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Working Paper

Poor Workers in Rich Democracies: On the Nature of In-Work Poverty and Its Relationship to Labour Market Policies

IZA Discussion Papers, No. 15163

Provided in Cooperation with:

IZA – Institute of Labor Economics

Suggested Citation: Hick, Rod; Marx, Ive (2022) : Poor Workers in Rich Democracies: On the Nature of In-Work Poverty and Its Relationship to Labour Market Policies, IZA Discussion Papers, No. 15163, Institute of Labor Economics (IZA), Bonn

This Version is available at:

<https://hdl.handle.net/10419/263379>

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Poor Workers in Rich Democracies: On the Nature of In-Work Poverty and Its Relationship to Labour Market Policies

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ISSN: 2365-9793

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ABSTRACT

Poor Workers in Rich Democracies: On the Nature of In-Work Poverty and Its Relationship to Labour Market Policies

The working poor were long thought of as people toiling away in lousy, under-protected and underpaid jobs in places like fast-food joints, supermarkets, hotels and bars. The perfidious consequence of that perception was that in-work poverty was seen as a non-issue in countries with extensive labour protections, especially in countries with minimum wages at significant levels. The idea that the working poor were only to be found in the so-called “liberal” economies lacking strongly organized labour and proper regulatory correction has turned out to be completely wrong. In-work poverty exists in all rich economies. But what, exactly, do we mean by in-work poverty? How is it related to labour market trends and also to policies? And how might governments look to successfully tackle the problem of working poverty? In this paper, a draft chapter forthcoming in Clegg, D. and Durazzi, N. (eds), *Research Handbook of Labour Market Policy in Rich Democracies*, with Edward Elgar we provide some answers to these important questions.

JEL Classification: J08

Keywords: low pay, poverty, labour market policies

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Introduction: the working poor have become an issue throughout the rich world

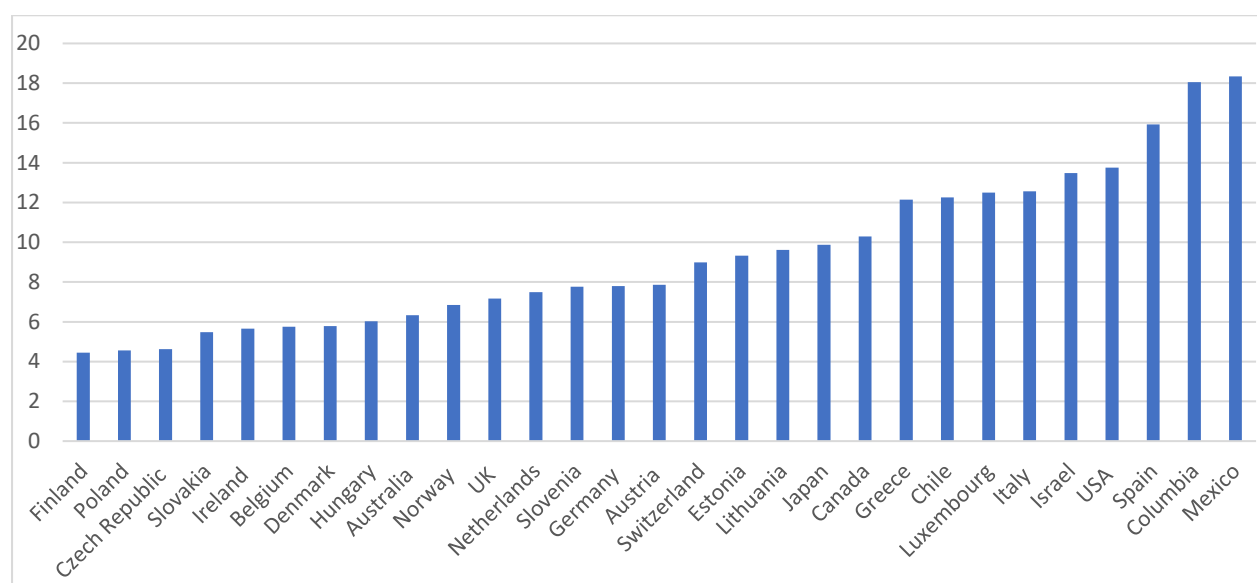
Until around 20 years ago the so-called “working poor” were seen as essentially an American phenomenon. In fact, the idea that working people could still be poor was so alien to debates in much of Europe and elsewhere that no proper term existed for it until the somewhat awkward term “in-work poverty” started to be used. The working poor were mainly seen as victims of neo-liberalism gone too far, which in Europe essentially meant post-Thatcherite Britain. The working poor were thought of as people toiling away in lousy, under-protected and underpaid jobs in places like fast-food joints, supermarkets, hotels and bars. The perfidious consequence of that perception was that in-work poverty was seen as a non-issue in countries with extensive labour protections, especially in countries with minimum wages at significant levels.

