SIPTU

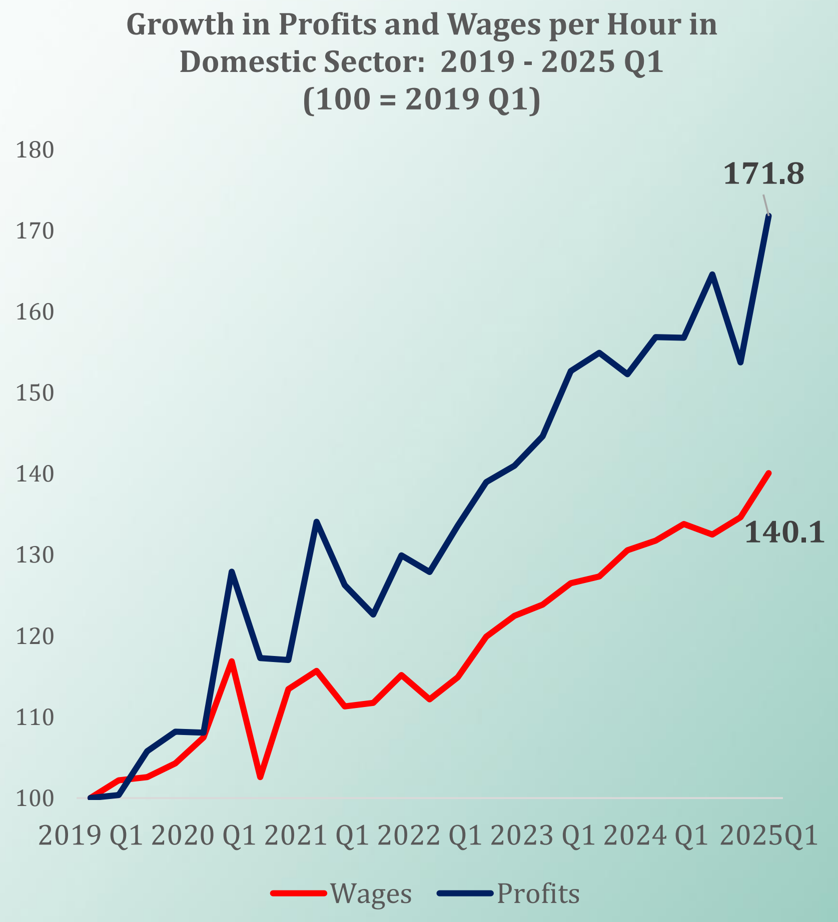
Services Industrial Professional & Technical Union

