

Working poor in the European Union

Authors: Ramón Peña-Casas and Mia Latta

Research institute: Observatoire social européen, Brussels, and Mia Latta Consulting

Ramòn Peña-Casas is a sociologist. He is working on the definition and use of indicators in the framework of EU soft cooperative processes, such as the employment strategy, the social inclusion process, pensions and the issue of quality in work.

Mia Latta is a sociologist working at Gothenburg University, Sweden. She has carried out research on gender and family issues, as well as on poverty and marginalisation.

Foundation project: Working poor in the European Union

Research managers: Agnès Parent-Thirion, Greet Vermeylen and Juhani Pekkola



European Foundation for the Improvement of Living and Working Conditions

Working poor in the European Union

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 2004

ISBN 92-897-0258-3

© European Foundation for the Improvement of Living and Working Conditions, 2004

For rights of translation or reproduction, applications should be made to the Director, European Foundation for the Improvement of Living and Working Conditions, Wyattville Road, Loughlinstown, Dublin 18, Ireland.

The European Foundation for the Improvement of Living and Working Conditions is an autonomous body of the European Union, created to assist in the formulation of future policy on social and work-related matters. Further information can be found on the Foundation website at www.eurofound.eu.int.

European Foundation for the Improvement of Living and Working Conditions
Wyattville Road
Loughlinstown
Dublin 18
Ireland
Telephone: (+353 1) 204 31 00
Fax: (+353 1) 282 42 09 / 282 64 56
Email: information@eurofound.eu.int
www.eurofound.eu.int

Printed in Denmark

The paper used in this book is chlorine-free and comes from managed forests in Northern Europe.
For every tree felled, at least one new tree is planted.

Foreword

Poverty is a phenomenon traditionally associated with marginalised groups such as the homeless and the unemployed. Paid labour has generally been assumed to provide an effective antidote to falling into the poverty trap. This, however, is increasingly not the case. The rise in atypical and precarious work patterns and a growing polarisation in the labour market between low or unskilled work and high-skilled work have created new poverty risks amongst the employed population. As a result of this trend, the concept of the ‘working poor’, which gained ground in the United States in the 1970s and 1980s, has become increasingly applicable to social and labour market realities in the European Union.

The existence of working poverty in Europe undermines the commitment to ‘quality of work’ which is conscientiously promoted in the European Employment Strategy. It also undermines the commitment to eradicate poverty which forms one of the main pillars of EU policy in combating social exclusion. EU policymakers are therefore increasingly highlighting working poverty as a key challenge in the areas of both employment policy and policy in relation to social inclusion.

Based primarily on a comprehensive literature review, this report covers issues such as definitions of the working poor, the incidence and characteristics of the working poor and related subgroups, as well as examining the various policy responses aimed at alleviating or combating working poverty.

Against the background of growing interest and discussion on this issue, we trust this report will provide a useful, initial contribution to the debate on the working poor at European level.

Willy Buschak
Acting Director

Contents

Foreword	v
Introduction	1
1 – Defining the working poor	3
An income-related statistical category	4
Existing definitions	5
Being in employment	9
Being poor	10
Complementary approaches	11
2 – Incidence of working poor in the EU	15
Individual perspective	15
Household perspective	22
Dynamics of the working poor	25
3 – Factors contributing to working poverty	31
Low pay	31
Household characteristics	36
Quality of employment	43
Gender and other individual characteristics	51
4 – Welfare state provisions and 'make work pay' policies	61
Welfare state provisions	61
Labour market structure and policies	69
'Make work pay' policies and traps	76
Fiscal policies and tax credits	80
5 – Conclusions	91
Bibliography	95
Select bibliography on working poor in Europe and international studies	95
Main bibliography	97
Annex – Social welfare provisions	109

Introduction

The concept of 'working poor' has its roots in the United States where, since the early 1970s, it has been used to qualify the growing problem of working households that are in a situation of financial poverty.

In the European economy, there has been an implicit acceptance of higher levels of unemployment as the 'price to pay' for better quality jobs and higher levels of social protection. At the same time, in order to tackle this unemployment, notably by improving the competitiveness of enterprises as an incentive for higher employment supply, emphasis has been put on policies to provide a greater flexibility and deregulation of European labour markets. However, the rise of unemployment since the 1970s and the relative failure of policies attempting to eradicate it, as well as the increase of atypical and precarious working patterns, have generated a 'new poverty'. This poverty affects the economically active population beyond the traditional poor such as homeless, unemployed or retired people.

The relationship between employment, work, poverty and social exclusion – and more broadly quality of life – is of particular importance in building a competitive but socially decent European Union. The Lisbon Strategy puts increased emphasis on social inclusion within the EU. It sets as a general objective the need to move towards a more competitive economy capable of combining efficiency and the creation of more, and better, jobs with high levels of social protection and a greater social and economic cohesion. This is the founding basis for the European economic and social models.

In parallel with the introduction of the question of quality in work and employment in the field of EU employment policies (European Commission, 2001), the launch at the Nice European Council of an 'Open Method of Coordination' (OMC) on poverty and social exclusion has highlighted one particular group which is especially concerned by both issues: the working poor (European Commission, 2002a).

Working poverty is a complex and challenging issue for European societies, a combination of individual (activity, skills) and household (income, size) characteristics. It has to be considered in the context of the complex intertwined relations between economic, employment, social and fiscal policies, within the EU framework, and also at national and regional levels.

While increase in employment is in itself a positive thing, the link between quality and quantity of employment is vital. Research has suggested that there is an increased risk of polarisation in society, and that it is increasingly difficult for individuals who are 'side-tracked' – mainly the low skilled – to gain a proper foothold in a labour market that requires constant updating of skills. The rapid growth of the knowledge-based society and information and communication technologies can create another layer of exclusion and widen the gap between the rich and the poor (European Commission, 2002a; Gallie, 1998; Gallie, 2002; Esping-Andersen, 2002).

Poor quality of work is a vital – but not the only – entry point when looking at reasons for working poverty. While there are differences between being a working poor person and a poor person, there are also likely to be similarities.

The main difference is obviously the fact that the working poor are working (or have worked). In this report, various definitions, perspectives, and entry and exit points to working poverty will be

discussed. The key point here is that the differences between the poor and the working poor are based on their labour market activity status. Thus it is integral to discuss the quality of employment when discussing the working poor.

This report identifies pay and employment status as measures for quality of employment. Wide-ranging forms of working poverty exist but are not necessarily recorded, for example in the area of the illegal labour market. These are not studied here. The main hypothesis is that having a low-paid or insecure job (or consecutive insecure jobs) can lead to an increased risk of being, becoming or staying a member of the working poor. These two factors (pay and employment status), together with social protection and workers' rights, are associated with career and employment security. The overall quality of work and employment covers a much wider spectrum of areas: health and well-being, skills development and reconciliation of working and non-working life issues (European Foundation for the Improvement of Living and Working Conditions, 2002a).

Chapter 1 reviews the main difficulties relating to the definition of the working poor, based on literature research. Chapter 2 explores the incidence of the working poor (and various sub-groups) in the EU. Chapter 3 describes the characteristics of working poor individuals and households. The aim of Chapter 4 is twofold: to examine working poverty and social protection provisions; and to review some specific policy responses elaborated with regard to working poverty. Finally, Chapter 5 summarises the main findings of the report and offers some recommendations for future policy in this area.

Defining the working poor

1

Defining the working poor is not an easy task. It involves the interaction of two research fields that until recently have seldom been connected: work and poverty.

For many years, poverty has been considered the 'stigma' of inactive persons, with the underlying assumption that it could only result from laziness or disability. The main rationale was to emphasise that lack of work was the explaining factor for poverty, and therefore also the main way out of poverty. Unemployment has generally been the sole labour market-related factor used to explain poverty spells.

The idea that there is a working poverty contradicts deeply the strong belief in developed societies that employment is the solution out of poverty, and the common view that poverty is the result of a lack of commitment to work. Discussing the American working poor, Levitan, Gallo and Shapiro write:

The working poor remain America's glaring contradiction. The concurrence of work and poverty is contrary to the American ethos that a willingness to work leads to material advancement, and it negates the prevalent view that the cause of poverty among adults capable of work is deviant behaviour, particularly a lack of commitment to work (Levitan *et al*, 1993, p.3).

The expression 'working poor' has become more frequently used in recent years in Europe, notably by politicians and trade unionists, but also by academics and the media. It has been used mainly to stigmatise low quality employment in US and to explain or justify higher levels of unemployment in Europe. If this has had the merit of drawing attention to the issue of working poverty, it has also generated certain confusion, the term being frequently used as a synonym for the low-wage worker, without real reference to poverty issues. Working poverty and low wages may be justifiably related, but they are two distinct issues. One can be a low-wage worker but escape poverty due to additional earnings from other members of the household and/or social welfare benefits. The only situation where both low pay and poverty coincide is when a single low-wage worker is living alone (a single household). If low pay is a significant factor in explaining working poverty, nevertheless, it is only one factor among others.

The hybrid position of the working poor – at the intersection of work and poverty spheres – has various consequences for the definition and scope of this review. Working poor can be approached following two separate but complementary angles: workers who are poor, but also poor people who are working. In the first approach, the focus is mainly on the individual worker situation, in terms of low wage and other activity or personal characteristics. The second approach widens the scope to the multiple dimensions involved in the characterisation of poverty and social exclusion, and particularly the household dimension.

A major implication of this dual perspective is that it crosses two distinct fields of research, labour market/employment and poverty studies, requiring a review of literature from both fields. The issue must be considered at both the individual and household level, in terms of statistical definition (see Chapter 2) and also of individual characteristics (see Chapter 3). Institutional and welfare provisions possibly affecting working poor, as well as policy responses, may be oriented towards individuals (for instance policies aimed at increasing employment rates, or reducing contributions on low wages) as well as households (such as family benefits or income tax credits).

Two analytical perspectives are adopted in this review in order to highlight the complexity of the working poor question. Firstly, a focused approach considers working poor as restricted types of populations who are relatively well defined and referenced in studies, in other words a statistical category that can be defined in quantitative studies. Secondly, a broader approach considers the working poor as a group residing in (and possibly resulting from) a given institutional context, composed of social protection, employment and fiscal policies, but also depending on labour market conditions.

An income-related statistical category

This section investigates the concept of working poor as a statistical category in reference literature. The definition is dependent on limited concepts of poverty and occupational status.

The academic fields of economics and employment on the one hand, and of poverty on the other, are underpinned by different national academic traditions when it comes to the definition and perceptions of the working poor. Consequently, they put different emphases on the various dimensions involved in the definition of what it is to be poor or to be working.

Two conceptual approaches are needed: 1) the working poor situation can be considered mainly as a product generated by the economic environment of low wage employment, low productivity and increasingly skilled jobs demands; 2) the working poor category can be approached as a social issue entangled in the complex universe of the relationship of households to social and economic contexts such as labour market exclusion, low quality of employment, social protection, poverty and social exclusion. Both approaches may be relevant, especially if combined.

Another difficulty in the definition of the working poor is in dealing with two different units of reference concerning income: employment is an individual situation (related to the wage/unemployment benefit of an individual), but poverty refers to a household situation (income of a household).

The household is the common denominator, as one could have a relatively satisfying income at individual level but nevertheless be a member of a household which as an entity has an income below the poverty line, or vice versa. To identify the working poor who are individuals, it is necessary to shift from a household to an individual dimension.

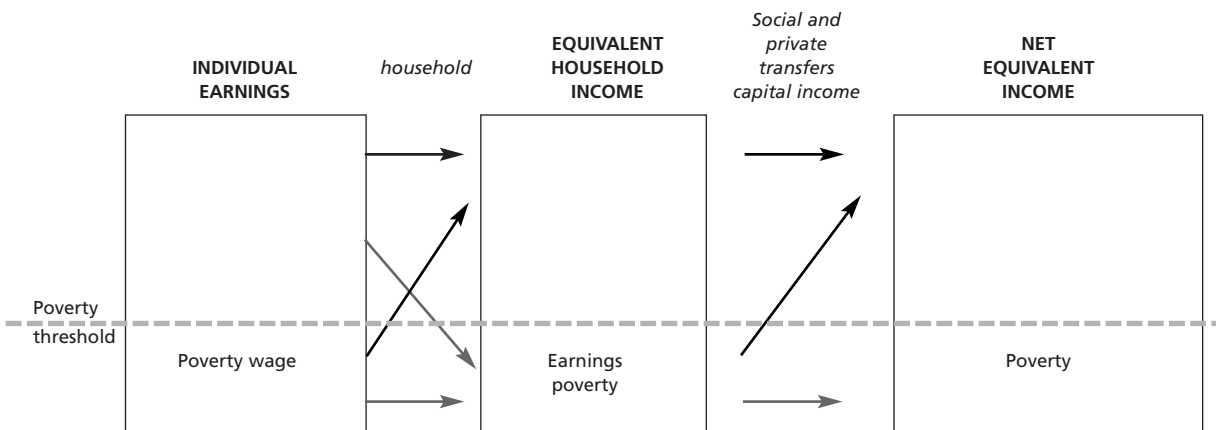
Linking individual and household dimensions, notably through income and employment characteristics, reduces considerably the type, and consequently the number, of data sources that can be used, mainly income and living conditions statistical panels. The importance of longitudinal data to highlight dynamic transitions in or out of the working poor situation makes the number of sources even more restricted. This kind of longitudinal panel, where the same persons are surveyed from year to year, is the most expensive to maintain. Only a limited number of Member States have such data. At EU level, the European Community Household Panel (ECHP) is the only longitudinal comparative source.

In assessing working poverty, the focus is generally put on the earnings of the individual in relation to the household income. This is especially true when poverty is evaluated through a monetary

approach, which is usually the case. This implies a hierarchical approach to income, the reference income being at the household level. In this context, wages, and notably low wages, has to be seen only as one component of the household income which is formed by the other wages and/or social benefits or other sources of income within the household.

The following diagram illustrates the income distribution process in the context of working poverty and highlights the ‘routes’ that could be followed in terms of income.

Figure 1 Income distribution process in working poor households



Source: Strengmann-Kuhn, 2002.

According to Strengmann-Kuhn, there are two ways for workers to become poor. The first is that the worker has a poverty wage¹ and poverty can be avoided neither by the earnings of other household members nor by other income such as public transfers. In this case, the reason for poverty is low pay. The second way in becoming classified as a working poor is that the worker himself or herself has a sufficient income, but falls below the poverty line because of the household context. In this case, the structure of the household may explain the incidence of poverty. An important factor that has to be taken into account is the duration of stay in employment, which determines a sufficient household disposable income on an annual basis (see Chapter 2). If the scope is widened to the active population, then a ‘poverty wage’ could also include unemployment benefits.

Existing definitions

After defining the concept of working poor, a literature research was conducted. This was based on key words and research in libraries and on the Internet through specialised sites referencing economic and social literature. The results have been quite limited, as expected due to the hybrid situation of the working poor concept at the crossroads of various academic fields. (For a detailed bibliography, see Annex 1.) This paucity of data has to be seen as a result in itself. It indicates that the working poor have hardly been considered in European academic research until now.

¹ A ‘poverty wage’ is a wage that is not high enough to avoid poverty if the worker were living alone.

Overview of national and international research on the issue

It appears that France is the only EU Member State where some research on the working poor has been undertaken from 1996 onwards. Research has also been carried out in Switzerland in recent years. A social dialogue on the working poor issue has taken place, including publications and public statements of Swiss society stakeholders. These have included researchers, civil servants and employers.

A limited number of comparative studies exist on the working poor concerning EU or European countries, or concerning the issue of working poor in Europe more generally. Eurostat and the Sub-Group Indicators of the Social Protection Committee are developing an indicator of working poverty to be used in European processes such as the Open Method of Coordination in the field of social inclusion.

More references were found on the working poor issue outside the European Union, including references from the United States, Canada and Australia. As expected, the working poor issue has been mainly investigated in Anglo-Saxon countries, probably following the trend generated by American studies since the early 1970s. However, within this Anglo-Saxon framework, there is an astonishing lack of research on working poverty from the UK.

In certain national studies (Cappellari, 2002; Lucifora, 1997; Valkenberg, 2000) supposedly concerning the working poor, the confusion persists between the working poor category and low wage workers. These studies have no real reference to the poverty of the household.

Definitions of working poor

The only country where an official definition (endorsed by political and administrative institutions) of the working poor exists along with a tradition of research is the US (US Bureau of Labour Statistics, 2000; Warren, 2002). The definition is released by the Bureau of Labour Statistics (BLS)², a federal administration bureau that has the legal authority to establish norms. Working poor households have been studied since the 1960s in the US. To a certain extent, economists in the BLS have generated the category of working poor, which became effectively official in the USA in 1989.

The working poor are defined as persons who have devoted at least half of the year to labour market efforts, being either employed or in search of a job during that period, but who still lives in poor families (Klein, 1989).

Recently, through different studies of the national statistical institute (INSEE), France has adopted a similar definition of the working poor:

The 'working poor' are individuals who spend at least six months in the labour force, working or looking for work, but whose household's standard of living is below the poverty level (Ponthieux, 2000).

Nevertheless, a distinction is made in most of the French studies between active poor (working or looking for work) and working poor (working at least six months).

² The BLS publish regular reports on the profile of the working poor in the US (see www.bls.gov).

Similar definitions but different interpretations

Although they may seem similar, the definitions of the working poor are based on different approaches of what is meant by being at work as well as by being poor. The following table describes the various definitions encountered in the review according to the two major elements of definition: the activity status and the poverty norm.

Table 1 Definitions of the working poor in literature

Country	Source	Work definition	Poverty threshold
EU	Eurostat	- employed at least 15 hours (Marlier, 2000) - most frequent activity status in the last year	Low-income threshold: less than 60% of the median equivalised household income (<i>Relative monetary poverty</i>)
France	- Institut National de la Statistique et de l'Économie (INSEE) - Academics - National Action Plan for Social Inclusion 2001-2003/2003-2005	- individuals who have spent at least six months of the year on the labour market (working or searching a job) - working at least six months - have had a job for at least one month during a year	Low-income threshold: less than 50% (60%-70% occasionally) of the median equivalised household income (<i>Relative monetary poverty</i>)
Belgium	National Action Plan for Social Inclusion 2001-2003/2003-2005	- individuals who have spent at least six months of the year on the labour market (working or searching for a job) - working at least six months	Low-income threshold: less than 60% of the median equivalised household income (<i>Relative monetary poverty</i>)
Switzerland	- Swiss Federal Statistical Office - Academics	- all 'active' individuals, regardless of the number of hours they work; or - all individuals working full-time (i.e. 36 hours or more weekly); or - at least one individual having a lucrative activity for at least 40 hours a week (one full-time job).	Administrative flat rates of social security modified. ¹ (<i>Monetary administrative poverty</i>)
US	US Census Bureau	Total hours worked by family members greater than or equal to 1,750 hours (44 weeks)	Federal poverty line (FPL) (<i>Absolute monetary poverty</i>)
	US Bureau of Labour Statistics	- individuals who have spent at least six months (27 weeks) of the year on the labour market (working or searching for a job)	
	US researchers in general	- adults working, on average, at least half time (approximately 1,000 hours) - or definition of USCB and USBLS (see above)	Less than 125%-150%-200% of FPL ² (<i>Absolute monetary poverty</i>)
Canada	National Council of Welfare (NCW)	More than 50% of total family income comes from wages, salaries or self-employment	Statistics Canada's Low-income cut-offs (LICOs) (<i>Absolute monetary poverty</i>)
	Canadian Council on Social Development (CCSD)	Adult members have, between them, at least 49 weeks of either full-time (at least 30 hours a week) or part-time work	CCSD relative low-income threshold (<i>Relative monetary poverty</i>)
	Canadian Policy Research Networks (CPRN)	Full-time/Full year	Relative low-income threshold: less than \$20,000 per year (<i>Relative monetary poverty</i>)
Australia	Social Policy Research Centre	All 'active' individuals, regardless of the number of hours they work	Henderson absolute poverty line ³ (<i>Absolute monetary poverty</i>)

¹ The threshold is calculated by adding the cost of a 'moderate' rent and that of a basic health insurance premium to the Confédération Suisse des Institutions d'Action Sociale's 'vital' minimum.

² The use of alternative poverty thresholds expresses the general perception of US researchers that the federal poverty line is too low to assess poverty to its full extent (Warren C. R., 2002; Employment Policies Institute, 2002).

³ The Henderson poverty line was developed by Professor R. F. Henderson in the 1970s while undertaking the Australian government commission into poverty. His widely used formula calculates the amount of money which individuals and families of different sizes need to cover basic living costs.

The variety of the definitions encountered in the review on the working poor reflects clearly the variability of what could be used to define work and/or poverty.

The manner in which the activity status of the poor is defined differs widely and concerns different groups of population. It ranges from the full labour force, employed and unemployed (France, US, Australia), which should be called 'active poor', to the employed population, which make up the potential 'working poor'. Among those in employment, a distinction is made according to the intensity of employment: at household level based on the number of hours worked by the household in the last year (at least the equivalent of one full-time job in the household); at individual level based on the number of working hours (full-time/full year, at least part-time); or the number of months spent in employment in the previous year regardless of the number of hours worked (France and US). These form different populations ranging from a restrictive scope (those in employment full-time/full year) to more flexible definitions, including part-time work based on the amount of worked hours in the year or a requested presence in employment of at least six months in the previous year. In Canada, the relationship to employment is evaluated by the National Council of Welfare through a minimal share (at least 50%) of earnings provided by work in total household income, which is an alternate definition close to the logic of the income distribution process.

A great variability is also observed between the definitions of what it means to be poor, reflecting the two main trends in measuring poverty from a monetary point of view. The absolute monetary approach defines poverty on the basis of the household's ability to buy a basket of goods and services judged as minimal for a decent level of living. The relative monetary approach defines poverty through a monetary proxy (a share of median or mean income) judged as indicative of what is the necessary income for a decent level of living. In Switzerland, flat rates of social benefits are used to define the poverty threshold.

The diversity of the definitions of both work and poverty induces a wider variability in the definition of the working poor. This implies that the working poor, as a statistical category, is very sensitive to operational concepts in terms of the scope of population considered. Furthermore, this weighs heavily on the comparability of studies, which have to be based on the same definitions of work and poverty in order to be compared.

Consequently, to be categorised as active or working poor, an individual must fulfil a certain number of minimal conditions:

- be living in a household considered as poor;
- be working or searching for a job;
- have worked or searched for a job during a period (one month to six months) of the previous year, or have accumulated a corresponding number of working hours.

In order to implement the chosen definition of working poverty, it is necessary first to examine the various concepts that are used in the statistical sources to characterise what is meant by being in employment and by being poor.

Being in employment

Firstly, an important limitation concerning the definition of work should be mentioned. In statistical sources, work refers only to what could be identified as paid work. Therefore, it does not take into account the added monetary and non-monetary value of unpaid work to the household and the wider society, referring both to activities done on a voluntary basis or work done, notably by women, in the home and other spheres of life (see Chapter 3). In addition, only speculation can be made on the relationship between illegal work and working poverty.

In the comparative statistical approach, the definition of individual employment status in international surveys is generally made using the norm recommended by the International Labour Organisation (1982). This norm is also widely used at national level. The ILO current activity status is a constructed index based on activity concepts defined by the ILO.

- The status is precisely defined using a certain number of questions in the survey; persons aged 16 or more are classified by main activity into two broad categories: active (labour force) and inactive population.
- The active population is composed of people who work or are unemployed.
- The economically inactive are divided into three categories (retired, other inactive and all other persons).

This index can be linked to a certain number of detailed characteristics of the occupation (e.g. duration, full or part-time, sector of activity, working hours), giving some insight on various dimensions of the individual's work activity. Its major drawback, from the perspective of this review, is that it refers to the actual situation of the individual, measured in the weeks prior to the survey, while the income on which the poverty is measured is made at the level of the household and concerns the year prior to the survey. Thus, using this status (employment status, income level, number of persons in the household) can be misleading as it ignores changes likely to affect members of a household and the household over a year. It hides significant differences in individual trajectories, leading, for instance, to aggregation of individuals occupying full-time employment for only a few weeks (after long periods of unemployment or inactivity) with other individuals working full time over an extended period. The issues in terms of income for these individuals, and their households, are expected to be quite different.

More precise for the purposes of this review is the Most Frequent Activity Status (MFAS) used in the European Community Household Panel (ECHP) by Eurostat. Here, the self-asserted main activity status for the previous full year before the survey is taken into account for all the members of the household. This is done by using a 'calendar of activities'⁶ contained in the ECHP. The employment status of the individual is evaluated over a yearly period and identifies different profiles of work intensity. This is done on the basis of the number of months spent in each state. Five broad categories are created: employed, self-employed, unemployed, retired and other economically inactive.

³ During the ECHP interviews, each person aged 16 or more is asked to state for each month of the previous year their main activity according to a choice of 11 possibilities. Those persons whose 'calendar of activities' is not complete (i.e. their activities are known for 1 to 11 months) are classified according to the same rules as above, e.g. priority is given to work over non-work where a person is active for half of the period and inactive for the other half.

The MFAS appears to be a good indicator of the employment status of the poor. Nevertheless, it has some problematic areas. An important limitation of the MFAS is that the calendar of activities of the ECHP does not distinguish part-time work⁴. In addition, other significant characteristics of the occupied job(s) are not collected for all months. But the main limitation of the MFAS is the degree of arbitrariness produced both by the self-assessment of the interviewee on his/her status and the use of subjective priorities and preferences in the classification of individuals when an equal number of months have been spent in two (or more) different employment/unemployment situations. The category 'inactive other' is rather vague, aggregating a variety of possibilities.

The next chapter will investigate the results provided for EU countries by the breakdown of the 1999 at-risk-of-poverty rate according to the MFAS and also by a scale of work intensity.

According to the MFAS, and more generally in relation to concepts that analyse the participation in employment, different statuses could be used to designate different working poor sub-populations. Should only the effectively working population (employed and self-employed) be considered under the label working poor? Should the situation of the employed be distinguished from those of the self-employed? Or should all the active population, including the unemployed, be considered, in which case the concept of active poor may be used? Some definitions of the working poor extend the scope of the reference population to the whole labour force, including unemployed people⁵, but other definitions restrict the scope to workers employed all-year in full-time contracts.

And what about the heterogeneous inactive population? Some inactive persons are still linked to the labour market: poor retired persons may be seen as a possible outcome of working poor situations during the professional life. The 'other economically inactive population' category includes people who are effectively out of the labour market but doing unpaid work (housework, looking after children or other persons) as well as those about to participate in the labour market (in education or training, community or military service) and a certain number of 'discouraged workers' (unemployed people who are not currently searching for a job).

Being poor

Different approaches on measuring poverty co-exist within this tradition and much literature is dedicated to the issue. The types of measurements and indicators used are different, e.g. having less than an objectively defined absolute minimum (absolute poverty), or having less than others in society (relative poverty), or feeling that one has not enough money to make ends meet (subjective poverty). Here, the focus is on issues related to the measurement of poverty under the relative monetary approach. This has become the most common method among EU researchers and institutions, which has been endorsed through the work of Eurostat and policy references at EU policy level.

⁴ The calendar of activities of the forthcoming EU-SILC survey, which will replace the ECHP from 2004, will contain a distinction of full and part-time work for all countries, but the distinction in terms of status between employed and self-employed will no longer be collected in all countries.

⁵ Another argument for the inclusion of the unemployed in the category of working poor is that while unemployed people are not in effective employment, they are still present in the labour market. For instance, it is because of the existence and size of unemployment in developed countries and the legitimacy of policy objectives aimed at its reduction that a contradictory pressure is maintained on wage bargaining in the social dialogue (Concialdi, 1999).

Whichever method is used, the definition of a poverty line to divide a population between poor and non-poor is a rather arbitrary exercise, based on a certain number of conventions that are agreed at social, academic, institutional or political level. The reference to a minimum or decent level of life is obviously based on a relative and normative value. There is, of course, no clear cut-off point which divides poor and non-poor, and poverty has to be seen more as a continuum of individual and household situations where different conditions such as 'severe poverty', 'precariousness' and 'exclusion' co-exist in an intricate way (Glaude, 1998).

The EU risk of poverty threshold, expressed as 60% of the national equivalised median income⁶, reflects the combination of a certain number of normative concepts. These are notably the level of threshold which is used (50-60-70%), the use of median or mean to separate populations, a national rather than European income reference, the definition and reference period of income (current, annual, gross or net).

Concerning income, an important normative aspect has to be mentioned. This concerns the use of equivalence scales to adjust poverty thresholds according to composition and size of the household. The household income has to be attributed at individual level in order to calculate the poverty rate, which concerns individuals and not the count of poor households. These scales are designed to reflect the intra-household economy of scale in the consumption of common goods and facilities by household members⁷. Thus the income is 'equivalised' by consumption units of the household. But one underlying assumption of these equivalence scales is that income is equally shared and redistributed in the household. In reality, this equal share of the income by household members may not take place. There may be an unequal distribution of income between men and women and between different generations. This unequal division of resources in the household may be an important issue behind child poverty and poverty of women (Jenkins, 1991).

Complementary approaches

The use of the breakdown of the risk of poverty by the MFAS could offer an insight into the working poor situation. Nevertheless, this will only be done through the income dimension. This indicator is among the official EU indicators used in the framework of the Open Method of Coordination on poverty and social exclusion (the 'Laeken indicators'). It highlights the attention that has to be paid to the work dimension when considering poverty and social exclusion issues. This indicator also offers the possibility to explore the incidence of the working poor category among EU countries.

This approach must include an examination of household and individual characteristics of the working poor. Issues related to the overall quality of employment should also be raised. Precariousness of employment, atypical employment, dead-end jobs with low wages and low prospects of progression, poor working conditions, discrimination in access to employment, and

⁶ A household's total disposable income is defined as the total net monetary income received by the household and its members, namely all income from work (employee wages and self-employment earnings), private income from investment and property, plus all social transfers received directly including old-age pensions, net of any taxes and social contributions paid. However, no account is taken of indirect social transfers, loan interest payments, transfers paid to other households, receipts in kind and imputed rent for owner-occupied accommodation.

⁷ The 'income per equivalent adult' is calculated by Eurostat in the ECHP by dividing the total household income by its size determined after applying the so-called 'OECD modified scale' with the following weights: 1.0 to the first adult, 0.5 to other household members aged 14 or over and 0.3 to each child. The resulting figure is attributed to each member of the household, whether adult or children.

inadequate or insufficient social protection are among the issues to be considered within this context.

But the poverty rate according to the MFAS is still a mixed construction. Employment is assessed at the individual level while poverty is assessed for the household. It is obvious that the well-being of a working poor, an unemployed or an inactive person is related to the level of financial support received from other members of the household (if any), notably through income from work but also through social benefits (European Commission, 2002). The presence of a second wage in the household is a significant factor for staying out of poverty and, according to certain studies on low-paid work, its absence constitutes the main reason of poverty in working poor households (OECD, 1998; Ott, 1997; Nolan, 2000). The household perspective provides a better idea of the social problems associated with working poverty.

This necessity to establish, at the level of the household, the link between the labour market and income situation of individuals has been partly expressed through the commonly agreed EU level structural indicator concerning the proportion of persons living in jobless households. Poverty is associated with the absence of work in the household, mainly to reiterate the message that employment is the best protection against poverty. However, this reference to the 'work intensity' of the household can be refined in a more precise way by considering the MFAS variable, which is based on the detail of individuals' occupational trajectories in the year prior to the survey.

Using a combination of the MFAS and elements of existing definitions of the working poor population, a more precise insight of the various populations emerges.

According to work intensity, the poor population in relation to the labour market could be divided into the following categories:

- Active poor: those being in activity (working or searching for a job) for at least six months in the previous year.
- Working poor: those who have worked for at least one month in the previous year. These could be further differentiated into:
 - those who have worked continuously all year;
 - those who have experienced alternating periods of unemployment with employment and/or inactivity.
- Unemployed poor: those without any period of employment in the previous year.

A longitudinal perspective highlights the existence of other specific groups of working or active poor. This includes those working continuously for the full year but who are still poor, those in long-term unemployment, and individuals who experience repeated periods in and out of work.

These complementary approaches highlight two important dimensions for an individual in the labour market: the status and the duration of employment.

Main findings of Chapter 1

'Working poor' is a hybrid category, a combination of work and poverty concepts. Work and poverty have only occasionally been linked together in literature, mainly in relation to lack of employment and unemployment, and their consequences on poverty and social exclusion. The subject can therefore be considered under two complementary angles: workers who are poor and poor persons who are working. Consequently the research has reviewed literature from multiple areas of research (economics, employment, income distribution, poverty) in order to take account of the multidimensional aspects of the subject.

First, the working poor was viewed as a 'statistical category', a population that is relatively well defined conceptually in studies devoted to the subject of the working poor. Next, they have been perceived as individuals both involved in the labour market and belonging to a poor household.

In the context of the prevalent notion of poverty being an economic issue, working poverty is essentially viewed as an income-related issue. Workers may be poor as a consequence of the insufficiency of their own earnings, but also in relation to insufficient global earnings of their household, these being provided by additional earnings of other household members or from other sources of income such as social benefits or capital income and private transfers. Individual (age, skills, etc.) and household (size, composition, etc.) characteristics of the working poor are thus also viewed as risks elements which accentuate the probability of becoming, being or staying poor. This relates to low quality jobs, precluding therefore, the capacity of the worker (and their household) to build up a sufficient income to live out of poverty. In the same logic, welfare arrangements and policies are seen as other factors affecting the household income.

Existing definitions of working poor in literature are varied, depending on the way the two main elements involved in the definition – work activity of individuals and poverty of households – are measured.

The way the activity status of the poor is defined varies widely in the literature, ranging from the whole labour force, including employed and unemployed, to the population effectively engaged in employment. Among those in employment, a distinction is made in terms of the intensity of employment: either at a household level through the number of hours worked during the previous year (at least the equivalent of full-time work in the household), or at an individual level through working hours (full-time/full-year, at least part-time), or the number of months spent in employment in the previous year regardless of the number of hours worked.

There is also a great variation in the literature and existing definitions concerning the characterisation of poverty, reflecting the two main trends of monetary poverty definition: the absolute and relative approach. The absolute approach defines poverty on the basis of a household's ability to buy a basket of goods and services judged as minimal for a decent standard of living. The relative approach defines poverty through a monetary proxy (a share of median or mean income) that is judged to indicate the income necessary for a decent standard of living. Therefore, a household that falls under this level is considered poor relatively speaking.

Based on the Most Frequent Activity Status (MFAS), a breakdown variable calculated by Eurostat in the ECHP, different populations that fall under the category of active poor and working poor are highlighted. This variable defines the employment status as based on a minimal presence of six months in the labour force or employment. A first broad group, the 'active poor', is composed of individuals belonging to poor households, and characterised only by their participation to the labour force. A second broad group, which is a sub-set of the active poor, is composed of those who are to be properly labelled as the 'working poor'. These are individuals employed for at least six months in the previous year. The working poor can be further broken down according to their status of employment into 'self-employed poor' or 'employed poor'.

These groups of active/working poor are defined by reference to a minimum activity/work period of six months in the previous year. However, a much more detailed picture could be obtained by refining the work intensity scale on the basis of the monthly calendars of activity. A broader cluster of working poor constitutes all those who have at least one month of employment in the last year. This leads to the additional categories of 'working poor full-time' (12 months of employment), 'working poor with alternations' (between work and non-work) and 'unemployed poor full-time' (12 months of unemployment).

A heterogeneous picture of the working poor emerges when both these work intensity references are used, showing that many groups may be included in the definition of the working poor. These groups are not only varied in their composition but also in terms of individual and household characteristics. The national policies and institutional frameworks in which these individuals reside provide an additional layer of complexity.

