ESRI Budget Perspectives

No. 2027/1, June 2026

AN INSTITIÚID UM THAIGHDE EACNAMAÍOCHTA AGUS SÓISIALTA
ESRI ECONOMIC & SOCIAL RESEARCH INSTITUTE

Escaping in-work poverty in Ireland

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Number BP2027/1

Available to download from www.esri.ie
https://doi.org/10.26504/BP202701

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Acknowledgements

The analysis in this paper draws on the microsimulation model SWITCH. We are grateful to the Central Statistics Office (CSO) for providing access to the Survey of Income and Living Conditions (SILC) Research Microdata File, on which the SWITCH tax-benefit model is based. SWITCH is based on the EUROMOD platform. Originally maintained, developed and managed by the Institute for Social and Economic Research (ISER), since 2021 EUROMOD has been maintained, developed and managed by the Joint Research Centre (JRC) of the European Commission, in collaboration with EUROSTAT and national teams from the EU countries. We are indebted to the many people who have contributed to the development of EUROMOD. This work was carried out with funding from the ESRI's Tax, Welfare and Pensions Research Programme (supported by the Departments of Children, Disability and Equality; Finance; Health; Public Expenditure, Infrastructure, Public Service Reform and Digitalisation; and Social Protection), which is gratefully acknowledged.

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Abbreviations

AROP	At risk of poverty
CSO	Central Statistics Office
ESRI	Economic and Social Research Institute
ISER	Institute for Social and Economic Research
IWP	In-work poor/In-work poverty
JRC	Joint Research Centre
LFS	Labour Force Survey
OECD	Organisation for Economic Cooperation and Development
SILC	Survey of Income and Living Conditions
TCD	Trinity College Dublin
WFP	Working Family Payment

Executive summary

This report examines in-work poverty (IWP) in Ireland and assesses the extent to which two distinct policy levers – increased working hours and reforms to in-work benefits – could lift workers out of poverty. Around 5 per cent of workers are at risk of poverty (AROP), and around 64 per cent of these are part-time workers. Using SWITCH, the ESRI's tax-benefit model, linked to representative survey data, we first profile the working poor and simulate a counterfactual scenario in which part-time workers (less than 40 hours per week) increase their work hours. Only around 35 per cent of AROP workers would escape poverty through this channel, indicating that the majority would remain poor even at full-time hours (40 hours per week). We then simulate two reforms to the Working Family Payment (WFP), Ireland's main in-work benefit: (i) full take-up of the WFP, given that current take-up is at only around half, and (ii) an extension of WFP eligibility to low-income working households without dependent children. The combination of these WFP reforms reduces the in-work AROP rate to around 3 per cent, a magnitude comparable to the increased working hours scenario.

Section 1

Introduction

Reducing the risk of poverty among working households requires a different policy approach to tackling poverty among those out of work. Low pay, part-time work and temporary or self-employment are widely recognised as drivers of in-work poverty (Horemans et al., 2016; Alamir and Maître, 2025). The tax and welfare system also has an important role to play, both in creating financial incentives to work and in redistributing to low-income working families (Jara and Popova, 2021).

In Ireland, policies such as in-work benefits and a national minimum wage have been introduced and extended over the last number of decades[1] in an effort to reduce the proportion of working households living below the poverty line. The poverty line is defined as 60 per cent of median household income, 'equivalised', or adjusted, for household size. In 2024, 5.6 per cent of the employed were considered at risk of poverty (AROP), i.e. their equivalised household disposable income was below the poverty line. A further 11.6 per cent were living in enforced deprivation, i.e. had been unable to afford two or more essentials. The proportion of the employed living in consistent poverty, which measures the overlap between AROP and enforced deprivation, was 1.7 per cent (CSO, 2025).

Compared to our European neighbours, the in-work AROP rate in Ireland is relatively low. The average rate for the EU-27 was 8.2 per cent in 2024 and just four countries (Belgium, Czechia, Finland and the Netherlands) had a rate below the Irish one. This is in line with analysis by the European Social Policy Network in 2019 which found that Ireland had a relatively low in-work AROP rate (Daly, 2019).

Maintaining the balance between in-work and out-of-work incomes, which provides an adequate safety net for those out of work while maintaining work incentives for those who can work, is complex but crucial. An important part of this is monitoring the relative incomes and poverty risk of those in and out of work. This task is more important now given the commitment by the current government to introduce a new working age payment. The design of such a payment will need to

[1] A minimum wage was introduced in Ireland in 2000, while the Working Family Payment (formerly known as the Family Income Supplement) was introduced in 1984.

carefully consider its effect on financial incentives to work.

In this research we provide a profile of the working poor in Ireland, i.e. the group most susceptible to changing their economic behaviour if out-of-work payments become relatively more generous. We focus on the group who are working but at risk of poverty. There are other ways to categorise in-work poverty but, as we rely on simulated counterfactuals to illustrate ways this group can escape poverty, the AROP rate – which is mechanically linked to household income – is the most appropriate for this study. Using SWITCH, the ESRI's tax-benefit model, linked to representative survey data, we show what proportion of the working poor could exit poverty by either increasing their hours of work or increased in-work benefits. We discuss the implications of our results for the current policy landscape.

Our approach extends to the Irish context the counterfactual simulation methodology developed in Jara and Simon (2026), which quantifies the additional working hours required for households to escape in-work poverty across EU member states.

Section 2

Method

2.1 The SWITCH microsimulation model

We use SWITCH, the ESRI's tax and benefit microsimulation model, described comprehensively in Keane et al. (2023). SWITCH (v9.2) is linked to data from the 2023 Survey on Income and Living Conditions (SILC). Incomes are uprated to 2026 levels using outturn and forecast earnings, output and price growth.[2]

SWITCH allows us to model the full tax and welfare system in Ireland and how it interacts with the distribution of earnings. This allows us to simulate changes in hours of work, and the resulting changes in earnings, tax liabilities and welfare entitlement.[3]

We measure in-work poverty using the AROP[4] rate of those in work. Household disposable income is equivalised using the national equivalisation scale, and workers with equivalised disposable income less than 60 per cent of the national median are considered to be AROP. While other poverty metrics (and equivalence scales[5]) are sometimes considered in the literature on this topic, we focus on the AROP rate as it is mechanically linked to income, making it straightforward to simulate counterfactual scenarios.

