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Irish Congress of Trade Unions

Irish Congress of Trade Unions Pre-Budget Submission

## Budget 2027

# Social Dialogue and Budgeting for the Common Good

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# Economic Context and Strategy

The Irish Congress of Trade Unions (ICTU) views the Irish economy as undergoing a period of transition as we approach Budget 2027. The economy remains in a strong position following a half decade of exceptional growth in employment that is reminiscent of the first Celtic Tiger. While output growth is now normalising from the very high post-Covid levels, there is nevertheless still solid growth in domestic demand, as well as close to historically high employment rates, relatively low albeit increasing unemployment rates, and a headline surplus in the public finances.

Even so, we find ourselves confronted by an ongoing crisis of housing affordability and availability; by chronic infrastructure deficits in energy, transport and water; by persistent cost of living pressures for lower- and middle-income households, by highly unequal market incomes, and by an economic model over-reliant on energy imports and high greenhouse gas emissions.

We are also confronted by a generational challenge to navigate the major economic and labour market changes that are already beginning to arise on account of artificial intelligence (AI) and digitalisation more generally, and that will increasingly arise on account of geo-economic disruptions to trade patterns; on account of ageing demographics, and on account of the green transition and climate disruption. In addition to these challenges, the headline surplus in the public finances is dangerously reliant on the fortunes and decisions of a tiny number of US multinationals, while in the immediate term vulnerable households and workers need to be insulated from the inflationary impact of the war in the Middle East.

ICTU's view is that **Budget 2027 needs to focus on the common good. We need to initiate a genuine, meaningful and ongoing process of enhanced social dialogue** involving trade unions and other social partners as well as enhanced dialogue with civil society organisations about what we need from our economy. Our budgetary decisions should then reflect the outcomes of this social dialogue.

Budget 2027 also needs to be strategic and forward looking and it should reflect the major challenges and concerns identified above. Crucially, there needs to be a decisive move towards comprehensive multi-annual budgeting. Government efforts at strategic foresight should continue. Such analysis will assist with better economic planning in the future.

In particular, ICTU has welcomed decisions to ramp up public spending on infrastructure to match our social and economic needs. Such investment is desperately needed. On the other hand, any narrowing of the tax base should be avoided. While certain individual tax cuts might have some merit, the government's overall revenue base should be broadened not narrowed over the next few budgets.

The government also needs to develop a plan showing how it intends to achieve fiscal sustainability in the years and decades ahead. Recent budget decisions, for example the cut to VAT on hospitality; the various tax breaks that stimulate housing demand, and the mooted Budget proposals to cut inheritance tax or capital gains tax, all show a remarkable short-sightedness. Such measures will do nothing to improve the economy's productive capacity or Ireland's longer-term economic resilience. Indeed, they undermine our longer-term resilience.

Our pre-budget submission draws upon our 'New Economic Model'[1,2] (NEM) policy framework we initially launched in the Autumn of 2025. ICTU will gradually roll out our NEM policies in the years leading up to the general election in 2029, and indeed beyond. The NEM propositions and proposals are designed to foster sustainable improvements in our collective well-being and to promote the common good.

The proposals are essentially based around four pillars, (1) productivity, (2) more and better jobs, (3) economic security and (4) economic resilience. Taken as a whole the NEM adds up to a framework for ensuring economic progress and sustainable improvements in living standards in the 21st century.

**We look forward to engaging positively with the government on these issues.**

1 ICTU (2025) A New Economic Model
2 NERI (2025) New Economic Model: A Framework for Progress in the 21st Century

# 2. ICTU Proposals for Budget 2027 and Beyond

## Pillar 1: Productivity

### Proposal 1: Investment

Innovation and productivity growth are the levers of riches that enable us to continuously and inclusively improve people's living standards over time. We need to deepen the economy's productive and innovative capacities by building-out stronger economy-wide foundations through uplifts in the investment in and delivery of infrastructure. Alongside this is the need for increased investment in people's human and social capital, including increasingly through adult education; as well as a radical uplift in investment in public R&D. Only with these investments will we be able to successfully manage the great economic challenges of the emerging megatrends in a manner that is consistent with protecting and enhancing workers' well-being.