Individual perspective

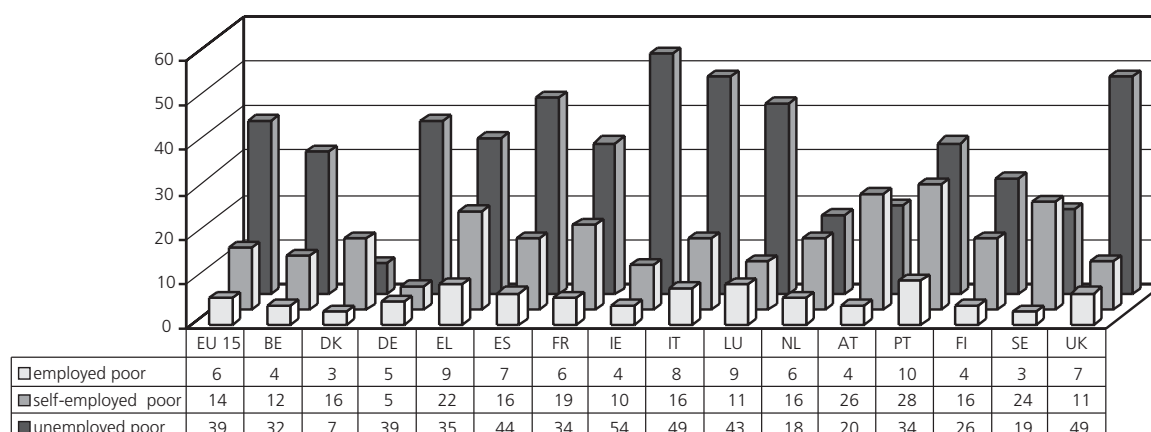
Poverty and activity status

In considering the poverty rate according to the individual activity status in the year prior to the MFAS survey, a first image emerges of the relationship between employment and poverty in the EU. To assess the incidence of the various sub-groups of the working poor population, it is useful to start with the latest available breakdown of the poverty rate according to the most frequent activity status (ECHP, 1999). The review will first investigate the extent of poverty among various groups (employed, unemployed, inactive) and then examine how important these groups are in the composition of the active poor and working poor populations.

Incidence of poverty among the EU active population

Figure 2 presents the results of the latest available information on the breakdown of the at-risk-of-poverty rate according to the most frequent activity status of the individuals in the year preceding the survey.

Figure 2 At-risk-of-poverty rate by most frequent activity status, 1999 (%)



Poverty threshold: 60% of household median equivalised income.

Source: Eurostat New Chronos (ECHP 1999).

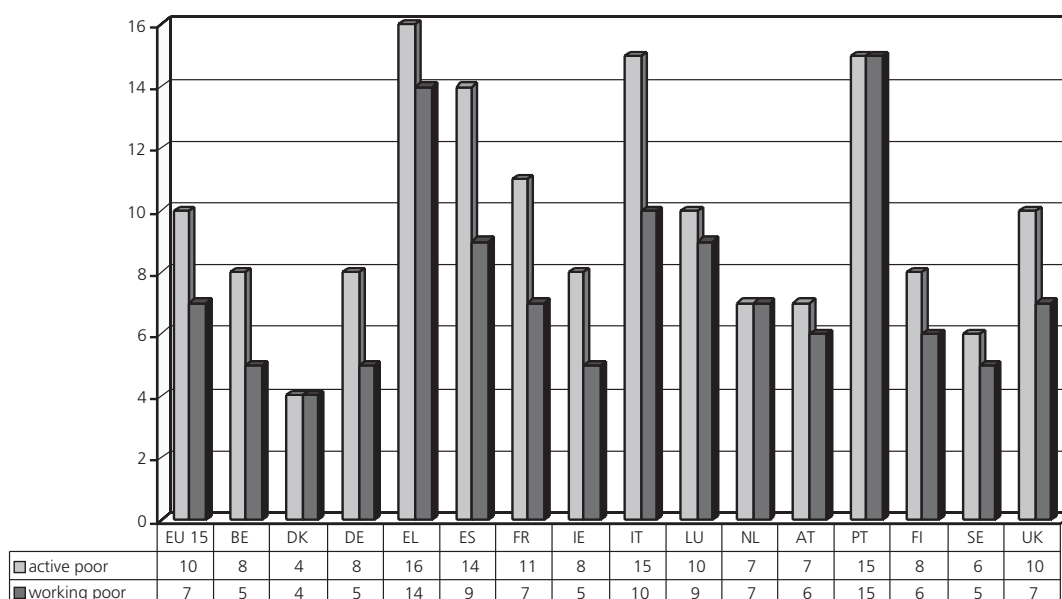
In 1999, in the EU, 6% of employed people were also poor. This represents about 7.8 million persons. Poverty among employed people is higher than the EU average in the southern countries (7%-10%) and also in France, Luxembourg and the UK. Poverty is less present than the EU average among employees in the Scandinavian countries and Austria, Belgium and Ireland (3%-4%). This picture is in accordance with the observed distribution of poverty in the EU countries, with the notable exception of Ireland, which combines a high level of global poverty with one of the lowest poverty rates for employees, and Luxembourg, where the reverse situation is observed.

14% of self-employed people in the EU were found to be under the poverty line in 1999. The lowest poverty rates among the self-employed are observed in Ireland, the UK, Luxembourg, Belgium and, particularly, in Germany where only 5% of self-employed people are poor. Portugal and Greece, Austria and France and, surprisingly, Sweden are the countries presenting higher poverty rates for the self-employed.

As expected, poverty rates are highest among unemployed people. In the EU, 39% of unemployed people were poor in 1999. Again, there is much variation between EU Member States: the Scandinavian countries have low rates of poverty among the unemployed, especially Denmark with only 7% of unemployed poor, and Austria and the Netherlands. In Belgium, France, Germany, Greece and Portugal, between 30 to 40% of unemployed people are poor. More than 40% of the unemployed are poor in Spain and Italy, Luxembourg, the UK and particularly Ireland where more than 50% of unemployed persons are poor. The pattern is similar to the global poverty rate, with the exception of Luxembourg and Germany where a very low rate of global poverty can be seen alongside a high presence of unemployed people who are poor.

Unfortunately, this breakdown only gives information on the employed, self-employed and unemployed poor, but not on the aggregated levels that constitute the active poor and working poor populations⁸.

Figure 3 At-risk-of-poverty rate by most frequent activity status: aggregated categories of active poor and working poor, 1999



Poverty threshold: 60% of household median equivalised income.

Sources: Eurostat New Chronos (ECHP 1999), LFS 1999, authors' estimates.

Active poor (working or searching work for at least six months in the previous year) represent 10% of the EU active population in 1999 (17.2 million people). The proportion of active poor ranges from 4% of the active population in Denmark to 16% in Greece. The percentages are higher in the Mediterranean countries (around 15%). France, Luxembourg and the UK lie around the EU average. The other countries are below the EU average (6% to 8%).

⁸ As the MFAS is expressed only through its different sub-groups (employed, self-employed, unemployed, retired, other inactive) it was insufficient to consider aggregated categories such as the active poor and the working poor. To reconstruct these categories, the results of the 1999 EU Labour Force Survey were used to assess respective sizes in terms of populations of these various categories. On this basis, an estimation was made of the missing aggregate categories of working poor and active poor. Due to the use of two different sources and measures of activity status, differences in observed percentages and related populations are possible only for results produced based on the ECHP.

Among working Europeans, either employed or self-employed, 7% are considered as working poor (working for at least six months in the previous year), totalling 10.9 million people. There is a similar dispersion as for the active poor with a proportion of working poor ranking from 4% in Denmark to 15% in Portugal. Greece and Portugal are the countries with the highest rates of working poor (around 15%), followed by Spain, Italy and Luxembourg at 9% to 10%. Austria, France, the Netherlands, the UK and Finland lie around the EU average. The working poor are less present in Denmark and Sweden, Belgium, Germany and Ireland (4% to 5%).

General trends can be observed that tend to correspond with the four 'clusters' of European Member States depicted in welfare-related studies (see Chapter 4), but there is also some variability and discrepancy between countries and various populations.

Southern countries observe higher general poverty rates in conjunction with higher proportions of active poor (14%-16%) and working poor (9%-15%), and consequently of employed poor, self-employed poor and unemployed poor. However, among the southern countries, Portugal and Greece differ from Spain and Italy. Even though southern countries have higher proportions of active poor, the proportion of working poor is significantly lower in Italy and Spain. The numbers for self-employed poor are also lower in these two countries. However, these two countries present higher proportions of unemployed poor than Greece or Portugal.

At the opposite end of the distribution scale, Scandinavian countries have lower global poverty rates and have low levels of active poor (4%-8%) and working poor (4%-7%). However, some differences can be observed between countries. The number of active poor is proportionally twice as high in Finland as in Denmark. The unemployed poor are more numerous in Finland than in the other Scandinavian countries, though the figure is still lower than the EU average. Sweden has one of the highest proportions of self-employed poor in the EU.

Between these extremes lie the majority of continental countries and the Anglo-Saxon countries with intermediate populations of active poor (7%-11%) and lower rates of working poor (5%-7%), except for Luxembourg. Nevertheless, Austria has one of the highest poverty rates for self-employed persons and Luxembourg presents higher poverty rates for both employed and unemployed. Luxembourg and Germany have higher proportions of unemployed poor compared with other continental countries. The main difference between continental and Anglo-Saxon countries seems to concern the proportion of unemployed poor, which is significantly higher in the Ireland and UK.

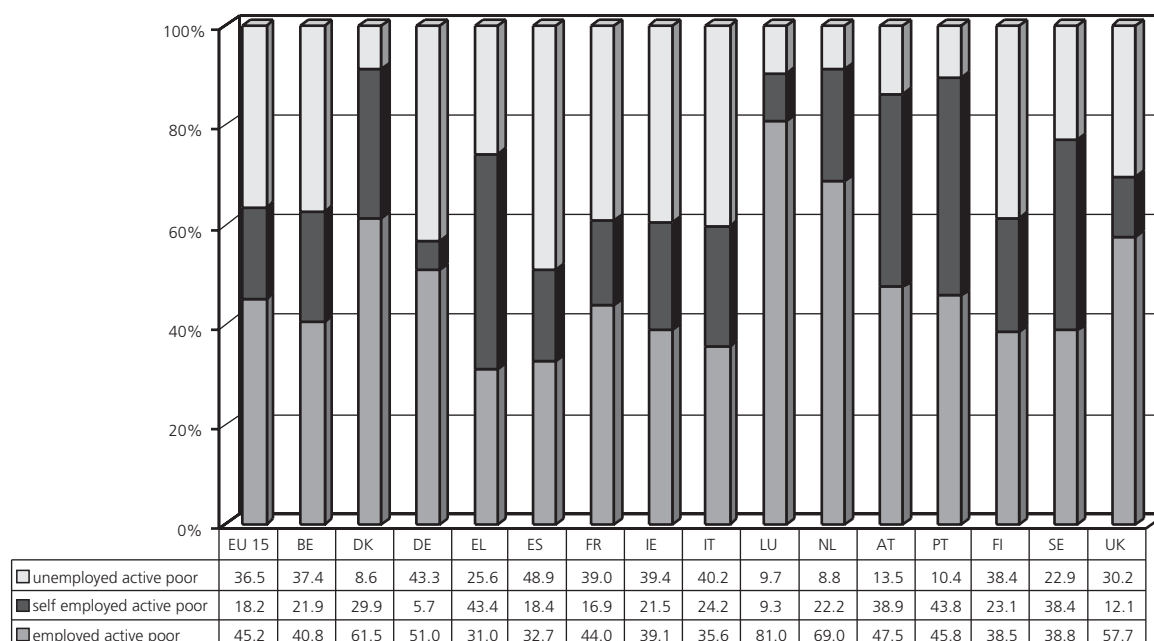
Make-up of the active poor population

At EU level, 63.5% of the active poor population is composed of working poor. In other words, two in three of the European active poor have worked at least six months in the previous year but did not avoid experiencing poverty.

A great variability is observed between countries. In Denmark, Netherlands, Austria, Luxembourg and Portugal, approximately 90% of the active poor are working poor. In the majority of the other countries, the working poor represent around two-thirds of the active poor population. However, this proportion rises to three in four in Sweden and Greece. In Germany and Spain, the working poor and the unemployed poor contribute equally to the composition of the active poor. These

differences could be explained by variations in the distribution of employed and self-employed populations among the working poor, combined with different intensities of unemployed poor.

Figure 4 Make-up of active poor population in the EU, 1999 (%)



Active poor: at least six months in the labour force, poverty threshold at 60% median income.

Among the working poor were found 7.8 million employed poor, corresponding to 6% of the employed population and 3.1 million persons of self-employed poor (14%). The unemployed poor (in unemployment at least six months) constitute 6.3 million, representing 39% of the EU unemployed population.

Employed poor are the main component of the active poor population (60%-80%) in the UK, Denmark, the Netherlands and especially Luxembourg (81%). They represent 40%-50% of the active poor in other countries, except in Greece and Italy where only a third of the active poor population is employed.

In Greece, Portugal, Austria and Sweden, the self-employed poor represent an important share of the active poor population (around 40%). But, while in Sweden and Portugal the weight of the employed poor and self-employed poor are more or less equal, in Greece the self-employed poor population is more numerous than the employed poor. Germany and Luxembourg have the lowest share of self-employed poor in the EU (around 5%).

There are also important variations between European countries concerning the share of unemployed poor in the active poor population. In a certain number of countries, the unemployed poor represent around 40% of the active poor population (Belgium, Germany, France, Spain, Italy, Ireland and Finland). In Greece and in Sweden one in five active poor are unemployed. This proportion falls to around 10% or lower in Denmark, Luxembourg, the Netherlands and Portugal.

Poverty rate and employment intensity

As mentioned earlier, the duration of stay in employment is also an important dimension affecting the relationship of an individual (but also an household), especially a poor one, to the labour market. The relationship between employment intensity and poverty needs to be considered.

Incidence of poverty among EU active population

Table 2 shows results extracted from the only comparative EU study where an attempt has been made to assess the relation between poverty and work intensity at the level of household (Breuil-Genier, 2001).

A preliminary remark concerning these results: the threshold of poverty used is at 50% of median income and thus they are not directly comparable with results of other sections of this report where a 60% median threshold is used.

Table 2 Poverty rate (50% of median income) according to intensity of employment, 1996

	BE	DK	DE	EL	ES	FR	IE	IT	UK
In the labour force at least six months (active poor)	8.8	2.7	8.0	10.5	11.4	5.5	5.5	13.7	5.5
Working at least one month (working poor)	6.6	2.6	6.6	9.5	7.7	4.2	3.3	9.5	4.2
of which:									
<i>working full year</i>	6.5	1.8	6.4	8.9	6.3	2.7	2.7	8.5	2.8
<i>alternating</i>									
<i>employment/unemployment</i>	n/a	7.1	8.9	14.4	13.2	13.9	7.3	20.0	14.9
<i>or activity / inactivity</i>									
Never employed (unemployed poor)	22.9	n/a	30.9	21.5	30.7	26.0	21.6	39.5	33.6
Out of or in the labour force less than six months (inactive poor)	14.8	11.2	13.2	17.3	10.9	12.1	11.8	15.2	16.3
Total poverty	11.8	6.0	10.5	13.8	11.1	8.4	8.6	14.6	10.2

ECHP, 1996 (1995 income and activity). Population aged 17 years old and more. Finland and Sweden excluded; the Dutch ECHP does not have a calendar of activity; insufficient observations for Luxembourg, Austria and Portugal.

Source: Breuil-Genier, 2001; Ponthieux, 2000.

Poverty among the active population, as estimated by a 50% median threshold, is clearly lower for individuals having the highest intensity of employment. In all EU countries, the poverty rates of those who have either worked a full year (from 1.8% of the employed population in Denmark to nearly 9% in Greece), or at least one month (from 2.6% in Denmark to 9.5% in Greece and Italy), or been in activity at least six months in the year (from 2.7% in Denmark to more than 10% in Spain, Greece and Italy), are always significantly lower than the global poverty rates for these countries. This is particularly the case in Denmark, France and also in the UK and in Ireland.

Conversely, those households where the intensity of employment has been lower show higher poverty rates. Where employment activity was non-existent (never employed) the poverty rates rose to levels two times and even three times higher (France, Germany, Italy, Ireland, Spain and UK) than the observed global poverty in all the other EU countries. It ranged from 21.5% of the unemployed in Greece to around 40% in Italy. Poverty rates of those individuals who have no employment activity are clearly higher than those of the inactive persons in all countries. Inactive persons have poverty rates higher than the average population in all EU countries, with the exception of Spain, which presents a slightly lower poverty rate. Those experiencing alternating

situations between employment and unemployment, or activity and inactivity, also have higher poverty rates than average, except in Germany and in Ireland.

This study highlights different subgroups which can be categorised through the more precise scale of work intensity of working poor outlined in the previous chapter:

- Active poor: those being in activity (working or searching for a job) for at least six months in the previous year.
- Working poor: those who have worked for at least one month in the previous year. These could be further differentiated into:
 - those who have worked continuously all year;
 - those who have experienced alternating periods of unemployment with employment and/or inactivity.
- Unemployed poor: those without any period of employment in the previous year.

As the above results show, the exposures to poverty for these different populations vary, indicating the importance of having such a breakdown variable when exploring the working poor issue.

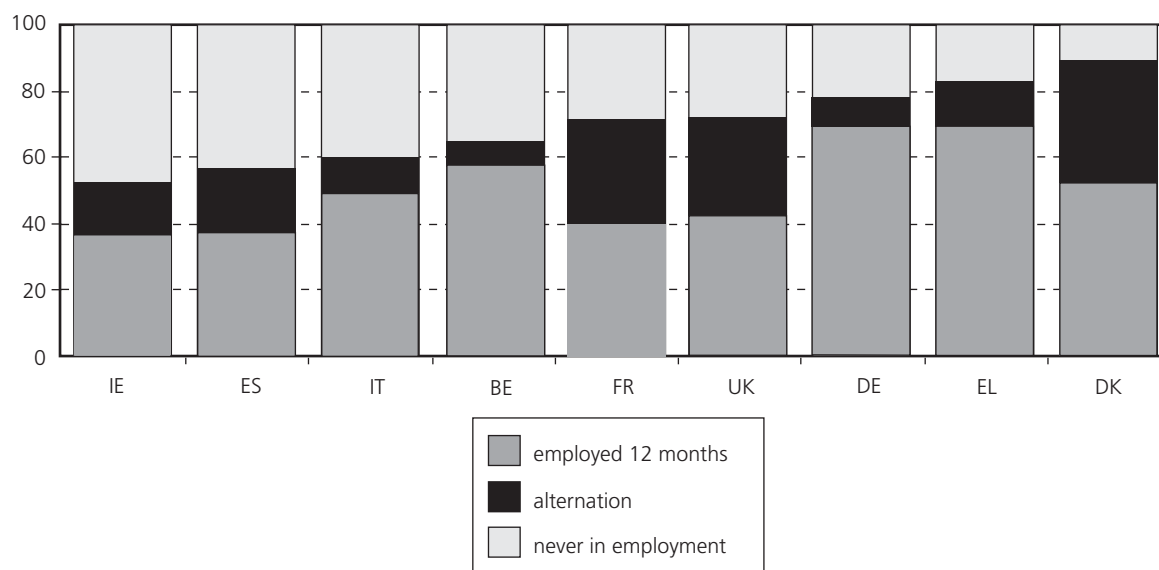
When considering only a population such as the active poor (six months in the labour force), one may suppose that this category will be mainly composed of unemployed people or those alternating between employment and unemployment. The introduction of a lower threshold to assess the employment intensity (at least one month), and therefore the working poor population, highlights additional and contrasting categories of working poor. Indeed, those in unemployment for a full year are particularly at risk of poverty. However, those that have been in full employment all year can also be working poor, though this is less likely.

It could be misleading to reduce the question of working poverty only to a lack of employment or an insufficient working intensity. It is true that, compared to the whole population, the proportion of poor full-time workers is relatively low (on average 5% for the nine countries in Table 2 above). Nevertheless, looking at the share of these sub-groups in the active poor population, the picture is different.

Active poor and employment intensity

The relative share of these sub-populations of the active poor varies substantially in EU countries (Figure 5).

Workers (full year and alternating) are clearly the major component of the active poor population in the EU, but with different intensities according to countries, ranging from 52% in Ireland to 89% in Denmark. The proportion of working poor who are continually in employment is the highest in Germany and Greece at approximately 70%. Nevertheless, approximately one out of two active poor in the other countries have been working all year. In Denmark (36%), France (31%) and the UK (29%), the working poor population who alternate between work and non-work are more numerous. These proportions are much lower in other countries, especially in Belgium and Germany.

Figure 5 Make-up of active poor population according to intensity of employment, 1996 (%)

Coverage: Individuals aged 17 and over in the labour force at least six months. Poverty threshold at 50% median income. European Community Household Panel:1995 calendar of activities and incomes.
 Source: Breuil-Genier, 2001.

More detailed information for France is available from another study. According to Lagarenne and Legendre, in 1997 one in two French active poor had been in employment for the full year, 26% were on full-time long-term contracts, and 9% were on part-time long-term contracts. The rest of the active poor are more or less equally distributed between persons in unemployment all year and those alternating in status. Among the group alternating in and out of work, the population is equally divided between those having 'employment dominant' and those having 'unemployment dominant' patterns, indicating that it is the process of alternating which is more significant than the occupied status (Lagarenne and Legendre, 2000).

More detailed scales could also be generated to assess the work intensity of a household in relation to its poverty rate. A broader five-level scale⁹ could, for instance, better distinguish the relative work intensities of households. The division of work intensity between only those having had less/more than six months of activity could be seen as too vague. The difference in terms of income (and therefore monetary poverty) could be important between those having occupied a job only one month or five months, or six months compared to 11 months. The possibility is open to construct more adequate scales of intensity depending on the objectives of the research.

An application at national level of a more detailed work intensity scale has been made in certain French studies based on the ECHP (Breuil-Genier, 2001) or a mix of national employment and fiscal surveys (Lagarenne and Legendre, 2000). In these publications, working poor are differentiated according to a presence in activity or employment of one month, three months, six

⁹ No activity, low activity (one to four months), medium activity (five to eight months), high intensity (nine to 11 months), full-time.

months and 12 months. Among those living in poor households¹⁰ and participating in the labour market (active poor), 55.5% have been in the labour market for a full year¹¹, 60% for at least six months, 62.3% for at least three months and 65.4% for at least one month; and 34.6% have never participated in the labour force.

The introduction of a scale of intensity of work could also be an interesting tool to combine the poverty and employment dimensions at the level of the household. This will better highlight individual and household trajectories in a longitudinal perspective. This is a perspective not based on simple transitions from one status to another, but on various intensity patterns of presence in the labour market across time, allowing for the dynamic analysis of categories such as the active poor or the working poor.

Household perspective

The previous chapter underlined the importance of linking employment and poverty at the level of the household. There are various ways of doing this. In a monetary approach of poverty, the main attention is focused on work-related earnings as being a major contribution to the household income and, therefore, its ability to have a sufficient level of income to avoid poverty. Factors affecting this relationship at the household level are mainly linked to the number of workers in the household, or through the intensity of work among members of the household. Other contributing factors are income-related labour market issues such as the incidence of low-paid work. The household characteristics in terms of size and composition are also significant and will be examined in Chapter 3.

'Work richness' of households

The presence of a second wage in the household is a significant factor for staying out of poverty. This argument is used to minimise the supposed effect of low wage work on poverty (Nolan, 2000).

The commonly agreed EU-level structural indicator concerning the proportion of persons living in jobless households¹² expresses the importance of linking the labour market and income situations of individuals at household level. Poverty here is associated with the absence of work in the household. For the EU as a whole, 12% of people living in eligible households were in jobless households in 2001; this figure drops to 9% if a reference age of 60 instead of 65 is used for defining the elderly. The EU percentage masks considerable variation between the Member States, with national figures ranging from 5% (3% with the 60-year threshold) in Portugal to 16% (13% for 0-60 years) in Belgium (Eurostat, 2003c).

The extent of time devoted to work by the household members is an important parameter, reflecting the possibility (or not) for the household to earn and accumulate a sufficient annual income to

¹⁰ Poverty threshold set at 60% median of monthly self-asserted income. The authors have used this concept of income instead of the annual disposable income in order to get a wider reference sample. Estimations of poverty are higher using this method.

¹¹ Another study shows that, among those French active poor in employment all year (45% in this study) a majority were employed on a full-time long-term contract (26%) or part-time long-term contract (9%). 22% of active poor are self-employed all year (Lagarenne and Legendre, 2000).

¹² Population in jobless households (persons aged 0-65 or 0-60): Persons living in households with no member in employment as a share of total population (excluding persons in households where all members are aged less than 18 years, or 18-24 years and in education, or 65 years and more and not working). Source: Labour Force Survey.

avoid poverty. However, the well-being of individuals depends not only on their own labour market position, but more broadly on their household's degree of contact with the world of work. Work richness of the household is estimated through the number of earners in the household. The more earners in the household, the lower the poverty rate (Förster, 2000).

There is a polarisation process of the employment market in European societies between 'work-rich' and 'work-poor' households. This could have a significant importance in explaining working poverty. In a study from the OECD area, Förster and Pellizzari highlight the rising polarisation of employment. The proportion of one-earner households has declined in the 1990s, while the proportion of two-earner households has risen. This process of polarisation concerns all European countries with the exception of the Scandinavian countries where it is less marked¹³ (Förster and Pellizzari, 2000).

A recent publication of the European Commission confirms the importance of the households' level of labour market participation in tackling poverty.

Table 3 At-risk-of-poverty rate according to number of earners in household, 1998

	EU 12	BE	DK	DE	EL	ES	FR	IE	IT	AT	PT	FI	UK
No earner	51	50	25	56	41	52	55	63	45	45	49	28	49
One earner	22	9	6	23	23	18	26	9	26	14	23	5	21
Two or more earners	5	2	3	3	12	6	5	3	4	6	13	3	7

Source: European Commission, 2002b.

In the majority of European countries, about 50% of households where none of the members are employed are poor. In Ireland, this proportion rises to two in three households. In Finland and Denmark, such households are substantially less exposed to poverty. Poverty is present in 22% of European one-earner households. Poverty seems to be clearly related to the number of members in employment and subsequently to the accumulation of their wages at household level. However, 5% of European poor households are still composed of active age members who are all in employment¹⁴. This proportion rises to more than twice that in Greece (12%) and Portugal (13%), countries where the greatest numbers of working poor have been observed.

A recent study by the OECD highlights the trends of poverty¹⁵ between the mid-1980s and mid-1990s according to the number of earners in the household. On average, for the 11 EU countries investigated in the study, poverty increased only slightly among households without earners (+0.16%) or with two earners (+0.25%) but more strongly for households with one earner (+2.74%). However, these averages hide very different trends at national level. The poverty rates of households with no earners have increased significantly in the Netherlands (+14.7%) and in Germany (+14.8%) and to a lesser extent in the UK, Finland, France and Italy (2%-6%). On the other hand, there has been a significant decrease in Sweden (-22.9%), Denmark (-12.8%) Austria (-5.8%) and Greece (-2.2%).

¹³ The diverging trend in the Nordic countries is probably due to their long tradition of dual-earner households.

¹⁴ Excluding one-person households with no children or dependent person.

¹⁵ As defined by a 50% median threshold.

The poverty rates of households with only one earner have increased in nearly all countries, but with an intensity ranging from 2.2% in France to 9% in the UK. A slight decrease is observed in Finland (-2.6%) and in Denmark (-0.7%). The poverty rate of households with two earners has fallen in almost all countries, albeit only very moderately (-1.6% to -0.1%); this could be interpreted rather as a stabilisation of the poverty. However, in Italy (+2.8%), the UK (+1.5%) and Greece (+1.4%), the poverty rates of these households has been increasing, which is of particular concern. Only in Denmark has poverty decreased across all of the household types. However, similar trends can be found in other Scandinavian countries and in Austria to a lesser extent (Förster and Pellizari, 2000).

Work-related income and household income

The observed polarisation of employment towards a generic model of households with two earners underlines the rising necessity of a second wage among European households in order to have a decent level of living. If maximising work-related income is a requisite for avoiding working poverty, this shows the vital contribution that earnings represent in the overall income of a household. Thus, another way of approaching work and poverty at the level of the household is to consider the relative share of work-related income in the total household income as a proxy of the work intensity of a household. The lower this share, the higher the risk of poverty. This perspective focuses on work mainly as a source of income and is coherent with a monetary approach of poverty. The Canadian National Council of Welfare uses this method to define working poor households (more than 50% of the poor household income must be constituted by wages or income from self-employment).

A number of studies have shown that poor people are more dependent on social protection transfers for the constitution of their income (Eurostat, 2000b; Layte and Whelan, 2002; Eurostat, 1999). A Eurostat study gives us an insight into the main income source by activity status (Eurostat, 2000b). The study shows that, in 1994, 95% of the non-poor population, either employed or self-employed, have salaries or self-employment income as the main source of income. For 82% of the poor¹⁶, their earnings are the main source of income of the household yet they are still poor, hence constituting the working poor group. There are no differences across Member States for the non-poor population but, for the working poor in Belgium, the Netherlands and Portugal, a lower proportion of the population relies on salaries, compared with the EU average. Italy has the highest percentage of working poor who rely on their salaries.

Unemployed poor rely much more on unemployment benefits as their main source of income (55%) than the rest of the unemployed population, for whom this proportion decreases to 22%. Substantial variation is observed among EU Member States. The unemployed poor depend more on social benefits (including unemployment benefits) as their main source of income in Ireland (90%), Belgium (85%), Denmark (85%), Luxembourg (81%) and the UK (81%) than in Italy (9%), Greece (10%) and Portugal (21%). However, a much larger proportion of non-poor unemployed people rely on salaries as the household's main income source in these three southern European countries, namely Greece (80%), Portugal (77%) and Italy (75%). Denmark is the only country in

¹⁶ In the study, the activity status is established according to the current activity status and not the most frequent activity status as used at the beginning of this chapter. Therefore, results are not strictly comparable.

the EU¹⁷ where a majority of the unemployed persons who are not poor look to social benefits as the main source of income (53%).

So, it can be seen that, for the working poor, even if the main source of income is provided by employment (82%), these earnings are not sufficient to avoid poverty for the household. French national studies indicate that 50% of the working poor in France are in full year employment (Lagarenne and Legendre, 2000; Breuil-Genier, 2001). Although their relative contribution to the household income is the same proportion as for non-poor active households, they are poor. This may be the result of their household structure and/or shortfall of work-related income, due for instance to employment in low-waged sectors of economy and/or on part-time contracts.

Dynamics of the working poor

This section considers the working poor with regard to a longitudinal perspective. It has been noted that various populations of working poor exist according to individual work intensity, ranging from those having at least one month of employment in the previous year to those working the full year, with an intermediate category of people alternating between work and non-work. But how does an individual move among these categories across time? A great deal of variability may occur in the factors explaining and affecting the transitions of individuals. They may be the result of a process of accumulated disadvantage that could have taken years to develop. For instance, more casual employment, unemployment (especially long term) and dissatisfaction with work, are factors leading to a situation of increased poverty and social exclusion of households and individuals (Gallie, 2002; Paugam, 2000).

Studies on poverty and social exclusion have highlighted the importance of considering these issues in a dynamic perspective, as the result of processes of progressive poverty and rupturing of social links (Castel, 1995; Paugam, 1997). This has encouraged the development of studies on the dynamics of poverty in the European Union, taking advantage of the availability of the longitudinal properties in the ECHP (Whelan, 2001; Whelan, 2000; Whelan, 2001; Otto, 2002). These studies indicate that transitions into poverty tend to be associated with decreases in income rather than changes in the demographic composition of households, as well as the existing narrow relationship between poverty, especially in its dynamic perspective, and characteristics of welfare systems (Layte, 2002; Layte, 2002). Nevertheless, the main contribution of the dynamic analysis of poverty is that it highlights a specific group of poor, representing a core of chronic or persistent poverty in Europe. This reflects the fact that a considerable proportion of poor in a given moment are also permanently poor in the time period.

The persistence of poverty in the EU could be illustrated through an indicator reflecting the share of the population living in a low-income household for an extended period of time. Persistent poverty is of particular policy concern, and among the EU agreed indicators on poverty used in the framework of the open method of coordination on poverty and social exclusion. The at-persistent-risk-of-poverty rate is defined as the share of persons with an equivalised disposable income below the risk-of-poverty threshold in the current year and in at least two of the preceding three years.

¹⁷ Finland and Sweden are excluded from this data.

The threshold is set at 60% of the national median equivalised disposable income. Table 4 presents the latest available results for the EU.

Table 4 At-persistent-risk-of-poverty rate, ECHP, 1999 (%)

BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU 15
8	5	6	13	11	9	12	11	8	5	7	14	5	:	11	8,9

Source: Eurostat, 2003a.

On average, 9% of the EU population was persistently at-risk-of-poverty in 1999, i.e. had an equivalised income below the 60% threshold in that year and also in at least two of the previous three years (1996-1998). This represents more than 30 million Europeans. A great variability is observed between EU countries. Persistent poverty is highest (11-14%) in the Mediterranean (especially Portugal and Greece) and Anglo-Saxon countries. In Scandinavian countries and in the Netherlands, Germany and Austria, there are fewer long-term poor in the population (around 5%). If the persistent poverty rate is linked to the current poverty rate, in 1999, at EU level, well over half the total number of people at risk of poverty were persistently at risk of poverty. This share was highest in Ireland and Portugal and lowest in Denmark, the Netherlands and Finland (Eurostat, 2003a). This highlights the fact that a significant proportion of the poor population remain in this situation long term. Could a similar group be found among the active/working poor? In other words, are there 'persistent working poor'?

Unfortunately, no study has been found for this review concerning an analysis of the working poor in a dynamic perspective at EU level. Nevertheless, national results based on the Breuil-Genier study (2001) are worth examining. This detailed study looks at the first four waves of the ECHP (1994 to 1997) for France. The scope of the study is the active poor population (six months of presence in the labour force).¹⁸

About one in two active poor (49%) in 1994 are still in the same situation in 1997, while 40% are still active but no longer poor, and 7% have become inactive poor in the same period. This indicates that a significant proportion of the active poor did not escape poverty in a short or even medium term.

The study first focuses on the transitions between activity and inactivity, highlighting trajectories followed by the active poor between 1994 and 1997. Individuals who stay continuously active poor across the four years are 'persistent active poor'. Approximately one third of those active poor in 1994 fall into this category and, among those still active poor in 1997, two thirds have followed this trajectory of four consecutive years of active poverty.

For those who escaped poverty and are still active in 1997 (active non-poor), the main trajectory is the succession of three consecutive years of an active non-poor situation. This represents 42% of all trajectories. Stability of employment plays a significant role in tackling poverty.

¹⁸ In order to ensure a sufficient sample, the authors have chosen to use a different definition of income for the household income. Poverty is here defined on the basis of the net monthly income as self-asserted by the head of household and not on the annual disposable income. This leads to an underestimation of the household income and consequently to a higher rate of poverty. The difference between poverty rates is estimated at 2% for France.

The distribution of the activity profiles, according to a more detailed activity status than those reviewed in the section on the MFAS, is presented in Table 5.

Table 5 Activity profiles of active poor and non-poor populations in 1994, France (%)

Activity profiles	Active poor	Active non-poor
Employed full-time	29	67
Employed part-time	13	9
Self-employed	17	9
Alternating periods	24	11
Never in employment	17	4
All	100	100
Employment all year	59	85

Scope: Active poor having spent at least six months in the labour force, poverty threshold at 60% median income, ECHP wave 1 (1994).

