



OUR ECONOMIC AND FISCAL PLAN FOR IRELAND

Our plans to deliver social progress and grow the economy with a new industrial strategy.



Labour ★ ★ ★ ★ ★



OUR ECONOMIC PLAN

Our Mission is to pursue an economic agenda for social progress that works for all and builds better together, to reduce inequality and deliver good jobs and economic development in all parts of the country.

THE NEXT 50 YEARS

Labour has identified eight major fundamental challenges facing Irish society and our economy over the next fifty years. These are climate change, ageing, population growth, digitalisation, artificial intelligence, security, global trade, and the potential of an all-island economy. Addressing these will be central to our economic plans. Labour will task the National Economic and Social Council with developing a research programme and public forums to address these challenges.

Labour believes in the power of the state to manage and steer the economy to deliver the public good. A well-regulated economy provides a stable environment for investment and growth. Labour's economic policy can be summarised through three principles:

- » **Fostering economic development.**
- » **Providing infrastructure and services.**
- » **Ensuring sustainability and security.**

Our manifesto outlines our comprehensive approach to implementing these principles.

KEY LABOUR ECONOMIC OBJECTIVES

- » Manage the economy to generate surpluses and provide increased revenue for social infrastructure and the provision of public services.
- » Develop a new economic model to generate sustainable jobs, embed community wealth building and grow indigenous enterprise.
- » Reduce income inequality and eliminate child poverty.
- » Prepare our public services for a country of over 6 million people by 2040 and build the homes and infrastructure necessary to meet their needs.
- » Transform the model of delivering housing and reform our land system.
- » Make the investments essential to meet our 2030 emission reductions targets of 51% and net zero by 2050.
- » Secure our energy independence, strengthen, and protect our water supplies, and improve our food security.

- » Target three million people in work by the end of the decade with a participation rate of 80% and unemployment of 4% or less.
- » Increase collective bargaining coverage to 80% of the workforce, improve job security and stronger rights to more flexible work.
- » Invest in our education system and upskilling of workers with strategic workforce planning to deliver on our strategic objectives.
- » Digitalise our economy and the delivery of public services and harness the benefits of artificial intelligence.
- » Integrate climate adaptation and natural capital accounting into the annual budgetary process.

FISCAL PRIORITIES

Labour will negotiate an ambitious but prudent medium term fiscal plan (MTP) under the revised EU fiscal framework to support and improve public services over the next five years and make the critical capital investment our country needs. Ireland will not be subject to the deficit or debt sustainability rules but will be bound by the net expenditure limit which the next government will have to agree and submit on taking office. When agreeing the five-year MTP we will seek to introduce the following economic reforms:

- » Index tax credits and bands, and social welfare rates to a basket measure of inflation and wage growth to protect against increases in the cost of living.
- » Review the National Development Plan and profile increased capital investment up to 2030 in particular on housing, retrofitting, health, and public transport.
- » Provide for an Annual Resourcing Statement to outline the allocations required to maintain existing services and meet demographic needs.
- » Transform the Ireland Strategic Investment Fund (ISIF) and Strategic Banking Corporation of Ireland (SBCI) into an active Strategic Investment and Development Bank.
- » Broaden the tax base with increased taxes on wealth, not income. We will design and introduce a net wealth tax like the Spanish model.
- » Establish a standing independent Commission on Taxation and Social Welfare to make annual recommendations on the cost of tax expenditures, examine the sustainability of tax base, and identify tax loopholes.
- » Return the USC to a Health Contribution ringfenced for future health spending and avoid narrowing of the tax base.



- » Implement radical local government reform based on the subsidiarity principle with increased powers to raise revenue and make local spending decisions.
- » Support indigenous SMEs to foster the next generation of global winners and ensure access to sufficient finance and capital.

BUDGET STRATEGY

Labour will apply budget rules based on addressing our long-term challenges and towards delivering better public services, a reduction in poverty, and a stronger social wage. We will transform the budget process with increased transparency and reforms to remove the showmanship and deliver better value for money.

The recurring annual requirement for multiple supplementary estimates is a failure of the budget process. Labour will bring increased openness and transparency to the Budget process through the publication of draft policy measures in July to replace the Summer Economic Statement. This will include the annual cost of indexation, rather than just outlining the available financial resources for spending or tax cuts.

