



# The working poor in the European Union

## info sheet

*'Quality in work is essential for both social inclusion and regional cohesion. A high risk of unemployment, social exclusion and poverty go hand in hand with poor education, low skilled, low paid, non-permanent jobs.'*

European Commission Communication, *Improving quality in work (COM (2003) 728)*.



## WHAT is the context?

One of the key objectives of the EU Lisbon strategy in 2000 was to secure more and better jobs. Specific targets were established in terms of employment levels for the EU as a whole (70%) as well as for the categories of female workers (over 60%) and older workers (50%). Social exclusion and poverty were also prominent features of the strategy, which presented the vision of a socially cohesive as well as an economically prosperous and competitive Union.

Employment is often claimed to be the best protection against poverty. However, data at EU level suggest that 17% of the self-employed and 6% of employees are classified as poor (defined as those earning less than 60% of the median equivalised household income). The working poor are defined as workers living in a household where at least one member works and where the income of the household (including social transfers and after taxation) is still below the poverty line.

## WHY this research?

The problem of working poverty is increasingly pressing given the higher average incidence of the phenomenon in the new Member States. It represents a complex and challenging issue for European societies, as it can arise due to either individual or household circumstances. Key factors for individuals include their work and skills. Critical household characteristics are income and size of household.

The Foundation's project aimed to quantify the incidence and characteristics of the working poor and to identify policies aimed at combating its spread. It also examined the link between employment and social protection policies.

## WHAT are the findings?

### Who are the working poor?

- Workers may be poor as a consequence of the insufficiency of their own earnings.
- Workers may also be poor if their wages are not sufficient to lift the overall household out of poverty. In this case, the household context explains the incidence of poverty.
- 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.

### Employed poor

- 6% of employed people in the EU (about 7.8 million) were classified as poor in 1999.
- Poverty among employed people in the southern countries (7-10%) is higher than the EU average. This is also the case in France, Luxembourg and the UK.
- Poverty is less present among employees in the Nordic countries and in Austria, Belgium and Ireland (3-4%), compared to the EU average.

## Self-employed poor

- 14% of self-employed people in the EU were below the poverty line in 1999 (3.1 million persons).
- The lowest poverty rates among the self-employed are found in Belgium, Ireland, Luxembourg, the UK, and, particularly, in Germany (only 5%).
- Austria, France, Greece, Portugal and Sweden present the highest poverty rates for the self-employed.

## Unemployed poor

- People who are unemployed and looking for work are included in the active poor category.
- 39% of unemployed people in the EU were classified as poor in 1999 (6.3 million persons).
- In Belgium, France, Germany, Greece and Portugal, between 30% and 40% of unemployed people are poor.
- More than 40% of the unemployed are poor in Italy, Luxembourg, Spain, the UK and, particularly, Ireland, where more than 50% of this group are poor.

## Contributing factors

- Low-paid workers face an increased risk of working poverty. The incidence of low pay is 12.6%-15.8% in the EU. 75% of the low paid are women. Most low-paid workers are also unskilled.
- The main cause of working poverty (up to 75% of all cases) lies in the household structure. 'Lean' households (with few members and/or with little work) run a high risk. The current trend towards smaller households is likely to increase the size of this group.
- Single parent households are more likely to be poor, even when the parent works.
- Working poverty can be a driver for migration. However, many immigrants are likely to remain in this category in the recipient country.

## 'Make work pay' policies

- Several Member States have developed specific fiscal policies designed to tackle the problems of unemployment and poverty 'traps'.
- 'Make work pay' policies are divided into two broad categories: the reduction of taxation on low-wage workers and the implementation of tax credit measures. These are designed to increase net earnings and to encourage (re)entry into the labour force.
- Examples from France and the UK show that tax credits do not have a major impact on employment participation.

## Social welfare responses

- It is difficult to quantify the impact of income replacement schemes on household income due to the multiple combinations that are possible regarding activity status and composition.
- Such schemes are increasingly linked to mandatory activation programmes.
- Social protection schemes vary among countries in terms of level, coverage and eligibility.

## WHAT now?

The findings show that a group that can be labelled working poor (although heterogeneous by nature) does exist. However, available information and data are limited. Working poverty is difficult to tackle through any single approach. More in-depth research on working poverty characteristics (households and individuals) is needed.

Quality of work and employment remains central. The solution for reducing and ultimately abolishing working poverty may be to design multi-targeted approaches that focus on improving both the income of poor households and job quality, but are also sensitive to the development of individual assets and household needs.

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 in the European Employment Strategy and in the Open Method of Coordination on social inclusion.

### Further information:

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<http://www.eurofound.eu.int/working/employment/workingpoor/>

*Working poor in the European Union*  
<http://www.eurofound.eu.int/publications/EF0467.htm>

### Foundation work on related issues

*Third European survey on working conditions 2000*  
<http://www.eurofound.eu.int/publications/EF0121.htm>

*Working conditions in the acceding and candidate countries*  
<http://www.eurofound.eu.int/publications/EF0306.htm> (report)  
<http://www.eurofound.eu.int/publications/EF0375.htm> (info sheet)

*Working conditions surveys*  
<http://www.eurofound.eu.int/working/surveys/>

*Quality of life in the European Union*  
[http://www.eurofound.eu.int/living/qual\\_life/](http://www.eurofound.eu.int/living/qual_life/)

*Perceptions of living conditions in an enlarged Europe*  
<http://www.eurofound.eu.int/publications/EF03113.htm> (report)  
<http://www.eurofound.eu.int/publications/EF03114.htm> (résumé)

*Low income and deprivation in an enlarged Europe*  
<http://www.eurofound.eu.int/publications/EF03105.htm> (report)  
<http://www.eurofound.eu.int/publications/EF0434.htm> (summary)

*Interactions between the labour market and social protection (seminar report)*  
<http://www.eurofound.eu.int/publications/EF0343.htm>

*Integrated approaches to active welfare and employment policies*  
<http://www.eurofound.eu.int/publications/EF0204.htm>