The model also allows us to explore the impact on in-work AROP rates if the current in-work support, the WFP, were to be expanded or to be taken up by all eligible households. Incomplete take-up of certain welfare payments is an internationally recognised issue, with stigma, administrative burdens or misinformation leading to households failing to claim benefits they are entitled to. Non-take-up of the Working Family Payment is a long-standing issue, and this complexity is directly modelled in SWITCH.[6] We update our 2019 estimate of the WFP take-up using 2023 SILC data following the methodology of Doorley and

[2] Employment rates and the demographic structure of the population are assumed to remain as in 2023.
[3] Due to limitations in the underlying data, SWITCH does not account for housing supports such as the Housing Assistance Payment or social housing. Like most microsimulation models, SWITCH also does not account for general government expenditure, such as education and healthcare.
[4] We consider here the AROP rate before housing costs as it is the most widely used in the literature. It is also the European Commission's standard poverty rate indicator.
[5] Doorley et al. (2024) showed that the empirically derived equivalence scales change over time and this has implications for estimated AROP levels and trends.
[6] We do this by not awarding the WFP to 51% of families identified as eligible, in line with the estimated take-up rate of 49%.

Kakoulidou (2024). We find a take-up rate of 49 per cent for 2023, similar to the rate of 53 per cent estimated by Doorley and Kakoulidou using 2019 data. This indicates that in 2023 just half of households eligible for the WFP actually received it and this proportion was largely unchanged since 2019. Taking account of non-take-up is important in a microsimulation model as assuming full take-up would overstate the income of working poor households and could under- or over-state the income gains from additional hours worked. The model can therefore also be used to examine the impact on in-work poverty if the WFP were to be extended or fully taken up in its current form.

2.2 The iteration process

We focus on households with at least one employed member whose equivalised disposable income falls below the poverty threshold, defined as 60 per cent of the national median. This is our sample of in-work poor (IWP). We first investigate the scope for these households to exit poverty through increased labour supply.

We begin by estimating baseline household disposable income based on observed earnings, existing working hours, and household-level characteristics. We then simulate increases in the primary earner's[7] labour supply in one-hour increments, recalculating disposable income after each change using SWITCH. This continues until the household's income exceeds the AROP threshold or the primary earner reaches a 40-hour working week.

If the household remains below the poverty line after the primary earner reaches full-time hours, or if the primary earner is already working full-time, we extend the simulation to the secondary earner, where applicable.[8] Their hours are similarly increased one at a time, with disposable income re-estimated after each increment, until the household either moves above the poverty threshold or the secondary earner also reaches full-time employment. If there is no secondary earner – either because there are no other adults in the household or because the other adults do not work – the second step is skipped. That is, we do not activate any non-working members of working poor households; rather, we simulate what would happen if working

[7] Primary earners are defined as individuals with the highest monthly earnings in the household.
[8] Primary earners are defined as working individuals in the household with the largest monthly earnings while secondary earners are those working individuals with the second largest monthly earnings. Secondary earners are activated once the primary earner is already working full time.

members increased their working hours. This approach is motivated by several considerations. First, from a methodological standpoint, hourly wages are directly observed for employed individuals, whereas no such information exists for those outside the labour market. Imputing wages for non-workers is a non-trivial exercise: non-participants differ from workers along a range of observable and unobservable characteristics (including health status, caregiving responsibilities, etc.). Previous research has carried out this imputation and examined the role of labour market participation in poverty rates in the population as a whole (Doorley et al., 2022). It found that activating jobless households and encouraging female labour force participation could have potentially large effects on AROP rates. We focus in this research on the working poor population alone, and abstract from solutions involving labour force participation of their family members, concentrating on the labour supply only of those already in work.

Second, adjusting hours worked by an individual already in employment (the intensive margin) represents a more feasible behavioural response than activating a currently non-employed partner, which would involve job search costs, potential reskilling, etc. In support of this, data from the Irish Labour Force Survey (LFS) indicate that the overwhelming majority (84 per cent) of non-working partners of workers are not seeking work.[9]

While these data relate to all part-time workers and not just those AROP, it is likely that some IWP face barriers to increasing their hours of work which prevents them from escaping poverty.

Table 1 gives some insight into the population of part-time workers.[10] Of those who worked part time, just under one-third would have liked to work more hours.[11] Among those who wanted to work more hours, 16 per cent reported not being able to find a full-time job, 36 per cent reported working part time due to engagement in education/training while 18 per cent cited care responsibilities. Twenty-four per cent cited 'other' reasons (including family and personal reasons) with just 4 per cent restricting their hours due to illness/disability.

[9] Own calculations using the LFS 2024 Q1–Q4.
[10] The LFS is carried out at an individual level (as opposed to the SILC which is a household survey); this means we cannot apply the household income measure used to calculate the poverty line. We therefore look at all those working part time and not just those below the poverty line.
[11] Two per cent of those working part time failed to answer this question.

Among those working part-time who did not want to work more hours (over two-thirds of part-time workers), 'other' reasons were most commonly cited (41 per cent) while one-quarter worked part-time due to care responsibilities, 22 per cent were engaged in education/training and just 5 per cent worked part-time on account of illness/disability.

While these data relate to all part-time workers and not just those AROP, it is likely that some IWP face barriers to increasing their hours of work which prevents them from escaping poverty.

Table 1 Reasons for working part time

Reason for working part time	Wants to work more hours (%)	Doesn't want to work more hours (%)
Total	31	69
Care responsibilities	18	25
Could not find full-time job	16	4
Education/training	36	22
Illness/disability	4	5
Other (incl. family/personal)	24	41

Source: Own calculations using the LFS 2024 Q1–Q4.
Notes: Part time was self-defined.
The rows do not total 100 per cent as around 3 per cent of respondents in each category did not provide a reason for working part time.