The idea that the working poor were only to be found in the so-called “liberal” economies lacking strongly organized labour and proper regulatory correction is completely wrong. The reality is that the working poor are omnipresent in the rich world, including in Europe. Estimates from the Luxembourg Income Study show that the proportion of workers living in poverty in the OECD nations for which we have data ranges from 4.5 per cent in Finland to 18 per cent in Mexico (see Figure 1). While the United States (at 13.8 per cent) has one of the higher working poverty rates of OECD nations, the United Kingdom (at 7.2 per cent) and Australia (at 6.3 per cent) can be found located amongst the more encompassing welfare states of Norway and the Netherlands, and Ireland has the fifth-lowest rate (at 5.7 per cent). In-work poverty is thus not exclusively, or even especially, a problem of the “liberal” economies, and there is no straightforward division between the richer and poorer countries when it comes to the incidence of in-work poverty by relative definitions, at least amongst the European nations.

In-work poverty is thus a problem for all nations. Most European governments acknowledge this, as does the European Commission. By way of illustration, the European Pillar of Social Rights, adopted by all EU governments in 2018 explicitly acknowledges the problem under Principle 6: “Workers have the right to fair wages that provide for a decent standard of living. Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. *In-work poverty shall be prevented*” (our emphasis).

But what, exactly, do we mean by in-work poverty? How is it related to labour market trends and policies? And how might governments look to successfully tackle the problem of working poverty? In this paper, we seek to provide answers to these important questions.

Figure 1. In-work poverty rates in OECD nations (%), 2017¹



Who are the working poor? Definitions and misconceptions

The good news is that the problem of in-work poverty has become widely acknowledged. The less good news is that profound misconceptions persist as to the nature of the phenomenon. That is very clear from the Social Pillar Principle just quoted, which is about wages. The very complex issue of in-work poverty is thus reduced to an issue of low or inadequate wages. While not completely wrong this idea is still profoundly misleading. Many people working for relatively low wages are not poor by any commonly used definition. Though it is certainly true that many of the working poor work for relatively low pay, a sizeable share have wages that are significantly higher than any widely-used low pay threshold. A sole provider with dependent children can easily be working poor even with a decent wage.

Much of this misperception derives from the way the working poor are usually defined and counted.. The most common approach builds simultaneously on the labour market status of the *individual* under focus and on the living standard of the *household* in which that individual resides. For example, Eurostat defines the working poor as people who have been mainly working during the reference year (either in employment or self-employment) and whose equivalised disposable household income is below 60 per cent of the median in the country in question. Employment status is measured on the basis of monthly calendars completed by survey respondents, with ‘in work’ taken to mean that the status he/she declares to have occupied for at least 7 months is employee or self-employed. This is a more restrictive definition of employment than we have applied in our analysis of data from the Luxembourg Income Survey, above.

This less than clear-cut definition makes in-work poverty rates very hard to interpret. It is also very hard to draw straightforward policy conclusions. First, it makes a big difference whether the

¹ Estimates reflect the proportion of workers (respondents with positive labour market income during the reference period) living in households with incomes below 60 per cent of median equivalised disposable household income. Data are from 2017 or nearest year. Data for Mexico are from 2018, for Australia, Czech Republic, Denmark, Estonia, Finland, Greece, Italy, Norway and Spain are from 2016, for Slovenia and Hungary are 2015 and for Japan and Luxembourg are from 2013.

individual in question lives in a household with other sources of income or not. The number of dependent children, if any, also has a big impact since living standard is a function of household size. And to make things even more complex, the year-long reference period used in most poverty studies complicates interpretation. Those working for part but not all of the year may be found to be in poverty on an annual basis even if they were not poor while working. If people do not get adequate benefits during the periods that they are not in work then this may actually result in them being counted as working poor. Indeed, since many of the working poor have unstable employment positions this is actually quite possible.