Source: Breuil-Genier, 2001.

The study shows that over a period of four years, there is not much movement in activity profiles. Two out of three active poor are still active poor in 1997. This is particularly true for those in continuous employment in 1994 and 1997 (75%), as well as for those unemployed all year in 1994 and 1997 (66%). Mobility between activity profiles over the time period, whether favourable or not, concerns only one in three of the active poor.

- *Employed full-time poor:* In 1994, 29% of the active poor are employed in a full-time job. Among them, 83% are still in the same status in 1997 and 77% have been in employment continuously during the four years, but are nevertheless still poor. This is clearly a situation where employment, even over a long-term period and on a full-time basis, is insufficient to escape poverty. This can be due to factors related to the characteristics of the job (low pay) and/or characteristics of the household.
- *Employed part-time poor:* In 1994, 17% of the active poor are employed part-time. Two in three are still in the same status in 1997 and 43% have remained in part-time work continuously over the time period. The proportion of part-time employed poor is lower than for full-time employed poor. But their situation at the end of the time period is less favourable, as a greater share of them are in an alternating status (14%) or unemployed all year (20%) in 1997.
- *Self-employed poor:* Among the 17% of self-employed poor in 1994, the majority are still self-employed and poor in 1997 (78%), 73% being continuously in self-employment across the period. 14% have become unemployed poor in 1997.
- *Alternating-work poor:* For the 24% of active poor characterised in 1994 by a profile of alternating between employment/activity and non-employment/activity, 41% are in full year employment but still poor in 1997, 29% remain in an alternating status, and 29% are unemployed for the full year in 1997.
- *Unemployed poor:* Only 15% of those unemployed all year in 1994 are in full-time employment but still poor four years later. Two in three (66%) of the unemployed poor in 1994 have experienced a full year of unemployment again in 1997, 58% have been continuously unemployed poor across the whole time period. This last category indicates the presence of a significant core of long-term and very-long-term unemployed people in this group.

This demonstrates the variety of possibilities within the active poor populations, which relates back to different issues according to the group considered. For instance, what explains the fact that three out of four active poor are in full-time employment all year across the four years, but are nevertheless still poor? This could be the effect of low wage employment or a situation of involuntary part-time work. It could also be related to household characteristics such as inactivity of the partner and/or size of the household. For those experiencing periods of alternating employment status or long-term unemployment, the question may be more related to labour market inclusion and discrimination issues.

In order to explore the complex interplay between the various elements that could influence the trajectories of active poor in the time period, the authors of the French study have used a probability model to assess the likelihood of moving out of poverty according to different factors (individual characteristics, initial level of living, activity profile, household type in terms of size, changes in activity). The results show that:

- individual characteristics have a limited effect on the probability of escaping active poverty, with the exception of nationality. Active poor who are non-nationals have a significantly lower probability of escaping poverty than French nationals;
- the initial standard of living of the household does not seem to have a significant influence;
- the initial profile of activity has no clear influence on the probability of escaping poverty, except for the profile of full year employed which has a positive impact;
- among household characteristics, it is the activity situation of the other partner that has the main impact. An inactive partner increases the risk of poverty for all couples, while the presence of a second active partner, especially among couples without children, significantly increases the probability of escaping poverty;
- concerning the effects of changes across time in the activity profile of the active poor and/or other members of its household, an improvement of the activity situation has obviously a positive impact on the probability of escaping poverty.

This illustrates the heterogeneity of the populations gathered under the labels of active poor and working poor, above all when considering the complexity of the combinations of these groups in a dynamic perspective. This dynamic approach also implies that special attention should be paid to the factors of change that have an influence on the trajectories of individuals in working poverty. These factors are not only related to the employment situation and the individual characteristics of the active poor, but also to changes concerning the other members of the household that are likely to affect the global income of the household and its relative situation in terms of poverty. The effects of factors such as employment and welfare policies could also have a significant effect, especially when considering an EU comparative perspective. These will be explored in more depth in the following chapters.

Main findings of Chapter 2

Based on the existing comparative studies, the incidence of the different subsets of active and working poor populations in the European Union is examined. This was first done through an individual approach, i.e. concerning the poverty of the workers as individuals. This was complemented by an analysis of the relative weight of these various populations. Second, factors of working poverty concerning the household level were explored, such as the 'work richness' of households and the contribution of work-related earnings to the household income. Finally, the dynamic process of working poverty (the longitudinal perspective) was highlighted, by means of a national study from France.

Using the EU indicator of 'at-risk-of-poverty rates' by the MFAS, the research found that in 1999 10% of the European active population could be classified as 'active poor' (working or searching for work for at least six months in the previous year), representing approximately 17.2 million persons. The 'working poor' (working at least six months in the previous year) comprised 10.9 million, representing 7% of the whole EU population, working either as employees or self-employed. Among the working poor, there were 7.8 million employees in the poor category, which corresponds to 6% of the total population of employees, and 3.1 million persons who are 'self-employed poor' (14%). There were 6.3 million 'unemployed poor' (unemployed for at least six months), representing 39% of the total EU unemployed population.

Factors contributing to working poverty

3

Do some individual, household or labour market characteristics that are known to increase the risk of being poor also have an impact on the composition of the working poor?

This report takes a multidimensional approach that highlights groups vulnerable to working poverty according to:

- low pay;
- household characteristics;
- quality of employment;
- individual characteristics.

It has already been observed that the working poor are a heterogeneous group. It is likely that there are different pathways to working poverty, although with common trends. Every young worker is not necessarily in any increased risk of working poverty, but this group as a whole faces an increased risk level in comparison with other age groups of workers. What will also become evident is the fact that these indicators of working poverty (individual, household and work characteristics) also form a cumulative effect. The more characteristics the individual fits under (be it the individual worker or the individual household), the more likely they are to be defined as 'working poor'.

Low pay

As income is a major factor in tackling monetary poverty, the extent of low wage employment practices could preclude or weaken the capacity of the household to gain sufficient income to avoid poverty.

The aim here is not to analyse the extent of low wage work in the EU. Numerous studies have been devoted to the question of low pay and wage inequalities, mainly in the economic context of productivity and labour factors ((Bazen, 1996; Bazen, 1998; Asplund, 1998; OECD, 1998; European Industrial Relations Observatory (EIRO), 2002). What is of concern is the relative overlap between a low wage individual and life in a poor household. Could the working poor phenomenon be explained by low-paid employment?

There is no commonly agreed definition of low pay. In order to establish a threshold isolating low-paid work, studies generally use the classic measures of inequality such as presence in the first, second or third deciles of the wage distribution, or reference to a percentage of mean or median earnings. Academic literature on low pay generally uses a low-pay threshold of earnings below two-thirds of the earnings level for all full-time workers¹⁹.

According to these sources, the incidence of low-paid work varies from 12.6% to 15.8% in the EU. It is of course dangerous to compare directly these different sources as they are calculated with some variations in the concepts that are used. But it can be seen, for instance, that among full-time

¹⁹ Low pay is expressed using hourly earnings. The use of a yearly or monthly reference period is adequate when focusing on poverty, as it reflects more directly the resources available for the household.

employees in the ECHP (more than 30 hours a week), 14.6% of full-time employees in the EU are in low-paid employment. This proportion rises to 15.8% for all employees (more than 15 hours a week), including part-time and temporary workers. The situation varies between countries when part-time work is included. This has significant consequences in Ireland and Denmark (+2.5%) and a slighter effect in other countries (+1%) but does not affect the distribution in southern countries and Finland. In Greece, the rate of low-paid workers is even lower when part-time workers are considered in the population (Jepsen, 2000).

Table 6 Low-paid employment according to various sources and measures, mid-1990s (%)

	OECD Full-time employees ¹	ECHP Full-time employees ²	ECHP All employed ³
BE	7.3	10.0	11.2
DK	5.6	8.6	11.0
DE	17.0	-	-
EL	-	15.9	15.5
ES	18.3	21.6	22.2
FR	14.9	14.5	15.7
IE	-	22.1	24.7
IT	6.1	8.8	9.0
LU	19.0	20.0	21.5
NL	14.6	-	-
AT	13.5	12.5	13.2
PT	16.9	16.5	16.6
FI	5.9	8.3	9.0
SE	5.3	-	-
UK	19.3	19.4	20.0
	EU 13: 12.6	EU 12: 14.8	EU 12: 15.8

¹ The concept of full-time workers varies between countries and national norms. Data 1995 for all countries except FI 1994, IT and AU 1996, NL 1997, SE 1998 and UK 1999 (OECD, 2001)

² Percentage of employees with hourly earnings below 2/3 of the median (1995). Full-time work defined as more than 30 hours a week. (Salverda, 2001)

³ Percentage of employees with hourly earnings below 2/3 of the median (1995). Working 15 hours or more. (Salverda, 2001)

Source: Peña-Casas, 2002.

For both populations, a country distribution can be observed that is similar to the distribution of the global poverty rate and the working poverty rate, but with a significant difference among the southern countries. While the Scandinavian countries, Italy and Belgium have relatively low levels of low-paid work (5%-10%), other countries have levels twice as high (Spain, Luxembourg, UK and Ireland). France and Portugal are in the EU average.

Low pay and the working poor

The interest in this report is the overlap of low wage work with the incidence of working poverty, an issue that has not been studied extensively. Generally, the conclusion has been that there is no evidence that low pay is a particular cause of poverty. The household situation, such as being a sole earner, either in a single-adult or two-adult household, is a determinant factor for the incidence

of poverty. (Nolan, 2000; OECD, 1998). Nevertheless, a study produced by Eurostat on the situation in the EU shows a different picture, where the risk of being poor when in a low wage situation is established (Marlier, 2000)²⁰.

Table 7 Working poor and low-paid workers, 1995 (%)

	Share of working poor ¹ among all employees	Share of low-wage workers ² among all employees	share of working poor among low wage workers	Share of low-wage workers among working poor
EU 13	8	15	20	37
BE	6	9	18	26
DK	4	7	13	21
DE	10	17	24	41
EL	9	17	27	52
ES	9	13	19	28
FR	7	13	21	38
IR	6	18	14	38
IT	10	10	25	27
LU	8	16	18	38
NL	7	16	15	33
AU	6	16	16	40
PT	5	16	18	21
UK	7	21	15	44

¹ 60% median equivalised income

² workers (working at least 15 hours per week) with monthly earnings below 60% of median earnings / ECHP 1996. Wages are net wages except for France. Social transfers are included in the calculation of total disposable income of the household on which poverty is measured. Finland and Sweden are not included (Marlier, 2000).

Low wage employees are considerably more likely than the total population of employees to be poor: some 20% of European low-wage employees are considered as poor (compared with a general rate of 8%). This is particularly true in Greece, Italy and Germany, while in Denmark and Ireland, low-wage workers are least likely to be poor. Nonetheless, 80% of low-paid workers are not poor (Marlier, 2000).

Indications from studies on low pay

While the incidence of low pay varies significantly across countries, it tends to be concentrated among the same workers and the same jobs. The incidence of low pay is much higher for unskilled workers, irrespective of age and gender, than for skilled workers.

The incidence [of low pay] among workers with less than an upper-secondary education is typically more than twice the average for all workers. In addition, the higher the earnings inequality in the country context, the higher the incidence in low-paid jobs (OECD, 1998).

²⁰ Among the factors for explaining differences between the studies, the fact that, in the study by Marlier and Ponthieux, the part-time population is included could be important (full-time workers only in OECD). Different poverty thresholds were used (60% median income vs. 50% mean income for Nolan and Marx, and OECD) as well as differences in the earnings measure (monthly vs hourly earnings). Also the data source is different (LIS for OECD, ECHP for Marlier and Ponthieux).

A high proportion of these poorly paid jobs are in the wholesale, retail and catering sectors, whereas such jobs are scarce in transportation and communications, and public administration. Being in a white-collar occupation is not a guarantee of a relatively high paid job. Sales workers and, in some countries, clerical workers face a higher risk of being employed in low-paid jobs than trades and craft workers. This has led to the debate of the rising 'new working class' (see for example Gallie, 1998; Crompton, 2000). On the other hand, very few managerial, technical and professional workers are in low-paid jobs. Workers in smaller firms also face a higher risk of low pay than those in larger firms (OECD, 1998).

It is also important to analyse if the precondition of low pay is permanent or temporary by nature. For many individuals, though not all, having a poorly paid job seems to be transitory.

When low-paid 'careers' are the focus, the proportion of workers who are always low-paid over a multi-year period is a natural incidence measure. For example, the share of workers who have experienced low-pay was about 16% in Germany and 30% in the US. The percentage who are continually low-paid was 2% and 8%, respectively (OECD, 1998).

The situation for women relates closely to overall developments in the labour market; especially so in the area of new job creation. One of the most extensive changes to have affected women has been the growth of the services sector. In many cases, the new jobs that are being created offer very specific employment conditions. Therefore, while job creation in itself can be seen as a positive development, it is imperative to keep in mind that the quality of this employment is not always very high, that it can be unprotected and underpaid (European Commission, 2003; Foundation, 2002a; Foundation, 2002b; Paoli, 2001; Cancedda, 2001). For example, Cancedda has illustrated that, in the area of household services (caring, catering, cleaning, etc) – a growing area of employment which is largely taken up by women – the risk of exposure to not only undeclared work and poor working conditions, but also to very low pay and undermining of qualifications, is common.

In the UK, for example, childcare work is among the worst paid occupations: the average weekly wage is £191, while the average for all occupations is £384. In France, only 7.1% of employees in household services earn more than FRF7,000 per month, which corresponds to the minimum wage. Among household employees, 52.7% declared an income of less than FRF 2,500, as did 27.9% of home helps. In Portugal, a home help earns between PTE 75,800 and 83,100 per month (minimum scale for a professional career); a day care assistant earns PTE 68,000-71,200. A domestic employee earns PTE 800 per hour (between 70,000 and 90,000 per month if she has fixed wages); and a child minder between PTE 20,000 and 30,000 per month. As a reference, paid employees' average net monthly earnings (main job) in Portugal is PTE 132,800 (102,400 in 'personal and protective services') (Cancedda, 2001).

Thus, it is necessary to assess the quality of the employment created. While cheap childcare (in the form of home helpers, for example) can help elevate households from a near to poverty situation by enabling the mothers to take up employment outside the home, in a wider scale, this does not reduce working poverty, since this provision often causes poverty for those who provide the household service. In nearly all cases, these providers of care are women, and many are immigrants.

In general, women are over-represented (77%) among low-wage employees, i.e. nearly twice the proportion of women among all employees (42%). This over-representation of women is found in

all Member States. It reaches 80% or more in Germany, the UK, the Netherlands and Austria. In Greece, on the other hand, women account for just over half those on low wages. This is perhaps due to the fact that, in Greece, the overall employment rate of women is rather low at 40.9%.

Table 8 Composition of low-wage employees and risk of low remuneration in the EU, breakdown by gender (%)

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	UK	EU 15
Composition (low wages) :														
% women	79	64	80	51	66	76	72	60	73	81	86	79	81	77
% men	21	36	20	49	34	24	28	40	27	19	14	21	19	23
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Risk (remuneration)														
For women	1.0	0.9	1.5	1.2	1.5	1.3	1.4	1.3	1.7	1.4	1.7	1.5	1.2	1.3
For men	1.0	1.0	0.7	0.9	0.8	0.8	0.7	0.8	0.6	0.8	0.5	0.6	0.8	0.7

Source: Eurostat, 2000a.

Although it does not explain everything, the distribution of part-time work is clearly one of the major factors in this over-representation of women among low-wage employees, since 24% of all women employees in the European Union work part time, compared with 2% of men. However, even when women do work full time, they are more likely to end up in low-paid work than men. Nevertheless, there are differences between countries:

In Japan, Switzerland, the UK and North America, over 30% of all women working full time are low-paid compared to less than 10% in Finland and Sweden (OECD, 1998).

It must be stressed that the fact that women often work part time does not provide a full explanation for their high percentage in the low-paid category. Women still earn on average 20% less than men for the same work (European Commission, 2003), and the European labour market is very gender segregated, both horizontally and vertically. Women are 1.3 times more likely to have a low rate of remuneration (see Table 8). This factor is most influential in Luxembourg and Austria (1.7). Denmark is the only country where women are slightly less likely than men (0.9 as against 1.0) to have a low rate of remuneration (Eurostat, 2000a). Other research suggests that employers systematically choose to employ women at lower wages than men, based on the assumption that their commitment to work is secondary to their commitment to home and the family (Francois, 2000).

Besides being female, individuals in the low-pay category can be defined as being low skilled, young, (old in some countries), and non-national. These same groups are also the ones at most risk of becoming or being unemployed (Esping-Andersen, 2000; Gallie, 2002). However, there are again significant differences between countries:

In the United States, nearly two-thirds of full-time employed young people are low-paid, whereas the same figure is one in five in Sweden. However, looking at all workers, the incidence of low pay for young people is highest in European countries (excluding Italy and the UK). Japan and, to a lesser extent, the UK are the only countries where the incidence of low-paid employment is significantly higher for older compared with prime-age workers (OECD, 1998).

Household characteristics

The key cause of poverty is most often the structure of the household. The polarisation of households into ‘work-poor’ and ‘work-rich’ is a central question in defining working poverty.

A recent publication gives an excellent comparative insight of this polarisation of employment between work-rich and work-poor couples, as is illustrated by Table 9 (Iacovou, 2003). The population scope is couples.

Table 9 Distribution of couples by number of earners, 1999 (%)

	Couples with two jobs	Couples with one job	Couples with no job
EU 14	59.0	36.4	4.5
AT	62.5	34.7	2.8
BE	68.4	26.7	4.9
DK	78.6	18.6	2.8
FI	75.6	21.2	3.2
FR	54.8	39.1	6.1
DE	55.8	40	4.2
EL	43.5	52.7	3.8
IE	48.8	44.3	6.9
IT	43.5	49.8	6.7
NL	54.4	42.5	3.1
PT	64	33.4	2.6
ES	38.4	55.5	6.1
SE	74.9	20.9	4.2
UK	63.2	30.6	6.2

Notes: Couples where the man is aged 25-55. Employment is defined as having a job for 15 hours a week or more. Data from 1999 ECHP.

Source: Table 1 in Iacovou, 2003.

In 1999, 59% of European couples include two earners, 36.4% are single earner couples and 4.5% of European couples are not working. A polarisation can be seen within the EU between Scandinavian and Mediterranean countries. Dual earner couples represent around three-quarters of total couples in Scandinavian countries, while this proportion falls to around 40% in Mediterranean countries, with the exception of Portugal. In between are found a group of countries comprising Austria, Belgium, Portugal and the UK where two in three active couples are dual earners. Southern countries have higher proportions of one-earner couples (approximately one in two active couples), while Scandinavian countries have the lowest proportions of one earner couples (around 20%).

While the EU population increased by 5% between 1980 and 1995, the number of households increased by 19% in the same period. Official figures show that the size of European households is dropping (by around 10-15% over the period 1980 and 1995) (European Environment Agency, 2001). Smaller households have a higher consumption per capita than large ones and are more at risk of poverty – even if the individual(s) work(s). By 1995, the average European household contained 2.5 people. This ranges from 2.2 in Sweden up to 4.0 in Ireland (Berthoud, 2002). These figures are expected to decrease further as the number of one-person households is expected to increase from 30% in 2000 to 36% by 2015. This growth in the number of ‘lean’ households can have serious implications for working poverty in the future.

More than the working poor workers are affected by poverty. All members of the household suffer (children, other dependants). Children growing up in single-parent households, poor households with numerous children, or jobless households are at greater risk of poverty and social exclusion. This is supported by evidence from the ECHP showing that households with two adults and three or more children and households with a single parent with at least one dependent child have the highest relative poverty rates of all household types, respectively 35% in 1996, and 40% in 1997. In most Member States, children (0-15 years of age) are at a greater risk of relative poverty than adults, their average EU relative poverty rate standing at 25% in 1997, compared with 13% for adults (25-49 years of age) (European Commission, 2002b). This is the case for all types of poor households – whether they are working or non-working. This worrying trend is increasing: the latest figures show that in many European Union countries child poverty is rising (Esping-Andersen, 2002). It is also known that inter-generational poverty patterns are hard to break, and that children of poor households (especially if the poverty is persistent) have a much higher incidence of remaining in a impoverished position even as adults.

Another central point to remember is that most research focusing on household incomes is based on the (rather optimistic) assumption that household resources are distributed evenly between household members. The idea that the household is an autonomous economic entity can be questioned, as illustrated by private transfers between family members living in different households (Attias-Donfut, 2000a; Attias-Donfut, 2000b; Kohli, 2000).

There are certain general characteristics of households that make them more vulnerable to poverty, such as:

- unemployment or under-employment, i.e. being a member of a ‘work-poor’ household;
- being a lone parent household;
- having many children living in the household;
- low educational level(s) among the adult(s) of the household;
- being a single-person household.

All the above characteristics seem to also apply to working poor households, although in some cases the correlation is not strong. As has been discussed earlier, the job richness of the household is a key but not the sole key determinant in keeping people out of poverty.

Finally, the definition of household used in European statistics, i.e. the adults and children under 18 years of age (or sometimes 14 or 16) residing in the same household, can possibly skew some results, as e.g. adult children still living at home are considered as their own household. In addition, the different weighting methods deployed for various types of households for the assessment of poverty levels can be questioned. The OECD modified equivalence scale is commonly used:

Household Member Weight:

Single adult 1.00

Second and subsequent adults 0.50

Each child 0.30²¹

²¹ A child is classified as someone under 14.

The choice of an equivalence scale naturally has direct implications for poverty assessments of households. Nonetheless, many equivalence scales remain insensitive to regional and country disparities.

Size and composition of the household

When looking at households that are in the labour market but still fall under a poverty line, one can see that the risk of this type of poverty is particularly high in certain household situations – for instance, where people live in single adult households or in two-adult households where there is only a single earner. However, there are marked differences between countries (see Box 1 on p. 40).

Marx and Verbist have shown that people who are employed and are living in a single household (i.e. by themselves) have relatively higher rates of poverty²²:

More than 10% of workers in single adult households are in poverty in Finland, Germany, the Netherlands, Norway and in Sweden (Marx and Verbist, 1998, cited in Gallie, 2002).

This implies that, for a single adult, it is more difficult to sustain an income that keeps one over the poverty line, even when employed. This is a significant finding, as one in three of contemporary households are single households.

24% of French poor employed households were single adult households and 15% of the non-poor households were single adult households. 33% of the poor households were households in which one of the partners did not participate in the labour market, compared with 10% of non-poor households. Over one quarter of the working poor are members of a working couple (Lagarenne and Legendre, 2000).

Analysing data from four countries – Denmark, Greece, Ireland and the Netherlands, Kosonen has noted:

In these countries, there is a general trend towards lower poverty rates in larger households. In all four countries, living alone and especially single parenthood (mostly women) creates a potential poverty risk. However, labour markets and welfare systems may help in diminishing this risk. It has been argued that good opportunities for women in these respects form the ‘critical yardstick of the welfare state’ (Borchorst and Larsen, 2000, cited in Kosonen, 2001).

Opportunities are seen in particular in the case of Danish single mothers, who due to high participation in the labour market and good family benefits are in a rather beneficial position. Countries with a female carer model, low female participation rates and modest family benefits have high rates of single parent household poverty, as in Ireland and Greece. The working poor are thus usually those living alone (Kosonen, 2001).²³

²² Defined as equivalised household income less than 50% of the mean.

²³ Kosonen bases his analysis on the ECHP third wave data (1995). In his analysis, poverty is defined as equivalence scaled individual income falling below 50% of the median. Sensitivity analysis has been conducted by looking at poverty levels if the line is set to 40% and 60% of the median.

It is evident that ‘lean’ households are at greater risk of poverty, i.e. have fewer adults to provide for them. In general, it can be said that leaner households (in terms of quantity of employable adults or in terms of skills to offer to employers) find it more difficult to obtain an income that keeps them above the poverty line. In addition, it is clear that being employed reduces but does not eliminate the risk of being a part of an impoverished household.

The risks of single parenting

The presence of children in the household is clearly a significant factor in increasing poverty in working households. Here, the intensity of work plays a role, as do the remuneration and the number of children.

Households headed by single parents (usually mothers) have a higher risk of poverty. The number of single parent households under the poverty line is three times higher than other types of households: 40% compared with 15% (European Commission, 2002b). Research has shown that single parent households are at a greater risk of overall marginalisation and poverty, and that even for the single parents who work, remaining out of poverty can often be a struggle (Gardberg-Morner, 2000; Esping-Andersen, 2002; Ruspini, 1998; European Commission, 2002b, Joint inclusion report, 2004).

However, work reduces the likelihood of poverty for single parents (see Table 10). The existence of the relevant institutional frameworks – namely childcare – is essential, even though in some southern European countries such as Italy, it is quite common that unofficial support networks, mostly other family members, attempt to compensate for the lack of sufficient public childcare. (Ruspini, 1998)

Table 10 Single parent (female) poverty, and the impact of social benefits and employment, mid-1990s (%)

	Poverty rate		Increase in poverty odds if mother does not work ¹	% poverty reduction by social transfers ²
	Mother works	Mother inactive		
BE	11	23	n.a.	n.a.
FR	13	45	7.6	-31.3
DE (former West)	33	62	2.3	-20.2
IT	25	79	4.6	-13.9
ES (1990)	24	24	3.3	-20.6
DK	10	34	7.8	-
FI	5	5	0	-38.2
SE	4	24	117.6	-49.9
UK	26	69	6.6	-36.4
US	39	73	4.6	-12.1

Source: Esping-Andersen, 2002. Estimations from LIS databases. Poverty rate 50% of median equivalent disposable income.

¹ Compared with mothers who work, holding number of children constant.

² % reduction of lone mother poverty (for all lone mothers) after taxes and transfers. Poverty is less than 50% of median equivalent disposable income.

Nonetheless, it should also be emphasised that households with children are also increasingly at risk of marginalisation, even when there are two (or more) adults in the household – and even when they are both working.

Research has shown that, for example in Finland, one in four of all households that received means-tested income assistance had children. It was also shown that two-earner families with children were more often at the poverty margin (if not below it) even though they worked more often and more extensively than other groups. This can perhaps be partly explained by a radical reduction in certain types of social transfers, but also by an increase in low-paid work and non-permanency (Kosunen, 1997; Salmi, 2001; Sauli, 2002).

In the Netherlands, households with two full-time workers and children have relatively high poverty rates (9.1%). This suggests, that in the Dutch labour market, it is difficult for parents to keep the family above the poverty line even if both are working on a full-time basis (Kosunen, 2001).

Relationship between low pay and household features

As already seen, low-wage employment plays a determinant but certainly non-exclusive role on the constitution of working poor. For two out of three low-wage workers, other resources from members of the household contribute to maintain the low-wage worker from poverty. According to an EIRO study, the factors preventing low-paid workers from becoming working poor are mainly: 1) a second (or more) wage earned by a partner or other household member; and 2) social transfers, notably housing benefits or childcare-related allowances, plus minimum income schemes in some countries. In certain southern countries, an important factor is a long tradition of inclusive families, with strong ties of solidarity between members (as in Spain and Greece), along with additional property income (as in Greece) or income from farming and similar additional activity in rural areas (as in Portugal) (European Industrial Relations Observatory, 2002).

Box 1 Working poor and household composition in 2001

Note: The data presented in the following box are extracted from a publication of the European Commission (2004). As they are the only published data concerning characteristics of working poor individuals and households in the EU, they are included here. Nevertheless, these data are not fully comparable to the data used in the report²⁴.

At EU level, working poor are clearly more frequently living in single-parent households (22%) or in households with children where (the) other working age adult(s) is/are not in paid employment (20%). More than one in five European households of these kind are working poor households (see table below). The presence of children in these households increases significantly the likelihood of working poverty. The existence of other working adults is a factor in avoiding poverty. However, 3% of European households where both partners are working are under the poverty line, this proportion rising to 5% if they have dependent children residing in the household.

²⁴ In addition to different reference years, these data are based on the definition of working poor as individuals living in poor households (poverty threshold set at 60% of median income) and having spent at least seven months in employment in the previous year (compared with six months for the data in the report).

Working poor, according to household and employment structure²⁵

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU 15
Living alone, no children	9	15	7	12	6	6	11	4	7	12	4	19	7	13	9	8
Living alone, one or more children	11	7	31	3*	34	15	9*	17	22	22	11	25	5	10	28	22
Living with other adults, not at work, no children	8	9	8	17	6	13	12	9	3	6	9	16	7	9	7	9
Living with other adults, not at work, one or more children	14	8	9	20	24	26	24	32	16	13	13	35	8	18	19	20
Living with other adults, some or all at work, no children	2	1	1	11	2	5	2	3	1	3	4	9	5	3	1	3
Living with other adults, some or all at work, one or more children	4	4	3	11	4	5	2	6	9	6	6	15	3	6	4	5

Source: ECHP / European Commission, 2004.

The intensity of these patterns varies significantly at country level for each of the household types.

Single households are more exposed to poverty in Portugal (19%), in Denmark (15%) and Sweden (13%) and to a lesser extent in Greece and the Netherlands (12%) and Ireland (11%). They are less subject to poverty in Austria and Italy (4%).

Single-parent households are particularly exposed to poverty in Spain (34%), Germany (31%), the UK (28%) and Portugal (25%). More than one in five of single-parent families is also a working poor family in Italy and Luxembourg (22%). In Austria, Ireland, and especially in Denmark, Finland and to a lesser extent Sweden, single parent households are better protected from poverty (around 10%). We notice that Greece, a country with a high level of working poverty, seems particularly successful in avoiding the problem for single parent families (3%).

Households where the other adult(s) is (are) not working are also particularly exposed to working poverty. This is particularly true in Greece (17%) and Portugal (16%), which shows the importance of a second wage in these countries. It is true also for France (13%) and Ireland (12%). In Spain (6%) and Luxembourg (3%), lower frequencies are encountered. The presence of children in the household increases the exposure to poverty of these single-waged households. 20% of all EU households that have children and live on only one wage are poor. In Portugal, the figure is as

²⁵ Work for the other members of the household is defined in the same way as for the observation unit (at least seven out of 12 months). Children are defined as dependent children, that is, individuals aged 0-15 and 16-24 if still inactive and living with at least one parent.

high as 35%; high rates can also be found in Italy (32%), France (26%), Spain and Ireland (24%). In Finland and Denmark at 8%, and Germany (9%), these households are better protected from poverty.

In **households where other adult(s) is (are) at work**, poverty is less likely. Nevertheless, working poor couples are more frequent in Greece (11%) and Portugal (9%) than in other countries. The presence of children heightens this situation in Portugal (15%) but not in Greece where there is no difference between the two groups.

Looking at the influence of the presence of children in working poor households (table below), it is possible to observe different trends in various European countries.

Impact of children in working poor households (2001)*

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU 15
Living alone	2	-8	24	-9	28	9	-2	13	15	10	7	6	-2	-3	19	14
Living with other adults, not at work	6	-1	1	3	18	13	12	23	13	7	4	19	1	9	12	11
Living with other adults, some or all at work	2	3	2	0	2	0	0	3	8	3	2	6	-2	3	3	2

* Absolute difference in working poor rates for households with children compared to those without children
Source: ECHP / European Commission, 2004 / authors' calculations.

At EU level, the impact of children is particularly marked for single parent households and one wage earner households. Their poverty rates are significantly higher than those of households without children (respectively +14% and +11%). Households with two earners and children are only slightly more exposed to poverty than those without children (+2%).

For single households, the 'negative' impact of children is more visible in Spain (+28%) and Germany (+24%) and to a lower but still large extent in the UK (+19%), Luxembourg (+15%) and Italy (+13%). In Scandinavian countries, the presence of children in the household is associated with a lower exposure to working poverty. This can probably be explained by various provisions related to social protection (affordable day care, targeted measures for single parent households, etc). The same reduction in exposure to poverty of single parent families can also be observed in Ireland and especially in Greece, where the difference is the most marked among all EU countries (-9%).

Looking at households with only one partner at work, a different picture emerges. With the exception of Denmark, in all EU countries, single earner households with children are more frequently poor than households without children, especially in Italy (+23%), Portugal (+19%) and Spain (+18%). Here again Greek working poor households with children are less exposed than other Mediterranean households (+3%). These households are also less exposed in Germany, Finland and Austria.

In households with two (or more) partners at work, the impact of the presence of children is clearly less significant (around 3%). It is higher, however, in Luxembourg (+8%) and Portugal (+6%). These households are less frequently poor in Finland (-2%), or there is no difference as is the case in Greece, France and Ireland.

Strengmann-Kuhn underlines two ways for a worker to become poor. The first is that the worker has a poverty wage²⁶ and poverty cannot be avoided either by the earnings of other household members or other income such as state transfers. In this case, the reason for poverty is low pay. The second path to poverty is that the worker himself or herself has a sufficient income, but falls below the poverty line because of the household composition. In this case, the reason for poverty is the household. Consequently, to assess the main cause of working poverty, the working poor²⁷ can be divided into those who have a poverty wage and those who do not. Results are presented in the table below²⁸.

Table 11 Causes of poverty among workers in the EU in 1996 (% of all working poor)

	DE	UK	DK	NL	AT	EL	FR	FI	LU	IT	IE	ES	PT	BE	EU 14
Household	57.5	58.9	62.4	67.9	71.9	79.3	80.4	83.5	85.0	87.7	89.1	89.2	90.4	93.7	73.3
Low pay	42.5	41.1	37.6	32.1	28.1	20.7	19.6	16.5	15.0	12.3	10.9	10.8	9.6	6.3	26.7

Source: Strengmann-Kuhn, 2002.

In all EU countries, it is the household context that is the predominant factor in explaining working poverty. In nine of the 14 EU countries investigated in this study, the poverty of 80-90% of the working poor is related to household factors (Strengmann-Kuhn, 2002).

However, in certain countries low pay is a significant reason in explaining poverty of workers, especially in Germany, UK and Denmark, where around 40% of the working poor are poor due to low individual wages. In the Netherlands, Austria and Greece, low pay accounts for the situation of around one in three working poor. Therefore, there is evidence that the household dimension is a vital dimension in explaining working poverty (Strengmann-Kuhn, 2002).

Quality of employment

Around 13% of those working in the EU are self-employed. Another 13% work on non-permanent contracts. Of those who are employed, 18% work on a part-time basis (European Commission, 2003).

Desmarez has analysed the relationship between new employment forms and social exclusion in six countries (Belgium, France, Italy, Portugal, Sweden, UK). In his opinion, it is not possible to establish a systematic and unequivocal link between forms of employment and income levels (wages, social protection) in any of these countries. For instance, part-time work, fixed-term contracts or 'para-subordination' (a hybrid self-employed waged position encountered in Italy) do not systematically lead to lower or higher risks of social exclusion. Simultaneously, a full-time open-ended job that is subject to normal conditions of pay is not necessarily without risk. If it is in a vulnerable sector, it can be high-risk (Desmarez, 2000).

²⁶ A 'poverty wage' is a wage which is not high enough to avoid poverty if the worker were living alone.

²⁷ Working poor are defined here as individuals belonging to poor households and that are currently in employment according to the ILO activity status, thus no reference is made to the previous year.

²⁸ These results are not comparable due to the use of the current activity status to assess employment and also a 50% median threshold.

Three common degradation factors in quality of employment can be identified:

1. Reduced working time (whether under the form of part-time work, or short-term contracts, with alternating periods of work and unemployment, i.e. a reduction of the volume of hours leading to a proportional reduction of social rights and direct or deferred earnings);
2. Degradation of the worker's status (new positions for wage earning work which have been developed in the last 20 years are degraded forms of traditional contracts of employment);
3. Low pay, in sectors such as hotels and catering, care services (health), textiles and clothing, etc. and in sectors not covered by collective agreements; low wages owing to shorter or irregular periods of work, or alternating between employment and unemployment, which can hit more vulnerable groups, such as women, ethnic minorities, young people, long-term unemployed people, etc.