Section 3

Results

3.1 Profiling the in-work poor

Table 2 presents the main descriptive statistics for primary earners who are in work, distinguishing between those who are in-work poor (IWP) and those who are not. Among the former, we further separate those who are working part time (less than 40 hours per week)[12] from those who are already working full time (40 hours per week). We use a broader definition of part-time work than the conventional one (typically fewer than 30 hours per week), classifying as part time any worker working fewer than 40 hours per week. This reflects our focus on the number of additional hours an in-work poor primary earner would need to work to escape poverty, with 40 hours per week serving as the upper bound on any potential hours increase.

Primary earners who are in employment but live in households with incomes below the poverty threshold seem to have a specific socio-demographic and labour market profile. This group is composed of more men (65 per cent) than women, a share comparable to that observed among non-IWP primary earners (63 per cent). In terms of household structure, IWP and non-IWP primary earners are similarly likely to live in a couple (65 per cent vs 66 per cent) and to have a working-age partner (62 per cent vs 63 per cent). However, the share living in a multi-worker household (i.e. where the partner is actually in employment) is much lower among IWP primary workers (20 per cent) than among non-IWP primary workers (67 per cent), suggesting that the absence of a second source of labour income could be driving their economic vulnerability.

In addition, IWP primary earners have on average 1.4 children, almost twice as many as non-IWP primary earners (0.7), while the average number of disabled household members is also slightly higher (0.07 vs 0.11). These figures indicate that caring responsibilities and additional needs play a more substantial role in this population than among non-IWP primary earners.

[12] There is no single definition of what ‘part-time’ work is. Eurostat states that ‘full-time or part-time is determined by the respondent's perception of their typical working hours, resulting in a self-assessed employment type. A person in a part-time job is assumed to work fewer hours than a comparable full-time worker’ (Eurostat, 2026). Therefore, our use of ‘part time’ is based on any work hours below 40 per week.

Table 2 The in-work poor in Ireland by earnership

Variable	Primary earner non-IWP	All primary earner IWP	Part-time primary earner IWP	Full-time primary earner IWP
Share of all primary earners (%)	93.3	6.7	3.8	2.9
Weighted N	1,268,715	91,443	51,194	40,249
Unweighted N	2,218	189	120	69
Share of men (%)	63	65	46	89
Age (mean)	43.5	45.5	47.3	43.2
Share in couple (%)	66	65	58	75
Share with working-age partner (%)	63	62	53	75
No. children (mean)	0.74	1.36	1.18	1.60
Share multi-worker household (%)	67	20	14	28
No. disabled household members (mean)	0.07	0.11	0.15	0.05
Equivalised disposable monthly income (mean €)	3,741	1,469	1,467	1,472
Monthly earnings (mean €)	5,728	2,104	1,743	2,563
Hourly wage (mean €)	33.6	14.9	16.0	13.4
Share employees (%)	93	74	90	53
Share self-employed (%)	7	26	10	47
Share working <20 hours (%)	6	24	43	0
Share working 20–39 hours (%)	69	54	57	49
Share working 40+ hours (%)	25	22	0	51
Share primary education or lower (%)	10	25	22	30
Share secondary education (%)	36	47	49	43
Share tertiary education (%)	54	28	29	27
Poverty line (60% median equivalised disposable monthly income)	1,753			

Source: Own calculations based on SWITCH v9.2 linked to SILC 2023 adjusted for survey weights.

Regarding labour market characteristics, most IWP primary earners are employees (74 per cent), although the share of self-employed (26 per cent) is significantly higher than among non-IWP primary earners (7 per cent). Their average monthly earnings amount to €2,104, less than half of the €5,728 observed among non-IWP, and their average hourly wage is €14.90, close to the national minimum wage of €14.15 per hour in 2026. In terms of working hours, 24 per cent of IWP primary earners work fewer than 20 hours per week, 54 per cent work between 20 and 39 hours, and 22 per cent work 40 hours or more. By contrast, non-IWP primary earners are more concentrated in the 20–39 hour per week range, with very few working fewer than 20 hours per week.

Distinguishing between the IWP who work part time and those who work full time, we find a gender pattern. The IWP working part time are more likely to be women and have a higher hourly wage (€16) than the IWP working full time (€13.40), who are more likely to be men, to be self-employed and to have children.

Taken together, these findings depict a population composed largely of single-adult or single-earner households, for whom in-work poverty appears to be explained less by low hourly wages than by a combination of limited working hours, self-employment and/or the absence of a second earner.

3.2 Simulation results: The dynamics of escaping poverty

Using SWITCH, we estimate that, among the in-work poor, 64 per cent are working fewer than 40 hours per week and therefore have the potential to increase their working hours (through additional hours for either the primary earner or the secondary earner). Among the remaining 36 per cent of IWP individuals – depicted in the top portion of Figure 1 – the primary and/or secondary earner is already working 40 hours per week. This, therefore, is a group that require other policy interventions (for example additional welfare benefits) to escape poverty if increased working hours is not a feasible option. We discuss policy options for this group in Section 4.

Among the 64 per cent working fewer than 40 hours per week, Figur1 shows how many of these can escape poverty through increasing their hours of work, and how many extra hours are needed to do so. We distinguish between exits driven by primary earners (blue area) and the additional contribution of secondary earners (red area), expressed as a share of all in-work poor individuals.[13]

The curve rises steeply at first (in the first ten iterations of the process, i.e. by working up to 10 extra hours per week), with around 22 per cent of individuals escaping poverty in this way. This rapid early exit reflects the profile of Irish IWP individuals, where a sizeable number work a low number of hours and face a relatively smooth benefit withdrawal as earnings rise, allowing additional hours to translate quickly into

[13] Figure A1 represents the same outcome but for households rather than individuals. Since in a majority of IWP households there is only one working member whose labour supply can be increased, the results look very similar.