The bottom line is that in the conventional way of measuring in-work poverty, a person's employment situation (especially her or his pay) is only one of many possible drivers of their living standard vis-à-vis the poverty line.

The conventional approach to measuring in-work poverty in fact puts relatively heavy weight on overall household work-intensity as a driving factor (Marx & Nolan, 2014; Ponthieux, 2010). Note moreover that the most precarious workers, those with volatile and marginal labour market attachment during the income reference period, are not even included simply because they do not qualify as workers under the European definition.

All this has implications for the policy debate and thus response. Take for example a two-adult household with a sole breadwinner and two dependent children. The household income is below the poverty threshold. Whether, and to what extent, the poverty situation of that household is seen as a problem of the breadwinner generating insufficient income, or as a problem of the partner not working, or as a problem of inadequate child support makes a fundamental difference as to what type of policy action is to be examined and possibly favoured.

This is where societal and political preferences come into play. If in-work poverty is construed as a problem of low household work intensity, the question arises what is a sufficient level of work intensity. It is not self-evident that this equals all working-age, work capable adults in the household being in full-time work the whole year round. Societal norms on this issue may differ across countries. A work capable single adult may be expected to work full-time before additional income support is considered legitimate if his or her earnings fall short of the poverty threshold. A lone parent may be judged to be in a different situation, especially when the children are of pre-school age.

While these are the real issues, there is a noticeable mismatch between the real causes of in-work poverty and the way many policy makers think about it. As we already stressed, in the minds of policy makers it is principally seen as a problem of low pay. In reality it is mainly a problem of household work intensity. That in turn has to do with a lack of jobs (rather than with the level of pay when they are there) and with the lack of support for people to actually take up jobs, for example because of lack of childcare. In work poverty has in fact as much to do with a lack of jobs, especially sufficiently stable jobs, as it has to do with the nature of those jobs.

Compounding this disconnect between the way politicians think about in-work poverty and the reality of the problem may be the self-perception of the working poor themselves. Many people in a situation of working poverty probably do not see themselves as "poor". Think of a single mother working in a steady clerical job or as a teacher. If she does not receive adequate child support she may very well be working poor, despite having a distinctly middle class job and matching lifestyle aspirations. The fact that the working poor are so heterogeneous and that many

probably do not even self-identify as poor means that their capacity for mobilization and voice is limited. Many of the working poor are effectively unheard and unseen.

What do we know about the working poor?

These complexities of construction have resulted in a literature that places significant emphasis on the relationship between in-work poverty and other forms of economic insecurity and its incidence for a variety of socio-demographic groups. The most widely-examined aspect of in-work poverty concerns its relationship with low pay. While in public discussion (and, regrettably, some academic work) in-work poverty and low pay are treated as virtual synonyms, a substantial literature demonstrates the highly contingent relationship between them (e.g. Nolan and Marx, 2000; Salverda, 2018), with many low paid workers not experiencing poverty. Despite being distinct issues, low paid workers are nonetheless at substantially elevated risk of working poverty (Maître *et al.*, 2018) and the relationship between them is complex and has eluded simple characterisation.

In examining this relationship, it is common to consider the proportion of low paid workers who are living in poor households – that is, to consider the overlap from one direction only. This matters because studies have shown the incidence of low pay to be greater than that of working poverty. Where this occurs, the overlap – understood as the proportion of low paid workers living in poverty - cannot be 100%. Indeed, sometimes the maximum possible overlap is significantly lower than 100%. The consequence is that while a majority of low paid workers are living in non-poor households, a much higher proportion of the working poor live in households where there is a low-paid worker (see e.g. Goerne, 2011: 22, who provides evidence to this effect for 23 European countries). This demonstrates at least the potential of increasing wage floors as a means of tackling working poverty, even if it also generates spill-over effects by mostly benefitting non-poor workers

