

Leo Varadkar TD,
Government Buildings,
Merrion Street Upper,
Dublin 2.

Dear Taoiseach,

I am writing to you following representations from many of our Association members and affiliated trade bodies concerning the recent recommendation by the Low Pay Commission for a 12.4% increase in the National Minimum Wage in 2024. While this is the largest proposed increase in the NMW since 2012, it comes on top of a raft of other payroll increasing measures introduced or about to be introduced:

- St Brigid's day bank holiday (introduced 2023).
- Three days Statutory Sick Pay rising to five days in January, seven days in 2025 and ten days in 2026.
- Gender pay gap reporting (150 employees in 2024, 50 employees in 2025).
- Five days of Domestic Violence Leave.

Coincident with this, the reduced VAT rate will revert to 13.5% from 1st November. While very few of our members pay staff at the NMW, it serves as a benchmark and relativity for most incomes up to approximately €30,000 per annum.

We do not believe the cumulative effects of these entitlements and increases have been adequately evaluated, and we are not aware of any regulatory impact assessment carried out on them. Our retail colleagues estimate that the 12.4% wage impact of the NMW and auto enrolment alone will add between 1% and 2.5% to grocery bills, depending on store size.

ISME understands that some of the impetus for NMW increases comes from the EU under the directive for adequacy of the minimum wage. However, as we pointed out to the Department of Enterprise in our submission on the NMW 2024,¹ the use of the 50% of mean/60% of median metrics are problematic in an economy such as Ireland where there is such a wide distribution in incomes by enterprise size.

At this point in the economic cycle, with full employment, with the largest ever Irish workforce and the lowest ever level of unemployment, it is impossible to explain the fact that private sector pay continues to lag that in the public sector. Even against the earnings in large companies, the public sector continues to enjoy a premium of 3.4%.

The current earnings in small business average €720.33 per week, or €37,457 per annum. While not doubting the hard work of the members of the Law Pay Commission, we feel their work lacks context

¹ <https://isme.ie/wp-content/uploads/2023/07/Low-Pay-Commission-2023.pdf>

around the fact that the majority of Irish workers are employed by SMEs, with earnings that are reflective of this, and not the exceptional premiums earned in FDI businesses and the public service. In the absence of adequate SME representation in the LEEF structure, we fear that government might press ahead with an unaffordable and unsustainable increase in the NMW in January.

Many of our affiliated groups, in areas such as childcare, nursing homes and animal collection, operate in sectors where the overseeing department regulates the pricing in the sector, or caps commercial charges within it. They are trying to negotiate rate increase with their parent department, but will enjoy no scope to negotiate payment of the NMW. There are few if any government departments which do not avail of services tendered on the open market where the cost of service will not immediately be impacted by cost of labour increases on the 1st January. Government has already seen material levels of service withdrawal in the childcare and nursing homes sectors. These will increase substantially if the proposed increase in the NMW is carried through.

There have been suggestions that businesses may be supported by government in delivering the increased NMW in January. We consider this possibility unwise. If proposed increases in the NMW are so large that businesses require state support, they clearly should not go ahead. In our view, the social wage and social welfare supports should be used to bridge identified gaps, not an increase in the NMW. Research the government has already seen suggests that where businesses cannot afford to pay NMW increases, they simply reduce employee hours worked, negating the justification for the increase in the first place.²³⁴

Yours sincerely,

Marc O'Dwyer
Chair, ISME

Copy Simon Coveney TD, Minister for Enterprise, Trade and Employment
Michael McGrath TD, Minister of Finance
Paschal Donohue TD, Minister of Public Expenditure, National Development Plan Delivery and Reform
Stephen Donnelly TD, Minister of Health
Heather Humphreys TD, Minister of Social Protection
Roderic O'Gorman TD, Minister of Children, Equality, Disability, Integration and Youth
Charlie McConalogue TD, Minister of Agriculture, Food and the Marine

² <https://www.esri.ie/news/new-esri-research-examining-the-impact-of-recent-minimum-wage-increases-finds-that-while-some>

³ ["When and Where do Minimum Wage Hikes Increase Hours? Evidence from Ireland"](#)

⁴ <https://evans.uw.edu/new-evidence-from-the-seattle-minimum-wage-study/>

From ISME, on behalf of:

Hair and Beauty Industry Confederation (HABIC)	Irish Grain & Feed Association
Hairdressing Council of Ireland	Convenience Stores & Newsagents Association (CSNA)
Nursing Homes Ireland	The Irish Medical and Surgical Trade Association (IMSTA)
Synergy Hair Group	Health Stores Ireland
Irish Spa Association	The Association of Irish Racecourses Limited
The Irish Federation of Complementary Therapy Associations (FICTA)	The Irish Haemophilia Society
Irish Massage Therapist Association	Irish Gun Trade Association (IGTA)
Irish Hairdresser Federation	Irish Hardware & Building Materials Association
Association of Fine Jewellers	The Irish Association of Pensions Funds
Irish Jewellers Association	Irish Foster Care
Irish Weighing Association	Association of Landscape Contractors of Ireland
Agricultural Consultants Association	EIQA - The Excellence Ireland Quality Association
Irish Caravan & Camping Council	Garden Centre Association of Ireland
Irish Egg Association	Hire Association Europe
Irish Security Group	Federation of Early Childhood Providers (FECP)
Irish Thoroughbred Breeders Association (ITBA)	Animal Collectors Association (ACA)
Retail Grocery Dairy & Allied Trades Association (RGDATA)	