Investment in productive public infrastructure is a vital component of long-run economic development.[3] However, Ireland is suffering from significant infrastructure deficits in a swathe of areas including the energy grid, the water grid, housing and transport, with the public capital stock 25% lower than average for a high-income European country.[4] Infrastructure deficits are placing capacity constraints on our development potential and are contributing to upward price pressures in the relevant areas and to the housing crisis. Given the lack of construction workers, upgrading the stock of public infrastructure and increasing the housing supply will need to be accompanied by a suite of complementary measures to make construction a more enticing sector for workers.

We, therefore, **strongly support the prioritisation of government spending on infrastructure** but believe that a more complete approach should be taken to the concept of 'investment'. Specifically, there needs to be a much-increased **annual spending allocation on human capital development** (education and skills including adult education and lifelong learning) and **a doubling of annual public spending on innovation** (public R&D, measures to promote knowledge and technology diffusion) **over the next five to seven years**.

We cannot improve the productive capacity of the economy without investing in the people who actually produce the goods and services. Therefore, the single most important investment we can make is in people – the workers that collectively make up the economy. Similarly, spending on R&D should be understood as an investment in knowledge production. Any new knowledge produced has the potential to generate positive externalities through new technologies or through more efficient

3 A meta-analysis of sixty-eight studies found public capital investment has a positive long run effect on output. Bom, P. and J. Ligthart (2014)

4 IFAC (2024) Ireland's Infrastructure Demands

or novel ways of using existing technologies and capital and labour resources. Higher R&D spending is correlated with long-run productivity gains, international competitiveness and growth.[5]

ICTU is proposing that, over the medium term, per pupil government spending on human capital (education and skills) and per capita spending on public R&D are both incrementally increased in order to bring Ireland into line with other high-income European countries. As part of this, the surplus in the National Training Fund (NTF) should be immediately deployed to up-skill workers in obvious areas of future need, for example in the use of Artificial Intelligence.

## Proposal 2: Tax Reform

The government can improve productivity levels in the economy over time by re-engineering the tax system in a more growth friendly direction. A good start would be to abandon the recent trend of providing extremely generous and unjustified tax breaks to whichever employer group shouts the loudest. The economic case for most of these tax breaks is extremely weak. They distort economic activity and decisions while also generally being opaque and regressive. ICTU has consistently made its opposition to such short-sighted profligacy clear, and once again states its opposition to recent giveaways such as the reduced VAT rate for the hospitality sector, and indeed to mooted proposals for CAT and CGT tax cuts. The opportunity cost of these measures is staggering with the VAT reduction for hospitality by itself costing close to €700 million annually, with likely close to zero employment gains given the current strength of the economy[6].

Instead, tax policy should be evidence-based. ICTU agrees with the Commission on Taxation and Welfare (COTW) that the tax system should be broadened (i.e. meaningfully increased as a percentage of output) and not further debased as the government have done in recent years. ICTU also agrees with the COTW that the composition of the tax system **should shift over time from taxation of labour towards greater taxation of capital (particularly capital stocks, gains and acquisitions) with much reduced use of distortive and ineffective tax expenditures.**

5 Aghion, P. and P. Howitt (2025) The Economics of Growth. Cambridge MIT Press.

6 Preferential tax treatment for low value-added economic activities distorts economic activity in a lower productivity direction and often at a very significant opportunity and fiscal cost (e.g. less spending available for education, infrastructure, or cuts to taxes on workers). Thus, the extension of the 9% rate to hospitality is likely to lead to *lower* economic growth over the medium-to-long term. Cutting the VAT rate on hospitality is economic madness. The biggest winners will be large chains and there are likely to be few employment benefits and significant deadweight loss.

In this context, and given that the government used the resources available for income tax indexation in Budget 2026 to provide giveaways to employer groups, via the notorious 'fast food budget', ICTU is **calling for a double indexation of the income tax system in Budget 2027 to compensate workers for the failure to index Budget 2026**. Indexing to price growth prevents 'bracket creep' and ensures tax liabilities reflect the real value of income over time.