In addition to pay levels, three other variables consider the amount of work conducted by household members as an explanatory factor for working poverty. First, studies have shown that in most countries workers employed on a part-time basis have a substantially elevated risk of working poverty (e.g. Eurofound, 2017: 19). Second, working poverty can be influenced by the proportion of the year spent in work. Halleröd *et al.* (2015), who analyse data from 22 European countries, show in-work poverty is substantially driven by intermittent participation in the labour market, as well as being a problem for the self-employed. They find that ‘very few of those who are fully integrated on the labour market are poor’ (2015: 485). Finally, the number of workers in the household is an especially strong predictor of in-work poverty (e.g. Hick and Lanau, 2017). Indeed, as Tamayo and Popova (2021: 488) demonstrate with comparative European data, ‘dual earnership appears to be a particularly important poverty-preventing factor for individuals with precarious employment characteristics’. This final point matters because it foregrounds the way that family contexts can mediate the relationship between low-paid work and household poverty. While the relationship between other forms of precarious or atypical work are less frequently explored (though there are exceptions – e.g. Horemans, 2018), household dynamics are likely to play a role here too.

Just as the presence of additional earners can lower the working poverty risk for a precarious or low-paid worker, the presence of non-working adults or children in many cases raises it (Thiede *et al.*, 2018). In other words, demographic as well as labour-market differences matter. These explanations, then, amount to what Goerne (2011) has labelled the three mechanisms explaining in-work poverty: job quality (low pay), job quantity (household labour market participation) and household expenditures (costs of dependents).

In addition to studies examining the incidence of working poverty for different groups and the mechanisms that explain it, other studies examine the *experiences* of the working poor. Two key findings stand out. First, working poverty is associated with elevated rates of a range of economic, social and health-related problems when compared with the rates of workers who do not experience poverty. Eurofound (2017: 27-30) find that those experiencing working poverty have lower levels of life satisfaction and mental well-being and are more likely to claim feelings of social exclusion than the average worker. Second, there is some evidence that the working poor are a better-off subset of people who experience poverty. Hick and Lanau (2017: 15) present an analysis of three measures – household income, material deprivation and subjective economic stress – and find that the working poor perform worse on all three measures than workers who are not poor but perform better than respondents who are poor but are out of work.

While most studies are cross-sectional in nature, there are, then, a series of longitudinal studies of working poverty. One issue that must be addressed in such studies that working poverty transitions are inherently more complex than those in relation to worklessness. A person experiencing working poverty may “exit” by remaining in work but gaining an increase in income or, conversely, by exiting work but remaining poor (e.g. Gutiérrez *et al.*, 2011). A key challenge for policy, as Hick and Lanau (2018) point out, is to maximise “positive” transitions while minimising negative ones. Existing research finds that these positive transitions tend to be dominant and, moreover, that labour market explanations typically explain a greater proportion of working poverty exits than demographic changes in household composition (Gutiérrez *et al.*, 2011). There is less agreement, within the category of labour market explanations, about the relative importance emphasis of pay rises versus gaining workers in explaining working poverty exits (Vandecasteele and Giesselman 2018; 2017; Hick and Lanau, 2018).

The studies discussed to this point have primarily been quantitative in nature, though there have been a small number of recent qualitative studies which take the measurement of in-work poverty seriously (in relation to the dual individual and household aspects, discussed above) but which seek to investigate the lived experiences of those in working poverty (e.g. McBride and Smith, 2021).

While our discussion to this point summarises some of the areas on which there is greatest clarity, there are also some areas of uncertainty. One concerns the reason for the elevated risk of in-work poverty for migrants, which has been observed in numerous studies. Crettaz (2018: 90) examines this issue using data for 19 European countries and finds that the elevated risk for migrants remains even after controlling for a range of socio-economic differences. Many survey data sources – including the Statistics on Income and Living Conditions survey, on which many European analyses are based – do not disaggregate country-of-origin beyond ‘national’, ‘EU’ and ‘Non-EU’ and this, and the limited sample sizes of migrants in these surveys, can frustrate attempts to adjudicate between competing explanations for the in-work poverty migrant penalty (Crettaz, 2018: 98-99). An exception is Plum *et al.* (2019), who link data from the 2013 Census and Inland Revenue records for almost 900,000 New Zealand households. They find that on average migrant status is associated with elevated in-work poverty rates, but that while people born in Micronesia, Polynesia, Mainland South-East Asia and the Middle East all displayed above-average risks (in some cases significantly so), residents born in the United Kingdom, Ireland, Southern and East Africa, Maritime South-East Asia and parts of Europe had lower levels of working poverty than the average. This shows that elevated risks of working poverty for migrants can mask very diverse performance by country of birth and thus that the elevated risk of in-work poverty is not explained by migrant status *per se*. Further work to examine the precise mechanisms and their relative importance is needed, however.