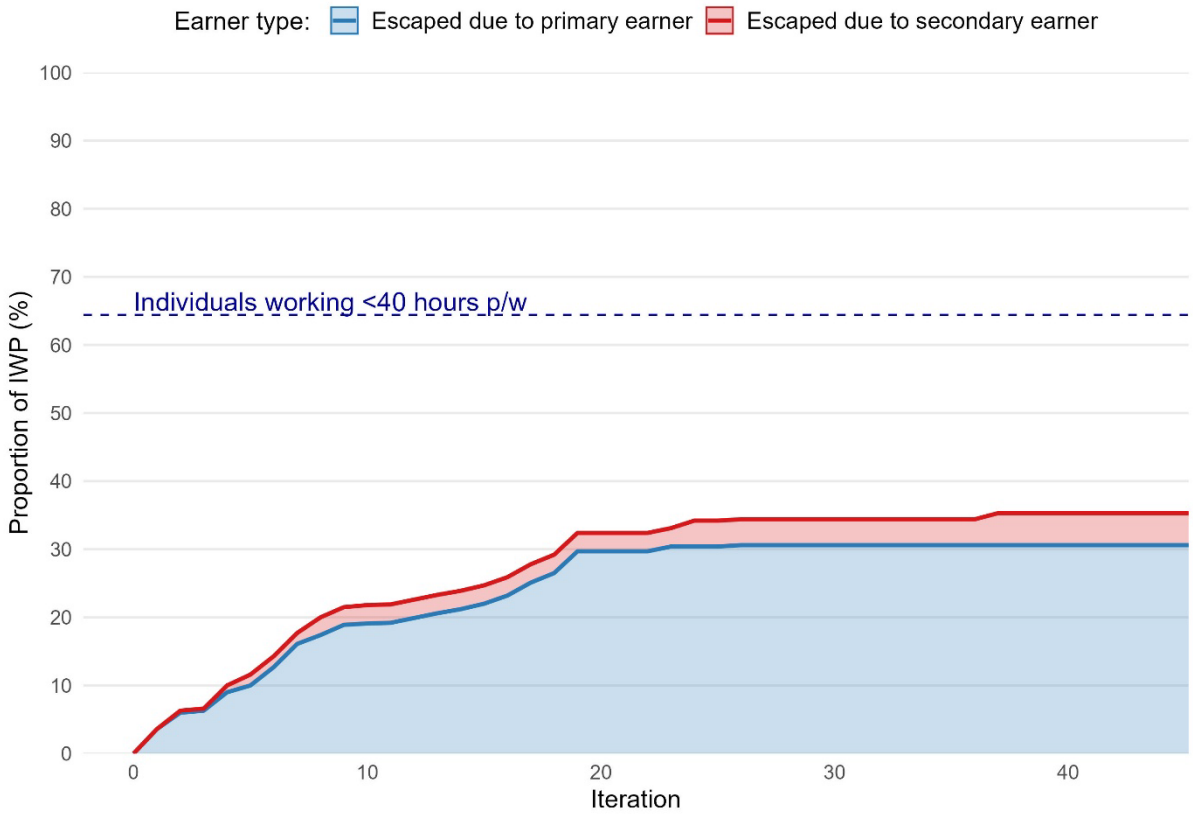
poverty exit.

The role of secondary earners appears limited throughout the simulation. The gap between the blue and red areas (representing the additional exits attributable to secondary earners) is small across iterations, reflecting the fact that most in-work poor households in Ireland are single-earner households. As shown in Table 2, only 20 per cent of the IWP live in a household with more than one earner; the potential for increased work hours by a secondary earner as a feasible option to escape poverty is therefore low. Moreover, the secondary earners who are IWP tend to have relatively low earnings, which are insufficient on their own to lift the household out of poverty. As a result, their marginal contribution to poverty exit remains small, and the overall dynamics of the simulation are primarily driven by primary earners.

The curve flattens in the low- to mid-twenties and goes on to reach 35 per cent of all IWP individuals, after which no further exits occur. After this iteration (up to 35 extra household work hours per week), those who can escape poverty through extra work hours have done so, and the remaining IWP face structural constraints that hour increases alone cannot address. These could include low hourly wages relative to the poverty line, self-employment, limited welfare support, and household compositions that require extra income to cross the poverty threshold.

Overall, it seems that hours-based poverty reduction could be effective for a meaningful subset of the in-work poor, driven by a combination of part-time employment and a tax-benefit structure that does not seem to excessively ‘penalise’ additional earnings. However, a substantial share of the IWP who have scope to increase their work hours remain poor having done so, pointing to the limits of labour supply increases as a standalone poverty reduction strategy.

Figure 1 Share of working poor escaping poverty due to increase in hours of work



Source: Own calculations using SWITCH v9.2 linked to 2023 SILC data adjusted for survey weights.
Notes: The sample consists of all individuals in in-work poverty.
In-work poor (IWP) are those between the ages of 18 and 65 with some (self-)employment income and whose equivalised household disposable income is less than 60 per cent of the median.
'Individuals' refers here to in-work poor who work less than 40 hours per week.
The primary/secondary earner in a household is the earner with the highest/second-highest monthly earnings.
An iteration refers to an increase in work hours and a recalculation of income due to this work hour increase.

Figure 2 compares the baseline and final simulation of equivalised household disposable income of the IWP. We show both the absolute levels (bar heights in euro) and the composition (in-bar shares in percentages). We split the IWP analysed (i.e. those working less than 40 hours per week) into groups to indicate if they escaped or did not escape poverty as a result of increased labour supply. We find that the baseline earnings (market income) of those who escape IWP through extra hours of work is lower in the baseline than those who do not (62 per cent of equivalised disposable income compared to 66 per cent), suggesting they had more room to expand labour supply. However, their level of benefit receipt is higher in both the baseline and reform compared to those who remain IWP. This indicates a structural

difference in the benefits they are entitled to and/or a take-up issue.

The IWP who escape poverty end up with a substantially higher total equivalised disposable income, driven by a clear shift toward market income (69 per cent) and a reduced benefits share (25 per cent)[14]. Fiscal contributions remain modest.

