ESCAPING IN-WORK POVERTY IN IRELAND

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Introduction

Reducing poverty among working households requires a different policy approach to tackling poverty among those out of work.

In-work poverty can be due to:

- **Low working hours and low wages:** Part-time work, near minimum wage, self-employed (Horemans & Marx, 2016; Alamir & Maître, 2025)
- **Household composition:** Single earner household, lone parents, large families
- **Tax and benefits systems (Jara & Popova, 2021):** In-work benefit design and take-up

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What is in-work poverty

Many ways of defining poverty. In this research, we use the at-risk-of-poverty (AROP) rate.

The in-work poor (IWP) are employed or self-employed with equivalised household disposable income below 60% of the national median.

- **Individual level**: employment status of the individual
- **Household level**: all income sources and household size and composition are taken into account
- **A relative concept**: doesn't capture population-wide changes in living standards
- **Income-based**: does capture changes in the cost of living or extra consumption required by certain household types

In work poverty in Ireland and the EU

In 2024, 5.6% of the employed in Ireland were AROP

- 11.6% were living in enforced deprivation
- 1.7% were in consistent poverty *(CSO SILC 2024)*

Ireland's IWP rate is relatively low by EU standards

- EU-27 average worker AROP rate: 8.2% in 2024
- Only 4 countries had a lower rate than Ireland: FI, CZ, BE, NL

(Eurostat 2024)

This research

1. **Who are the in-work poor in Ireland?**
2. **To what extent can working more hours help them to escape income poverty?**

   We simulate hour-by-hour increases in working time and identify at what point, if at all, the worker escapes poverty.
3. **To what extent can reforming the Working Family Payment help?**

   We study Ireland's main in-work benefit and simulate two reforms: full take-up of the existing scheme, and an extension to childless households.

Method

Method: microsimulation

- Use SWITCH, the ESRI's tax-benefit model
- SWITCH is linked to 2023 SILC data, uprated to 2026 to account for income/price growth
- SWITCH allows us to simulate the effect of increased working hours or increased welfare on disposable income at the household level
- Unlike official poverty statistics, our results are simulated for 2026

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Method : Increasing working hours

1. **Identify IWP**: Select all working individuals aged 18–65 whose household equivalised disposable income < 60% of median

2. **Increase primary earner's hours** (+1h) and recalculate all taxes and benefits and disposable income via SWITCH.

3. **Check poverty exit**: continue iterations up to poverty exit or 40h/week.

4. **Increase hours of secondary earner** (if applicable) – no activation

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Results

Profiling the in-work poor

Variable	Primary non-IWP	All Primary IWP
% of all primary earners	93.3	6.7
Share of men	0.63	0.65
Number of children (mean)	0.74	1.36
Share multi-worker HH	0.67	0.20
Number of disabled individuals (mean)	0.07	0.11
Equivalised disposable income (monthly mean)	3,741	1,469
Earnings (monthly mean)	5,728	2,104
Hourly wage (mean)	33.6	14.9
Share self-employed	0.07	0.26
Share working <20 hours	0.05	0.24