A final issue concerns gender differences in working poverty. Some studies show that, contrary to what is observed in relation to low pay, there are not significant gender differences in terms of the incidence of in-work poverty (e.g. Hick and Lanau, 2017). The household dynamics that comprise the working poverty construct, when combined with the assumption of equal income sharing in households that constitutes typical income poverty measures, tends to result in negligible gender effects but, it is sometimes argued, a blurring of real differences. This has led to attempts to capture poverty in “earned income” (e.g. Ponthieux, 2018), which individualises the measure of working poverty and brings gender differences to the fore, demonstrating women’s elevated risk of in-work poverty. This measure, however, returns us to a concept closer to that of low pay. The value in conducting such an analysis depends on one’s aim. If the belief is that individual income is itself important (Bennett and Sutherland, 2011), then such a measure can be seen to capture this. If, in contrast, what matters is an individual’s command-over-resources, then the value of individualising the measure will be greater in contexts where the sharing of income within households is less likely to occur. This is an empirical question and one that remains contested, though it is a question that has received a revival of attention in recent years (e.g. Karagiannaki and Burchardt, 2020).

The drivers of in-work poverty: the role of structural forces and labour market policies

As we have seen, in-work poverty is as much driven by socio-demographic factors (household composition, the number of earners and the number of dependents) as it is by a person’s labour market position per se. But labour market trends and the policies driving them - the focus of this volume - obviously are an important factor, especially where and when they interact with sociodemographic trends increasing financial vulnerability.

Let us perhaps start with the “exogenous” trends affecting European labour markets. It has long been thought that globalisation, especially increased competition from emerging economies is not good for lower skilled workers in the richer advanced economies of Europe. Increased competition from countries where low skilled work is more abundant, cheaper and less constrained by regulations and strong organised labour, is thought to exert downward pressure on wages and working conditions, thus potentially driving up in-work poverty. If wages are not actually pushed down, their growth is thought to be constrained by foreign competition.

Technological change is also seen as not being kind to lower skilled workers. Consecutive waves of automation in the guises of machine, robots, computers and other labour-saving technological and organisational changes are seen to have destroyed jobs for the less skilled. Indeed, that technological change destroys jobs is undisputed. That of course is not to say that technology destroys work. Newer insights have resulted in a somewhat less bleak picture in the sense that technological change is no longer seen as being biased solely against lower skilled labour. Rather, it is seen as producing job polarisation whereby the relative proportion of non-automatable low skilled jobs actually increases relative to the share of jobs requiring intermediate level skills (Autor, 2015; 2019). The implication of this, however, is that more people, including educated people, become reliant on those lower paid service sector jobs that are impossible to provide from abroad or are hard to automate. Moreover, a characteristic of those jobs is that they are more likely to be insecure and at non-standard hours than say the clerical or manufacturing jobs of old. Since we know low work intensity to be an important driver of in-work poverty, the combination of lower wages and more challenging work times (especially for sole earners with care duties) makes it entirely plausible that technological change is in fact driving up in-work poverty.

It must be added immediately that the empirical evidence does not neatly fit any of the dominant narratives about globalisation or technological change (Salverda et al, 2014). Actual patterns of job polarisation differ quite substantially across countries and across periods, with some studies even suggesting that job polarisation is not a continuing trend (Buyst et al, 2018). Additionally, while low wage work has increased in some countries this is far from the case everywhere. Some countries have seen rising wage inequality and skills premia while other countries have not.

While claims that economic internationalisation and technological change are detrimental to lower skilled workers in advanced economies are entirely plausible on theoretical grounds, the actual empirical evidence does not entirely support the resulting bleak outlook for low-skilled work.