The rise in total equivalised disposable income comes mainly from higher market income, which more than compensates for the drop in benefits. Importantly, these workers do not face a sharp increase in taxes or social insurance contributions as their market income grows. Taxes rise only modestly as do social insurance contributions. This suggests that for the 35 per cent of workers who escape poverty through extra hours, the Irish tax system does not seem create a significant fiscal 'cliff edge' in this income range that would prevent poverty exit through labour supply, preserving the incentive to work more and makes poverty exit through earnings a feasible path for them. This is consistent with Ireland's relatively low share of income tax and employee social contributions for lower earners compared to other countries in the Organisation for Economic Co-operation and Development (OECD).[15]

Among those who remain below the poverty line after increasing work hours to the maximum of 40, total equivalised disposable income rises only marginally despite a clear shift in its composition: the market income share grows substantially (from 66 per cent to 72 per cent) while the benefits share shrinks (from 26 per cent to 19 per cent), and fiscal contributions increase slightly. The fact that remainers already had a relatively high market income share at the baseline suggests their hourly wage was low so, although the iterations push them to work more hours and generate higher market earnings, this translates into only a modest gain in equivalised disposable income.

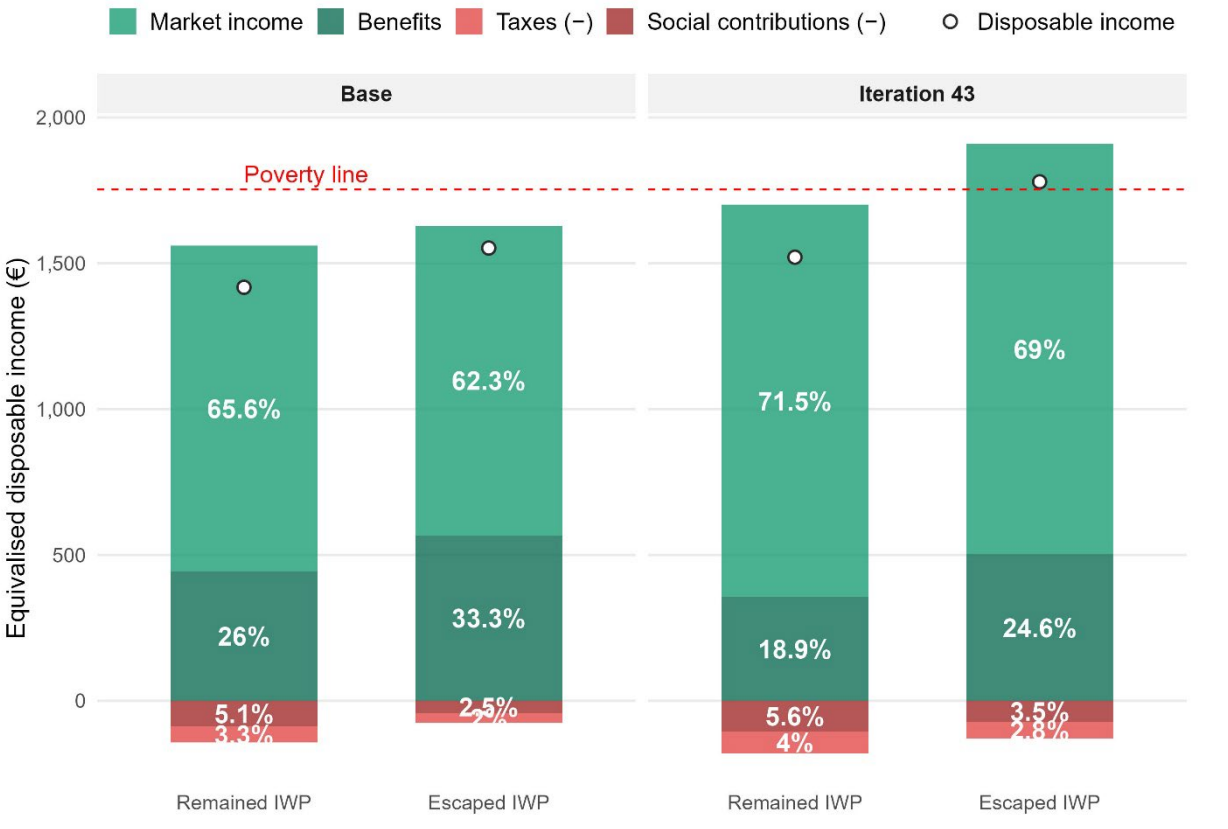
Several mechanisms explain this. Table A1 shows that the IWP working less than 40 hours per week who do not escape poverty through full-

[14] The income of those whose increase in work hours allow them to no longer be AROP will be just above the poverty line as the increase in work hours we simulate stops once the individual's income rises above the poverty line. This may not be at full-time work (i.e. 40 hours a week) so higher increase in market income would be possible.

[15] The average tax wedge for a single earner on the average wage (consisting of income tax plus social insurance contributions) in Ireland in 2025 was 32.6% compared to an OECD average of 35.1%. For a comparable single earner on two-thirds of the average wage this falls to 24.5% compared to the OECD average of 31.28% (see OECD (2026).

time work have larger families and fewer earners, on average – which has a downward effect on total and equivalised income. They are also more likely to be self-employed, therefore are not affected by minimum wage policy and cannot avail of the main in-work support, the WFP. They also have lower average wages. In short, this group face a less favourable trade-off between work and welfare: if they work more, a larger share of their additional earnings is offset by lost benefits, possibly because of their larger family size. This, combined with the number of household members that their income is shared among, leaves them stuck below the poverty line, even at full-time hours.

Figure 2 Level and composition of disposable income among the in-work poor before and after increasing hours of work



Source: Own calculations using SWITCH v9.2 linked to 2023 SILC data adjusted for survey weights.

Notes: The sample consists of all individuals in in-work poverty working less than 40 hours per week. In-work poor (IWP) are those between the ages of 18 and 65 with some (self-)employment income and whose equivalised household disposable income is less than 60 per cent of the median.
'Remained IWP' are those who do not escape poverty after having their (and any secondary earner's) weekly working hours increased to 40.
'Escaped IWP' are those who do exit poverty and this graph shows their equivalised disposable income immediately after exiting poverty.
An iteration refers to an increase in work hours and a recalculation of income due to this work hour increase.

Poverty exit is achieved through relatively small labour-supply adjustments for workers close to the poverty line, whereas large adjustments are insufficient for workers further below it, not only because they are further from the poverty line to begin with, but also because the tax-benefit system mechanically absorbs much of the additional market income. This suggests that hours-based policies can only address a fraction of in-work poverty and that complementary policies are likely needed to reach workers who remain poor despite substantial increases in labour supply.