Budgets are about choices, but far too often the relevant information to inform those decisions is missing from the public debate. Much more detailed information is needed through an Annual Resourcing Statement as to what resources are necessary to fund the impact of demographics and the cost of maintaining existing levels of service. Therefore, detailed Departmental breakdowns will be published outlining these at the same time as proposed new policy measures, and the cost of indexation.

Labour projects that flexibility for average net expenditure increases of just over 5.1% in line with the draft MTP will be required over the term of the next government, and we will seek to incorporate the following conditions:

- » Increases in day-to-day public spending must be fully funded, and account taken of indexation in advance of the budget.
- » The Exchequer must transition to a process of multi-year budgeting to provide security to public service providers.
- » Sustainable future public pay increases will be negotiated in line with projected wage growth in exchange for service efficiencies and reforms including the greater deployment of digitalisation.
- » Comprehensive and robust projections must be provided annually of the impact of demographics and the cost of maintaining existing levels of service in health, education, childcare, social protection.

An outline of a draft MTP inclusive of Labour budgetary proposals and assumptions is outlined in the Appendix.

CRACKING DOWN ON WASTE

Labour will carry out a Comprehensive Spending Review and Waste Audit across each Department and public agency of the State to examine every area of public expenditure, identify wasteful spending and deliver value for money. This will include an independent review of procurement across the whole government sector. It's time to trim the fat that has gathered over recent years.

Labour will reform the system of accountability for Ministers and civil servants with a stronger system of delegated authority and legislate for a duty of candour across the public service.

NATIONAL FUNDS

Labour will continue to build up the new Future Ireland Fund and the Infrastructure, Climate and Nature Fund (ICNF), but we will ensure that both funds can invest in Ireland and are generating broader economic, social, and environmental returns, taking into account inflationary risks within the sectors where it invests.

There is a funding deficit for the energy transition and private housing development in Ireland that can be addressed through the Future Ireland Fund working with Labour's proposed Strategic Investment and Development Bank.

Labour will create a new national Research and Development Fund from future windfall gains that will ensure a long-term stable source of funding for both basic and applied research and support the further and higher education sector.

INVESTING THE APPLE WINDFALL

The resources available to the State can help transform Ireland and allow us to plan with confidence and invest in a better, fairer, cleaner, secure future. The strategic investment pillars published by the outgoing government do not include the direct building of housing, investment in retrofitting or improvements in our healthcare system which suffers from a massive infrastructural deficit. We believe this is a mistake.

Over the next five years Labour will seek to direct the windfall funds from the CJEU ruling as follows:

€7bn for housing deployed as follows:

- » €6bn to seed a State Construction Company developed through the LDA.
- » €1bn to support water infrastructure and servicing of land.

€6bn for climate measures deployed as follows:

- » €2.5bn for a National Retrofitting Plan to support street by street upgrades, and energy efficiency upgrades in the public and community sector, SMEs, apartments, and Approved Housing Bodies.



- » €2.5bn for major public transport projects and balanced regional development.
- » €1bn for the state to take direct equity stakes in offshore wind developments.

€1bn for Health to create a Sláintecare Transition Fund.

- » €500m to be dedicated to support the rollout of digital health records in the new Regional Health areas.

EMPLOYMENT

Ireland is deemed to be at full employment, with a constrained labour market. However, the employment rate is 74.4% and below that of other high achieving European countries like the Netherlands (82%), while unemployment is consistently between 4 and 5%. Over the next five years, Labour will seek to have 3 million people at work in Ireland by 2030, up from the 2.75m now, and we will:

- » Seek to increase the employment rate above 75% and target 80% over the course of next decade.
- » Put in place greater supports for women and people with disabilities who wish to participate in the workplace.
- » Seek to reduce the unemployment rate to 4% or below and develop new supportive, people centred programmes to support the long-term unemployed back into the workforce.
- » Proactively recruit Irish people home from abroad to bring back new skills and experience.

TAXATION

Labour will establish an independent Standing Commission on Taxation and Social Welfare to provide annual reports on the cost of tax expenditures, review the efficacy of tax breaks, and identify potential loopholes in the tax code. It will be given powers to review data from the Revenue Commissioners. As part of the budget process, it will make recommendations on indexation rates for the income tax system and social welfare payments.