Budget 2026

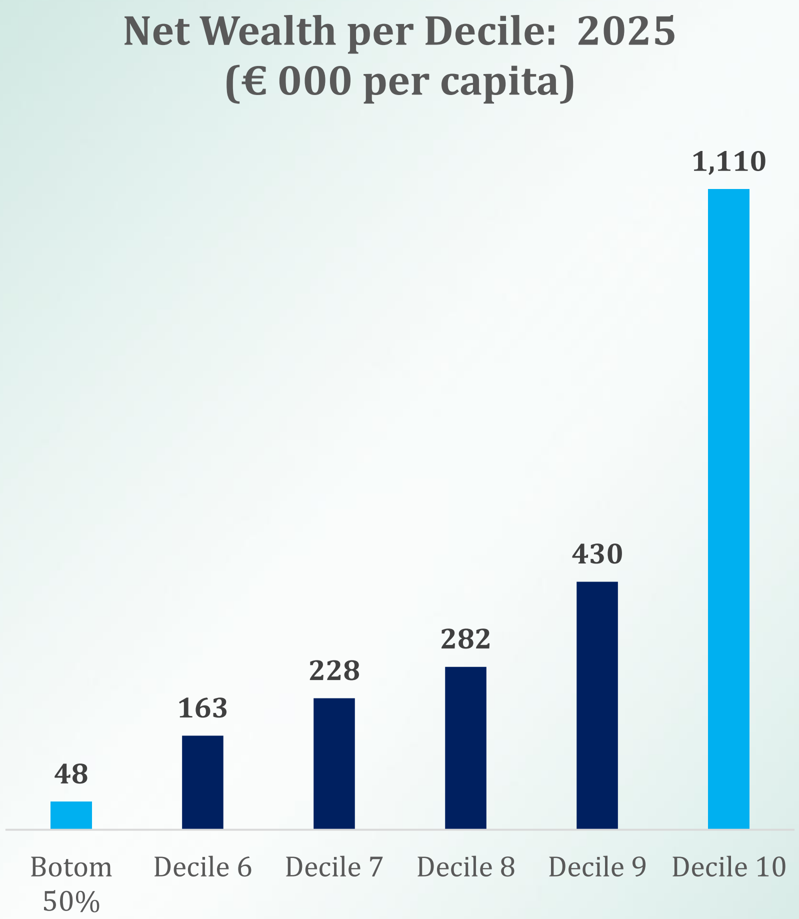
SIPTU
October 2025

Background Music 1:
Profits and Wages

- Since the year before Covid profits have grown by 72% in the domestic economy (excluding multi-nationals) This compares to wage growth of 40%.
- A recent Department of Finance Survey found that in 2024 over 70% of SMEs were in profit – a higher level of profitability than before Covid and the cost-of-living crisis.

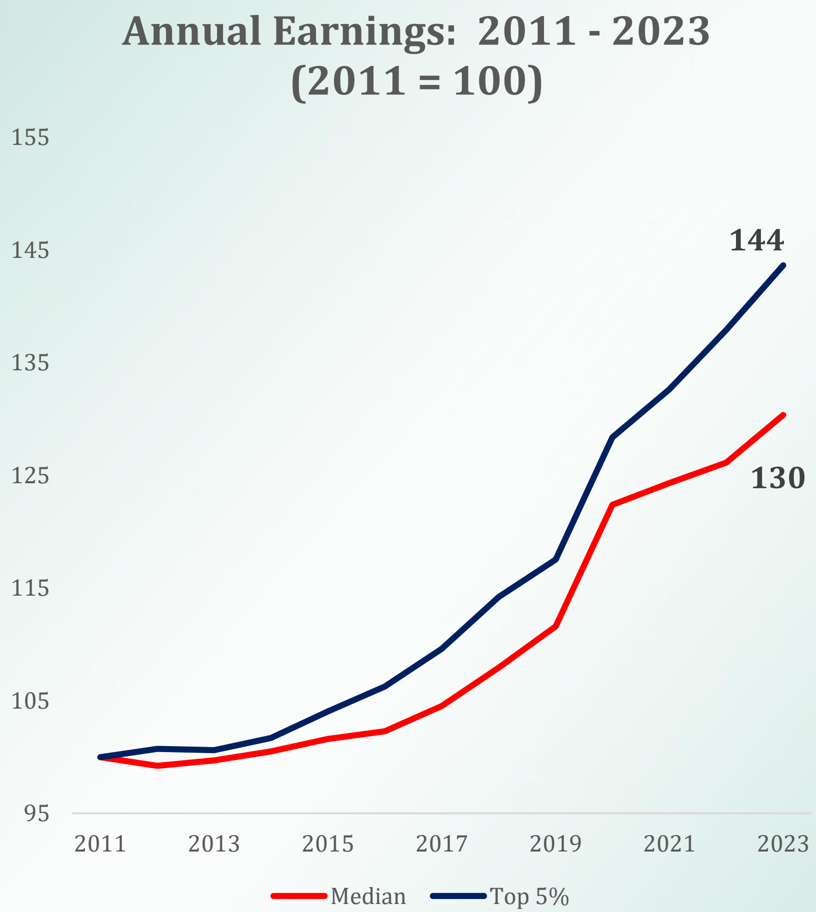


Background Music 2:
Net Wealth Distribution



- Net wealth (assets minus liabilities) is heavily concentrated in the highest 10% income group.
- The top 10% hold, on average, over €1 million wealth assets per adult and child.
- Not only does the top 10% own 23 times the total amount of the bottom 50% - they own multiples of middle deciles.
- The middle deciles are far closer to the bottom 50% than they are to the top.

Background Music 3:
Annual Earnings



- The earnings (employee, self-employed) gap between the top 5% and the median earner is widening over the years.
- The top 5% increased earnings by 44% - for the median earner, the increase is 30%.
- This gap has accelerated in the last few years.
- With that music playing in the background let's look at some issues emerging out of Budget 2026.

1. Fiscal Management

- One of the first rules of government is the sound management of public finances. Past governments pursued irresponsible fiscal strategies:

- Prior to the crash, the government fuelled a property boom, with spending increases and tax cuts being subsidised by property speculation.