This motivates the next stage of our analysis, in which we study the role of the Working Family Payment (WFP) in helping the in-work poor to escape poverty. We simulate two alternative policy designs. The first addresses the relatively low take-up of the WFP under its current parameters, by assuming full take-up among eligible households. The second goes further by extending WFP eligibility to all households passing the means test, irrespective of whether they have dependent children, thereby repurposing the WFP as a general in-work benefit.

Section 4

Beyond hours: Welfare-based poverty reduction

The simulation results show that hours-based poverty reduction is not a single solution for in-work poverty in Ireland. Among all in-work poor individuals, around 36 per cent are already working full time. Among the part-time IWP, around half escape poverty once their hours are increased. The rest remain AROP even after the maximum feasible hours adjustment (i.e. to 40 hours per week), due to low hourly wages, self-employment status, failure to take-up in-work benefits or household composition.

This section focuses on how the welfare system could lift more working individuals and their households out of poverty without requiring an adjustment in hours worked. We focus on the Working Family Payment (WFP), the main in-work benefit in the Irish welfare system, and consider two scenarios that address two distinct limitations of the current design.

The first scenario examines the role of incomplete take-up. The WFP, like many means-tested benefits, suffers from incomplete take-up. Around half of eligible households do not receive the payment they are entitled to, for reasons ranging from lack of awareness to administrative complexity and stigma (Doorley and Kakoulidou, 2024). We simulate the share of in-work poor households that would escape poverty under a counterfactual scenario of full WFP take-up, holding all other parameters constant. This exercise allows us to identify the population for whom the existing WFP would already be sufficient if it were fully claimed.

The second scenario considers a policy reform of the WFP. Currently, WFP eligibility is restricted to households with dependent children, which excludes by design a significant share of the IWP (in particular, single adults and childless couples in low-paid work). We simulate the effect on in-work poverty of extending WFP eligibility to all low-income working households, regardless of family composition, transforming the WFP from a child-conditional in-work benefit into a more general

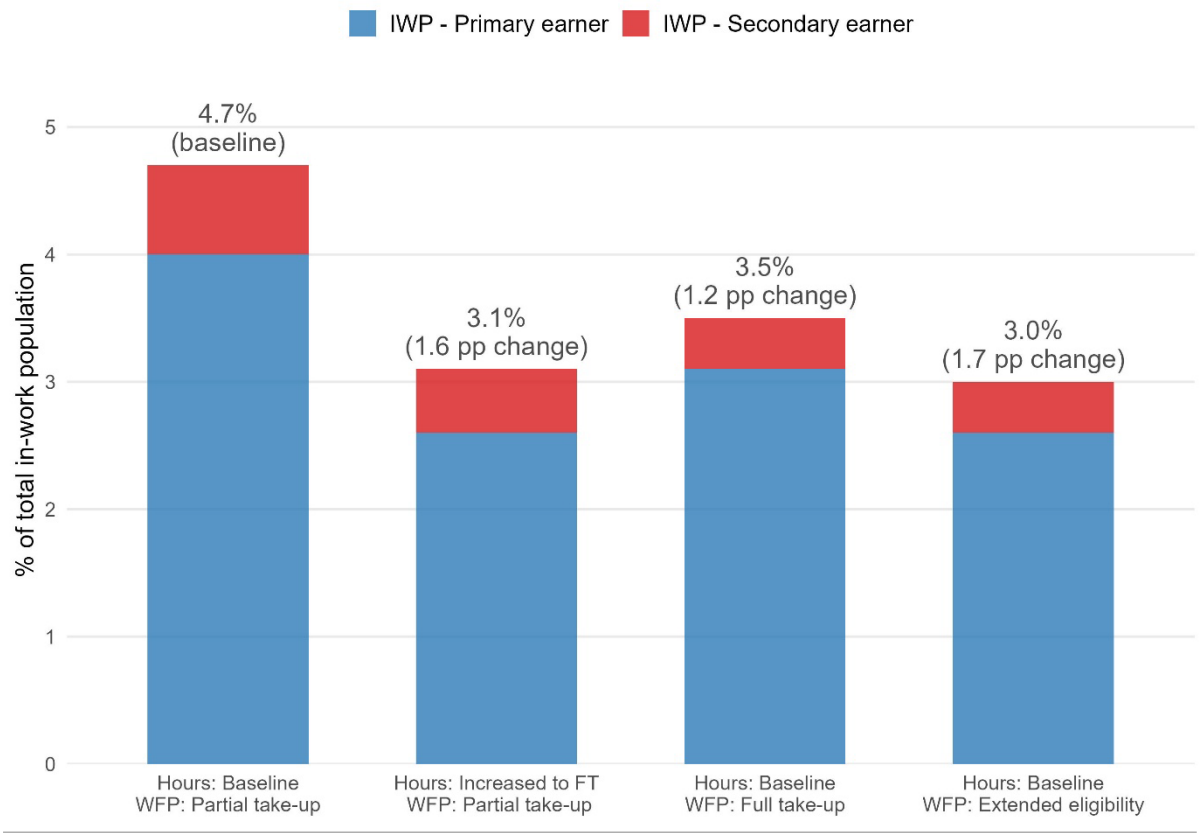
earnings-tested transfer.[16] This counterfactual quantifies the additional poverty reduction that could be achieved by broadening the population covered by the existing in-work benefit framework.

It is important to note that the self-employed are not eligible for the WFP, therefore they remain a group that are less likely to escape poverty through increased work hours but remain outside of the scope of the WFP. Alternative policy solutions are needed to target this group in particular.