Desmarez concludes that in countries where these factors affect a large part of the working population, various forms of irregular extra work can be found (Desmarez, 2000).

Thus, non-permanency, self-employment and part-time work should be viewed through an overall quality of work perspective, which reflects contemporary requirements of work, characteristics of the labour market and economic incentives.

The self-employed poor

As figures from the ECHP indicate, the self-employed are at increased risk of being working poor. This seems to suggest that, in some countries, self-employment does not act as a true alternative to employment, but rather as a form of 'semi-employment' in which individuals work but do not earn enough to keep the household above the poverty line.

However, a methodological caution is necessary when dealing with relative poverty measures of self-employment, as the sources tend to underestimate certain factors contributing to the income of the household (e.g. benefits in kind).

The under-reporting of income and possible under-reporting to the tax authorities can be some of the causes when it comes to the relatively low income of the self-employed in Sweden. It can therefore be assumed that the income from self-employment is underestimated (Jansson, 1998).

Research from Australia further suggests that average incomes are a very poor indicator of living standards for the self-employed. Using a new weighting expenditure variable, Bradbury has demonstrated that the true consumption capacity of the self-employed appears to be 34% higher than implied by their incomes (only 3% of this discrepancy appears to be due to income recording lags) (Bradbury, 1996).

It seems that for countries where an important proportion of the population is self-employed, or where benefits in kinds are frequent or the role of the informal economy is important, an approach based on an absolute poverty threshold derived from household consumptions may be more effective than one based only on income (Carvalho, 1997).

There are specific sectors of the economy, e.g. agriculture, in which the percentage of working poor self-employed is higher than average, with a high proportion of these living below the poverty line.

In Finland, farmers and entrepreneurs had poverty rates of 20% and 16% in 1971. Compared with other groups, they were still at a high risk of having low income in 1995, with 6% and 9% of such households having a disposable income below the poverty line²⁹ (Jäntti, 2000a).

In France, the self-employed poverty rate is 14%. 22% of the working poor are farmers (excluding mother's helps). Half of the self-employed poor work in agriculture. The self-employed make up one quarter of all the working poor. Poor self-employed women (one-third of the self-employed poor) are mainly mother's helps (61% of cases). They work part time in 40% of cases and in 70% of cases when they are mother's helps (Lagarenne and Legendre, 2000).

Approximately three out of four self-employed people are men. Research from the UK has shown that, while women choose self-employment to combine work and family (79% of the survey sample did so), only a marginal amount of men (14%) indicated this as the primary reason for becoming self-employed. While research results show that these self-employed mothers did gain in flexibility, it also showed that 62% of them worked on a part-time basis (under 30 hours a week) – a factor that naturally reflected upon their income level and the fringe benefits to which they had access. For self-employed men, the opposite was true as they worked on average remarkably long hours (over 48 hours a week) (Bell, 2003).

1999 ECHP data show that, in most countries, there are also differences between the genders when it comes to poverty among self-employed households (i.e. a household in which at least one of the members is self-employed), although there is hardly any difference at EU level. It can be seen that, in 10 out of 15 countries, households in which men are self-employed are more likely to be poor than households in which women are self-employed (Table 12). Perhaps one explanation is that it is still often the case that the male income is the main income in the household, and the female income (provided that there is one) acts rather as a supplementary income.

Table 12 % of self-employed that are below the poverty line (60% of median income) by gender and country, with gender index, 1999

	EU 15	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK
Men	14	15	15	6	24	18	18	10	17	9	17	29	25	14	24	11
Women	13	5	17 ^u	3	16	13	22	9	15	18 ^u	12	21	33	22	23	12
W/M	0.93	0.33		0.50	0.67	0.72	1.22	0.90	0.88		0.71	0.72	1.32	1.57	0.96	1.09

Source: Eurostat, New Chronos, ECHP 1999.

Self-employment can be divided into three main sub-categories: self-employed without employees, or own-account workers; self-employed with employees, or employers; and unpaid family workers (including helping spouses) (Jäntti, 2000; Lagarenne and Legendre, 2000; OECD, 2001a). There are also situations in which the status of the self-employed is not easy to identify (e.g. economically dependent workers) (see European Industrial Relations Observatory, 2002).

²⁹ defined as 50% of median equivalised income.

The people who work in a self-employed capacity in an unofficial manner are at particular risk. These can be individuals who self-report being self-employed but actually are unpaid family workers. These are, for example, workers (mainly women) who work – on an unofficial basis – in a family company or farm. Statistics show that, in many industrialised countries, this arrangement is especially common in the agricultural sector (19.6% of the workforce³⁰) but also appears in the non-agricultural sector (11.6% of the workforce³¹) (Blanchflower, 2000). As these individuals do not have a formally defined employment relation and are not formally paid, they face increased risk of marginalisation through lack of access to social benefits and pension funds, and if there are changes in the family composition (for example, through divorce). Thus, they can well be defined – at least at the individual level – as working poor.

In the Netherlands, one third of all new start-ups also have a (part-time) job. In total, 72% of all new start-ups have an income from a source other than their business. Usually, this additional income comes from the waged employment of the person starting-up or his/her partner. Of course, the extent to which their household income can be supplemented is a crucial factor for the self-employed when it comes to preventing the risk of poverty. Of all new start-ups, 43% indicate that their living is fully or largely dependent on the profit that their business generates. 37% of these have an income from their business that is sufficient to live on, a third have an income that is barely sufficient and one third have an income that is insufficient to live on (Le Blansch, 1999).

The relation between the extent of unemployment (or threat of unemployment) and levels of self-employment is not easy to analyse. It has been suggested that only a small proportion of inflows into self-employment come from unemployment – with the exceptions of Finland and Spain, and Germany during the period of rapid growth in self-employment since 1994 (where perhaps one in four of the newly self-employed were previously unemployed) (OECD, 2001a).

There seems to be some link between low employability and the take-up of self-employment, as the proportionally largest group of the self-employed is in many countries those with only the lowest level of education. This is the case also with immigrants who are usually faced with difficulty in penetrating the labour market, even if they are better educated. In some countries, the less educated form the largest part of the self-employed population (over 70% in Portugal, Spain and Greece); in other countries they are a minority (below 30% in Germany, the Netherlands and Austria) (Le Blansch, 1999).

There are some specific features to self-employment in Sweden. Non-Scandinavian immigrants, for example, have a higher self-employment rate in comparison to the native population, and they are at an increased risk of (re-)entry into unemployment than their comparative group (Hammarstedt, 2003).

Research on immigrant self-employed people in Sweden has also shown that ‘...entrepreneurship does not imply any positive change of existing labour market segmentation and segregation...’ (Abbasian, cited in Slavnic, 2002). According to Slavnic, this calls into question the political assumption, which is taken for granted: that immigrant small businesses contribute to the better integration of immigrants in Swedish society (Slavnic, 2002).

³⁰ These figures are based on OECD data and thus also include countries beyond the European Union.

³¹ Ibid.

Others have also criticised the romanticised picture of the immigrant entrepreneur as a hero in a Swedish multicultural economy. This view hides, according to Slavnic, quoting Habib, 'the sad social reality of discrimination in the labour market that forces immigrants to start their own businesses as the only alternative. As a result, we are witnessing the emergence of an impoverished class of immigrant entrepreneurs who in fact earn much less than those immigrants who have regular jobs' (Slavnic, 2002).

Finally, Slavnic also discusses Khosravi's studies of Iranian entrepreneurs in Stockholm (1995, 1999) which showed that high unemployment and discrimination in the labour market acted as a spur to many immigrants to seek self-employment. While this gained the immigrants more prestige among their co-patriots, it did little in the form of helping them to integrate into the mainstream society, and they 'remained at the margins of the host society, instead of being integrated into it, as suggested by the dominant discourse about immigrant small businesses' (Slavnic, 2002).

Thus, even though it is perhaps true that there is some discrepancy between the actual and reported income of self-employed individuals, it still seems to be the case that many struggle to earn a living, and that, in the long-term perspective, many self-employed people suffer in the form of lack of access to various benefits.

Part-time work

The link between part-time work and working poverty is not an automatic one: low-paid work performed on a full-time basis exists, as does well paid high quality part-time work. However, in most cases, part-time work pays less than full-time work (both on an hourly and monthly/yearly basis, as well as in the form of accumulated benefits etc.), and can thus contribute significantly to individuals becoming working poor.

18% of EU workers work part time, most of them being women. 33% of employed women work on a part-time basis, whereas the same figure for men is only 6% (European Commission, 2003). However, there are large differences between EU countries. In 2001, the range was from as high as 57% in the Netherlands to as low as 9% in Greece (OECD, 2002).

Table 5 on page 27 showed that 13% of the active poor in 1994 were part-timers. 43% of the employed part-time active poor in 1994 remained in that same employment situation over the studied four-year period.

Research shows that, in all European Union countries, part-timers lag behind in access to full social benefits and pension rights, and that they are often treated differently at the workplace than their full-time counterparts in terms of wages, access to training, promotion and decision-making (Fagan, 2002; Gallie, 2002; Goudswaard, 2002; Olgiati, 2002).

Gallie *et al* have shown that even when simultaneous controls for class, age and size of establishment and other controls were introduced, the part-time differential still existed in the UK. For instance, in semi- and non-skilled manual work, part-timers were earning on average £3.70 compared with the £5.33 for men full-timers and £4.14 for women full-timers. Furthermore, despite the rise in the skills of part-time workers, the data collected over a decade indicates little change in the pay position of these part-timers (Gallie, 1998).

Gregory *et al* have looked at the differences between women's part-time work in the US, UK, Germany, France and the Netherlands. Although men working part time experience a greater pay gap on average than women, the predominance of women in part-time work makes the pay disadvantage between full-time and part-time work of much wider significance to them. While the pay gap between men and women in full-time employment is narrowing, the pay gap between full-time and part-time employees appears to be widening. The part-time pay gap for women is widest in the US and the UK, and particularly narrow in the Netherlands. Not only are median earnings of part-time employees lower, the distribution at the lower end is much lower. At the bottom decile, the hourly earnings of part-timers are between 35% and 70% of full-time earnings. The median rate of pay for part-time workers is only marginally higher than the bottom decile rate for full-time employees. Therefore, the growth of female-dominated and relatively speaking poorly paid part-time employment accentuates the gender pay gap, even as women's progression in full-time employment is narrowing it (Gregory, 2001).

Using fixed effects estimation to control for all time-invariant individual attributes such as educational attainment, one find an average wage penalty of 6.6% on part-time status for adult women in the UK. This penalty is identified for the same women who have moved between full- and part-time statuses within the observation period. While a pay penalty for current part-time work may be regarded as a compensating differential, the striking feature of the regression results, from a dynamic perspective, is the differential return on part-time compared with full-time work. Each year of part-time employment adds 1.8% to earnings while a year of full-time employment adds 4.3%. Having worked part-time is significantly, and permanently, less valuable for a women's future earnings than a corresponding spell in full-time work. As part-time work becomes an increasing part of a woman's life-cycle, this lower return will continue to accentuate the pay gap (Gregory, 2001).

Non-permanent employment

10% of poor French workers are employed all year around on temporary contracts, and 20% of trainees in France are working poor. One-third of the working poor were only in wage-earning employment for a few months of the year surveyed (Lagarenne and Legendre, 2000).

Research has shown that the overall impact of any type of atypical work on an individual's income, perceptions of security, access to benefits and even to health is damaging – be this the result of shorter working times, changed employment patterns and/or low pay (Benach, 2002; Goudswaard, 2000; Nätti, 1995; Paoli, 2001). The uncertainty of continued employment and sufficient income casts a shadow on overall life planning, and contributes to a continued marginalised position within the labour market (Goudswaard, 2000; Goudswaard, 2002; Halleröd, 2001; Storrie, 2002; Gustafsson, 2000). It is hard for people to break the pattern of non-permanent employment, and the longer one works in some form of non-typical employment, the less likely one is to attain a permanent full-time job. This is contrary to the hypothesis that temporary jobs can be seen as stepping stones for individuals (Halleröd, 2001; Håkansson, 2001; Holmlund, 2002; Sutela, 2001).

However, other research has suggested that – at least in the UK – certain types of temporary work can indeed act as a stepping stone for entering into more secure positions within the labour market, although this is closely linked to the type of temporary work and to some individual characteristics (such as educational level). However, the same research also shows that having had a fixed-term

contract at some point of the work career inflicts a considerable wage penalty on the employee (12.3% for men and 8.8% for women) which takes many years to make up (Booth, 2000).

In addition, research from the United States shows that the growth in 'temping' is not only contributing to economic polarisation and labour market insecurity, but also leading to polarisation within the temping industry: those located at the top and the bottom of the industry receive very different treatment from the temporary agencies and customer companies (Peck, 1998). As discussed before, a similar trend can be identified within the European Union (Aronsson, 2000; Isaksson, 2001; McGinnity, 2002; Storrie, 2002). With very few exceptions (possibly some high-skilled workers who have a better ability to bargain for their case), temporary work clearly pays less – both in the short and long term perspective – and both in terms of money and in accumulated benefits, such as access to training in the company, access to certain social benefits etc. (Aronsson, 2000; Isaksson, 2001; McGinnity, 2002; Storrie, 2002; Håkansson, 2001; Goudswaard, 2002).

In Germany, a significant proportion of those on temporary contracts move into permanent jobs, often with the same employer, supporting the idea that temporary employment is a screening contract. However, for some, temporary employment leads to unemployment, particularly those with low levels of human capital. This seems to support the idea of a two-tier labour market for temporary employment in Germany. Considering pay, those working on a non-permanent contract are worse off than their permanent counterparts, although the differences are not as marked as might have been assumed. In Germany, those working in an apprenticeship face the lowest levels of income, not those working on non-permanent contracts (McGinnity, 2002).

Studies from Sweden (Håkansson, 2001), the UK (Gregg, 1995) and Finland (Sutela, 2001) suggest a rather pessimistic working life trajectory for non-permanent work: one non-permanent contract tends to beget another, with less chance to step into primary employment. Research from Sweden suggests that, at least in the Swedish labour market, more than two years' work in non-permanent employment contract(s) will decrease one's likelihood of establishing permanent employment and is more likely to lead to a marginalised position in the labour market in the future. However, this likelihood is much higher for those non-permanent employees who have lower levels of education than for those who have a higher level (Håkansson, 2001).

As discussed above, non-permanent employment relationships and poorly paid work – be it in the beginning of one's working career or later – are likely to have far-reaching implications for an individual's working and personal trajectories.

There is evidence that the monthly wages of those working on non-permanent contracts are lower than those working on permanent contracts, even when educational level is controlled for. This is partly due to the fact that alternating between employment and unemployment spells is more frequent for those working on non-permanent contracts (Halleröd, 2001; Håkansson, 2001; Booth, 2000; Kauhanen, 2002; Storrie, 2002).

In Finland, non-permanent workers tend to lose out on time-related benefits such as holiday pay, with contracts being drawn up to come to an end just before the entitlement would have begun (Lehto and Sutela, 1999). Temporary agency workers in particular also tend to have less access to bonus and overtime payments – in many sectors, these form a significant enhancement of wages.

As far as statutory social security rights are concerned, many temporary agency workers are at a disadvantage as these are tied to a minimum length of employment relationship and to minimum wages (Kauhanen, 2002).

Previous research also suggests that atypical employment relationships – just as unemployment – accumulate in the context of a household; i.e. if one of the partners in the household (assuming that there are two partners) works on an atypical employment contract, the other one has an increased likelihood of doing so (Jäntti, 2000a). This suggests that these types of households face increased risk of marginalisation or poverty, as the total income of the household remains relatively low, especially if one of the partners becomes unemployed and the one remaining in the labour market continues to work in an atypical manner.

Box 2 Working poor, part-time work and non-permanent employment in 2001

Note: The data presented in the following box are extracted from a publication of the European Commission (2004). As they are the only published data concerning characteristics of working poor individuals and households in the EU, they are included here. Nevertheless, these data are not fully comparable to the data used in the report³².

Working Poor (wage employees) by working time and type of contracts (2001)

	BE	DK	DE	EL	ES	FR	IE	IT	LU	AT	PT	FI	UK	EU 13
Part-time employment*	7	8	9	16	11	6	12	9		3	20	18	11	10
Full-time employment	3	2	3	5	6	5	4	7	8	3	6	3	3	5
Permanent contract	3	2	3	4	5	5	4	6	8	3	6	3	4	4
Temporary contract	7	9	8	10	9	9	8	18	7	3	12	8	8	10

* working fewer than 30 hours per week

Source: ECHP / European Commission, 2004.

As can be expected, the working poor are more frequently part-time workers in all EU countries (10%). This is the case especially in Greece and Portugal, the countries where working poverty is most frequent. However, Finland also has a high rate of working poverty among part-timers. In Austria and France, there are only slight differences between working poor who work part or full time.

Working poverty is also most frequent for employees with temporary contracts in all EU countries, particularly in Italy. In Austria and Luxembourg, there is little difference between temporary and permanent workers³³.

³² In addition to different reference years, these data are based on the definition of working poor as individuals living in poor households (poverty threshold set at 60% of median income) and having spent at least seven months in employment in the previous year (compared with six months for the data in the report).

³³ Although, for these two countries the sample size in the ECHP combined with the high level of disaggregation reached here should urge caution in considering this result.

Gender and other individual characteristics

Gender

The table below shows that – perhaps surprisingly – at the EU level women and men face the same likelihood of being working poor. This means that, as there are more men working than women, there are more men who are working poor than women.

Table 13 At-risk-of-poverty rate for the employed, by gender and gender index, 1999

	EU 15	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK
Men	6	4	2	5	7	8	7	5	10	9	5	4	9	3	2	6
Women	6	4	4	6	12	7	5	3	5	9	6	5	11	4	4	8
W/M	1	1	2	1.2	1.7	0.9	0.7	0.6	0.5	1	1.2	1.3	1.2	1.3	2	1.3

Source: Eurostat, New Chronos, ECHP 1999

However, in nine countries out of 15, there is a higher likelihood of employed women being a member of a poor household compared with their male equivalents: in Denmark, Germany, Greece, the Netherlands, Austria, Portugal, Finland, Sweden and UK the gender index is higher than one. In Spain, France, Ireland and Italy, employed men's households are more likely to fall under the poverty line. In Belgium and Luxembourg, there is no gender difference. Naturally, the gender index is sensitive to many general features of the country's labour market, such as the overall female participation rate, the relative extent of part-time employment, the female wage as a supplementary wage, etc. Furthermore, it is likely that household characteristics play a significant role.

Reasons for disadvantaged position of women

The routes to women's marginalisation within the labour market are due to several factors, of which the most important can be seen to be:

- amount of and length of breaks during the working career (e.g. relating to having children);
- type of employment, part-time or full-time;
- overall quality of work and pay from work;
- individual characteristics such as educational level;
- household characteristics such as being a lone parent;
- institutional framework, i.e. type of welfare state.

Analysis on the overall lifelong participation in paid employment shows that women are more likely to be non-employed at some phase of their working life, and, when working, they are more likely to work part time and in sectors with relatively low pay. Women's career breaks and prolonged leave cause substantial difficulties in (re-)entry into the labour market, as well as a reduction in social protection and retirement benefits. For many employers, there still seems to be an uncertainty attached to hiring women – and this uncertainty transfers to pay. Research has suggested that this uncertainty is based on what can be called the 'household interaction effect' in which the employers assume that men are better workers as they are less tied to household tasks and services – and 'reward' this with better pay (Francois, 2000). Gallie has shown that being a housewife at some point of one's potential working life significantly increases the likelihood of unemployment and that, if breaks in employment do not induce unemployment, they are at least likely to produce a marginalised working career (Gallie, 1998; Gallie, 2002).

So, women are undoubtedly at a disadvantage when it comes to income in a lifetime perspective. However, there are large differences in the level of this disadvantage between countries and also between different groups of women. The role of education is crucial.

Within the EU, mothers without vocational training tend to have serious problems finding continuous employment, while the employment situation of mothers with higher education does not differ radically from men in the same age groups, although they do work shorter hours on average (Gallie, 1998; Gallie, 2002; Rubery, 1999).

Distribution of wealth within the household

It is also important to remember that reviewing overall household income might skew the picture, as even though there may be two providers of household income, this does not necessarily mean that the income is divided equally between the partners (Björnberg, 2003; Halleröd, 1997; Gustafsson, 1999; Gustafsson, 2000). There can be a hidden group of individuals (most of whom are women) who could well be classified as working poor but this does not show in the statistics because the overall income level of the household is sufficient.

In relation to working poverty, some specific issues must be examined. The report has already discussed low pay and part-time work and their specific gender relevance. These are extremely relevant indicators in defining working women's poverty, having consequences not only at individual level but also at household level. Looking at differences of incomes between female and male-headed households will help to reveal whether women can maintain households autonomously, or whether there are penalties to living without a male income (Rake, 2002).

Rake and Daly have shown that female-headed households do suffer an income penalty in all countries. For example, the income measured for seven countries reveals that the female-headed households experience a gender gap in earnings in comparison to the male-headed households. On average, female-headed households earn 9%-27% less than their male counterparts. The situation is worst in the US (27%), followed by the UK (26%), Sweden (14%), France (12%), the Netherlands (11%), Germany (10%) and Italy (9%). Rake and Daly have also analysed the resource balance of women – both mothers and non-mothers – living in a relationship (Rake, 2002).

Finally, Rake and Daly show that the concentration of resources in male hands emerges very strongly. On average, the percentage of total household income not under women's direct control ranges from 62.2% in Sweden to 78.6% in Italy. The percentage of women with less than 10% of the total family resources in their own name ranges from 3.7% in Sweden (which is a very low figure in comparison to the other countries) to 50.6% in Italy. Figures for the other five countries are between 25% and 28%. These figures reveal that women continue to depend on the family, and their male partners in particular, for resources (Rake, 2002). This difference in disposable income also extends into retirement. Casey and Yamada have shown that not only are retired women's incomes much lower than their male counterparts', but that they are also much more dependent on their partners' income (and the partners' willingness to share it) (Casey, 2002).

Education

Figures from Eurostat show that the skills content in employment in the EU is rising for all age groups. Currently, the highly skilled represent 24% of employed people, while the low skilled

represent 29%. However, these figures hide strong differences between sectors and regions; country differences are also marked (European Commission, 2003).

On the other hand, there is evidence that, for those who are low qualified, the likelihood of marginalisation has increased. Analysis on early school leavers (18-24 years of age) shows that in the year 2000, 18.5% of people left school early, and men were slightly over-represented in comparison to women (20.7% versus 16.4%). Although these figures have been steadily dropping in recent years – the overall EU figure for early school leavers was 21.3% in 1995 – it still means that nearly one in five of those leaving school will face an increased risk of marginalisation (European Commission, 2002b). It is evident that a lack of basic skills and qualifications is a major barrier to inclusion in society; this becomes even more the case in a society based increasingly on accumulation of knowledge (European Commission, 2003; Gallie, 1998; Gallie, 2002).

It is difficult to draw direct conclusions, but there seems to be a clear link between low educational levels (and consequently, low pay) and poverty, although it is not as strong as the link between unemployment and poverty (see Box 3 on p. 55).

In France, the working poor are generally not educated to a very high level: 46% did not have leaving qualifications or just the primary leaving certificate (CEP). This compares with a figure of 25% among the non-poor (Lagarenne and Legendre, 2000).

However, there are also differences in positions of low-skilled workers in different countries, although in no country is their position particularly good (see Box 3 on p. 55). Research suggests that the overall position as measured by the product of wages and the employment chances of low-skilled workers relative to median workers is better in continental European countries than Anglo-Saxon countries (Mühlau, 2001).

Data show that, for those with low skills, it is not easy to ‘move up the ladder’. Workers with low education levels and little or no formal qualifications are more likely to be exposed to flexible employment types and poor income, as well as periodic unemployment spells. Time-series data also confirm that the employment probabilities of the low skilled have deteriorated in many countries, especially among adult men (OECD, 1997).

Less educated workers typically experience much higher unemployment rates than more educated workers. Among prime age workers (25 to 54 years old) with less than upper secondary education, unemployment rates range from 20% or more in Finland, Ireland and Spain to around 5% or less in Austria, New Zealand and Switzerland (OECD, 1997).

Even when these less educated individuals manage to stay employed, they find it more difficult to be promoted or to upgrade their skills. As a result, over time, they are likely to suffer an accumulating skills deficit, given the rapid upgrading of skills in the rest of the workforce (Gallie, 2002). Gallie has also shown that occupational class and job tenure are closely tied together, and that those with lower education are more likely to experience unemployment spells.

In the UK, 31.8% of ethnic minorities have no qualifications. These individuals are in a very different situation to their skilled and higher qualified peers. It is not possible to generalise about

the disadvantages experienced by different members of the same minority. However, the disadvantages are substantially larger if the minority group member is unqualified. (Heath, 2000)

Age

Much evidence exists to prove that those [French] workers at the beginning or end of their working life are at increased risk of marginalisation within the labour market. Therefore, it is to be expected that they also have an increased likelihood of being working poor (Lagarenne and Legendre, 2000).

Firstly, this section will consider the situation for young workers. Young workers have less working experience and thus less bargaining capital in the labour market. Indeed, for many, there is a transition period after finishing school in which they are either unemployed and/or experience flexible employment types – at least at the beginning of their working career (European Commission, 2003; European Commission, 2002b; Halleröd, 2001; Goudswaard, 2002; Gallie, 1998; Gallie, 2002; Storrie, 2002; Joint Inclusion Report, 2004).

60% of the French working poor were under 25 years of age in 2000 (Lagarenne and Legendre, 2000). It thus seems evident that the transition from school to work has to be identified as a high-risk moment for poorly educated young people in particular, and that success in integrating into high quality employment at this stage has far-reaching consequences for individuals' working lives and lives in general (European Commission, 2002b; see Box 3 on facing page). Nevertheless, even if individuals belonging to this age group manage to integrate into the labour market, it is significant in which capacity they do this. Young workers are more exposed to low pay in all countries, and there is further evidence that, within this group of young workers, some are in a more precarious situation than others. These include workers with low educational levels and from ethnic minorities (Gallie, 1998; Berthoud, 1998; Buchel, 2002).

As far as older workers (55-64) are concerned, fewer than 40% are still in paid employment, and there are marked differences between men and women: nearly 50% of men compared with 30% of women are still in employment at this age (European Commission, 2003; Myles, 2002). While there is some evidence that some of this exit from the labour market is involuntary, there seems also to be a substantial group that chooses to (and can afford to) retire earlier.

The disadvantage that women experience over their working career also has consequences for their later life. As women generally live longer than men and have more fragmented work histories than men, potentially more women can expect to be faced with insufficient pension incomes at this point of their lives. European data already indicate that the percentage of older women (65+) living under the relative poverty rate is significantly higher than men (22% vs. 15%) (European Commission, 2003; Myles, 2002). The foreseen changes in the national pension systems will pose threats of poverty for some very specific groups, namely older women who live alone, and in many countries this may well lead to situations where these women cannot afford to retire. For example, in Greece, the stricter eligibility conditions for the early retirement of women introduced in the 1990s should almost certainly increase the participation rate of older women in the near future (Katsimi, 2000). These types of developments will lead in many countries to a transition process in which older people (especially women) will have to seek to work later on in life simply because they have no alternative than to continue to work.

Policy initiatives emphasising retirement opportunities typically emphasise policies that equalise labour market opportunities (Myles, 2002). However, for many women, labour market opportunities have been (and are) limited throughout their lifetime, especially if they have to care for children and dependents.

Other studies, using household based data (for example, Yamada 2002), have pointed out that in some countries – notably Italy, Japan and the United States – a substantial proportion of the income from which older people benefit is income from labour: as much as 30%. However, without the identification of who actually earns this labour income, it is hard to know whether it has been generated by the older people themselves or by adult children who are living with them. In Italy, in particular, it is suggested that the income to the household comes rather from working children living with their elderly parent(s) than from the elderly person(s) themselves (Casey, 2002).

From the age of 65, only a small percentage of people are at work (or more generally, economically active) in the EU as a whole. Exceptions are Portugal (14%), Ireland (11%) and Greece (10%) (Bierings, 2000). Smeeding has shown that, within the age category over 65, it is the wealthy who continue to work, while poorer people rely more heavily on social transfers (Smeeding, 2001).

Box 3 Age and education of the working poor in 2001

Note: The data presented in the following box are extracted from a publication of the European Commission (2004). As they are the only published data concerning characteristics of working poor individuals and households in the EU, they are included here. Nevertheless, these data are not fully comparable to the data used in the report³⁴.

In an ideal high quality employment model, similar to the one promoted through the Lisbon Strategy, the numbers of working poor should decrease with age, as employment is supposed to ensure a progression through a work career, notably in terms of human capital accumulation (skills and lifelong learning), leading to increased productivity rewarded by a (constant) wage progression. Working poverty should thus be higher among young workers, as they have only recently entered the labour market and are more likely to have low (or minimum) wage levels. Working poverty is also expected to be higher among low qualified workers: education and qualifications can generally be seen as a safety valve against poverty.

Influence of age

The data presented in the table below challenge this view. Among EU countries, the trend that poverty prevails most among young workers can only be observed in three countries³⁵: Denmark, the Netherlands and Luxembourg. On the contrary, in some Member States, working poverty increases with age (Ireland, Italy, Austria and Portugal) and in other countries, there is no difference between mid-age and older workers (Spain and France). In the remaining countries, mid-age workers are less exposed (Belgium, Germany, Greece, Finland and UK).

³⁴ In addition to different reference years, these data are based on the definition of working poor as individuals living in poor households (poverty threshold set at 60% of median income) and having spent at least seven months in employment in the previous year (compared with six months for the data in the report).

³⁵ Sweden is probably also in this group of countries, although the absence of data for young Swedish workers impedes a certainty of this.

Working poor by age group (2001)

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU 15
16 to 24 years	8	18	10	13	6	10	2	9	16	20	5	10	15		11	10
25 to 54 years	4	3	4	11	10	8	7	10	8	7	6	11	5	6	6	7
55 years and over	5	1	5	21	10	8	13	14	5	3	8	21	7	4	7	9

Source: ECHP / European Commission, 2004, Joint Inclusion Report, 2003

Where working poverty decreases with age (Denmark, Netherlands, Luxembourg), the younger workers are more frequently poor (around 20%). This is also observed to a lesser extent in Finland, the UK, Germany, Belgium and France. Older workers are particularly at risk in Greece (21%) and Portugal (21%), countries with the highest incidence of overall working poverty in Europe. Older workers are also the age group more at risk in Italy (14%) and Ireland (13%).

Influence of educational level

As mentioned above, working poverty is expected to be more prominent among low educated/skilled workers. The table below indicates that this pattern is evident in all EU countries.

Working poor by education level (2001)*

	BE	DK	DE	EL	ES	FR	IE	IT	LU	NL	AT	PT	FI	SE	UK	EU 15
Low	6	4	9	23	16	11	12	16	16	8	8	16	8	8	10	12
Medium	5	4	4	9	6	6	6	5	5	:	5	3	7	6	7	5
High	2	3	2	1	3	3	3	5	1	6	7	1	3	7	4	3

* Low=ISCED 0-2; Medium=ISCED 3; High=ISCED 4 and over.

Source: ECHP / European Commission, 2004, Joint Inclusion Report, 2003

Low educated workers are obviously much more exposed to being or becoming working poor than their more educated counterparts. 12% of low qualified workers within the EU are working poor, where this proportion is only 3% among highly educated workers. Working poverty decreases significantly when the level of education increases in most EU countries. This difference is particularly marked in Mediterranean countries, Luxemburg and Ireland, especially between low and high-educated workers. However, in Italy there is no difference between medium and high-educated workers, while in Austria and Sweden high-educated workers are more exposed to working poverty than medium educated workers. In Denmark and Sweden, and to a lesser extent Finland, Belgium and Austria, the differences between the education levels are less marked than in other countries.

Referring back to the ideal model, where working poverty is expected to decrease when education/skills improve with age, a paradoxical situation can be observed. In EU countries where working poverty is less present, notably Scandinavian countries, there is often a pattern where younger workers are clearly more exposed to working poverty but the impact of education as a buffer against working poverty is less evident.

In Mediterranean countries (especially Greece and Portugal), where the highest numbers of working poor are observed, education level has a strong impact on the exposure to working poverty. Those most at risk are the older workers. There seem to be greater wage differentials between education levels but also a more irregular career progression of workers exposed to working poverty. This highlights the probable existence of a significant group of older low-qualified working poor in these countries, which is of concern within the framework of the Lisbon Strategy.

Ethnic minorities and immigrants

This chapter has already touched upon the disadvantages faced by ethnic minorities and immigrants, making specific reference in the sections on self-employment and education. This group can be expected to be central to working poverty.

Perhaps it is useful to reverse the perspective first by looking at the reasons for immigration. Even though the focus here is on working poverty within the EU, it can be valuable to remember that immigration is not an issue for the recipient country only, but that the country of origin is also affected by it.

The five predominantly migrant-sending countries participating in the project were Turkey, Morocco, Egypt, Senegal and Ghana. With respect to primary data collection in predominantly migrant-receiving countries, Italy and Spain were selected. In most cases, the persons immigrating are prime aged men and, contrary to what is often thought, many of them are also employed in their country of origin. Another way of linking economic conditions to reasons for migration was to ask households to evaluate their previous financial situation: was it sufficient to supply the basic needs for the household? The results point to poverty as an incentive for migration. Although migrants did have work, it was not sufficient to meet their needs. Thus, working poverty in the country of origin causes immigration to EU countries (Hearing, 2001).

What little evidence is available suggests that once these people have immigrated to an EU country – and if they do manage to find a job – they are also prone to become working poor in the recipient country (according to the recipient country's poverty standards). This is especially the case if they have low levels of education and skills. They are more likely to work in the black economy or not to work at all (Heath, 2000; Huizinga, 1994; Husted, 2000; Hammarstedt, 2003; Buchel, 2002; Berthoud, 1998; Slavnic, 2002).

One-fifth of the working poor in France are of foreign nationality (11% North African and 10% other nationalities (Lagarenne and Legendre, 2000). Over time, the active poor who are foreigners have a significantly lower probability of escaping poverty than French nationals (Breuil-Genier *et al*, 2000; Breuil-Genier *et al*, 2001).

For many ethnic minority households in the UK, working poverty is much more common than for white households. Their marginalised position is not only linked to employment, but also to pay and to size of household. Thus strategies in all these three areas are needed to obtain change in the marginalised position of this group (Berthoud, 1998)

Due to the specific difficulties related to obtaining work and residential permits in a foreign country, there is also reason to believe that many foreigners work in the unofficial 'black' economy. This is, however, hard to document. It has nonetheless been suggested that the main sectors employing undocumented immigrants are agriculture, construction, civil engineering, small-scale industry, tourism, hotels and catering, and services to households and to business, including computer services. It has also been suggested that these undocumented workers have much less favourable working conditions and pay, and that companies avail of these groups of employees to avoid paying social security contributions as well as constraints imposed by labour legislation (OECD, 2002).

In his work on the immigrants' situation in Sweden, Slavnic has discussed the link between the informal economy and the crisis of the welfare state. He suggests that, when the goals of the welfare state become unrealistic (i.e. finances are reduced but rationalisation of the welfare state ideology does not happen), this leaves few alternatives for some (already disadvantaged) groups such as immigrants. When economic realities become key striving forces, rules and regulations get 'bent' in a way that suits these needs. The informal economy becomes the only way for obtaining work, and this is accepted by the state as long as it stays within certain boundaries. Ultimately, this serves the aim of the state as its welfare endeavours (and budgets) are met on paper, but leaves those working in informal economy in an insecure, vulnerable and marginalised position (Slavnic, 2001).

