduced or progressed several initiatives to improve working conditions, making the Irish workplace more attractive for employees and helping to bring minimum working conditions in Ireland in line with EU countries. However, the introduction of these measures does not come without costs to firms. Among the most affected sectors, will be those employing large numbers of staff, and operating on relatively slim margins. This includes – for example – firms operating in hospitality and retail. In addition, energy, transport and shipping costs remain elevated which continues to pose competitiveness challenges to Ireland as an open economy.'

AUTO-ENROLMENT

Pension Auto-Enrolment (AE) was due to be introduced in September 2025, but has now been delayed for some months, but the intention is to introduce it. This initiative is in response to the fact that pension coverage in Ireland has remained stubbornly low in

² Ireland's Competitiveness Challenge 2024, NCPC, July 2024

the private sector, and it is estimated that only 1/3rd of private sector workers has active pension coverage.

The proposed scheme It is not an income tax relief model, but rather an SSIA style Government top-up model. Contribution rates will be applied to gross wages but deducted from net wages.

Table 6: Main Features of Auto-Enrolment - Contributions

YEAR	EMPLOYEE	EMPLOYER	BONUS INCENTIVE	TOTAL CONTRIBUTION	APPLIED TO
Year 1-3	1.5%	1.5%	0.5%	3.5%	Full Gross pay
Year 4-6	3.0%	3.0%	1.0%	7.0%	Full gross pay
Year 7-9	4.5%	4.5%	1.5%	10.5%	Full gross pay
Year 10 Onwards	6.0%	6.0%	2.0%	14.0%	Full gross pay

Employees aged between 23 and 60 who are earning more than €20,000 per annum will be included, unless they are making ongoing PRSA or occupational pension contributions via payroll. Employees not in a PRSA or occupation pension who are outside the age and earnings parameters can opt in to AE.

Employees who are Class S PRSI contributors, typically company owners or directors; and employees who have pension contributions to a PRSA or occupational scheme recorded via their payroll software or payslip, whether the contribution is from employee, employer or both; and the self-employed and unemployed are not included in the AE scheme.

From an employer perspective, the contribution will be equivalent to 1.5 per cent of the gross wage for the first three years; 3 per cent from year four to six; 4.5 per cent from year seven to nine; and 6 per cent from year 10 onwards. Such contributions will add significantly to labour costs and further squeeze the already-pressurised SME sector. The Government has estimated that the cost to employers will total €9 billion over the next decade, or an average of €900 million annually.

SECTION 5: KEY CONCLUSIONS

The Irish economy is facing the most significant threat to its economic model since the global financial crisis in 2008. The tariff and corporation tax policies of the Trump administration could do serious damage to the Irish economy, which is exposed to significant concentration risk. In some ways there is not much Ireland can do to counter those risks other than deep diplomatic engagement to mend fences; and to ensure that in vital strategic areas such as energy, water, and housing serious efforts are made to address the obvious real deficiencies in the economic infrastructure. It is also essential to ensure that the multi-national risks and over-dependence are counteracted by the nurturing of a strong and sustainable indigenous SME economy. Having a competitive environment from a cost perspective is essential. Low pay policy as currently pursued is not consistent with that requirement.

The SME sector is a vital element of Ireland's economic model. It makes a significant contribution to national and regional economic activity and employment. It covers many different sectors of the economy, but certain sectors such as hospitality, retail, construction, and personal services are dominated by companies employing less than 250 employees. SMEs represent the lifeblood of regional and local economies around the country. CSO data show that in 2022, the SME sector accounted for 99.8 per cent of total businesses in Ireland and for 67.9 per cent of persons engaged in the business economy. The SME sector accounted for 43.1 per cent of business turnover and almost 41 per cent of gross value added in the economy.

The operating environment for many SMEs has been intensely challenging since 2020. There has been a massive escalation in the costs of doing business, including energy costs, insurance costs, labour costs, and compliance costs. Many SMEs, particularly in retail and hospitality, are labour intensive, so labour costs and other labour market regulations in areas such as paid sick days and parental leave impose an inordinate financial and logistical burden. In addition, consumer-facing businesses are dealing with a consumer that is under significant financial pressure.

In pursuing low wage policy, the SME sector cannot endure the level of minimum wage increases delivered in recent years, and at the same time remain viable. Any future minimum wage increases should be linked to the rate of inflation if affected businesses are to remain viable. Likewise, the move towards a living wage based on 60 per cent of median earnings needs to be re-visited and re-assessed.

