

In-Work Poverty in Europe

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Amartya Sen, Poverty, Inequality and Unemployment. Some Conceptual Issues in Measurement (8 *Economic and Political Weekly*, 1973, 1457)

“Poverty has been identified not merely with inequality but also with unemployment. (...) [so that a] person may be working for long hours and be paid for his efforts, but if his remuneration rate is low, he may still end up being classified as ‘unemployed’.”

“In the empirical literature **many measures of inequality have been used**, and they do not often rank alternative income distributions in the same way. The variance, the coefficient of variation, the standard deviation of logarithms, the Lorenz curves, the Gini coefficient, the income share of the bottom x (say, 10) per cent of the population, and other examples.”

Olivier De Schutter, Report of the UN Special Rapporteur on extreme poverty and human rights, *The working poor: a human rights approach to wages* (2023)

Most of the world’s poor people work, yet they do not earn a wage sufficient to afford an adequate standard of living for themselves and their families. (...) However one counts the working poor, the general trend is clear: even where work is formalized, **having a job does not always protect the worker and his or her family** from poverty



Measurement(s) of In-Work Poverty



An individual is poor if s/he has a lower standard of living than the others living in the same country

AROP: an individual is at risk of poverty (working poor) when:

- is **in work** (> 7 months/year) and
- **income is < 60% of the median household disposable income**

→ 60% of the median is known as **the poverty line**

Are YOU a working poor?

Check out our quiz!

<https://workingyetpoor.eu/working-yet-poor-quiz/>



The working poor in the EU

- Working population that was at risk of poverty (AROP) in the **EU in 2022 was 8.5%**, slightly decreasing from 8.9% in 2021 and 8.8% in 2020 .
- Over the last decade, this proportion has increased, boosted by the economic crisis, from an average of 8% in 2006 to **9.4% in 2018** in the EU area.
- The prevalence of in-work poverty ranges from **lows** of 4-5% in countries like Belgium, the Czech Republic, Denmark and Finland to **highs** of up to 13,5% in Luxembourg and 17% in Romania.