In Italy, the proportion of non-EU citizens working in domestic cleaning is significant and increasing, at 28% in 1994 (Rome: 70.5%, Florence: 57.1%). In Spain, domestic services account for a significant share (32%) of total work permits granted to non-EU residents in 1997. In France, 14.3% of immigrants (and only 7.3% of the total employed active population) work in personal services. In Austria, 22.9% of non-national women (and only 7.3% of nationals) are employed in Vienna in cleaning occupations, which represent the largest share (40%) of foreign workers' employment. In Germany, foreign workers predominate in domestic cleaning jobs, except for window cleaning (Cancedda, 2001).

The temporary employment of non-nationals appears to be becoming more widespread, particularly in the tertiary sector. These immigrants do not always, however, become employed on the same terms and conditions as national workers and are often subject to employment discrimination (OECD, 1997).

Young people with non-EU backgrounds are disadvantaged with respect to higher status jobs in Spain and Belgium (Kalter, 2002). Other research indicates that this discrimination continues throughout the working career (European Commission, 2002; Buchel, 2002).

Research shows that while non-EU nationals living in the EU have, on average, lower levels of educational attainment than nationals, structural and income inequality still persists even when this is controlled for.

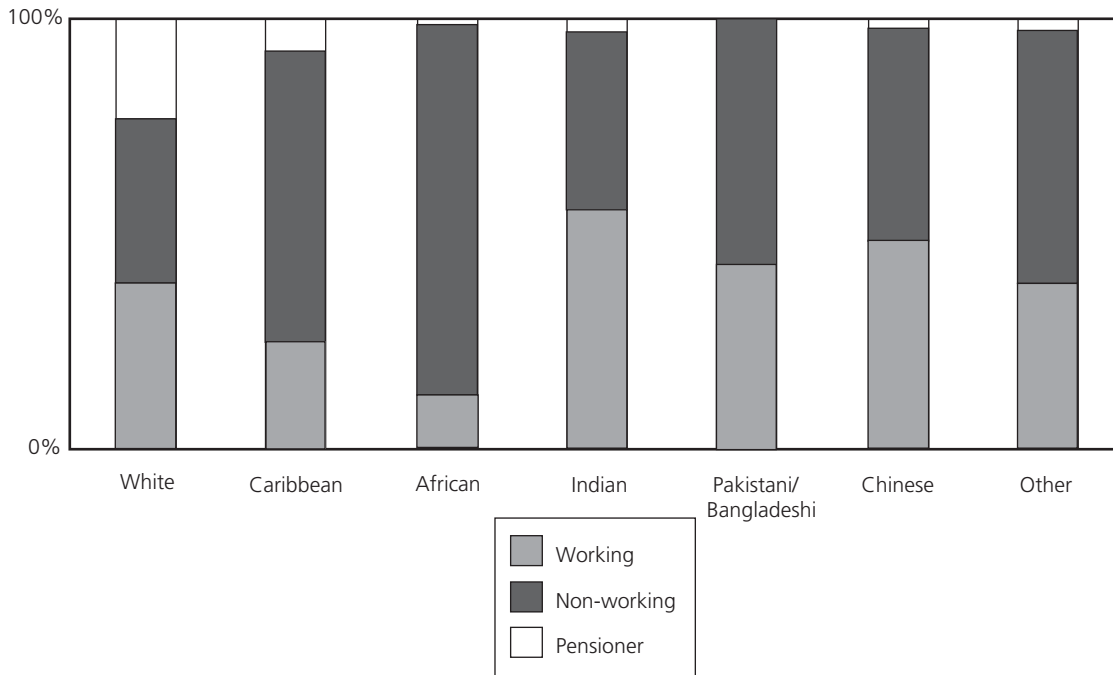
In all European Union countries, the official unemployment levels are much higher for non-EU nationals than for EU nationals and, in all countries, immigrants are much more likely to end up in temporary employment. This seems to be true for all levels of education, which leads one to suspect that the proportion of working poor could be higher within this group (European Commission, 2003; European Commission, 2002b).

In Sweden, a fall in income during the 1990s' recession was more common while a rise in income was less common among individuals originating from Africa, Asia, or Latin America than among native Swedes. There are similar trends for other foreign-born categories (Furåker, 2001).

Research focusing on immigrants in the UK and in Germany has shown that, while there are significant differences in how immigrants enter into society and the labour market (key background explanatory factors being particular ethnicity, level of education), they tend to get paid less. In

general, there was a wider variation in the economic performance of different groups of minorities in the UK than in Germany, but this may also be due to the fact that, in Germany, more of the immigrants are working in low-skilled sectors. However, the role of the welfare state as a redistributive instance was significant, and the role of public transfers to the workers, particularly in Germany, was important at their initial arrival to the country (Buchel, 2002).

Figure 6 Composition of poor households in the UK



Source: Berthoud, 1998.

Main findings of Chapter 3

Relationship between low pay and household characteristics

Low-paid workers face an increased risk of working poverty, but working poverty does not equal low pay. In the European Union today, full-time employment is no guarantee of avoiding poverty. According to various sources, the incidence of low-paid work varies from 12.6% to 15.8% in the EU. Three out of four of these low-paid workers are women – the growth of the service sector has contributed to this development. Most of the low-paid workers are also low-skilled. According to Strengmann-Kuhn, the main cause of working poverty lies in the household structure: three out of four times. Therefore, only a quarter of working poverty is due to low pay. However, there are significant differences between countries (low pay as the cause for working poverty ranging from 6.3% in Belgium to 42.5% in Germany).

‘Lean’ households are at an increased risk of working poverty: these includes households with few members and/or with little work. Single adult households run a high risk of working poverty, and the current trend towards smaller households is likely to increase the size of this group. Single-parent households are more likely to be poor – and this is true even when the parent works.

Quality of employment

The proportion of self-employed poor is markedly high in all countries. In some countries, such as Austria, Denmark and Sweden, the percentages of self-employed households that end up below the poverty line are even higher than those of unemployed households. It can thus be said that self-employment increases the likelihood of poverty in the household – although some of the poverty in self-employment can perhaps be explained by undeclared work and lack of sufficient data sources. It is difficult to assess the real income of the self-employed. Certain sectors – such as agriculture – and groups – such as unpaid family workers – run a high risk of being/becoming working poor. Self-employment is not always voluntary; and the fact that the less educated forms a substantial part of the self-employed suggests that those individuals with less ‘bargaining capital’ are ‘pushed’ into precarious self-employment.

Gender and other individual characteristics

It has been shown that working poverty affects a large amount of individuals with very different backgrounds. Data from the 1999 ECHP shows that in total there are more working poor men than women. However, in nine out of 14 countries, women are more likely to be classified as working poor. Women’s poverty rates are higher within the group of ‘inactive’ and ‘retired’ persons. Women earn less than men, and having many children seriously affects a woman’s earning abilities (especially among the low-skilled, and in some countries) and can lead to (working) poverty. Even if working, lone parents run a high risk of poverty. It is likely that the internal income distribution of the household is unfavourable to women.

The low-skilled are over-represented in both the ‘working poor’ and ‘poor’ categories. In France, 46% of the working poor had no school-leaving qualification (Lagarenne and Legendre, 2000). Men are more often low skilled than women and ethnic minorities are relatively over-represented in the low-skilled category (although country differences are substantial).

In France, young people form the majority of the working poor (Lagarenne and Legendre, 2000). In the EU in general, among elderly people (over 65), those who work are financially better off. The role of social transfers in preventing working poverty among the elderly would seem to be significant.

Immigrants and ethnic minorities

Immigrants and ethnic minorities face an increased risk of working poverty in all countries. Working poverty in the country of origin can be the driving force for immigration, although many of these immigrants are likely to remain in the working poor category in the recipient country also. Immigrants and ethnic minorities are often ‘pushed’ into sectors in which the work is less well paid and valued. Immigrant self-employment is not always voluntary and can be linked to poverty. For immigrants, education can constitute a springboard from poor jobs, although this is a less marked trend than for the main population (and there are differences between different ethnic and immigrant groups). It is likely that a substantial group of immigrants (legal or not) works in the black economy.

Welfare state provisions and 'make work pay' policies

This chapter will attempt first to situate the previously discussed working poverty issues within the context of welfare state measures, including re-distributive provisions (mainly those for the unemployed), labour market structure and policies. Then it will review the policy responses applied by some European Member States to lower working poverty by improving the income of low-paid workers/households, either through the use of tax credit systems or fiscal policies.

The wide field of policies and instruments of welfare states have been analysed extensively in the literature. Two main functions of social protection schemes can be distinguished. On the one hand, they act as instruments of 'decommodification' by providing a reasonable income replacement, guaranteeing a decent living standard to people who cannot provide for themselves through employment due to their inability to work (for reasons related to sickness, disability, maternity or other family charges which are an obstacle to work); or to find a job (unemployment); or when they can no longer be expected to work (old age). On the other hand, they are related to employment policies in the sense that they concern maintaining or achieving full employment. The schemes make important contributions to raising work participation rates (notably of women) and maintaining employment, and also to increasing productivity and job quality. They offer child and family-oriented provisions, e.g. child allowances, childcare, housing allowances, old age care, etc. (EU Social Protection Committee, 2003). Social protection also contributes significantly to the economic growth and well-being of individuals by promoting human capital (education and training) and social capital (networks and social links) (OECD, 2001c).

Welfare state provisions

This section examines working poverty through the lens of welfare state literature. The following questions should be addressed: to what extent can the various European welfare state provisions explain the varying degree and nature of working poverty in its different forms? Is it possible to identify a causal relationship and, if so, how is this characterised?

Unfortunately, there is a lack of literature dealing directly with the issues, as well as a lack of adequate comparative empirical data. Thus, it is necessary to speculate on the relationship between welfare state provisions and the working poor. This is also due to the complex structure of the working poor issue. As was highlighted earlier, working poverty analysis implies that a large number of variables have to be considered, dealing with both individual characteristics (low-paid typical employment, but also not so low-paid atypical jobs, alternating in and out of work) and household characteristics (number of children, presence of a second earner). In turn, these characteristics are related to various institutional aspects of the country. For instance, different countries may grant various levels of access to social protection schemes, based on the individual and/or household characteristics. This means that proper analysis should consider the different impact of welfare state provisions on the various groups of working poor. The difficulty that immediately arises is that these groups are quite numerous, not necessarily mutually exclusive and thus difficult to analyse systematically. Specific policies and welfare institutions do not target all, and maybe not even the majority, of these groups.

Income remains the main determinant factor for the working poor in the framework of a monetary approach to poverty. Thus, social protection provisions are, through the supplementary income

they provide to a household, seen here as an important parameter in the constitution of an income sufficient to avoid poverty.

Types of welfare systems

National welfare systems or rather 'welfare capitalisms' have been commonly defined as 'the complex interplay of market, state, family and the firm' (Lindbeck, 1994), or as 'the complex sets of legal and systematic interrelationships between state and market institutions' (Esping-Andersen 1990, 1999). In this perspective, it is not possible to fully understand the extent of welfare state action without expanding the analysis beyond the strict realm of social protection schemes. In other words, both the extent and nature of the well-being of individuals are the outcome of various interconnected policies that deal with employment, industrial relations, education, tax, etc (Esping-Andersen 1990, 1999; Goodin, 1999).

Researchers dealing with the area of welfare state have produced a wide range of analyses, from which a number of typologies emerge. Each type is distinct in terms of institutional provisions and settings, as well as divergence in output. The most influential contribution has been the 'three world' analysis (Esping-Andersen, 1990, 1999), which will also form the basis of this analysis. Based on an empirical review of social protection schemes (in terms of replacement rates and condition of access), as well as an historical analysis of the foundations of various welfare state provisions, this work considered the 'decommodification' effects of welfare systems. Decommodification signifies the ability of workers to maintain a livelihood in society without reliance on the market (Esping-Andersen, 1990, p. 22), notably by various social protection schemes in cash or in kind, as well as employment regulations (analysed to a lesser extent). Through Esping-Andersen's comprehensive analysis, three distinct types of state welfare system were identified: liberal, corporatist, and social democratic. In addition to this, a fourth type – Mediterranean – has been proposed (Ferrera, 1996).

- The liberal type of welfare system puts the emphasis on the individual's ability to secure their own well-being through participation in the labour market. The state mainly acts as a last resort player. This is especially true in the area of income maintenance schemes. Most such schemes are targeted through means-testing, either towards individuals in legitimate need, or exposed groups. The aim is poverty prevention, rather than ensuring material well-being. The level of most benefits is limited. In addition, liberal welfare systems usually provide universal access to benefits, as well as healthcare services (such as the National Health Service in the UK). Such regimes are mainly financed through taxation (some parts of the system are financed by a limited contribution of employers and workers). Ireland, the UK and the US have been characterised as belonging to this type of welfare system.
- In corporatist welfare regimes, decommodification relies on the individual's ability to secure their livelihood through the labour market. There is more emphasis on organised groups (family, trade unions, but also companies, etc) to provide support among members. These are supplemented by the state. Corporatist welfare systems are sometimes labelled 'conservative', insofar as they do not aim to reduce inequalities between groups, but rather to maintain the well-being of individuals among them. They are constructed around the male breadwinner model. Most income replacement scheme levels and entitlements are based on previous earnings, often in the form of social insurance in the field of pensions, healthcare or unemployment in France and Germany. One side-effect is to increase the dependency of non-

or lower waged members of a household on the breadwinner income and entitlements. These welfare systems are financed to a greater extent than other systems by employers' and workers' contributions. In these regimes, there is a clear distinction between salaried workers and the self-employed. Austria, Belgium, France, Germany and Luxembourg are usually identified as representative of the corporatist welfare system.

- The social democratic type of welfare system bears responsibility for the welfare of the citizens more from an egalitarian perspective. Thus, it plays an important re-distributive role in the context of the focus on equality as a policy goal. Welfare is a right in the framework of social citizenship. A high level of decommodification and labour market regulation is sought through social policies which aim to provide a set of goods (such as care services) independently of the labour market. Taxation is progressive, which in theory decreases the incidence of working poverty. Social protection schemes include universal and generous fixed amount benefits. Denmark, Finland, the Netherlands, Norway and Sweden are usually identified as representative of this type of welfare system.
- The main characteristics of Mediterranean welfare systems (Greece, Italy, Portugal and Spain) are the lack or weakness of guaranteed minimum income provisions, the persistent role of family and informal support, and the weakness of state intervention (reflected, for example, in the lower level of replacement rates). There is a particularly strong insider–outsider contrast regarding employment protection provisions. Although significant differences may be noted within this group, they share some features of other welfare systems. The role of the informal economy is also quoted as important.

Before entering into the more detailed features of these types, it is necessary to review briefly the findings of Chapter 2 on the incidence of working poverty within the framework of these welfare clusters.

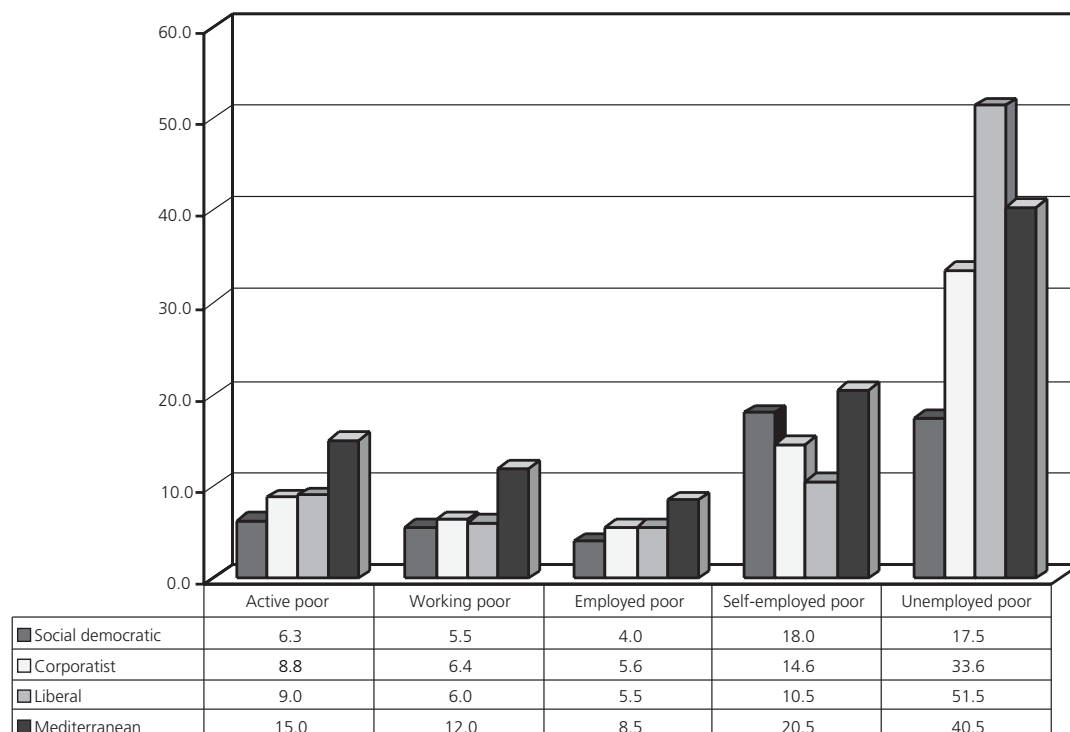
Welfare state clusters and working poor

In order to relate the different populations of working poor highlighted in Chapter 2 with the welfare clusters, the (arithmetic) mean value has been calculated in each case. The results are presented in Figure 7. The population previously defined as the active poor (combining those individuals having worked or been unemployed for at least six months in the previous year) is shown to be more numerous (15%) in the Mediterranean welfare cluster. Countries of the social democratic cluster have the lowest rates of active poor (6.3%). In liberal and corporatist clusters, the rate of active poor is around 9%.

More or less the same breakdown emerges between clusters of the working poor population (employed or self-employed for at least six months in the previous year). There is a clear differentiation between the Mediterranean welfare cluster, where the proportion of working poor is twice as high (12%), and the three other clusters, where they are more or less at the same level (around 6%).

The same trend is observed for the employed poor. Mediterranean welfare clusters present the highest rate of employed poor (8.5%), followed by the liberal (5.5%) and corporatist (5.6%) welfare clusters, while the social democratic cluster is less than half the top rate, at 4%.

Figure 7 At-risk-of-poverty rates by most frequent activity status and welfare clusters, 1999



Source: ECHP, 1999, Eurostat, 2003, authors' calculations.

However, the situation is different for the self-employed poor. The Mediterranean countries are still the highest (20.5%), but the proportion is, surprisingly, almost the same in the social democratic cluster (18%). In the liberal cluster, the self-employed poor are less numerous (10.5%), while in the corporatist welfare cluster they are in an intermediate position (14.6%).

The picture is different again for the unemployed poor. It is in the liberal welfare type that they are most present with more than one in two unemployed being poor (51.5%). The Mediterranean cluster comes in second position with 40.5% of unemployed poor, followed by corporatist countries with 33.6%. In the social democratic welfare cluster, the unemployed are remarkably less exposed to poverty, with only 17.5% living in poverty.

Overall, a clear distinction appears between the Mediterranean welfare cluster, where the intensity of working poverty is more pronounced, and the social democratic welfare cluster, which seems to cope better with the problem than the other clusters. This is true for all the working poor populations with the exception of the self-employed poor. The countries of the corporatist and liberal welfare clusters occupy an intermediate position, except for the self-employed poor where the liberal welfare systems are those with the lowest incidence. However, in these countries, the unemployed poor are significantly more exposed to poverty.

These aggregates hide significant differences between countries within the welfare clusters. Returning to national data presented in Chapter 2, it can be seen that, in the Mediterranean welfare cluster, Greece and Portugal are notably different from Spain and Italy. For instance, the rate of

working poor is around 15% in Greece and Portugal while it is around 10% in Spain and Italy. The same occurs in the social democratic welfare cluster. Denmark seems to cope better with unemployed poverty (7%) than the other Scandinavian countries, while sharing similar patterns for the other working poor populations. However, Sweden has a significantly higher poverty rate for the self-employed (24%) than the other countries of its cluster (16%). This demonstrates the limitations of this kind of aggregated analysis in terms of clusters. Nevertheless, overall, this analysis indicates that there is a possible correlation between welfare system features and working poverty, at least in the social democratic and Mediterranean welfare clusters.

Social protection benefits and income replacement schemes

A significant proportion of social protection provisions in most EU Member States consists of benefits that are designed to replace or supplement earnings which individuals cannot find in the labour market for temporary or more durable reasons: lack of jobs, poor health, old age, etc. Income replacement schemes usually take the form of three distinct kinds of provisions³⁶:

- unemployment benefit (based upon previous earnings);
- unemployment assistance;
- guaranteed minimum schemes.

In reviewing these schemes, three criteria were considered to characterise them: the nature and level of the benefits, the duration during which these benefits are granted, and eligibility rules for accessing these benefits. A brief synthesis is presented here. A detailed table outlining the different social welfare benefits may be found in Annex 1 of this report.

Unemployment benefit

In terms of income replacement rates, in the social democratic and liberal welfare systems, unemployment benefit is traditionally a flat rate. However, the rate is more generous in social democratic countries. It is significantly lower in Ireland and the UK. In addition, in Sweden and Finland, previous earnings-related unemployment benefits replace the flat-rate benefit for workers who have contributed to a supplementary unemployment insurance. These flat-rate allowances (more generous in the case of Sweden than Finland) remain significantly higher than in the liberal countries, especially in the UK, where the level of the 'contribution-based job seeker allowance' is among the lowest contributory-based unemployment benefit in Europe. The other welfare systems mainly rely on social insurance as far as income replacement provisions are concerned. This means that the benefits are linked to the previous earnings of a worker. In France, a minimum threshold has been set, while in other corporatist countries such a mechanism does not exist. The replacement rates vary from country to country: from 40%+ supplement in France, to 60% in Germany, or even 70% in Spain. Italy has a distinctively lower level of benefit.

Several patterns of unemployment benefit duration are in place in the observed countries. In certain countries, the duration of the payment is not linked to the worker's previous presence in the labour market, which is the case in Finland, Ireland, Italy, Sweden and the UK. The duration periods are longest in Finland and Sweden (500 and 300-600 days), and shortest in the UK (185

³⁶ Some other schemes were excluded from this analysis for reasons of clarity and lack of space, although these schemes could also provide an income replacement related to employment situation (disability, employment injury and occupational disease, maternity leave and pension).

days). Ireland has a long duration of payments (390 days). In other countries, the duration of the payment may be linked to the number of past contribution payments, which is the case in France, Germany and Spain.

In all countries, access to unemployment benefit is granted provided that the claimant has previously participated in the labour market. The duration of the prior contribution and the method of calculation vary considerably from country to country. Three groups can be distinguished. The first group of countries has a short prior contribution period: France and Sweden (four and six months). Another group requires a prior contribution of medium length: Ireland and Finland (39 and 43 weeks), and a third group requires a particularly long duration of contribution: one year in Germany and Spain, and over one year in the UK. Access to unemployment benefit may also be conditioned by a request to register with the employment agency (Sweden and Finland). Finally, in some countries, these provisions are granted on a universal basis (i.e. to both self-employed and employees), which is the case in Finland, Sweden and the UK. In all other cases, the self-employed are excluded from earnings-related unemployment benefits. In the case of loss of income, they have to resort to guaranteed minimum income schemes or to private insurance schemes.

Unemployment assistance

Earnings-related unemployment benefits are only part of the picture. In all countries under examination in this report, another, usually less generous, unemployment benefit is available. This is intended for people who, although present in the labour market, fail to qualify for earnings-related unemployment benefits, or have exhausted them. This takes the form of long-term unemployment assistance.

In Italy, social protection does not provide unemployment assistance schemes, which may heighten the risk of poverty for unemployed people, or workers with a disrupted work experience who do not qualify for unemployment benefits. In the other countries, means-tested schemes exist, generally tied to minimum wage or flat rates. Germany is the only country where unemployment assistance is expressed as a proportion of previous earnings. The French scheme is only open to long-term unemployed people, which may restrict the coverage among workers who do not meet these conditions. In Ireland and the UK, this scheme is provided at the same rate as unemployment insurance and is therefore more generous than other countries. In the UK, unemployment assistance is also conditioned by active job seeking.

Guaranteed minimum income

Guaranteed minimum income (GMI) provisions are part of the social protection package in most EU Member States, with the exception of Greece. In most cases, they were implemented at a later stage than other classic welfare features such as pensions schemes and unemployment benefits. Throughout the EU, the GMI schemes share a number of common features:

- They are financed through taxation, and granted on a universal basis to individuals. No past labour market participation is required to be eligible;
- They are means-tested against most incomes, including the incomes of other household members, as well as capital belongings;
- In addition to the basic rates, specific supplements may apply. The most important of these have been taken into account;

- Although granted to individuals, in most cases the amount paid is linked to the composition of the household.

However, it should be noted that, in Spain and Italy, GMI schemes are restricted. In Spain, benefits are provided only if the budgetary means are available in autonomous communities. In Italy, the scheme was implemented as an experiment in 1998 and covered only a limited number of municipalities. The new government has planned to scrap it as part of the social security reform or at least to condition it to budget availability.

In terms of duration, GMI provisions are usually granted for an unlimited period through successive extensions.

In terms of access, GMI benefits are usually granted to residents, which means that foreign (for instance, migrant) legal workers are also entitled to the benefits. In some cases, however, restrictions may apply. This is the case for some autonomous communities in Spain, and in France (depending on the interpretation of the concept of 'lasting' residence). This also means that illegal migrants employed in the black economy do not have access to the schemes. Another possible source of restrictions lies in the age condition. In France and Spain, GMI benefits are usually granted to people aged 25 or older, which could arguably lead to greater risks of economic precariousness to workers under the age of 25. In France, this provision is softened for young people with children. In most cases, GMI benefits are granted by local authorities, which may result in additional conditions of access. This is especially true in the Spanish, Italian and Scandinavian cases, where local authorities decide upon conditionality.

In terms of their relative generosity, GMI provisions range, for a single person, from €332 in Germany to €728 in the UK. Assessing the actual level of income for individuals under GMI schemes is a complex task, given the various supplements (especially in Finland, Germany, Sweden and the UK) that can be granted, depending on household composition and other factors (the most common of these are the housing family allowances). The low level of some benefits must be weighed against the fact that access to other provisions (such as unemployment benefits, paid training) may be relatively easy.

All GMI schemes are means-tested, as the schemes are only a safety net. In most cases, all sources of income, including other social security benefits received by the household, are included in the calculations. There are, however, two exceptions to this rule:

- In France, Germany and the UK, some basic benefits (such as housing benefits, or some family allowances) are not included in the calculations. These other benefits thus top up the GMI basic rates. On the other hand, these additional benefits are also subject to means-testing, and are mostly targeted at households with children.
- In France, Ireland, the Netherlands and the UK, under certain circumstances, GMI benefits may be prolonged for a limited period of time, even though the recipient has re-entered the labour market. These are aimed at people who could not cope with the additional costs involved in their return to employment.

Impact of welfare schemes on working poverty

The income replacement schemes provided by welfare systems could add a significant weight to the total income of poor households. For the active poor and working poor, they complement at household level earnings provided by the work of certain members of the household. For the unemployed poor, and to a lower extent the self-employed poor, they may be the main source of income. Generally, these benefits are also means-tested which implies that other income of the household is taken into account to determine the level of these benefits. However, it is difficult to quantify the impact of these schemes on the household income due to the multiple possible combinations of activity status and composition in a given household. Ideally, these income replacement benefits should be put in relation to the poverty threshold to provide a view of their effect on poverty. However, this would be only indicative as the household income is formed by an accumulation of different sources, and other factors such as private transfers between households or capital income, and the cost and availability of social services (child or dependent person care) may intervene. Nevertheless, the existence of such income replacement schemes, as well as their relative level of generosity and conditions of access, may explain certain variations observed between the welfare clusters. This is especially the case for the unemployed poor.

Several elements can be drawn from this analysis:

- Social protection in Spain and Italy does not provide much income support to unemployed people in need, given either the conditions of access, the level of the benefits or, in some cases, the absence of a guaranteed minimum income scheme. Empirical evidence shows that significant proportions of welfare claimants are actually excluded from the payment of the benefits in Mediterranean countries (OECD, 2001a).
- This is also true for countries with liberal welfare schemes (the UK and Ireland), although with a different pattern of coverage. Liberal welfare systems seem to provide a larger coverage (in line with their universal nature) but with a low level of benefits (except for the GMI in UK). However, in this latter case, given the various supplements that could be allocated depending on specific situation or parameters, these would need to be taken into account in a more detailed analysis.
- By contrast, even if limited, the Finnish income replacement schemes provide a higher level of protection, either because the level of the benefits is higher or the duration of access to the schemes is longer, or the conditions of access are less restrictive.
- In most countries (with the exception of Finland, Sweden and the UK) there is no significant income support for self-employed people via unemployment benefits. Specific income maintenance schemes may exist, however, in some cases.
- In most countries, the various elements underlying the conditions of access and the generosity or the scope of income replacement schemes lead to a precarious financial situation which should not encourage individuals to voluntarily remain outside the labour market. Particular country-specific features that could increase the risk of poverty can be singled out:
 - the absence of (or severe limitations inherent in) guaranteed minimum income schemes in Italy and Spain;
 - limiting income replacement schemes to people under 25 years of age in France³⁷;
 - limiting unemployment benefits to people experiencing marginal employment in Germany (less than 15 hours a week).

³⁷ 60% of the French working poor are aged under 25 years (see Chapter 3).

Labour market structure and policies

The institutions and rules regulating the labour markets are another important component of the welfare state. These include wage policies, hiring and firing regulations, employment promotion schemes and, in some countries, financial incentives for employers to hire specific categories of workers, vocational training and workforce mobility programmes. While it is difficult to identify precise links between these factors and poverty among workers, some issues are often quoted as more relevant than others, including low pay and discontinued employment experiences (Ioakimoglou, 2002) (see also Chapter 3).

While research on labour market structure and policies is included in comparative welfare state analysis and is also the object of more focused research, these are less comprehensive than in the case of social protection schemes. This is due to the less centralised nature of employment policies, as well as their significant variations across countries and time. A consequence of this is that there is no commonly recognised typology present in this field as there is in broader welfare state analysis. On the other hand, recent research provides analytical information across countries, paving the way towards the identification of different employment regimes (Schmid, 2002). Researchers within the EXSPRO network (social exclusion and social protection in the European Union) have tried, among others, to describe and classify the main features of employment policies in Europe in relation to the four types (Begg, 2001). Esping-Andersen (1990, 1999) has also addressed this issue, albeit from a narrower angle. Although not yet completely refined, particularly in the direction of intra European Union differentiations and convergences of policies/countries, these findings provide useful leads for further research in the field. The following table summarises some characteristics of these employment regimes in relation to the welfare types used earlier in this chapter.

Table 14 Typology of employment regimes in the 1990s

	Liberal (Anglo-Saxon)	Social democratic (Scandinavian)	Corporatist (Continental)	Traditionalist (Mediterranean)
Countries	Ireland, UK	Denmark, Finland, Netherlands, Norway, Sweden	Austria, Belgium, France, Germany, Luxembourg	Greece, Italy, Portugal, Spain
Foundation/basis of entitlement	Individual in need	Individual as citizen	Employment/ family in need	Family in need
Aim	Poverty alleviation	Equality, income maintenance	Income and status maintenance	Family income maintenance
Gender and status effects	Neutral	Egalitarian	Differentiating	Differentiating
Share of means-tested assistance in total social expenditure	Highest	Medium	High	Lowest
Relevance of caring services and main provider	Medium to low: state, market provision	High: state provision	Low: family, and non-profit sector provision	Low: family provision
Employment protection legislation	Least restrictive	Less restrictive	More restrictive	Most restrictive
Importance of active labour market policies	High for Ireland, low for UK	Highest	Medium (except for Austria: lowest)	Low
Inequality of net (after-tax) earnings	High	Lowest	Low	Highest
Prevalence of 'flexible' jobs	Medium (12.8% of all)	Medium (12.0% of all)	Lowest (11.5% of all)	Highest (22.6% of all)
Employment participation, 'work-richness'	High	High	Low	Lowest

Source: Begg, Berghman et al, 2001

Cross-examining these typologies with the results on working poverty presented earlier, some interesting observations can be made.

In the Mediterranean welfare cluster, working poverty is clearly more present and has a higher relative intensity than all the groups considered. These southern European employment regimes are mainly oriented towards the welfare of families. Employment protection regulations are the most restrictive in the European Union and sustain the traditional male breadwinner model, while wage inequality is the highest of all EU Member States. Active labour market policies are not highly developed and the proportion of flexible jobs is the highest in the EU, while participation in the labour market is among the lowest.

In the social democratic welfare cluster, working poverty has the lowest incidence, except for the self-employed poor in Sweden. These countries, especially Denmark, are also particularly efficient at reducing the poverty among unemployed people. Social democratic employment regimes, which have moderately regulated labour markets, are based on the notion of individual welfare in the framework of a highly developed and equalised social protection system. Wage inequality is the lowest in Europe, and the proportion of flexible jobs is rather limited. Employment participation is quite high along with a strong emphasis on active labour market policies. Although more developed than in liberal countries, employment protection levels are less restrictive than in corporatist states.

In the liberal welfare cluster, the situation of working poverty is quite similar to the one in the corporatist cluster, showing a moderate intensity. The exception concerns the unemployed poor who are substantially more numerous in the liberal countries. However, poverty among the self-employed is less significant. In the liberal Anglo-Saxon employment regimes, the regulations' main purpose is to ensure a fair contract between an individual employer and employee. Employment protection regulation is thus limited in scope. Active labour market policies are, however, developed to a greater extent in Ireland than in the UK. Wage inequality is high but not the highest in Europe. Flexible employment patterns are present, although to a medium extent. Unemployment levels are quite low.

As mentioned above, the situation in terms of working poverty for the corporatist welfare cluster is similar to the liberal cluster, i.e. with a moderate intensity. The aim of corporatist employment regimes is to maintain and improve the living standards of the core workforce. From this perspective, labour markets are more regulated. Active labour market policies, historically not so important, are increasingly being developed. Wage inequality is quite low, but not as low as in the social democratic cluster. The proportion of flexible jobs, although not very different from liberal and social democratic regimes, is the lowest in the European Union.

Muffels and Fouarge highlight an interesting feature in relation to the precariousness of employment in these employment regimes. Over a period of 36 months (1994-1996), they show that individuals in secure employment (fully employed) appear in significantly lower proportions in the Mediterranean employment regime (35.9%) than in other employment regimes (around 48%). 40.6% of the working-age population in Mediterranean employment regimes are also fully excluded (no employment), while this proportion is much lower in other employment regimes (22.6-26.3%). Workers who are work insecure (50-99% present in employment during the period) are slightly more numerous in liberal (17.5%) and social democratic (16.8%) employment regimes

than in the corporatist one (14.6%), but in lower proportions in the Mediterranean employment regime (11.4%). The proportion of partially excluded (1%-50% of time in employment) is the same in all employment regimes (around 12%) (Muffels and Fouarge, 2001).