A key challenge over the next five years will be the policies of the new US administration and ongoing reforms to the international rules governing corporation tax through the implementation of Pillar 1 and 2 of the OECD BEPS2.0. Labour supports this process and will maintain the domestic 12.5% rate and 15% minimum effective corporation tax rate on large corporate groups. The Standing Commission will be tasked with publishing a comprehensive assessment of the impact these changes will have on Irish corporation tax receipts and how global trends will impact on future windfall receipts.

Labour will return the Universal Social Charge to a health contribution and ringfence the revenue raised for the health service. It is dangerous to continue narrowing our tax

base when it has become overly concentrated due to record corporation and income tax receipts driven by the multinational sector, and new international risks.

Labour will develop proposals for a site value tax as a replacement for the outdated system of commercial rates. This will require detailed consultation and design, and modelling of the interaction with the local property tax and residential zoned land tax.

Labour will seek the introduction of the following taxation measures to fund discretionary spending increases of up to €400m a year above the limits of the medium-term plan, including:

- » A doubling in the rate of the Banking Levy and the inclusion of digital banks within its scope.
- » The design and delivery of a net wealth tax modelled on the Spanish example.
- » An increase in stamp duty on non-residential property and the bulk buying of houses and apartments to incentivise the delivery of new homes.
- » An increase in the tax rate that applies on wealth transactions.
- » The withdrawal of tax credits on incomes over €100,000 and the introduction of refundable income tax credits for low earners.

Labour will deploy environmental levies and charges to help meet our ambitious climate targets, and influence behaviour. We will review the profits of energy companies in Ireland to identify any windfall gains. Measures we will introduce include:

- » A weight-based criteria for VRT and motor tax on fossil fuel car systems to incentivise smaller and more efficient vehicles and the move to electrification.
- » A levy on the electricity use of data centres starting at €10/MwH.
- » Pursue at an EU level the zero rating of VAT on bicycles, heat pumps and sunscreen.
- » An increase in the Waste Recovery Levy to support the circular economy.
- » Increases in the Carbon Tax offset by a refundable Carbon Tax levy for low- and middle-income households.

Labour will seek to introduce the following tax incentives in support of collective bargaining, a healthier Ireland, and the National Retrofitting Plan:

- » Tax relief at the standard rate on trade union subscriptions and membership of sports clubs and gyms.
- » A Home Retrofit Tax incentive modelled on the Home Renovation Incentive.

NATIONAL DEBT

Labour will continue to manage the national debt and interest payments by rolling over bonds as they mature and will seek to lower the overall burden by growing the domestic economy.



A NEW INDUSTRIAL STRATEGY

Our Mission is an entrepreneurial, regulated market economy where enterprise is supported, hard work is rewarded and the interests of working people – the real wealth creators – are secure, and where the focus is the creation of a good life through a good job.

Labour believes that only the development of a sustainable economy will ensure Ireland's economic competitiveness into the future and rejects the notion that economic policy and our climate strategy are in competition with each other.

AN ACTIVE STATE

Labour will develop a new industrial strategy for Ireland building on the recent Enterprise White Paper. This will be driven by the State in cooperation with entrepreneurs and innovators to tackle the biggest economic and policy challenge in our global and domestic history. We will only achieve a decent quality of life for all if we look fundamentally at how wealth and economic activity are generated.

The entire Strategic vision for Enterprise Ireland, Research Ireland, the NTMA and the IDA needs to be refocused with sustainable development at its core. Developing and implementing a new strategy for sustainable prosperity by incentivising solutions to Ireland's climate emissions reduction and adaptation challenges must become the overriding priority for these organisations.

Our approach will be informed by addressing three key risks:

- » Retaining the strengths of the FDI sector in a more challenging tax and trading environment and complement that with a dynamic indigenous sector capable of complimenting the role of FDI in our economy.
- » Addressing the cost and availability of housing which is a chronic danger to our competitiveness and all aspects of the functioning of our economic model with a new model of development.
- » Focusing on the eight fundamental challenges we have identified as facing Irish society over the next fifty years.