In fact, the reality is that employment rates have increased quite significantly in most countries while the incidence of low-wage work remained stable in all but a few countries, at least as far as we know. We do not have good data series on wage inequality and low pay for a number of countries.

Where low paid work has actually increased - and it has not everywhere - such a trend is more plausibly linked to local, “endogenous” institutional changes than to secular, exogenous trends (Bosch, 2015). In Germany, for example, the increase in low-paid employment seems directly linked to the decline in collective bargaining coverage (in a context where no minimum wage existed until 2015). The expansion of low-paid work was an explicit policy goal in the Netherlands for some time.

This brings us to the more endogenous or intentional changes. While good, stable, reasonably remunerated jobs may be harder to come by, especially for lower skilled workers, governments across Europe keep focussed on getting more people into work. The EU’s Lisbon and Europe2020 Strategic Agendas both had ambitious employment targets. Underlying the primacy of those targets was the notion that more people in work would bring many societal and economic benefits. A job was seen to be “the best protection against poverty”, a phrase used ad nauseam at EU and national levels.

Active labour market (ALMP) and so-called “make work pay policies” became in many countries the workhorse policies to bring about these targets, aided in some countries by deregulation efforts (in labour markets but also in service and product markets) and job friendly macro policies such as wage moderation. It is hard to sketch what happened in the various countries in a short space because there always has been, and remains, a lot of variation. The centrality of activation and getting people into jobs was probably much more shared in discourse than in actual action. In a country like the Netherlands, to name one notable example, activation was for real, with spectacular results. Wage moderation, deregulation efforts, benefit-and tax reforms were all purposely coordinated to achieve one overriding objective: getting more people in work. In other countries, activation turned out to be more rhetoric than reality.

Some literature argues that the Nordic and Continental European countries have embraced ALMP most enthusiastically while the Southern and CEE countries lag behind (Hapanaala, 2022). Of course, the ALMP umbrella is a very wide one (see Cronert, this volume). It entails ‘stick’ measures such as the threat of tapering or withdrawing benefits unless jobseekers comply with job search plans to ‘enabling’ policies such as training and counselling and ‘carrot’ measures like subsidies and job find premia. Impact studies have yielded quite heterogeneous results, with both individual characteristics and institutional contexts influencing their effectiveness (Card et al., 2018: 896).

In other words, it is difficult enough to ascertain the reality of activation policies across a wide set of EU countries. It is even harder to link those with actual observed employment trends. So one should be very careful with drawing blanket conclusions regarding the impact of activation trends on in-work poverty.

In one study, Spannagel and Seikel (2018) analysed the impact of the different elements of activation policies on in-work poverty using EU-SILC and OECD data for 18 EU member states. Their results show that high expenditures for active labour market policies went along with lower in-work poverty risks. Strict conditionality and a high degree of re-commodification were found to have increased the risk of in-work poverty. Their findings suggest that the combination of well financed active labour market policies and generous social benefits is the most promising strategy to fight in-work poverty. This combination is typically associated with the ‘enabling welfare state models’ of Scandinavian countries. However, other studies suggest that even the Nordic countries have seen the proliferation of unorganised sectors and part-time and temporary contracts in the 2000s (Rasmussen et al., 2019).

The latest source of concern comes from what has been labelled a ‘renaissance’ of self-employment (Conen et al., 2016) and the emergence of new forms of work that do not fit any of the standard work formats, for example platform and gig-work (see Bertolini et al, this volume). Throughout the twentieth century self-employment gradually decreased but that trend seems to have halted. On average the share of self-employment in Europe has remained relatively stable during the past twenty years but that masks substantial cross-country variation. In some countries it is on the rise, especially own-account self-employment.

The self-employed do face significantly higher income poverty risks (Horemans and Marx, 2017). About 15 percent of European workers in self-employment can be labelled as working poor as compared to 10 per cent of contracted employees. Remarkably, however, while income poverty levels are quite significant among the self-employed, material deprivation rates are generally much lower. That may have to do with income measurement issues. It also appears that the self-employed can more often draw on assets, possibly business assets.