Making a simple comparison between the two extreme welfare types, the Mediterranean and the social democratic clusters, it can be seen that they are very different with regard to a certain number of characteristics of their employment regimes. Mediterranean countries have the highest wage inequality and prevalence of flexible jobs, but the lowest employment rates and a lower proportion of work secure workers. They have a higher share of active age population not in employment and low utilisation of active labour market policies, combined with the most restrictive employment protection legislation. The situation is exactly the reverse for countries of the social democratic employment regime. This seems to indicate a relationship between these factors and the intensity of working poverty, although caution is prudent given the lack of adequate data. There is as yet little understanding of the relative importance of each of these factors or their combination for explaining working poverty.

Wage policies and minimum wage provisions

The existence and level of a minimum wage is often seen by classic economic theory as a factor increasing unemployment and thus to be avoided, although in practical terms it is often part of policy mixes in a certain number of EU countries. From this perspective, in an openly competitive environment, increasing the price of labour beyond the equilibrium (where unwanted unemployment is reduced to a minimum) reduces the quantity of work employers demand from the market (for workers with a lower productivity rate), thus creating unemployment. In addition, it also increases the reservation wage of workers (the wage under which they would not accept a job). Even if such an openly competitive environment does not exist, this argument is quite often evoked in the debate (OECD, 2000). Thus, the existence or level of a minimum wage has sometimes been questioned, as from this perspective, companies have to pay workers beyond their productivity. For example, recent simulations have estimated that a 10% increase of the minimum wage in France would eliminate 110,000 jobs (Laroque, 2000). However, much controversy has followed the publication of these findings. On the other hand, as Stewart has shown, based on longitudinal simulations, the introduction of a minimum wage in the UK in 1999, and its subsequent increase in 2001, does not seem to have had an adverse employment impact (Stewart, 2002). However, information on institutional factors, such as the wage-setting process, as well as the level at which the minimum wage is set, would be necessary to gain a more comprehensive picture of this issue.

Some social partners, especially trade unions, advocate the increase of the minimum wage as a tool to tackle poverty among low-paid workers. In 2001, in their joint report on social inclusion, the European Commission and the European Council note that:

Some Member States have implemented targeted measures which are related to changes in minimum wages and child benefit structure (Austria, Ireland, Sweden, the UK) or combine benefits with part-time work and training (Austria, Denmark, Portugal, Sweden). Ireland and the UK are raising their national minimum wage as part of their strategies to tackle the problems of poverty and 'make work pay', which goes hand in hand with benefit reforms. (European Commission, 2002a)

Certain theoretical approaches also argue that the wage-setting process is mainly (or also) a political process and, as such, an element of the 'social construction of employment' (Friot, 1996). Wages (and minimum wages) are in effect either negotiated by employer organisations and trade unions or set by governments. From this perspective, they do not necessarily reflect a price of the labour but rather a social convention, and a balance of power among employers and unions. At least in corporatist countries, social security contributions have to be considered as part of the wage (socialised wage). This implies that measures whose effect would be to transfer income from the wage (as a social institution) to other areas (such as tax and fiscal policies or any other universal benefit system) decrease the bargaining power of workers and trade unions. Advocates of this perspective are generally rather sceptical about tax credit schemes.

A proper analysis of the question of minimum wages in relation to working poverty should be made in a longitudinal perspective. This should be done in relation to the employment status of individuals, as the number of working hours (full-time or part-time work) and the extent of time devoted to work over a life cycle are important parameters when talking about working poverty. As minimum wages are often seen as stepping stones to entering the labour market, it is important, from a working poverty viewpoint, to verify that they do not become a permanent condition for individuals. Frequent job changes, or spells of unemployment, may seriously compromise the perspective of a fair wage progression on a career cycle.

The statutory minimum wages set by European countries as well as national wage settings through sectoral collective agreements differ, notably in terms of number of workers covered and fixation process. Table 15 presents the different EU countries with a statutory minimum wage (sectoral minimum wages are excluded).

The coverage of the minimum wage is generally extended to the entire workforce with only a minimal age condition. In Belgium, the minimum wage concerns only the employees of the private sector. Generally, governments set the rate, but in certain countries (Ireland and the UK) it follows recommendations from the social partners (or also the labour court in Ireland). Belgium and Greece are the only countries where the statutory minimum wage is directly fixed by collective bargaining.

The column concerning the share of median earnings of these minimum wages is interesting from the perspective of this report. Bearing in mind the threshold of two-thirds of median earnings generally used to characterise low wages, it may be noticed that none of these minimum wages reach this threshold. In other words, minimum wages are by their nature low wages. This is particularly true in Spain and Portugal where minimum wages are the lowest, but also in the UK. However, one must also consider the actual low share of the worker population who are on minimum wages. It ranges from 1%-2% (Ireland, Netherlands, Spain, UK) to 4% in Portugal. A much higher percentage of full-time workers are employed at the minimum wage in France (13.9%) and Luxembourg (15.5%). In all countries, these workers are mainly women, especially in France (19.9%) and Luxembourg (20%) (Eurostat 2003b). Nevertheless, minimum waged workers, even if they may be considered as low-paid workers, are not necessarily working poor, as the wage threshold has to be related to the poverty threshold, which is generally lower, at least for a single person. For instance, in Belgium in 1998, for a single worker, the minimum wage represents 120% of the poverty line (set at 60% of median income), but for a couple it falls to 91%, and 84% for a couple with two children (Government of Belgium, 2003).

Table 15 Statutory minimum wages in the European Union, 2003

	Year of introduction	Coverage	Fixation	Periodicity	Monthly amount in €	Monthly amount in PPS ¹	% median wage (2000)	% full-time employees
Belgium	1975	Private sector employees aged 21+	Collective bargaining	Monthly	€1,163	1,162	49.2	:
Greece	1991	All employees aged 19+ (non manual) or 18+ (manual)	Collective bargaining	Monthly for non manual workers Daily for manual workers (€23.23)	Non-manual: €518.3 Manual: €511.06	725	51.3	:
Spain	1980	All employees	Government	Monthly	€451.2	617	31.8	0.9
France	1970	All employees aged 16+	Government	Hourly (€6.83)	€1,154	1,150	60.8	13.9
Ireland	2000	Experienced workers	Government (after recommendations of social partners or labour court)	Hourly (€6.35)	€1,073	910	55	2.2
Luxembourg	1973	All employees aged 18+	Government	Monthly	€1,368.7	1,338	48.9	15.5
Netherlands	1969	All employees aged 23+	Government	Monthly	€1,249.2	1,225	46.7	2.2
Portugal	1974	All employees	Government	Monthly	€356.6	543	38.2	4
UK	1999	All employees aged 18+	Government (after recommendations of social partners)	Hourly (£4.2 = €5.96)	€1,105	983	41.7	1

Source: Eurostat, 2003b, OECD, 2003.

¹ Purchasing power standard (PPS) is an artificial common currency used to neutralise the effects of differences in price levels between countries, taking into account households' final consumption expenditures.

Among countries where there is no statutory minimum wage, collective agreements at sectoral level may set minimum wage levels:

- In Sweden, some sectoral collective agreements include clauses providing for a minimum wage (Berg, 2000). It is estimated that the coverage of collective agreements is about 95% (Walthery and Spineux, 2000).
- In Finland, the minimum wage is set through collective bargaining at sectoral level in the framework of centralised so-called 'income policy agreements'. Thus significant variations may exist across sectors, and according to characteristics of workers (i.e. seniority). Coverage by collective bargaining is estimated to be about 90%.
- In Italy, the current degree of coverage by collective agreements is about 64% (Walthery and Spineux, 2000). However, there are important variations in wage levels across regions and industries, even for those set by collective agreements.

- In Germany, some industries are covered by collective agreements, including minimum wage provisions, but only a few have been declared generally binding. Coverage by sector-wide collective agreements was estimated to reach about 62.8% of the workers in former West Germany in 2002, while it concerned only 45.5% of workers in former East Germany. Recent claims by German trade unions are now pushing in the direction of a more universal, statutory minimum wage (EIRO, 2002).

There is a lack of information on the relationship between the existence (and relative level) of minimum wage regulations and the working poverty issue in European countries. American researchers have highlighted the major role played by the weakness of the federal hourly minimum wage in explaining the development of the active poor phenomenon. Kim, for instance, shows that even if they were working full-time for a full year, the active poor would not be able to avoid poverty due to the level of minimum wage (Kim, 1997). For European countries, the influence of minimum wage provisions on the existence of working poverty is not so obvious. It seems to be linked more to lack of employment, but is also compensated by more generous income replacement provisions than in the US. In their comparative analysis of active poor (working or unemployed) in France and the US, Ponthieux and Concialdi point out that working poverty is mainly linked to structural unemployment in France while, in the US, the weakness of the minimum wage is the main reason for the extent of working poverty (Ponthieux and Concialdi, 2000).

Comparing the distribution of minimum wages in the EU with the proportions of active and working poor shown in Chapter 2 (Figure 3), no clear global relation can be drawn. Nevertheless, it can be observed that the Mediterranean countries combine a higher rate of active poor of the EU with lower minimum wages (except in Italy where there is no minimum wage). These countries also have higher unemployment rates (except for Portugal). Singling out the working poor (those effectively at work), the situation remains identical for Greece and Portugal, but Spain and Italy have significantly fewer working poor (although they remain in the group of the four worst performers in terms of working poverty).

Employment protection regulations

The degree of employment protection may play an important role in explaining working poverty, although the relationship is far from being clear. It could have a positive effect as it conditions more stable working arrangements and can act as a brake to the development of working poverty. However, it could also impede access to the labour market for particularly vulnerable groups, and contribute to lower labour market participation rates. For instance, in Italy the employment rate of women is particularly low as a result of the combination of a strong employment protection of full-time jobs (the male breadwinner archetype) and a lack of available childcare (OECD, 2002).

The working poor are more numerous in Mediterranean countries, where employment protection regulations are the most restrictive. In the social democratic employment regime, where employment protection is less restrictive, there are fewer working poor.

Not many detailed comparative studies exist concerning labour regulations in the European Union. However, a recent study by the OECD pointed out some interesting facts comparing employment protection legislation in the EU (Nicoletti and Scarpetta, 2000).

The study provides a systematic overview of existing employment protection in OECD countries and then makes, according to a certain number of parameters, a weighted factor analysis that ranks countries in terms of employment protection legislation. The results of this ranking are shown in the table below.

Table 16 Country rankings according to different summary indicators of employment protection legislation (1=less restrictive)

Rank	1998	Late 1980s
1	United States	United States
2	UK	UK
3	Canada	Canada
4	Australia	Ireland
5	Ireland	Australia
6	Switzerland	Switzerland
7	Denmark	Finland
8	Finland	Austria
9	Belgium	Denmark
10	Austria	Japan
11	Netherlands	France
12	Sweden	Belgium
13	Japan	Netherlands
14	Germany	Norway
15	Norway	Sweden
16	France	Germany
17	Italy	Greece
18	Spain	Spain
19	Greece	Italy
20	Portugal	Portugal

Source: Nicoletti, Scarpetta et al, 2000.

These results partly confirm conclusions drawn from the analysis of welfare systems and the four typologies.

Mediterranean countries have the strongest employment regulations in the model. It has already been observed that the active poor and working poor are more numerous in these countries. However, all workers are not covered by all regulations, which are often sector-specific. The importance of the informal economy should also be mentioned in this context.

Common-law Anglo-Saxon countries are the least regulated in the panel. While the UK ranks second after the United States, Ireland has a more regulated labour market. The social democratic and corporatist countries are situated between these two opposites. Among the social democratic countries, Denmark, Finland and the Netherlands have a more deregulated labour market, while Norway and Sweden have a more protective labour legislation. For the corporatist countries, France and Germany have a high level of regulation on the labour market compared with other countries in this cluster.

Over time, Ireland and Greece have moved towards more regulation, as has France, to a greater degree. However, most of the other countries have moved towards a less regulated labour market. These changes are mainly due to deregulation of temporary contracts; only Finland, Portugal and Spain have somewhat eased regulations of open-ended contracts. In Denmark and Sweden, all restrictions for temporary agency work have been removed. In Italy and Spain, temporary agency work has become legal for certain types of work, where previously it was illegal in all circumstances (Nicoletti and Scarpetta, 2000).

Welfare state provisions and employment regimes

This chapter aims primarily to understand the links and explanatory factors in the literature concerning welfare state theories and the incidence of working poverty. It has argued that employment status, welfare provisions and employment regulations are important factors in addressing working poverty. It has also illustrated that the social protection schemes vary considerably among countries in terms of relative levels, coverage and eligibility conditions. A general trend that can be observed for schemes of income replacement is that they exist in all countries, but are increasingly linked to mandatory participation in activation programmes.

Where does this leave the welfare state typologies? They still explain to some extent poverty among the active and working populations, but to varying degrees. There appears to be a clear difference in terms of working poverty between the two most contrasting welfare clusters: the Mediterranean and the social democratic types. However, the differences are not as obvious between the social democratic, corporatist and liberal welfare types. For the self-employed poor, the welfare typologies lose their explanatory quality. This may be a significant deficit. The Scandinavian countries, and Sweden in particular, fare worst in the overall rate of self-employed poor. Austria, from the corporatist welfare state cluster, also has a particularly high rate of poverty among the self-employed, while its neighbour, Germany, has by far the lowest rate in the EU.

Even when taking employment regulations into account, countries may differentiate within their cluster typologies. The polarisation in terms of working poverty observed in the Mediterranean welfare cluster between Italy and Spain on the one hand, and Greece and Portugal on the other, illustrates this well. Emerging research seeks to take account of employment regulations in welfare state analyses. This confirms the assumption that it is important to pursue research in this direction and to include it in analyses of working poverty, especially insofar as wage levels, hiring and firing regulations, participation in employment and welfare policies are concerned. There is need for a more comprehensive approach in explaining and tackling the incidence of working poverty in Europe.

'Make work pay' policies and traps

Working poverty does not seem to be recognised as a significant policy issue in most EU countries, although broader issues such as the perceived necessity to 'make work pay', to tackle unemployment/inactivity and poverty traps, and to hold an equity vs. efficiency debate in welfare state reforms are present in the literature. Therefore, it is not easy to identify policies specifically oriented at the working poor in the majority of cases. This is reinforced by the fact that the few policies that could match these characteristics (i.e. tax credits in France and in the UK) may be very recent and thus difficult to assess empirically. In addition, different policies, although not

necessarily targeted on working poverty, may impact on this population. This might be the case for policies providing firms with incentives to hire low-paid workers (for instance under temporary exemptions from minimum wages regulations), minimum wage policies, and targeted exemptions of employers' social security contributions in some countries for specific populations.

In the course of the past 20 years, most governments and EU authorities have increasingly considered unemployment as one of the most striking social problems with which they are confronted. The preoccupation with improving the activity rate has been continually put forward in the framework of the Luxembourg process and the European Employment Strategy, as well as in national policy mixes. The debate is partly related to the ageing of the workforce, and the predicted future difficulties in financing social protection (especially health care and pension schemes). This has been pointed out by the majority of researchers (Scharpf, 2000; Esping-Andersen, 2001), as well as by various policymakers at national and European level.

Following the Lisbon Summit (2000), the commitment made by EU Member States to reach an overall employment rate of 70% (60% among women) is an illustration of this trend. Since 1998, the European Employment Guidelines have developed a stronger focus on the need for Member States to review their benefit and tax systems in order to make them more employment-friendly. This goal is also stated in the 2003-05 Broad Economic Policy Guidelines (Guideline 8: Making work pay through incentives to enhance work attractiveness).

The rationale generally put forward to enhance work attractiveness in the framework of 'make work pay' policies (MWP) is based on an income approach. Social protection income replacement schemes are supposed to preclude individuals (unemployed or inactive) to take up jobs as they allow a choice, based on the expected insufficient net return on their income in a transition to employment. Thus, the goal of 'make work pay' policies is to accentuate the gap between (net) wages and social income replacement schemes, either by increasing the first or reducing the second. The (supposed) willingness of individuals to stay out of employment for purely financial reasons has been supported by the development of the concepts of 'traps' of unemployment and inactivity, but also of poverty and low wages:

- The 'unemployment trap' refers to a situation where benefits paid to the unemployed and their families are high relative to potential net earnings so that work is not sufficiently financially rewarding. Out-of-work benefits can discourage job search and put upward pressure on wages. Thus, from a classic microeconomic perspective, unemployed people would benefit from social protection allowances (or according to some, could combine social protection with informal economy earnings).
- The 'inactivity trap' is a situation similar to the unemployment trap except that it applies to people not receiving any unemployment benefits, including those not considered part of the labour force (inactive), and receiving minimum income or other income-related benefits which would be lost upon taking up paid work.
- Other traps are not related to a transition into work but to the financial consequences of increasing working hours (or work effort) for those already in (low-paid) work – the 'low wage trap'. The additional effort is not felt by individuals to have a sufficient impact on net earnings. 'Poverty traps' refer to the situation of (low wage) workers who cannot secure sufficient earnings

from the labour market, and thus, in conjunction with specific households characteristics, fall below the poverty thresholds. This comes closer to the issue of working poverty.

Diverging threads of research have tried to identify the causes of these traps which prevent unemployed/inactive people from taking up jobs or low wage workers from increasing their working time (De Lathouwer, 2001). Two main inter-related causes of work disincentives are identified in relation to: a) the supposed excessive generosity of the income replacement schemes; or b) inadequacies in fiscal and tax-benefit systems.

These traps and their impact on work incentives have been measured through econometric simulations. The analysis based on the assumption of too generous social protection systems has been developed through indicators such as the 'replacement rates', which compare social income replacements to an average production worker wage³⁸. To measure the traps and the effects of tax and tax-benefits systems, the European Commission has developed, jointly with the OECD, indicators on marginal effective tax rates for people on low wages, for those who are unemployed and for those who are inactive (European Commission/OECD, 2003). These indicators are designed to be used in the European employment strategy.

The traps and their measurements have been the target of criticism. In the recent past, there was some controversy in France regarding the existence of these traps in the global framework of full-employment policies (Husson, 2000; Laroque, 2000; Pisani-Ferry, 2000; Sterdyniak, 2000). The main criticism concerns the reliance on the simplistic assumption that individual choices are only determined by financial considerations and that those who do not work choose not to. The reality of (non) employment is much more complex and depends on various factors:

Individual factors

Individual resources in terms of human capital (education and training) and social capital (inclusion in networks) are key determinants of inclusion in the labour market. Even if some broad trends may be drawn regarding the commitment of some groups to enter the labour market (for example, unemployed men are more prone to accept a job, even if no immediate monetary gain is expected, while the reverse is true for women in a couple), individual reactions to the traps within a household are difficult to predict and explain. Recent qualitative research among recipients of the guaranteed minimum income in France showed that financial considerations are not necessarily the primary reasons for unemployed people either to stay inactive or to take up a job. Rather, this is the result of broader attitudes towards work, such as consideration of the intrinsic interest of the job, additional costs of return to the labour market (e.g. in terms of childcare and transportation) or psychological difficulties of reinsertion for long-term unemployed people (Bennarosh, 2000). Comparative research also found that commitment to work was comparable among unemployed or employed individuals, however generous the social protection arrangements in the country of residence, although this may be slightly less true for young people (Gallie, 2000).

³⁸ For instance, considering an average low wage rate of about 66% of the male median earnings, a recent simulation (Evans et al, 2000) in five countries (France, Germany, Ireland, Italy and the UK) found that replacement rates higher than 80% were present in France and Italy. The authors estimate that a replacement rate of 80% may prove a disincentive to take up job, considering the cost of finding and entering a new job.

External factors

The overall availability of jobs in the labour market, the existence of discrimination in recruitment practices, poor quality of available (or proposed) jobs or inefficient employment services are examples of external factors that could have a significant impact on the supposed voluntary choice to stay out of employment. From a social perspective, the degree to which societies stigmatise the dependency on social benefits rather than work income is variable across countries and communities. The availability and generosity of social benefits also determine the degree of liberty of individuals to choose to work or not. The institutional framework may add to the complexity of the issue. Various benefits may be allocated at various levels, which adds to the difficulty of simulations.

Given the above discussion, more empirical research would be necessary to help clarify this issue. However controversial these assumed traps might be, numerous policy provisions seem to rely upon the assumption that they are a significant factor at stake.

From a policymaking perspective, various proposals have been put forward to remedy these problematic situations where either the level of benefit does not allow for incentives to work, or earnings arising from the labour market are too low (Vandenbroucke, 2000). The most common approaches are:

- reforms of the level and duration of benefits to make unemployment/inactivity less attractive;
- topping up low-paid workers' purchasing power by selective tax credits;
- increasing low-paid workers' net pay by lowering personal social security contribution on low earnings;
- supporting a sufficient minimum wage.

These approaches have been used in combination by policymakers in the EU Member States over time. In the last two decades, policy mixes have drawn upon the perceived necessity to increase employment rates. Thus, provisions have been made towards either cutting benefits or creating special employment schemes which allow low-cost workers to be hired below minimum wage levels. These wage levels do not necessarily guarantee a sufficient income for the low qualified once back in work, as other background factors, such as the household characteristics of these low-paid workers, also play a part. The growing proportion of part-time work (especially among the low qualified jobs) and fixed-term contracts has implied more economic insecurity for low qualified workers (Standing, 1997).

Evidence that work by itself does not necessarily pay has led policymakers to embrace other policies with a view to reconciling this, and sometimes with contradictory aims. Various sets of policies have been advocated or tested to combat unemployment without increasing poverty, while at the same time increasing the financial gain of paid employment. These initiatives have been labelled by some as 'make work pay' policies. Interestingly enough, among the actions highlighted above, tax policies seem to enjoy precedence in most of the discussions over more classic remedies – such as reducing employers' social security contributions in order to provide an incentive to recruit specific groups, or increases in minimum wage levels.

Fiscal policies and tax credits

In recent years, several EU Member States have undertaken reforms of their fiscal systems aimed at tackling the disincentive effects of unemployment/inactivity traps with the aim of improving the net earnings of low-age/low-income households. These reforms are often composed of a combination of various measures, including reducing taxation on low wage workers, improving the general tax system and introducing specific targeted systems of tax credits.

In Belgium, the government decided to embark on a comprehensive reform of the taxation system in spring 2001. This tax reform is being progressively implemented between 2002 and 2005, in order to observe budgetary restrictions. The reform includes a tax credit for low-income families and, in general, a lower tax bill for all (which proportionally benefits the low-income households less). In addition, employers' social security contributions have been reduced, especially for low wages and certain target groups and sectors. A study by the Belgian Plan Bureau shows that these reductions should be efficient in terms of job creation, economic growth and profitability of enterprises, as long as they are not compensated by higher wages (European Commission, 2002c).

In the Netherlands, the New Income Tax Act in 2001 introduced a tax allowance called the 'employment tax credit'. An allowance (granted once in a lifetime) has also been introduced to reduce the poverty trap for social benefit claimants accepting a full-time job and having benefited from social insurance for at least one year. In addition, new provisions for working families have been decided: a child tax credit for families with low income, and a combination tax credit to help working parents with childcare costs.

Finland introduced, in the mid-1990s, an earned income allowance in municipal taxation with the purpose of encouraging low-paid and temporary work. The entitlement is based on the individual income and the allowance is not granted if the individual does not pay local taxes.

In Ireland, the 'family income supplement' has been introduced in recent years. This is a weekly payment for families with at least one dependant and who are in low-paid full-time work (minimum 19 hours a week). Taxation for low-wage workers has been reduced. A 'back to work' allowance has also been introduced to reduce the poverty trap for benefit claimants.

In Italy, in the framework of the *Patto per l'Italia* (Pact for Italy), the principle of a new tax credit has been discussed. In addition, the government committed itself to make tax cuts of €5,500 for low incomes (under €25,000) in the 2003 Financial Act (European Commission, 2002).

In the UK, the government introduced in 1999 the 'working families' tax credit' (WFTC), which was revised in 2003 to form the 'working tax credit'. A reduction of the taxation of low-wage workers (from 20% to 10%) has been implemented since 2001. Childcare assistance benefits have also been improved and a specific tax credit concerning children has been introduced.

In 2001, France adopted a tax credit for low-income working households, the 'prime pour l'emploi' (employment allowance – PPE).

In addition, other more general tax advantages exist in various degrees in the EU Member States, and these may have an impact on the employment situation and earnings of low-income households. Some such examples are subsidised jobs, relief for part-time work, exemptions for

first-time hiring and for employment of young people (and, increasingly, older workers too) and for skills training contracts.

Reduced taxation for low-wage workers

It has already been observed that one of the tools used by policymakers to tackle the issue of low wage/poverty traps is the diminution of the tax burden of low wage households. As shown in Table 17, the proportion of income taxes against the gross wages of low-paid workers are highest in Sweden, Germany and Italy. This may prove counter-productive for Italy, considering the common view that the Italian social protection provisions are less developed than their Scandinavian counterparts. They are lowest in Ireland and the UK with a level roughly 20 percentage points below most of the other countries. Finland and France have a relatively high tax rate, although Finland, while traditionally considered part of the Scandinavian model, has a tax rate lower than the German one. Spain seems to enjoy a lower tax rate than many of the other countries. However, these gross tax rates may hide different tax structures from one country to another, as well as the proportion linked to social security contributions or general income taxes.

Table 17 Taxation of low-wage workers (single)*

	1996	2002	1996-2002
Belgium	50.5	48.9	-1.6
Germany	46.5	45.9	-0.6
Sweden	48.6	45.9	-2.7
Italy	48.3	42.7	-5.6
Finland	44.4	40.4	-4
Austria	41	39.9	-1.1
Denmark	41.3	39.8	-1.5
France	44.3	37.8	-6.5
Netherlands	39.3	37.2	-2.1
Greece	34.9	34.3	-0.6
Spain	34.4	33.9	-0.5
Portugal	30.6	29.5	-1.1
Luxembourg	29.1	27.3	-1.8
UK	26.8	24.7	-2.1
Ireland	26.5	16.6	-9.9
EU 15	40.6	37.8	2.8

* Total income tax on gross wage earnings, plus employee and employer social security contributions as a percentage of labour costs for a low-wage earner (2/3 of wage of an average production worker (APW))

Source: Eurostat Structural indicators 2003; authors' calculations.

The proportion represented by tax for low-wage earners has fallen significantly in most EU Member States in the last five years, indicating that all countries have introduced schemes to reduce taxation for low-wage earners. This trend has been least apparent in Germany (-0.6%), Spain (-0.5%) and the UK (-2.1%), and strongest in Ireland (nearly -10%). In Finland, France and Italy, this rate has also been significantly above the European Union average (about -5%). This seems to show a greater concern for the necessity to improve the income of low-paid workers. It is, however, difficult to estimate if it is planned to continue these policies.

Little can be said about the possible relationship between these tax rates and the incidence of working poverty. In theory, in countries with lower taxation rates, work should pay more. But the countries where the highest incidence of working poor was observed, Greece and Portugal, are not necessarily those with the highest rates of taxation of low-wage workers. On the contrary, it is in countries with the highest tax rates that a lower proportion of working poor can be observed, with the exception of Italy which combines a higher level of taxation and working poverty than the other countries.

Table 18 takes into account various types of households and wages. It is based on a review of tax policies and cash benefits in OECD member countries and allows for a more refined view of the impact of tax and benefit systems at the lower end of the wage scale (and thus among potential working poor households).

Table 18 Taxation rates¹ according to different types of households and wages (2002)

	Single no children low wage ²	Single 2 children low wage	Married/cohabitating 2 children 1 full wage ³	Married/cohabitating 2 children 1 low wage + 1 full wage
Austria	39.9	16.3	29.6	34.4
Belgium	48.9	32.9	40.1	48.5
Denmark	40.4	15.8	30.9	38.4
Finland	40.4	26.7	38.5	39.3
France	37.8	30.1	39.2	39.9
Germany	45.9	29.1	32.5	43.0
Greece	34.3	34.3	35.1	34.8
Ireland	16.6	-13.3	9.0	16.9
Italy	42.7	25.4	34.0	41.8
Netherlands	37.2	18.2	25.2	32.6
Portugal	29.5	18.9	23.4	27.1
Spain	33.9	28.3	31.4	34.7
Sweden	45.9	35.3	40.5	42.7
UK	24.7	-10.8	18.2	22.4

¹ Income tax plus employee and employer contributions less cash benefits, by family type and wage level (as % of labour costs).

² 2/3 of APW wage.

³ 100% of APW wage.

Source: OECD, 2003.

In terms of country ranking, the gross picture that was drawn in Table 17 has to be modified. In some cases, Germany has a tax rate that is higher than the Scandinavian countries, with the notable exception of a household composed of two adults (one wage earner) and two children. Conversely, Ireland has the lowest tax rate of all EU countries.

All countries seem to have taxation rates that adapt to the situation of single parents. This may reduce their incidence of working poverty, depending on the intensity of the tax reduction. In all cases, the rates are reduced, with the exception of Greece where no reduction is observed. The intensity of reduction is moderate in France and Spain. It is much more pronounced in Austria,

Denmark, Germany, Italy and the Netherlands, and especially in Ireland and the UK. In these last two countries, the impact of tax credit provisions seems to be obvious (judging by the negative tax rate that emerges).

Tax rates seem to adapt less smoothly to the situation of households (one wage earner) consisting of two partners and two children, but whose earnings are only slightly higher (100% APW compared with 67% in the previous situation). This might prove to be a factor in increasing poverty risk (or not reducing it significantly) in some cases.

This table also shows the effect of an inactive spouse/partner taking up a (low wage) job, within a couple with two children and one full wage (moving from column 3 to column 4). In almost all countries, the effect is an increase of the taxation level of the household. This is particularly true for Germany but also Belgium, Denmark, Ireland, Italy, and the Netherlands (rise of 7%-10%). The effect is smaller in other countries (2%-5% rise) and almost neutral in Finland and France. Greece is the only country where a decrease of taxation is observed, although it is not significant.

But when looking at these figures out of context, it is important to realise that this table may be misleading and lead to premature conclusions. For instance, the higher taxation rates in Finland and Sweden do not give a proper account of the extent of other benefits in kind and/or social services.

Tax credits

The concept of 'tax credits', i.e. decreasing and sometimes inverting taxation rates for workers with lower incomes (in order both to prevent poverty among the low-paid, and to provide work incentives for workers possibly concerned by unemployment or inactivity traps) has become increasingly common in the political agendas of some EU Member States.

The first provision of the kind was the 'earned income tax credit' (EITC) introduced in the US in 1975. The provision is targeted at lower income households with at least one active worker. While households without children may also benefit from the credit, the amount is significantly less and reduced to zero if one member of the household is working full time at the minimum wage rate. The overall amounts paid are important and represent 40% of the household's income. About one fifth of American households were estimated to benefit from the EITC, based on individual fiscal declarations.

In the EU, several similar systems have been implemented or will be soon. Some of these are described here. Given that most of the available literature is dedicated to the French and British cases, this will be reflected in the next section.

The British 'Working Tax Credit' (WTC)

The UK has an established tradition in implementing social schemes targeting low-paid working families. In 1971, in response to concerns about work incentives, Britain introduced the Family Income Supplement (FIS), a means-tested benefit paid through the welfare system to low-paid working families. This was later replaced by Family Credit (FC). In 1999, Family Credit was reformed and extended into the Working Families Tax Credit (WFTC). All these schemes were targeted at families, excluding therefore low-wage households without children.

Modelled on the US EITC, the WFTC aimed at the improvement of work incentives and the reduction of working poverty. As a tax credit rather than a means-tested benefit (like Family Credit), WFTC was also expected to reduce the stigma associated with claiming benefits and increase take-up levels – which proves to be the case (above 1 million claimants in 2000, compared to a maximum of 0.8 million FC claimants in 1999). The WFTC was also designed to improve coherence and integration of the tax benefit system (around 500,000 families were simultaneously receiving Family Credit and paying income tax in the previous system) (Blundell, 2002). WFTC is generally paid through employers³⁹, and combines in-work tax credits with child support tax credits (per child + childcare costs).

In April 2003, the system was totally revised and simplified and all existing tax credits⁴⁰ were integrated in two tax credits: the Child Tax Credit (CTC) and the Working Tax Credit (WTC).

This is seen as a major improvement, as low-paid households without children could now benefit from the tax credit, as well as single full-time low-paid workers (but only if they work less than 30 hours and are aged 25 or more). Households with children could in addition benefit from the CTC. WTC is expected, in combination with the recently introduced national minimum wage, to give a significant boost to the reduction of working poverty.

To qualify for the WTC, people without children must be: aged 25 or over and work at least 30 hours a week; be disabled and aged 16 or over and work at least 16 hours a week; or live in a household where one spouse/partner is aged 50 or more and work at least 16 hours a week and is returning to work after a period on out-of-work benefits. For people with children, the conditions are to be aged 16 or more and work at least 16 hours a week.

The amount received is means-tested (gross annual joint income) and depends on working time and parenthood condition. The amounts range from GB£69.70 per week (€98.90) for full-time working couples (with or without children) having a gross annual joint income of less than GB£5,000 (€7,100), to GB£4.90 (€6.70) for a couple or lone parent working less than 30 hours and having a gross annual income of between GB£12,500 (€17,750) and GB£14,999 (€21,298,6). Parents can also benefit from childcare allowances⁴¹ (the WTC childcare element) but only if both partners work at least 16 hours a week (except if one of the partner is disabled).

The French 'Prime pour l'Emploi'

Introduced in mid 2001, the '*Prime pour l'emploi*' (Employment Allowance) (PPE) is also explicitly designed to combat both working poverty and inactivity traps. It is targeted at households whose income (arising from employment or self-employment) is below the following thresholds (2003 figures):

- €11,972/year for single persons without children.
- €18,588 for lone parents.

³⁹ In the UK, the majority of taxes are paid through the employer in a pay as you earn (PAYE) system. In general, people do not fill out tax returns.

⁴⁰ In addition to the WFTC there was also a Child Tax Credit, Disabled Persons Tax Credit, New Deal 50+ Employment Credit and money for children in the Income Support and Jobseeker Allowance.

⁴¹ With a maximum of 94,5€/week (134,2€) for one child to 140€ (198,8€) for two children or more.

- €23,944 for married couples (with joint income taxation).
- An additional €3,308 per child.

At least one member of the household has to be working (through salaried employment or self-employment, full-time or part-time). Any income from social security benefits or property is disregarded for the means-testing. In addition to these household thresholds, individual income ceilings also apply: earnings must range between €3,265 and €5,235 in the case of full-time employment. These thresholds are reduced accordingly in the case of part-time work (considering that full-time job represents 152 hours on a monthly basis or 1,820 hours on a yearly basis).

Earnings thresholds are expressed as a proportion of the statutory minimum wage (SMIC)⁴². Households earning from 1/3 to 1 SMIC (€363.50 to €1090.50) will be eligible for a credit amounting to 6.6% of the fiscal income (about €72 /month if the earnings equal the SMIC) in 2003. The credit then decreases until the threshold of 1.4 SMIC (€1,483.30) is reached. This has serious disincentive effects for part-time workers (see below). The 2003 French National Budget includes a 45% increase of the PPE for part-time workers to try to correct this.

The PPE is granted based on the yearly fiscal declaration and thus is paid directly to the household⁴³ but only one year after the claimant qualifies for the conditions. This may seriously reduce the effect of the tax credit. In comparison, the WTC is more sensitive to changing employment and income patterns, which may be more helpful for atypical employees (i.e. those with a succession of fixed-terms contracts). WTC is granted rapidly and paid each month through the employer. In terms of tackling poverty, it seems more opportune to provide an income increase each month than a payment once a year, especially when less generous, as this payment is more likely to be used to pay off debts or arrears than improve the global living standard of the household over the whole year (Atkinson, Glaude et al, 2001). However these differences are embedded in the different intrinsic characteristics of the fiscal institutions in these countries.