It would not be prudent to narrow the tax base over the course of the government's term. We therefore propose the following reforms that should be implemented over the next 3 to 5 years:

- Eliminate CGT entrepreneur relief;
- Gradual elimination of CAT business relief;
- Gradual elimination of CAT agricultural relief;
- Eliminate help to buy relief;
- Introduce a 1% wealth tax with a tax-free threshold of €3 million and no reliefs;
- Introduce a Site Valuation Tax over the next three to five years;
- End the reduced 9% VAT rate for hospitality and eventually increase to the standard VAT rate;
- Align self-employed PRSI with the employer's rate of PRSI;
- Reduce tax relief on fossil fuel subsidies over next three to five years and raise taxes on polluting activities;
- Phase out tax relief for private health insurance.

Almost all of these proposals are in line with the recommendations of the COTW.[7]

## Pillar 2: Better jobs

### Proposal 3: Promote Collective Bargaining

OECD[8] and European Commission[9] research has found that collective bargaining not only results in fairer wages and better working conditions but also improves the quality of the employment relationship, delivers higher productivity and promotes innovation in firms. More collective bargaining would thus improve the relatively poor performance of the domestic economy.

In November 2025, the Government published its Action Plan to promote collective bargaining as required by the Adequate Minimum Wages Directive. Action item 6 concerns a pilot on the inclusion of collective agreements as a weighting in public procurement, to be completed by Q3 2029. Action item 12 concerns the re-introduction of tax relief for trade union subscriptions, by Q3 2028.

7 COTW ( 2022) Report of the Commission on Taxation and Welfare
8 OECD (2019) Negotiating our Way Up: Collective Bargaining in a Changing World of Work
9 European Commission (2020) Impact Assessment: Proposal for a Directive of the European Parliament and of the Council on Adequate Minimum Wages in the European Union

In March 2026, the EU Court of Justice ruled that firms that negotiate with trade unions can be given preference when awarding public contracts under EU public procurement rules.[10] The European Commission's forthcoming proposal to revise these rules is expected to explore how to better promote collective bargaining.

In June, the Commission acknowledged the Government's Action Plan but said there was 'potential to [further] improve collective bargaining coverage' in Ireland.[11]

Budget 2027 should, therefore, **fast-track, i.e. with effect from January 2027, the introduction of preferential treatment for public procurement contracts for firms that negotiate with trade unions and the reinstatement of tax relief for trade union subscriptions, in line with the Government's Action Plan**.

## Proposal 4: the National Minimum Wage

Hourly wages below a real living wage are incompatible with any notion of dignity. OECD data puts Ireland's National Minimum Wage (NMW) at 50% of the full-time gross median wage in 2024 (latest year available) [12] or one-fifth below the 60% level recommended by the Adequate Minimum Wages Directive for assessing adequacy. The 2026 rate of €14.15 an hour (for workers aged 20 and over) is €1.25 below the Living Wage Technical Group's rate of €15.40 an hour recommended in September 2025.[13] Furthermore, certain categories of workers are still excluded from the scope of the NMW.[14]

Recent ESRI research found 'no evidence' that minimum wage increases from 2016 to 2025 increased the likelihood of minimum wage employees losing their jobs.[15] State supports to raise the incomes of low-paid workers are also a de facto subsidy to low-paying employers,[16] many of whom continue to boycott industrial relations institutions set up by the Oireachtas to improve pay and conditions of low-paid workers.

