

# Working poor – bringing them into the net



## Who is in the poverty trap?

Key elements of the EU's strategy to combat social exclusion are the promotion of quality of work (European Employment Strategy) and the eradication of poverty; however, the persistence of in-work poverty – people who fall below the poverty level while being employed – seem to undermine these goals. Having a paid job is usually regarded as a guarantee of being able to meet one's own and one's household's needs. However, data from the EU-SILC (Statistics on Income and Living Conditions) survey for 2007 shows that, in the EU27, the disposable income of 8% of those aged 18 and over in employment – more than 15 million people – is not enough to lift them out of poverty. In Greece, Italy, Latvia, Poland, Portugal and Spain, for example, more than one in every 10 employed persons are in the 'working poor' category. Although data about trends regarding this phenomenon is scarce, the recent increase of atypical forms of employment, which tend to provide fewer working hours and consequently lower incomes (very short part-time work, for example), can lead to more people falling into in-work poverty.

**Working poor are persons who are in work for over half of the year and who have an income below 60% of the national median.**

## Persons most at risk

Younger workers are more at risk of in-work poverty: 9% of workers aged between 18 and 24 years are poor, as against 8% of those aged 25–54 years, and 7% of 55–64 year-olds. Moreover, younger women are at higher risk than men: 10% of women aged 18–24 years are at risk, as against 9% of men of the same age. However, women in employment are in general less likely to find themselves in poverty than working men (even though women across Europe generally face a greater risk of poverty). The risk of falling into in-work poverty is greater for workers with lower levels of education: 14% of those with a lower secondary level of education (or lower) are likely to be 'working poor', as against 3% of those with a third-level qualification. Workers in households with dependent children are at greater risk. The nature of employment also affects the chances of falling into poverty. The risk for the self-employed and for workers in family firms is,

**Younger workers, those with lower levels of education, who are self-employed or working in atypical employment all run a greater risk of in-work poverty.**

respectively, three and five times higher than for regular employees. In addition, having a low-paid job, being in work for less than a year, working part time and having a non-permanent contract all carry a greater risk of in-work poverty than does full-time employment on a permanent contract. National experience also points to a greater risk for specific groups: migrant workers seem to be more at risk of falling into poverty in Austria, Cyprus, Denmark, Finland, Ireland, Malta, Norway and Sweden, while in Bulgaria, Hungary, Malta and Spain, people working in the informal economy are at higher risk, mainly because they are low paid and suffer poor working conditions.



## Public policies to combat in-work poverty

In most countries, poverty-reduction policies aim to reduce poverty and social exclusion in general. However, many of these could be targeted to combat in-work poverty: labour market policies (such as minimum wages, unemployment assistance and benefits, job insertion plans, start-up benefits, etc.), fiscal policies (tax credits or tax exemptions), and social protection policies (allowances, grants, support to childcare services, etc.). Since the existing analyses of the effectiveness of these policies focus on their impact in terms of overall poverty alleviation, however, their potential to combat in-work poverty remains unknown.

## Social partner actions

Employer organisations seem by and large to lack specific initiatives to combat in-work poverty, relying mainly on measures that are usually the responsibility of public authorities. However, some measures have been proposed by employer organisations, which could alleviate in-work poverty. Employers in Bulgaria, Estonia and Greece have proposed using education and training measures to improve employability; in Finland, they proposed increased numbers of part-time jobs, temporary jobs and temporary agency work; and in Hungary, tax measures have been introduced to boost low-paid workers' income. Trade unions have also proposed actions to reduce in-work poverty: in Bulgaria, for instance, trade unions have proposed negotiating social benefits at company level, and introducing a food voucher system. In Ireland, trade unions have put forward the idea of tax exemptions for minimum-wage earners, reforming in-work social welfare entitlements and enhancing workers' skills and training. In Portugal, the importance of raising the minimum wage and increasing supervision of non-standard types of employment is stressed. In Norway, trade unions underline the importance of public control of the labour market and of full-time employment, propose measures to secure jobs and adequate salaries for vulnerable groups such as young, older and immigrant workers and call for an increase in social security benefits.

**Governments, social partners and civil society could do more to raise the profile of the issue of in-work poverty, and create harmonised policies to tackle it. Effective policies to combat in-work poverty and, ultimately, poverty in general remain to be devised.**

## Further information

This fact sheet forms part of the Eurofound resource pack, *All aboard – leaving social exclusion behind*.

The pack looks at the key issues behind social exclusion and explores initiatives across Europe that seek to create a fully inclusive society.

For a copy of the pack or further information on this topic, please email: [integration@eurofound.europa.eu](mailto:integration@eurofound.europa.eu)

To view the resource pack online, and all other Eurofound materials on this topic, please visit: [www.eurofound.europa.eu/resourcepacks/integration.htm](http://www.eurofound.europa.eu/resourcepacks/integration.htm)

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European Foundation for the Improvement of Living and Working Conditions

Wyattville Road, Loughlinstown, Dublin 18, Ireland

Telephone: (+353 1) 204 31 00

Email: [integration@eurofound.europa.eu](mailto:integration@eurofound.europa.eu)

Website: <http://www.eurofound.europa.eu>