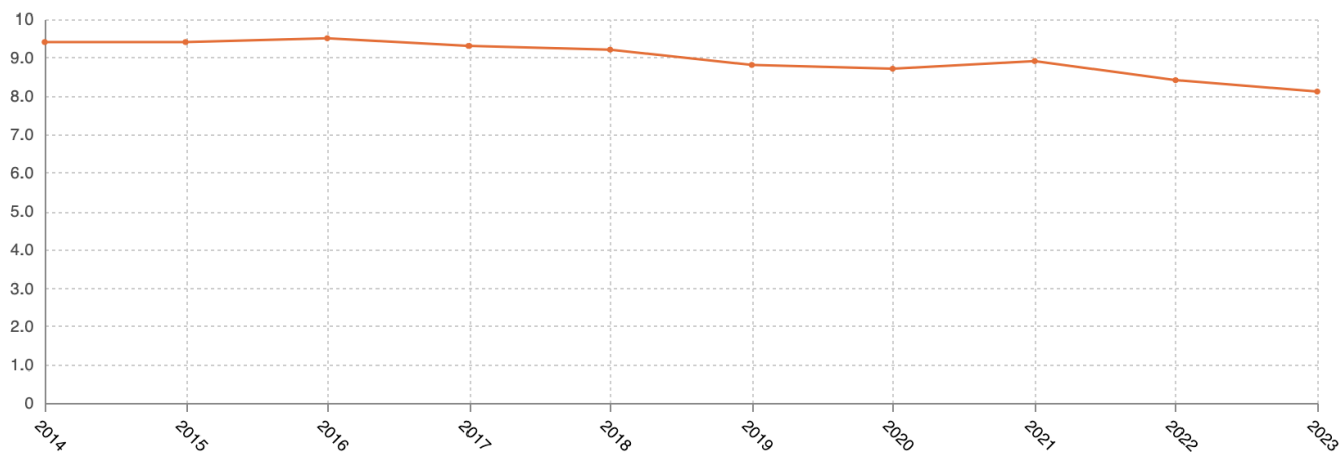


The working poor in the EU



In work at-risk-of-poverty rate

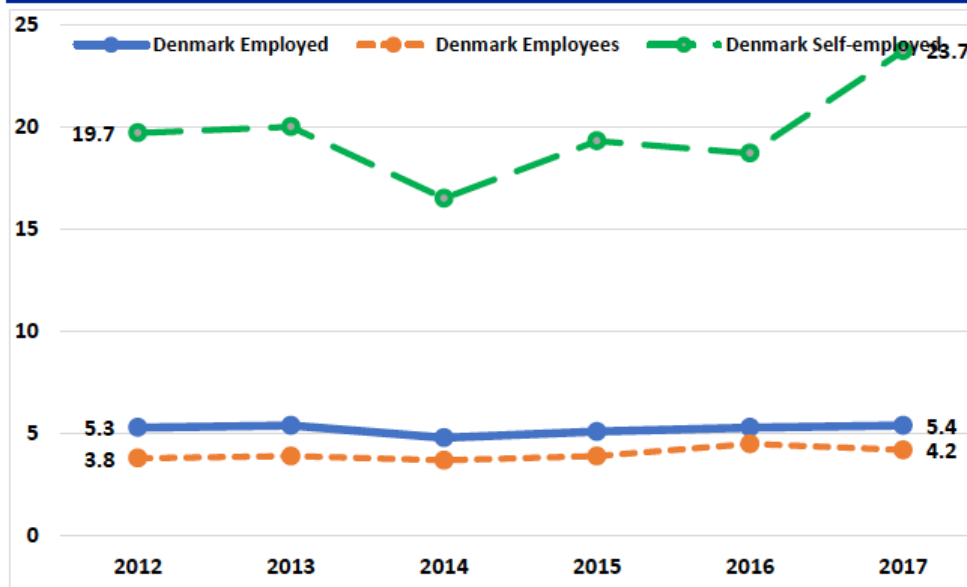
Time frequency: **Annual** Activity and employment status: **Employed persons** Sex: **Total** Age class: **18 years or over** Unit of measure: **Percentage**



■ Euro area – 20 countries (from 20...

Country focus: Denmark

Figure 1a. In-work poverty rates in Denmark, according to employment status, 2012-2017



But ...

Source: Eurostat (2018a).

- IWP is higher among persons in **non-standard jobs**
- IWP rate for persons on **temporary** contracts increased by 37.0% since 2012
- There are large **geographical differences** in earned income
- Almost one in four of the Danish **self-employed** (24.5%) is at risk of poverty or social exclusion, compared to only one in 17 of those employed (6.0%)



The working poor in the US

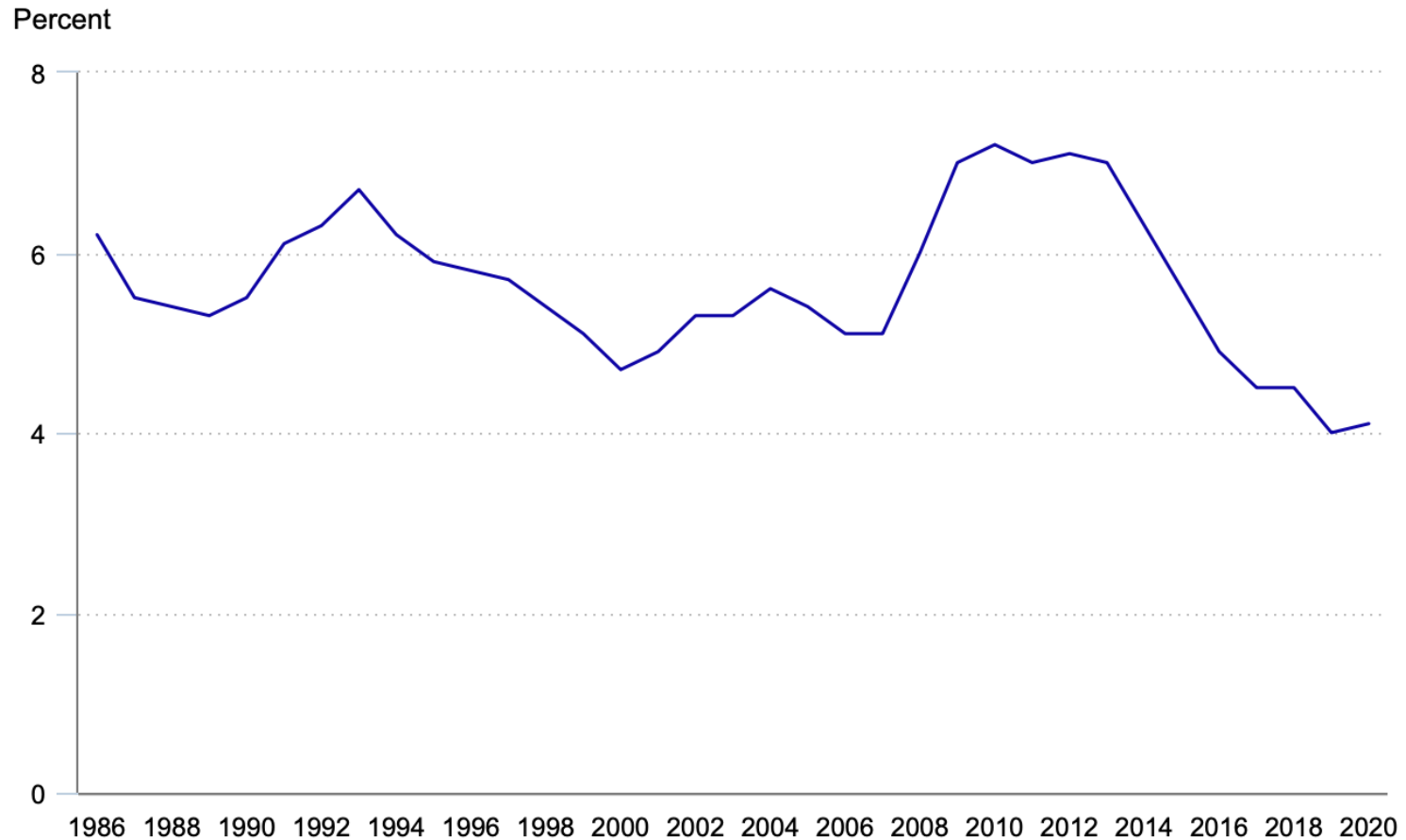
- According to the U.S. Census Bureau, in 2020, 37.2 million people, or **11.4 %** of the nation’s population, lived **below the official poverty level**
- The ‘**poor**’ were primarily adults who had not participated in the labor force during the year and children: However, **6.3 million individuals were among the “working poor” in 2020**
- Full-time workers remained much less likely to be among the working poor than part-time workers
- Women were more likely than men to be among the working poor (4.6 percent and 3.6 percent, respectively)
- The likelihood of being classified as working poor diminishes as workers attain higher levels of education
- In the last 15 years, the Working poor rate decreased:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Work ing poor rate	6.0	7.0	7.2	7.0	7.1	7.0	6.3	5.6	4.9	4.5	4.5	4.0	4.1



