Congress Private Sector Committee Bulletin

Congress Guidance for Private Sector Unions on Pay Bargaining in 2026

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1. Introduction

Each year, the **Congress Private Sector Committee (PSC)** issues guidance to affiliates with members in the private sector. The annual guidance includes the level of pay increase that unions should seek from employers in pay bargaining negotiations commencing the following year. This bulletin provides the guidance for 2026.

The bulletin contains relevant information on the labour market including details on inflation, employment and wages. The bulletin also sets out the other factors relevant to pay bargaining in 2026 before detailing the pay guidance to unions.

2. Economic Outlook

The Irish economy has been booming for three consecutive years and is characterised by strong employment growth as well as strong growth in both multinational and domestic output. The domestic outlook remains positive, albeit normalisation of growth rates is anticipated over the medium-term. The Nevin Economic Research Institute (NERI) advises that modified domestic demand and GDP are expected to grow by an average of close to 3% year-on-year over the 2026 to 2028 period.

The tight labour market should drive real wage growth next year, and this, combined with slower but positive employment growth, will drive an increase in real disposable income and in personal consumption. The strong headline position of the public finances will enable a robust countercyclical fiscal response were the economy to enter a downturn.

Monetary policy (ECB interest rates) and fiscal policy (an expansionary Budget 2026) will both be supportive of demand next year. The outlook for net exports is more mixed given the risk of a stock-market reversal and more muted growth in the United States, along with the somewhat anaemic outlooks for the UK and for the Euro area. Specific sectors remain exposed to tariffs or to the threat of tariffs. International policy uncertainty understandably continues to undermine consumer confidence which is well below its long-run average, although business sentiment is relatively positive, particularly with regard to services (58.5 in November).

As noted, the tight labour market and positive growth outlook suggests real wage growth will be sustained through the rest of 2025 and into 2026. Wage growth is set to average around 4% in 2026. Inflation has nosed up in recent months and we expect it to range between 2% and 2.5% in 2026.

3. Inflation

Until recently the period of volatile price inflation appeared to have been brought to a close with price inflation hovering around 2% for much of 2025. Of course prices were not falling but merely increasing at a slower rate. The Consumer Price Index (CPI) as of November is up 18% over the previous four years. Unfortunately, prices have notably moved upwards again in recent months with the CPI at 2.7% in September, 2.9% in October and 3.2% in November. Core inflation (i.e. excluding volatile energy and unprocessed food) was at 3.1% in November perhaps suggesting that higher price inflation could prove sticky. While education prices were up 8.9%, this makes up a tiny proportion of overall spending. Food & non-alcoholic beverages increased 4.3% in the year to November while price increases for Restaurants & Cafes (3.6%) and Rents (3.5%) were also relatively high. Electricity, Gas & Other Fuels was at 3.5%. The CPI is now on target to grow by an average of 2.3% in 2025.

Institutional projections for inflation suggest it will fluctuate around the 2% mark over the next two years, which is close to the ECB's inflation target of just below 2%. The range of institutional[1] projections for the next two years (whether CPI, HICP or the personal consumption deflator[2]) is relatively narrow. The projections range from 1.4% to 2.4% for 2026 and 1.4% to 2.4% for 2027.

The annual rate of inflation marks the 'zero-point', below which real wages are in fact falling. We project that wages will likely need to grow by close to 2.3% in 2026 and close to 4.5% over the next two years simply to keep pace with the cost of living. Only nominal wage increases beyond this level will represent actual real wage increases, with smaller increases de facto meaning declining real wages. It should be noted that real wages declined in 2022 and again in 2023 with these losses then broadly offset in 2024-25.

4. Labour Market

Labour market performance has been very strong with employment increasing over 20% in just six years. This is extremely robust by historical and international standards. While the employment rate (15-64) in Q3 (74.7%) was down marginally on the previous year it remained at a very high rate by Irish historical standards. Employment (2.83 million working for pay or profit) increased by 1.1% year-on-year (+30,000 people) according to the Labour Force Survey (Q3) representing somewhat of a slowdown. However, administrative data on employee levels indicates stronger growth of 2.6% in the year to September (this index is up 18.9% since 2019). The labour force participation rate for females has declined marginally but remains close to its all time high.

Unemployment jumped somewhat in 2025 reflecting the continued swift expansion of the labour force and the relatively slower growth in employment, but the rate nevertheless remains low and stood at just 4.9% in November. Of note is the youth unemployment rate which at 13.4% in November was well up on the year before and on 2023 (11.2% and 10.7% respectively). More positively, the unemployment rate for the core 25+ age group was just 3.8% which is close to full employment for that group. Long-term unemployment is low at 1.2% or 34,400 persons. Hours worked increased 0.6% (3 million hours) in the year to Q3 2025 with expansion particularly fast in Industry and in Transportation & Storage. The job vacancy rate is up marginally to 1.3% but has seen little movement in the last two years.

1 These include the Department of Finance, Central Bank, NERI, ESRI, OECD, EU Commission, and IMF.
2 The personal consumption deflator measures the average increase in price for domestic consumption.

Survey data for Q3 suggests relatively strong annual employment growth in *Transportation & Storage* activities (+18,000 net new jobs or 15.9%), and in *Industry* (10,700 or 3.1%). In contrast, there were declines in *Accommodation & Food Services* (-4.3%), and in *Agriculture, Forestry and Fishing* (-3.9%). Administrative data shows strong employee growth in the *Construction* sector (4.7%) and in *Financial, Insurance, & Real Estate* (4.7%), but flat employment growth in *Accommodation & Food Services* and in *Wholesale/Retail Trade*. Each of the main sectors barring *Arts, Entertainment, and Recreation* saw double digit employment growth over the last six years. Overall the employment picture remains healthy although there are some signs that the rate of expansion is now returning to more normal levels. This was inevitable given that the recent increase in the employment rate to record levels has limited the scope for further year-on-year expansion.