Impact of tax credits

If tax credits present the advantage of conciliating economic insertion and income redistribution at a lower cost for public finances, they nevertheless need to fulfil three conditions in order to be fully effective: the 'traps' have to be significant in size, the reaction of economic agents to incentives has to result in a concrete rise of employment supply, and this in turn has to be sustained by a sufficient labour demand. To encourage people to work is one thing, but jobs must be available too. This last condition may not be encountered in countries where a minimum statutory wage exists in combination with high levels of unemployment among low qualified workers, which is the case in a certain number of EU Member States. In such contexts, measures aimed at improving net earnings through a reduction of taxation on low wages may prove to be more efficient (Cahuc, 2001).

⁴² The situation of the SMIC is quite complex in France as there are different SMICs. The Working Time Reduction Law (35 hours) has introduced a supplementary layer of complexity. The amounts indicated are just proxies based on the monthly SMIC of July 2003 (7,19€ hourly, 1090,51 € monthly).

⁴³ This is true only for households not liable to tax. For households liable to tax, the PPE is deducted directly from the global annual taxation, and the (eventual) exceeding share paid directly.

Given the institutional differences between the two countries and the recent nature of both measures, it is difficult to compare these tax credits in a systematic way, especially concerning their genuine effectiveness in tackling the various ‘traps’. Up to now, only a few investigations, based on simulations and econometric models, have been carried out on the French PPE and no study appears to have been conducted concerning the effects of the brand new UK WTC. Thus, it is only possible to highlight here some general trends concerning the impact of tax credits in terms of employment participation, coverage and redistributive effects.

Examining the French PPE in comparison with the American and British tax credits (EITC and WFTC), Cahuc notes that:

- The EITC and WFTC have a positive but very limited impact on the participation in employment of single inactive persons and couples and even brings about a fall in the participation rates of married women. According to Cahuc, the PPE’s impact on employment is expected to be marginal and at a prohibitive cost (Cahuc, 2001).
- Both systems are mainly targeted at and efficient for households working at minimum wage level with children. WFTC concerns only families with children but the new British Working Tax Credit (WTC) widens the scope of the measure to households without children. The PPE is not targeted to the same extent at families with children, although it includes also (low) supplementary benefits for families.
- In terms of coverage of the population, the WFTC is much more targeted than the other tax credits. Only one in 20 British household is concerned by the WFTC, while one in five US households is eligible for the EITC and one in four French households for the PPE.
- In terms of improvement of the household’s income, the French PPE is notably less effective and generous than the EITC or the WFTC. In 2001, for a couple with two children where both partners work at the minimum wage level, the EITC represents an income increase equivalent to 40% of the original income; for the WFTC this reaches 160% (but is means-tested), while for the PPE it is only 2.2% (€490.5). According to Atkinson, Glaude et al, the PPE affects the centre of the income distribution more than its lower end⁴⁴. This means that the worst-off in terms of low pay are proportionally less covered by the scheme (Atkinson, Glaude et al 2001).

It would be necessary to carry out more time and *post hoc* empirical studies to gain a clearer picture of the impact of these policies. It seems clear that these measures reach at least some of the target populations at risk of being in working poverty, even though the worst off among the wage dispersion are probably not covered (in line with the aim of this policy to provide incentives for individuals to increase their participation in the labour market).

Impact of fiscal policies on working poverty

As pointed out in the beginning of this chapter, the main finding from this examination of policy responses is that very few researchers in the literature explicitly deal with the issue of working

⁴⁴ This is due to the particularity of the PPE where the amount received increases according to existing earnings (from 1/3 to 1 SMIC then decreasing to stop at 1.4 SMIC). This has also the consequence that households with part-time workers will not benefit from the same rebates as full-time employees. Consequently around two thirds of the households benefiting from the PPE are composed of full-time workers. The differential impact on part-time employees is seen as an important limit on the re-distributive impact of the PPE (Dupont et al, 2001).

poverty and policy provisions. Instead, working poverty is encompassed in the broader policy debate (especially at European level, in the framework of the Lisbon strategy), concerned with, on the one hand, the necessity to increase activity/employment rates while on the other maintaining an adequate level of social cohesion and thus adequate labour market related incomes. While the positive side of these policies is to put the stress on 'making work pay', the negative side is to pressure social protection schemes towards retrenchment in the area of income replacement, which may increase poverty risks for other categories of workers. It is also important to note that these policies are generally targeted simultaneously at the unemployed as well as low-paid workers.

Another main finding is that these 'make work pay' policies are largely expressed in fiscal terms, rather than invoking other policy areas (such as increases in minimum wage, for instance). This 'fiscal path' may take the direction of cuts in tax rates for some groups at risk (especially the lower paid workers). In this case, however, the assumption that 'traps' either prevent some households from entering the labour market or keep them in poverty would merit a more thorough examination. Furthermore, this is true when it comes to the actual income impact of these cuts in various household types, as well as social protection benefits. However, the debatable nature of this issue should not be forgotten.

The other dimension of these fiscal policies lies in the concept of tax credit, as it has developed in France and the UK, and in other EU Member States such as Belgium, Finland, Ireland, and the Netherlands, and soon in Italy. Although the tax credit provisions look promising, having had some income redistribution impact on the lowest paid workers, it remains to be seen whether they will have an equal impact on all categories of low-paid/low-income workers, especially those with a lower participation in the labour market (part-time workers and/or interrupted trajectories (in the case of temporary work). The incentive effects on employment participation of those not working are described as positive for certain groups (lone parents, married women with inactive husbands), but rather limited. This confirms other findings concerning the limitations of such 'make work pay' policies. As stated by the OECD when evaluating the effects of 'make work pay' policies:

There is some evidence that workers who re-enter employment after a period of joblessness with the aid of a tax credit or in-work benefit do so at a wage below that which they had prior to losing their jobs. This is to be expected: prior job specific human capital may be lost, as are any rents attached to a prior job. (...) Furthermore, as the Canadian evidence shows, some of those who re-enter employment do so only temporarily, being trapped in a cycle of joblessness and low pay. (...) The studies presented in this issue do not suggest that policies to make work pay solve the problem of low employment and low wages of those with low skills. Indeed, unless certain framework conditions are met (for example, including the earnings distribution, the tax system and the minimum wage), it is even possible for MWP policies to be counterproductive. Furthermore, there is growing evidence that there is no single measure which, of itself, will have a major impact on employment. Hence, MWP policies have to be seen as an element of a comprehensive policy strategy (Pearson and Scarpetta 2000, p. 23).

Main findings of Chapter 4

Welfare states and working poverty

In order to gauge how the various European welfare state arrangements contribute to explaining the varying degree and nature of working poverty, the analysis uses a mean value for poverty for the groups highlighted in the previous chapters (active poor, working poor, employed poor, self-employed poor and unemployed poor), and within each of the European welfare ideal-types.

Globally, there is a clear distinction between the Mediterranean welfare cluster, where the intensity of working poverty is more pronounced, and the social democratic welfare cluster, which seems to cope better with the problem than the other clusters. This is true for all the working poor populations with the exception of the self-employed poor, which are present also in higher proportions in the social democratic welfare cluster. The countries of the Continental and Liberal welfare clusters occupy an intermediate position, except for the self-employed poor where the Liberal welfare states are those with the lower incidence. On the contrary, it is in these countries that the unemployed poor are significantly much more exposed to poverty.

The welfare state typologies can explain poverty levels among the active and working populations, but to various degrees. There is a clear difference in terms of working poverty between the two welfare clusters representing the most 'opposed' welfare ideal-types in Europe: the Mediterranean and the social democratic types; the difference is not so marked between the social democratic and the continental and liberal welfare types. For the self-employed poor, the welfare typologies lose their explanatory quality. This may be a significant deficit, as self-employment is increasing across all countries. The Scandinavian countries, and Sweden in particular, have the highest overall rate of self-employed poor. Austria, from the Continental welfare state cluster, also has a particularly high rate of poverty among the self-employed.

The income replacement schemes provided by welfare states could have a significant impact on the total income of poor households. For the active poor and the working poor, they complement at a household level earnings derived from the work of certain members of the household. For the unemployed poor, and to a lower extent the self-employed poor, they may be the main source of income. It is very difficult to quantify the impact of these schemes on the household income, due to the multiple combinations that are possible regarding activity status and composition.

Employment status, as well as welfare provisions and employment regulations, are important factors in understanding working poverty. Social protection schemes (with the protection they offer against poverty) vary considerably among countries, in terms of relative levels, coverage and eligibility conditions. Schemes of income replacement exist in all countries, but are increasingly linked to mandatory participation in activation programmes.

Policies responses to working poverty

Several EU Member States have developed specific fiscal policies designed to tackle the problems of unemployment and inactivity 'traps' and poverty 'traps' – a reference to the situation of workers who cannot secure sufficient earnings from the labour market and hence fall below the poverty line.

These policies, known as 'make work pay' policies, are divided into two broad interactive categories: the reduction of taxation on low-wage workers and the implementation of tax credit measures, based on decreasing and sometimes inverting taxation rates for lower income households and/or individuals. The objective is twofold: to increase the net earnings and income of low-income households and to provide incentives to encourage the entry/return to employment of those unemployed or receiving social benefits.

While the 'positive' side of these policies is to put the stress on 'making work pay', underlining the necessity (and constitutional right in some Member States) that work provides a decent income, the negative side is the pressure on social protection schemes towards retrenchment in the field of income replacement. This could increase the risk of poverty for other categories of workers.

Little is known about the effects of the reduction of taxation for low wage workers on working poverty. However, it is clear that this could have a positive effect if it results in an increase of the net earnings provided by work in certain working poor households. Data also shows that all European countries have reduced their level of taxation on low wage workers in recent years.

Several EU Member States have implemented systems of tax credits for low wage or low-income households (Belgium, France, Finland, Ireland, the Netherlands and the United Kingdom). The review of the British 'Working Tax Credit' (WTC) and the French 'Prime Pour l'Emploi' (PPE) shows that even if these systems seem to have a positive impact on the income for the lowest paid – and hence the households most exposed to working poverty – their impact on employment participation is only, at best, slightly positive. Thus, their global effectiveness in tackling working poverty is far from obvious.

The findings presented in this report clearly show that a group that can be labelled working poor (although heterogeneous by nature) does indeed exist. However, the information and data on the subject that is available is quite limited. The statistical measures used in surveys always leave room for interpretation, and one of the striking features of this report has been the fact that relatively speaking, very little data is available and very little research on working poverty has been done in Europe. Probably the main reason for this lies in the very nature of working poverty. Working poverty is neither purely a poverty issue nor an employment issue, and thus it is difficult to tackle through any single approach. Perhaps there is also another reason for the lack of attention given to working poverty in Europe: the common view held in our society that work precludes poverty. Thus, the basis of working poverty is itself contradictory to the fundamental building blocks of the European employment and social model, which assumes that full employment is the best way to tackle poverty.

The possible margins of error and misinterpretation that might follow from incomplete data or surveying measures presented in this report necessarily also leave their mark on what can be said here about working poverty. In many instances, it has been difficult to find information on working poverty and, for example, in Chapter 3 we have had to occasionally rely on what could be called 'secondary sources' to obtain information that might be relevant to working poverty. This in itself highlights the need for action in this vital area. There are, for example, limitations in the availability of data concerning the working poor with regard to income. It would be interesting, for example, to include different forms of accumulated benefits and rights, as well as employment patterns and 'density' over time (how people's employment patterns change over a longer period of time). The closest the research has come to identifying the working poor population in a meaningful way is through use of the 'most frequent activity status' (MFAS) that has been calculated on the basis of the European Household Panel (ECHP) of 1999. These data have been used extensively in this report, even though there are limitations here as well (discussed earlier in the report). It is evident that very few sources exist for identifying the working poor. Indeed, had the ECHP and the MFAS not existed, the contents of this report would have suffered immensely.

This is partly due to the fact that the research has to move between two levels – that of the individual and of the household – and that in order to sufficiently map the occurrence of working poverty and its trajectories, longitudinal data are needed, i.e. surveys where the same households and individuals are followed across time. Currently, the only tool that fulfils these requirements in a comparative way for European Union countries is the ECHP, a resource that has only been at disposal of European researchers in recent years (and only a few 'waves', i.e. years of the data, are actually available).

It is clear, therefore, that more in-depth research on working poverty characteristics (households and individuals) based on ECHP is needed, notably for the longitudinal dimension, but also its successor, the EU-SILC survey(s) that will also include the new Member States.

Furthermore, material from the Foundation' survey on working conditions could be utilised to better highlight the relationship between working poverty and (poor) working conditions, as very little information on this important quality of employment issue for working poverty is available. Similarly, it would be worth investigating the conceptual and practical links between the Foundation survey on working conditions and the recently launched Foundation survey on

'Quality of life in Europe', in order to ensure that the issue of working poverty, notably in relation to quality of employment, is also taken into account in this conceptual framework.

It is debatable whether working poverty should be considered an economic (i.e. income-related) issue, or rather, a multidimensional issue whose roots are to be found in the interaction of several factors. These factors could be either at an individual level (low education and skills, gender, age, migration or poor quality employment), or at a household level (the size and composition of the household and the number of earners in the household), as well as at a collective level (labour market conditions and regulations, welfare provisions, social and economic policies). The report shows that all approaches are concomitant and have equal importance. The report has attempted to illustrate the heterogeneity of both groups of populations gathered under the working poor label, and the individual and household trajectories to working poverty. There is evidence to suggest that poverty could become a growing problem for Europe in the future. This is especially pertinent in the light of the recent enlargement of the European Union to 25 Member States. Some of the issues raised here may prove to be of major significance in some of the new Member States, notably poverty among self-employed workers. Therefore the issue of working poverty should be investigated for the new Member States under the multidimensional approach followed in this report.

An additional difficulty is provided by the fact that in the case of working poverty, the poorest of poor – those working in the black economy – probably go unreported. However, there is very little research carried out on this 'labour market segment' (if it can be called that), and it is not likely that the dynamics of this area can fully be captured in surveys and through data even if this was desired. In the absence of data, the likely conclusion is that the picture of working poverty given in the report is probably more optimistic than the real situation when all segments of the labour market – both legal and illegal – are considered. However, the role of the informal or black economy on working poverty (in terms of avoiding or alleviating poverty in countries with high structural unemployment) merits investigation, notably in the context of EU enlargement. This should be carried out in relation to immigration and ethnicity, as it is probable that these groups are more exposed to factors that increase the risk of working poverty.

Information from the 1999 ECHP has enabled concepts like the active poor (meaning all individuals active in the labour market, i.e. those working and the unemployed that are poor) and working poor (this can further be differentiated into the self-employed and employed poor) to be used in the research. Furthermore, the research shows the value of constructing a work intensity scale on the basis of the monthly calendars of activity in the ECHP. A broader cluster of working poor has been constituted, including all those that have had at least one month of employment in the last year. This leads to additional categories of full-time working poor (12 months of employment), working poor with alternations (between work and non-work) and full-time unemployed poor (12 months of unemployment). These measures are vital in trying to understand the dynamic character of working poverty.

The report shows that there is indeed a group of people who can be defined as 'working poor' – although this group can change somewhat according as the definition changes. Therefore, for example the finding that the working poor (those working at least six months in the previous year) amounts to 10.9 million individuals, representing 7% of the EU population (working as employed

or self-employed), underscores the fact that action is needed and that this group cannot be ignored. This is especially the case in view of the fact that these figures are likely to be under-estimates rather than over-estimates (due to the black economy, etc). The report also highlights the great diversity of populations gathered under the working poor label, which points to the need for specific and multi-faceted answers. For example, the problems of the long-term full-time employed poor cannot be treated in the same way as the working poor who are poor due to household features.

As both household factors and quality of employment contribute to working poverty (although it has been suggested that the role of the latter is less important), policy responses that tackle these dimensions together are needed. The fact that single earner households and/or reduced job intensity households are clearly at risk of working poverty sends a clear message to policy makers: the growing necessity to have two (preferably full-time) wages to earn a sufficient level of living is not feasible, as this does not reflect the situation in the European Union today, where a growing number of households diverge from this cultural norm of a two-adult household. Therefore, how to ensure that all types of working households can acquire a decent level of living needs to be investigated. Ideally, the first step would be to review wages (minimum wages) but this should be done in conjunction with an assessment of the social support needed (i.e. designing targeted provisions for those single earner households with children, for example). The aim would be to ensure that social benefits complement the income of the household in an adequate way. In many countries, there are already provisions for this, but this information is not available in a systematically collected set.

Quality of employment is central to tackling working poverty. There is evidence to suggest that those working in non-standard employment – on a part-time or non-permanent basis or as self-employed – are at a significantly higher risk of being or becoming part of the working poor. However, there is to date surprisingly little research on this issue. Linking the quality of employment debate to the poverty debate is central and the social partners could be involved in this. The first step for the social partners would be to investigate available information (the extent and framework conditions of working poverty as well as policy measures) that exists at country level, and then to draw conclusions based on this information. Using information from this report, as well as information that could potentially be gathered from the Working Conditions survey, a European-level working poor database could be established in the Foundation⁴⁵.

The present research has shown that there are various groups of individuals who face a higher risk of marginalisation and working poverty. Men are more likely to be among the working poor than women (although some statistical limitations might skew this finding to a certain extent), and low-educated workers are especially at risk of poverty. An additional finding is that the young are a specific risk group, and that for all of them, the threat of working poverty does not disappear when they gain work experience. Additionally, the research shows that ethnic minorities and immigrants are also more likely to be among the working poor, and that for some groups the pathways to

⁴⁵ This database could include information on various aspects related on working poverty (household, employment and individual characteristics, as well as social partners' actions in the area). This could be supplemented by additional information gathered through EIRO, for example. A lot of this information is already available in the Foundation, but it could naturally be supplemented by further research (for example in-depth case studies at country level). This database could perhaps form a part of the European Working Conditions Observatory.

employment that are open to them are perhaps not the best ones. Further exploration into the causes and motives behind immigrant self-employment would thus be another area worthy of further investigation.

How then to combat working poverty so as to reduce the numbers of marginalised groups of workers? This is a question that is difficult to answer, but this report aims to point to some of the directions that can possibly be explored for answers. One solution to reducing and ultimately abolishing working poverty would be to design multi-targeted approaches that focus on improving both the income of poor households and the quality of employment, but which are also sensitive to the development of individual assets and household needs. The global Lisbon Strategy adopted in 2000 by EU Member States that focuses on building a more economically and socially cohesive Europe is an important step in the right direction. In general, the fact that quality of employment and social inclusion has become such a central issue in recent political debate is a positive sign.

However, as working poverty is neither just a quality of employment nor a poverty issue, this is not sufficient. The household dimension and social inclusion aspects have also to be taken into account, and in this respect many social actors should be involved in designing these multi-targeted approaches. The participation of the full range of social actors, including civil society, social partners and politicians, has been underlined as one of the main objectives and conditions for tackling poverty and social exclusion in the Open Method of Coordination launched at European level since 2001. As participation in employment (or in the labour market) has traditionally been the yardstick in dividing policy actors and institutions into employment and social inclusion areas, the challenge of cooperation between different actors across this border is immense.

Therefore, the increased interaction between policymakers, social partners and other social actors from across the spectrum of areas – employment, poverty and social inclusion – is likely to be one of the key routes for increasing understanding of working poverty and combating it. The social partners could play a central role in dealing with some of the issues linked to working poverty in order to avoid erosion of the quality of work in Europe. Social dialogue on working poverty and relevant issues can be instrumental in combating working poverty in Europe. As well as the group of unemployed poor, the hybrid working poor categories may prove to be the clear and emblematic link between different actors, and also pave the way for fruitful interaction between actors in European economic, employment and social areas. This will reinforce the aims of the Lisbon Strategy in building a competitive but fair Europe.

Bibliography

Select bibliography on working poor in Europe and international studies

International

- Bazen, S., Gregory, M., and Salverda, W. (eds.), *Low-wage employment in Europe*, Cheltenham, Edward Elgar, 1998.
- Belgian government , 'Plan d'action national pour l'inclusion sociale' ('National action plan for social inclusion'), Brussels, 2003.
- Célérier S. and Tengour, H., 'Travail à risque social en Europe: comparaison internationale', presentation at the 'Working poor' colloquium in Evry, France, 27 octobre 2000, Cerc/Insee, Cgp/Université d'Evry, 2000.
- Concialdi, P. and Ponthieux S., *Salariés à 'bas salaire' et travailleurs pauvres: Une comparaison France-États-Unis*, Premières synthèses Dares, n° 2000.01.02.1, Paris, 2000.
- European Industrial Relations Observatory, EIRO comparative study, 'Low-wage workers and the working poor', European Foundation for the improvement of living and working conditions, September 2002.
- Eurostat, *Low income and low pay in a household context (EU-12)*, Statistics in Focus: Population and Social Conditions, Luxembourg, Office for Official Publications of the European Communities, 1998.
- Förster M.F., *Family poverty and the labour market*, LIS Working Paper N°114, Luxembourg, 1994.
- Marlier E. and Ponthieux S., *Low-wage employees in EU countries*, Eurostat, Statistics in focus: Population and social conditions, Luxembourg, Office for Official Publications of the European Communities, 2000.
- Marx I. and Verbist G., 'Low-paid work and poverty: A cross-country perspective' in *Low-wage employment in Europe*, S. Bazen, Gregory, M. and Salverda, W., Cheltenham, Edward Elgar, 1998.
- Ponthieux S., 'Les travailleurs pauvres en Europe', *Economie et Statistique* No.5, 2000.
- European Industrial Relations Observatory, 'Low-wage workers and the "working poor"',
- Ponthieux S. and Concialdi P., Low pay and poor workers: a comparative study of France and the USA', *Transfer* 6, Winter 2000.
- Strengmann-Kuhn W., 'Working poor in Europe: A partial basic income for workers?' Basic Income European Network 9th International Congress, Geneva, University of Frankfurt, 2002.
- Transfer*, 'The working poor and low pay – a transnational perspective', *Transfer* 4/2000 (co-operation project between the editorial teams of *Transfer*, *La Revue de l'IRES*, and the WSI-Mitteilungen.), 2000.

Australia

- Bradbury B., *Are the low income self-employed poor?* Kensington, NSW, Social Policy Research Centre, 1996.
- Eardley T., 'Working but poor? Low pay and poverty in Australia', Social Policy Research Center (SPRC) Discussion Paper No. 91, 1998.
- Saunders P., 'A challenge to work and welfare: Poverty in Australia in the 1990s', SDP No. 64. Sydney, Social Policy Research Center, 1995.

Canada

- Conseil national du bien-être social, *Les petits salariés: comment répondre à leurs besoins – profil statistique*, Ottawa, Conseil national du bien-être social, 1981.

- National Council of Welfare, *Poverty profile 1999*, Ottawa, National Council of Welfare, 2002.
- National Council of Welfare, 'The working poor', *Social Indicators Research* 5 (3), pp. 345-364, 1978.
- Schellenberg Grant and Ross D., *Left poor by the market: A look at family poverty and earnings*, Ottawa, Canadian Council on Social Development, 1997.

France

- Breuil-Genier, P., Ponthieux, S. and Zoyem, J.-P., 'Travailleurs pauvres: trajectoires sur le marché du travail et caractéristiques familiales', paper given at the 'Working poor in France' conference, Université d'Evry - Val-d'Essonne, 2000.
- Breuil-Genier, P., Ponthieux, S. and Zoyem, J.-P., 'Profils sur le marché du travail et caractéristiques familiales des actifs pauvres', *Economie et Statistique* N° 349-350 (2001-9/10), 2001.
- Cases C. and Lagarde P. (eds.), *Activité et pauvreté. Une tranche de vie des personnes de 17 à 59 ans*, Insee première, Paris, Insee, 1996.
- Clément D., Rodrigues, P., and Sofer, C., 'Le travail à temps partiel est-il synonyme de pauvreté? Le cas des ménages français en 1994', presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Cgp/Université d'Evry, 2000.
- Centre national de la recherche scientifique, 'Travail et pauvreté: la part des femmes', *La revue du Mage*, 1999.
- Hourriez J.-M., 'Avoir un emploi et être pauvre. Bas salaires, sous-emploi et chômage, quels liens avec la pauvreté?' in *France Portrait Social*, pp. 111-130, Paris, Insee, 2001.
- Hourriez J.-M., 'Que nous apprend l'information statistique disponible sur les travailleurs pauvres?' presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Evry, Cerc/Insee, Cgp/Université d'Evry, 2000.
- Lagarenne and Legendre N., 'Les travailleurs pauvres en France: facteurs individuels et familiaux', *Economie et Statistique* 2000-5 (n° 335), 2000.
- Lagarenne and Legendre N., 'Les travailleurs pauvres', *Insee première*, Insee, Paris n° 745, October 2000.

Switzerland

- Caritas Suisse, *Les working poor en Suisse: ils sont pauvres, et pourtant ils travaillent*, Position paper by Caritas Suisse, Lucerne, 1998.
- Département fédéral de l'économie (Swiss Federal Economic Department), *Travailleurs pauvres – solutions et perspectives, études du DFE*, 2002.
- Gerfin M., Leu R., Brun S., et al., *Travailleurs pauvres en Suisse: analyse de différents instruments de politique économique*, Volkswirtschaftliches Institut, Centre for Studies in Public Economics and Université de Berne, Bern, 2001.
- Guldimann J., 'La situation des working poor dans l'État social suisse', *Revue de l'Office fédéral des assurances sociales* 3/2001, pp. 112-136, 2001.
- Streuli E. and Bauer T., *Les 'working poor' en Suisse: étude de la problématique, de l'ampleur du phénomène, et de ses causes*, Neuchâtel, Office fédéral de la statistique, 2001.
- Union patronale suisse (Swiss employers' union), *Travail et pauvreté*, Document de travail de l'Union patronale suisse, Zurich, 2002.

United Kingdom

- Gregg, P., 'Jobs, wages and poverty: policy development in the UK', presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Université d'Evry, (Cerc/Insee, Cgp/Université d'Evry).

- McKay S., *Low/moderate-income families in Britain: Work, working families' tax credit and childcare in 2000*, London, Department for Work and Pensions, 2001.
- Millar J., Webb S. and Kemp M., *Combining work and welfare*, Layerthorpe, Joseph Rowntree Foundation, 1997.
- Sutherland, H., *The national minimum wage and in-work poverty*, DAE Working papers N° 0111, Department of Applied Economics, Cambridge, University of Cambridge, 2001.

USA

- Acs G., Phillips K. R. and McKenzie D., *Playing by the rules but losing the game: America's working poor*, Urban Institute, 2000.
- Barreras R. E., *The working poor in America – A bibliographical resource*, New York, Foundation for Child Development, 1998.
- Bluestone B., Murphy W. M. and Stevenson M. H., *Low wages and the working poor*, Ann Arbor, Institute of Labor and Industrial Relations, University of Michigan-Wayne State University, 1973.
- Kim M., 'The working poor: lousy jobs or lazy workers?' Jerome Levy Economics Institute of Bard College Working Papers No. 194: 1-[23], 1997.
- Klein B. W. and Rones P. L., 'A profile of the working poor', *Monthly Labour Review*, October 1989.
- US Bureau of Labor Statistics, *A profile of the working poor*, Washington, DC, US Bureau of Labor Statistics Division of Labor Force Statistics, 2000.
- Warren C. R., *Poverty, the working poor and income inequality: review of recent research*, 'Building ladders for success' project, Chicago, 2002.

Main bibliography

- Acs G., Phillips K. R. and McKenzie D., *Playing by the rules but losing the game: America's working poor*, Urban Institute, 2000.
- Anxo, D., and Fagan, C., 'Service employment: a gender perspective' in Anxo, D. and Storrie, D. (eds.), *The job creation potential of the service sector in Europe*, Brussels, European Commission, 1998.
- Aronsson, G., Gustafsson, K., and Dallner, M., 'Anställningsformer, arbetsmiljö och hälsa i ett centrum-periferiperspektiv' ('Employment forms, working environment and health in a centre-periphery perspective'), *Arbete och Hälsa* no. 9, 2000.
- Asplund, R., Sloane, P. J. et al. (eds.), *Low pay and earnings mobility in Europe*, European Low-Wage Employment Research Network, Cheltenham, Edward Elgar, 1998.
- Atkinson, T., Cantillon, B., Marlier, E. and Nolan, B., *Social indicators: The EU and social inclusion*, Oxford, Oxford University Press, 2002.
- Atkinson, A. B., M. Glaude, et al. (eds.), *Inégalités économiques*, Rapports du Conseil d'Analyse Economique, Paris, La Documentation Française, 2001.
- Attias-Donfut, C., and Arber, S., 'Equity and solidarity across the generations', in Arber, S. and Attias-Donfut, C. (eds.), *The myth of intergenerational conflict: The family and state in ageing societies*, London, Routledge, 2000a.
- Attias-Donfut, C., and Wolff, F-C., 'Complementarity between private and public transfers', in Arber, S. and Attias-Donfut, C. (eds.), *The myth of intergenerational conflict: The family and state in ageing societies*, London, Routledge, 2000b.
- Barreras R. E., *The working poor in America: A bibliographical resource*, New York, Foundation for Child Development, 1998.

- Bazen, S. and Benhayoun, G., *Les bas salaires en Europe*, Paris, Presses universitaires de France, 1996.
- Bazen, S., Gregory, M., and Salverda, W., *Low-wage employment in Europe*, Cheltenham, Edward Elgar, 1998.
- Begg, I., J. Berghman, Chassard, Y., Kosonen, P., Madsen, P.K., Matsaganis, M., Mayes, D. Muffels, R. Salais, R., and Tsakoglou, P., *Social exclusion and social protection in the EU: Policy issues and proposals for the future role of the EU*, London, South Bank University: European Institute, 2001.
- Bell, A., and La Valle, I., *Combining self-employment and family life*, Bristol, The Policy Press, 2003.
- Benach, J., Gimeno, D. and Benavides, F., European Foundation for the Improvement of Living and Working Conditions, *Types of employment and health in the European Union*, Dublin, Luxembourg, Office for Official Publications of the European Communities, 2002.
- Bennarosh, Y., 'RMistes et chômeurs face à l'emploi précaire: interroger la notion de «trappe d'inactivité»', paper given at the 'Working poor in France' conference, Université d'Evry - Val-d'Essonne, 2000.
- Berg, A., 'Metalworkers make first demands for 2001 bargaining round', European Industrial Relations Observatory (EIRO), online at www.eiro.eurofound.eu.int, European Foundation for the Improvement of Living and Working Conditions, October 2000.
- Berthoud, R., *The incomes of ethnic minorities*, Colchester, University of Essex: Institute for Social and Economic Research, 1998.
- Berthoud, R., and Iacovou, M., *Mapping patterns of social change across the EU*, Colchester, University of Essex: Institute for Social and Economic Research, 2002.
- Bierings, H., Consumption of the elderly in the EU, *Statistics in Focus*, Theme 3, no. 3, Luxembourg, Office for Official Publications of the European Communities, 2000.
- Björnberg, U., and Kollind, A.-K., *Att leva själv tillsammans*, Malmö, Liber Ekonomi, 2003.
- Blanchflower, D., 'Self-employed in OECD countries', *Labour Economics* 7(5), pp. 471-505, 2000.
- Bluestone B., Murphy W. M. and Stevenson M. H., *Low wages and the working poor*, Ann Arbor, Institute of Labor and Industrial Relations, University of Michigan: Wayne State University, 1973.
- Blundell, R., *Welfare-to-work: Which policies work and why?* London, University College London and Institute for Fiscal Studies, 2002.
- Blundell, R. and Hoynes, H., 'Has "In-work" benefit reform helped the labour Market?', NBER working paper n° 8546, Cambridge (Mass), National Bureau of Economic Research, 2001.
- Bollé, P., 'Part-time work: solution or trap?' *International Labour Review* 136(4), pp. 557-579, 1997.
- Booth, A., Francesconi, M., and Frank J., *Temporary jobs: stepping stones or dead ends?* Essex, University of Essex, 2000.
- Bradbury B., *Are the low income self-employed poor?* Kensington, NSW, Social Policy Research Centre, 1996.
- Breuil-Genier, P., Ponthieux, S. and Zoyem, J.-P., 'Travailleurs pauvres: trajectoires sur le marché du travail et caractéristiques familiales', paper given at the 'Working poor in France' Conference, Université d'Evry - Val-d'Essonne, 2000.
- Breuil-Genier, P., Ponthieux, S. and Zoyem, J.-P., 'Profils sur le marché du travail et caractéristiques familiales des actifs pauvres', *Economie et Statistique* N° 349-350 (2001-9/10), 2001.
- Brewer, M., Clark, T. et al., *Credit where it's due? An assessment of the new tax credits*, Commentary 86, Institute of Fiscal Studies, 2001.
- Brown, S., Sessions, J. G. and Watson, D., *The relative contributions of wage and hours: Constraints to working poverty in Britain*, Leicester, University of Leicester, 2001.

- Buchel, F., and Frick, J., *Immigrants in the UK and West Germany: Relative income positions, income portfolio, and redistribution effects*, Berlin, Max Planck Institute for Human Development and German Institute for Economic Research, 2002.
- Cahuc, P., *La prime pour l'emploi à la lumière des expériences étrangères*. Paris, CREST - Université Paris 1 - Centre d'observation économique, Documents de travail, n° 56, December 2001.
- Cancedda, A., European Foundation for the Improvement of Living and Working Conditions, *Employment in household services*, Luxembourg, Office for Official Publications of the European Communities 2001.
- Cappellari, L., 'Do the "working poor" stay poor? An analysis of low pay transitions in Italy', *Oxford Bulletin of Economics and Statistics* 64(2), pp. 87-110, 2002.
- Caritas Suisse, *Les working poor en Suisse: ils sont pauvres, et pourtant ils travaillent*, Position paper by Caritas Suisse, Lucerne, 1998.
- Département fédéral de l'économie (Swiss Federal Economic Department), *Travailleurs pauvres – solutions et perspectives*, études du DFE, 2002.
- Carvalho, S. and White, H., *Combining the quantitative and qualitative approaches to poverty measurement and analysis: the practice and the potential*, Washington, D.C., World Bank, 1997.
- Cases C. and Lagarde P. (eds.), *Activité et pauvreté. Une tranche de vie des personnes de 17 à 59 ans*, Insee première, Paris, Insee, 1996.
- Casey, B. and Yamada, A., *Getting older, getting poorer? A study of earnings, pensions, assets and living arrangements of older people in nine countries*, OECD, 2002.
- Castel, R., *Les métamorphoses de la question sociale*, Paris, Fayard, 1995.
- Cathal, O. D. and Francesca, U., 'Micro-level impacts of wage policies in Europe' in Nolan, B., *Policy measures for low-wage employment in Europe*, Cheltenham, Edward Elgar, 2000.
- Célérier S. and Tengour, H., 'Travail à risque social en Europe: comparaison internationale', presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Cerc/Insee, Cgp/Université d'Evry, 2000.
- Centre national de la recherche scientifique, 'Travail et pauvreté: la part des femmes', *La revue du Mage*, 1999.
- Clément D., Rodrigues, P., and Sofer, C., 'Le travail à temps partiel est-il synonyme de pauvreté? Le cas des ménages français en 1994', presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Cgp/Université d'Evry, 2000.
- Concialdi, P., 'Les nouvelles formes d'inégalité salariale', *Chronique Internationale de l'IRES*(60): pp. 98-107, 1999.
- Concialdi, P., 'Les seuils de pauvreté monétaire: usages et mesures', *La Revue de l'IRES* 38 2002/2.
- Concialdi, P. and Ponthieux S., *Salariés à 'bas salaire' et travailleurs pauvres: Une comparaison France-États-Unis*, Premières synthèses Dares, n° 2000.01.02.1, Paris, 2000.
- Conseil national du bien-être social, *Les petits salariés: comment répondre à leurs besoins – profil statistique*, Ottawa, Conseil national du bien-être social, 1981.
- De Lathouwer, L., *Unemployment traps: Necessary social security reforms to increase labour supply, The European employment strategy: challenges for a new decade*, Bruxelles, High Employment Council, Centre for Social Policy, University of Antwerp – UFSIA, 2001.
- Département fédéral de l'économie, *Travailleurs pauvres - solutions et perspectives*, études du DFE, 2002.
- Desmarez, P., 'New employment forms and social exclusion', UWWCLUS workshop, Brussels, 2000.