APPENDIX 1

ASSESSMENT OF CURRENT COST AND TRADING PRESSURES ON THE INDEPENDENT RETAIL GROCERY SECTOR

1. General overview

The operating environment for independent retail grocery operators remains incredibly challenging at the end of Q1 2025. Facing a raft of increasing operating costs, depressed levels of consumer spending and the prospect of even more costs coming down the line, the outlook for the sector is seriously challenging. Costs are only going one way – with no prospect of any imminent reductions in core input costs.

In addition to increases in operating costs, most product lines have also increased in cost in particular since 2021 and customers are increasingly cost conscious and mobile in terms of shopping choices.

For the purposes of preparing for a Low Pay Commission submission, RGDATA sought input from 3 different format operators in 3 very different locations. All are owner run shops each trading under a different symbol group. The operators previously supplied trading information which fed into the Report by the Department of Enterprise Trade and Employment on Business Costs. The retailers are:

- A suburban full-service supermarket – Retailer A.
- A rural full-service supermarket – Retailer B.
- A convenience forecourt operator in a large rural town – Retailer C.

2. Labour costs

For all three operators the highest rate of increase in operating costs is due to increased employment costs.

Retailer A reported several significant contributing factors to the increase in employment costs. The rise in the National Minimum Wage in January 2025 will increase average employment costs by over €45,000 in a full year. Statutory sick pay is an additional employment cost which ran to €4,400 in 2024 and shows no signs of abating for 2025.

Retailer B reported an increase in staff costs to the end of March 2025 at €25,000 over the same period in 2024 primarily due to statutory increases in employment costs (NMW & statutory sick pay). This will equate to an additional labour cost over a full year of €100,000.

Retailer C -estimated that the increase in wage costs for 2025 will be more than €53,000, primarily due to the increased NMW and sick pay obligations on employers.

3. Other operating costs

All three retailers reported significant increases in other operating costs in the current year.

Energy costs remain stubbornly high since the Ukrainian War and have not come down to more sustainable levels. Retailer A reported that the standing charges (e.g., PSO/Use of System Charges, etc) for energy had increased to €7,000 per month, even before actual consumption levels are factored into the cost base. Retailer C reported persistent abnormally high energy costs of €9,000 per month.

Crime and shrinkage – crime against retailers is imposing a significant additional operating cost, not just in terms of the cost of security measures (personnel, alarms, CCTV) but more particularly in terms of loss of stock and shrinkage, which is not covered by insurance. These costs go directly to the bottom line. Retailer C has calculated that theft, and shrinkage is costing on average €1,500 per week in terms of lost stock.

General Business costs – all three retailers report that the cost of services supplied to their stores have seen exponential increases over the last quarter, in part due to increases that suppliers have had to address in their businesses. The list of additional cost inputs includes hikes to the cost of cleaning materials, repairs and maintenance, packaging, refuse collection, IT services and staff uniforms. The general increases in employment costs have permeated right through the business sector and impacts on the essential services that shops need to keep trading. Retailer A said that these increases used to be in the region of hundreds of euro but are now increasing in thousands of euro. Retailer B says that many of the input costs affecting his shop have increased by up to 35% over the last year.

Insurance costs also remain stubbornly high with none of the retailers reporting any reductions in premiums, despite much vaunted reductions in Personal Injury awards and legal costs. Retailers are not feeling the benefits of these reforms.

The cost of food -all three retailers report significant increases in the price that they are paying for food from suppliers. Since February 2021, average grocery prices across the EU have increased by over 33 per cent due to increases in costs across the supply chain. Food inflation has led to considerable hikes in food costs and consumers are well aware of these increases. Shops have no ability to recoup additional increased costs by raising prices.

Local and National Government costs – Retailer A reported that Commercial Rates imposed by their local authority had increased by 15 per cent, at a time when other costs pressures are accelerating. Additionally new regulatory charges, such as an unprecedented charge in the licence fee for tobacco and vape sales of up to €1,800 has

come out of nowhere and represents a direct additional hit on the business. The State imposed Deposit Return Scheme (DRS) has also led to increased compliance costs for retailers – while the DRS was meant to be cost neutral for retailers, in many cases it has led to a significant investment cost in the provision of Reverse Vending Machines (RVM).