The working poor in the US

Chart. 1 Working-poor rate of people in the labor force for 27 weeks or more, 1986–2020



Hover over chart to view data.

Source: U.S. Bureau of Labor Statistics, Annual Social and Economic Supplement (ASEC) of the Current Population Survey (CPS).



The working poor in the US

Three major labor market problems that can hinder a worker's ability to earn an income that is above the poverty threshold:

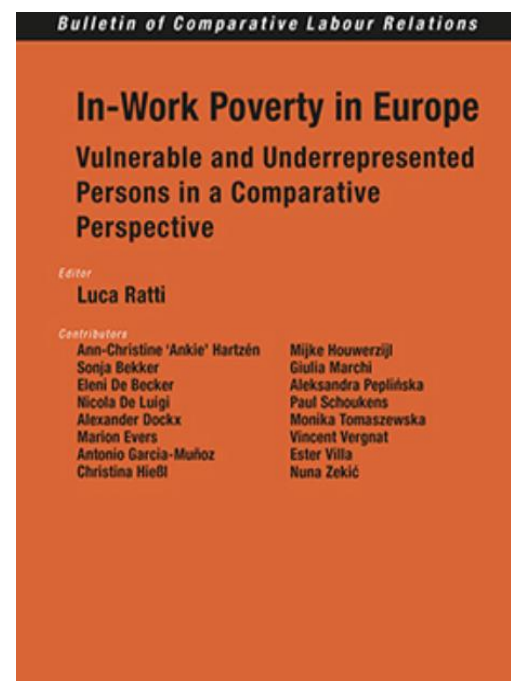
- a) low earnings
- b) periods of unemployment
- c) involuntary part-time employment



The Need to Focus on the Most Vulnerable Clusters in the Labour Market

The VUP Groups

1. **Low- or un-skilled workers** who have standard employment contracts and are employed in traditionally **poor sectors** (e.g., cleaning, private security, and logistics)
2. **Self-employed persons** (particularly bogus self-employment and solo/ economically dependent self-employment)
3. **Flexibly employed workers** (e.g., fixed-term, agency workers, involuntary part-timers, and mini-job contracts)
4. **Casual/zero-hours and platform workers** (e.g., delivery people, drivers, and crowdworkers)



In-Work Poverty in Europe
(L. Ratti (ed), Wolters
Kluwer 2022)