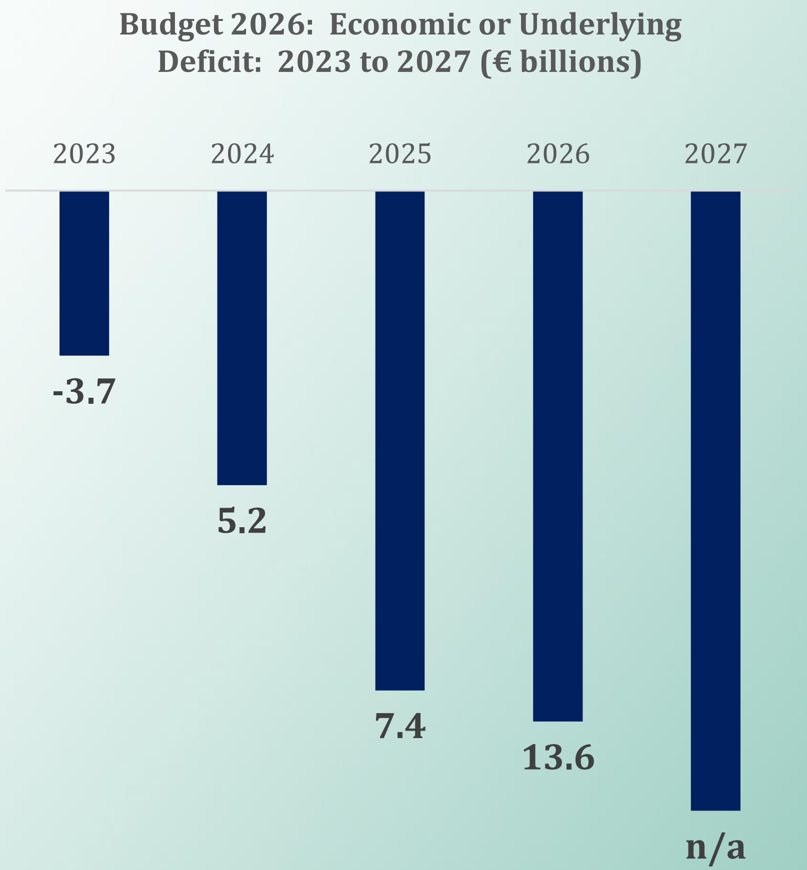
➢ After the crash, the government pursued austerity policies with spending cuts and tax increases.

➢ Both these policies were '*pro-cyclical*' which can lead to a series of boom and bust economic cycles.

- The Government is still running pro-cyclical policies.