4. Customer sentiment

All three retailers report that customer sentiment is very low, with high levels of awareness of increased costs and a greater willingness to shop around. Customers can see that prices have increased across the shopping offering. This is directly limiting the retailer's capacity to respond to business cost increases by raising retail prices. Retailer A reported that shopping patterns have changed considerably with consumers becoming reluctant shoppers with increased price sensitivity. In particular, consumers will reduce their spending in shops to keep other expenditure going. This has manifested itself in many shoppers popping in for a top up shop – often just a single item, rather than the trolley shop. Retailer C reported that alcohol sales have gone through the floor, with shoppers often shopping across the border because of the price differential involved.

5. Impact on employment profile

All three retailers have confirmed that they have had to cut back shifts in response to increased employment costs. The issue has become particularly acute for bank holiday and Sunday shifts, where the increased cost of employment is not matched by any increase in footfall. On a typical bank holiday, a retailer can see 25 per cent less footfall but has to fund an additional 50 per cent in labour costs.

Another notable impact has been a reluctance to hire younger or less experienced staff given the high cost involved in training them up. Retailer B pointed out that it can take up to 6 months to train a student in retail work given their absence of work experience and the cost of employment is not recouped until they have gained practical experience.

6. Outlook

All three retailers indicated that they see a very challenging outlook and for all three their businesses have become marginal. There is frustration at the lack of understanding of the realities of business on the part of both local and national Government with an apparent insatiable appetite by the State to pile costs on businesses which do not have any capacity to increase revenues to meet the higher business costs.

Generally, the feedback from the 3 retailers is reflective of the mood within the sector – cost increases have placed a lot of uncertainty in the future of food retail businesses. The businesses are very labour intensive but with increases in labour costs (NMW/Sick Pay/Auto Enrolment) there is no capacity for retailers to pass on their rising costs.

State imposed increases in business costs are rendering these otherwise viable businesses to be marginal and unviable.

These are competitive businesses operating in very dynamic and fluid markets with very price sensitive customers. They are low margin businesses with no remaining capacity to absorb any additional cost increases. Future increases will threaten their viability.

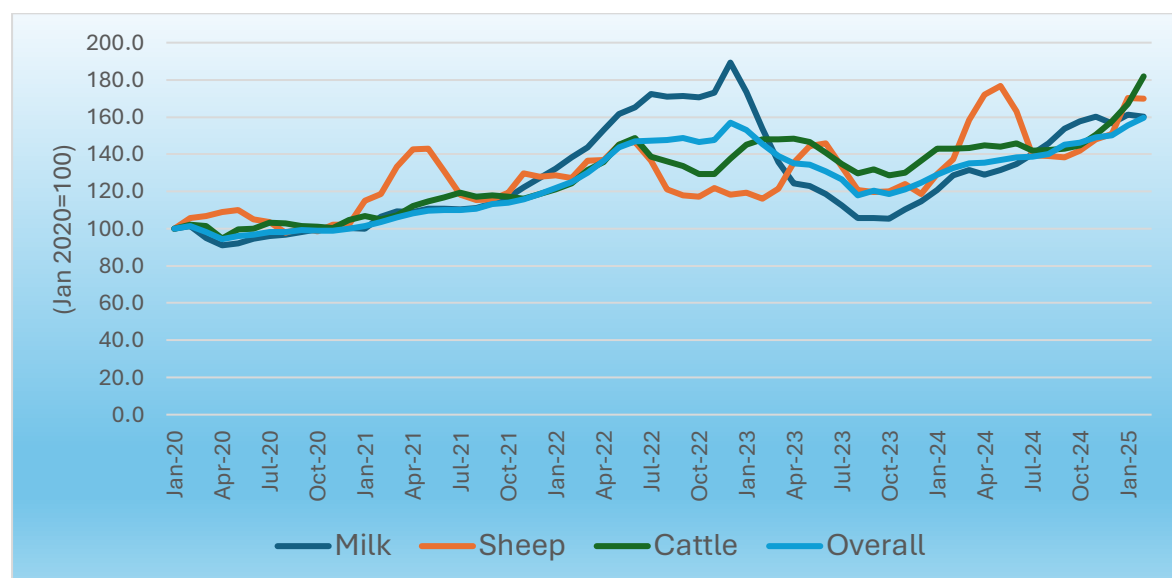
APPENDIX 2: ACCOMMODATION & FOOD & BEVERAGE SECTOR

In the final quarter of 2024, the **Accommodation and Food & Beverage Services** Sector employed 184,400 persons. This employment is spread throughout the countryside and is a mainstay of the Irish tourism product and is also a key element of social interaction and mental health.

