

In-work poverty in the EU

Introduction

The working poor are a substantial group in the overall poverty statistics and are estimated to constitute 10% of European workers. This report examines in-work poverty in the European Union, picking up where a previous Eurofound report on this subject, published in 2010, ended. It looks at how in-work poverty evolved in the aftermath of the financial crisis of 2008, based on analysis of the latest data from the European Union Statistics on Income and Living Conditions (EU-SILC). While the prevalence of in-work poverty has been studied before, less is known about what it means to be one of the working poor. This report examines the social ramifications of in-work poverty by describing the well-being and living conditions of the working poor. It also looks at different measures adopted by governments to prevent or alleviate in-work poverty, especially indirect measures that improve the living standards of the working poor. These indirect measures have not received much policy attention compared with direct measures to increase incomes, such as minimum wages and social transfers.

Policy context

Preventing in-work poverty has to be seen as part of the overall goal to reduce poverty in the EU. The Europe 2020 strategy identifies unemployed people as being particularly at risk of poverty. However, getting people into work is not always sufficient to lift them out of poverty. Even before the onset of the 2008 financial crisis, a substantial number of European workers were poor. Since then, there has been growing divergence in in-work poverty rates across Member States. This divergence warrants policy attention in light of the EU's commitment to economic, social and territorial cohesion, inclusive growth and upward economic convergence for Member States. The European Commission's 2017 recommendation on the European Pillar of Social Rights explicitly recognises the need for policies and measures to tackle in-work poverty.

Key findings

- Although it is difficult to discern clear trends, there is a link between increases in non-standard forms of employment in many countries and the expansion in the proportion of Europeans at risk of in-work poverty.
- The working poor face significantly more social problems than the population as a whole: in-work poverty is associated with lower levels of subjective and mental well-being, problems with accommodation, as well as poorer relationships with other people and feelings of social exclusion. This finding demonstrates the importance of paying specific attention to this group and better documenting the social situation of people at risk of in-work poverty.
- Most Member States do not specifically address in-work poverty, and the examples in this report show that governments and the social partners have approached the issue through the discussion of poverty more generally, with a particular focus on measures to get people into work. Consequently, the number of policies that are designed explicitly to protect or improve the situation of the working poor is limited.
- While an adequate minimum wage is a core pillar of any model of social protection for the working poor, it is clear that policy attention should rather be on minimum household income to reflect more accurately the situation of many of the working poor.
- One advantage of measures that indirectly improve the living standards of the working poor is that they help these households without necessarily having them as their main focus. Unfortunately, this can also be a significant disadvantage because the risk exists that these measures fail to reach the working poor. The impact of indirect measures as a tool to prevent in-work poverty needs to be further evaluated.

Policy pointers

- The increase in in-work poverty during the financial crisis has had a broad social impact and is not merely a statistical issue. In-work poverty is a significant problem across Europe that requires specific policy attention from governments and the social partners.
- In most Member States, the focus lies on getting people into work. While having work generally improves people's situations, it is not in itself a remedy for in-work poverty. In fact, the focus on getting people into employment can increase in-work poverty if no attention is paid to the incomes of these workers and the households in which they live.
- The risk of poverty among people in non-standard forms of employment appears to have increased during the recession. It is important that developments in in-work poverty among these workers and their households are carefully monitored to better assess their needs and the risks that they face. These workers should have the same rights and access to social protection that workers with standard contracts enjoy.
- Considering the poverty risk that these workers face during spells of unemployment, measures are needed to facilitate the transition between jobs and to provide financial support while they are between jobs.
- Member States could learn from policies developed to assist a particularly vulnerable group of workers, those working part time through necessity rather than choice (involuntary part-time workers).
- Since housing and childcare costs may force households into poverty, it is important to take these into account when measuring in-work poverty. In the UK, for instance, housing costs are integrated into standard indicators of social reporting, and figures before and after housing costs are calculated.
- For childcare to be an effective tool in combating in-work poverty, it must reach the target group – workers with young children who have lower levels of household work intensity and less stable jobs associated with lower earnings.
- Another important factor to consider is the impact of education. The growing trend towards more high-skilled professions calls for investment in lifelong education to help people move into better-paid jobs and reduce in-work poverty in Europe in the long term.
- More policy evaluations are needed to better understand the effectiveness of indirect measures that can help to address in-work poverty.
- In-work poverty is not easy to define and measure, and this makes it difficult to understand divergent developments between different groups of workers and between countries, especially in times of rapid economic change. Anchored poverty thresholds or measures of material deprivation may provide a more simple approach for comparing in-work poverty trends over time.

Further information

The report *In-work poverty in the EU* is available at www.eurofound.europa.eu/publications.

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