

# Headline Poverty Target Reduction in Ireland and the Role of Work and Social Welfare

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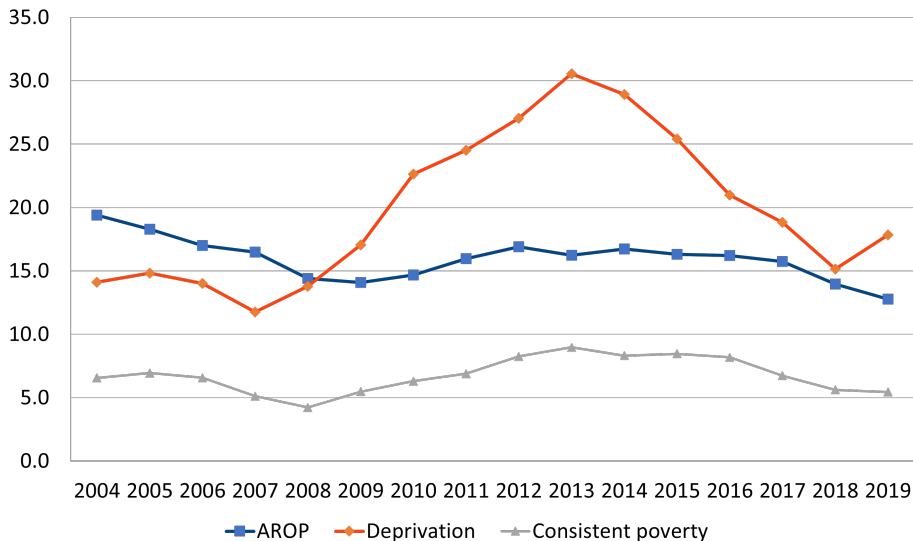
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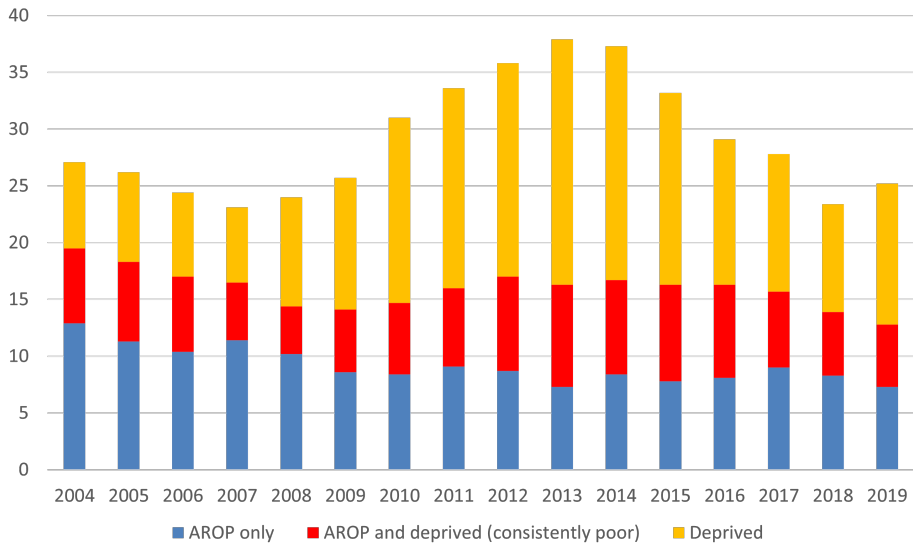
EUROMOD Research Workshop 2022

- Report commissioned by the Department of Social Protection
- Government committed at reducing consistent poverty to 2% by 2025
- Consistent poverty: income poor (AROP) and deprived (not able to afford two out of level basic goods and services) households