A new group of self-employed workers has emerged - people working in the platform economy, as for Uber or Deliveroo. (Although courts in various countries, such as the UK, have ruled otherwise). Some fear that the platform economy is a new source of in-work poverty. Studies confirm that platform workers such as Uber drivers have relatively low earnings (Mishel, 2018; Fouarge and Steens, 2021). But because gig work is usually a secondary or tertiary source of income it may actually reduce working poverty risks. Also, the gig economy remains comparatively tiny, both in terms of value added as in terms of the numbers employed.

Better policies and politics

In this section we consider how policy responses can successfully tackle in-work poverty. Given the emphasis in the literature on definitional questions and their inter-relation with other forms of economic security, this is an area that has perhaps not received the attention it might. In this section, we consider both the different actions that government can take, as well as how other actors – notably businesses and unions – can play a part, too.

The most widely-discussed policy response to working poverty is that of raising minimum wages, and a central question in the literature concerns the precise role that minimum wages can and should play in tackling working poverty. While much of the analytic literature has, as we have shown, demonstrated the highly contingent relationship between low pay and in-work poverty,

quite high proportions of working poor households include the presence of a low-paid worker. This demonstrates the potential of raising wage floors as a means of tackling working poverty. Swaffield et al. (2018) present data from the UK showing that the voluntary Living Wage does not eliminate poverty or material deprivation amongst working families, but it does leave them somewhat better off. Since most low paid workers live in non-poor households, however, ‘policies aimed at the low paid as a group will also have a very substantial spillover: much of the benefit will go to the non-poor’ (Nolan and Marx, 2000: 117; Marx et al., 2012).

Studies repeatedly show, as we have noted, the relationship between the work intensity of the household and in-work poverty. To this end, governments may seek to tackle poverty by, on the demand side, stimulating job creation or, on the supply side, by providing childcare that enables parents (and especially mothers) to engage in paid work. Another supply-side policy would be to refocus activation schemes not only to help unemployed people find jobs, but to encourage them to progress into better jobs or employment offering greater numbers of hours (Marx, 2019). However, the empirical association between household labour market performance and in-work poverty does not translate straight-forwardly in terms of a policy response since increasing labour market participation might not be possible for some households (e.g. in households where there is only one working-age adult) and, even where possible, may be inappropriate (e.g. in the case of there being young children).

The third type of response emphasises the role of in-work benefits and/or family benefits. In some countries, such as the United States and the United Kingdom, in-work benefits form a significant component of national social protection programmes; in many other countries, there are similar, though often smaller schemes (Marchal *et al.*, 2018). In-work benefits can help to raise working household incomes above the poverty line. Because the poverty status of a worker is measured on a total equivalised household income basis, this means that social security payments, including family benefits for any children and out-of-work support for any partner, also matter (Hick and Lanau, 2019). In this sense there can be a complementarity between efforts to tackle in-work poverty and reducing poverty more generally.

From the perspective of governments, the policy response to in-work poverty may involve these three main levers, and the balance between them is not straight-forward and does not simply ‘follow the evidence’. In addition to considerations of effectiveness, there is a normative question about how much paid work societies should encourage or expect, so the balance between influencing labour market performance, pay floors and in-work benefits is likely to be influenced by this consideration (Marx, 2019). There are, as we have suggested, limits to any given strategy, as the example of labour market performance shows. And there can also be pragmatic considerations – increasing wage floors must take account of the ability of business to pay and thus of the likely effect on employment; increasing in-work benefits may depend on the fiscal space governments have and competing priorities, especially in terms of poverty alleviation for different groups. All of this is to suggest that national responses are likely to be calibrated in response to multiple considerations, with no one-size-fits-all solution.

While less often considered, we may also ask what role there is for the other social partners. In recent years, there have been a small number of studies examining the role of business in tackling in-work poverty. Panagiotakopoulos (2019) conducted interviews with small firms in Greece and found that in-work poverty was understood to be a problem by these firms, associated with low morale and absenteeism. They provide examples of how businesses have attempted to tackle working poverty over-and-above salary increases. These include the provision of travel allowances,

the introduction of a bonus scheme, the provision of training to enhance future career prospects and offering free meals to workers. Hyde and Shephard (2021) conducted a survey of London business and found widespread acknowledgement of high rates of poverty in the city and, similarly, concern that poverty within the workforce would impact worker well-being, lower morale and increase absenteeism. Unlike other aspects of economic disadvantage, in-work poverty may present novel difficulties in terms of engaging business, however. While efforts to stimulate employment or Living Wage campaigns may provide scope for ‘credit claiming’ for businesses, is possible that businesses would not want to publicise – or simply may not recognise – that some of their workers are living in poverty. There has been still less attention to the role that trade unions play in tackling in-work poverty, with the literature that does exist focused almost entirely on raising wage levels for members (e.g. Wills and Linneker, 2014). Whether unions can play a broader role, seeking to advance progress on the range of factors behind in-work poverty, remains to be seen.