A mature and healthy cooperative attitude between enterprises, trade unions and governments will be vital in the delivery of decent outcomes, and we will also develop a new structure for social dialogue inclusive of other groups. Labour outlines below our approach to key issues impacting business, and we will deliver on these commitments through an outcomes focused Action Plan for Future Jobs.

COMPETITIVENESS AND INNOVATION

The costs of doing business in Ireland is a real risk to our competitiveness and Labour has comprehensive plans across a number of key areas to address this. We will:

- » Invest in talent and skills, and resource our education and training system.
- » Build more affordable housing and improve security for renters.
- » Resource the planning and regulatory system to improve the delivery of infrastructure.
- » Drive down the cost of energy.
- » Provide scale up financing through a new Strategic Investment and Development Bank and develop a community banking model for SME lending.
- » Ensure lower insurance prices are delivered after recent reforms.

Three new supports Labour will provide for small and medium business are:

- » Empowering SMEs to decarbonise with a dedicated programme under the National Retrofitting Plan and supports for more sustainable supply chains.
- » Changes to the R&D tax credit and a promotional plan to encourage SME take up, with an enhanced rate for small and micro companies.
- » Provide countercyclical support to business through a short-term work subsidy scheme.

Labour will also establish a dedicated Research Ireland fund to make Ireland a world leader in innovative solutions to our climate challenges in key sectors such as sustainable innovation.

We will place the Competitiveness and Productivity Council on a statutory footing to protect its independence and invest in skills and digitalisation to boost productivity.

INFRASTRUCTURE

Addressing our infrastructure deficits and delivering projects in the National Development Plan is critical to our future prosperity and the continued growth of Irish enterprise. We will address delays in planning and regulation and review the public works contract to ensure it is delivering projects on time and on budget. The Department of Public Expenditure and Reform had NDP Delivery added to its title but no substantial changes to the underlying structure.

Labour will strengthen the delivery of projects through a dedicated Infrastructure Unit. This will ensure individual Departments and Agencies retain expertise in the delivery of projects but that systemic blockages can be addressed quickly and effectively.



PUBLIC ENTERPRISES

Labour believes in a mixed economy model. Publicly-owned enterprises play an essential role in Ireland's economy—whether in the provision of water, electricity, or transport. As part of an active industrial strategy, we will develop a new generation of public enterprises including a State Construction Company, and review the role of existing semi-state companies, and refresh their mandates with an explicit goal of sustainability and protection of nature.

New opportunities exist in decarbonisation where the scale and resources of the State can deliver on offshore wind, green hydrogen, energy storage and carbon capture. In the circular economy Labour will seek to develop a National Repair and Recycling company and begin the remunicipalisation of waste collection.

FUTURE JOBS

Building on the National Clustering Programme Labour will develop a Future Jobs strategy, prioritise the growth and scaling of indigenous small and medium enterprises and focus on balanced regional development.

We will prioritise renewable energy and the climate transition, biopharma and medical technology, ICT (AI and digitalisation), and modern manufacturing. Harnessing the power of offshore wind will open up significant new industrial opportunities for Ireland that we must be prepared for.

SECTORAL JOB STRATEGIES

Labour will develop new sectoral job strategies consistent with our climate objectives to support the long-established Irish exporting successes like the agri-food sector and the local trading sectors such as tourism and the experience economy, retail and hospitality, which have been impacted hard by cost pressures. We will establish a new agency to support the hospitality sector modelled on Teagasc to boost productivity and provide research, advisory and training services.

REGULATION

Labour believes in smart regulation, not heavy regulation, as it is a key lever to foster productivity and innovation. Investors need certainty, and they need to know that regulations will be enforced so that those who make investments will not be undercut by others who try to cheat the rules. Good regulation will promote development and we will reinvigorate the Better Regulation agenda and set up a Regulatory Innovation Office to improve accountability and promote innovation.

We will simplify the grant application process through Enterprise Ireland, support digitalisation and ensure a more efficient and responsive state machinery.

As members of the EU single market there are enormous opportunities for growth for Irish enterprises who we will equip to scale up, trade and operate in the 26 other member states.

Labour will reform, resource and empower the Competition and Consumer Protection Commission to more aggressively investigate and enforce competition law as outlined in our Cost of Living proposals.