	BE	DE	IT	LU	PL	SE	NL
<i>VUP Group 1 (Low- or unskilled worker with standard employment contracts)</i>							
Share	7,9 %	16,5 %	10,4 %	9,5 %	8,3 %	7,5 %	14,4 %
AROP	4,8 %	14,4 %	14,3 %	19,6 %	5,4 %	8 %	4,4 %
Severe MD	1,5 %	2,0 %	5 %	0,7 %	2 %	1,0 %	0,61 %
<i>VUP Group 2 (Self-employed persons)</i>							
Share	7,8 %	5,3 %	13,5 %	2,3 %	14,3 %	6,1%	13 %
AROP	15 %	24,6 %	18,6 %	13,6 %	28,9 %	24,3 %	14,3 %
Severe MD	1,8 %	2,2 %	5,7 %	0,5 %	1,8 %	0 %	1,4 %
<i>VUP Group 3 (Flexibly employed persons, i.e. fixed term workers, temporary agency workers and involuntary part-time workers)</i>							
Share	12,8 %	18,2 %	15,8 %	12 %	16,6 %	12,2 %	22,5 %
AROP	11,3 %	15,5 %	21,5%	24,2 %	9,1 %	19,5 %	6,9 %
Severe MD	6,1 %	2,6 %	13,5 %	3 %	4,8 %	3,5 %	1 %



VUP Group 1: Low- or unskilled worker with standard employment contracts

- **Domestic legislation** (and collective agreements) remain pivotal
- EU law is (curiously) in its infancy on standard workers
 - EU Directive on transparent and Predictable Working Conditions (2019/1152)
 - EU Directive on Adequate Minimum Wages (2022/2041)



Is the **EU Directive** on adequate minimum wages an effective tool to prevent in-work poverty?

EPSR (2017) - **Principle 6**: “Workers have the right to fair wages that provide for a decent standard of living. Adequate minimum wages shall be ensured [...]. **In-work poverty shall be prevented.**”

EU Parliament (2021) **Resolution** on inequality and in-work poverty

Article 5, Dir. 2022/2041: the criteria to guide MS assessment of adequacy should include “at least the following elements: a) the purchasing power of statutory minimum wages, taking into account the cost of living; b) the general level of wages and their distribution; c) the growth rate of wages; d) long-term national productivity levels and developments

Minimum wage policies cannot be considered as a remedy to in-work poverty, but adequate minimum wages are a necessary safeguard →

AMW as a shield, not a sword



VUP Group 2: Self-employed persons

- **Large variations across MS** (eg: DK 8.9%; DE 8.7%; FR 13.1%; IT 21.5%; GR 30.3%)
- **EU law** still struggles to deal with self-employed workers
 - CJEU *FNV Kunsten* (Case C-413/13): consideration of bogus self-employed
 - Council Recommendation 8 Nov 2019 on Access to social protection for workers and the self-employed (2019/C 387/01)
 - CJEU *Yodel* (Case C-692/19): definition of self-employed
 - CJEU *JK* (C-356/2021): antidiscrimination law applies also to genuine self-employed



Defining the self-employed: the Yodel test

When the person is afforded **discretion**:

- to use **subcontractors** or substitutes to perform the service which he has undertaken to provide;
 - to **accept or not accept** the various tasks offered by his putative employer, or unilaterally set the maximum number of those tasks;
 - to provide his services to **any third party**, including direct competitors of the putative employer, and
 - to **fix his own hours of 'work'** within certain parameters and to tailor his time to suit his personal convenience rather than solely the interests of the putative employer,
- provided that, first, the **independence of that person does not appear to be fictitious** and, second, it is **not possible to establish** the existence of a relationship of **subordination**



VUP Group 3: Flexibly employed persons

The regulation of atypical work at EU level

- Dir. 1997/81 on part-time work
- Dir. 1999/70 on fixed-term work
- Dir. 2008/104 on temporary agency work



Is **equal treatment** an effective tool to protect VUP3 workers from IWP?

Dir. 2008/104, Art. 5:

- **Basic working and employment conditions** of temporary agency workers **shall be**, for the duration of their assignment at a user undertaking, ***at least those that would apply if they had been recruited directly by that undertaking to occupy the same job.***

→ No limitation on objective grounds (but Art. 6(4))

→ Large scope for derogations by MS

Dir. 97/81 + 99/70, Clause 4:

- In respect of employment conditions, pt / ft workers ***shall not be treated in a less favourable manner than comparable fulltime / permanent workers*** solely because they have a pt / ft contract or relation *unless different treatment is justified on objective grounds.*

→ Excludes social security

→ The importance of a comparator



Equal, Yet Poor?