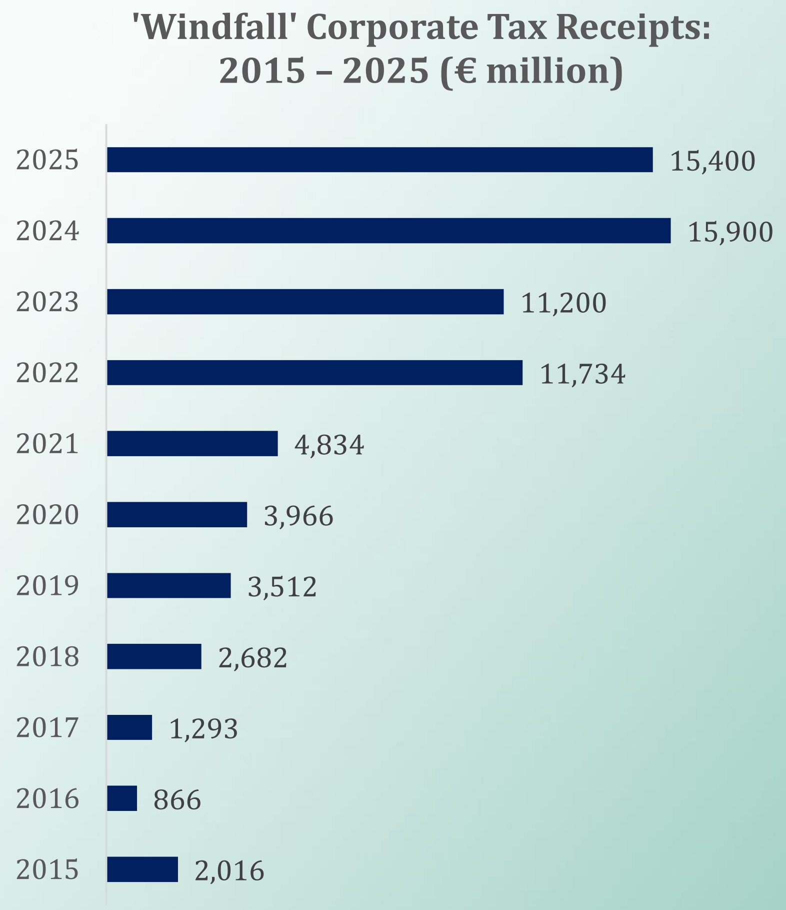
A Rising Deficit

- The Government is actually running a deficit – a wholly irresponsible policy when the economy is at, or near, full capacity.
- This not only fuels inflationary pressures (we already have the 2nd highest living costs in the EU); it limits future fiscal manoeuvrability in the event of a downturn or slump.
- Budget 2026 projects a deficit of €14 billion next year, eating up most of the windfall receipts.



Bailed Out by Multi-Nationals

- How is the Government funding this deficit?
- It is relying on '*windfall*' corporate tax receipts – the tax-avoidance money produced by a handful of US multi-nationals.
- Over the last decade (including the Apple money) the Government received over €100 billion in windfall receipts – 'saving' only €16 billion.



It Feels Like 2006 All Over Again

- The reliance on multi-national windfall tax receipts is a dangerous place to be. What happens if windfall receipts start to decline? What if the economy goes into a downturn (a regular occurrence in market economies).
- We could be facing into a new bout of austerity, or drawing on the Future Ireland and Infrastructural Fund to close a deficit that should never been allowed to emerge.
- This is a highly irresponsible fiscal stance, endangering the bottom line while unnecessarily fuelling inflation.
- Based on the last 25 years, it is clear that Fianna Fail and Fine Gael cannot be trusted with our public finances.
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2. Infrastructure

- The Government has, rightly, significantly increased capital spending over the last few years. However, given past policy, we have dug ourselves into a hole: In 2021, our public capital stock was 25% below our EU peer group.
- And, at that time, given the rate of growth, it would taken over 100 years to close the gap with our EU peer group. This gap should close quicker with increased capital spending.

Challenges in Infrastructural Spending

- There are three main infrastructural objectives in the coming years:

➢ **Economic Infrastructure**: this is broadly covered by the National Development Plan

➢ **Housing**: we'd need to build 250,000 houses tomorrow to raise our housing stock to EU levels.

➢ **Retrofitting**: there is a target of retro-fitting 500,000 houses and installing 400,000 heat pumps by 2030

- There are a number of obstacles: most importantly – the availability of labour. The ESRI states there isn't the labour to achieve these objectives.
- Pumping money in, without addressing labour shortages, can fuel inflation and produce poor value Numbers on a page doesn't make it so.

2. Competitiveness

- The Government is selling this budget as promoting *competitiveness*.
- Budget 2026 will not increase productivity. Productivity is the efficiency by which enterprises turn sales revenue into value-added. The Irish domestic economy has the lowest productivity (value-added per hour worked) than any other EU peer group economy.
- Addressing productivity is hard work : infrastructure, business investment, peripherality, lack of scale, managerial deficits, access to capital, etc.
- Tax cuts, however, are easy – and it gives a semblance of '*doing something*', even though it only serves to promote profits with no guarantee that it will be re-invested.

Tax Cut 1: Hospitality Sector

- Budget 2026 cut VAT on food services on the basis that restaurants and coffee shops are '*under pressure*'.
- Hospitality profits have trebled since 2019 – rising twice as fast as overall domestic economy profits. And for every food service closure there are three start-ups.
- And only 20 percent of the VAT-cut benefit will go to restaurants and cafes. Nearly 40 percent will go to fast-food outlets.

Tax Cut 2: New Builds

- The VAT has been cut on new apartment builds.
- However, according to UCD's Orla Hegarty:

  'Calls to "cut VAT" & "zone more land" isn't to make housing more affordable, it's to make development more profitable.'

- We cannot rely on the VAT cut to either reduce new apartment prices or increase additional units. The VAT cut could easily seep into higher land prices and developers' margins.
- With new apartment prices in Dublin reaching nearly €600,000 and monthly rents exceeding €2,200, even if supply increased, it would still be out of reach for most purchasers and tenants.

Developers' Margin

- The Government claims the VAT cut on apartments is about viability. Again, Orla Hegarty:
- *'Profit €48,605 per unit on urban apartments. The VAT cut adds €20,000 to this profit margin for every apartment . . . On the Minister's own figures that's almost €70,000 profit as an incentive for building a 2-bedroom urban apartment.'*
- The issue isn't viability – it is about bosting developers' margins.