**As recommended by ICTU's April 2026 submission to the Low Pay Commission, the National Minimum Wage should be raised by at least €1 from 1 January 2027.** [17]

10 Judgement of 5 March 2026 in Case C-210/24

11 European Commission (3.6.2026), 2026 *Country Report Ireland*, p. 87

12 ETUI (2026), *Benchmarking Working Europe*, Figure 2.24, p.62

13 Living Wage Technical Group (September 2025) *Update 2025/2026* https://www.livingwage.ie/assets/files/pdf/living_wage_2025-26_4_pager.pdf

14 As acknowledged in the Low Pay Commission (2025), *Recommendation for the National Minimum Wage*, pages 16-17.

15 Redmond, Paul, Kelly, Lorcan, and Creaton, Hugh (March 2026), *The impact of a minimum wage increase on employment: evidence from Ireland*

16 The European Commission recently underlined the importance of strengthening collective bargaining and wage protections in order to minimise 'any possible detrimental effect of in-work benefits on pay and earned income', adding that, 'Strengthening collective bargaining would expand wage coverage, improve wage adequacy, and particularly benefit low-paid workers': European Commission (6.5.2026), *Poverty in the EU – Key Trends and Policies*, pages 94 and 91.

17 As recommended in ICTU's submission to the Low Pay Commission on the NMW in 2027 (April 2026)

# Pillar 3: Economic Security

## Proposal 5: Child Poverty

The extent of child poverty and childhood deprivation in Ireland represents a profound public policy failure. Almost one in five children (19.6%)[18] experienced material deprivation in 2025. Children have the highest probability of experiencing deprivation of any age cohort and twice as likely to be in deprivation as over 65's (9.8%). Ending child poverty should be a defining goal for government. It represents perhaps the single most significant barrier a person faces in achieving a flourishing, thriving adulthood and is a major barrier to long-run productivity due to its negative impact on human capital.

ESRI research[19] indicates that adding a 2nd tier of child benefit would lift more than 50,000 children out of poverty, at a cost of €773 million. Crucially, it would be much less costly and more effective way of reducing child poverty than increasing the rate of child benefit itself. All households with children would receive an amount determined by the number of children they have and their means.

**ICTU therefore calls for the introduction of a 2nd tier of child benefit in Budget 2027 to reduce by 50,000 the incidence of child poverty.**

## Proposal 6: Public Services

Universal Basic Services (UBS) in the form of free or heavily subsidised **education, transport and healthcare** are a key tool for reducing the negative practical impacts arising from income inequality and inadequacy. We can think of UBS, as synonymous with the provision of free or extremely low-cost public services available to all and funded by taxation. Subsidised universal service provision amounts to a virtual income and is preferable to cash transfers in many instances.

If we are to meet the triple bottom line targets of sustainable economic growth, lower inequality and environmental sustainability we will need to re-imagine the bounds of the welfare state. In particular, we need to ensure health and other areas of public services are adequately resourced to reflect our demographic needs.

The government's decision-making capacity around the provision and cost of using public services gives government an enormous degree of control over crucial components of the cost of living and over well-being and equality outcomes. **The government should use its power to reduce the cost of using public services in Budget 2027 in order to bring down the cost of living for ordinary households** and it should expedite the implementation of a single tier universal healthcare system where healthcare including speed of healthcare is provided based on need rather than ability to pay. The pervasive outsourcing of common good public services must be halted. Eliminating the outsourcing of public services and staffing will save the government money over the longer-term.

18 CSO (2025) https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2025/poverty/
19 ESRI (2025) The effect of child-related benefits on child poverty and deprivation in Ireland | ESRI

ICTU is deeply concerned at the government's ongoing failure to resolve the housing crisis. We have been living with a full generation of housing failure once the build-up to Ireland's financial crash is included. We believe that **the introduction of a Site Valuation Tax (SVT) as proposed by the Commission on Taxation and Welfare would help address the issues of land hoarding and unused derelict properties. Measures such as automatic compulsory purchasing of derelict sites should also be advanced with sufficient resources assigned to local authorities to buy-up derelict sites**. Finally, ICTU believes that only a radical shift in ambition is required if we are to properly address the housing crisis and we call on government to prepare legislation to establish a state construction company within the next two years.