Average weekly earnings increased by 4.9% year-on-year in the third quarter while average hourly earnings increased 4.3% (weekly paid hours were up 0.6%). Weekly earnings increased in every single sector in nominal terms with the largest increase in *Arts, Entertainment & Recreation* at +8.7% followed by *Accommodation & Food Services* (7.7%) and *Financial, Insurance & Real Estate* (7.6%). Weekly earnings growth was weakest in *Transportation & Storage* at just 1.5%, which represents a decline of 0.6% in real terms (the CPI averaged 2.1% annually in Q3). *Construction* was the only other sector to register a declining real wage in Q3 (2% growth in nominal terms but -0.1% in real terms). Overall private sector weekly wage growth was 4.8% in nominal terms and 2.7% in real terms. In general, the same broad picture emerges for hourly wages with nominal increases in each of the main sectors. The low paid *Arts, Entertainment & Recreation* sector had the highest hourly wage growth at 7.9% whereas *Construction* wage growth was just 1.5% (the only sector with a decline in real terms).

The CPI increased by an average of 2.1% in Q3. As such, average weekly and hourly earnings across the economy grew strongly in real terms in the year to Q3 (+2.8% and +2.2% respectively). The Indeed wage growth tracker shows an increase in posted wages of 4.7% year-on-year in October (4.8% rolling average over the last three months). CPI inflation was 2.9% suggesting that solid real wage growth is ongoing.

5. Productivity and Baseline Claims

Compensation for the growth in labour productivity is the fundamental driver of real[3] wage growth over the long-term. The PSC has consistently advocated for measures to boost Ireland's long-run productivity growth. Examples of such productivity measures are elaborated in the Irish Congress of Trade Union's New Economic Model (NEM) outputs.[4]

It is well understood that growth in labour productivity can be highly volatile from year-to-year with significant sectoral and other differences. For this reason it is often more useful to focus on the longer-run productivity trends and forecasts. The NERI advises that labour productivity over the remainder of the 2020s is likely to average between 1% and 1.5%. This is broadly consistent with levels of annual productivity growth seen in advanced economies in recent decades and is a baseline for real wage growth. The Department of Finance projects[5] that average labour productivity will grow by an annual average of 1.4% over the 2026 to 2029 period.

A medium-term productivity plus inflation baseline for nominal wage growth is therefore around 3.5% assuming close to 1.4% growth in labour productivity and a projected 2.1% growth in price inflation that is just above the ECB target - reflecting the tightness and higher than average growth potential of the Irish economy. However, 2026 inflation may be slightly higher at 2.3% given the already close to overheating position of the economy and expansionary fiscal and monetary policies.

Other factors must also be considered. For example, the inflation plus labour productivity formula is only appropriate if the labour share of income is already at a 'fair' percentage of national income. The labour share has fallen in recent decades including in the domestic sector[6]. This trend has contributed to a rise in market inequality. Reversing a falling labour share requires wage increases in excess of the long-run inflation plus productivity base line.

In addition, wage levels are clearly inadequate for many workers. The in-work deprivation rate was 9.5% in 2025 (or more than 1 in 11).[7] Finally, Budget 2026 did not provide any relief to workers with effective tax rates increasing at each income level due to a PRSI increase and to the non-indexation of income tax. The ESRI[8] estimates that Budget 2026 will result in income losses of 2% of household disposable income primarily due to the withdrawal of cost-of-living supports and non-indexation.

Ultimately the labour market as of late 2025 is in a very strong position with close to a record employment rate for the cohort of workers of prime working age. Labour shortages are evident in a number of areas, for example in the construction sector. Therefore, the tight labour market represents an opportunity in at least some sectors for workers to begin to redress the ongoing imbalance in compensation between labour and capital income and to obtain growth in wages in excess of the long-run average and the productivity-inflation baseline.

6. Pay Bargaining 2026

The fundamental objective of collective bargaining is to maintain and indeed sustainably improve the living standards of workers. The government expressed the view around budget time that wage bargaining needed to do the heavy lifting to maintain living standards.

Based on our analysis of the prevailing conditions in the private sector of the economy and having regard to various forecasts and factors the PSC believes that in 2026, it is appropriate for unions in the private sector to seek to secure pay increases in excess of **4.7% to 6%, where sustainable**.

In addition, and having regard to the level of profitability and the competitive position of the enterprise concerned, unions should also seek to:

- Improve the position of lower paid workers such as by improving new entrant rates of pay.
- Secure and protect weekly working hours.
- Utilise, where appropriate, measures such as the Small Benefits Exemption Scheme.
- Introduce and enhance service pay awards.
- Secure additional non-pay benefits, for example shorter working time, additional annual leave, increased sick pay benefits and improved pension benefits.

3 Nominal wage growth is the headline growth in actual wages (expressed in Euros) whereas real wage growth is the increase in the value of wages once the effect of changes in consumer prices on the cost of living are stripped out.
4 See for example: ICTU (New Economic Model), NERI, 2025 (Ó Riain, S. July), NERI, 2025 (McDonnell et al, July)
5 Department of Finance, (Economic and Fiscal Outlook, Table 7)
6 CSO, (Productivity in Ireland)
7 CSO (Survey on Income and Living conditions)
8 ESRI, (Post Budget Analysis)