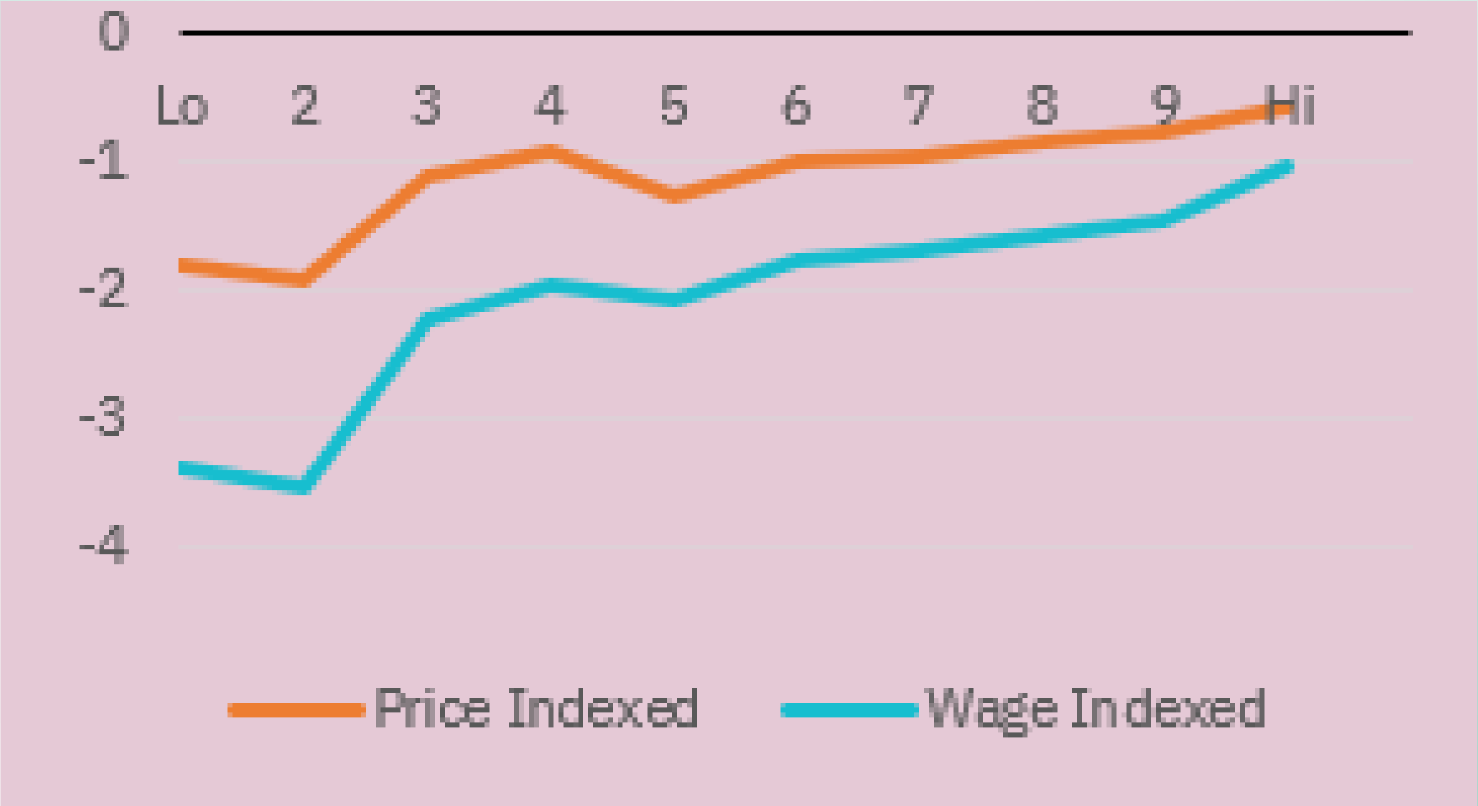
The Real Story

- The real story is that the Government does not have a coherent strategy to promote competitiveness and productivity. It equates competitiveness with tax cuts and wage suppression (e.g. postponement of Living Wage). It is captured by employers who dominate the debate.
- There is no guarantee that tax cuts will reduce closures (restaurants), increase supply (housing), or promote productive investment.
- However, they will transfer public money into capital (profits) and high-income individuals.
- If the Government was focused on '*competitiveness*' it would mobilise resources into high-value sectors. It wouldn't throw nearly €700 million at one of the lowest value-added, low-waged sectors in the economy – namely, hospitality.

