**Key Issues:**

* Businesses are not responsible\* for the increased cost of living, and therefore the solution cannot be delivered by them.
* Labour costs make up a far higher proportion of the cost of sales in small business, especially those involved in the provision of services.
* Government is the most material contributor to the cost of doing business: legal costs, insurance, cost of credit, local authority charges, energy, NMW, tax compliance, VAT are all set by Government and cannot be bid downwards by business.
* Every 1% of pay increase for the Public Service being negotiated now costs taxpayers about €240m per annum. Government has promised businesses €250m to meet the increased cost of business (i.e. covering 60% of the workforce). Government is offering Public Service workers a pay increase of 10.25% or approximately €2.5bn. It is clear where priorities lie.
* Increases in the NMW, or the introduction of a living wage, will not address the cost-of-living issue for employees because:
  + In the absence of access to affordable housing, most increases in wages will flow through to increased housing cost.
  + The [current average monthly rent](https://ww1.daft.ie/report/ronan-lyons-2023q4-daftrentalprice?d_rd=1) is €1,823. If we had a €15/hour minimum wage in the morning, 72% of it would be absorbed by the average rental accommodation.
  + Labour cost is a factor of production. The more expensive it becomes, the less of it will be used, especially low/unskilled labour.
  + Even [ESRI research in January 2022](https://www.esri.ie/publications/heterogeneous-effects-of-a-minimum-wage-increase-on-hours-worked) acknowledges that a 10% increase in the NMW over 3 years caused a reduction of 2.5-3 hours per week for workers in retail & manufacturing.

\*However, SMEs contribute to increased consumer goods and services costs by passing on higher costs of labour, energy, VAT, insurance, credit, compliance and regulation.

**Action Plan for SMEs:**

1. Labour costs are rising faster than consumers and businesses can absorb them. We are not against the concept of a living wage, but increasing the NMW by 12.4% when inflation is 3.9% is unsustainable. Slow down the pace of increase, closer to the annual rate of inflation.
2. We want businesses to repay their warehoused Revenue debt. But viable businesses that need more than 36 months to do so must be accommodated.
3. The 8.8% employer’s PRSI rate must cover the full NMW, i.e. increase the 11.05% threshold from €441 to €495.30pw.
4. Too many workers have inadequate pension coverage, so Auto-Enrolment must go ahead.
5. If fiscal rules restrict State spending on enterprise and labour training while there is a surplus in the National Training Fund approaching €2bn, then the Training Levy of 1% should be temporarily suspended, and the surplus wound down.
6. For businesses where Government regulates or caps the cost of goods or services, that cap must flex to allow recovery of the increased costs imposed by Government.

**General Business Demography:**

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Description automatically generated





Source:

<https://www.cso.ie/en/releasesandpublications/ep/p-bd/businessdemography2021/><https://www.cso.ie/en/releasesandpublications/ep/p-biidr/businessinireland2021detailedresults/smallandmediumenterprises/>

**Persons Employed by Sector:**

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Description automatically generated

Source:

<https://www.cso.ie/en/releasesandpublications/ep/p-biisr/businessinireland2021summaryresults/detailedbusinesssectors/>

**Wages:**



Source:

<https://www.cso.ie/en/releasesandpublications/ep/p-elcq/earningsandlabourcostsq32023finalq42023preliminaryestimates/>

**Public Private Pay Gap:**

Ireland has a bigger gap between public and private sector pay than any country other than Spain and Portugal, where private sector pay is much lower.



Source:

<https://izajolp.springeropen.com/articles/10.1186/s40173-017-0086-0>

**NMW:**



**Change in NMW 2024:**



With the increase in the NMW of €3.1k for one worker, the max ICOB assistance of €5,000 for a business will cover the increase in wage cost for 1.6 workers only.

**SMEs are not greatly profitable:**

Excluding sole traders from the Revenues corporation tax figures from their 2022 payments and 2021 returns-

* 97,425 (56% of total) made a negative corporation tax return, averaging €-3,500
* 157,585 (91%) paid €5,136 or less in corporation tax.
* 165,399 (95%) paid €28,155 or less in corporation tax.
* 168,456 (97%) paid €48,741 or less in corporation tax.

Source:

<https://www.revenue.ie/en/corporate/documents/research/ct-analysis-2023.pdf> (page 27)

**National Debt:**

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Source:

<https://www.ntma.ie/business-areas/funding-and-debt-management/statistics>

**Public Sector Pension Liability:**

€175.7bn (as at 2021)

Source:

<https://assets.gov.ie/280001/e74d6f2b-9753-4853-9051-cdfa545ea010.pdf>

**Social Welfare Pension Liability:**

€270.5bn (as at 2020)

Source:

<https://assets.gov.ie/251496/947e1c1b-01e4-4876-9fe9-81e1d79b31c8.pdf>