Part-time workers

- (In)voluntary part-time work
- (Equal) wages
- Option to exclude on-call workers, workers with mini-jobs
- Part-time work and overtime
- Part-time work and job protection

Fixed-term workers

- Fixed-term work and (lacking) job security
- Equal treatment and prohibition of abuse
- Fixed-term work in the aftermath of the 2008 crisis in the public sector (Spanish & Italian cases)

Temporary agency workers

- Concept of TAW and division of employer responsibilities
- Equal treatment and possibilities for derogation in national law
- Reviewing national prohibitions and restrictions to TAW
- Preventing misuse TAW Directive

Credits to L. Ratti, M. Houwerzijl, A. Aranguiz, A. García-Muñoz, N. Zekić,
Equal, Yet Poor – The Ineffective Protection of Atypical Workers Under EU Law,
European Labour Law Journal 2024



VUP Group 4: Casual and Platform Workers

- Wide array of casual and intermittent contractual relationships
- Few statistical data at national or EU level
- Inconsistent widespread of platform work across MSs
- No specific regulatory framework at **domestic level** for casual/platform workers ([presumptions/case law/draft laws](#))
- → Most Platform Workers fall either into VUP2 or VUP3



Platform Work according to the Directive Proposal (COM(2021) 762 final)

→ Definition of Digital Labour Platform

Article 2(1)

1) 'digital labour platform' means any natural or legal person providing a commercial service which meets all of the following requirements:

(a) it is provided, at least in part, at a distance through electronic means, such as a website or a mobile application;

(b) it is provided at the request of a recipient of the service;

(c) it involves, as a necessary and essential component, the organisation of work performed by individuals, irrespective of whether that work is performed online or in a certain location;



Platform Work according to the Directive Proposal (COM(2021) 762 final)

'platform work' means any work organised through a digital labour platform and performed in the Union by an individual on the basis of a contractual relationship between the digital labour platform and the individual, irrespective of whether a contractual relationship exists between the individual and the recipient of the service;

'person performing platform work' means any individual performing platform work, irrespective of the contractual designation of the relationship between that individual and the digital labour platform by the parties involved;

'platform worker' means any person performing platform work who has an employment contract or employment relationship as defined by the law, collective agreements or practice in force in the Member States with consideration to the case-law of the Court of Justice;



Platform Workers and In-Work Poverty

(COM(2021) 762 final) Impact Assessment (p. 12)

«**In-work poverty and precariousness would thus decrease as a result of reclassification** and the resulting improved access to social protection.
Hence, **income stability and predictability** would improve. »



Main determinants of IWP affecting Platform Workers

- Low **income**
- **Inconstant** assignments
- Low **work intensity**
- The trap of in-work poverty



Is the **correct qualification** an effective tool to protect Platform Workers from IWP?

Article 4

- (1) Member States shall have appropriate procedures in place to verify and ensure the **correct determination of the employment status** of persons performing platform work...
- (2) The determination of the existence of an employment relationship shall be **guided primarily by the facts** relating to the actual performance of work, taking into account the use of algorithms in the organisation of platform work, irrespective of how the relationship is classified in any contractual arrangement that may have been agreed between the parties involved



Proposed Social policy initiatives to fight in-work poverty

- I. Improving the policy status and awareness of in-work poverty.
- II. Improving the **assessment** of in-work poverty.
- III. Ensuring access of low-skilled workers and non-standard workers to **learning and training**.
- IV. Improving **social protection** of vulnerable workers.
- V. Including **IWP as a cross-cutting issue** in a wider consensual debate on social investment and the future of work and social protection.

Credits to [WorkYP Project – Policy Proposals to Combat In-Work Poverty \(2023\)](#)



The Structurisation of in-work poverty in Europe

- **2021 Resolution EU Parliament:** inequality and in-work poverty are in a relationship between 'genus' and 'species':
 - increasing inequalities have amplified the uneven distribution of IWP across the labour market by creating, perpetuating or worsening the living and working conditions of specific groups of people
- **Structural injustice** (I.M. Young 2011; V. Mantouvalou 2023)
- **Structural in-work poverty**



Antidotes?

- Adopting a **Human Rights** perspective (Mantouvalou; De Schutter)
- Expanding the **interpretation** of minimum wage rules to include the household dimension
- **Revisiting labour law's horizon** to tackle the vulnerability of the self-employed and precarious workers

Societal transformations and the way forward

- **Demographic** structure of European societies
- Longitudinal **trajectories**
- Increasing casualisation and **low work-intensity** (more refined indicators needed)



THANKS FOR YOUR ATTENTION!

More at:

[L Ratti & P Schoukens \(eds\), Working Yet Poor. Challenges to the EU Social Citizenship \(Hart Publishing 2023\)](#)

www.workingyetpoor.eu