Figure 3 presents the rate of in-work poverty among all workers under different simulated scenarios. The first bar shows the share of IWP individuals in the current situation, i.e. with current work hours and take-up of the WFP at the current empirically observed rate of 49 per cent. Using SWITCH, we estimate that the rate of in-work poverty in 2026 is 4.7 per cent.[17] The second bar displays the IWP rate after the labour supply adjustment carried out in the previous section, assuming the current WFP take-up rate of 49 per cent. The third and fourth bars present results assuming no change in work hours but under different scenarios regarding the WFP. Specifically, the third bar represents the share of IWP under the current WFP design (i.e. payable only to families with children) but with full take-up. Finally, The fourth bar calculates what the IWP rate would be if the WFP was to be extended to all employees – including those without children (and assuming full take-up).

[16] The Working Family Payment (WFP) is paid at 60% of the difference between average weekly family income and an income limit determined by family size. Given the limit depends on the number of children, we use an income limit for those without children which is equal to the limit for those with one child minus the increase in income limit when moving from 1–2 or 2–3 children (i.e. €101 per week).
[17] This compares to the official CSO estimate of 5.7% in 2025 (CSO, 2026).

Figure 3 Share of IWP individuals under different reform scenarios



Source: Own calculations using SWITCH v9.2 linked to 2023 SILC data adjusted for survey weights.
Notes: The sample consists of all individuals in work.
In-work poor (IWP) are those between the ages of 18 and 65 with some (self-)employment income and whose equivalised household disposable income is less than 60 per cent of the median.
The primary/secondary earner in a household is the earner with the highest/second-highest earnings.
pp = percentage points.
'Hours: Baseline' indicates that working hours are kept as actually reported. 'Hours: Increased to FT' indicates the scenario where the working hours of IWP working less than 40 hours per week are simulated to increase (with the simulation stopping at either full-time hours of 40 per week or whatever increased working hours result in no longer being at-risk of poverty).
WFP refers to the Working Family Payment which is simulated at a partial take-up rate of 49 per cent and full take-up rate of 100 per cent.

The increased labour supply scenario examined in Section 3.2 would reduce the in-work AROP rate from 4.7 per cent to 3.1 per cent. Increasing to full take-up of the WFP by those already eligible would result in an in-work AROP rate of 3.5 per cent. Extending the WFP to those without children would result in an IWP rate of 3.0 per cent.

Regarding the budgetary implications of the reform scenarios, we estimate that extending WFP eligibility to non-parents would substantially increase programme costs, rising from a baseline of €457 million to approximately €3.1 billion. Achieving full take-up of the

existing scheme would bring costs to €900 million, representing a more moderate increase in expenditure. As the AROP reductions among the IWP achieved by each of these reforms is modest and similar, the much more costly extension of the WFP to those without children appears quite untargeted, as only a minority of childless recipients are actually IWP. We estimate that, of those who would newly benefit from this extension, just 3.5 per cent are AROP workers. Most live in households with higher earners so, while they qualify for the WFP based on their own low earnings, they are not defined as AROP because of the presence of other tax-units (such as their parents in the case of young workers) in their household.

It should be noted that all scenarios are based in a static framework which does not account for potential behavioural responses. In particular, extending eligibility of the WFP could generate labour supply effects that may change the budgetary cost identified here.

Meanwhile, the scenario of increased working hours among the IWP implies a modest revenue gain of 0.74 per cent, reflecting the increase in tax and contributions and decrease in benefits associated with higher working hours. However, the LFS data showed that there are a multitude of reasons why people work part time including care responsibilities and family reasons. A range of policies that could help facilitate increased work hours, therefore, such as the provision of child/elder care etc., would themselves incur costs that are beyond the scope of this paper.

Section 5

Conclusions

This report has examined in-work poverty in Ireland and assessed the extent to which two distinct policy levers – increased working hours and reforms to in-work benefits – could lift workers out of poverty. Using SWITCH, the ESRI's tax-benefit model, linked to representative survey data, we provide a profile of the working poor and show that around 5 per cent of workers are AROP, with around 64 per cent of these working less than 40 hours per week.

We focus on the AROP rate of those in work as it is mechanically linked to income, making the simulation of how it changes as earnings of welfare increase straightforward to estimate. However, alternative poverty metrics such as the material deprivation rate are also important to track, as they better capture the effect of price growth and the ability to convert income into goods and services on living standards.

Our first set of results points to the limits of working hours as a route out of in-work poverty. Simulating an increase in working hours among the part-time IWP, we find that around half would escape poverty through this channel, corresponding to 35 per cent of all IWP. A considerable share of the IWP would therefore remain below the poverty line even at full-time hours, reflecting the combined role of low hourly pay, self-employment status, household composition, and the structure of the tax-benefit system in shaping household disposable income. While an increase in the national minimum wage may help a proportion of these workers, its effect is likely to be limited due to the national and international evidence that the minimum wage is a blunt instrument with which to tackle poverty. This is because minimum wage workers are often not in low-income households. Instead, they are spread across households of all income levels, including high-income households (Redmond et al., 2021).

These findings underline the central role of in-work benefits in supporting low-income working households. Our simulations show that two reforms to the Working Family Payment (WFP) would each reduce the in-work AROP rate by more than a percentage point, an effect comparable to that achieved through additional working hours. The extension of WFP to those without children would, however,

represent a more significant increase in welfare spending.

While policymakers can directly control the level of benefits that workers are eligible for, incentivising more hours of work among AROP workers is more complex and would require an understanding of the barriers that these workers face in the labour market. The feasibility of increasing working hours is far from guaranteed for many of the IWP in this simulation. The hours currently worked by in-work poor individuals (whether primary or secondary earners) reflect various constraints that these individuals could face that prevent them from working full time. As seen in Table 2, over one-third of IWP primary earners do not live with a partner, and with an average of 1.36 dependent children per household, a non-negligible share of these individuals are likely to be lone parents. For this group, increasing working hours may be structurally impossible without access to affordable and flexible childcare, which remains a significant barrier in the Irish context (Doorley, et al., 2025). More broadly, the prevalence of part-time work among the IWP may reflect practical limits imposed by unpaid care responsibilities, potential health constraints or a lack of available full-time positions in their sector/area. In our sample, there are on average 0.11 family members with a disability per IWP household, showing the potential health or care-related constraints that may limit labour supply adjustments. In this light, the simulation results should be interpreted as an upper bound on the poverty-reducing potential of hours increases. In practice, the share of workers able to act on this potential is likely considerably smaller than the figures suggest.