A Progressive Response

- The progressive response has been to show that failure to even moderately inflation-index tax credits and tax bands (which can lead to real pay cuts) is subsidising employer / developer tax cuts. This is valid.
- However, we must deepen our critique; namely, that a tax-cutting agenda will not increase competitiveness or productivity. We need to acknowledge – per the NERI/SIPTU study – that domestic productivity is at the bottom of our EU peer-group table.
- This requires a new, progressive agenda for competitiveness and productivity, challenging the government's incoherent and inflationary strategies.

Last Minute Addition from the Parliamentary Budget Office: On average, low-, middle- and high-income households face average income losses from Budget 2026.



Average % change in income by household income decile

4. What a Progressive Budget Could Have Looked Like

- Earlier this year the ICTU Biennial Delegate Conference adopted the **New Economic Model** – a framework through which we can promote new economic analyses and policies to meet the economic and social challenges ahead.
- Here are four examples of how the New Economic Model could have been applied to Budget 2026 based on the following principles:

➢ Progressive Fiscal Management
➢ Workplace Democracy
➢ Expanding Public Provision
➢ Reshaping Markets to Reduce Living Costs

1. A Counter-Cyclical Budget

Progressive Fiscal Management

- Progressive fiscal management is based on a counter-cyclical strategy. This means charting out an agenda whereby we can close the economic or underlying deficit over a period of 5-7 years without impacting living standards or economic efficiency.

- In Budget 2026 this would have meant **significant tax increases**. The *Commission on Taxation and Social Welfare* provides a template for 'materially' increasing taxes on capital, property and assets. This would avoid taxes on labour and shift the tax base to higher income and wealth holding groups.

- This will be a difficult sell but we need an honest conversation on fiscal sustainability; our ability to resource an expansion of public services and social protection to boost living standards and reduce poverty; and how we reduce living costs (that is, increase affordability).

2. Improving Public Sector Efficiency

Workplace Democracy

- In search of efficiencies, ssenior HSE management visited Ryanair's HQ to learn how the airline manages aircraft dispatch and punctuality to apply similar lessons to hospital overcrowding.
- There is almost no emphasis on consulting with the one group who knows the most about the operation of the heath system; namely, the employees – the women and men who actually produce the service.
- Launch a comprehensive '***employee-led innovation and productivity***' drive, whereby employees drive the process of increasing productivity: a democratic, bottom-up approach. If the Government won't do this, trade unions should consider doing it themselves – with the assistance of supportive academics and lessons from abroad.
- If we don't drive the reform agenda it will be driven by others less sympathetic to public provision and we will find it hard to expand public service.

3. Listen to the Market

Public Provision

- Listen to the market. For instance, the '*market*' for nursing homes tell us that without substantial state subsidy, only the highest income groups could afford a nursing home place.
- Similarly with the childcare '*market*': 60% of providers' revenue comes from state subsidy. Without this, few people could afford childcare.
- Now, apply this to affordable homes (purchase and rent). Is the '*market*' telling us that it cannot produce truly affordable homes. If so, we have a choice: we can subsidise private actors (nursing homes, childcare places, which is very costly) or we can provide affordable housing directly through the public realm and leave high-end accommodation to the private sector.
- It's time to offer solutions that are as big as the problems people are facing. No more incrementalism. No more tinkering with market adjustments. We need good ol' fashioned supply-side socialism.

4. Reshape the Markets for Affordability

Reduce Living Costs

- Many progressives argued for continuation of electricity credits (subsidies chasing prices). We need better tools.
- To reduce electricity prices, introduce block-tariffs. The more you consume, the more you pay (like income tax). A crude example:

1) Provide the first 20% of average electricity consumption for free (much like a tax-free credit)
2) Set a standard rate above that 20% threshold
3) Set a higher rate for households that consume double the average electricity consumption

- This would significantly reduce fuel poverty, reverse the regressive scale of consumption and incentivise energy efficiency for high-income groups – those who can afford it.

On to Budget 2027

- Progressive fiscal management, economic and workplace democracy, public provision and Universal Basic Services, reducing living costs through reshaping markets – these are just some of the principles informing the New Economic Model.
- We need a national conversation over an alternative model of development, growth and prosperity.
- And we should start now – so that by the time Budget 2027 comes around, we are in a position of influence over the public debate, putting economic orthodoxy on the defensive.
- In short:
    - **#Democratise_everything**

SIPTU

Organising for Fairness at Work and Justice in Society

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