The operating environment for the sector has been extremely challenging in recent years, not least due to the impact of Covid-19 and the escalation in energy costs following the Russian invasion of Ukraine.

Input costs for the sector have increased significantly. Figure 1 shows the increase in agricultural output prices since 2020. These output price increases feed directly into costs of raw materials for restaurants and pubs, and the food products that retailers sell. Overall agricultural output prices in February 2025 were 59.6 per cent higher than in January 2020, with beef cattle prices up 81.9 per cent; sheep prices up 70 per cent; and milk prices up 60.3 per cent.

Figure 1: Agriculture Output Prices



Source: CSO PxStat

Some restaurants interviewed in the preparation of this submission indicate that labour costs as a % of turnover exceeded 41% in the first quarter of 2025. The rule of thumb for adequate profitability in the sector is that this should not exceed 35%.

For Accommodation and Food & Beverage Services activities staffing is a significant challenge. Under the General Employment Permit scheme nationals from 3rd countries can be employed in sectors where labour or skills shortages are being experienced. A

General Employment Permit can be issued for an initial period of 2 years and can then be renewed for up to a further 3 years. Minimum annual remuneration for a permit is generally €34,000. This was due to be increased in January 2025, but that has been postponed, which is a recognition of the squeeze on a low margin sector of the economy.

A recent survey of members of the Restaurants Association of Ireland (RAI) provided a very clear indication of the impact of labour costs on the sector:

- In 2024, 65 per cent of respondents stated that the financial performance of the business was worse than 2023.
- 62.4 per cent stated that their greatest business challenge was the impact of wage increases.
- The average Full-Time Equivalent (FTE) staff fell by 10 per cent between 2022 and 2024; and the average part-time staff fell by 7 per cent.
- 84 per cent of respondents said they would have to reduce the number of staff hours due to the minimum wage increases and general wage inflation.
- The average payroll cost as % of turnover increased from 31.59 per cent in 2022, to 36.33 per cent in 2023, and 38.87 per cent in 2024.

APPENDIX 3: IRISH HAIRDRESSERS FEDERATION SUBMISSION

The Irish Hairdressers Federation (IHF) represents over 500 salons across the country, operating in a highly labour-intensive and skill-dependent sector. It believes that wage increases in recent years are no longer aligned with inflation or economic reality and are imposing unsustainable cost burdens on small and medium-sized salons.

Using both a typical member salon (Zinc Hair & Beauty) and a national industry leader (Peter Mark) as examples, the IHF illustrates how continued increases to minimum wage—without structural consideration of training costs and productivity—threaten the future of hairdressing as a profession and trade.

1. Rising Labour Costs vs Economic Reality

Labour costs in the industry have grown dramatically in recent years, often at a pace far exceeding inflation or economic growth. Taking Zinc Hair & Beauty as a representative case study:

2021: €324,357

2022: €384,065

2023: €431,749

2024: €420,515

While there was a slight reduction in 2024, this was not due to improved efficiencies, but rather a forced reduction in staff hours to cope with rising costs. This is a red flag. When job cuts or reduced working hours become the only way to survive, the long-term sustainability of the sector is under direct threat.

2. Statutory Sick Pay: A Compounding Cost

In addition to wage inflation, statutory sick pay obligations have increased each year, adding further cost and complexity. In Zinc Hair & Beauty:

- The salon employs 19 staff members.
- In 2024, 17 of them availed of the full 5-day entitlement, a substantial cost for a small business with tight margins.

3. Apprenticeships Under Pressure: The Peter Mark Example

Peter Mark, Ireland's largest hairdressing chain and historically the largest recruiter of apprentices, has seen a dramatic drop in trainee numbers:

- Previously employed approx. 430 apprentices.
- Now employs just 290–300, a 30%+ reduction, driven purely by rising labour costs.

Cost impacts:

- Pre-minimum wage change: €4.5 million.
- Now: €9.3 million.
- Non-productive day (college day): €3 million per annum.

Result: Less investment in training, fewer industry entry points.

4. The Flawed Minimum Wage Calculation Model

Ireland's minimum wage structure does not align with most EU countries, where minimum wages are typically calculated as a percentage of median earnings and where structured trainee rates exist. Ireland's shift from JLC rates to flat increases ignores these models.