- Dupont, G. and H. Sterdyniak, 'La prime pour l'emploi: un instrument ambigu', *Lettre de l'OFCE. Observations et diagnostics économiques* 203: 4, 2001.
- Eardley, T., 'Working but poor? Low pay and poverty in Australia', Social Policy Research Center (SPRC) Discussion Paper No. 91, 1998.
- Eardley, T. and A. Corden, *Low income, self-employment: Work, benefits and living standards*, Aldershot, Avebury, 1996.
- Employment Policies Institute, *Measuring poverty in America: Science or politics?*, Employment Policies Institute, Washington D.C., 2002.
- Esping-Andersen, G., *The three worlds of welfare capitalism*, Cambridge, Polity, 1990.
- Esping-Andersen, G., *Social indicators and welfare monitoring*, United Nations Research Institute for Social Development, 2000.
- Esping-Andersen, G., 'A child-centered social investment strategy' in Esping-Andersen, G., *Why we need a new welfare state*, Oxford, Oxford University Press, 2002.
- Esping-Andersen, G., *Why we need a new welfare state*, Oxford, Oxford University Press, 2002.
- Esping-Andersen, G., Duncan Gallie, et al., *A new welfare architecture for Europe?* Report submitted to the Belgian Presidency of the European Union, Brussels, 2001.
- EU Social Protection Committee, *Key issues on social protection and employment*, Brussels, 2003.
- European Commission, Communication on 'Employment and social policies: A framework for investing in quality', COM (2001) 313 final, Luxembourg, Office for Official Publications of the European Communities, 2001.
- European Commission, *Joint Report on Social Inclusion*, Luxembourg, Office for Official Publications of the European Communities, 2002a.
- European Commission, *Social Situation in the European Union 2002*, Luxembourg, Office for Official Publications of the European Communities, 2002b.
- European Commission, *Commission staff working paper: Assessment of the implementation of the 2002 Employment Guidelines* (Supporting document to the Joint Employment Report 2002), COM (2002) 621 Final, Luxembourg, Office for Official Publications of the European Communities, 2002c.
- European Commission, *Employment in Europe 2002: Recent trends and prospects*, Luxembourg, Office for Official Publications of the European Communities, 2003.
- European Commission/OECD, 'Indicators of unemployment and low-wage traps (marginal effective tax rates on labour)', Working papers of DG ECFIN n°197, 2003.
- European Commission, *Joint report on social inclusion 2003 – statistical annex*, Luxembourg, Office for Official Publications of the European Communities, 2004.
- European Foundation for the Improvement of Living and Working Conditions, *Quality of work and employment in Europe: Issues and challenges*, Luxembourg, Office for Official Publications of the European Communities, Dublin, 2002a.
- European Foundation for the Improvement of Living and Working Conditions, *Quality of women's work and employment: Tools for change*, Luxembourg, Office for Official Publications of the European Communities, 2002b.
- European Industrial Relations Observatory, EIRO comparative study, 'Low-wage workers and the working poor', European Foundation for the improvement of living and working conditions, online at <http://www.eiro.eurofound.eu.int/>, September 2002.
- Eurostat, *Social benefits and their redistributive effect in the EU*, Statistics in Focus 13/1999, Luxembourg, Office for Official Publications of the European Communities, 1999.
- Eurostat, 'Low wages in the European Union: nearly one employee in seven in the EU is on low wages', Eurostat No 94, 3 August 2000, Luxembourg, Office for Official Publications of the European Communities, 2000a.

- Eurostat, *Income, poverty and social exclusion*, European Social Statistics, Luxembourg, Office for Official Publications of the European Communities, 2000b.
- Eurostat, "Social Exclusion in the EU Member States." *Statistics in Focus* 1/2000, Luxembourg, Office for Official Publications of the European Communities, 2000c.
- Eurostat, *Poverty and social exclusion in the EU after Laeken: part 1*, *Statistics in focus* 9/2003, Luxembourg, Office for Official Publications of the European Communities, 2003a.
- Eurostat, *Minimum wages in EU Member states and candidate countries*, *Statistics in Focus* 10/2003, Luxembourg, Office for Official Publications of the European Communities, 2003b.
- Eurostat, *Poverty and social exclusion in the EU after Laeken: part 2*, *Statistics in focus* n° 9/2003, Luxembourg, Office for Official Publications of the European Communities, 2003c.
- Eurostat, *Low income and low pay in a household context (EU-12)*, *Statistics in Focus: Population and social conditions*, Luxembourg, Office for Official Publications of the European Communities, 1998.
- Evans M., C. O'Donoghue and P. Vizard, 'Means Testing and Poverty in 5 European Countries' in Atella, V. (ed.), *Le Politiche Sociali in Italia ed in Europa Coerenza e Convergenza nelle Azioni 1997-1999*, Bologna, il Mulino, 2000.
- Fagan, C., and Burchell, B., Foundation for the Improvement of Living and Working Conditions, *Gender, jobs and working conditions in the European Union*, Luxembourg, Office for Official Publications of the European Communities, 2002.
- Federation for American Immigrant Reform, Issue brief: Immigration widens the gap between the rich and the poor, Washington DC, Federation for American Immigrant Reform, 2002.
- Ferrera, M., 'Modèles de solidarité, divergences, convergences: perspectives pour l'Europe', *Revue suisse de science politique* 2(1), pp. 55-72, 1996.
- Förster, M.F., *Family poverty and the labour market*, LIS Working Paper No. 114, July 1994, Luxembourg, Luxembourg Income Study, 1994.
- Förster, M. F. and Pellizzari, M., *Trends and driving factors in income distribution and poverty in the OECD area*, OECD Labour market and social policy papers, Paris, 2000.
- Francois, P. and van Ours, J.C., *Gender and wage differentials in a competitive labour market: the household interaction effect*, Center for Economic Research Discussion Papers 36, Tilburg University, CER, 2000.
- Friot, B., "Le régime de la contrepartie dans la logique salariale," *Revue Française des Affaires Sociales* 3, Juillet-septembre: 65-87, 1996.
- Furåker, B., and Schedin, S., 'Patterns of income mobility in Sweden in the 1990s', in Furåker, B., *Employment, unemployment and marginalization: Studies in contemporary labour markets*, Gothenburg, Gothenburg University, 2001.
- Gallie, D., *Unemployment, work and welfare, Towards a learning society: innovation and competence building with social cohesion for Europe*, Lisbon, 2000.
- Gallie, D., The quality of working life in welfare strategy in Esping-Andersen, G., *Why we need a new welfare state*, Oxford, Oxford University Press, 2002.
- Gallie, D., M. White, et al., *Restructuring the employment relationship*, Oxford, Clarendon Press, 1998.
- Gardberg-Morner, C., *Making ends meet: Lone mothers' local subsistence strategies. Case studies from Italy and Sweden*, MZES working paper 13/2000.
- Gerfin M., Leu R., Brun S., et al., *Travailleurs pauvres en Suisse: analyse de différents instruments de politique économique*, Volkswirtschaftliches Institut, Centre for Studies in Public Economics and Université de Berne, Bern, 2001.

- Glaude, M., 'La pauvreté, sa mesure et son évolution' in *Pauvreté et exclusion*, Conseil d'Analyse Economique, Paris, La Documentation Française, Rapports du CAE n°6, 1998.
- Goodin, R. E., *The real worlds of welfare capitalism*, Cambridge, Cambridge University Press, 1999.
- Goudswaard, A. and de Nanteuil, M., European Foundation for the Improvement of Living and Working Conditions, *Flexibility and working conditions: A qualitative and comparative study in seven EU Member States*, Luxembourg, Office for Official Publications of the European Communities, 2000.
- Goudswaard, A., and Andries, F., European Foundation for the Improvement of Living and Working Conditions, *Employment status and working conditions*, Luxembourg, Office for Official Publications of the European Communities 2002.
- Gregg, P., 'Jobs, wages and poverty: policy development in the UK', presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Université d'Evry, (Cerc/Insee, Cgp/Université d'Evry).
- Gregg, P., and Wadsworth, J., 'A short history of labour turnover, job tenure and job security, 1975-1993', *Oxford Review of Economic Policy* 11(1): 73-90, 1995.
- Gregory, M., and Connolly, S., *Changing status: Women's part-time work and wages in Britain*, Amsterdam, LoWER: European Low-Wage Employment Research Network, 2001.
- Guldemann J., 'La situation des working poor dans l'Etat social suisse', *Revue de l'Office fédéral des assurances sociales* 3/2001, pp. 112-136, 2001.
- Gustafsson, B., 'Är fattigdomen i Norden under 90-talet kvinnlig?' ('Is poverty in the 90s in the Nordic countries feminine?'), *Nordisk Sosialt Arbeid (Nordic Journal of Social Work)* 4(19), pp. 225-232, 1999.
- Gustafsson, B., 'Poverty in Sweden: Changes 1975-1995, profiles and dynamics' in B. Gustafsson, and Pedersen, P.J., *Poverty and low income in the Nordic countries*, pp.169-206, Aldershot, Ashgate Publishing Ltd., 2000.
- Håkansson, K., *Språngbräda eller segmentering? En longitudinell studie av tidsbegränsat anställda* ('Spring board or segmentation? A longitudinal study of those on fixed term contracts'), Uppsala, Sweden, Institutet för arbetsmarknadspolitisk utvärdering (IFAU), 2001.
- Halleröd, B., 'Lika hushåll, olika ekonomi; ekonomiska problem bland samboende män och kvinnor' ('Same households, different economies; economic problems between men and women living together') in Ahrne, G. and P., *Familj, makt och jämställdhet* ('Family, power and equality'), Stockholm, SOU, 1997.
- Halleröd, B., 'Employment positions, class and economic hardship: A longitudinal study of labour market marginalisation and consumption' in Furåker, B., *Employment, unemployment and marginalization: Studies on contemporary labour markets*, Gothenburg, Gothenburg University, 2001.
- Hammarstedt, M., 'Making a living in a new country', *Ekonomihögskolan*, Vaxjö, University of Vaxjö, 2003.
- Hearing, L., and van der Erf, R., *Why do people migrate?* Brussels, Eurostat: 8, 2001.
- Heath, A. F., and McMahon, D., *Ethnic differences in the labour market: The role of education and social class origins*, Oxford, Department of Sociology and Nuffield College, 2000.
- Holmlund, B., and Storrie, D., 'Temporary work in turbulent times: the Swedish experience'. *Economic Journal*, 2002.
- Hourriez J.-M., 'Avoir un emploi et être pauvre: Bas salaires, sous-emploi et chômage, quels liens avec la pauvreté?' in *France Portrait Social*, pp. 111-130, Paris, Insee, 2001.
- Hourriez J.-M., 'Que nous apprend l'information statistique disponible sur les travailleurs pauvres?' presentation at the 'Working poor' colloquium in Evry, France, 27 October 2000, Evry, Cerc/Insee, Cgp/Université d'Evry, 2000.

- Huizinga, H., 'Migration and income transfers in the presence of labour quality externalities', ISPE seminar at Vanderbilt University, Vanderbilt University, 1994.
- Husson, M., 'L'épaisseur du trait: A propos d'une décomposition du non-emploi', *Revue de l'IRES* (34), pp. 7-24, 2000.
- Husted, L., Skyt Nielsen, H., Rosholm, M., and Smith, N., *Employment and wage assimilation of male first generation immigrants in Denmark*, Aarhus, Centre for labour market and social research, 2000.
- Iacovou, M., *Work-rich and work-poor couples: polarisation in 14 countries in Europe*, Working Paper 45, Colchester, University of Essex, 2003.
- International Labour Organisation, 'Resolution concerning statistics of the economically active population, employment, unemployment and underemployment', Thirteenth Conference of Labour Statistics, Geneva, 1982.
- Isaksson, K., Aronsson, Gunnar, Bellaagh, K., and Göransson, S., 'Att ofta byta arbetsplats. En jämförelse mellan uthyrda och kortidsanställda' ('To change working place often: A comparison between the outsourced and the short-term employed'), *Arbete och Hälsa: 22*, 2001.
- Jansson, K., *Sweden 1995: Survey information. Based on robustness assessment report on income distribution data for Sweden*, Örebro, Statistics Sweden, 1998.
- Jäntti, M., and Ritakallio, Veli-Matti, 'Income poverty in Finland 1971-1995' in Gustafsson, B. and Pedersen, P. J., *Poverty and low income in the Nordic countries*, pp. 169-206, Aldershot, Ashgate Publishing, 2000a.
- Jenkins, S. P., 'Poverty measurement and the within-household distribution: Agenda for action', *Journal of Social Policy* (20), 1991.
- Jepsen, M., 'What do we know about the link between low pay, gender and part-time work?' *Transfer* 6 (Winter), 2000.
- Joshi, H., and Davies, H., *Women's incomes over a synthetic lifetime* (summary), London, Centre for Longitudinal Studies Institute of Education, London University, 2000.
- Kalter, F., and Kogan, I., 'Ethnic inequalities at labour market entry in Belgium and in Spain', *MZES working paper* 2002(49): 1-25, 2002.
- Katsimi, M., and Tsakloglou, P., *Employment options of the future: actual and preferred working hours – Greece*, Dublin, European Foundation for the Improvement of Living and Working conditions, 2000.
- Kauhanen, M., *Määräaikaiset työsuhteet ja toimeentulon riskit (Fixed term contracts and risks to income)*, Helsinki, Palkansaajien tutkimuslaitos, 2002.
- Kim M., 'The working poor: lousy jobs or lazy workers?' Jerome Levy Economics Institute of Bard College, Working Papers No. 194, pp. 1-[23], 1997.
- Klein, B. W. and Rones, P. L., 'A profile of the working poor', *Monthly Labour Review*, October 1989.
- Kohli, M., Künemund, H., Motel, A. and Szydlik, M., 'Families apart? Intergenerational transfers in East and West Germany' in Arber, A. D., *The myth of intergenerational conflict*. s. a. A.-D. Arber, C. London, Routledge, 2000.
- Kosonen, P., *Household composition, labour market attachment and poverty: Denmark, Greece, Ireland and the Netherlands* (unpublished paper), RC19 Annual Conference 'Old and New Inequalities: What Challenges for Welfare States?', Oviedo 6-9 September, 2001.
- Kosunen, V., 'Cutbacks in the economic well being of households: an analysis based on a simulation model involving example families', in Heikkilä, M. and Uusitalo, H., *The Cost of Cuts*, Helsinki, Stakes, 1997.

- Lagarenne C. and Legendre N., 'Les travailleurs pauvres en France: facteurs individuels et familiaux' ('The working poor in France: personal and family factors'), *Economie et Statistique* 2000-5 (n° 335), 2000.
- Lagarenne and Legendre C. and Legendre N., 'Les travailleurs pauvres', Insee première, Insee, Paris n° 745, October 2000.
- Laroque, G. and B. Salanié, 'Une décomposition du non-emploi en France', *Economie et statistique* 331-1, pp. 47-65, 2000.
- Latta, M., 'Visions and divisions: The changes and non-changes in the European labour market – A look at the European Foundation's gender-relevant work from the past five years' (unpublished), Dublin, European Foundation for the Improvement of Living and Working Conditions, 2002.
- Latta, M., and Hegewisch, A., 'Patterns of non-permanent employment in Finland, Sweden and the UK', Paper given at the 5th European Sociological Association Conference, Helsinki, 2001.
- Layte, R. and Whelan, C. T., *Moving in and out of poverty: the impact of welfare regimes on poverty dynamics in the EU*, EPAG Working Paper N°30, Colchester, University of Essex, 2002.
- Le Blansch, K., Geerlof, J., Gregory, D., Leisink, P., MacKenzie, K., Surkyn, K., and Vilrocx, J., *Growth and patterns of self-employment in the EU Member States*, Brussels, European Parliament, 1999.
- Levitan, S. A., Gallo, F., et al., *Working but poor: America's contradiction*, Baltimore, The Johns Hopkins University Press, 1993.
- Lilja, R. and Ulla, H., European Foundation for the Improvement of Living and Working Conditions, *Working time preferences at different phases of life*, Dublin, Luxembourg, Office for Official Publications of the European Communities, 2001.
- Lindbeck, A., 'The Welfare State and the Employment Problem', *The American Economic Review* 84(2), pp. 71-75, 1994.
- Llollivier, S. and D. Verger, 'Pauvretés d'existence, monétaire ou subjective sont distinctes', *Economie et Statistique*, pp.308-10, 1998.
- Loisy, C., 'Pauvreté, précarité, exclusion: Définitions et concepts', *Les travaux de l'Observatoire national de la pauvreté et de l'exclusion sociale*, Paris, La Documentation Française, 2000.
- Lucifora, C., 'Working poor? An analysis of low-wage employment in Italy', *Nota Di Lavoro* No. 93.97, pp. 1-[29], Milan, Fondazione Eni Enrico Mattei, 1997.
- Marlier E. and Ponthieux S., *Low-wage employees in EU countries*, Eurostat, Statistics in focus: Population and social conditions, Luxembourg, Office for Official Publications of the European Communities, 2000.
- Marx I. and Verbist G., 'Low-paid work and poverty: A cross-country perspective' in *Low-wage employment in Europe*, S. Bazen, Gregory, M. and Salverda, W., Cheltenham, Edward Elgar, 1998.
- McGinnity, F., and Mertens, A., *Fixed term contracts in Germany: low wages, poor prospects?* (Abstract), 5th International GSOEP Conference, Max-Planck Institute for Human Development, Berlin, 2002.
- McKay S., *Low/moderate-income families in Britain: Work, working families' tax credit and childcare in 2000*, London, Department for Work and Pensions, 2001.
- Millar J., Webb S. and Kemp M., *Combining work and welfare*, Layerthorpe, Joseph Rowntree Foundation, 1997.
- Muffels, R. and Fouarge, D., Working profiles and employment regimes in European Panel Perspective, Institute for Labour Studies Working Papers, Tilburg, 2001.

- Mühlau, P., and Horgan, J., *Labour market status and the wage: Position of the low skilled: The role of institutions and of demand and supply - Evidence from the International Adult Literacy Survey*, European Low Wage Research Network (LoWER) Working Paper no 5, July 2001.
- Myles, J., 'A new social contract for the elderly?' in G. Esping-Andersen, *Why we need a new welfare state*, Oxford, Oxford University Press, 2002.
- National Council of Welfare, *Poverty profile 1999*, Ottawa, National Council of Welfare, 2002.
- National Council of Welfare, *The working poor*, Social Indicators Research 5 (3), pp. 345-364, 1978.
- Nätti, J., Kinnunen, U., Mäkinen, P., Loikkanen, E., Mauno, S., and Virolainen, M., *Työn epävarmuus ja hyvinvointi: Työn epävarmuuden kokemisen yleisyys, syyt, seuraukset ja käsittely erilaisissa työorganisaatioissa* ('The insecurity of work and consequences to health: The extent of insecurity, reasons, consequences and actions in different work organisations'), Working Papers in Social Policy 1995(92), pp. 1-76, University of Jyväskylä, 1995.
- Nicoletti, G., Scarpetta, S. et al., *Summary indicators of product market regulation with an extension to employment protection legislation*, Paris, OECD, 2000.
- Nolan, B. and Marx, I., Low pay and household poverty in M. Gregory, M., Salverda, W. and Bazen, S., *Labour market Inequalities: Problems and policies in an international perspective*, Oxford, Oxford University Press, 2000.
- OECD, *Labour market policies: new challenges. Policies for low-paid workers and unskilled job-seekers*, Meeting of the Employment, Labour and Social Affairs Committee at Ministerial Level, Château de la Muette, Paris, OECD, 1997.
- OECD, *Employment Outlook 1997*, Paris, OECD, 1998.
- OECD, *Employment Outlook 2000*, Paris, OECD, 2001a.
- OECD, *Society at a glance – OECD Social Indicators*, Paris, OECD, 2001b.
- OECD, *The well-being of nations: the role of human and social capital*, Paris, OECD, 2001c.
- OECD, *Employment Outlook 2001*, Paris, OECD, 2002.
- OECD, *Taxing wages*, Paris, OECD, 2003.
- Olgati, E. and Gillian, S., European Foundation for the Improvement of Living and Working Conditions, *Promoting gender equality at the workplace*, Dublin, Luxembourg, Office for Official Publications of the European Communities, 2002.
- Ott, N. and Wagner, G., *Income inequality and poverty in eastern and western Europe*, Heidelberg, Physica-Verlag, 1997.
- Otto, B. and Goebel, J., *Incidence and intensity of permanent income poverty in the European countries*, EPAG Working Paper 28, Colchester, University of Essex, 2002.
- Paoli, P., and Merllié, D., European Foundation for the Improvement of Living and Working Conditions, *Third European survey on working conditions*, Dublin, Luxembourg, Office for Official Publications of the European Communities, 2001.
- Paugam, S., *La disqualification sociale: Essai sur la nouvelle pauvreté*, Paris, Presses Universitaires de France, 1997.
- Paugam, S., *Le salarié de la précarité: Les nouvelles formes de l'intégration professionnelle*, Paris, Presses Universitaires de France, 2000.
- Peck, J., and Theodore, Nikolas, 'The business of contingent work: growth and restructuring in Chicago's temporary employment industry', *Work, Employment and Society* 12(4), pp. 655-674, 1998.
- Peña-Casas, R., *Indicators of quality of employment in the EU*, Dublin, European Foundation for the improvement of working and living conditions, 2002.

- Pisani-Ferry, J., *Plein Emploi : La Documentation française*, Paris, Conseil d'Analyse Economique, 2000.
- Ponthieux S., 'Les travailleurs pauvres en Europe', *Economie et Statistique* No. 5, 2000.
- Ponthieux S. and Concialdi P., 'Low pay and poor workers: a comparative study of France and the USA', *Transfer* 6, Winter 2000.
- Rake, K., and Daly, M., *Gender, household and individual income in France, Germany, Italy, the Netherlands, Sweden, the USA and the UK*, Syracuse, New York, Maxwell School of Citizenship and Public Affairs Syracuse University, 2002.
- Ravallion, M., *Poverty lines in theory and practice*, Washington, DC, World Bank, 1998.
- Rubery, J., Smith, M., and Fagan, C., *Women's employment in Europe*, London, Routledge, 1999.
- Ruspini, E., *Living on the poverty line: Lone mothers in Belgium, Germany, Great Britain, Italy and Sweden*, Mannheim, Mannheim Centre for European Social Research, 1998.
- Salmi, M., *Mikä lapsiamme uhkaa? Suuntaviivoja 2000-luvun lapsipoliittiseen keskusteluun*, ('What are the threats to our children? Direction lines to the political debate on children in the 21st century'), Stakes, 2001.
- Salverda, W., B. Nolan, Maitre, B., and Mühlau, P., *Benchmarking low-wage and high-wage employment in Europe and the USA*, Report of the LoWER (European Low-Wage Employment Research Network), 2001.
- Sauli, H., Bardy, M., and Salmi, M., 'Elinolojen koventuminen pikkulapsiperheissä' ('The increased hardship of living in families with children'), in Heikkilä, M. and Kautto, M. (eds.), *Suomalaisten hyvinvointi 2002* ('The well-being of Finns in 2002'), pp. 32-62, Helsinki, Stakes, 2002:
- Saunders P., 'A challenge to work and welfare: Poverty in Australia in the 1990s', SDP No. 64, Sydney, Social Policy Research Center, 1995.
- Scharpf, F. W. and V. A. Schmidt (eds.), *Welfare and work in the open economy*, Oxford, Oxford University Press, 2000.
- Schellenberg Grant and Ross D., *Left poor by the market: A look at family poverty and earnings*, Ottawa, Canadian Council on Social Development, 1997.
- Schmid, G. and B. Gazier, *The dynamics of full employment: social integration through transitional labour market*, Cheltenham, Edward Elgar, 2002.
- Sharpe, A., 'Estimates of Relative and Absolute Poverty Rates for the Working Population in Developed Countries', CCLS Session 'International Perspectives on Poverty and Health' at the annual meeting of the Canadian Economics Association, Montreal, McGill University, 2001.
- Slavnic, Z., 'Informell ekonomi och välfärdssamhället i omvandling: Marginalisering eller integration?' in Rosing, A., Råberg, C. and Sundin, E. (eds), *In Invandrades företagande i svensk retorik och praktik*, Stockholm, Nutek, 2001.
- Slavnic, Z., 'Immigrant and small business re-search in Sweden: An overview', XV World Congress of Sociology, Brisbane, Australia, National Institute for Working Life, 2002.
- Smeeding, T., *Income maintenance in old age: what can be learned from cross-national comparisons*, Syracuse, New York, Maxwell School of Citizenship and Public Affairs, Syracuse University, 2001.
- Standing, G., 'Globalisation, labour flexibility and insecurity: The era of market regulation', *European Journal of Industrial Relations* 3 (1), 1997.
- Sterdyniak, H., 'Econométrie de la misère, misère de l'économétrie', *Revue de l'OFCE* (75), 2000.
- Stewart, M. B., 'The impact of the introduction of the UK minimum wage on the employment probabilities of low wages workers', Coventry, Economics Department – University of Warwick, 2002.

- Storrie, D., European Foundation for the Improvement of Living and Working Conditions, *Temporary agency work in the European Union*, Dublin, Luxembourg, Office for Official Publications of the European Communities, 2002.
- Strengmann-Kuhn W., 'Working poor in Europe: A partial basic income for workers?' Basic Income European Network 9th International Congress, Geneva, University of Frankfurt, 2002.
- Streuli E. and Bauer T., *Les 'working poor' en Suisse: étude de la problématique, de l'ampleur du phénomène, et de ses causes*, Neuchâtel, Office fédéral de la statistique, 2001.
- Sundin, Stockholm, NUTEK. Stockholm, NUTEK.
- Sutela, H., Vänskä, J., and Notkola, Veijo, *Pätkätyöt Suomessa 1990-luvulla* ('Temporary contracts in Finland during the 1990s'), Helsinki, Statistics Finland, 2001.
- Sutherland, H., *The national minimum wage and in-work poverty*, DAE Working papers N°0111, Department of Applied Economics, Cambridge, University of Cambridge, 2001.
- Transfer*, 'The working poor and low pay: a transnational perspective', *Transfer* 4/2000 (co-operation project between the editorial teams of *Transfer*, *La Revue de l'IRES*, and the WSI-Mitteilungen.), 2000.
- Tsakoglou P. and Papadopoulos F., 'Aggregate level and determining factors of social exclusion in twelve European countries', *Journal of European Social Policy*, Volume 12, 2002.
- Union patronale suisse (Swiss employers' union), *Travail et pauvreté*, Document de travail de l'Union patronale suisse, Zurich, 2002.
- US Bureau of Labor Statistics, *A profile of the working poor*, Washington, DC, US Bureau of Labor Statistics Division of Labor Force Statistics, 2000.
- Valkenberg, B. and H. Coenen, 'Working poor in the Netherlands ?' *Transfer* 6 (winter 2000).
- Vandenbroucke, F. and T. Van Puyenbroeck, 'Activation and the burden of working: on instrument choice by a responsibility-sensitive egalitarian government' in Van der Veen R. J., and Groot L., *Basic income on the agenda: policy objectives and political changes*, Amsterdam, Amsterdam University Press, 2000.
- Vielle, P. and Walthéry, P., European Foundation for Improvement of Working and Living Conditions, *Flexibility and social protection: Ireland*, Luxembourg, Office for Official Publications of the European Communities, 2003.
- Walthery, P. and A. Spineux (eds.), *Les mécanismes d'extension des conventions collectives au sein des pays membres de l'UE*, Louvain-la-Neuve, Université catholique de Louvain, 2000.
- Warren C. R., *Poverty, the working poor and income inequality: review of recent research*, 'Building ladders for success' project, Chicago, 2002.
- Whelan C., Layte R., et al., *Persistent and consistent poverty in the 1994 and 1995 waves of the ECHP*, EPAG working paper n° 11, Colchester, University of Essex, 2000.
- Whelan C., Layte R., et al., *Persistent deprivation in the European Union*, EPAG working paper n° 23, Colchester, University of Essex, 2001.
- Whelan C., Layte R., et al., *Persistent income poverty and deprivation in the European Union: an analysis of the first three waves of the ECHP*, European Panel Analysis Group working paper n° 17, Colchester, University of Essex, 2001.

Annex

Social welfare provisions

Unemployment benefits in the eight countries in the welfare panel

	Rate	Duration	Minimum contribution period/conditions	Minimum age	Supplements	Self employed
Sweden	<i>Grundförsäkring</i> Flat rate 29,7 EUR/day (Proportional reduction if the working requirement is met through part-time work)	300 days (may be extended to 600 days)	<i>Working requirement</i> Continuous employment or self-employment >= 70h/month in the last 6 months or 450h and 45h/month during 6 months in the last 12 months ; Cooperation with Employment Service (individual action plan)	20 years + student requirement: 90 days of work/ unemployment in the last 10 months after completing studies		
	<i>Inkomstbortfallsförsäkring (earnings-related benefit)</i> 80% Max 79,32 EUR/day	300 days (less than 57 years)	<i>Membership requirement</i> (at least 12 months) <i>Working requirement</i>	–		
Finland	<i>Peruspäiväraha (Basic unemployment allowance)</i> Flat rate : 22.75 EUR/day		Employees: 43 weeks of employment in the last 24 months and at least 18 hours/week. Self-employed: at least 24 months of entrepreneurship in the last 48 months.			
	<i>Earnings-related unemployment allowance</i> Basic allowance + 42% of the difference between the daily wage and the basic allowance.		Same as above + membership of an unemployment fund			
France	<i>Assurance chômage (unemployment insurance)</i> 40.4% of reference daily wages + 9.74 per day or 57.4% of the RDW within the limit of 75% of the RDW. The best result is taken into account. Minimum: 23.88 EUR per day	Varies according to length of insurance and age; minimum: 4 months, maximum: 60 months	At least 4 months (122 days) / last 18 months	–	–	No
Germany	<i>Arbeitslosenversicherung</i> 60% (52 last weeks) (67% with children) Benefits ceilings	From 14 to 32 months (linked to age, duration of contribution)	Contributory job 12 months in the last 3 years; conditions eased for seasonal workers	–	–	No
Spain	<i>Prestación por desempleo</i> Based upon the last 180 days of contributions : 70% (first 6 months), 60% the remaining max 170% to 220% min wage	1/3 of the contributory period, max 720 days	At least 360 days during the last 6 years Exemption for job training, and insertion contracts. Also marginal workers (<12h/week)	–	None, but the rate of the benefit is linked to the family situation of the worker.	No

Unemployment benefits in the eight countries in the welfare panel (contd.)

	Rate	Duration	Minimum contribution period/conditions	Minimum age	Supplements	Self employed
Italy	<i>Indennità ordinaria di disoccupazione</i> (ordinary unemployment benefit) 40% of the average pay / last 3 months + monthly ceiling of 759.83 EUR for earnings <1,643.83 EUR	180 days (270 days if less than 50 years).	Two years of insurance and 52 weekly contributions in the last two years.			
	<i>Special unemployment benefit</i> (only for workers in the building industry) (80% of previous earnings with a monthly ceiling of 913.24. EUR) Except for workers in the building industry: <i>Mobility allowance</i> For the first year 100% of the extraordinary earnings supplement, for the following months 80%, with the same ceilings as for the ordinary unemployment benefit.	90 days + possibility extension in the event of a recession. 36 months of extension until 48 months for regions in southern Italy	10 monthly contributions or 43 weekly contributions during the last two years in the building industry. At least 12 months of insurance, (at least six months of effective work).			
Ireland	<i>Unemployment Benefit</i> Flat rate: 118.80 EUR/ week.	390 days	39 weeks' contributions paid or credited during the contribution year preceding the benefit year, or 26 weeks' contributions paid in each of the two tax years preceding the benefit year	16 years. Other exceptions: civil and public servants recruited before 06.04.95; persons earning less than 38 EUR per week	Family supplements + additional ones in case of need	No
United Kingdom	<i>Contribution-based Jobseeker's Allowance</i> 85 EUR/week if less than 25 years.	182 days	Paid at least 25 times the minimum contribution (must be above NI lower threshold) during one of the two fiscal years before a claim and paid or had credited 52 times during two fiscal years before the claim to have signed a jobseeker's agreement	16 years.	–	Yes

Source: European Commission 2002; Vielle and Walthery 2002

Main features of unemployment assistance in the eight countries in the welfare panel

Sweden	No means-tested unemployment assistance (see <i>Grundförsäkring</i> above).
Finland	Means-tested daily allowance of 22.75 EUR (monthly income <253/singles, <848 EUR/families. The limit is increased by 106 EUR for each child under 18. Unlimited.
France	Means-tested <i>régime de solidarité</i> . Some additional conditions may be required (long-term unemployment).
Germany	Means-tested. 53% of previous salary (last 52 weeks). Unlimited as long as conditions are met.
Spain	Means-tested. 70%-75% of the minimum wage (or the daily wage if inferior) and in some case workers with families or older workers. Duration limited.
Italy	No unemployment assistance scheme.
Ireland	Means-tested weekly 118 EUR. Supplement in case of dependent child/adult.
UK	Means-tested Income-based Jobseeker's Allowance. 85 EUR/week. Unlimited duration.

Source: MISSOC 2002; Vielle and Walthéry 2002.

Guaranteed minimum income in the eight countries in the welfare panel

	Duration	Eligibility	Age limit	Benefits regarded as income	Average amounts (EUR/month)			Active labour market policies	Continued unemployment benefits
					Single person	Lone parent - 1 child	Couple - 2 children		
Sweden	Unlimited	All legal residents	18	Yes	338	539(10)	987 (8.12)	Yes. No general scheme	Yes
Finland	Unlimited	Residency	Yes	Yes	370.48	629.82(10)	1104.04 (8.12)	Yes: long term or younger recipients	Yes
France	Three months + possibly extended for successive periods from 3 to 12 months	Lasting/regular residency	25	Most benefits: income threshold (from any source 608.43 EUR); Housing allowances to some extent	405.62	608.43	851.81	Individualised integration contract; possibility to keep the benefits for a limited period after finding a job	Yes
Germany	Unlimited	Residency	No age limit	Most benefits but not child-raising allowances	332	634	1.047 (8&10)	Possibility to keep the benefits for a limited period after finding a job	Yes
Spain	12 months + possible renewal	Normally resident of an Autonomous Community for 3-5 years	25-65	Yes	No general schemes: level of benefits depends on the budgetary availability of Autonomous Communities.			Limited	Yes
Italy	Limited, with possible renewal	Residence in the region/municipality	No age limit	Yes, except the family dwelling	Between 232 and 269	Between 440 and 697	Between 542 and 842	In some regions	Yes
UK	Unlimited	Residency + not to be a full-time employee	Normally 18	Most benefits except Housing Benefit, Council Tax Benefit	728	1055	1540	Meeting with personal advisers compulsory.	Yes
Ireland	Unlimited	Residency	18	All incomes except Family Benefit	514.80	598.40	1001.90		Yes

Source: MISSOC 2002

European Foundation for the Improvement of Living and Working Conditions

Working poor in the European Union

Luxembourg: Office for Official Publications of the European Communities

2004 – VIII, 112 pp. – 21 x 29.7 cm

ISBN 92-897-0258-3