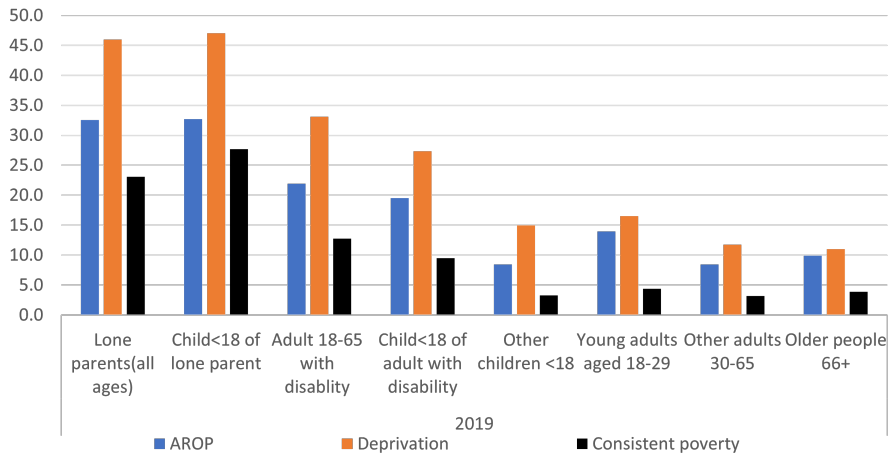
# Poverty and deprivation rates



# Consistent poverty rate



# Poverty by household type



- Examine how different policies can impact AROP
- Use relationship between AROP and deprived households from 2019 to estimate impact on consistent poverty
- Use SWITCH, the ESRI's microsimulation tax and benefit model

# Differences between SWITCH and EUROMOD

SWITCH: uses the EUROMOD platform and process *BUT*

- More detailed dataset (SILC RMF instead of SILC UDB)
- Current employment income and benefit entitlement
- Includes non-cash benefits (Medical and GP cards and childcare subsidies)
- Reweighted to match administrative data about the income distribution and benefit recipients
- Ready-made output results about gender impact and earning vs non earning households

# Simulated AROP rate

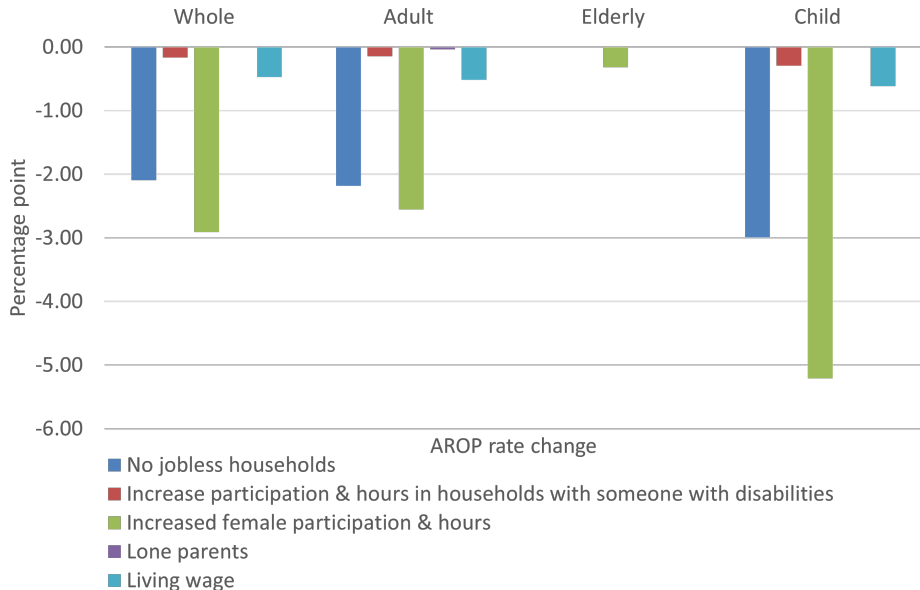
	Total	Working Age	Elderly	Children
Market income	28%	21%	57%	30%
Net income (market income minus tax and social security)	32%	24%	63%	35%
Gross income (market income plus transfers)	12%	10%	13%	14%
Disposable income (market income less tax and social security plus transfers)	14%	12%	14%	18%

*Note: The poverty rates are calculated using SWITCH, the ESRI's tax benefit model, for a 2022 simulated income distribution*



1. Move **jobless households** into employment
2. Increase labour supply (participation and hours worked) of households **affected by disability**
3. Increase labour supply of **married women**
4. Increase labour supply of **lone parents**
5. Introduce a mandatory **living wage** of €12.90 per hour