Finally, the self-employed are over-represented among households who remain below the poverty line after increasing work hours to the maximum of 40. For this group, increased work hours may not necessarily translate into increased income in the way it does for employees receiving an hourly wage. In addition, this group remain outside the remit of the WFP and are therefore not reachable with the reforms to it examined here.[18]

[18] McGauran (2020) found that households headed by a self-employed person have, on average, lower incomes than employee-headed households and are more likely to suffer from consistent poverty. This is particularly the case for the self-employed without employees. The self-employed do, however, hold significantly more assets (e.g. property, shares, etc.) compared to the overall population.

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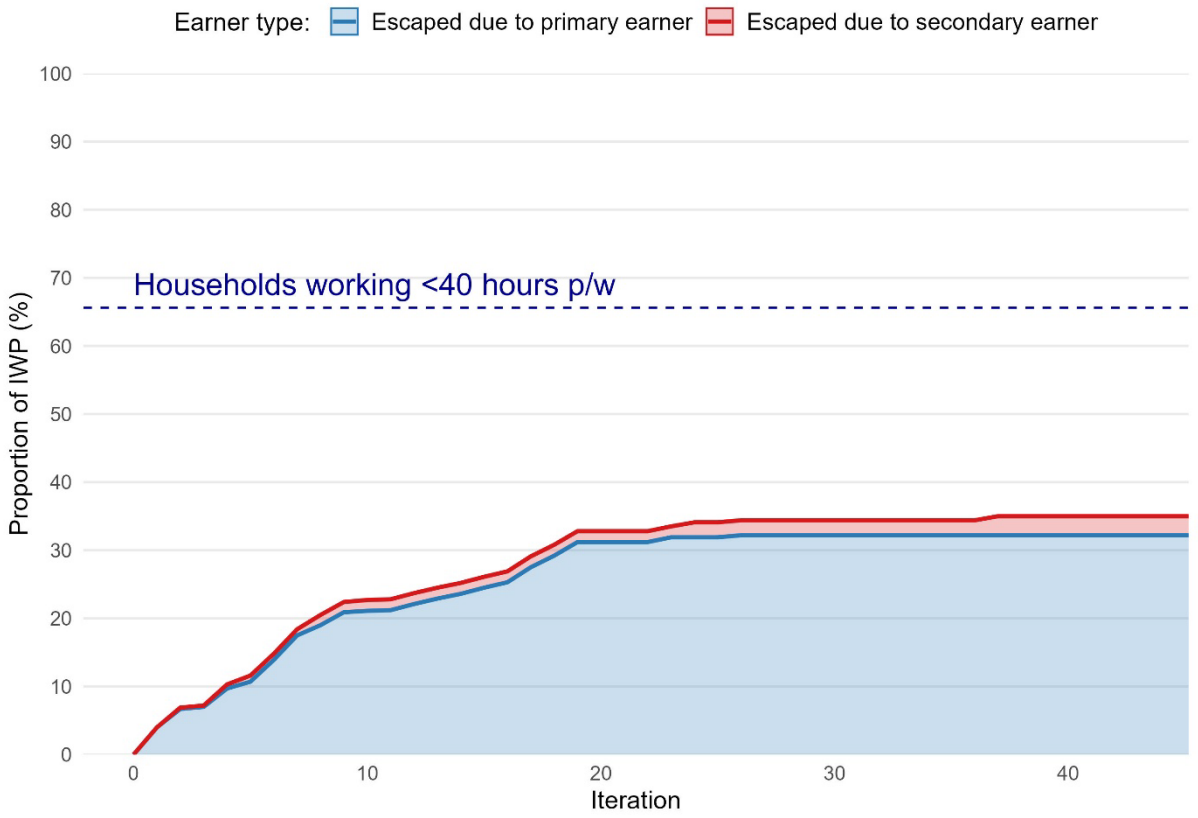
Appendix

Figure A1 Share of households escaping poverty due to increase in hours of work



Source: Own calculations using SWITCH v9.2 linked to 2023 SILC data adjusted for survey weights.

Notes: The sample consists of all households in in-work poverty.
In-work poor (IWP) are those between the ages of 18 and 65 with some (self-)employment income and whose equivalised household disposable income is less than 60 per cent of the median.
'Households' refers here to households containing AROP workers who work (or whose spouse works) less than 40 hours per week.
The primary/secondary earner in a household is the earner with the highest/second-highest earnings.
An iteration refers to an increase in work hours and a recalculation of income due to this work hour increase.

Table A1 Escapers vs modified remainers

Variable	Escapers	Remainers
Weighted N	40,426.2	33,282.38
Unweighted N	82	80
Equivalisation factor	2.03	2.13
Family size (mean)	3.39	3.58
No. children (mean)	2.43	2.60
No. workers in household (mean)	1.35	1.24
% lone person household	17	14
Household benefits (€)	1,199.82	1,016.99
Individual benefits (€)	614.05	624.97
Individual benefits – employed (€)	630.48	721.49
% self-employed	1	16
Hourly wage (employees) (€)	16.45	14.11
Hours worked per week (mean)	22.60	32.67
Increase in hours (mean)	7.98	8.91
Jobseeker's Allowance (€)	240.02	95.12
Child Benefit (€)	126.00	189.13
Working Family Payment (€)	85.01	236.15
% receiving Jobseeker's' Allowance	18	9
% receiving Child Benefit	49	69
% receiving Working Family Payment	1	23
Disposable household income (€)	3,179.94	3,117.18
Equivalised disposable household income (€)	1,552.36	1,417.74
Disposable household income – final (€)	3,614.54	3,312.63
Equivalised disposable household income – final (€)	1,779.59	1,520.97

Source: Own calculations using SWITCH v9.2 linked to 2023 SILC data adjusted for survey weights.
Notes: The sample consists of all individuals in in-work poverty working part time.
'Remainers' are those who do not escape poverty after having their (and any secondary earner's) weekly working hours increased to a maximum of 40. 'Escapers' are those who do exit poverty after this adjustment.
'Final' here refers to incomes in the last iteration of the hour-increasing simulation.

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