

Application of the SME Test to the preparation of SI 472 of 2025 giving effect to the Low Pay Commission’s recommendation for the 2026 National Minimum Wage

The Low Pay Commission has a statutory obligation, pursuant to the National Minimum Wage Act, as amended, to make an annual recommendation to the Minister for Enterprise, Trade and Employment on the national minimum hourly rate of pay.

The Low Pay Commission’s recommendation for the 2026 National Minimum Wage was submitted to the Minister for Enterprise, Trade and Employment in July and considered by Government as part of Budget 2026.

The Commission’s recommendation that the National Minimum Wage should increase by 65 cent to €14.15 an hour with effect from 1st January 2026 was accepted by Government.

S.I. No. 472 of 2025, the National Minimum Wage Order 2025, gives effect to this change in the National Minimum Wage.

The principles of the SME test were applied to the drafting of this S.I. and to the change in the National Minimum Wage as set out below:

1. Consultation –

It is important to note that three of the nine members of the Low Pay Commission are members who have an understanding of the interests of employers, particularly small to medium-sized employers and those operating in traditionally low pay sectors, and who possess a good knowledge and understanding of the specific issues faced by Irish businesses, particularly in relation to labour costs and competitiveness. The views of SMEs are represented during the Commission’s discussions on the appropriate rate of the National Minimum Wage.

In addition, the Low Pay Commission consulted with representatives of SMEs as part of their consideration of the appropriate rate of the 2026 National Minimum Wage. Written submissions were received from a number of stakeholders.

2. Identification – In Ireland, the sectors which are dominated by ‘domestic and other’¹ firms – which are typically made up of small and medium-sized enterprises (SMEs) – employ a much larger proportion of people but pay relatively lower wages on average compared with the sectors dominated by foreign firms.

The Low Pay Commission’s annual report for 2025 provides detailed analysis on the prevalence of minimum wage employment across sectors and notes that “since 2016, the Accommodation and Food and the Wholesale and Retail sectors combined have consistently accounted for more than 50% of NMW workers. In 2024, they accounted for 54.6% of all employees earning the NMW or less”.

¹ The CSO splits the Irish economy into two sectors: ‘Foreign’ and ‘Domestic and other’. Foreign-owned Multinational Enterprise (MNE) dominated sectors are sectors where MNE turnover on average exceeds 85% of the sector total. All other sectors are categorised as ‘Domestic and other’ sectors.

3. Impact Measurement – the role of the Low Pay Commission is to ensure that any recommendation it makes to Government is evidence-based, ensuring that any suggested changes to the National Minimum Wage have minimum adverse impact on employment and competitiveness.

The key message from the Low Pay Commission’s review of research in this area is that the effect of moderate incremental adjustment in the National Minimum Wage on employment levels is unlikely to be significantly adverse.

4. Alternatives & Mitigation – as the National Minimum Wage applies equally to all workers², it is not possible to consider alternative minimum wage regimes for SMEs.

As part of the annual budgetary process, a Pre-Budget Submission was made to the Minister for Finance. Specific proposals contained within that submission directly relate to supporting SMEs and the Programme for Government commitment that the “Government will bring forward measures to support SMEs, in particular the retail and hospitality sectors, acknowledging the increased cost pressures on these sectors and this will entail changes to VAT, PRSI and other measures. These measures will be implemented as part of the normal budget process”.

² Exemptions and sub-minimum rates exist for, inter alia, apprentices and younger workers.