A final consideration concerns the politics of tackling in-work poverty. On the one hand, there is some evidence that the public are more supportive of policies to support the working poor than the jobless (Gregg et al., 2013). This may reflect (perhaps questionable) understandings of deservingness but, for our purposes, is significant in that it might be seen to lead to greater efforts to support such groups. On the other, the “construction” challenge may create a disconnect between those officially identified as experiencing in-work poverty and people’s own understandings of their circumstances, as we have discussed above. Unlike other risk groups, such as the unemployed or families with children, the working poor will in many cases lack a clear-cut categorical and identifying characteristic. The working poor ostensibly have natural allies in trades unions and left-wing political parties, but there remain questions about how politically mobilised those experiencing in-work poverty can become.

Overall, then, it is clear that an effective challenge to in-work poverty will contain a number of elements, both focussing on remuneration from labour, but also including attention to household labour market performance and in-work benefits. The analytic literature emphasises the contingent relationship between low pay and working poverty, and often stresses the importance of aggregate labour market performance – and second-earnings in particular – as being important buffers against working poverty. But raising household employment levels is far from straight-forward, which often returns policy attention to question of wage floors, despite the spillover the effects they are likely to produce. Thus, pragmatic challenges in tackling in-work poverty are likely to influence policy responses, which in turn may deviate from what the evidence identifies as the strongest predictors. It is also important to emphasise that working family incomes have many components, and thus a policy response to tackle in-work poverty will require multiple elements that need to be balanced, rather than thinking that one of the approaches identified here can work alone.

Conclusion

After a period in which employment was seen in many countries as the ‘best route out of poverty’, there is growing recognition that a job does not guarantee an escape from poverty. Over the past decade, attention has shifted to working poverty as a problem requiring attention in its own right and not as the exception to the poverty-alleviating effects of supporting greater numbers of people into work.

Focussing squarely on in-work poverty in its own right requires taking seriously what is being measured. We have shown here that the taking the measurement of in-work poverty seriously

shows that this is a problem that is quite different from that of low pay, with which it is often confused. These questions of measurement are not simply an ‘artefact’ but appear to reflect real differences between individual earned income and household living standards. Furthermore, taking these definitional questions seriously also opens-up a window onto some important issues – for example, the extent to which households can form a “buffer” or “shock absorber” to labour market insecurity for individual workers.

The relationship between labour market trends and policies on the one hand and in-work poverty on the other also requires further empirical investigation. There are several areas where the evidence base needs to be stronger. As we have discussed here, there tends to be a vast difference between what is thought to be driving in-work poverty and what is actually driving it. One thing is clear: for activation policies to work best, there is a need for them to be coupled with generous social benefits, rather than being an alternative to these.

The issue of in-work poverty highlights the importance of mobilising a range of policy levers, some of which are conventional labour market policy (ALMPs to boost employment and earnings capacity), some are labour market regulation (minimum wages and extension of collective agreements), and yet others are more social/family policies (for example childcare and child benefits). Tackling in-work poverty requires that we move beyond conventional distinctions between policies focused on the labour market and policies focused on families. It also puts into question the politically popular division of the world in to the (deserving) working and the (less deserving) non-working. Finally, there is a need for policy responses to consider not only government initiatives but also what role the social partners might play in tackling working poverty. When it comes to preventing low pay, for example, the strength and scope of collective bargaining is as important as state-imposed minimum wage legislation (Garnero, 2020). This points to the importance of strengthening organised labour and social dialogue. The hope is that, with greater awareness of the problem of in-work poverty, and of its relations to labour market trends and policies, responses to in-work poverty can become more successful.

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