As a priority for Budget 2027, government should provide for an expansion of UBS to include a public childcare option of high quality that is available and affordable to all. This would not only benefit all children but would also increase labour supply, particularly from second earners and lone parents. There is an obvious gender equality dimension to such a reform. By reducing barriers to labour force participation and education an affordable public childcare option would also provide a meaningful boost to the economy's productive capacity. Finally, it would also provide a means of ensuring decent pay and conditions in the sector, thereby turning childcare into a viable career option and improving standards in the sector.

ICTU is, therefore, calling on the government to **develop a public childcare option over the medium-term** beginning with geographic areas that are currently underserved in terms of affordable childcare availability. Ultimately[20], we need a public system of early childhood education that guarantees a place for every child, similar to our primary school system.

We also call on the government to make incremental year-on-year improvements to Ireland's social security model. With specific regard to Budget 2027 we call on the government to **introduce pay related parent's benefit**. Making this payment pay related will encourage take-up at a crucial point in the child's development by protecting the living standards of the household.

Finally, provision should be made in Budget 2027 for the government to **invest in flexible working arrangements**. This will enable greater access to the labour market for workers with caring responsibilities as well as workers that might be experiencing a disability, and it will facilitate workers that wish to take time to retrain and up-skill. The medium-term impact of such investments will be a more productive workforce.

20 ICTU is a member of the NWCI's 'Together for Public' campaign calling for delivery of early education and care for every child. https://www.nwci.ie/discover/what_we_do/together_for_public

# Pillar 4: Resilient Economic and Social Model

## Proposal 7: Medium-term Planning

ICTU is proposing that fiscal stability needs to be embedded and hardwired into the economic model. This is necessary in order to protect workers from boom bust cycles that end in damaging austerity.

However, great care is needed in the design of any fiscal rules so that other goals such as adequacy and sustainable growth are not sacrificed. Most importantly, we need to clearly define the goals our fiscal rules and frameworks are actually attempting to achieve and on that basis design a structure that can reconcile these multiple goals. Ultimately, **we want to ensure that policies are sustainable but without impeding necessary investments in the long-term health of the economy. The voice of workers needs to be central to these discussions** with social dialogue and agreement around credible annual increases in public spending.

There is a need to reconcile the closing of existing public spending deficits across a range of public policy areas with the simultaneous need to be fiscally countercyclical. To achieve this ICTU, as discussed earlier, supports a broadening of the state's tax base over time. This medium-term revenue broadening should come primarily through increases in capital taxes; reductions in the prevalence and generosity of tax expenditures, and gradual increases in self-employed and employer PRSI.

Finally, while it is clear that there are increased cost of living pressures, the economy is still clearly in a healthy position and an overly expansionary Budget would not be appropriate this year. **Budget 2027 should be countercyclical and should seek to dampen inflationary pressures**.

## Proposal 8: Green Transition and the Cost of Living

Economic resilience cannot be separated from the protection of our shared environment. The economy does not exist apart from the planet at large. Rather, it is embedded within our atmosphere, local and planetary chemical cycles and ecosystems. Future prosperity and well-being are intimately tied to the preservation of our natural resources. As the old adage has it 'there are no jobs on a dead planet'. However, the green transition risks disproportionately hitting lower income households that have limited resources to invest in reducing their carbon footprint whether through housing retrofits or electric vehicles.

ICTU acknowledges that taxes on pollution such as the carbon tax are effective instruments for incentivising decarbonisation. Such policies are understandably unpopular for some groups and are therefore at permanent risk of being rolled back. As a consequence, ICTU is proposing on equity and political economy grounds that the government's fiscal strategy for supporting the green transition should pivot towards a greater emphasis on carrots (subsidies) rather than sticks (taxes).

In practice, this means **much higher levels of spending on public transport as well as enhanced funding for schemes that provide green subsidies for housing retrofits and electric vehicles[21] in order to make these options genuinely affordable to all households**. This socialises the cost of the transition. Such an approach can change the narrative of the green transition from one of a punitive household cost to a more positive one about reducing living costs while helping the planet. Proposals to tax electricity at a lower rate than gas should also be considered in order to further incentivise the green transition.