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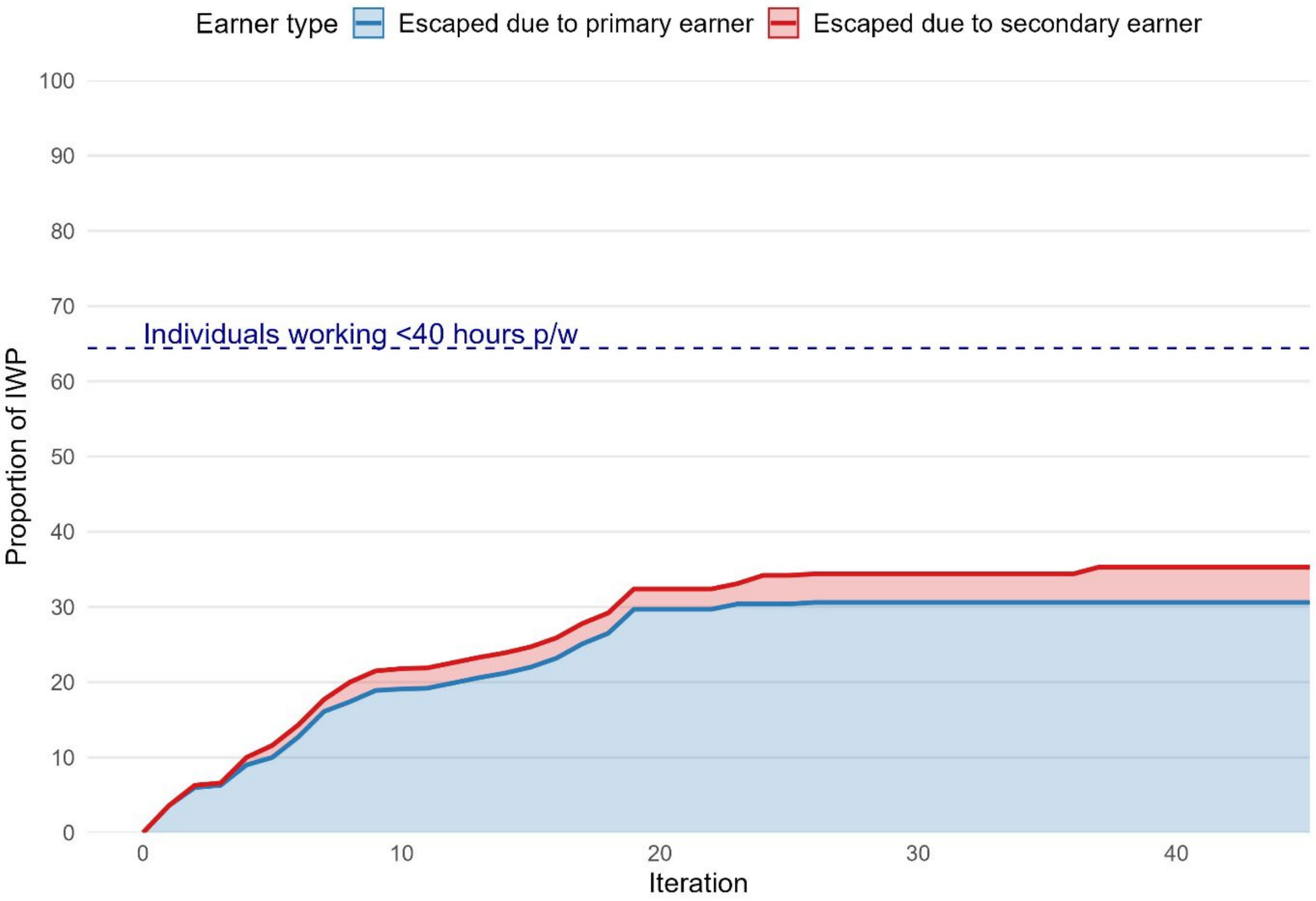
Simulating increased labour supply