CO-OPERATIVES AND SOCIAL ENTERPRISES

Labour will promote community wealth building as a central component of our economic policy. We will support the development of more co-operatives particularly in the care sector, re-establish a Co-operative Development Unit in the Department of Enterprise, and pass a new Co-operatives Act to update and consolidate the law covering the sector. The model should be promoted as an option to save businesses or for succession planning through conversion to employee-owned co-operatives.

Labour will develop a new national ecosystem to support social enterprises and expand in key areas like renewable energy and the circular economy, caring and social digital innovation, and we will:

- » Create a Social Enterprise Empowerment Fund to develop more regional jobs.
- » Provide consistent access to Local Enterprise Offices and Enterprise Ireland supports.
- » Increase the audit threshold for charities to €500,000 and develop a national body for the sector.

DEMOCRATIC WORKPLACES

Labour has outlined an ambitious programme to improve workers' rights and increase collective bargaining coverage in Ireland in our Work proposals. We want more democratic workplaces and will seek to introduce the appointment of worker directors in large companies.

We will promote the expansion of Employee Ownership Trusts, most famously popularised by the retailer John Lewis, and introduce incentives like those available in Britain to incentivise the sale of a controlling interest to staff.

ETHICAL TRADING

Labour will ensure robust monitoring of obligations on companies for corporate sustainability reporting, and we will implement further measures to ensure the disclosure in a transparent manner each year of the risk of labour exploitation and human trafficking occurring in supply chains or in any part of a business and what action they have taken to ensure such activities do not occur.



Labour will require transparency about the beneficial ownership of businesses and ensure Irish trading companies, like in the retail sector, will have to publish Ireland-specific statements of profits.

EMPLOYMENT PERMITS

Labour will review the criteria for issuing employment permits on an annual basis to ensure it is serving the needs of the labour market and not undermining existing terms and conditions. Sectors seeking permits must demonstrate a commitment to engaging with the industrial relations machinery of the state and to collective bargaining. Labour would abolish seasonal permits and reduce the cost of renewing permits in line with other public identity cards. We will protect vulnerable migrant workers by providing for full mobility to change employers after 12 months.

SKILLS AND TALENT

Population growth has put immense pressure on the State which has struggled to secure the qualified staff necessary to provide public services and deliver investment projects and priorities. A comprehensive whole of government approach is now needed on strategic workforce planning to ensure sufficient skilled workers are trained in areas like health and social care, construction and planning, digitalisation, and the climate transition.

Labour will establish a new unit in the Department of Taoiseach to drive the policy changes needed to deliver future talent and skills for the public and private sectors.

ACCESS TO FINANCE

A major barrier to the scaling up of indigenous companies—and the development of more high value jobs in those companies—is the lack of a mature private capital market in Ireland. The state already does a lot, but we can do more.

Labour supports the introduction of a community bank for business lending. Based on the German *Sparkassen* model, a single national community bank will be established initially, working in partnership with the credit union movement. It is proposed that the bank will rent counter space and office space from individual credit unions and provide business banking services aimed at small and medium enterprises. Initially a trial of this banking model will be rolled out across a number of counties.

Labour will review the work of the Ireland Strategic Investment Fund (ISIF) and Strategic Banking Corporation of Ireland (SBCI) and develop proposals to merge these into an active Strategic Investment and Development Bank that will also support the work of a community public banking model. The SIDB will be directed to proactively support housing development and climate action, take equity stakes in offshore wind projects and other strategic sectors critical to meeting our emission targets. Critically it will provide financing to support Irish companies to scale up into the EU and global markets.

Labour will continue to use the tax system to support the indigenous start-up and scaling sector in line with the recommendations of the Commission in Tax and Welfare. The current suite of schemes are not delivering adequately. Labour will review the operation of these schemes with a view to securing additional private sector investment. We will also engage with the Revenue Commissioners to see what additional compliance support can be afforded to start-up companies that do not necessarily have access to specialist professional advice.