5. The Living Wage Assumption Problem

The rollout of the living wage was based on optimistic economic growth projections that have not materialised. GDP has slowed, and consumer demand is weakening. It is vital the Commission reassesses the timeline and assumptions behind the living wage policy.

6. Shadow Economy Risk and Real Consequences

With labour costs now making up 75–80% of turnover in many salons, businesses are left with no margin. Consequences:

- Reduced hours, job losses, closures.
- Shift to shadow economy services.
- €60 million annually estimated loss to the Exchequer from undeclared work in hairdressing.

7. Training Impact: An Industry-Wide Threat

Our industry trains for the sector at large. If major trainers like Peter Mark and smaller salons like Zinc Hair & Beauty can no longer afford apprentices, we face:

- Fewer trained professionals
- More unmet demand
- Expansion of black market services

8. National Hairdressing Apprenticeship Challenges

The National Hairdressing Apprenticeship (NHA), supported and championed by the Irish Hairdressers Federation, has become one of Ireland's most successful apprenticeship schemes. Despite this, significant barriers remain, particularly in high-density areas such as Dublin.

- Current intake is approximately 300 apprentices per year.
- Only around 100 typically complete the course.

This low completion rate is not due to a lack of interest or effort, but due to:

- Salons closing during training.
- Inability of salons to afford apprentices at current wage levels.
- Lack of sufficient financial support.

The grant available to employers does not come close to covering the true cost of:

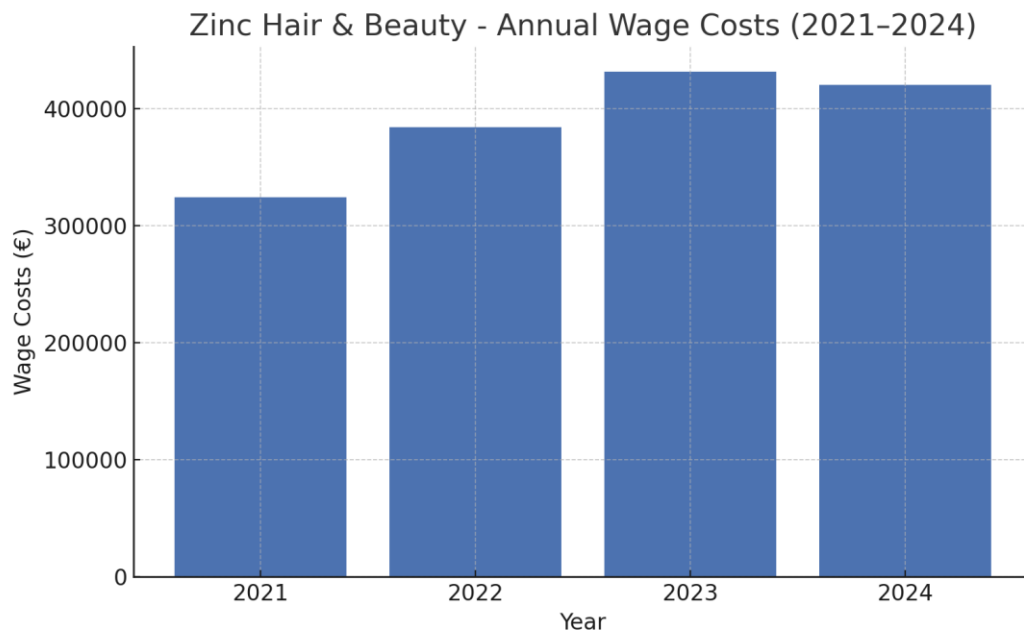
- Paying apprentices for one day per week of non-productive college attendance.
- Sending them in for two full two-week college blocks.

While the IHF has done immense work to bring the NHA to its current level of success, it is not yet delivering sufficient support to sustain widespread industry participation.

Without targeted financial and structural backing, the burden of training the next generation will continue to fall on businesses that are already under immense pressure.

Recommendations

1. Pause or significantly moderate any further minimum wage increases.
2. Reintroduce structured wage supports or subsidies for apprenticeships.
3. Align minimum wage models with EU practices.
4. Adjust the living wage rollout to reflect current conditions.
5. Form a sector-specific sustainability working group.



Zinc Hair & Beauty - Annual Wage Costs (2021–2024)

Conclusion

The hairdressing industry is at a tipping point. The cost structure, especially for training and non-productive time, is no longer viable under the current policy trajectory. We urge the Commission to act now to preserve the integrity and sustainability of our trade.