Increasing working hours for IWP



Two-thirds of IWP work < 40h/week

Among these, half escape poverty by increasing hours

One-third exit within 10 extra hours per week

Small role of secondary earners

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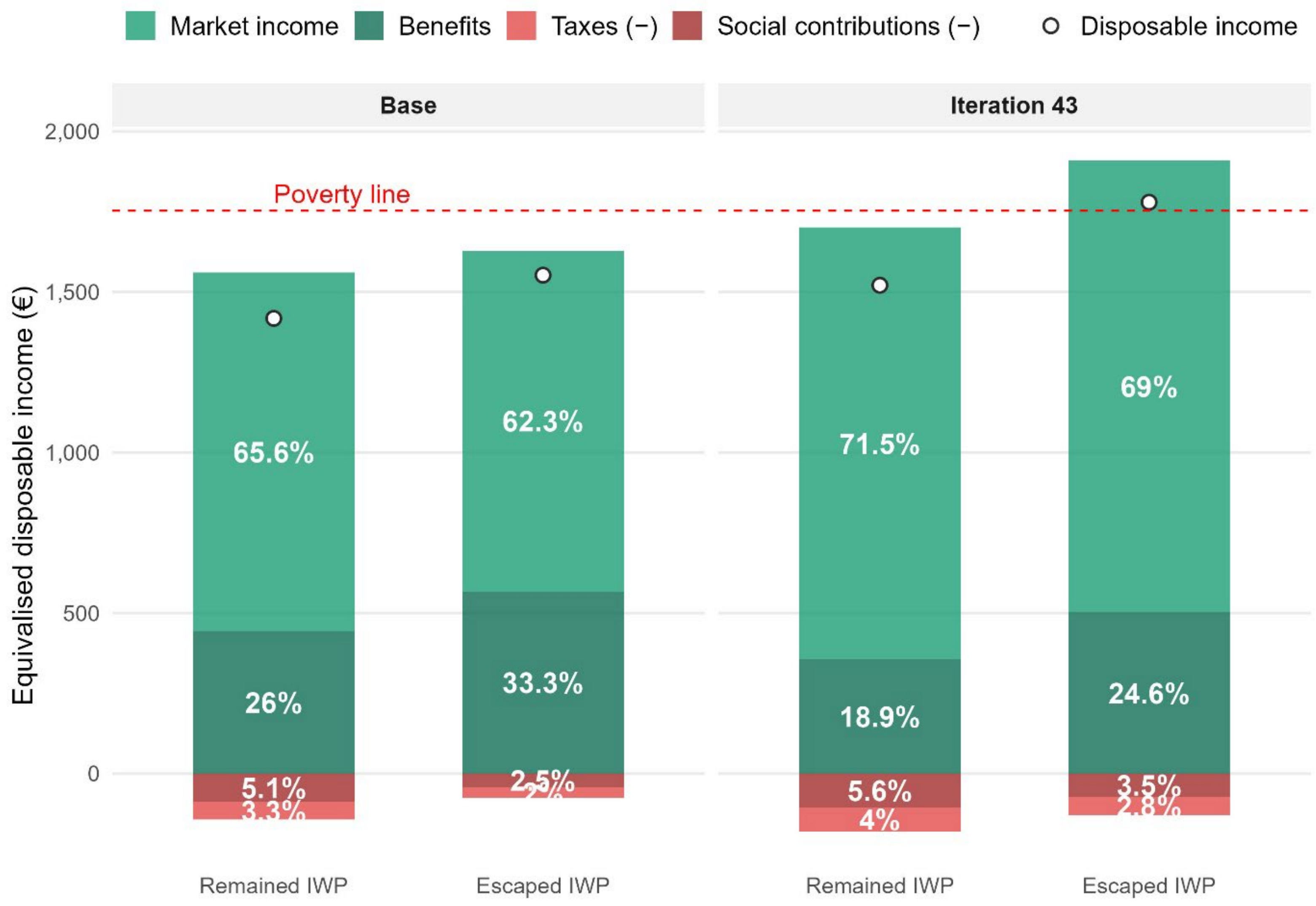
Household disposable income composition



Among remaining poor:

Tax burden remains low, some benefit withdrawal

Small income gain despite an average increase of eight hours per week.

Large families: high equivalisation factor

More self-employed: lower benefit eligibility & lower hourly wages

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Simulating extensions to the WFP

Reforming Working Family Payment

Paid to employees in low-income households with dependent children.

Payment = 60% of the gap between actual family income and an income limit (set by family size). Current take-up: **~49% of eligible households.**

1. **Full Take-up of WFP**
2. **Extension to childless households**: We extend WFP to all employees who pass the means test, regardless of family composition, full take-up assumed in this scenario.

Rate for childless families =

Rate for families with one child –increase for moving to two children

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Reforming Working Family Payment

	Cost	Worker AROP rate
Baseline	€457m	4.70%
Full-take up of WFP	€900m	3.50%
Extend WFP to childless families + full take-up	€3,100m	3.00%

Only **3.5%** of new beneficiaries of WFP for childless families are actually AROP