BANKING

Labour will seek increased competition in the Irish banking market and introduce a community banking model, while working to ensure lending and deposit rates are similar to other European countries, to ensure businesses and homeowners are offered comparable rates. With Irish banks recording high profit rates, Labour will:

- » Increase the banking levy to ensure an ongoing contribution to the legacy costs of the bailout and introduce minimum deposit rates tied to the ECB rate.
- » Retain the current strategic shareholdings in AIB and reduce the PTSB shareholding to no less than 30% over the period of the next government.
- » Ensure communities retain access to ATMs, and cash services.
- » Seek industry support for financial literacy measures and develop a National Fraud Database.
- » Ensure that a household's ability to pay rent is counted as part of their credit rating and assessment for mortgage loan calculations.
- » Maintain the cap on bankers' bonuses.

CREDIT UNIONS

Labour supports the continued growth of the credit union co-operative movement in Ireland. We will examine the establishment of an independent regulator for the sector outside of the Central Bank for quicker decision making and simplify the legislative and regulatory framework governing the sector. We will remove barriers to mortgage and business lending and bring certainty on levies by pausing contributions to the Resolution Fund and Stabilisation Fund. We will work to develop and grow socially inclusive investment vehicles in housing and climate.

FINANCIAL SERVICES

Labour will position Ireland to become a global leader in sustainable climate finance, and fintech with measures to promote growth and sustain employment. We will commission an in-depth study of the potential risks to Ireland from the large non-bank financial sector, and the over €4.5 trillion in assets under management in our country. We will consider the recommendations of the Funds Review and the proposals to support medium to long term individual saving accounts that are revenue neutral.



APPENDIX: MEDIUM TERM FISCAL PLAN

The recently published Medium-Term Fiscal and Structural Plan outlined average net expenditure growth of 5.1% from 2026 to 2030 but includes a 6.5% increase in 2026. The Labour Party asked the Parliamentary Budget Office to model our Budget conditions including what an alternative annual expenditure ceiling of 6% would entail. The criteria we sought were:

- » Indexation for income tax credits and bands, and weekly social welfare payments based on an average of projected inflation and wage growth.
- » A new public sector pay deal from 2027 linked to projected wage growth.
- » Maintaining existing levels of service and accounting for demographic changes.
- » Additional capital spending from 2027 to reach and maintain 14.5% of total spending.
- » Inclusion of €400 million of annual net revenue raising measures.

There is great uncertainty in future fiscal and budget projections, as we have also seen over the last five years. The long-term impact of corporation tax reform under the OECD BEPS2.0 process and the new Trump administration on future revenues is unknown.

Labour believes that average net expenditure growth of just above 5.1% will be sufficient factoring in the future demands on public services however more detailed analysis will be required by a new government before the submission of a revised Medium Term Fiscal and Structural Plan.

Labour will also undertake a comprehensive review of public spending including a waste audit across each Department and agency. Due to time constraints the analysis also does not include the impact of growing employment to 3 million and reducing unemployment below 4%.

Overview of Data and Methodology (From PBO)

The analysis relies on the following data and assumptions:

- » Expenditure data is taken from the Government's Medium-Term Fiscal and Structural Plan.
- » Population projections are taken from the CSO.
- » Forecasts for inflation (HICP) and wages (wages per head), are taken from the Medium-Term Fiscal and Structural Plan.
- » The cost of indexing tax credits, bands and social welfare payments are estimated using the ESRI's microsimulation model, SWITCH. The underlying dataset for SWITCH is the Survey of Income and Living Conditions (SILC) 2022. Forecasts of earnings, price, population and the growth of macroeconomic variables, as per the Medium-Term Fiscal and Structural Plan, are nested into the SWITCH analysis. Through a cumulative uprating process, the costs are calculated up to 2030. The use of a microsimulation model enables us to capture the interaction effects between these policies.