Finally, **the government needs to prioritise the build-out of green energy infrastructure including grid capacity** in order to reduce Ireland's greenhouse gas emissions. However, this needs to be done in a way that ensures the costs are not transferred on to households and businesses. **Direct cash injections from the state network operators should help fund this investment and ensure the cost of increasing green energy supply and upgrading the grid is not fully passed on to users.**

21 Climate Change Advisory Council (2025) Annual Review 2025 – Transport https://www.climatecouncil.ie/news/press-release-annual-review-2025---transport-.html

# 3. List of Recommendations

1. Budget 2027 needs to focus on the common good. We need to initiate a genuine, meaningful and ongoing process of enhanced social dialogue about what we need from our economy. Our budgetary decisions should then reflect the outcomes of this social dialogue.
2. Budget 2027 should be countercyclical and should seek to dampen inflationary pressures.
3. We strongly support the prioritisation of government spending on infrastructure but believe that a more complete approach should be taken to the concept of 'investment'. Specifically, there needs to be a much-increased annual spending allocation on human capital development (education and skills) and a doubling of annual public spending on innovation over the next five to seven years.
4. The composition of the tax system should shift over time from the taxation of labour towards greater taxation of capital (particularly capital stocks, gains and acquisitions) and there should be a much reduced use of distortive and ineffective tax expenditures.
5. In this context, and given that the government used the resources available for income tax indexation in Budget 2026 to provide giveaways to employer groups, via the notorious 'fast food budget', ICTU is calling for a double indexation of the income tax system in Budget 2027 to compensate workers for the failure to index Budget 2026. Indexing to price growth prevents 'bracket creep' and ensures tax liabilities reflect the real value of income over time.
6. It would be imprudent to narrow the tax base over the course of the government's term. We, therefore, propose the following reforms that should be implemented over the next 3 to 5 years: (A) Eliminate CGT entrepreneur relief; (B) Gradual elimination of CAT business and agriculture reliefs; (C) Eliminate help to buy relief; (D) Introduce a 1% wealth tax with a tax-free threshold of €3 million and no reliefs; (E) Introduce a Site Valuation Tax over the next three to five years; (F) End the reduced 9% VAT rate for hospitality and eventually increase to the standard VAT rate (G) Align self-employed PRSI with the employer's rate of PRSI; (H) Reduce tax relief on fossil fuel subsidies over next three to five years and raise taxes on polluting activities (I). Phase out tax relief for private health insurance.
7. Budget 2027 should fast-track the introduction of preferential treatment for public procurement contracts for firms that negotiate with trade unions, and reinstate tax relief for trade union subscriptions, in line with the Government's Action Plan.
8. The National Minimum Wage should be raised by at least €1 from 1 January 2027.
9. A 2nd tier of child benefit should be introduced in Budget 2027 to reduce by 50,000 the incidence of child poverty.

10. The government should reduce the cost of using public services in Budget 2027 in order to bring down the cost of living for ordinary households.
11. The government should expedite the implementation of a single tier universal healthcare system where healthcare access is based on need rather than ability to pay. The pervasive outsourcing of common good public services must be halted.
12. More radical action is needed to tackle the housing crisis. The introduction of a Site Valuation Tax (SVT) would help address the issues of land hoarding and unused derelict properties. Measures such as automatic compulsory purchasing of derelict sites should also be advanced with sufficient resources assigned to local authorities to buy-up derelict sites.
13. The government should develop a public childcare option over the medium-term beginning with geographic areas that are currently underserved in terms of affordable childcare availability.
14. Higher levels of spending on public transport as well as more generous funding for schemes that provide green subsidies for housing retrofits and electric vehicles should be introduced in Budget 2027 in order to make these options genuinely affordable and attractive to all households.
15. Finally, the government needs to prioritise the build-out of green energy infrastructure including grid capacity in order to reduce Ireland's greenhouse gas emissions. However, this needs to be done in a way that ensures the costs are not transferred on to households and businesses. Direct cash injections from the state to network operators should help fund this investment and ensure the cost of increasing green energy supply and upgrading the grid is not fully passed on to users.

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