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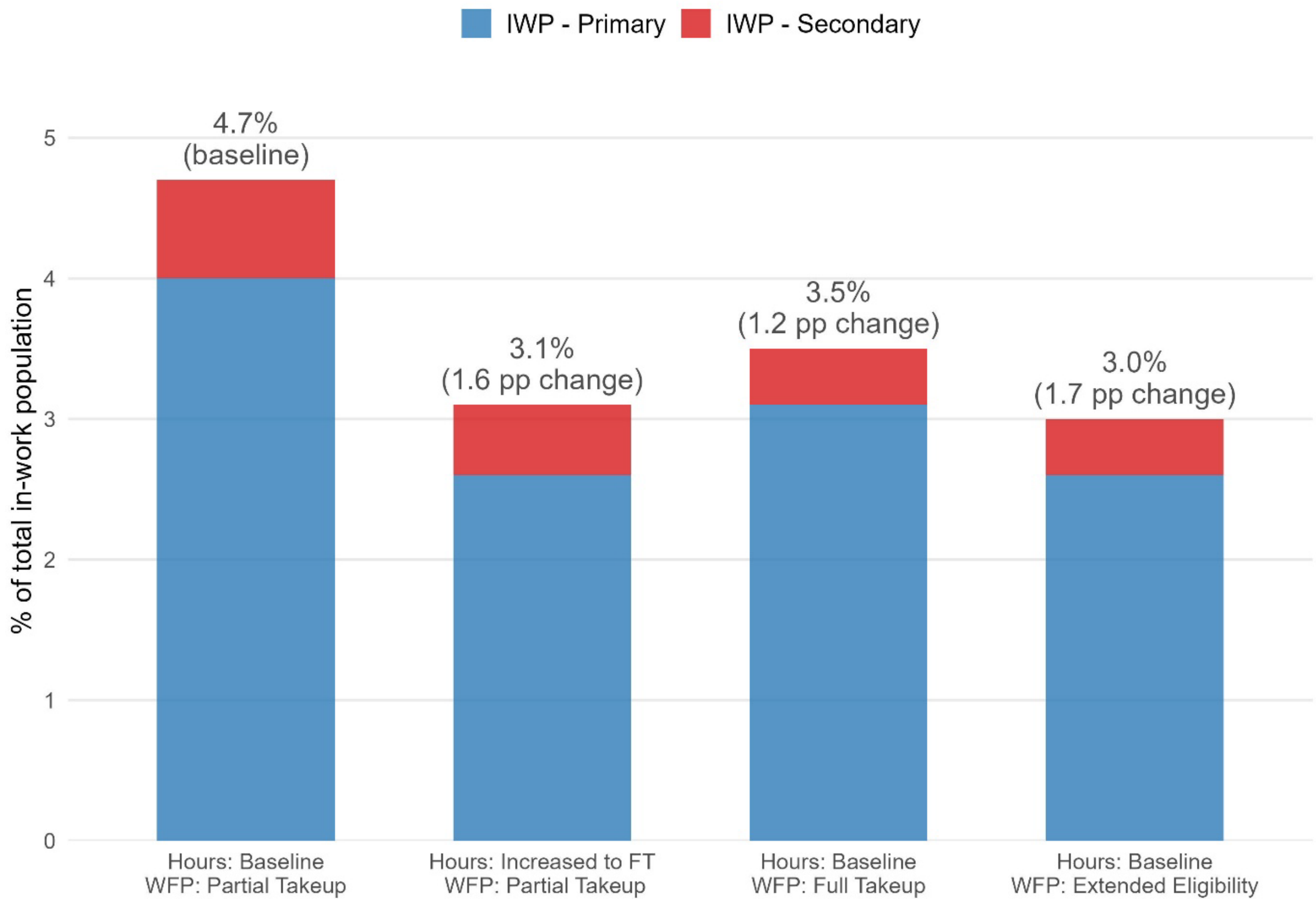
Work and WFP simulations: poverty and exchequer impact

Work and WFP simulations



Who remains income poor at full-time hours?

Self-employed:

- 26% of IWP primary earners are self-employed (vs. 7% non-IWP)
- 47% of IWP who remain poor after increased work hours are self-employed
- Not subject to National Minimum Wage or eligible for WFP

Single earner households:

- 80% of IWP primary earners have no working partner

Large families:

- Average 1.4 dependent children per household with primary earner IWP (compared to 0.7 for non-IWP household)

Feasibility of increased working hours

Among part-time workers who **do not want** more hours (69% of part-time workers):

- 25% cite **care responsibilities**
- 22% are in **education or training**

Among part-time workers who **do want** more hours (31% of part-time workers):

- 18% cite **care responsibilities** as a barrier
- 16% **cannot find a full-time job**

(Labour Force Survey LFS 2024 Q1–Q4)

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Conclusion

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- In-work income poverty in Ireland is driven by **limited hours, self-employment, large families and single-earner** household **structures**

- Working more hours could help a meaningful share of IWP, but is far from a universal solution given structural barriers

- Reforming the WFP can achieve comparable poverty reductions, but **take-up and targeting efficiency matter**

- **No single lever is sufficient**, effective policy solution requires combining labour market, childcare and welfare reforms

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