- » The cost of the Public Sector Pay Deal and the Existing Level of Service (ELS) expenditure are determined using a top-down macroeconomic approach. This involves uprating the relevant spending category according to the growth rate of the corresponding macroeconomic factor.
- » The cost of the new public sector pay deal is calculated by linking government employee compensation to wages per head growth as set out in the Medium-Term Fiscal and Structural Plan. This cost has also been adjusted to account for the cumulative increase in public sector numbers stemming from ELS spending to meet demographic needs.
- » ELS spending is calculated by considering demographic changes and indexing certain expenditures to forecast inflation. For intermediate consumption and capital expenditure, ELS spending is estimated based on price and population growth. For all other expenditure components (excluding interest and expenditure items largely outside the government's control), it is estimated based on population growth alone. This reflects a "no policy change" stance, with the per capita nominal expenditure remaining constant over time. Adjusting for inflation, such as indexing social payments, would be considered a policy change.
- » Adjustments are made to the ELS estimate for certain spending items to account for the impact of the proposed policies. For example, the ELS estimate for government social payments incorporates the impact of the policies indexing social welfare rates. Additionally, ELS spending for current year's capital is calculated by applying inflation and population growth to the previous year's capital allocation.
- » Fiscal space is estimated by comparing the available funds against the two proposed expenditure baselines, subtracting the projected new modelled net primary expenditure, as it includes proposed expenditure measures, revenue-reducing measures related to the indexation of tax credits and bands and an allowance of €400 million for next revenue raising measures. The baselines are:
 1. A cap on the annual growth of net primary expenditure, aligned with the Government's Medium-Term Fiscal and Structural Plan, averaging 5.1% annually from 2026 to 2030.
 2. Net Primary spending growth set at 6% year-on-year from 2026 to 2030.
 - *Note that under our calculations, an estimated negative fiscal space indicates that, after accounting for proposed policy measures, revenue-raising will be needed to adhere to spending rule.*

RESULTS

Table 1 presents the results.

- First, we compare the modelled net primary expenditure to an expenditure ceiling aligned with the Government's Medium-Term Fiscal and Structural Plan (MTFSP), with net primary spending growth averaging 5.1% annually from 2026 to 2030. This comparison shows that the unallocated fiscal space starts at €2,963 million in 2026 and increases over time, reaching €5,633 million in 2030.
- Under an expenditure ceiling of 6% growth, the unallocated fiscal space begins at €2,386 million in 2026, and increases over time, standing at €12,319 million in 2030.



Table 1: Results and cost estimates (€ million per annum)

	2025	2026	2027	2028	2029	2030
Indexing of tax credits and bands	-	739.5	806.4	842.1	904.8	969.9
Indexing social welfare payments	-	785.3	806.3	799.4	819.9	853.6
Cost of Public sector pay deal**	-	554.7	1,663.2	1,550.6	1583.3	1613.6
Net Revenue Raising Measures	-	-400.0	-400.0	-400.0	-400.0	-400.0
ELS Cost Estimate***		2,032.5	2,733.7	2,842.9	2852.6	2,894.8
Allocated capital expenditure (in levels)	16,115*	17,530*	20.875	21,668	22,535	23,431
Modelled Net Primary Expenditure (A)	125,215*	130,342	138,463	143,969	149,547	155,247
Expenditure Ceiling MTFSP (B)	125,215 *	133,305*	139,835*	147,415*	154,385*	160,880*
Expenditure Ceiling at 6% (C)	125,215*	132,728	140,692	149,133	158,081	167,566
Unallocated fiscal space MTFSP (B-A)	-	2,963	1,372	3,446	4,838	5,633
Unallocated fiscal space at 6% (C-A)	-	2,386	2,229	5,164	8,534	12,319

Notes: Income tax credits and bands, as well as social welfare payments, are indexed to the average of projected inflation and wage growth. Net primary expenditure is total government expenditure net of interest payments, with levels of interest payments taken from the Government's Medium-Term Fiscal and Structural Plan. It also excludes expenditure on programmes matched and/or cofinanced by the European Union, and cyclical elements of unemployment benefit expenditure. Discretionary revenue measures and one-off/temporary expenditure are set to zero. An allowance of €400 million for net revenue raising measures is incorporated into the calculations. The base year in the calculations is 2025, with reported net primary expenditure and its components taken from the Government's Medium-Term Fiscal and Structural Plan. Rounding may affect the aggregation of totals.

* denotes expenditure levels taken directly from the Government's Medium-Term Fiscal and Structural Plan.

**Cost of the public sector deal is calculated to account for the increase in numbers resulting from demographic changes. The cost for 2026 is estimated by the PBO by applying the 2026 pay deal to the 2025 compensation of employees figure and adjusting it for population growth in 2026.

*** In addition to accounting for the impact of population growth and inflation, it also reflects the effect of cumulative increases in capital and social welfare payments.



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