# Market income policies

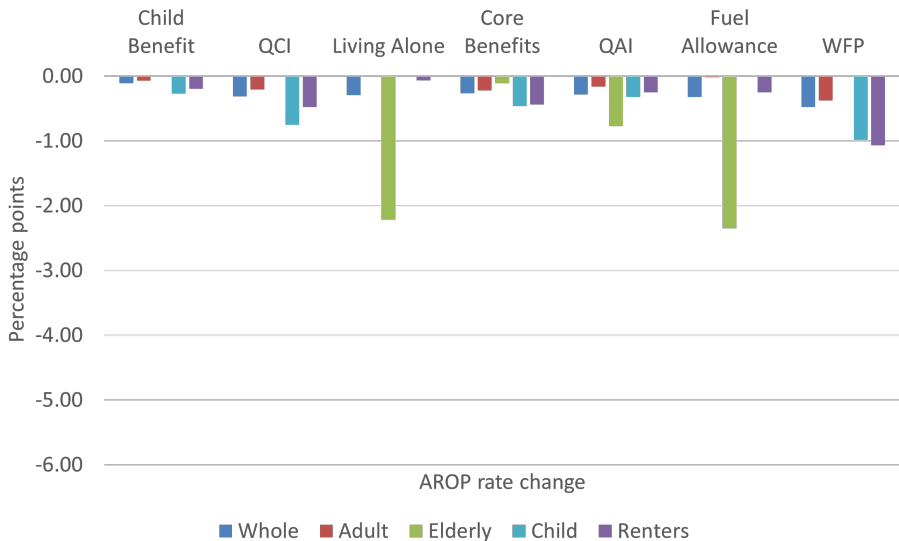


# Increasing welfare spending by €100m

Benefit payments increased:

- Living Alone Allowance
- Child Benefit
- Fuel Allowance
- Working Family Payment (WFP)
- Qualified Child Increase (QCI)
- Qualified Adult Increase (QAI)
- Core Benefits for working-age adults (unemployment benefits, disability allowance and one-parent family payment)

# Increasing welfare spending by €100m



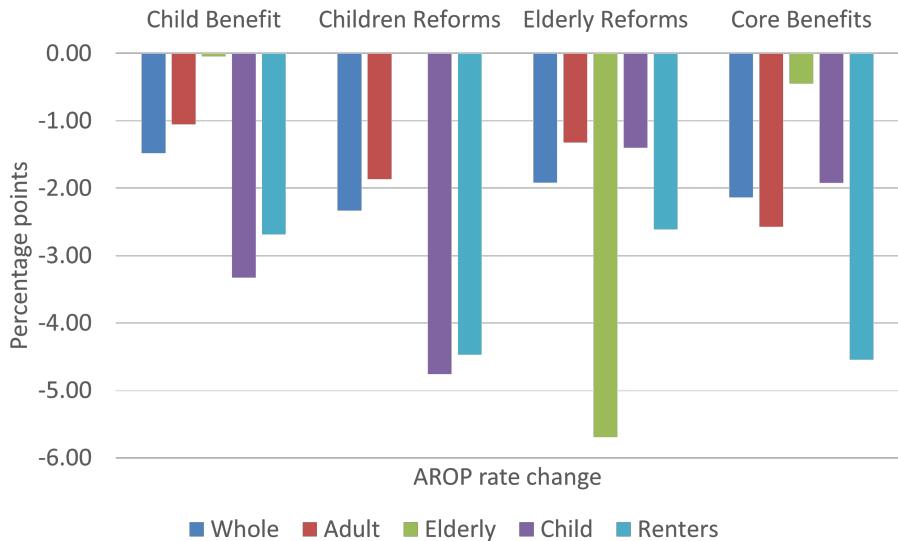
# Increasing welfare spending by €1bn

Benefits grouped according to target population

Social welfare packages:

- Child benefit
- Children benefits: QCI and WFP
- Elderly benefits: Living Alone Allowance, Fuel Allowance and QAI
- Working-age benefits: Core benefits

# Increasing welfare spending by €1bn



# Summary of results

## Estimation of impact on consistent poverty rate (percentage points change)

		AROP rate	Consistent poverty rate
Market-income reforms	Eliminating jobless households	-2.1	-0.9
	Increasing female labour supply	-2.9	-1.2
Increase spending by €1 bn	Child benefit	-1.5	-0.6
	Children reform	-2.3	-1
	Elderly reform	-1.9	-0.8
	Core benefits reform	-2.1	-0.9

- 1 ppt AROP reduction reduces consistent poverty by about 0.43 ppt
- Market-income reforms
  - Limited impact on vulnerable groups due to low expected wage
  - Deprivation rates may be more affected than AROP rate
  - Could decrease consistent poverty by 1 ppt
- Social welfare system reforms
  - Targeting the working poor the most cost-effective measure
  - Package of €1bn could decrease consistent poverty by 1 ppt
- Mix of policies needed to tackle poverty



Thank you!  
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